

IHS Markit Thailand Manufacturing PMI™

Thai manufacturing sector returns to expansion in October

Key findings

Manufacturing output rises at record rate but demand remains subdued

Inventory levels increase with higher output

Price pressures persist for manufacturers

Data were collected 12-21 October 2021.

Thailand's manufacturing sector saw its first expansion since April according to the latest IHS Markit PMI™ data. This was supported by an increase in output at a survey record pace in October. That said, demand remained lacklustre, with lingering COVID-19 disruptions, which also caused job shedding to continue in the manufacturing sector. Lead times meanwhile continued to worsen and contributed to persistent price pressures though manufacturers continued to maintain broad optimism.

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 50.9 in October from 48.9 in September, rising above the 50.0 no-change mark for the first time in six months to signal an improvement in the health of the Thai manufacturing sector. The rate of expansion was the fastest since April 2019.

Amid the easing of COVID-19 restrictions, manufacturing output rose for a second straight month and at a survey record pace in October. Panellists highlighted better domestic demand underpinning the increase in production. To meet the rise in output, buying activity was also ramped up at a record speed.

The observed improvements in domestic demand were not matched by a rise in overall demand, however, as order book volumes continued to fall. New business from abroad saw a third straight month of contraction amid the lack of business

continued...

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 had reason to celebrate in October, according to the latest IHS Markit Thailand Manufacturing PMI, as the easing of COVID-19 restrictions appeared to have invigorated production in the country. That said, new orders continued to fall and employment conditions remained subdued, suggesting there remains some distance to go in the recovery.”

“Meanwhile price pressures persisted for firms with both input costs and output prices rising at strong rates, and this was despite softer demand, warranting continued close attention on the price trends moving forward.”

“Overall business confidence nevertheless remained strong in October, which is a positive sign and continues to suggest better manufacturing sector conditions ahead.”

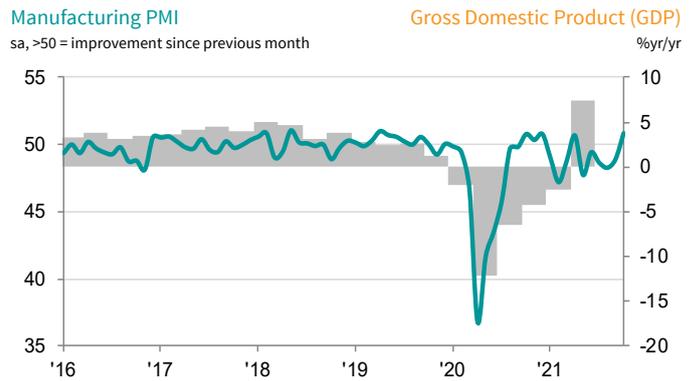
travelling.

As a result, job shedding continued in the Thai manufacturing sector, although the rate of decline eased from September. Both redundancies and resignations contributed to the slide in workforce numbers. This was as the level of outstanding business dipped again in October, though at a marginal rate.

Suppliers' delivery times meanwhile lengthened for a second consecutive month amid reports of flooding in certain areas that disrupted the transportation system. Transportation issues, alongside an increase in production, caused the level of post-production inventory to rise for the first time since September 2020.

Supply constraints also contributed to sustained price pressures, though both the rates of input cost and output price inflation eased from September. Input price inflation eased to a two-month low, but was sustained at a strong rate by historical standards amidst higher raw material and shipping costs. As a result, Thai manufacturers continued to pass these on to their clients but at a rate marginally slower than the September survey record.

Overall business sentiment remained positive in October, however. The level of business confidence, though easing from September's over two-year high, sustained above the series average as firms remained hopeful that economic conditions will improve as the economy gradually reopens.



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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 12-21 October 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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