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IHS Markit Thailand Manufacturing PMI™

Thai manufacturing conditions deteriorate further in June

Key findings

Output and new orders both fall further amid emergency measures

Job shedding persists

Business expectations remain pessimistic

Data were collected 12-22 June 2020

Amid the extended emergency measures and a global trade downturn, Thailand's manufacturing conditions worsened further in June, according to the latest PMI data. Production volumes fell steeply again, in tandem with a sharp decline in new sales, led by a substantial fall in export orders. As a result, firms continued to cut back on purchasing activity and labour capacity. Business sentiment remained deeply negative while price pressures were subdued.

The Thailand Manufacturing *Purchasing Managers' Index*™ (PMI™) rose from 41.6 in May to 43.5 in June, its highest level since March. However, by remaining below the no-change 50.0 level, the latest figure indicated a deterioration in the performance of the sector. At 40.6, the average PMI reading for the second quarter was by far the lowest recorded since the survey began just over four-and-a-half years ago.

The headline PMI is a composite index derived from a weighted average of five sub-indices: output, orders, employment, inventories and delivery times.

The impact of the COVID-19 pandemic on the Thai manufacturing sector remained severe. Factories reported a reduction in output for a fifth month running during June, with the rate of decline still steep, albeit slowing further from April's record. Anecdotal evidence pointed to a weakening sales trend as a key factor behind lower production.

Inflows of new orders continued to decline substantially in June. The rate of decrease was the third-sharpest in the series history following unprecedented declines in the previous two months. The downturn in sales was also driven by weak external demand. Export sales continued to fall at a severe rate in June.

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Thailand Manufacturing PMI
sa, >50 = improvement since previous month



Source: IHS Markit.

Comment

Commenting on the latest survey results, Bernard Aw, Principal Economist at IHS Markit, said:

"Latest PMI data showed Thailand suffered another sharp deterioration in manufacturing conditions during June. While the downturn eased further from April's record, forward-looking survey indicators suggested that current factory weakness will continue in the coming months."

"The extended local emergency measures and global trade weakness continued to weigh heavily on demand for Thai manufactured goods. New orders fell further, led by another substantial fall in export sales."

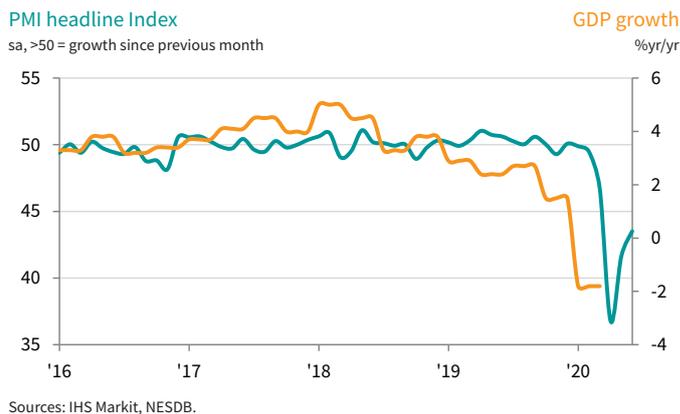
"Squeezed by falling sales and facing rapidly rising spare capacity, firms sought to cut costs by reducing employment and purchasing activity."

"The level of confidence in the manufacturing sector also remained near its historic low, illustrating the prospect of demand remaining weak in the face of a prolonged global downturn and the potential for a resurgent of infections."

Weaker sales contributed to a further rise in spare capacity, as indicated by a fifth straight month of decrease in the level of backlogs. As part of cost saving measures, firms cut staff numbers again in June, though the rate of decline was the slowest in four months. Purchasing activity was also reduced as manufacturers preferred to tap into existing stocks to meet production requirements. Inventories of both input and finished goods fell for a sixth consecutive month during June, with rates of depletion sharp overall.

The coronavirus pandemic continued to weigh heavily on business confidence. Expectations about the year-ahead outlook remained deeply pessimistic, as shown by the Future Output Index slipping to the second-lowest in the survey history during June (surpassed only by April's nadir).

Finally, price pressures remained muted. Input costs were little changed, while prices charged for Thai goods were reduced marginally amid reports that some firms gave price discounts to clients as part of efforts to boost sales.



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Methodology

The IHS Markit Thailand Manufacturing PMI™ is compiled by IHS Markit from responses to monthly 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.

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.

June 2020 data were collected 12-22 June 2020.

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

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Purchasing Managers' Index™ (PMI™) surveys are now available for over 40 countries and also for key regions including the eurozone. They are the most closely watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends.
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