

# News Release

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## S&P Global Thailand Manufacturing PMI™

### Manufacturing expansion continues at solid pace

#### Key findings

Production improves at record pace amid higher demand

Buying activity surges as firms' optimism improves

Price pressures remain elevated in February

Manufacturing activity continued to expand strongly midway into the first quarter of 2023 with the latest PMI™ data from S&P Global signalling further growth in output and new orders, as well as the ramping up of buying activity in the sector. The level of backlogged work declined, however, which restricted any growth in workforce capacity. Supply constraints meanwhile persisted as lead times continued to lengthen while price pressures stayed elevated.

The headline S&P Global Thailand Manufacturing PMI is a composite single-figure indicator of manufacturing performance. It is derived from indicators for new orders, output, employment, suppliers' delivery times and stocks of purchases. The PMI rose for the third month running to 54.8 in February, from 54.5 in January to signal improving business conditions for the fourteenth consecutive month. Moreover, the latest figure reflected the second strongest overall expansion of the sector in the survey history.

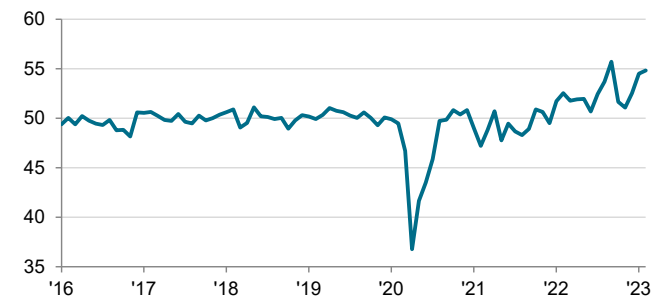
Higher manufacturing production contributed chiefly to the uptick in the headline PMI. The pace of output growth accelerated to the fastest on record in February with around 51% of survey respondents reporting higher goods production compared to just 4% that experienced a decline from the previous month.

Underpinning the latest rise in manufacturing output in Thailand was better demand conditions as new orders for Thai manufactured goods expanded at the quickest pace in five months. The easing of virus disruptions supported the latest expansion. Foreign demand for Thai manufactured goods continued to shrink, however, amid challenging external conditions. That said, the pace of decline receded to a marginal one.

As a result of the growth in demand and output, Thai manufacturers ramped up their input acquisition activity. Furthermore, the pace at which buying activity rose was the second fastest on record. Firms were generally optimistic

S&P Global Thailand Manufacturing PMI

sa, >50 = improvement since previous month



Source: S&P Global.

Data were collected 10-20 February 2023.

#### Comment

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

*"The latest S&P Global Thailand Manufacturing PMI revealed that the Thai manufacturing sector remained in a strong expansion mode midway into the first quarter. Better demand conditions supported the record growth in manufacturing production, although firms primarily worked through backlogged orders as new order expansion stayed moderate."*

*"Supply constraints remained a lingering issue with lead times continuing to lengthen at an above-average rate while input cost inflation rose to reflect higher price pressures for Thai manufacturers. As a result, firms continued to pass on costs to clients at a strong pace, reflecting supply-side inflationary pressures that may warrant continued central bank attention."*

*"Overall business confidence rose, but what will be important is to see demand conditions further improve, including foreign demand, to sustain the ongoing strong output performance."*

PMI™

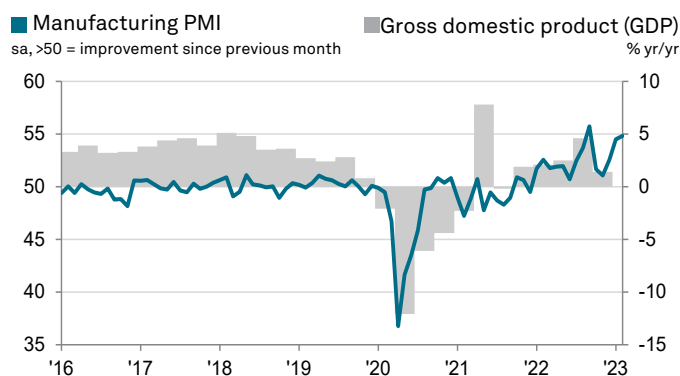
by S&P Global

with business confidence improving since January.

That said, the level of pre-production inventories declined slightly in February with caution lingering among goods manufacturers against over accumulating inputs. This sense of caution had also led to a moderation in the pace of post-production inventory accumulation in February.

With demand growth paling in comparison to output expansion, however, Thai manufacturers also further cleared their backlog orders, extending the current sequence of backlog depletion to 14 months (the longest in the survey's seven-year history). Excess operating capacity also limited any need for workforce expansion in February.

Meanwhile supply constraints persisted within the Thai manufacturing sector. Vendor performance deteriorated for the tenth straight month on the back of higher demand and transportation delays. Concurrently, input cost inflation rose in February, reflecting higher raw material costs and heightened shipping cost pressures. As a result, firms shared their cost burdens with their clients, leading to output prices climbing in February. Despite easing since the start of 2023, selling price inflation nevertheless remained elevated.



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](mailto:economics@ihsmarkit.com).

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