

News Release

Embargoed until 0730 ICT (0030 UTC) 3 July 2023

S&P Global Thailand Manufacturing PMI™

Solid manufacturing sector expansion continues in June

Key findings

Production growth remains strong but decelerates from May...

...as new orders rise at a softer pace

Price pressures ease amid improvements in supply

Operating conditions in the Thai manufacturing sector continued to improve at the end of the second quarter, according to the latest PMI™ data. Sustained demand growth, including from foreign clients, supported higher production. Additionally, firms raised their buying activity and staffing levels to meet increased output requirements.

That said, slower new orders growth in June was accompanied by a fall in business confidence among goods producers. This was despite better supply conditions keeping cost inflation subdued within the manufacturing sector.

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 declined from 58.2 in May to 53.2 in June, but stayed above the 50.0 no-change mark for the eighteenth consecutive month to signal continued solid expansion of the manufacturing sector.

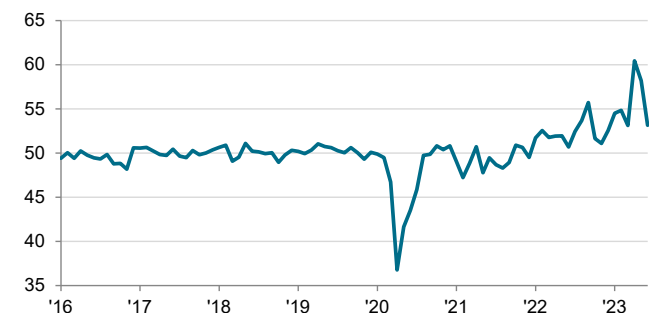
New orders rose for a third straight month in June, albeit again at a slower rate than April's record. Greater interests in Thai manufactured goods and an expansion of the customer base underpinned the latest upturn, according to panellists. Anecdotal evidence also showed that improved visitor arrivals over June helped to drive international new orders, which grew at the fastest rate in just over two years.

As a result of solid demand growth, manufacturing production continued to expand in June. The pace of growth further eased from the April record, in line with new orders, but remained strong by historical standards.

Manufacturers also lifted their employment levels to keep up with ongoing production. While marginal, the pace at which firms hired additional staff was the fastest since January 2017. Higher volumes of backlogged work, due to rising demand, also led to the expansion in workforce capacity.

S&P Global Thailand Manufacturing PMI

sa, >50 = improvement since previous month



Source: S&P Global PMI.

Data were collected 12-22 June 2023.

Comment

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

"There was a loss of growth momentum in Thailand's manufacturing sector at the end of the second quarter, albeit to a more sustainable level according to the latest S&P Global Thailand Manufacturing PMI. Moreover, export orders showed encouraging signs, registering an acceleration of growth in June.

"Better supply conditions have kept price pressures subdued with below-average cost inflation leading to the slowest rise in selling prices in almost two years, which should support further moderations in consumer price inflation in the coming months.

"Overall business confidence continued to deteriorate, however, with lingering concerns over the economic and political outlook affecting Thai manufacturers' optimism."

PMI™

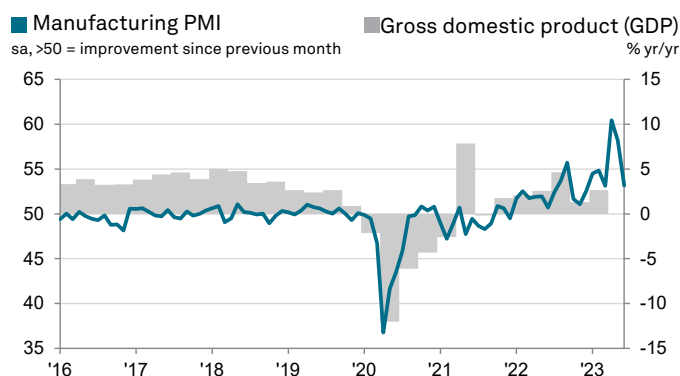
by S&P Global

Goods producers in Thailand further raised their quantity of purchases in June. Survey respondents indicated greater acquisition of inputs on the back of higher production and safety stock building interests. This also contributed to higher levels of pre-production inventories and stocks of finished goods.

Meanwhile supply conditions continued to improve as average delivery times shortened for a third straight month in June, albeit only marginally.

Supply-side improvements helped to keep price pressures subdued as input costs increased at one of the slowest rates in two years. In turn, manufacturers passed on the rise in prices, stemming from higher raw material and shipping costs in the form of higher charges. However, the increase was the slowest since August 2021.

Finally, Thai manufacturers maintained a positive view on the year ahead outlook at the end of the second quarter. That said, the level of business confidence declined alongside the loss of broader growth momentum in June. Survey respondents indicated concerns over the economic and political environment weighing on their optimism.



Sources: S&P Global PMI, NESDB via S&P Global Market Intelligence.

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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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