

# Thailand

## Manufacturing conditions deteriorate as nation mourns King's passing

- **Manufacturing PMI at record low of 48.2 in November**
- **Both output and new orders worsen at record rates**
- **King's passing leads to disruptions in the sector**

Thailand's manufacturing economy showed further signs of deterioration in November as business activity was adversely affected by the King's passing, which exacerbated already-weak demand. Meanwhile, inflationary pressures remained muted

The Nikkei Thailand Manufacturing PMI, compiled by Markit, edged lower from 48.8 in October to a new record low of 48.2 in November. The PMI has now been below 50.0, indicating a contraction on the prior month, for seven successive months.

Key to the deeper decline was a sharp fall in both output and new orders. In both cases, the contractions were also the worst recorded since the survey began in December 2015. With client demand falling further, Thai manufacturers continued to trim staff headcounts, stretching the job-cutting trend to eleven months.

### Special circumstances

As Thai manufacturers continued to grapple with subdued demand conditions, the passing of King Bhumibol Adulyadej, following a protracted period of poor health, further hit business activity. While an official period of mourning lasting 12 months was announced shortly after the King's death on 13th October 2016, the greatest impact was likely felt in the initial 30 days. Reports of production halts and the non-acceptance of new businesses in November exacerbated the manufacturing downturn.

After 30 days, business activity is expected to normalise. Though that may relieve some of the pressures in the manufacturing industry, companies reported that both domestic and foreign demand remained disappointingly muted. The ongoing decline in current operating conditions pointed to more headwinds in the fourth quarter.

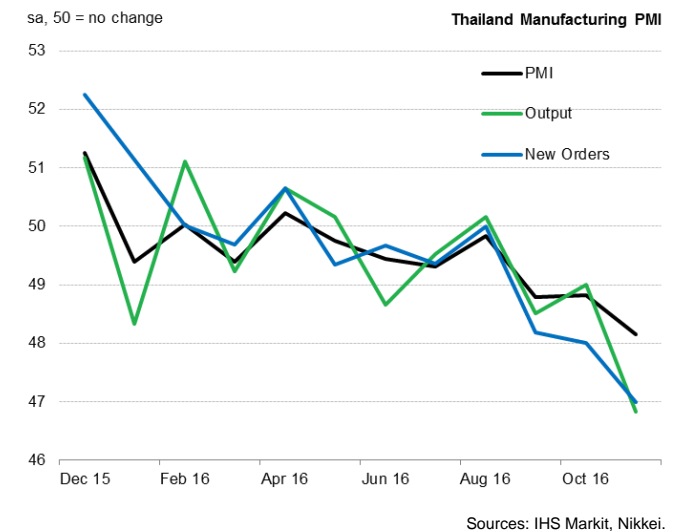
That said, the Thai government's plans to bring forward investment projects to next year alongside

infrastructure development initiatives may uplift the manufacturing sector.

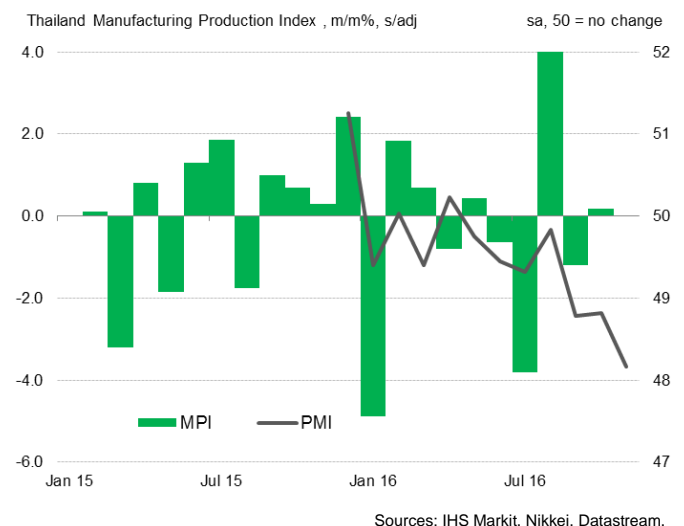
### Subdued inflationary pressures

Contrasting with the trends in a number of neighbouring economies, the survey continued to signal only muted input cost inflation. The mild increase in input costs helped producers keep their selling prices broadly stable in November, although there was evidence that some firms reduced their prices to remain competitive and to grant clients' requests for discounts.

#### Nikkei Thailand Manufacturing PMI



#### Thailand MPI v Nikkei PMI



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