

# Nikkei Thailand Manufacturing PMI™

## Thai manufacturing sector returns to growth in September

### Key points:

- Operating conditions improve for first time in the third quarter
- Renewed growth in output and new orders
- Confidence about future output strengthens

Data collected September 12-21

For the first time in the third quarter, Thailand's manufacturing sector showed signs of recovery, registering an improvement in operating conditions during September, buoyed by renewed growth in both output and new orders. Firms also raised buying levels to match increased demand, but high production usage and sales led them to deplete inventories of both inputs and finished goods. Despite additional workloads, lower employment was reported again amid signs of spare capacity. Cost pressures picked up while business optimism was its highest so far this year.

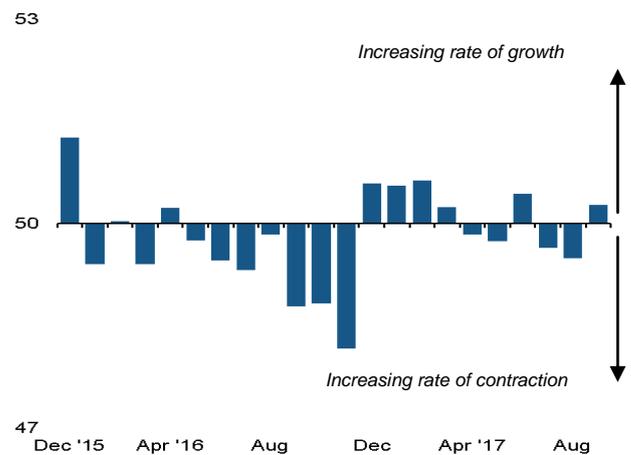
The seasonally adjusted **Nikkei Thailand Manufacturing Purchasing Managers' Index™ (PMI™)** rose above the 50.0 no-change mark to 50.3 in September, up from 49.5 in August, and indicating the first improvement in the health of the sector since June.

Output volumes increased at the fastest rate in the survey history, running alongside a recovery in new orders. Survey data indicated that foreign demand was a key driver of order book growth, with the pace of increase in new export sales noticeably higher than total new business. Firms highlighted that promotional activity and better economic conditions had helped to boost sales.

In response to greater demand, firms stepped up purchasing activity in September, after two months of declines. However, the trend of falling inventories persisted as overwhelming production usage led firms to draw down on existing stocks of purchases. Inventories of finished goods also fell. In both cases, the rate of depletion was the steepest in the survey history.

Despite higher acquisition of raw materials and semi-manufactured goods, vendor performance strengthened for a second month in a row, though the degree of improvement remained marginal.

Nikkei Thailand Manufacturing PMI



Sources: Nikkei, IHS Markit

Employment continued to fall in September, with surveyed companies citing natural attrition as the primary reason for the decrease. The presence of spare capacity also encouraged firms to tap on existing labour resources to cope with higher workloads. Backlogs of work were depleted after holding broadly steady in the previous two months, according to survey data.

The September survey indicated signs of renewed inflationary pressures. Input price inflation picked up to the highest rate since March. According to panellists, higher costs for raw materials, such as oil, and semi-finished goods were to blame for the price increase. Companies protected their margins by raising factory gate prices at the same rate as input cost inflation.

Finally, firms indicated more confidence about their 12-month outlook for production in September. The Future Output Index reached its highest level so far this year. Higher production and new business in September, alongside hopes of improving economic conditions, growth in construction activity and new orders were all connected to the improvement in the business outlook.

## Comment:

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

*“Thailand’s manufacturing economy ended the third quarter on a positive note, with signs of recovery emerging in September. Overall operating conditions improved for the first time in three months. Goods producers across Thailand benefited from rising domestic demand as well as strong export sales. That bolstered output while optimism about the year ahead improved noticeably since August.*

*“Thai manufacturers weren’t struggling with the increased workloads. On the contrary, it was well within their capacity: backlogs of uncompleted work fell at the fastest rate in the survey history. The presence of spare capacity suggests that the weak hiring trend may well continue into the fourth quarter. Employment fell for a third month in succession during September.*

*“Meanwhile, there were signs of renewed inflationary pressures as higher costs for manufacturing inputs fed through to hikes in selling prices.”*

-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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