

News Release

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S&P Global Thailand Manufacturing PMI™

Manufacturing sector expands at fastest pace on record

Key findings

Growth in output hits a fresh record peak...

...despite record high inflationary pressures

Confidence about future soars to an all-time high

Operating conditions in Thailand's manufacturing sector improved for an eighth consecutive month in August and at a rate which was the strongest in the survey history, according to the latest S&P Global PMI™ data. Seven of the twelve monitored indices recorded fresh survey highs/lows this month - one of which was output, a primary driver of August's record sector expansion. A second successive month of new order growth was underpinned by domestic demand, as indicated by a renewed contraction in new export orders. Meanwhile, backlogged work depleted at the fastest rate in the survey history. To accommodate current production requirements, firms increased their purchasing activity and pre-production inventories to record degrees. Despite this, a fourth round of job shedding was recorded.

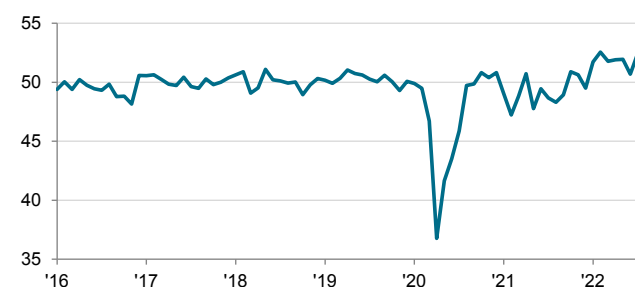
In terms of prices, inflationary pressures worsened to the extent greatest in the survey history. Firms reportedly continued to pass cost burdens associated with input price inflation through to clients in the form of higher selling prices. Despite this, a strong sense of optimism remained across Thailand's manufacturing sector, as indicated by overall business sentiment surging to a fresh survey peak.

The headline seasonally adjusted S&P Global Thai Manufacturing Purchasing Manager's Index™ (PMI™) posted 53.7 in August, up from 52.4 in July. Having posted above the 50.0 no-change mark, the headline PMI was consistent with an eighth month of improvement in the health of the Thai manufacturing sector. Notably, the rate of sector expansion was the strongest in the survey history.

Manufacturing production improved for a twelfth consecutive month in August and at a rate which was the sharpest across the series history. Firms reported that improvements in production and strengthening demand supported the rapid expansion in output.

In line with the rise in production, an uptick in new orders was recorded in August amid reports of new client wins and

S&P Global Thailand Manufacturing PMI
sa, >50 = improvement since previous month



Source: S&P Global.
Data were collected 12-22 August 2022.

Comment

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

"August data indicated that Thailand's manufacturing sector expanded at the fastest rate on record. The sector's improvement was primarily underpinned by record growth in production, enabling firms to focus on building-up post-production inventories and completing backlogged work. To accommodate current production requirements, Thai goods producers also increased their purchasing activity and bolstered stocks of purchases at record rates."

"That said, record inflationary rates inevitably brought about downside risks to Thailand's manufacturing sector. Despite the rate of new orders growth hitting a 16-month high, production seemed to significantly outweigh demand. Some may question the sustainability of current output levels and the likelihood of overall demand levels keeping up with production - especially given the inflationary pressures that are currently being felt globally."

PMI™

by S&P Global

strong underlying demand conditions. That said, August data signalled a renewed contraction in foreign demand.

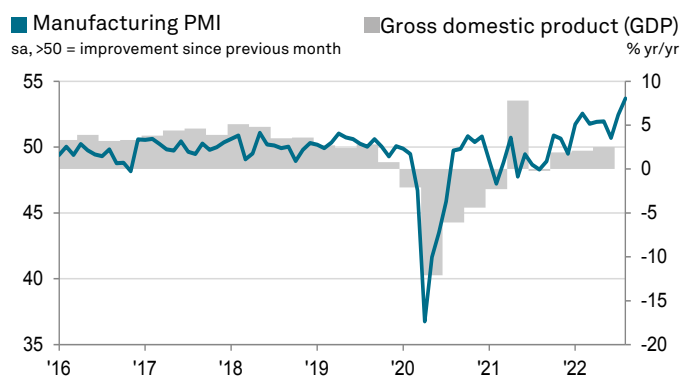
Elsewhere, pressures on capacities continued to ease as backlogged work declined at the steepest rate in the survey history. Firms were also able to substantially build up post-production inventories.

Record purchasing activity growth was also recorded in August given increasing levels of output. Pre-production inventories also accumulated at the fastest pace on record with similar reasons frequently cited.

Despite a significant expansion in manufacturing production, job shedding continued into August making for a four-month sequence of declining employment levels. Vendor performance also deteriorated at a rate that was the most pronounced in seven months. Anecdotal evidence suggested that cost saving efforts were the primary reasons behind the decline in both indices.

Turning to prices, August's survey revealed surges in input and output charges which were the steepest rates in the survey history. Firms indicated that freight, energy, and raw material costs were core drivers in input price inflation which firms inevitably passed onto clients in the form of higher output charges.

Finally, Thai manufacturing firms were strongly optimistic towards their outlook on output over the next 12 months. The degree of confidence soared to a fresh survey peak as Thai manufacturers remained hopeful for continued economic improvement.



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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