

News Release

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S&P Global Thailand Manufacturing PMI™

Broad-based improvement in business conditions in January

Key findings

PMI rises to second-highest level on record

All five PMI components provide positive contributions

Cost pressures grow but remain well below 2022 highs

Thailand's manufacturers enjoyed a strong start to 2023, with the latest PMI™ data from S&P Global signalling another marked increase in output, higher new orders and a rare increase in employment in the sector. Purchasing continued to rise sharply, leading to a renewed increase in stocked inputs despite another rapid fall in backlogged work. Cost pressures picked up but remained well below their 2022 highs, while output price inflation remained among the highest on record. Less positively, the 12-month outlook for production was the weakest for nearly a year.

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 second month running to 54.5 in January, from 52.5 in December and signalling improving business conditions for the thirteenth consecutive month. Moreover, the latest figure signalled the second-strongest overall expansion in the sector in the seven-year survey history, behind September 2022 (55.7). Since the first survey in December 2015 the PMI has trended at 49.9.

The PMI was positively influenced by all five components in January with expansions registered for output, new orders, employment and stocks of purchases, and longer suppliers' delivery times. This was the first broad-based improvement since January 2017 and only the third in the survey history (the other being December 2016). The 2.0-point increase in the PMI since December was driven by the new orders, employment and stocks of purchases indices.

Output continued to rise strongly in January, extending the current survey-record sequence of growth to 17 months. Increased production was driven by higher new work as well as the completion of outstanding business. New orders increased for the first time in four months, despite a further slight drop in new export business. Meanwhile backlogs fell sharply, albeit at the slowest rate in four months. Post-

S&P Global Thailand Manufacturing PMI

sa, >50 = improvement since previous month



Source: S&P Global.

Data were collected 12-23 January 2023.

Comment

Trevor Balchin, Economics Director at S&P Global Market Intelligence, said:

"The Thai manufacturing sector had a good start to 2023, with the three key variables of output, new orders and employment all registering growth for only the fourth time in the seven-year survey history. Production in particular registered another strong increase, although this again mainly reflecting firms working through backlogs as opposed to incoming new work which increased only modestly.

"The 12-month outlook remained strong overall, although confidence dipped to an 11-month low on lingering inflation concerns. Input price inflation rose to a three-month high but remained well below the record set last August, while output price inflation remained among the highest on record."

PMI™

by S&P Global

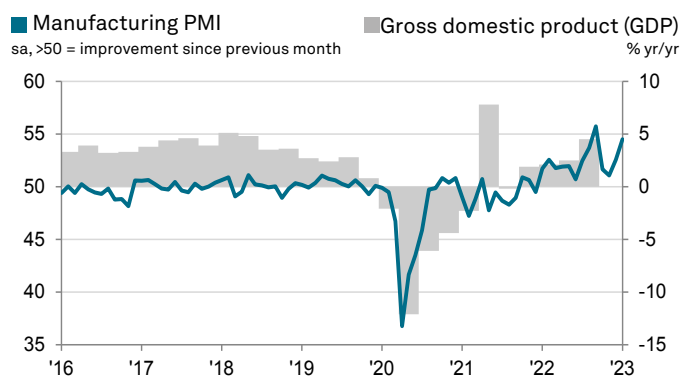
production inventories increased for the sixteenth month running, albeit at a rate well down on the 2022 average.

Manufacturers continued to step up their purchasing operations in January to support rising output. The rate of growth in input buying was in line with the strong trend over the second half of 2022 and faster than any survey period prior to this. Though production rose sharply, the level of inputs held in stock also increased, and at the joint-third fastest rate on record.

Supply chains remained under pressure in January, reflecting the sustained increase in demand for inputs and ongoing global shortages and transportation delays. Suppliers' delivery times lengthened for the ninth month running, the longest period of deteriorating performance in the survey history. That said, the degree to which times increased in the latest period was the lowest since last September.

Cost pressures in the Thai manufacturing sector continued to build in January, with average input prices rising for the twenty-eighth month running. The rate of inflation hit a three-month high and was well above the long-run survey trend, albeit still down on the highs reached during 2022. Meanwhile, output prices increased at the fifth-fastest rate on record.

Manufacturers remained optimistic towards their growth prospects over the next 12 months, linked to promotional activity and an improvement in the wider economy. The overall strength of positive sentiment was above the long-run survey trend but the weakest in nearly a year, reflecting some concerns over the impact on demand of high inflation around the world.



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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