

**MPI IN JUNE 2015 SHRINKS 7.6%
PRODUCTION OF DOMESTIC-ORIENTED INDUSTRIES EXPANDS 3.4%**

The Office of Industrial Economics revealed that the manufacturing production index (MPI) contracted 8.0% in June 2015, stemming from decreases in hard disk drives (HDDs), televisions, automobiles, electronics, and beer. However, domestic-oriented industries (comprising less than 30% of exports) increased 3.4%.

Mr. Nattapol Rangsitpol, Deputy Director General of the Office of Industrial Economics (OIE), Ministry of Industry, the MPI dropped 8.0% in June 2015, due to lower output in major industries, such as HDDs, televisions, automobiles, electronics, and beer. Meanwhile, domestic-oriented industries, which comprise less than 30% of exports, went up 3.4%, mainly due to petroleum refining. Exports of industrial goods (excluding gold) shrank 6.8% in June 2015, resulting from a decline in exports of automobiles, electrical appliances, computers and its parts and assemblies, and integrated circuits.

Exports of industrial goods (excluding gold) contracted 3.0% in the first six months of 2015. Meanwhile, imports of capital goods and capital materials expanded 2.7% and 1.6%, respectively.

Automotive industry: Production reached 151,698 units in June 2015, a decline of 5.11% YoY. Domestic sales dropped 18.26% YoY, with sales totaling 60,322 units. Meanwhile, vehicle exports slumped 26.14% YoY, with a volume of 76,774 units. This shrinkage stemmed from an export volume contraction of 41.71% regarding 1-ton pickups and pickup passenger vehicles (PPVs). Exports totaled 37,238 units. Some carmakers made model changes, thereby leading to a lower export volume to North America, the Middle East, and Asia.

Electrical appliances and electronics: Industry production decreased 17.51% YoY. The electronics sector slumped 18.84% YoY. Output of HDDs, monolithic ICs, and other ICs plunged 21.73%, 12.03%, and 8.30%, respectively, stemming from reduced global demand for PCs and notebooks. Meanwhile, the electrical appliances sector dropped 11.40%, which included compressors (-5.06%), water boilers (-7.66%), rice cookers (-23.40%), and televisions (-86.30%). These contractions owed much to the country's reduced consumer purchasing power, along with the weak economic recovery of the European Union and Japan. In addition, television manufacturers relocated a number of their plants to other ASEAN countries. However, products with greater output, when compared to a year earlier, were air conditioners with split condensing units (+19.65%) and air conditioners with split fan coil units (+7.65%).

Iron and Steel: Consumption of metal products in Thailand reached 1.29 million metric tons in June 2015, a decrease of 5.15% YoY. Manufacturing output went down 14.29%, with volume totaling 0.48 million metric tons. Exports attained a value of USD \$65 million, slipping 8.89%. Meanwhile, the import value also dropped 16.70%, totaling USD \$570 million, due to the country's sluggish economy.

Flat-steel products slumped, including galvanized steel sheets, due to a manufacturing facility suspending operations for maintenance purposes. The volume of cold-rolled steel sheets declined owing to inventory management by cutting down production and releasing products in stock. The output of hot-rolled steel sheets went up slightly because metal manufacturers requested the government to impose a surcharge measure against imported metal products.

The production of long steel dropped, resulting from a stable market in the country. According to property indicators provided by the Bank of Thailand, the number of housing loans approved by commercial banks in the Bangkok metropolitan area and surrounding provinces declined in May 2015. Likewise, exports of long steel slipped in June 2015, due to an oversupply of metal products in the global market. Despite a weak consumption trend, China continued increasing production and imposed no controls on output even though there were requests from many countries for volume to be kept in check.

Food industry: Manufacturing overall surged 6.6% YoY, stemming from a higher volume of sugar and livestock (chicken and fowl) as opposed to the reduced output of other major products. Exports declined 2.0% YoY, resulting from an economic contraction in key trading countries, low product prices in the world market, the removal of GSP benefits for Thailand, and shifting economic growth from the European Union to other countries. In addition, private sector spending remained stable, despite a decrease in consumer purchasing power.

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