

Nikkei Thailand Manufacturing PMI™

Thai PMI signals slight growth at start of 2019

Key points:

- Output rises further while new orders broadly unchanged
- Exports expand marginally
- Input cost inflation returns

Data collected January 11-23

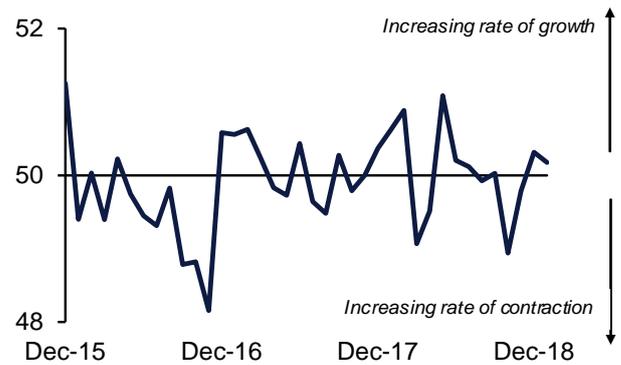
Manufacturing conditions across Thailand improved further at the start of the year, mostly driven by greater production activity. But in the same survey period, stagnating demand and lower employment weighed on the sector, while inventories barely rose. Supply chains remained largely free from demand pressure and inflation was subdued. While the Future Output Index stayed above the 50.0 threshold, indicating positive sentiment, an overwhelming majority of survey panellists is expecting no change to output levels in the year ahead.

The seasonally adjusted **Nikkei Thailand Manufacturing Purchasing Managers' Index™ (PMI™)** slipped from 50.3 in December to 50.2 in January, representing a second successive improvement in the health of the sector. However, the rate of growth remained marginal on the back of a lacklustre performance in 2018. The headline PMI provides a snapshot of the manufacturing performance in the country and derives from questions on output, new orders, employment, inventories and delivery times.

Overall demand conditions remained flat despite some growth seen in external markets. New order intakes were largely unchanged in January, while export sales rose marginally for a third straight month. Delays in sales processing contributed to higher backlogs which, in turn, saw Thai goods producers raising output for a third consecutive month.

Higher output requirements led manufacturers to purchase greater quantities of inputs during January. However, increased appetite for raw materials and semi-finished products failed to strain supply chains. On the contrary, vendors not only were able to fulfil demand but also reduced the delivery time. Average lead times shortened for a fourth month running at the beginning of the year.

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Sources: Nikkei, IHS Markit

Meanwhile, input inventories rose amid greater purchasing activity, albeit marginally.

Thai goods producers were slightly positive about the business outlook over the next 12 months, as reflected by the Future Output Index remaining just above the neutral 50.0 level. However, over 90% of panellists are expecting output levels to stay unchanged in the year ahead, reflecting a sense of caution.

Generally subdued expectations saw firms unwilling to take on more workers and refraining from building up inventories. In January, employment levels declined for a fourth straight month, with reports of non-replacements of staff departures while stocks of finished goods fell for a second month running.

Inflationary pressures remained muted at the start of 2019. While survey data indicated a return to input cost inflation following two months of decline, the increase was marginal. Meanwhile, factory gate prices fell slightly, continuing a trend of stagnating output charges, evident since the middle of last year.

Comment:

Commenting on the Thai Manufacturing PMI survey data, **Bernard Aw**, Principal Economist at IHS Markit, which compiles the survey, said:

“Latest Nikkei PMI surveys indicated a further expansion of the Thai manufacturing economy at the start of 2019. However, the improvement in business conditions in the sector remained marginal.

“The upturn was largely supported by higher output, with demand and employment PMI indicators both registering deterioration. While new export orders rose further, the expansion was slight. In addition, an overwhelming majority of survey respondents are expecting output levels to remain unchanged in the year ahead. All these suggest the current growth momentum has little room to manoeuvre.

“Subdued PMI performance in recent surveys may not support further rate hikes after the Bank of Thailand delivered the first rate increase since 2011 at the policy meeting last December, as part of efforts to create more policy space.”

-Ends-

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Notes to Editors:

The Nikkei Thailand Manufacturing *PMI*[™] is based on data compiled from monthly replies to questionnaires sent to purchasing executives in over 400 industrial companies. The panel is stratified by GDP and company workforce size. The manufacturing sector is divided into the following 8 broad categories: Basic Metals, Chemicals & Plastics, Electrical & Optical, Food & Drink, Mechanical Engineering, Textiles & Clothing, Timber & Paper and Transport.

Survey responses reflect the change, if any, in the current month compared to the previous month based on data collected mid-month. For each of the indicators the 'Report' shows the percentage reporting each response, the net difference between the number of higher/better responses and lower/worse responses, and the 'diffusion' index. This index is the sum of the positive responses plus a half of those responding 'the same'. Diffusion indexes have the properties of leading indicators and are convenient summary measures showing the prevailing direction of change. An index reading above 50 indicates an overall increase in that variable, below 50 an overall decrease.

The Nikkei Thailand Manufacturing *PMI*[™] is a composite index based on five of the individual indexes with the following weights: New Orders - 0.3, Output - 0.25, Employment - 0.2, Suppliers' Delivery Times - 0.15, Stock of Items Purchased - 0.1, with the Delivery Times Index inverted so that it moves in a comparable direction.

IHS Markit do not revise underlying survey data after first publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series. Historical data relating to the underlying (unadjusted) numbers, first published seasonally adjusted series and subsequently revised data are available to subscribers from IHS Markit. Please contact economics@ihsmarkit.com.

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