

Nikkei Thailand Manufacturing PMI™

Softer demand for Thai goods in November

Key points:

- Output rises but new orders fall further
- Input costs decline
- Highest business confidence seen in two-and-a-half years

Data collected November 12-22

Thailand's manufacturing conditions deteriorated further midway through the fourth quarter amid signs of softer client demand. Output strengthened, but total new sales fell further despite a rise in overseas orders. Employment remained soft while supply chains were capable of handling firms' input demand.

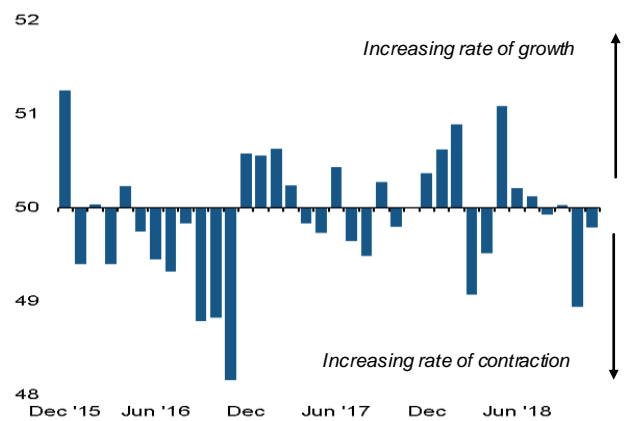
Increased production saw Thai manufacturers raise purchasing activity though this was insufficient to boost input inventories. Price conditions in Thailand's manufacturing conditions remained soft, with input prices declining while output charges were unchanged. Business confidence meanwhile improved further.

The seasonally adjusted Nikkei Thailand Manufacturing Purchasing Managers' Index™ (PMI™) rose from 48.9 in October to 49.8 in November, indicating a marginal deterioration in the health of 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.

The latest survey continued to signal softening demand conditions, particularly in the domestic market. New order intakes fell for a second straight month in November, despite a rebound in export sales. That said, foreign orders rose slightly.

Despite lower sales, Thai goods producers raised production on average. Output growth was the highest for five months, but modest overall. Increased production requirements led firms to step up purchasing activity. Input buying rose for the first time since August. Greater input appetite failed to strain supply chains. On the contrary, average lead times were shortened by the greatest extent in the three-year survey history.

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Sources: Nikkei, IHS Markit

Amid higher output, stocks of purchases declined further even with greater buying activity. However, the rate of input stock depletion remained marginal.

There was anecdotal evidence that firms were clearing stocks to improve cash-flow. Inventories of finished goods meanwhile rose for the first time in five months.

Survey data continued to signal a lack of inflation pressure within Thailand's manufacturing sector. Instead, input prices fell at the fastest rate for over two-and-a-half years. Output charges were unchanged.

The survey brought signs of greater confidence in the business outlook over the next 12 months. The Future Output Index rose to the highest since March 2016, with a number of firms projecting higher sales in 2019.

Comment:

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

“November PMI data set the scene for the weakest quarterly performance in Thailand’s manufacturing sector in two years. While output improved, total new business continued to decline, reflecting soft demand conditions, particularly in the domestic market.

“However, longer-term prospects continued to brighten as a number of firms expect higher sales next year to boost manufacturing activity. Meanwhile, there continues to be a lack of inflation pressure in Thailand’s manufacturing economy, with a fall in input costs reported for a second time this year.

“The latest PMI data calls into question the increasingly hawkish signals from the Bank of Thailand, where expectations of a rate hike in December are building after a unanimous decision to maintain the policy rate at the last meeting.”

-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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