

News Release

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S&P Global Thailand Manufacturing PMI™

Manufacturing sector expansion improves amid higher production

Key findings

Production growth picks up though demand worsens

Lead times lengthen at second fastest pace on record

Price pressures intensify at the end of 2022

Thailand's manufacturing sector continued to expand in December, driven by sustained growth of manufacturing output. Existing work and optimism about future output ensured growth in purchasing. That said, challenges were present in the form of deteriorating demand, supply constraints and an intensification of price pressures.

The headline seasonally adjusted S&P Global Thailand Manufacturing *Purchasing Manager's Index™ (PMI™)* posted 52.5 in December, up from 51.1 in November. This marked the twelfth straight month in which the manufacturing sector expanded and at the fastest rate in three months.

Manufacturing production continued to grow in the final month of 2022 and at the second fastest pace on record as Thai manufacturers ramped up production to complete previous orders and existing workloads.

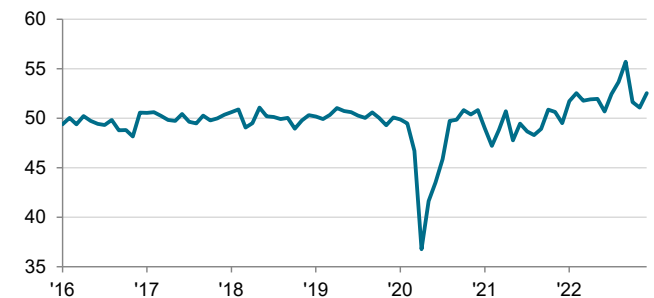
The demand picture paled in comparison, however, with new orders shrinking for the third time this quarter. Anecdotal evidence suggested that a deterioration in economic conditions and high inflation underpinned the decline in new business. Furthermore, international demand also fell with similar issues prevalent overseas.

The mixture of higher production and lower demand resulted in the depletion of backlogged work for the twelfth straight month and at a rapid rate. Workforce levels also declined as firms attempted to rein in labour costs.

Meanwhile sentiment remained positive in December as firms were hopeful that sales can improve as economic conditions recover. The level of business confidence also climbed above the 2022 average. As a result of the anticipation for higher sales, and alongside existing production requirements, buying activity in the manufacturing sector continued to grow at a rapid rate in December. Stocks of purchases remained unchanged on the month, however, as the depletion of inventories for production offset restocking efforts.

S&P Global Thailand Manufacturing PMI

sa, >50 = improvement since previous month



Source: S&P Global.

Data were collected 6-15 December 2022.

Comment

Jingyi Pan, Economics Associate Director at S&P Global Market Intelligence, said:

"The expansion of Thailand's manufacturing sector quickened at the end of 2022 according to PMI data as production growth picked up. That said, the deteriorating demand picture does not bode well for the sector going into 2023, signalling the potential for a slowdown in coming months."

"Furthermore, the latest data showed supply constraints persisting for Thai manufacturers. At the same time price pressures worsened again, albeit at a moderate rate for input costs, adding to the feeling that speed bumps remain for further production expansion."

"Overall sentiment remained positive, however, with the level of business confidence inching up in December. It will be important to see improvements in economic conditions leading to demand growth to avert the likelihood of a protracted slowdown in the Thai manufacturing sector."

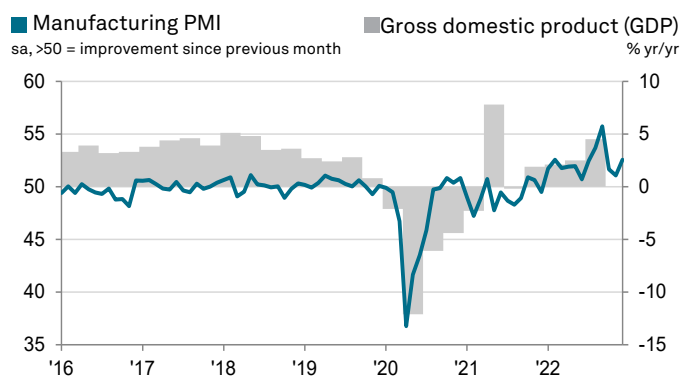
PMI™

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Separately, stocks of finished goods rose in December as production growth outweighed sales. Shipping issues were also present with manufacturing sector lead times lengthening at the fastest rate since October's record.

Manufacturers in Thailand also faced higher costs in December. Anecdotal evidence suggested that higher raw material, energy and transportation costs contributed to higher overall input costs. Furthermore, input price inflation inched up from November to signal higher cost pressures. As a result, firms shared their increased cost burdens with clients at a faster rate in December leading to output price inflation climbing at the end of the year.



Sources: S&P Global, NESDB.

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Survey methodology

The S&P Global Thailand Manufacturing PMI™ is compiled by S&P Global from responses to questionnaires sent to purchasing managers in a panel of around 400 manufacturers. The panel is stratified by detailed sector and company workforce size, based on contributions to GDP. Data collection began in December 2015.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are then seasonally adjusted.

The headline figure is the Purchasing Managers' Index™ (PMI). The PMI is a weighted average of the following five indices: New Orders (30%), Output (25%), Employment (20%), Suppliers' Delivery Times (15%) and Stocks of Purchases (10%). For the PMI calculation the Suppliers' Delivery Times Index is inverted so that it moves in a comparable direction to the other indices.

Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

For further information on the PMI survey methodology, please contact economics@ihsmarkit.com.

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