

OIE reports that the export of industrial products has slowed down, putting pressure on the MPI for July 2023, which contracted by 4.43 percent, along with adjusting the forecast for this year, where the MPI is expected to contract by 2.8 - 3.8 percent and industrial GDP by 1.5 - 2.5 percent.

The Office of Industrial Economics (OIE) reported that the Manufacturing Production Index (MPI) in July 2023 reached 91.14, a drop of 4.43 percent, affected by shrinking industrial product exports after the world economy slowed down due to decreased purchasing power. It pointed out that the tourism sector supports the domestic economy in consumption and spending. The MPI forecast for 2023 will be adjusted, expecting a contraction of 2.8 - 3.8 percent and an industrial GDP contraction of 1.5 - 2.5 percent, despite the growth of private consumption, investments in the country, recovery of the tourism sector, and political clarity.

The Director of the Office of Industrial Economics (OIE), Mrs. Warawan Chitaroon, reported that the Manufacturing Production Index (MPI) in July 2023 reached 91.14, a drop of 4.43 percent compared to last year. The capacity utilization rate was at 58.19 percent as a result of decreasing industrial product exports as the world economy slowed down due to decreased purchasing power in the world market. The slowdown impacted the industrial sector, particularly groups mainly producing for exports. Agricultural income in July 2023 contracted by 1.1 percent, continuing to contract for the third month. The contraction reflects the purchasing power of the agricultural sector, which continues to decline. However, the El Niño phenomenon still needs to be monitored, as it decreases the amount of rain in Thailand compared to normal and affects midstream and downstream operators in Thailand. The domestic economy was still driven by the tourism sector, which supported domestic consumption and spending after the MPI produced in response to the country grew by 0.7 percent.

Exports of industrial goods (excluding gold, weapons, tanks, and aircraft) valued 16,969.70 million USD, a decrease of 1.3 percent compared to last year. Industries with a positive contribution included automobiles, which grew by 5.34 percent following the growth of automobile exports, which grew by 30.1 percent from last year. Export markets increased in Asia, Oceania, the Middle East, Africa, Europe, and Central and South America. Domestic automobile sales decreased by 8.8 percent due to high levels of household debt. As a result, financial institutions have become stricter in granting credit. Furthermore, interest rates have increased, affecting domestic demand. Meanwhile, oil refining grew by 4.99 percent from jet fuel, cooking gas, and gasohol91, following the continued growth of the tourism sector. The iron and steel industry grew 7.11 percent from hot-rolled steel sheets, pipes, hot-rolled structural steel, and round steel bars. The trend became positive, the first in 19 months after product prices improved in line with the decreased amount of imported steel.

"After the first seven months of 2023, the Manufacturing Production Index (MPI) shrank by 4.54 percent. As a result, the OIE adjusted the MPI forecast for 2023, which is expected to contract by 2.8 - 3.8 percent. The GDP of the industrial sector in the first half of 2023 contracted by 3.2 percent, causing the expectation that in 2023, it will contract by 1.5 - 2.5 percent. There is a pressing factor from the slowdown of the world economy. Energy prices remain stable at a high level. In addition, there are issues in the financial sector of various countries, geopolitical conflicts, climate change that impacts agricultural production, high interest rates that affect the production costs of entrepreneurs, and the household debt burden that remains high. At the same time, there are supporting factors from private consumption that continue to grow and investments in the country, in both the private and public sectors, which also continue to grow. Additionally, the tourism sector is recovering, and there is political clarity," said Mrs. Warawan.

**Key industries that had a positive impact on the MPI in July 2023 compared to last year includes:**

**Automobiles** grew by 5.34 percent from last year, from medium and small-sized passenger cars and gasoline engines, mainly following the growth of the export market, which increased in almost every market except for North America, which decreased.

**Refined petroleum products** grew by 4.99 percent from last year, from airplane oil, cooking gas, and gasohol 91, mainly in line with tourism that continued to expand.

**Basic iron and steel** grew 7.11 percent from last year, from hot-rolled steel sheets, pipes, hot-rolled structural steel, and round steel bars. The industry grew for the first time in 19 months after domestic steel buyers reduced steel imports and used steel produced domestically instead.

**Sugar** grew 15.40 percent from last year, from white sugar to pure white sugar, following increased consumption from the household and tourism sectors.

**Table food condiments** grew by 14.09 percent from last year, from chili sauce and MSG (Monosodium glutamate), mainly from growing export markets to the United States and other regions, including domestic demand after tourism continued to expand.

## Manufacturing Production Index (MPI) and Capacity Utilization Rate (monthly)

Index	2022						2023					
	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Feb.	Mar.	Apr.	May	Jun.	Jul.
MPI	95.36	99.34	97.50	93.39	95.32	93.63	99.22	105.42	82.99	94.89	92.76	91.14
Change rate (%MOM)	-2.34	4.17	-1.85	-4.22	2.07	-1.77	-0.12	6.25	-21.28	14.34	-2.24	-1.75
Change rate (%YOY)	6.00	14.60	3.01	-4.27	-5.30	-8.45	-2.38	-3.86	-8.71	-3.05	-5.00	-4.43
Capacity Utilization Rate	60.84	63.87	63.57	60.07	61.34	59.56	62.77	66.49	53.55	60.25	59.22	58.19

Source: Division of Industrial Economics Information and Indices, The Office of Industrial Economics (OIE); Data as of 31 August 2023