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OF INDUSTRIAL ECONOMICS

Public Relations News

THE OFFICE OF INDUSTRIAL ECONOMICS

Ministry of Industry reports MPI growth in July by 3.12 percent, signaling a recovery in the industry economic sector; global COVID-19 outbreaks have impacted the global supply while Thailand could be opportunistic for investors.

The Ministry of Industry reported that the Manufacturing Production Index (MPI) in July 2020 grew by 3.12 percent compared to the previous month, showing growth for a third consecutive month. The capacity utilization rate also increased for the third successive month, reflecting that the industrial sector has already passed its lowest point and is gradually recovering to normal levels. Many major industries began to gradually return to growth, despite the global situation facing continued COVID-19 outbreak, which has impacted the global supply chain. The growth is an indicator for investors to move their production bases to Thailand as an opportunity.

The Minister of Industry, Mr. Suriya Jungrungreangkit, reported that the Ministry of Industry had assigned the Office of Industrial Economics (OIE) to compose the Manufacturing Production Index (MPI). The MPI in July 2020 grew by 3.12 percent from the previous month, showing growth for the third consecutive month. The capacity utilization rate in July increased to 56.01 percent from 55.07 percent in the previous month. However, the MPI in July 2020 contracted by 14.69 percent compared to the same period of the previous year, from impacts faced by the COVID-19 situation, which has caused the global economy to slow down. However, the contraction decreased from the previous month, reflecting that the industry has passed its lowest point and is gradually recovering to normal levels before COVID-19 impacts, under the condition that Thailand will not have a second wave of outbreaks. The growth is in line with the gradual recovery of industrial product exports, which resulted in the expansion of some industries in response to consumer demand, such as the food industry (excluding sugar). Many industries experienced growth, such as the pharmaceutical industry, which has shown growth for six consecutive months.

"The world is faced with the COVID-19 pandemic, including among major trading partner countries, coupled with the trade war between the US and China and flooding in China. Such events have affected the global supply chain and brought industrial sectors to a halt. Some industries have lacked manufacturing parts, and there are issues in the transportation of goods and raw materials from overseas production bases such as China. This has caused many operators to move their production bases out to diversify risks. Thus, it is an opportunity for Thailand, as the nation has the strengths of a skilled workforce and good control measures for the COVID-19 outbreak. This is in line with the Ministry of Industry's policy that aims to develop labour's skills for targeted industries which will be relocated to the country.

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This includes the development of the Eastern Economic Corridor (EEC), the preparation of basic utilities and facilities that can accommodate the immediate relocation of foreign investors' production bases," Mr. Suriya said.

OIE Director-General Mr. Thongchai Chawalitpichaet said that the Thai industrial sector's economic outlook has gradually recovered after the government has loosened the lockdown on some activities and businesses to resume to normal operations. As a result, almost all economic activities have been reopened. When considering the shipping index and the industrial labor index, the trend was in line with increased production from the previous month. However, some industries, especially the food industry, experienced increased orders from overseas. There were production shutdowns in countries where the COVID-19 pandemic continued to spread; therefore, countries shifted to order from Thailand. As a result, investors began to adjust production plans by focusing on diversification, an opportunity for Thailand since the country has had effective control of the COVID-19 outbreak.

Mr. Thongchai continued that the industrial economy is gradually recovering. Major industries have grown, especially industries that can respond to consumer demand, such as the food industry (excluding sugar), which grew by 2.70 percent from the same period of the previous year. Furthermore, the chemical industry grew by 0.70 percent from the same period of the previous year. Other industries have started to increase production capacity. For example, the automobile industry grew by 24.50 percent from June, with the domestic market increasing by 2.30 percent after entrepreneurs began to resume production of all car manufacturers. This was coupled with activities to stimulate the local market, together with the government easing lockdown measures. **The key industries that continued to grow in July were:**

Beer grew by 24.96 percent from the same period of last year as operators accelerated production to compensate for the inability to fully produce during the lockdown period. Furthermore, manufacturers received more orders after the stores, restaurants, and entertainment venues re-opened.

Chemical fertilizers increased by 48.23 percent from the same period of last year, as there were droughts in the previous year resulting in low demand. Meanwhile, this year, rainfall continued in many areas, and farmers were able to cultivate rice, as usual, thus increasing demand.

Prepared animal feed grew by 9.68 percent from the same period last year, mainly from pet food and fish feed as demand continued to grow.

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Household appliances expanded in refrigerator products, which grew by 19.00 percent from last year. Microwaves and thermos also grew due to consumers are worry about the spread of COVID-19. As a result, they spent more time at home and increased demand for products in this group. Exports increased after key trading partners eased control measures, especially neighboring countries and Asian countries such as Japan and the United States.

Palm oil grew by 14.53 percent from the same period of the previous year, from crude and refined palm oil products. Continuous rainfall resulted in palm oil having a good percentage, allowing for more extraction of oil. Furthermore, the demand for oil (biodiesel) and palm oil for human consumption increased.

MPI and Capacity Utilization Rate (Monthly)

| Index | 2019 | | | | | | 2020 | | | | | | |
|---------------------------|--------|--------|-------|-------|-------|-------|--------|--------|--------|--------|--------|--------|--------|
| | Jul. | Aug. | Sep. | Oct. | Nov. | Dec. | Jan. | Feb. | Mar. | Apr. | May | Jun. | Jul.* |
| MPI | 100.19 | 100.78 | 97.39 | 96.24 | 97.20 | 98.94 | 103.95 | 100.90 | 103.68 | 78.08 | 79.68 | 82.88 | 85.47 |
| Change Rate (%MOM) | -0.63 | 0.59 | -3.37 | -1.18 | 0.99 | 1.80 | 5.06 | -2.93 | 2.75 | -24.69 | 2.05 | 4.01 | 3.12 |
| Change Rate (%YOY) | -3.22 | -4.43 | -4.97 | -7.98 | -8.02 | -4.37 | -4.02 | -4.24 | -10.48 | -18.22 | -23.80 | -17.80 | -14.69 |
| Capacity Utilization Rate | 65.05 | 65.65 | 63.63 | 62.79 | 63.19 | 64.02 | 66.75 | 66.06 | 67.78 | 51.27 | 52.34 | 55.07 | 56.01 |

Source: Division of Industrial Economics Information and Indices, Office of Industrial Economics, data as at 26 August 2020

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