

Nikkei Thailand Manufacturing PMI™

PMI signals a dip in manufacturing conditions in April

Key points:

- Growth in both new orders and production decelerate
- Backlogs fall despite lower employment
- Inflationary pressures ease

Data collected April 11-21

Business conditions for Thailand’s manufacturing sector were broadly stagnant in April. Modest decreases in employment and stocks of purchases were barely offset by marginal increases in output and new orders.

Foreign demand was muted while business confidence remained relatively subdued. Inflationary pressures meanwhile eased, with manufacturers raising output prices only slightly following a smaller rise in input costs.

The seasonally adjusted **Nikkei Thailand Manufacturing Purchasing Managers’ Index™ (PMI™)** came in at 49.8 in April, down from 50.2 in March and signalled a broadly stagnant manufacturing sector. That said, the latest PMI reading marked the end of a four-month period of marginal improvements.

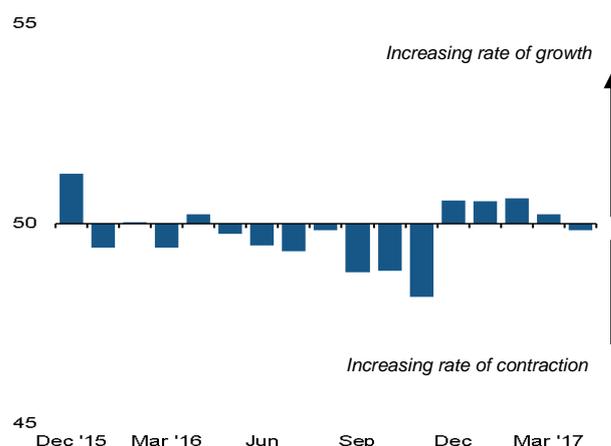
Client demand was relatively subdued at the start of the second quarter. Growth in order book volumes decelerated to the lowest in five months, matched by a slowdown in new export orders.

The marginal upturn in new business inflows was accompanied by a slight rise in production, where the rate of growth was noticeably slower compared to March and the lowest in the current trend of expansion.

Increases in output and new orders did not strain operating capacity. On the contrary, backlogs fell for the first time this year, albeit marginally, suggesting that current capacity is more than sufficient to meet production requirements.

Adequate operating capacity prompted Thai factories to shed more workers. Lower employment was reported for a third successive month in April, although the rate of decline was slight. Anecdotal evidence suggested that the non-replacement of leavers was the main reason rather than forced layoffs.

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Sources: Nikkei, IHS Markit

Meanwhile, Thailand’s manufacturers raised their buying levels for the fifth consecutive month in response to higher production levels. However, the acquisition rate of raw materials and semi-manufactured goods decelerated from the previous month, which was consistent with the wide slowdown in output growth. The modest appetite for inputs was well within suppliers’ capacity for timely deliveries. Vendor performance improved further in April, though only marginally.

Higher purchasing activity was insufficient to offset a greater drawdown in pre-production stocks. Latest survey data also indicated that stocks of finished products declined for the first time since October 2016, though only negligibly. In both cases of stock depletion, firms highlighted the need to reduce inventory holdings.

On the price front, while Thailand’s manufacturing firms recorded a further rise in input prices, the degree to which costs increased was modest and down from March’s 12-month high. Nevertheless, higher costs have now been reported in all but one of the months throughout the survey history. Firms pointed towards increases in raw material prices and higher import taxes for the latest rise.

In tandem with a let up in cost pressures, firms raised prices to a lesser extent compared to the previous month. Charge inflation was reported to mainly reflect higher prices for raw materials.

Comment:

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

“There was a dip in manufacturing conditions in Thailand at the start of the second quarter, following a broadly stagnant first quarter this year. Growth in both output and new orders slowed from March to marginal rate of expansions in April, which were insufficient to prevent drags from lower employment, reduced inventories and less hectic suppliers from dampening the sector’s performance.

“The latest PMI reading also signalled the first deterioration in the health of the manufacturing sector in five months.

“Subdued client demand placed less pressure on operating capacity. In fact, Thai manufacturers indicated a decline in backlogs despite lower staff numbers, pointing towards the presence of excess capacity in the sector. Meanwhile, the stagnation in Thailand’s manufacturing sector was accompanied by an easing in inflationary pressures, with reports of slower increases in input costs and output prices.

“Moreover, there were signs that future output would remain subdued, with Thai goods producers signalling the lowest level of business confidence in the survey history.”

-Ends-

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For further information, please contact:

IHS Markit (About PMI and its comment)

Bernard Aw, Economist
Telephone +65 6922-4226
Email bernard.aw@ihsmarkit.com

Jerrine Chia, Marketing and Communications
Telephone +65 6922-4239
E-mail jerrine.chia@ihsmarkit.com

Nikkei inc. (About Nikkei)

Ken Chiba, Deputy General Manager, Public Relations Office
Atsushi Kubota, Manager, Public Relations Office
Telephone +81-3-6256-7115
Email koho@nex.nikkei.co.jp

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.

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 Markit. Please contact economics@ihsmarkit.com.

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