OIE reveals the MPI in the first month of 2025 showing signs of improvement, benefiting from government measures: Expects BOT to cut policy interest rate, supporting the recovery of the manufacturing sector

The Office of Industrial Economics (OIE) reported that the Manufacturing Production Index (MPI) in January 2025 was at 98.89, a contraction of 0.85 percent compared to the same period last year. The MPI indicates an improvement after benefiting from positive factors from the government's economic stimulus measures, as well as continuous growth of exports and tourism. It pointed out that the Bank of Thailand announced a reduction in the policy interest rate from 2.25 percent to 2.0 percent, allowing Thai manufacturing businesses to benefit from the use of expansionary monetary policy, supporting the continuous increase in the GDP of the industrial sector.

Mr. Passakorn Chairat, the Director General of the Office of Industrial Economics (OIE), reported that the Manufacturing Production Index (MPI) in January 2025 was at 98.89, a contraction of 0.85 percent compared to the same period last year. Still, an increase of 8.70 percent from the previous month, and the capacity utilization rate was 60.38 percent. The growth was supported by positive factors from the government's projects to ease the burden of the people and measures to stimulate spending, such as the 10,000 Thai Baht economic stimulus project, which helped boost the economy or GDP by approximately 0.275 percent. In addition, there was the “You Fight, We Help” debt relief project that supported people with reducing loan principles, suspending interest for 3 years, and closing off debts, including the tax reduction project via Easy E-Receipt 2.0. Such measures supported businesses in increasing production to accommodate purchase orders from increased consumption. The growth was coupled with the export market that has expanded well, as reflected by the industrial product exports in January 2025 that grew with the value of industrial product exports increasing by 17 percent compared to the same period last year and industrial product exports (excluding gold, weapons, tanks, and combat aircraft) that grew by 11.80 percent compared to the same period the previous year. At the same time, there has been a continuous increase in foreign tourists. The inflow of tourists also benefits related industries, such as food and beverages and clothing.

However, the negative factors affecting the manufacturing sector include high household debt, high cost of living, high levels of non-performing loans (NPLs), pressuring consumer purchasing power, and causing consumption to slow down, especially in the consumer goods and automotive industries. In addition, the trade barriers that the US is using to collect taxes from three countries, Mexico, Canada, and China, may affect Thai industries, especially products from China that may flood into Thailand more.

The overall industrial economic warning system for Thailand in January 2025 sent “**Warning Signs**”. Domestic factors are in the caution range similar to the previous month, following the slower growth of the volume of imported goods, as well as the slight increase in business and manufacturing confidence from the previous month. Meanwhile, foreign factors are initially standard following the expansion of business confidence and the economic outlook of the United States. However, production in the Eurozone and Japan is under watch following the contraction in output.

On February 26, the Bank of Thailand announced a reduction in the policy interest rate from 2.25 percent to 2.0 percent. It is expected that Thai manufacturing businesses will benefit from the implementation of the expansionary monetary policy, especially in terms of investment and business growth, such as business investment, which reduces the cost of borrowing money. Businesses will have a lower cost of funding sources, resulting in an incentive to invest in various projects, such as expanding production capacity, purchasing new machinery, or conducting research and development to help increase production efficiency and market expansion. Business expansion can accelerate faster because it can invest more in new developments without having to bear excessively high-interest costs, which will allow the industrial sector to grow faster in the short term. The competitiveness of businesses can reduce production costs, resulting in lower prices of goods or services and increasing competitiveness in both domestic and international markets. Stimulating consumer spending will encourage consumers to spend more because the cost of borrowing money to buy consumer goods, such as houses and cars, decreases, resulting in increased demand for spending on industrial goods.

“The OIE has estimated the impact of the BOT's policy rate cut, expecting that the manufacturing sector's GDP in 2025 will grow by 0.1 percent compared to the case where the BOT does not cut the policy rate. In addition, the OIE has moved forward with industrial restructuring to help revive the Thai industrial sector to become an important engine that will increase the country's economic momentum, with the goal of having the industrial sector contribute to the country's GDP growth of no less than 1 percent,” **said Mr. Passakorn**.

The primary industries that had a positive effect on the MPI in January 2025 compared to the same period of the last year were:

Refined petroleum products expanded by 8.87 percent compared to the same period last year, primarily driven by jet fuel, diesel, and gasoline 95, as production returned to normal.

Upstream plastics and synthetic rubber expanded by 21.05 percent compared to the same period last year, primarily driven by Polyethylene (PE), Ethylene, and Styrene Butadiene Rubber (SBR). This growth was attributed to the resurgence in market demand and the normalization of production activities, as manufacturers resumed operations without maintenance interruptions.

Computers and peripherals expanded by 31.60 percent compared to the same period last year, primarily driven by Hard Disk Drive (HDD) products, in line with purchasing demand that has begun to return from global demand, especially Enterprise HDD products.

The primary industries that had a negative impact on the MPI in January 2025 compared to the same period of the last year were:

Automobiles contracted by 18.30 percent compared to the same period last year, primarily due to a decline in pickup trucks, full-size cars, compact cars, and hybrid passenger cars. This contraction resulted from a shrinking domestic market, weakened consumer purchasing power, high household debt, and stricter lending criteria imposed by financial institutions. Additionally, intense price competition, particularly from Chinese electric vehicles, further pressured the market. Moreover, export markets continued to decline.

Palm oil contracted by 31.98 percent compared to the same period last year, primarily due to a decline in crude palm oil and refined palm oil output. This contraction resulted from a reduced supply of palm fruit, caused by drought, intermittent rainfall, and flooding in the southern region, which hindered farmers from harvesting their crops.

Non-alcoholic beverages, mineral water, and other types of bottled drinks contracted by 10.19 percent compared to the same period last year, primarily due to a decline in instant coffee, soft drinks, and fruit-flavored drinks. This decline was driven by the growing market demand for functional beverages, prompting some manufacturers to reduce the production of sweetened drinks in favor of health-oriented alternatives, such as vitamin-infused water.

Monthly Manufacturing Production Index and Capacity Utilization Rate

Index	2024												2025
	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.*
Manufacturing Production Index	99.74	100.10	105.73	90.34	98.93	96.79	97.21	96.16	93.60	94.65	94.54	90.98	98.89
Change Rate (%MoM)	7.66	0.36	5.62	-14.56	9.51	-2.16	0.44	-1.09	-2.66	1.12	-0.12	-3.77	8.70
Change Rate (%YoY)	-2.50	-2.12	-3.74	3.34	-1.18	-1.22	2.00	-1.23	-3.01	-0.07	-3.34	-1.80	-0.85
Capacity Utilization Rate	59.56	60.26	63.22	55.92	60.05	58.90	59.36	59.22	58.05	58.43	58.27	56.49	60.38

Source: Division of Industrial Economics Indices and Information, the Office of Industrial Economics (OIE); Data as of 28 February 2025