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IHS Markit Thailand Manufacturing PMI™

PMI signals growth for first time in 2020 so far

Key findings

Production and new orders both rise at faster rates

Return to growth in purchasing activity and input stocks

Business sentiment still negative

Data were collected 12-22 October 2020

Thailand's manufacturing conditions improved for the first time this year during October, lifted by faster growth rates in production and new orders. The survey indicated that firms stepped up purchasing activity and built more inventories. Delivery delays were also reported. However, external demand continued to deteriorate while employment remained in decline. Business expectations about the year-ahead outlook also stayed negative.

The Thailand Manufacturing Purchasing Managers' Index™ (PMI™) rose to 50.8 in October, up from 49.9 in September. By rising above the 50 no-change line, the latest reading not only indicated the first improvement in the performance of the sector so far this year, but was also the highest for one-and-a-half years. The headline PMI is a composite index derived from a weighted average of five sub-indices: output, orders, employment, inventories and delivery times.

The upturn was driven by faster increases in output and sales. Thai good producers raised production volumes for a third straight month in October, and at the fastest pace since June 2019. Greater demand was often cited as a reason for increased output. Inflows of new business also rose for a third straight month.

Higher production requirements led firms to make more input purchases and build greater stores of both input materials and finished goods. Purchasing activity increased for the first time since February, rising at a rate not seen since the end of 2018. Input inventories consequently rose in October, the first increase so far this year, with the rate of accumulation the fastest since early 2018. Stocks of finished goods likewise increased for the first time in 2020 so far.

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:

"October saw an improvement in Thai manufacturing conditions for the first time this year, according to the latest PMI data. Production and sales rose further and at the fastest rates for over a year. However, other survey indicators raise questions over the durability of the upturn."

"While overall new orders increased further in October, export sales remained in decline, reflecting a subdued global trade environment. Factory employment continued to fall amid reports of redundancies as increased sales failed to put pressure on firms' operating capacity."

"Finally, worries about the longer-term impact of the pandemic on the economy and trade continued to dampen sentiment. Business expectations about the year-ahead output were negative at the start of the fourth quarter."

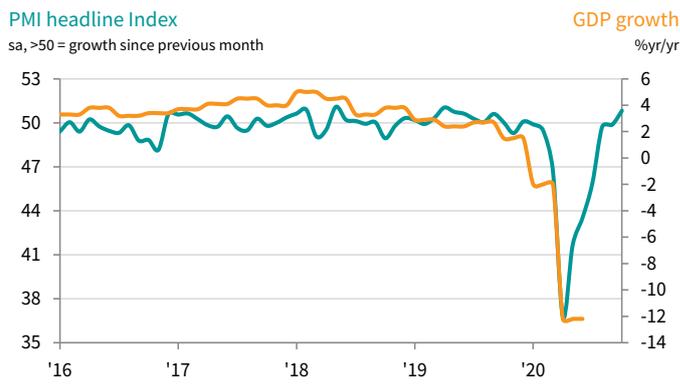
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Supply chains came under downward pressure for the first time since February, with delivery times lengthening during October, albeit only marginally. Anecdotal evidence indicated transportation delays due to inclement weather.

Despite a sustained increase in new work, backlogs of work were unchanged from September. The lack of capacity pressure coincided with a further decline in employment. Workforce numbers at Thai factories dropped again during October, though the rate of decrease was the weakest for eight months.

External demand also remained weak, with new export orders falling for the eighth straight month in October. Meanwhile, business confidence continued to be negative, though firms were less pessimistic about the year-ahead outlook when compared to September. Concerns about the long-term impact of the coronavirus on the economy and trade weighed on sentiment.

Finally, price pressure remained subdued. While input prices rose in October, marking the first increase for five months, the rate of inflation was marginal. Anecdotal evidence suggested that greater metal prices were feeding through to increased input costs. Meanwhile, output prices were broadly unchanged from September.



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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.

October 2020 data were collected 12-22 October 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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