

**No. 13/2016****Press Release on Southern Region's Economic Conditions in the Second Quarter of 2016**

The overall economic activities of the southern region in the second quarter of 2016 **remained stabled** driven by public spending and tourism which continued expanding well. Private consumption also improved after a higher farm household income. However, important agricultural goods such as rubber and palm oil output were deteriorated from drought. In addition, sluggish economy of trading partners caused slowly expanded in manufacturing production and contracted in export value. On the economic stability, headline inflation rose due to an increasing in prices of raw food. Unemployment rate improved slightly.

Details of the economic conditions are as follows;

Public spending expanded continually. Most disbursement was regular expenditure disbursed by the department related to education purchasing in goods and services. Moreover, the disbursement was also disbursed by the Internal Security Operations Command used in 3 southern border provinces and also disbursed for the village potential enhancement project. Meanwhile, the disbursement for investing in land and construction disbursed by Department of Highways, Department of Rural Roads, and Royal Irrigation Department still expanded well. While the disbursement for the measure to stimulate the economy at 5 million baht per sub-district, small projects, loan project for developing water resource management and road logistics slowed down after 90 percent have been disbursed.

Private consumption improved after elevated farm household income stemming from a rising agricultural price and a launched of new car model with more promotional campaigns which stimulated the purchasing of vehicles. Apart from that, electricity and fuel consumption continued to expand as oil price maintained in low level.

Tourism sector maintained its robust growth due to a rose in Chinese and Russian tourist arrival which obviously recovered. Nevertheless, the growth pace slowed down from the previous quarter as number of tourist arrivals registered high in previous quarter due to an abolished of the martial law. Also, the Ramadan began earlier in this year. Moreover, the sluggish Malaysia economy caused a declining in Malaysian tourists.

Manufacturing production improved slightly due to a higher production of processed rubber and rubber wood production which rose continually up to a higher demand from China and more orders of rubber gloves from the European Union. In contrast, canned seafood production contracted as importers delayed their orders to wait and see the price of raw material such as tuna. The production of frozen seafood and processed seafood contracted due to lower volume of raw material such as fish and cuttlefish affected from an enforced to combat illegal

fisheries. However, the production of frozen shrimp expanded as a result from recovered of raw material volume and the competitors was hit by the disease of Early Mortality Syndrome (EMS). Palm oil production declined due to a lower volume of palm entered the factories.

Farm income improved from the same quarter last year after an increased in important agricultural goods price after a long term contracted. Price of rubber and palm oil were positively affected by drought which caused huge lower output. At the same time, price of shrimp rose as competitors output slumped from diseases and chemical suspected in shrimp product which also makes higher demand on Thai shrimp.

Private investment remained low as real estate sector had not yet to show a clear sign of recovery and low confidence of entrepreneurs to the economy led to construction allowed in municipal area, imported of capital goods, and cement sales volume became contracted. However, there are some investment in tourism and manufacturing sector, which most of it aim to increase in production efficiency to lower their cost.

Export volume contracted after lower export value of rubber and rubber glove. Frozen seafood contracted from a lower amount of fish and cuttlefish. However, canned seafood and rubber wood benefited from the acceleration of trading partners' demand. While import contracted due to lower import of fuel, machineries and equipment, and synthetic rubber.

In term of economic stability, **headline inflation** was at 0.17 percent (Year-on-Year) after an increased in prices of raw food especially meat, poultry, water animals, vegetables and fruits as drought in the previous period caused a decline in output and also because of higher oil price. **Unemployment rate** was at 1.61 percent, increased slightly followed to a lower employment in the construction sector.

At the end of the second quarter of 2016, **loans** of commercial banks expanded with a lower paced at 0.9 percent from precaution on loan. Corporate loans continually contracted. For SMEs loans, expanded by 3.0 percent, slowdown from the previous quarter which expanded by 7.7 percent. While loans for consumption continue contracted due to a slowdown in loans for real estates and cars. Personal loans turned to positive after contracted in the previous quarter.

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BANK OF THAILAND

Table Attached to Press Release on Southern Region's Economic Conditions for the Second Quarter 2016

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| | 2015 | | | | 2016 | |
|--|-----------------|--------------------|--------------------|--------------------|--------------------|-------------------|
| | Quarter 2 | Quarter 3 | Quarter 4 | Year | Quarter 1 | Quarter 2 |
| The Real Sector ($\Delta\%$ year-on-year, unless otherwise stated) | | | | | | |
| Farm Income Index | -3.4 | -13.5 | -21.8 | -14.8 | -19.7 ^r | -5.1 |
| Agricultural Production Index | 8.2 | 1.1 | -3.6 | -0.8 | 2.7 | -10.9 |
| Agricultural Price Index | -10.7 | -14.5 | -18.9 | -14.1 | -21.8 | 6.6 |
| - Rubber (US\$3) | -14.1 | -12.4 | -20.1 | -15.3 | -27.7 | 3.0 |
| - Oil palm (FFB) | 7.1 | -18.6 | -17.5 | -7.0 | -12.7 | 21.3 |
| - Shrimp (70 pc/kg) | -25.2 | -23.5 | -15.6 | -23.9 | -2.7 | 5.8 |
| Fishery Production | | | | | | |
| - Fishery production loaded at ports | -17.7 | -27.0 | -4.5 | -12.9 | -11.0 | n.a. |
| - Shrimp production | 44.0 | 45.0 | 4.2 | 22.4 | 21.3 | 22.5 |
| Number of Foreign Tourists | 32.3 | 32.1 | 8.4 | 23.5 | 17.0 | 6.7 |
| Manufacturing Production Index (MPI) | 1.3 | -1.3 | 0.1 | -0.9 | 2.5 ^r | 0.9 |
| Private Consumption Index (PCI) | 0.8 | 2.5 | 3.2 | 1.8 ^r | 4.4 ^r | 5.7 ^e |
| - Car Index | -24.7 | -12.8 | 8.1 | -14.2 ^r | 8.9 | 6.3 |
| - Fuel Index | 8.0 | 7.4 | 10.7 | 8.4 | 6.8 ^r | 7.3 ^e |
| - Household Electricity | 1.4 | 2.0 | 4.7 | 2.7 | 10.6 ^r | 11.4 ^e |
| - Sales of consumer goods and services ^{1/} | 1.7 | 5.6 | 6.4 | 3.7 ^r | 9.4 | 12.7 |
| Private Investment | | | | | | |
| - Private Investment Index (PII) | -4 ^r | -5.0 | -3.0 | -4.1 | -2.4 | -3.8 |
| - Promotional privileges from Board of Investment ($\Delta\%$ of total investment) | 214.1 | 10.0 | 127.2 | 105.2 | -55.4 | n.a. |
| - Registration of Business Entity ($\Delta\%$ of total registration) | 39.1 | -31.6 | -28.2 | -6.7 | 43.8 | -20.2 |
| - Construction area permitted in municipal zone (12-month moving average) | -24.6 | -28.8 ^r | -27.1 ^r | -24.5 | -27.1 | -23.0 |
| Fiscal Sector | | | | | | |
| - Tax revenue | -1.6 | 1.5 | -0.3 | 1.9 | 3.4 | 9.9 |
| - Total disbursement | 0.7 | -3.7 | 10.1 ^r | 0.4 ^r | 7.3 | 9.3 |
| Consumer Price Index | -1.57 | -1.46 | -1.39 | -1.25 | -0.81 | 0.17 |
| - Food and beverages | 0.37 | 1.49 | 0.73 | 1.32 | 0.57 | 2.11 |
| - Non food and beverages | -2.77 | -3.29 | -2.73 | -2.84 | -1.70 | -1.06 |
| Core Consumer Price Index (excluding raw food and energy) | 0.91 | 0.73 | 0.42 | 1.06 | 0.44 | 0.55 |
| Unemployment Rate | 1.02 | 1.15 | 1.13 | 1.10 | 1.21 | 1.61 |
| International Trade(million USD) | | | | | | |
| - Exports | 3,258.8 | 2,834.0 | 2,843.7 | 11,853.3 | 2,964.5 | 2,783.9 |
| <i>$\Delta\%$ year-on-year</i> | -10.8 | -24.8 | -25.8 | -20.5 | 1.6 | -14.6 |
| - Imports | 2,656.6 | 2,162.0 | 2,146.2 | 9,465.4 | 2,150.1 | 2,150.7 |
| <i>$\Delta\%$ year-on-year</i> | -10.5 | -28.8 | -13.5 | -14.7 | -14.0 | -19.0 |
| Financial Sector (at the end of period) (Billions baht) | | | | | | |
| - Deposits | 625.3 | 617.3 | 627.4 | 627.4 | 640.5 | n.a. |
| <i>$\Delta\%$ year-on-year</i> | 0.2 | -0.7 | -0.2 | -0.2 | 1.0 | n.a. |
| - Loans ^{2/} | 664.7 | 671.3 | 674.0 | 674.0 | 676.2 | 670.8 |
| <i>$\Delta\%$ year-on-year</i> | -5.2 | -4.4 | -5.0 | -5.0 | 3.3 | 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