News Release

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Nikkei Thailand Manufacturing PMI™

Thai PMI signals broad stabilisation in February

Key points:

- Output rises further while new orders returns to growth
- Exports expand further
- Backlogs fall for first time in four months

Data collected February 12-20

Following a positive start to the year, manufacturing conditions in Thailand were broadly stable during February, supported by higher output and improved demand. Business sentiment remained relatively positive.

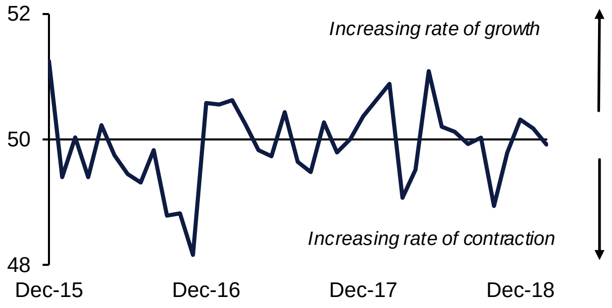
However, backlogs declined while firms were cautious towards inventory, cutting back input purchases and trimming stocks. Employment fell further. Inflationary pressures meanwhile remained mixed, with input costs declining, but output prices raised.

The seasonally adjusted **Nikkei Thailand Manufacturing Purchasing Managers' Index™ (PMI™)** slipped from 50.2 in January to 49.9 in February, indicating largely unchanged business conditions in the sector. The headline PMI provides a snapshot of the manufacturing performance in the country and derives from questions on output, new orders, employment, inventories and delivery times.

Survey data suggested a tentative improvement in overall demand, with a slight increase in new business intakes in February following two months of near-stagnation. This was partially supported by a further rise in new export orders, which extended the growth sequence to four months.

Production volumes meanwhile increased for a fourth straight month in the middle of the first quarter, which helped firms to stay on top of backlogs. The level of unfinished work fell for the first time for four months during February. According to anecdotal evidence, improved delivery services also contributed to lower backlogs.

Nikkei Thailand Manufacturing PMI



Sources: Nikkei, IHS Markit

Employment across the Thai manufacturing sector continued to decline on a net basis, marking a fifth consecutive month of decrease. Job changes were cited as the main reason for lower staff numbers.

Thai goods producers showed greater caution towards inventory management. Purchasing activity was scaled back amid efforts to maintain lean inventories. There was also mention of current stock levels being sufficient to meet client demand. Consequently, inventories of both input and finished goods fell in February. Meanwhile, delivery times were unchanged after four months of improved vendor performance.

On the price front, input costs declined slightly, with reports of discounted bulk purchases. However, output prices were up for the first time since August last year. Firms pointed to higher costs for raw materials such as copper and price hikes from suppliers as reasons for raising their own tariffs.

Business expectations about year-ahead output remained positive, with the Future Output Index rising to a three-month high. A combination of reasons supported optimism, including higher sales forecasts, new marketing strategies and a wider product offering.

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Comment:

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

"After a positive start to 2019, Nikkei PMI surveys showed a broad stabilisation of Thailand's manufacturing sector during February. Business conditions were largely unchanged, supported by increased production and higher inflows of new work. Export orders continued to grow, while business sentiment regarding future output remained relatively positive.

"However, manufacturers became more cautious about inventory levels in the middle of the first quarter, cutting back on input purchases as they prefer tapping into current inventories to meet demand. The decline in backlogs suggests that output growth in the coming months could come under pressure. Meanwhile, inflationary pressure in Thailand's manufacturing sector remained mild."

-Ends-

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Notes to Editors:

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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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 https://ihsmarkit.com/products/pmi.html.

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