

# Nikkei Thailand Manufacturing PMI™

## Thai manufacturing sector returns to decline in October

### Key points:

- Renewed fall in new orders while output growth slows
- Lower employment again, with firms less upbeat about outlook
- Easing inflationary pressures signalled

Data collected October 12-23

Thailand's manufacturing sector started the fourth quarter on a negative note. Operating conditions deteriorated in October, as sales volumes declined. Output rose but at a slower pace than September. Business confidence slipped from the previous month, adding to firms' reluctance to take on more workers, especially amid further signs of spare capacity.

Lower sales saw firms purchasing inputs at a slower rate despite an ongoing fall in pre-production inventories. Cost pressures eased which encouraged firms to leave selling prices unchanged.

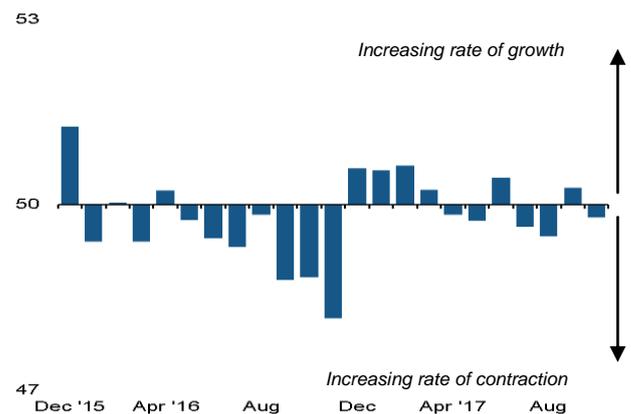
The seasonally adjusted **Nikkei Thailand Manufacturing Purchasing Managers' Index™ (PMI™)** fell to 49.8 in October from 50.3 in September, signalling a marginal decline in the health of the sector.

Production volumes rose for a second straight month at the start of the final quarter but at a slower rate, alongside a renewed decline in new orders. While slight, it was the largest monthly fall in new sales (on par with August) since last November. External demand was also muted, with firms reporting stagnant growth in new export orders.

Reduced new orders placed lower strains on capacity: backlogs of work decreased for a second month running in October, albeit at a softer pace.

The lack of capacity pressures discouraged Thai manufacturers from hiring more staff. Employment levels fell for a fourth consecutive month, although the rate of decline was noticeably slower than September's record. Anecdotal evidence suggested that voluntary leavers were the main reason behind lower staff numbers.

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Sources: Nikkei, IHS Markit

On the price front, higher input costs were reported again in October but the inflation rate was among the lowest in the survey history. Mild cost inflation allowed companies to leave selling prices unchanged from the previous month amid weak sales.

While firms purchased higher quantities of inputs, the pace of increase was marginal, aggravating the trend of lower pre-production stocks. There was anecdotal evidence revealing a connection between shrinking stocks of purchases and efforts to save costs.

Likewise, lower inventories of finished goods were reported at the start of the fourth quarter, stretching the sequence to seven months. However, the rate of depletion was much slower compared to September's record.

Consistent with greater appetite for inputs, vendor performance worsened for the first time since January. However, the rate at which delivery times lengthened was only marginal.

Having risen to its highest level this year during September, the Future Output Index slipped in October, indicating lower confidence about output over the next 12 months.

Slowing production growth and renewed fall in new orders may be linked to lower optimism. However firms that are anticipating higher output mentioned new product developments as well as improvements to production workflows.

## Comment:

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

*“Thailand’s manufacturing upturn at the end of the third quarter was short-lived, with the sector returning to a decline in October, underscoring the difficult demand conditions that Thai manufacturers are facing.*

*“Survey data saw output growth slow from the previous month and a renewed fall in new sales, which dented business confidence. The less upbeat business outlook tempered input buying activity and hiring. Firms purchased more inputs but at a slower rate than September while staff numbers continued to fall. Furthermore, inventories of both inputs and finished products fell further, with some reports of cost-cutting efforts.*

*“Falling client demand was accompanied by easing inflationary pressures. Cost inflation rose at one of the weakest rates in the survey history, allowing firms to keep selling prices steady amid weak sales.”*

-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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