

# News Release

Embargoed until 0730 ICT (0030 UTC) 1 July 2022

## S&P Global Thailand Manufacturing PMI™

### Thai manufacturing sector growth eases as demand conditions worsen

#### Key findings

Output expansion eases amid deterioration in new orders

Price pressures remain severe...

...but business confidence at strongest since January 2016

Thailand's manufacturing sector expanded for a sixth straight month in June, according to the latest S&P Global PMI™ data. Manufacturing production growth eased from the survey-record high registered in May amid reports of weakening demand conditions. Order book volumes shrunk at the quickest extent in over a year, resulting in a fall in employment levels and pre-inventory stocks as companies stepped up cost-saving efforts. The level of backlogged work also fell during June.

Meanwhile, severe price pressures continued as companies set higher selling charges in response to rising input costs. Despite this, overall business sentiment remained positive and reached its highest level since January 2016.

The headline seasonally adjusted S&P Global Thai Manufacturing Purchasing Manager's Index™ (PMI™) posted 50.7 in June, down from 51.9 in May. Having posted above the 50.0 no-change mark, the headline PMI was consistent with a sixth month of improvement in the health of the Thai manufacturing sector. That said, the rate of growth was mild and the slowest in the current sequence of expansion.

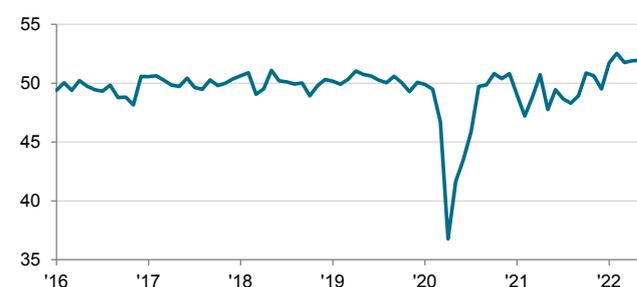
Looking beyond the headline figure, June data indicated that production across the Thai manufacturing sector expanded for a tenth month running. That said, the rate of growth fell considerably from May to a five-month low. Anecdotal evidence suggested that declining market demand weighed negatively on production volumes.

June data pointed to second month of declining new orders at Thai goods producers. Moreover, the rate of contraction was the fastest since May 2021. The fall in new business was mainly attributed to fewer customers, although some firms also noted the adverse impact of higher selling prices on sales performances. In contrast to this, client demand from foreign markets expanded, albeit marginally.

Weakened demand conditions encouraged Thai manufacturing firms to continue job shedding in May. Panellists often reported cost-saving as motivation for employment cutbacks. Some firms also cited voluntary

S&P Global Thailand Manufacturing PMI

sa, >50 = improvement since previous month



Source: S&P Global.  
Data were collected 13-22 June 2022.

#### Comment

Laura Denman, Economist at S&P Global Market Intelligence, said:

"The latest PMI data brought about mixed feelings surrounding the general health of Thailand's manufacturing industry. On the positive side, the headline PMI posted above the 50.0 no-change threshold, pointing to sector improvement. On the negative side, the rate of growth slowed from May.

"Weakening demand conditions is a cause for concern. Anecdotal evidence suggested that higher prices charged was a contributing factor to the decline in new orders. Continuing price pressures certainly have the ability to exacerbate the decline in demand, especially at a time where global economic conditions appear to be deteriorating.

"Despite this, overall sentiment among the Thai manufacturing sector remained positive and among the strongest on record as companies were generally hopeful for a rebound in economic conditions over the coming year."

PMI™

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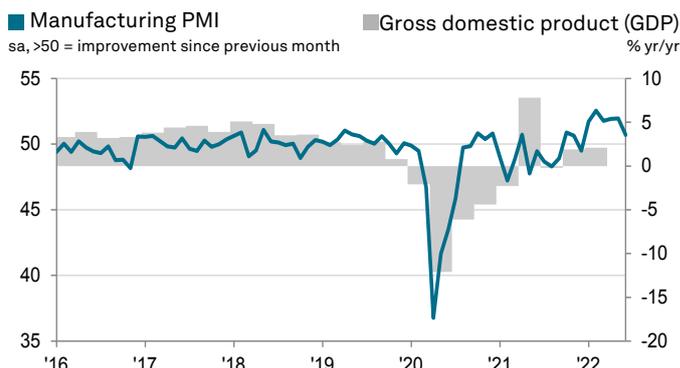
Similarly, falling inflows of new business led to a contraction in pre-production inventories in June. Anecdotal evidence suggested that firms reduced input stocks to save costs amid fewer orders.

Higher output, coupled with lower demand, enabled Thai manufacturers to reduce outstanding work and expand post-production inventories in June. The rate of backlog depletion reached its sharpest since May 2021, while the accumulation of finished goods was among the highest on record.

Latest survey data indicated that the quantity of inputs purchased increased for a tenth successive month in June. That said, buying activity growth slipped sharply from the survey peak recorded in May. Firms reportedly increased their purchasing activity in anticipation of higher input costs. Where a decline was seen, fewer orders and lower production levels were mentioned.

Price pressures remained severe across the Thai manufacturing economy in June. Reports of fuel, transport and raw material cost increases were factors behind higher input prices. Firms reported making their own price adjustments in line with higher input costs, leading to further steep output price inflation.

Lastly, the level of business confidence surged in June to the second strongest across the series history and the highest since January 2016. Despite challenging demand conditions at present, firms remained hopeful for future economic recovery.



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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