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IHS Markit Thailand Manufacturing PMI™

Thai manufacturing sector expands in September

Key findings

Faster rises in output and new orders boost headline PMI

Factory employment continues to decline

Business confidence remains among lowest for the past year

Thailand's manufacturing sector performance improved at the end of the third quarter, buoyed by expansions in both production and new orders as well as a return to growth in new export orders. However, employment fell again in September, while business confidence remained among the lowest seen for the past year. Stock levels for both inputs and finished products were stagnant. Meanwhile, inflationary pressures remained subdued.

The Thailand Manufacturing *Purchasing Managers' Index*™ (PMI™) rose from 50.0 in August to 50.6 in September, signalling a mild improvement in the health of the sector. However, the average PMI reading for the third quarter came in at 50.3, lower than the 50.8 seen in the second quarter.

Demand conditions remained subdued. Although accelerating to a three-month high, overall order book growth was modest, despite a rebound in new export sales. Continued sales growth encouraged manufacturers to increase production, though output growth was still mild overall.

The level of unfinished work rose again for a fifth straight month during September amid higher sales, but also in part due to declining productive capacity. Survey data indicated a further decline in factory staff numbers, extending the current sequence of declines to a year.

While still positive, business expectations about output over the next 12 months remained among the weakest seen for the past year. Firms were also cautious towards their inventory policies. The stock-holdings of both inputs and final goods were broadly unchanged in September. While manufacturers raised purchasing activity again, the rate of increase was only modest.

Meanwhile, supply chains came under pressure at the end of the third quarter due to weather-related disruptions. Longer
continued...

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:

"Thailand's manufacturing sector finished off the third quarter on a positive note, according to the latest IHS Markit PMI data. Faster increases in both production and new orders as well as a tighter supply chain helped to boost the headline PMI number.

"However, other survey indicators hinted that the improvement could be short-lived in the coming months. Business confidence among Thai goods producers remained among the lowest for the past year while factory employment continued to fall and inventory levels were stagnant. All these suggest that Thai manufacturers will continue to face considerable headwinds amid a slowing global growth environment and deteriorating trade conditions.

"The survey also showed that weather-related disruptions had weighed on the performance of distributors, resulting in delivery delays."

delivery times were reported for the first time since July last year, with the rate of deterioration in vendor performance the joint-steepest in the near four-year survey history.

With only a mild expansion recorded in the manufacturing sector, inflationary pressures rose only modestly. Input price inflation eased to the softest for three months, with some reports that a stronger baht had helped to contain import price inflation. Consequently, firms raised their selling charges marginally, though at the fastest pace since June.



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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.

September 2019 data were collected 12-20 September 2019.

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. To learn more go to ihsmarkit.com/products/pmi.html.