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OF INDUSTRIAL ECONOMICS

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OIE reports MPI in June signals a recovery in the industry sector with a 4.18 percent growth from the previous month; capacity utilization rate increased continuously, indicating entrepreneurs have to adapt to the consumption of the New Normal era.

The Office of Industrial Economics (OIE) reported that the Manufacturing Production Index (MPI) in June 2020 grew by 4.18 percent from the same month last year, showing growth for the second consecutive month. The capacity utilization rate continued to increase, signaling a turnaround of the industrial economy. Many major industries began to gradually expand, indicating that entrepreneurs need to adapt to the consumer behavior in the New Normal era with an increasing demand for consumer products, but a slowdown in the consumption of durable products.

OIE Director-General Mr. Thongchai Chawalitpichaet reported that the Manufacturing Production Index (MPI) in June 2020 grew by 4.18 percent from the previous month, the second consecutive month of growth. The capacity utilization rate in June increased to 55.21 percent from the previous month of 52.34 percent, indicating a recovery in the industrial economy. However, the MPI for June 2020 contracted 17.66 percent from the same period last year, as it was still affected by the COVID-19 situation. Major economic activities, including transportation around the world, were disrupted, and the global economy slowed down. As a result, the MPI for the second quarter of 2020 contracted by 19.97 percent from the same period of the previous year.

Mr. Thongchai continued that the consumption behavior in the New Normal era has resulted in a decrease in demand for durable products as people have put off purchasing high-value products. As a result, major industries contracted and negatively impacted the MPI in June 2020, namely automobile and engine production, petroleum and air conditioners, and parts. However, demand for consumer products grew. **Key industries that continued to expand well in June were:**

- **Prepared animal feeds** increased by 10.78 percent from the same period of last year, mainly from pet food and fish feed, as the demand for animal food for pets grew consistently.

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- **Canned seafood** grew by 30.46 percent from the same period of last year, especially canned tuna. The COVID-19 situation resulted in a continuous increase in the demand for food that can be stored in both domestic and international markets.
- **Dairy products** increased by 11.74 percent from the same period of the previous year from ready-to-drink dairy products and powdered milk, due to new product releases, promotions, and increase online distribution channels. Orders from Malaysia, Indonesia, and Myanmar increased after Malaysian producers temporarily shut down their factories in line with measures to prevent the spread of COVID-19.
- **Household appliances** grew from the same period of last year by 12.74 percent. The growth came from the refrigerator, microwave ovens, and kettle products, as consumers were concerned about the spread of COVID-19. As a result, they spent more time at home and therefore had more demand for products in this group. Exports increase from the opening consumer group countries, especially the main markets from neighboring countries and Asian countries such as Japan and Bangladesh.

The industrial economy steadily recovered. Major industries grew, especially industries that could respond to demand. For example, the food industry (excluding sugar) expanded by 1.30 percent, and the petrochemical industry grew by 2.25 percent from the same period of the previous year. Meanwhile, other major industries began to increase production capacity. For example, the automobile industry increased by 28.00 percent from May, with 43.50 percent in the domestic market and 67.40 percent in the export market. This is because production lines resumed at the beginning of June, in line with the gradually recovering economic trend of Thailand.

“The government is prepared to implement the country's economic and social rehabilitation plan. This includes measures to stimulate the economy, such as the "We Travel Together" measure, which opens for registration on July 15, 2020, and the sixth phase of relaxation that will allow economic activities with foreigners, such as foreigners being allowed into the Kingdom for film shoots, and medical and wellness groups. It is expected that the production sector will return to full capacity again. Entrepreneurs need to adapt and implement plans to adapt to the consumption behavior in the new era of life or the New Normal, where there is a growing demand for consumer products,” **concluded Mr. Thongchai.**

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MPI and Capacity Utilization Rate (Monthly)

Index	2019							2020					
	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun.*
MPI	100.82	100.19	100.78	97.39	96.24	97.20	98.94	103.95	100.90	103.68	78.08	79.68	83.02
Change Rate (%MOM)	-3.58	-0.63	0.59	-3.37	-1.18	0.99	1.80	5.06	-2.93	2.75	-24.69	2.05	4.18
Change Rate (%YOY)	-5.14	-3.22	-4.43	-4.97	-7.98	-8.02	-4.37	-4.02	-4.24	-10.48	-18.22	-23.80	-17.66
Capacity Utilization Rate	64.62	65.05	65.65	63.63	62.79	63.19	64.02	66.75	66.06	67.78	51.27	52.34	55.21

Source: Division of Industrial Economics Information and Indices, Office of Industrial Economics, data as at 29 July 2020

MPI and Capacity Utilization Rate (Quarterly)

Index	2019				2020	
	Q1	Q2	Q3	Q4	Q1	Q2*
MPI	109.83	100.29	99.45	97.46	102.85	80.26
Change rate compared to last quarter (%)	5.02	-8.69	-0.83	-2.00	5.53	-21.96
Change rate compared to the same quarter last year (%)	-1.22	-2.44	-4.20	-6.80	-6.36	-19.97
Capacity Utilization Rate	71.26	65.57	64.78	63.33	66.86	52.94

Source: Division of Industrial Economics Information and Indices, Office of Industrial Economics, data as at 29 July 2020

