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IHS Markit Thailand Manufacturing PMI™

Thai manufacturing conditions deteriorate in November

Key findings

Declines in output, new orders and employment

Deepest fall in new export orders for three years

Business confidence hits lowest since September 2018

November saw Thailand's manufacturing conditions deteriorate for the first time in nine months, dragged down by declines in both production volumes and new orders. Lower sales also contributed to a renewed fall in backlogs of work which, in turn, prompted firms to further reduce employment and scale back purchasing activity. Business confidence, while positive, fell to the lowest for just over a year. Inflationary pressure meanwhile remained subdued.

The Thailand Manufacturing *Purchasing Managers' Index*™ (PMI™) fell to 49.3 in November, down from 50.0 in October, indicating a deterioration in the health of the sector for the first time since February. At 49.7, the average PMI for the fourth quarter so far showed the manufacturing economy heading towards its first quarterly decline this year.

The latest survey data indicated that the decline in output occurred concurrently with a fall in new orders, with both respective indices signalling the fastest pace of decrease for just over a year. Anecdotal evidence suggested that demand for Thai manufactured goods had weakened further amid a domestic economic slowdown and deteriorating trade conditions. Overall sales declines were also weighed down by a first fall in overseas demand for three months, with survey panellists highlighting that a strong baht was a factor behind export weakness.

Consistent with reduced sales was a contraction in backlogs of work. This was the first decline reported since April, with the rate of decrease the fastest for just over two years. Job shedding continued in November, extending the sequence of lower employment to 14 months. The rate of job losses was also the second steepest in the four-year survey history.

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Thailand Manufacturing PMI
sa, >50 = improvement since previous month



Source: IHS Markit.

Comment

Commenting on the latest survey results, Bernard Aw, Principal Economist at IHS Markit, said:

"November IHS Markit PMI data showed the first deterioration in Thai manufacturing conditions for nine months as goods producers cut back on production volumes amid weak demand."

"New orders fell at the fastest rate for just over a year during November, partly reflecting the deepest decline in export sales for three years. Anecdotal evidence suggests that some of the external weakness was related to a stronger baht."

"Indeed, Thai manufacturers were not as confident about the business outlook compared to previous months, with optimism dropping to its lowest since September last year. Much of the worries were focused on the impact of a slowing economy on future activity. Subdued sentiment also saw a further pull-back in hiring that occurred concurrently with a reduction in purchasing activity."

Muted sentiment was also reflected in manufacturers' purchasing activity, where the quantity of purchases dropped for a second successive month in November, albeit marginally. Despite lower input purchases, stocks of input accumulated in the middle of the fourth quarter, following a decline in October. Meanwhile, inventories of finished goods fell further, linked to efforts to improve cashflow and maintain lean stockholdings.

Worries about the impact of a slowing economy on future activity dented confidence during November. Business expectations about output in a year's time, while positive, fell to the lowest since last September. Firms generally expect new marketing strategies, promotional activities and increased sales staff to drive output growth.

Finally, price pressures remained muted in the middle of the fourth quarter. Average selling prices rose at the slowest pace for six months, in tandem with another marginal increase in input costs. According to anecdotal evidence, cost increases were primarily connected to higher food prices.



Sources: IHS Markit, NESDB.

Contact

Bernard Aw
Principal Economist
IHS Markit
T: +65 6922 4226
bernard.aw@ihsmarkit.com

Katherine Smith
Public Relations
IHS Markit
T: +1-781-301-9311
katherine.smith@ihsmarkit.com

Methodology

The IHS Markit Thailand Manufacturing PMI™ is compiled by IHS Markit from responses to monthly questionnaires sent to purchasing managers in a panel of around 400 manufacturers. The panel is stratified by detailed sector and company workforce size, based on contributions to GDP.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are then seasonally adjusted.

The headline figure is the Purchasing Managers' Index™ (PMI). The PMI is a weighted average of the following five indices: New Orders (30%), Output (25%), Employment (20%), Suppliers' Delivery Times (15%) and Stocks of Purchases (10%). For the PMI calculation the Suppliers' Delivery Times index is inverted so that it moves in a comparable direction to the other indices.

Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

November 2019 data were collected 12-21 November 2019.

For further information on the PMI survey methodology, please contact economics@ihsmarkit.com.

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About PMI

Purchasing Managers' Index™ (PMI™) surveys are now available for over 40 countries and also for key regions including the eurozone. They are the most closely watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends. To learn more go to ihsmarkit.com/products/pmi.html.