

# Nikkei Thailand Manufacturing PMI™

## Business conditions improve in December

### Key points:

- Output growth at record high amid renewed expansion in new orders
- Export sales fall slightly
- Renewed rise in price pressures

Data collected December 5-13

Thailand's manufacturing economy ended the year on a positive note, with PMI survey data showing an improvement in operating conditions during December. Expansions in both output and new orders were key drivers for the upturn, but employment and input inventories fell further. Vendor performance improved again despite greater appetite for manufacturing inputs. On the price front, there were signs of increased inflationary pressures, while business expectations about the year ahead remained subdued.

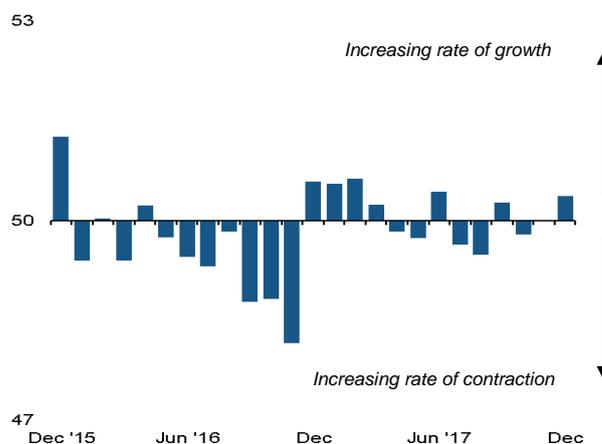
The seasonally adjusted **Nikkei Thailand Manufacturing Purchasing Managers' Index™ (PMI™)** rose to 50.4 in December from 50.0 in November, signalling a marginal improvement in the health of the sector. The latest reading marked the first gain in three months and brought the average PMI for the fourth quarter to 50.1, indicating broadly stable manufacturing conditions.

Thai manufacturers raised production to the highest level over the survey history in December, extending the current trend of output growth to four months. While efforts to build-up stocks were cited by many survey respondents for higher production, the need to meet increased new orders also contributed.

Having declined for the previous two months, inflows of new business returned to growth at the end of the year. Anecdotal evidence pointed towards greater sales efforts and new client acquisitions for the expansion. That said, greater demand was largely driven by the domestic market as foreign sales fell for a second straight month in December.

Meanwhile, the upturn in production failed to boost hiring. Employment fell further in December as firms preferred to tap on existing labour as firms

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Sources: Nikkei, IHS Markit

preferred to tap on existing labour resources amid signs of spare capacity (indicated by a sustained fall in backlogs).

Higher production led firms to increase purchasing activity for a fourth month in a row, although greater input buying was insufficient to offset a decline in input inventories. Meanwhile, higher purchases failed to strain supply chains. On the contrary, delivery times improved for a second month running with the rate of improvement the quickest on record.

Increased output contributed to a further build in post-production stocks, with the rate of accumulation reaching the highest since January. Survey evidence suggested efforts to raise inventories amid higher sales forecasts. However, there were also reports of firms reducing stocks to cut costs.

There was a renewed rise in price pressures during December. Average factory selling prices were raised for the first time in the fourth quarter, and showed the largest monthly increase for nine months, often as a result of firms passing on higher costs to customers.

Average input prices also showed the largest monthly rise since March, in part driven by higher prices for raw materials, according to survey evidence.

Finally, business confidence remained subdued, with the Future Output Index remaining well below the historical average.

**Comment:**

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

*“Having showed subdued performance in the previous two months, Thailand’s manufacturing sector indicated signs of life in December, marking a positive end to the year. The upturn was driven by a noticeable pick-up in output growth as well as a renewed expansion in new orders.*

*“However, other survey indicators suggest that this burst of activity could be short-lived. While new business inflows returned to growth, most of the push was from the domestic market as external demand, a key driver of Thai economic growth, weakened further. Furthermore, firms were not raising factory headcounts, in part due to spare capacity but more generally reflecting their caution over the economic outlook. Business confidence remained subdued, with the Future Output Index still well below the historical average.*

*“Finally, the latest survey showed signs of upward price pressures, which could ease concerns about potential deflation and, in turn, alleviate pressure on the Bank of Thailand to reduce interest rates.”*

-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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