

OIE reports MPI contraction in February 2024 by 2.84 percent; industrial product exports grew for the fifth consecutive month, and tourists increased by 50 percent, supporting the recovery of the MPI

The Office of Industrial Economics (OIE) reported the Manufacturing Production Index (MPI) of February 2024, which reached 99.27, a contraction of 2.84 percent compared to the same period of last year from automotive production, which declined for the seventh month. The domestic economy recovered slowly following the issue of high household debt and rising interest rates on loans, which affected the financial costs and debt burdens of entrepreneurs. Industrial product exports grew by 1.80 percent for the fifth consecutive month, and the number of accumulated tourists increased by 50 percent, which is expected to improve the MPI after this.

The Director of the Office of Industrial Economics (OIE), Mrs. Warawan Chitaroon, reported that the Manufacturing Production Index (MPI) of February 2024 reached 99.27, a contraction of 2.84 percent compared to the same period of last year. The capacity utilization rate was at 59.77 percent, resulting in a shrinkage of MPI during the first two months of 2024 by an average of 2.88 percent. The main reason was that automotive production decreased for the seventh month, a contraction from the domestic market. The domestic economy recovered slowly due to the issues of high household debts, causing consumers to remain cautious in spending, coupled with rising interest rates on loans, which affected financial costs and the debt burden of entrepreneurs. However, exports of industrial goods (excluding gold, weapons, tanks, and combat aircraft) in February 2024 grew by 1.80 percent, growing for the fifth month consecutively. Furthermore, the tourism sector grew in the first two months of 2024, whereby the cumulative number of tourists reached 6.38 million people, an increase of 50 percent from the same period last year. The growth in tourism is expected to improve the MPI after this.

Thailand's overall industrial economic warning system for March 2024 "sent a watchdog signal," sending a signal in an improved direction from the previous month. This is because overall private investment is likely to recover during this period. In terms of factors from overseas, the US market needs to be monitored, including the recession in the Japanese manufacturing sector.

"The Manufacturing Production Index contracted for the 17th consecutive month due to the continued contraction of key industries. and the high weightage in calculating the MPI. In addition, the overall production of the automotive industry in February 2024 decreased by 19.28 percent compared to the same period last year, a contraction for the seventh month, mainly due to production for domestic sales. The production volume reached 46,928 vehicles, a decrease of 26.37 percent from February 2023, which produced 63,732 vehicles, Meanwhile, production for exports reached 86,762 vehicles, a decrease of 9.25 percent from February 2023, which produced 95,612 cars," Mrs. Warawan said.

Key industries that had a positive impact on the MPI in February 2024 compared to the same period last year include:

Refined petroleum products grew by 7.59 percent from the same period last year, mainly from high-speed diesel fuel, jet fuel, Gasoline 91, and Gasohol 91. The growth followed the continued growth in demand for consumption in the transportation and tourism sectors.

Chemical fertilizers and nitrogen compounds grew by 39.82 percent from the same period last year due to promotions to stimulate sales. Prices of many agricultural products were good, and farmers had more purchasing power.

Genuine gemstone jewelry grew by 24.56 percent from the same period last year, in line with the recovery of the economies of trading partners, resulting in more orders and exports to key trading partner countries.

Key industries that had a negative impact on the MPI in February 2024 compared to the same period last year include:

Automobile contracted by 16.83 percent from the same period last year from pickup trucks, small passenger cars, diesel engines, and large passenger cars, mainly following the slowdown of the domestic market. Consumers' purchasing power weakened. Furthermore, financial institutions were strict in granting loans.

Electronic components and boards contracted by 18.66 percent from the same period last year from Integrated circuits (IC) and PCBA products following a decrease in product demand in the world market.

Palm oil contracted by 27.23 percent from the same period last year due to crude palm oil and refined palm oil products. Because of droughts, the rain has stopped for a period. As a result, there were fewer raw palm fruits than the previous year. There was a market contraction in the domestic and export markets after Indonesia resumed exports, and prices in the world market decreased.

Industrial Production Index and Capacity Utilization Rate (Monthly)

Index	2023											2024	
	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.
MPI	102.17	109.68	87.34	99.88	97.75	95.03	96.93	95.80	94.26	96.87	92.12	99.16	99.27
Change rate (%MOM)	0.01	7.36	-20.37	14.35	-2.13	-2.78	2.00	-1.17	-1.60	2.77	-4.90	7.64	0.11
Change rate (%YOY)	-0.62	-2.81	-8.00	-2.83	-4.20	-3.90	-5.93	-5.88	-2.49	-1.50	-4.66	-2.93	-2.84
Capacity Utilization Rate	63.23	66.68	54.55	61.05	60.09	58.25	58.63	58.23	57.23	58.97	55.94	59.19	59.77

Source: Division of Information and Industrial Economic Indices, the Office of Industrial Economics (OIE); Data as of 28 March 2024

Note: Adjusted the base year for calculating the industrial index from 2016 to 2021.

Situation of the automotive industry in February 2024

Types		February 2023	February 2024
Passenger car sector	Production for domestic sales	26,886 units	24,308 units (-9.6%YoY)
	Production for exports	25,316 units	24,181 units (-4.4%YoY)
Pickup truck sector	Production for domestic sales	33,620 units	18,987 units (-43.5%YoY)
	Production for exports	70,296 units	61,265 units (-12.9%YoY)

Source: The Federation of Thai Industries

In February 2024, overall production decreased by 19.28 percent (YoY). The leading cause was reduced production for domestic sales, which decreased by 26.37 percent, while production for exports decreased by 9.25 percent.

According to the table, the passenger car sector produced for domestic sales decreased by approximately 9.6 percent or about 2,500 units, which may be due to various reasons, such as the introduction of EV imports from China or economic conditions. The pickup truck sector, which was produced for domestic sales, saw a significant decrease of approximately 43 percent or about 15,000 units, attributed to stricter financing conditions. It's noted that the pickup truck sector is almost unaffected by the current electric vehicle technology (in 2023, an average of 35,000 pickup trucks were sold per month, but currently, it is down to 18,000 units per month).