

## Nikkei Thailand Manufacturing PMI™

### Thailand manufacturing sector moves closer to stagnation in March

#### Key points:

- Modest growth in output and new orders partly offset by further job losses
- Inflationary pressures remain modest
- Business confidence remains subdued

Data collected March 13-23

Thailand's manufacturing sector remained close to stagnation in March. Modest increases in output and new orders were in part offset by ongoing reductions in employment. Business confidence remained relatively subdued.

On the price front, input costs rose at a solid rate, but margins remained protected by a similarly sized increase in output charges.

At 50.2 in March, down from 50.6 in February, the seasonally adjusted **Nikkei Thailand Manufacturing Purchasing Managers' Index™ (PMI™)** signalled little overall change in manufacturing operating conditions. The latest PMI reading was also the lowest recorded for four months.

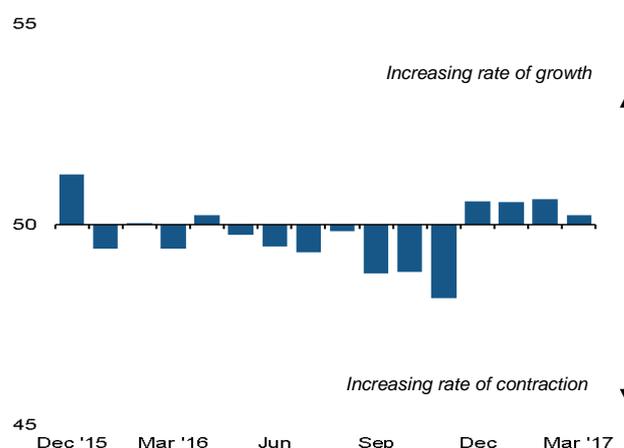
New orders increased to the same modest degree as in the previous month. Firms cited promotional activity and greater client budgets as reasons for the fourth consecutive monthly rise in sales. Reflective of improved international demand, new export orders rose at the fastest pace in 11 months.

Increased volumes of new business inflows supported a further modest rises in production, which was little-changed from February's survey high.

Despite increased demand, Thai manufacturers reported a further drop in employment numbers, in the main reflective of the non-replacement of leavers. A number of firms also signalled ongoing structural changes as a reason for job cuts. Despite lower staff numbers, backlogs continued to rise only marginally.

Higher production requirements prompted Thailand's manufacturing companies to increase their purchases for the fourth successive month.

Nikkei Thailand Manufacturing PMI



Sources: Nikkei, IHS Markit

Greater demand for inputs however did not strain supplier performance. On the contrary, vendors were able to improve their delivery times in part thanks to a recovery from flood-related disruptions.

Growth in purchasing was also insufficient to prevent pre-production stocks from being drawn down for the first time in four months. Latest data also showed stocks of finished goods rising only negligibly during March.

On the price front, input cost inflation picked up in March. The overall rise in input prices matched December's level and was subsequently the joint-highest in 12 months. Inflation was reported to reflect increases in raw material prices.

Higher costs were accompanied by an increase in firms' own selling prices. The degree to which charges increased was solid and, alongside the level seen in January, the joint-highest in the short-survey history.

Finally, business confidence remained subdued during March. This was signalled by the Future Output Index, which tracks companies' expectations of the level of output over the next 12 months, dipping to the lowest in the 16-month series history. Firms that indicated optimism generally commented on hopes for improvements in market and economic conditions.

## Comment:

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

*“After showing steady improvements in business conditions for the last three months, the Thai manufacturing economy lost some momentum in March. While the sector grew further it did so at a slower rate, as lower job numbers, reduced inventories and less busy suppliers weighed on sectoral performance.*

*“Moreover, Thai manufacturers are increasingly less optimistic about the level of output in the year ahead, according to the Future Output Index, which even though above 50.0 was the lowest on record in March. This suggests that we are likely to continue to observe relatively subdued performance over the next few months.*

*“The rate of decline in staff numbers also deepened in March to the steepest degree in five months and rising costs could threaten hiring prospects. Thai manufacturers continued to face intensifying inflationary pressures, where they coped by passing on some of the higher costs to their customers. Again, greater costs for raw materials, specifically fuel, were cited.”*

-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.

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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