

## Nikkei Thailand Manufacturing PMI™

### Manufacturing sector continues to expand marginally in January

#### Key points:

- New orders and purchasing activity expand at slower rates while output growth accelerates
- Rising inflation prompts firms to front-load orders and purchases
- Staffing numbers increase to fastest on record

Data collected January 12-23

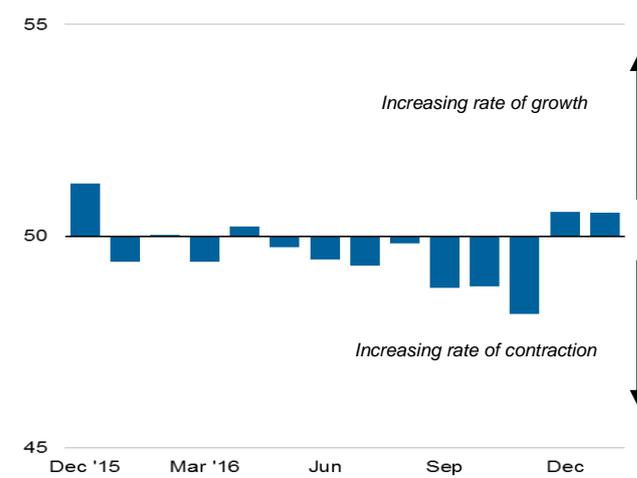
Thailand's manufacturing economy retained growth momentum at the start of the year, although the rate of improvement remained slight overall. Strengthening operating conditions were driven by continued growth in new orders and output alongside hiring of additional staff and another rise in input stocks. That said, anticipation of further inflationary pressures motivated some firms to front-load orders and purchases. Meanwhile, flood-related disruptions weighed on supplier performance.

After registering an increase for the first time in eight months during December, the seasonally adjusted headline **Nikkei Thailand Manufacturing Purchasing Managers' Index™ (PMI™)** indicated a further improvement in the health of the sector in January.

At 50.6, the rate of growth signalled by the index was similar to December's reading and the joint-strongest in 13 months, though marginal overall. The headline index was underpinned by positive readings for all five key variables, with growth in production, new orders and employment recorded. Further increase in stocks of purchases and lengthening lead times also boosted the PMI.

Stronger client demand led to another rise in the level of new business. However, the rate of increase slowed from December, and was slight only. Some panellists attributed slower growth in new work to weak economic conditions and competition in overseas markets. On the other hand, new product launches helped to support growth of order books. There was also evidence that anticipation of higher input prices has led some firms to front-load their orders. Encouragingly, foreign demand strengthened for the first time since August 2016, albeit marginally.

Nikkei Thailand Manufacturing PMI



Sources: Nikkei, IHS Markit

Meanwhile, rising inflows of new business lifted output activity. Growth in production volumes in January picked up to the fastest pace since February 2016. Stockpiling requirements also contributed to higher output levels.

Busier production schedules and more new work exerted pressure on operational capacity in January. The amount of work-in-hand rose for the first time in five months. Thai manufacturers partially coped with greater capacity pressures by taking on more workers, with employment levels increasing for the second consecutive month. Moreover, the rate of growth was the fastest on record.

At the same time, January data showed that Thai factories stepped up their input buying again, which saw a further expansion in the level of pre-production stocks. However, rates of increase were slower, which reflected a more cautious confidence in the production outlook. This was highlighted by the Future Output Index signalling lower optimism among Thai firms over the next 12 months.

Ongoing inflation appeared to have affected Thai manufacturers' plans. Higher costs for raw materials, specifically oil and rubber, led to increased input prices. In response, firms raised their selling prices for a second month running.

Moreover, the increase was the largest monthly rise in the survey history. Cost inflation also prompted firms to bring forward their orders and purchases in anticipation of further increases in prices.

**Comment:**

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

*“After an improvement in operating conditions at the end of last year, Thailand’s manufacturing sector strengthened further in January, led by expansions in output and new orders. This allayed, to some extent, the concerns that the December upturn may be short-lived while positioning the Thai manufacturing industry on a stronger footing at the start of the year. However, looking in detail at the sub-indices showed that the domestic manufacturing industry continued to face headwinds in the coming months.*

*“There were concerns that rising costs, linked to higher global commodity prices, has distorted the gauge for demand growth, especially in production activity. Surveyed firms reported that anticipation of a further rise in raw material costs prompted them to bring forward some of their orders and purchasing plans, which partially contributed to the rises in production volumes and purchasing activity.*

*“At the same time, manufacturers raised selling prices to the greatest extent in the survey’s 14-month history amid persistent cost inflation. This suggests companies are trying to manage costs while preparing for higher production. That said, new orders and purchasing activity grew at slower rates, reflecting a still challenging outlook for Thai manufacturers. Encouragingly, export orders grew for the first time in five months, albeit marginally, underscoring the recent improvement in international demand.”*

-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](mailto:bernard.aw@ihsmarkit.com)

Jerrine Chia, Marketing and Communications  
Telephone +65 6922-4239  
E-mail [jerrine.chia@ihsmarkit.com](mailto: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](mailto:koho@nex.nikkei.co.jp)

**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.

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](mailto:economics@ihsmarkit.com).

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