

# Nikkei Thailand Manufacturing PMI™

## Thai manufacturing conditions worsen in October

### Key points:

- Declines in both output and new orders
- Export sales fall
- Firms cut charges despite higher input costs

Data collected October 12-23

Thailand's manufacturing conditions deteriorated at the start of the fourth quarter, with declines seen in output, new orders and employment. Notably, export sales fell. Softer demand conditions saw Thai goods producers cutting back on purchasing activity which, in turn, contributed partially to a further decrease in input inventories.

Amid lower sales, backlogs of work dropped, reflecting spare capacity. Despite weakening business conditions, confidence remained slightly positive. On the price front, input cost inflation returned in October, but firms reduced charges amid weak sales.

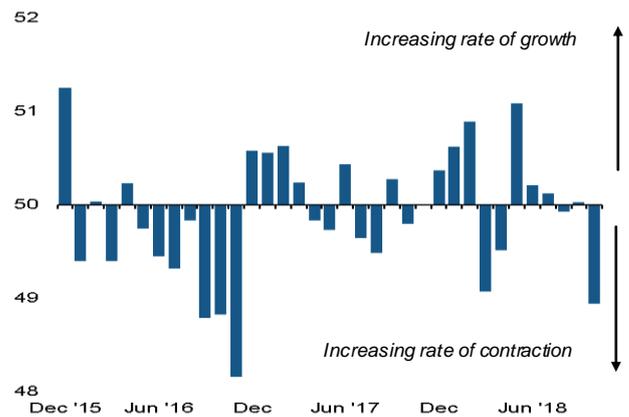
The seasonally adjusted **Nikkei Thailand Manufacturing Purchasing Managers' Index™ (PMI™)** slipped to 48.9 in October, down from 50.0 in September, indicating a deterioration in the health of the sector. This was the lowest reading in nearly two years. The headline PMI provides a snapshot of the manufacturing performance in the country and derives from questions on output, new orders, employment, inventories and delivery times.

The latest survey indicated a notable softening in client demand. Following a mild rise, inflows of new business declined as the fourth quarter began. Furthermore, the contraction was the steepest seen for almost two years.

Lower sales partially contributed to reduced backlogs, even as production volumes fell, thereby signalling an absence of capacity pressure. This in turn weighed on hiring. Lower employment was reported in October following marginal growth at the end of the third quarter.

In response to lower new order intakes and reduced output, Thai manufacturers pared back on purchasing activity for a second straight month during October. While slight, the rate of decrease was the fastest since August 2017.

Nikkei Thailand Manufacturing PMI



Sources: Nikkei, IHS Markit

Fewer input purchases in turn saw firms drawing down existing supplies. Survey data saw a further decrease in input inventories in October, the fourth consecutive monthly decline recorded.

Softer appetite for manufacturing inputs saw an improvement in vendor performance. Suppliers' delivery times shortened by the greatest extent seen so far this year. There was also evidence that increased productivity and more part-time workers boosted supply chain performance.

While the fall in output was the sharpest in nearly two years, longer-term prospects stayed positive. The Future Output Index remained above the neutral level of 50.0 for a fourth straight month, indicating that the number of firms expecting higher output in the year ahead continued to outnumber those anticipating lower output, albeit only slightly. The most commonly-cited reason behind optimism was higher sales forecasts.

Finally, the picture for price pressures was mixed. Even though input costs returned to inflation during October, prices charged for Thai manufactured goods were reduced, thereby signalling slight pressure on profit margins.

## Comment:

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

*“Thailand’s manufacturing sector saw a disappointing start to the fourth quarter, with the latest Nikkei PMI survey indicating declines in output, new orders and employment.*

*“October data suggest that the lack of momentum seen in the manufacturing sector during the third quarter is likely to continue into the end of the year. Other PMI survey indicators hinted at manufacturing woes in coming months. Notably, overseas sales shrank, while Thai manufacturers cut back on purchasing activity and drew down inventories. While the Future Output Index, a PMI gauge of business confidence, rose slightly, it remained below the historical average.”*

-Ends-

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**Notes to Editors:**

The Nikkei Thailand Manufacturing *PMI*<sup>™</sup> 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*<sup>™</sup> 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](mailto:economics@ihsmarkit.com).

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