

## OIE REVEALS MPI DECLINES 1.8% IN MARCH 2015 RESULTING FROM EXPORT INDUSTRIES

The manufacturing production index (MPI) recorded a decrease of 1.8% in March 2015. The MPI of export industries such as hard disk drives (HDDs), televisions, and electrical appliances was weak because the recovery of the global economy was slower than expected. In addition, some major manufacturing companies of HDDs suspended operations for machine maintenance. Nevertheless, the industrial MPI in Q1 2015 showed an increase of 0.1%.

Mr. Somsak Jantaranroutong, Deputy Director General of the Office of Industrial Economics (OIE), which is under the Ministry of Industry, disclosed that the MPI decreased 1.8% in March 2015. The production of major export industries, such as HDDs, televisions, and electrical appliances dropped due to the slow recovery of the world economy and suspension of HDD manufacturing by some major companies for machine maintenance.

Exports of industrial goods (excluding gold bar) contracted 2.5% in March 2015. The value of export goods, such as chemicals and plastic pellets, which are linked to crude oil prices, decreased accordingly. Exports of textiles, computers and its components, integrated circuits, and air conditioners and its components contracted in Q1 2015, leading to a 1.4% decrease in exports (excluding gold). Imports of capital goods and raw materials (excluding gold) dropped 9.1% and 1.0%, respectively.

Conditions of major industries were highlighted as follows:

Automotive: The industry contracted 1.72% y-o-y in March 2015, with an output of 178,217 units. Domestic sales totaled 74,117 units, down 11.75%. Meanwhile, exports increased 12.63% y-o-y, with a volume of 127,619 units.

Electrical Appliances and Electronics: Production decreased 9.56% in March when compared with the previous year, resulting from a reduced MPI of the electronics sector (-9.5%). The output of HDDs fell 13.01%, owing to production line maintenance of some manufacturers, along with decreased demand in computers and laptops in the global marketplace. However, monolithic ICs and semi-conductors increased 23.62% and 2.50%, stemming from a growing need for communication devices. Meanwhile, electrical appliances slumped 9.77%. Products with a noticeable decline were compressors (-11.59%), refrigerators (-2.81%), electric water boilers (-10.82%), rice cookers (-23.45%), and televisions (-56.44%). Nevertheless, production of both split-type air conditioners, most notably condensing units (7.37%) and fan coil units (4.02%), and fans (19.64%) increased from a year earlier.



Iron and steel: Consumption of metal products in March 2015 reached 1.32 million tons, an increase of 7.32% from the previous year. Production was 0.44 million tons, down 8.33%. The output of hot-rolled steel sheets dropped 22.14%, resulting from the annual maintenance conducted by a large manufacturer. Consumption of flat-steel products went down 6.4%, particularly galvanized sheets (-11.7%). On the other hand, chromium-coated steel sheets and tin plates surged 33.2% and 18.5%, respectively, stemming from a greater production for exports by the metal packaging industry. The production of long steel escalated 3.46% when compared with the previous year, with a consumption growth of 39.2%. Output of wire rods increased 72.6%, while rebar and structural steels climbed 23.5%, owing to lower metal prices that influenced buyers to reduce their order volume. Manufacturers expanded production as the inventory level of consumers and middlemen was minimal.

Textiles and garments: Production was down. Textile fibers declined slightly 0.93%. Meanwhile, fabrics dropped 11.63%, owing to a high level of product stock and decreased orders from ASEAN markets, Vietnam in particular. Manufacturing of garments declined 1.80% in accordance with demand in the country. In March 2015, the export value of textile fibers contracted 1.67% in line with a reduction of exports to China, India, and Bangladesh. The export value of fabrics fell 2.15% to ASEAN markets, Vietnam in particular. The export value of the garment sector slumped 1.90%. Purchase orders mainly from ASEAN, Japan, and the EU dropped, stemming from the termination of GSP benefits from 1 January 2015 onwards.

Food: Overall production surged 3.5% because of a larger volume of raw materials, particularly of livestock and sugar. Exports went up 0.5% when compared with the previous year, owing to a recovery of the US economy and a decrease of oil prices in global markets. However, the Ukrainian crisis, which has brought Kiev, Moscow and Brussels into conflict, influenced exports. Expenditures were stable due to an insufficient recovery of consumer purchasing power in the country.

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