

# Nikkei Thailand Manufacturing PMI™

## PMI signals renewed deterioration in manufacturing conditions in July

### Key points:

- Renewed fall in output and employment weigh on the PMI
- New orders stagnant
- Firms raise charges despite slower cost increases

Data collected July 12-21

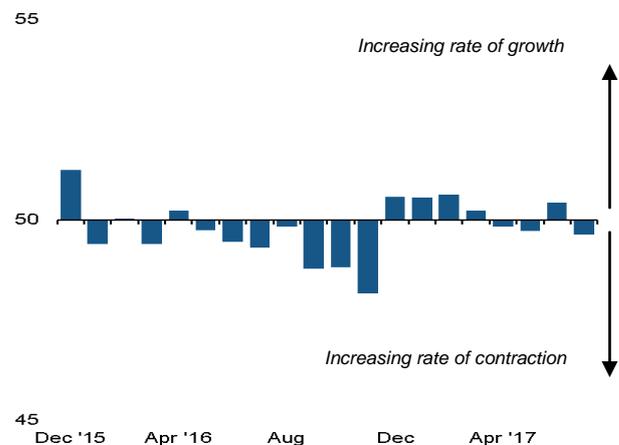
Thailand’s manufacturing sector started off the third quarter on a disappointing note: July data signalled a deterioration of operating conditions after an upturn was recorded in June. Decreased output volumes and stagnating new business weighed on the sector. Lower employment was reported and input stocks fell again. Foreign demand also dwindled, with new export sales reported unchanged. While manufacturers remained upbeat about the year ahead, optimism was well below the historical average. On the price front, input cost inflation eased to an 11-month low.

At 49.6, the seasonally adjusted **Nikkei Thailand Manufacturing Purchasing Managers’ Index™ (PMI™)** — a composite indicator of manufacturing performance based on five individual sub-indices — signalled a return to contraction in July. Down from 50.4 in June, the latest reading was the lowest for eight months.

There were further signs of weakening client demand. Total new business growth was broadly unchanged from June, putting an end to seven months of expansion. This was in part due to stagnating new orders from abroad. The lack of growth in new sales had an impact on output activity — production fell at the fastest rate since November last year.

Lower demand and output requirements had a knock-on effect on purchasing activity in Thailand’s manufacturing sector. Factories bought fewer manufacturing inputs for the first time in eight months. A number of monitored firms commented that current stocks were sufficient to meet demand amid weaker sales. Lower buying levels led firms to draw down on existing stocks for a fifth straight month to meet production demand. Inventories of finished goods also declined, as had been the case

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Sources: Nikkei, IHS Markit

throughout the second quarter.

After having indicated an unchanged level in the previous month, employment fell in July. Facing softer demand, Thai factories remained reluctant to take on more workers, recording only one month of jobs growth (January) so far this year. Some surveyed firms suggested that workers had left their posts to return to farming.

Meanwhile, backlogs of work were broadly stagnant despite reduced workforce numbers, reflecting a lack of incoming new work.

The rate of input cost inflation eased further to the weakest for eleven months. There were reports of imported inflation being contained by a stronger baht. Nevertheless, subdued inflationary pressures did not prevent firms from raising output charges in July. Higher prices for goods such as milk, silicone and paper were cited as factors for the higher factory gate prices, although the rate of increase was only marginal overall.

July’s downturn dampened confidence within the Thai manufacturing industry. The Future Output Index remained well below the historical survey average. According to anecdotal evidence, firms that indicated positive output expectations pointed

to new sales strategy, expectations of higher productivity and improving market trends.

**Comment:**

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

*“Thailand’s manufacturing sector kicked off the third quarter on a disappointing note with the headline PMI seeing a renewed fall in July, just after signalling an improvement in the previous month. Lower output and stagnating order books were behind the sector’s predicament. With further signs of demand weakening, Thai factories took more steps to reduce workforce numbers and keep stocks lean — employment fell and input stocks declined for a fifth month running.*”

*“Worsening operating conditions saw optimism among Thai manufacturers remaining well below the historical average. However, there are some panellists who expect that new sales strategies and improvements to productivity could boost output growth in the coming months.”*

-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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