

IHS Markit Thailand Manufacturing PMI™

Slower contraction of Thai manufacturing sector in September

Key findings

Manufacturing output improves for the first time in five months

Price pressures surge for manufacturers

Business confidence improves sharply in September

Data were collected 13-22 September 2021.

The rate of contraction for Thailand's manufacturing sector eased in September according to the latest IHS Markit PMI™ data. A slight turnaround in the COVID-19 situation enabled output to rise for the first time in five months, though demand and employment conditions remained weak. Meanwhile supply constraints and price pressures sustained for Thai manufacturers. That said, overall business confidence improved markedly.

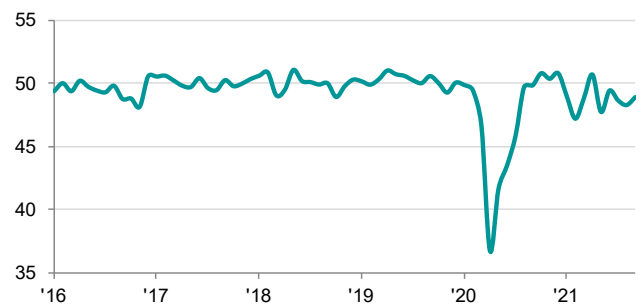
The headline IHS Markit Thailand Manufacturing PMI is a composite single-figure indicator of manufacturing performance. It is derived from indicators for new orders, output, employment, suppliers' delivery times and stocks of purchases. Any figure greater than 50.0 represents an overall improvement in manufacturing conditions.

The PMI rose to 48.9 in September from 48.3 in August, but remained below the 50.0 no-change mark for the fifth straight month to signal another deterioration in the health of the Thai manufacturing sector. The rate of contraction was the slowest in three months, however.

Demand remained subdued in September amid continued COVID-19 disruptions, as highlighted by the New Orders Index indicating a fifth straight month of contraction while foreign demand likewise shrank. The rate of decline however eased while manufacturing output concluded a four-month streak of decline by showing an increase in September. Better domestic demand was highlighted as a reason for the improved manufacturing output performance by survey respondents. Any pressure on operating capacity however remained absent in September as the level of backlogged work continued to decline.

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



Source: IHS Markit.

Comment

Commenting on the latest survey results, Jingyi Pan, Economics Associate Director at IHS Markit, said:

“Thai manufacturers continued to face business challenges related to COVID-19 disruptions in September, although some early signs of a turnaround in line with the COVID-19 situation appear to be the case according to the latest IHS Markit Thailand manufacturing PMI. Manufacturing output rose for the first time in five months, reflective of reports of improved domestic demand.

“The more worrying aspects of the situation were the supply constraints and price pressures, however, with Thai manufacturers seeing the steepest input cost inflation pressure in at least five years. This is adversely affecting manufacturers’ willingness to acquire input inventory for future production and the situation may snowball if demand was to suddenly improve.

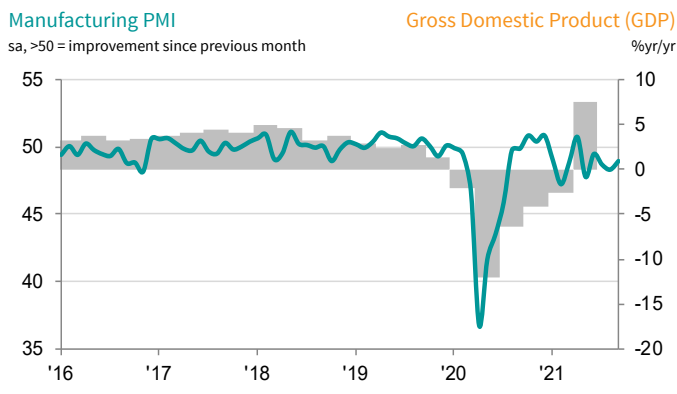
“Overall business sentiment was nonetheless positive in September following the pessimism seen since the start of year and may indicate better manufacturing sector conditions ahead.”

As a result, employment conditions remained weak in September with job shedding occurring at the fastest rate in nearly a year-and-a-half. Redundancies and resignations surrounding COVID-19 disruptions was reported by panellists. That said, the quantity of purchases rose for the first time in five months, in line with manufacturing output growth.

Caution among Thai manufacturers meanwhile was evident in the data for inventories, which showed pre-production and post-production stocks declining and at faster speeds in September. Anecdotal evidence suggested that manufacturers were reluctant to stockpile amid soft demand conditions while higher input costs also acted as deterrents.

Indeed, price pressures continued to build in September and at sharply higher rates across both input and output prices. Input cost and output price inflation both surged to the highest on record with higher raw material and transport costs reported. Longer lead times was also seen, although the deterioration was only marginal in September.

Overall business confidence however improved in September with optimism among Thai manufacturers reported for the first time in the year. The level of optimism was also at the highest seen since June 2019 with firms hopeful that economic conditions will improve alongside the COVID-19 situation.



Sources: IHS Markit, NESDB.

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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.

Data were collected 13-22 September 2021.

For further information on the PMI survey methodology, 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.
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