

News Release

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S&P Global Thailand Manufacturing PMI™

Thailand's manufacturing sector expansion slows in October

Key findings

Demand conditions deteriorate noticeably in October

Selling prices rise at the fastest rate on record

Business confidence surges despite fall in new orders

Thailand's manufacturing sector expanded for a tenth consecutive month in October, supported by rapid growth of manufacturing production at the start of the fourth quarter. Demand for Thai manufactured goods was however negatively affected by a weaker economic backdrop, which also led to job shedding in the sector. That said, amid persistent deterioration in vendor performance and price increases, Thai manufacturers continued to raise their level of purchases. Overall expectations for better future performance were also the strongest on record.

The headline seasonally adjusted S&P Global Thai Manufacturing Purchasing Manager's Index™ (PMI™) posted 51.6 in October, down sharply from 55.7 in September. This marked the tenth straight month in which the manufacturing sector expanded. Although the rate of expansion eased from September's record, it remained rapid overall.

Manufacturing production in Thailand continued to expand in October and at the second-fastest rate on record as firms worked on existing orders. The broad current demand picture deteriorated, however, with new orders falling at the fastest rate since mid-2020 (around the height of the COVID-19 pandemic). Thai manufacturers reported weaker economic conditions and increased competition having led to the fall in incoming new business. Foreign demand for Thai manufactured goods similarly eased in October, affected by higher inflation.

As a result of weaker demand, manufacturing firms in Thailand reduced their workforce capacity in October. Businesses attempted to reduce their overall expenditure through reducing staffing levels, although voluntary resignations also contributed to the slide in workforce numbers.

Meanwhile the level of backlogged work also declined, and at the fastest rate on record, with lower demand underpinning the fall in work outstanding.

Despite the decline in order book volumes, firms continued

S&P Global Thailand Manufacturing PMI

sa, >50 = improvement since previous month



Source: S&P Global.

Data were collected 12-21 October 2022.

Comment

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

"Thailand's manufacturing sector expansion slowed in October, undermined primarily by a deterioration in demand according to PMI data. The renewed contraction in sales, including foreign demand, reflected the slowdown in economic growth, which was also affected by the global inflation backdrop."

"The inflation trend in Thailand is especially worrying with October's PMI data suggesting the worst is yet to be over. Selling price inflation climbed to a fresh survey record after briefly easing in September while input prices also continued to rise strongly."

"Despite the slew of worrying developments, firms remained broadly confident that business conditions will improve, a heartening sign for future expansion."

PMI™

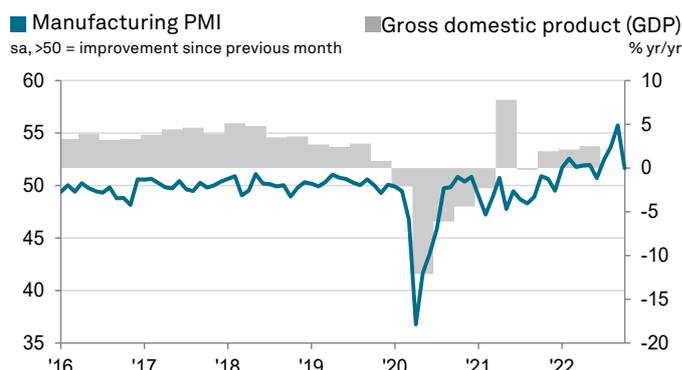
by S&P Global

to increase their buying levels in October at a rapid rate. According to panellists, the quantity of purchases rose both to meet higher production requirements and for stockpiling. In turn, pre-production inventories holdings increased. Alongside the rapid growth in production activity, stocks of finished goods also expanded sharply in October.

Survey respondents reported stockpiling in October with concerns of supply delays and input price increases. Indeed, longer lead times were observed in October, whereby suppliers' delivery times lengthened at a survey record pace, affected by flooding issues.

On prices, input cost inflation eased further from the series peak in August but remained amongst the fastest on record. Firms attributed the climb in overall input costs to higher raw material, energy, and transport costs, which they continued to share with clients, leading to a record rise in selling prices.

Overall sentiment remained at their most optimistic across the Thai manufacturing sector even as demand faltered in October. Firms were generally hopeful that economic conditions will improve and boost sales in the coming months.



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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