

**No. 12/2016****Press Release on Southern Region's Economic Conditions in June 2016**

The overall economic activities of the southern region in June 2016 stabilized from the previous month. Although public spending continued spearheading the economic growth driver but tourism declined due to a temporary factor as Ramadan began earlier this month. At the same time, some part of the manufacturing sector production was deteriorated by drought condition and delayed orders from trading partners. Private consumption was relatively stable though spending on goods and services continued to expand but the purchasing power was dragged by a decreased farm household income which subdued due to low agricultural goods price. The value of export contracted continually. In term of economic stability, unemployment rate improved modestly after a higher employment in agriculture sector. Headline inflation turned to positive due to increasing in the price of raw food.

Details of the economic conditions are as follows;

Public spending maintained its role as a key driver supporting the economy. The spending expanded from the previous month on construction and road system improvement disbursed by the Department of Highways and the Department of Rural Road. Meanwhile, current expenditure expanded well due to spending on goods and services from the departments related to education and spending on stimulus measures at sub-district level and village capability enhancement projects. Tax income decelerated following a slowdown in excise tax which declined in liquor tax due to a high stockpile and a changed in tax payment system of the beverage factories. Prior to change, the beverage factories have to pay tax before moving the goods out from the factory. The new tax system is paying tax within the date 15th of the next month after moving the goods out.

Tourism sector declined from the previous month owing to temporary factor as Ramadan began earlier in this year led to Malaysian tourists arrival decreased. However, a number of Chinese and European tourists continued to rise well especially Russian tourists. Consistently, important indicators such as number of flights in Southern airport, value added tax, hotels/restaurants and occupancy rate were all expanded.

Private consumption was stable from the previous month but expanded well if compared with the same period last year. Spending on durable goods as cars expanded due to a launch of new car model and more promotional campaigns. Consistently, drought conditions began to alleviate. Consumer confidence among households therefore increased. Meanwhile, an indicator showed the highest number of labors shifted from non-agriculture sector to agricultural sector within two years

Farm income declined from the previous month following the decline in rubber price due to sluggish world economy. But in the overall, price of agricultural increased from an early this year. Shrimp price rose due to accelerating of trading partners demand. Palm oil price remained high as drought cause lower output. However, farm household income remained low compare to the same period last year as drought cause a decreased in output of rubber and palm.

Manufacturing production contracted slightly from lower palm oil production due to decreasing in raw materials. Canned seafood production contracted as trading partners delayed their orders to wait and see the raw material price. While rubber wood production, standard technical rubber, and rubber gloves expanded well followed higher market demand. In addition, frozen and processed seafood production expanded well in shrimp product.

Private investment stabilized as the previous month but lower if compared with the same period last year as real estate sector had not yet to show a clear sign of recovery. Also, value of capital import and cement sales volume still contracted following a slowdown in private investment.

Export and import value contracted continually. Export value of rubber woods and canned seafood products rose due to an increased in raw material price. Import value contracted stemming from lower import of machineries and equipment, fuel, and construction equipment.

In term of economic stability, **headline inflation** turned slightly positive at 0.43 percent (Year-on-Year) following an increased in prices of raw food especially meat, poultry, water animals, vegetables and fruits. This is because drought in the previous period caused a decline in output. **Unemployment rate** was at 1.47 percent which improved slightly from the previous month after higher employment in agricultural sector. This is because agricultural output especially shrimp shows sign of recovery after disease problem eased up and agricultural goods price improved.

At the end of May 2016, **deposits** of commercial banks and specialized financial institutions (SFIs) expanded with a slower pace from the previous month due to search for yield behavior to enhance return such as investing in mutual funds. Commercial banks **loans** slowed down, while SFIs loans improved slightly due to the government measures.

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BANK OF THAILAND

Table Attached to Press Release on Southern Region's Economic Conditions in June 2016

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	2016					
	Jan	Feb	Mar	Apr	May	Jun
The Real Sector (Δ% year-on-year, unless otherwise stated)						
Farm Income Index	-27.4	-23.4	-5.7	0.9	-8.0	-7.7
Agricultural Production Index	0.3	5.7	2.8	-10.6 ^r	-14.4	-7.9
Agricultural Price Index	-27.6	-27.5	-8.3	12.8	7.5	0.3
- Rubber (US\$3)	-36.2	-34.4	-10.4	11.8	3.5	-5.1
- Oil palm (FFB)	-12.6	-17.9	-6.2	20.7	27.8	15.9
- Shrimp (70 pc/kg)	-3.1	-5.2	0.6	5.7	1.1	10.4
Fishery Production						
- Fishery production loaded at ports	5.4	-9.5	-24.6	-16.6	-8.7	6.0
- Shrimp production	5.3	38.3	22.2	10.1	17.4	37.0
Number of Foreign Tourists	17.5	17.7	15.8	15.0	5.3	-0.3
Manufacturing Production Index (MPI)	-5.0	5.6	6.4	1.7	1.7	-0.6
Private Consumption Index (PCI)	2.5	4.7	5.9	5.0	6.4	5.8 ^e
- Car Index	17.5	6.5	2.4	9.5	1.7	7.7
- Fuel Index	1.4	9.1 ^r	10.0 ^r	6.7	7.2	8.1 ^e
- Household Electricity	11.7	14.4 ^r	6.0 ^r	9.2	14.9	10.1 ^e
- Sales of consumer goods and services ^{1/}	5.0	9.9	13.3	11.0	14.3	12.7
Private Investment						
- Private Investment Index (PII)	-1.9	-2.2	-3.2	-3.9	-4.0	-3.4
- Promotional privileges from Board of Investment (Δ% of total investment)	-2.3	-62.3	-62.2	-21.1	-100.0	n.a.
- Registration of Business Entity (Δ% of total registration)	140.6	-22.8	38.3	-25.2	-59.8	38.3
- Construction area permitted in municipal zone (12-month moving average)	-28.4	-27.9	-24.8	-27.1	-23.5	-17.8
Fiscal Sector						
- Tax revenue	3.0	4.1	3.1	14.1	13.4	3.8
- Total disbursement	4.6	11.7	5.8	-3.9	19.5	14.2
Consumer Price Index	-0.79	-0.90	-0.74	-0.19	0.28	0.43
- Food and beverages	0.49	0.66	0.56	1.06	2.44	2.82
- Non food and beverages	-1.61	-1.91	-1.57	-0.98	-1.11	-1.10
Core Consumer Price Index (excluding raw food and energy)	0.28	0.42	0.60	0.55	0.54	0.55
Unemployment Rate	1.28	1.33	0.90	1.68	1.55	1.47
International Trade(million USD)						
- Exports	824.3	851.7	1,288.5	929.4	910.5	944.0
Δ% year-on-year	-10.6	-5.8	18.1	1.4	-13.9	-26.5
- Imports	735.4	789.4	625.3	708.8	754.5	687.4
Δ% year-on-year	-2.9	-20.3	-17.0	-9.1	-25.6	-20.3
Financial Sector (at the end of period) (Billions baht)						
- Deposits	638.3	638.7	640.5	644.8	640.9	n.a.
Δ% year-on-year	1.1	1.3	1.0	1.5	1.4	n.a.
- Loans ^{2/}	675.8	677.9	676.2	673.3	669.6	670.8
Δ% year-on-year	4.1	3.2	3.3	2.9	2.2	0.9

Remark : e = estimated r = revised n.a. = not available

1/ The indicator has been changed from VAT(real term) to Sales of consumer goods and services.

2/ Bookkeeping system of certain banks has been changed to head office instead of Southern branches since January 2015.

Source : Bank of Thailand, Southern Region Office