

Nikkei Thailand Manufacturing PMI™

Thai manufacturing sector expands further in May

Key points:

- Slower rises in both output and new orders
- New export business growth strongest in 15 months
- Inflationary pressures remain mild

Data collected May 13-22

Thailand's manufacturing sector expanded for a third straight month during May, albeit at a slower pace than April. Both output and new business increased further while export order growth reached the strongest since early 2018. In response to greater demand, firms scaled up purchasing activity and built input inventories.

Capacity pressures accumulated as indicated by an increase in backlogs of work for the first time in four months. Inflation remained mild while companies are generally positive about the business outlook.

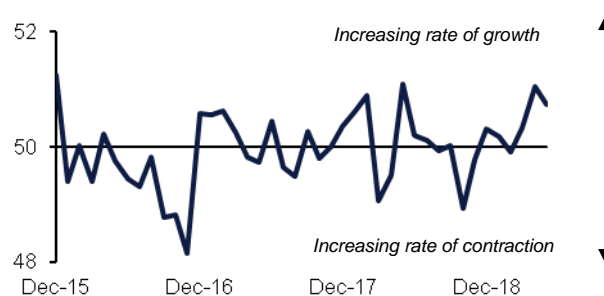
The seasonally adjusted **Nikkei Thailand Manufacturing Purchasing Managers' Index™ (PMI™)** dipped to 50.7 in May, down from 51.0 in April, indicating a mild improvement in the health of the manufacturing sector. The latest reading remained above the average of the three-and-a-half-year survey history, which augured well for second quarter manufacturing performance.

The headline PMI, which derives from questions on output, new orders, employment, inventories and delivery times, provides a snapshot of the manufacturing performance in the country.

Demand conditions improved further midway through the second quarter, supported by growth in export orders. Sales to overseas markets rose further in May, with growth seen at the strongest since February 2018. Overall new orders (including export sales) increased for a fourth straight month, albeit at a softer pace.

Firms responded to stronger demand by stepping up production. Output growth has now been recorded for seven consecutive months. Despite increased output, backlogs of work accumulated for the first time since the start of the year.

Nikkei Thailand Manufacturing PMI



Sources: Nikkei, IHS Markit

Employment fell further in May, the eighth month in a row. Anecdotal evidence suggested that voluntary leavers were the primary reason for lower staff numbers.

Greater demand helped to sustain confidence among Thai manufacturers. Business expectations about output in the year ahead remained positive, with the Future Output Index coming in above the series average during May. Firms pointed to higher sales forecasts and planned capacity expansions as factors behind the positive sentiment.

Optimism was also reflected in firms' decisions to raise purchasing activity and build-up input stocks, albeit at slower rates, in anticipation of higher demand.

Suppliers remained capable of meeting increased appetite for inputs, as reflected by another improvement in vendor performance in the middle of the second quarter.

The lack of pressure on supply chains largely contributed to inflationary pressures remaining subdued. Input prices and output charges both rose at marginal rates during May. Inflation was attributed mainly to higher raw material costs, such as crops and fuel, as well as increases in transportation fees.

Comment:

Commenting on the Thai Manufacturing PMI survey data, **Bernard Aw**, Principal Economist at IHS Markit, which compiles the survey, said:

“Growth in the Thai manufacturing sector extended into the middle of the second quarter, supported by a further strengthening of demand conditions. New orders rose for a fourth straight month during May. More importantly, export sales increased at the fastest pace since early-2018, providing hopes that the recent weakness in export growth has bottomed out.

“Business confidence remained positive while firms continued to step up purchasing activity and build-up input stocks. Moreover, the average PMI reading so far for the second quarter is the highest in the three-and-a-half-year survey history, suggesting that economic growth could pick up in the three months ending June. The latest survey data are broadly consistent with annual GDP growth rates of around 4%.”

-Ends-

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Notes to Editors:

The early June releases of May data from the Asia PMI series will be the final releases to carry Nikkei branding.

The Nikkei Thailand Manufacturing PMI™ is based on data compiled from monthly replies to questionnaires sent to purchasing executives in over 400 industrial companies. The panel is stratified by GDP and company workforce size. The manufacturing sector is divided into the following 8 broad categories: Basic Metals, Chemicals & Plastics, Electrical & Optical, Food & Drink, Mechanical Engineering, Textiles & Clothing, Timber & Paper and Transport.

Survey responses reflect the change, if any, in the current month compared to the previous month based on data collected mid-month. For each of the indicators the 'Report' shows the percentage reporting each response, the net difference between the number of higher/better responses and lower/worse responses, and the 'diffusion' index. This index is the sum of the positive responses plus a half of those responding 'the same'. Diffusion indexes have the properties of leading indicators and are convenient summary measures showing the prevailing direction of change. An index reading above 50 indicates an overall increase in that variable, below 50 an overall decrease.

The Nikkei Thailand Manufacturing PMI™ is a composite index based on five of the individual indexes with the following weights: New Orders - 0.3, Output - 0.25, Employment - 0.2, Suppliers' Delivery Times - 0.15, Stock of Items Purchased - 0.1, with the Delivery Times Index inverted so that it moves in a comparable direction.

IHS Markit do not revise underlying survey data after first publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series. Historical data relating to the underlying (unadjusted) numbers, first published seasonally adjusted series and subsequently revised data are available to subscribers from IHS Markit. Please contact economics@ihsmarkit.com.

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