

# News Release

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## S&P Global Thailand Manufacturing PMI™

### Manufacturing sector contracts amid fall in new orders

#### Key findings

Sharper deterioration in sales during August

Selling price inflation accelerates despite lower input costs

Business sentiment improves among manufacturers

Operating conditions in Thailand's manufacturing sector worsened during August for the first time since December 2021 according to the latest PMI™ data. Central to the latest deterioration of operating conditions was a deepening of new order contraction. In contrast, production grew again as manufacturers worked through their existing orders. Firms nevertheless lowered both their input inventory holdings and staffing levels in line with weakening demand.

Meanwhile average input costs declined, though firms continued to raise their selling prices amid improved confidence for output in the 12 months ahead.

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 fell from 50.7 in July to 48.9 in August. Sliding past the 50.0 no-change mark, the latest PMI signalled the first contraction of the manufacturing sector in 20 months. The rate of decline was the fastest since September 2021.

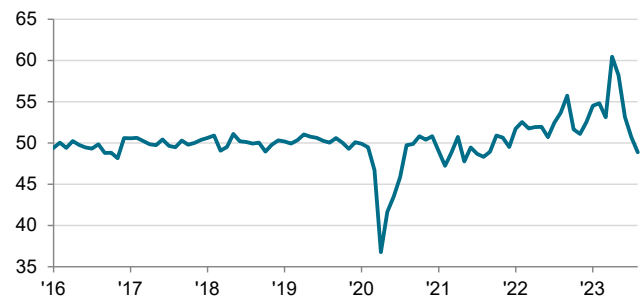
New work placed at Thai manufacturers declined for a second consecutive month in August on the back of deteriorating economic conditions. The pace of reduction was solid and the fastest in nine months. That was despite new export orders remaining in growth territory. Foreign sales were supported by improvements in demand at key export destinations according to panellists.

Manufacturing production expanded at the slowest pace in nearly two years. Firms were able to work through their backlogs in August as order book volumes fell. This excess of production over new work ensured that the decline in the volume of work outstanding was marked.

In turn, staffing levels fell in tandem with reduced capacity pressures. Both resignations and redundancies accounted for a mild decline in overall employment levels in the sector.

S&P Global Thailand Manufacturing PMI

sa, >50 = improvement since previous month



Source: S&P Global PMI.

Data were collected 10-22 August 2023.

#### Comment

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

*"Thailand's manufacturing sector conditions deteriorated midway into the third quarter, attributed primarily to a deepening of the downturn in new orders. While output remained in growth territory, supported by existing orders, the lack of new work replenishment is likely to lead to a further worsening of production conditions down the line."*

*"Cost pressures eased for Thai manufacturers, which is again moving in the desired direction of recent monetary policy adjustments, though firms continued to share their accumulated cost burdens with clients."*

PMI™

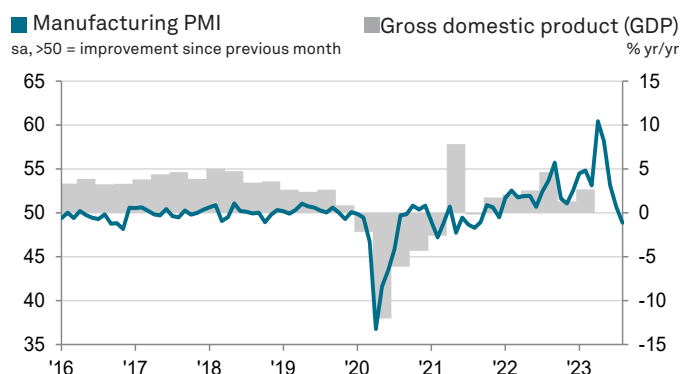
by S&P Global

Meanwhile, buying activity within the Thai manufacturing sector remained in growth territory, but the pace of expansion decelerated. Firms raised their purchasing levels at the least pronounced rate since June 2022 amid caution over the lack of new order growth.

This caution likewise spread to inventory management decisions as the average level of pre-production inventory holdings in the manufacturing sector were cut for a second straight month. Stocks of finished goods were almost unchanged in August, however, as higher production offset efforts to reduce holdings of post-production inventory.

While supply conditions remained largely unchanged in August, some vendors were eager to drive sales, offering discounts in August to retain customers, thus leading to another fall in average manufacturing sector input costs. The rate of decline was marginal, but this marked only a second time that average prices have fallen in nearly three years. However, rising cost burdens from past hikes in shipping prices and wages led to firms raising their selling prices at a marked pace in August.

Overall sentiment in the Thai manufacturing sector remained positive despite the latest downturn in sales. The level of business confidence climbed to the highest since June with firms hopeful that economic conditions can improve and help to support demand.



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](mailto:economics@ihsmarkit.com).

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