

**MPI DECLINES 4.0% IN 2014 AND SLIPS 2.9% IN OCTOBER
INDUSTRIAL SECTOR EXPECTS TO GROW 3-4% FOR 2015**

The Office of Industrial Economics (OIE) revealed that the manufacturing production index (MPI) recorded a decrease of 5.1% in the first 10 months of 2014, and a decrease of 2.9% in October 2014. The MPI contraction in motor vehicles resulted from high output figures a year earlier. Gems and jewelry, oil refinery, and beer were down, stemming from the economic sluggishness of trading partners and annual factory maintenance. The forecast of Thailand's industrial sector for 2015 is to expand, owing to a recovery of the global economy, trading volume, greater investment, adjustment in the automotive market, and lower oil prices.

Mr. Udom Wongviwatchai, Director General of the OIE, highlighted details of major industrial sectors in the first 10 months of 2014 and trends for 2015 as follows:

Motor Vehicles: The industry should contract 20.64% y-o-y in 2014, with an output of 1,950,000 units. Total output is expected to be 850,000 units for the domestic market, a decrease of 35.90%, and 1,100,000 units for overseas markets, or an increase of 2.50%. Production is forecasted to grow 10% in 2015, with an output of 2,150,000 units because the economic health of Thailand and of major trading countries is set to improve.

Electrical Appliances and Electronics: Overall production of the electrical appliances and electronics industry should expand 1-2%, owing to an increase in air conditioner exports to ASEAN, Thailand's major trading market. Semi-conductors and integrated circuits should escalate, resulting from higher demand due to their use in communication systems, such as smart phones, tablets, Bluetooth, touch screens, video games (Sony PS4 and Microsoft Xbox), consumer electronics, and other electronic devices designed specifically for the automotive industry. Meanwhile, the production of hard disk drives (HDDs) should be stable when compared with the previous year. The MPI prediction for 2015 should grow 2-4%, stemming from economic stimulus measures and expansion of the digital television market, which led to a recovery of the country's consumer purchasing power in 2015. Moreover, electrical appliance exports to ASEAN should increase in accordance with the region's economic growth and ASEAN consumers having more confidence in products manufactured in Thailand.

Iron and steel: Demand in iron is expected to slip 4.5% y-o-y in 2014, with a consumption of 16.90 million tons. Production of iron and steel should fall to 6.19 million tons, a decrease of

10.0%, stemming from the political unrest of early 2014, which slowed down the country's market. The industry should import more iron and steel products from China due to economic circumstances in that country, particularly declining demand for real estates. For 2015, the production is predicted to be stable at 6.19 million tons, with demand estimated to fall within the 0 to 3% range. The Government's investment on infrastructure projects is a driving factor to boost demand in iron consumption. Meanwhile, regarding the private sector, construction should be sluggish because consumers will delay purchasing property or investing in real estate.

Textiles and garments: Production is expected to grow, particularly for garments. The export value of sportswear should increase, resulting from purchase orders from famous sports leagues. However, the manufacture of textile fibers and fabrics should contract. Nonetheless, exports of these products are predicted to grow in Q4 2014, stemming from demand in ASEAN, the US, and Japan. For 2015, the industry will continue to expand both in terms of production and exports. Textiles will be manufactured primarily for ASEAN markets.

Food: Overall production of the food industry should surge 1-3% in 2014, resulting from a recovery of the country's economy and higher consumer confidence in the latter half of 2014. Output is forecasted to increase 0-5% for 2015.

Thailand's industrial sectors are expected to swell in 2015, resulting from improvements in the global economy and trade volume, investments, auto manufacturing returning to normal levels, and a decrease of oil prices in world markets. Gross domestic product (GDP) index for industry is predicted to increase 2-3%, while the manufacturing production index is set for 3-4% growth.

Manufacturing production index and capacity utilization rate

Index	2013					2014									
	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct
MPI	173.86	172.76	171.26	171.94	168.32	170.53	166.01	178.52	156.24	172.00	168.90	165.01	169.41	165.99	166.35
M-o-M Change (%)	-0.2	-0.6	-0.9	0.4	-2.1	1.3	-2.6	7.5	-12.5	10.1	-1.8	-2.3	2.7	-2.0	0.2
Y-o-Y Change (%)	-2.8	-2.9	-4.0	-10.7	-6.3	-5.6	-4.5	-10.5	-4.1	-4.0	-6.3	-5.3	-2.6	-3.9	-2.9
Capacity Utilization Rate (%)	63.51	63.59	63.47	63.08	59.91	62.13	58.92	64.47	56.41	61.57	60.59	60.07	60.38	60.97	60.68

Source: Office of Industrial Economics

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