

Nikkei Thailand Manufacturing PMI™

Thai manufacturing conditions unchanged in September

Key points:

- New orders rise but output declines
- Export sales rise marginally
- Deflationary pressure seen in September

Data collected September 11-20

Business conditions in Thailand's manufacturing sector were stagnant at the end of the third quarter. While output fell, new orders, including exports, rose which, in turn, added pressure to operating capacity. As a result, backlogs increased further. In response, firms raised staff numbers for the first time in 20 months.

However, purchasing activity and inventories fell in the month, with business confidence slipping as well. September also saw signs of deflation.

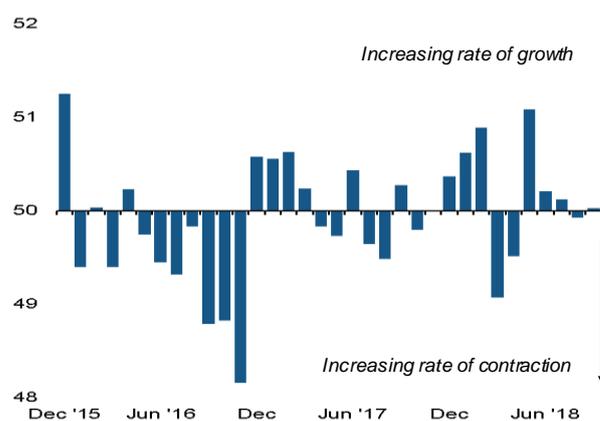
At 50.0 in September, the seasonally adjusted **Nikkei Thailand Manufacturing Purchasing Managers' Index™ (PMI™)** was fractionally higher than 49.9 in August, indicating unchanged conditions in the health of the sector. The latest reading took the third quarter average to 50.0, and signalled for the first time in a year that there was no quarterly improvement recorded.

The headline PMI provides a snapshot of the manufacturing performance in the country and derives from questions on output, new orders, employment, inventories and delivery times.

Survey data showed signs of tentative growth in client demand at the end of the third quarter, though firms remained largely cautious in general. While rising for the first time in four months, the gain in new orders during September was marginal and below the average over the first half of the year. Export order growth was also slight. Output fell for the first time since March, although the decline was marginal.

Nevertheless, the increase in client demand saw the level of unfinished work rise further, thereby placing greater pressure on operating capacity. This prompted firms to take on more workers in September. Jobs growth was reported for the first time since January 2017. However, the employment gain was fractional.

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Sources: Nikkei, IHS Markit

Companies scaled back on purchasing activity in September, the first in just over a year. Lower input buying and decreased output weighed on inventories of both input purchases and finished goods, which decreased for a third consecutive month, albeit marginally. The lack of appetite for input purchases saw stable delivery times.

On the price front, there were signs of deflation. Following a year of rising prices, input costs fell in September. This in turn led to manufacturers keeping selling prices steady. Prices charged for Thai manufactured goods were largely unchanged.

Finally, business confidence relating to future output was largely neutral. The Future Output Index slipped further, with the number of firms anticipating higher output almost equal to those expecting lower output. Optimism was linked to higher sales while deteriorating economic conditions were cited as a reason for pessimism.

Comment:

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

“Nikkei PMI data suggest that a quarterly gain in Thailand’s manufacturing sector will not be seen for the first time in a year. Factory activity in the third quarter was largely stagnant, attributed in part to weak sales.

“While the latest survey showed an improvement in client demand in both domestic and overseas markets at the end of the third quarter, other survey indicators hint at an unlikely pickup in growth in coming months. Input purchases and inventories both fell in September. Although job creation was seen for the first time in 20 months during September, the gain was marginal. Meanwhile, business confidence slipped further, with Thai manufacturers mostly neutral towards future output in the year ahead.”

-Ends-

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Notes to Editors:

The Nikkei Thailand Manufacturing *PMI*[™] 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*[™] 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.

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