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IHS Markit Thailand Manufacturing PMI™

Thai manufacturing conditions improve further in November

Key findings

Further rises in production and new orders

Purchasing activity and stocks increase further

Business sentiment positive

Data were collected 12-20 November 2020

Business conditions across Thailand's manufacturing sector improved further midway through the fourth quarter, according to the latest PMI survey data. The upturn was driven by a sustained rise in both output and new orders. Consequently, purchasing activity and inventories were raised further. Business sentiment also returned to positive territory in November. That said, export orders remained in decline and employment shrank further due to a lack of capacity pressure.

The Thailand Manufacturing *Purchasing Managers' Index™* (PMI™) dropped from 50.8 in October to 50.4 in November, but by remaining slightly above the 50.0 no-change level, the latest reading indicated a further improvement in the performance of the sector. At 50.6, the average PMI reading so far in the fourth quarter signals the sector is on track for its first quarterly expansion since the third quarter of 2019.

The PMI has now indicated improvement in the manufacturing sector for two successive months, reflecting a rebound in output and sales in the third quarter which extended into the fourth quarter. Production volumes rose for a fourth month running during November, though the pace of growth moderated and was marginal overall. Inflows of new orders also increased for the fourth consecutive month, with the latest rate of growth modest and similar to that seen in October. Greater demand and new client wins were cited as reasons for higher sales.

In response to a sustained rise in new business and production, firms stepped up their purchasing activity for a second straight month. Input inventories also accumulated further in November, albeit at a slower rate. Higher production volumes contributed to a second straight monthly rise in stocks of finished goods.

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:

"Latest PMI data indicated a further improvement in Thai manufacturing conditions during November, hinting that the sector is on track for an expansion for the first time in five quarters.

"The upturn continued to be driven by a sustained recovery in production and sales. Export orders also fell at the slowest rate since growth was last recorded in February, with the decline modest overall, reflecting a move towards stabilisation in the external market. Business sentiment consequently improved, with confidence the strongest for nine months.

"While the latest data is welcoming news, Thailand's manufacturing sector is not yet out of the woods. Growth in sales remains modest, with the magnitude of recovery considerably smaller than the substantial declines seen at the height of the pandemic in the second quarter.

"Moreover, a global resurgence of COVID-19 cases and renewed lockdown measures in many countries could undermine the current recovery momentum in the months ahead."

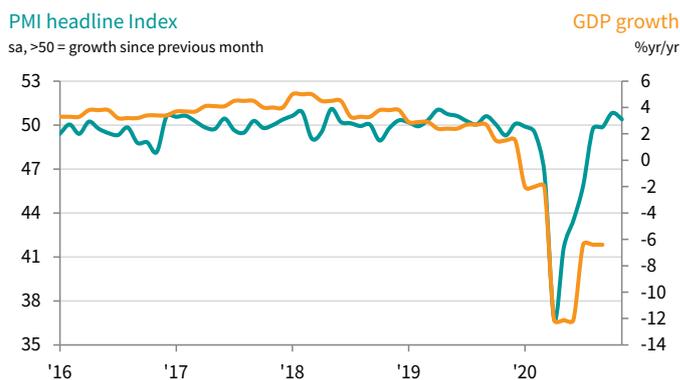
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Firms' operating capacity remained sufficient to absorb the continued rise in new sales. This was reflected by a broadly unchanged level of backlogs in November. The absence of capacity pressure contributed to a further reduction in employment. Workforce numbers fell for the twenty-sixth month in a row during November, albeit modestly.

The survey showed that supply chain conditions stabilised in mid-quarter. Delivery times were broadly unchanged in November.

Meanwhile, business confidence improved to the strongest for nine months, with firms turning optimistic about the year-ahead outlook on balance. Panel members expect an improvement in the Thai economy as well as trade flows to drive a rise in future output. That said, there remained concerns about the long-term impact of the coronavirus on economic activity.

Finally, price pressures were steady midway through the fourth quarter. Input prices saw little change in November following a mild rise in October. Output prices were unchanged from October.



Contact

Andrew Harker
Economics Director
IHS Markit
T: +44 1491 461 016
andrew.harker@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 2020 data were collected 12-20 November 2020.

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.
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