



BANK OF THAILAND

BOT Press Release

Southern Region Office
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Press Release on Southern Region's Economic Conditions in June 2014

The overall economy of the Southern region in June 2014 continued to contract from previous month. This was following the decrease of agricultural production and manufacturing production which led to the decline of exports revenue from major export products. Meanwhile, tourism sector has been affected by political situation which led to the lower foreign tourists' confidence, as well as the inconvenient travelling. However, the recovery of political situation shored up the private sentiment which led to a positive sign of private spending including private consumption and private investment in contraction sector. In term of internal stability, unemployment rate picked up continually, while inflation softened following the declined prices of raw food and fuel.

Details of the economic conditions are as follows;

Overall economic activities remained to reduce from preceding month following the decreased productions of agricultural and manufacturing sectors. On a year-on-year basis (yoy), **agricultural production index** rose only by 0.8 percent (yoy) which decelerated from 2.6 percent (yoy) increase in previous month. This was due to the falling production of oil palm. Meanwhile, **agricultural price index** declined by 13.7 percent (yoy) following the decrease of rubber price which was pressured by the higher rubber supply and stockpile. Furthermore, the shrimp price decreased by the moderated purchasing order from major export markets, together with the deferred orders received by cold storage businesses because of the unrecovered supply constraint from shrimp disease. As a result, **farm income** fell by 13.0 percent (yoy)

Manufacturing production decreased from preceding month. By comparing to the same period of previous year, **the manufacturing production index**, however, expanded by 7.1 percent (yoy). This was following the increased exports of rubber products to China which were partly due to the low base of purchasing order from China in the previous year. The rubber production also increased for fulfills demand from the European and Indian tire industry. The outputs of canned seafood and rubber gloves accelerated because of increased demand from the Middle East and the United States respectively. Also, the expected higher price of the raw material, tuna, during a period of ban on fish aggregating devices (FADs) since July 2014, together with concerning impacts of El Nino which may cause uncertainties in the supply for

canned seafood industry. In addition, the production of rubber woods, rubber gloves and palm oil increased, while the production of fresh and frozen seafood products has not been recovered regarding the shortage of raw materials, particularly Vanamai shrimp.

Tourism sector has been affected by domestic political changes as several countries still maintained their travel advisory levels. The tourism in Southern border area were affected by the inconvenient transportation which tour buses have been allowed to enter only in Songkhla area, as well as a beginning of Ramadan. Consequently, a number of foreign tourists were totaled 430 thousand persons which fell by 20.6 percent (yoy), particularly following the 22.3 percent (yoy) decrease of visitors from Asia. Furthermore, the Chinese government currently promotes the domestic tourism sector which may cause the decreased number of Chinese tourists entering Thailand.

Export value of major manufacturing products declined from preceding month, including rubber products, rubber woods, fresh and frozen seafood products and canned food products. However, the total export value rose from previous month. This was due to the increased export of electronics. On a year-on-year basis (yoy), the export value was 1,318.20 million U.S. dollars which reduced by 3.6 percent (yoy) particularly following the decreased rubber price.

Improvement in political situation and measure of reducing living costs by National Council for Peace and Order (NCPO) have restored private sentiment and shored up private spending. **Private consumption index** expanded by 3.9 percent (yoy) which was the highest expansion in 14 months. This was reflected by the high increased collection of value added tax (VAT) by 11.8 percent (yoy), particularly from retail-wholesale and hotel businesses. Concurrently, **private investment index** improved from previous month, while decreased by 4.4 percent (yoy) from the same period of previous year. This was following the dropped investment in construction sector, imports of machinery and purchasing of commercial cars.

Revenue disbursement dropped by 3.4 percent (yoy) following the decreased disbursement of current and capital expenditures. In term of objects of expenditures, the disbursement reduced in subsidies. Conversely, **revenue collection** rose by 8.3 percent (yoy) following the increased collection of value-added tax, corporate income tax, specific tax, excise tax and customs.

In term of internal stability, **inflation** was 2.88 percent (yoy) which tapered off from previous month. The pressure of inflation was eased by NCPO's measure on reducing living costs which partly maintained household liquefied petroleum gas (LPG) and diesel fuel prices. **Unemployment rate** was 1.38 percent which increased from 0.67 percent of previous year.

Commercial bank credit as of June 2014 grew by 6.0 percent (yoy) which continued to decelerate. This was due to the rising concern on credit quality which led to the tightened assessment of new loans. Meanwhile, **commercial bank deposit** rose by 2.7 percent (yoy) which eased from previous month following the decreased fixed deposits.

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Table Attached to Press Release on Southern Region's Economic Conditions in June 2014

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	2014					
	Jan	Feb	Mar	Apr	May	Jun
The Real Sector ($\Delta\%$ year-on-year)						
Farm Income Index	-12.0	-5.9	0.6	-4.7	-14.0 ^r	-13.0 ^e
Agricultural Production Index	-9.4	-2.2	1.7	1.5	2.6 ^r	0.8 ^e
Agricultural Price Index	-2.9	-3.8	-1.1	-6.1	-16.1	-13.7
- Rubber (US\$3)	-22.3	-25.7	-15.0	-13.7	-26.0	-20.8
- Oil palm (FFB)	41.5	48.9	28.9	14.3	21.0	10.3
- Shrimp (70 pc/kg)	66.5	71.7	45.0	19.5	1.1	-6.2
Fishery Production						
- Fishery production loaded at ports	-12.0	0.5	6.7	-1.7	-11.6	0.1
- Shrimp production	-65.2	-48.0	-54.5	-44.5	-38.6 ^r	-37.4 ^e
Number of Foreign Tourists	-3.1	-4.5	3.1	4.7	0.4	-20.6
Manufacturing Production Index (MPI)	-7.1	0.0	6.1	-0.9	9.8 ^r	7.1
Private Consumption Index (PCI)	0.3	2.0	2.2	0.5	0.9	3.9 ^e
- Car Index	-43.6	-30.8	-41.5	-39.8	-37.8	-25.6
- Fuel Index	-0.6	-0.6	0.2	2.2	0.1 ^r	0.8 ^e
- Household Electricity	-0.2	-2.5	1.7	2.0	7.1	3.6 ^e
- VAT (real terms) 1/	3.2	7.8	8.3	2.7	4.2	11.8
Private Investment						
- Private Investment Index (PII)	-11.6	-7.7	-4.7	-4.8 ^r	-6.7	-4.4
- Promotional privileges from Board of Investment ($\Delta\%$ of total investment)	-21.8	-76.5	-81.6	-69.7	-98.4	-93.6
- Capital investment of business registered at Ministry of Commerce ($\Delta\%$ capital)	-13.8	-15.7	-28.9	-52.1	-9.7	-61.1
- Construction area permitted in municipal zone (12-month moving average)	-15.4	-7.7	-9.9	-6.0	-3.7	-2.1
Fiscal Sector						
- Tax revenue	-6.8	3.4	-2.4	-4.8	-2.6 ^r	8.3
- Total disbursement	-5.8	32.2	11.3	-18.6	4.0	-3.4
Consumer Price Index	2.15	1.90	2.17	3.05	3.31	2.88
- Food and beverages	3.80	3.82	4.28	5.76	5.84	5.22
- Non food and beverages	1.18	0.76	0.93	1.42	1.77	1.48
Core Consumer Price Index (excluding raw food and energy)	0.96	0.97	1.22	2.09	2.38	2.34
International Trade(million USD)						
- Exports	1,255.6	1,205.3	1,194.3	1,120.3	1,213.4	1,318.2
$\Delta\%$ year-on-year	-9.1	3.5	-22.7	-14.5	-17.7	-3.6
- Imports	832.3	929.1	854.6	841.3	1,015.4	1,111.7
$\Delta\%$ year-on-year	2.5	22.3	-33.3	-29.3	-5.0	37.6
Financial Sector (at the end of period) (Billions baht)						
- Deposits	632.2	650.7	643.2	641.5	631.3	623.8
$\Delta\%$ year-on-year	5.0	8.0	5.5	5.7	4.2	2.7
- Loans	701.1	701.1	700.8	696.6	695.9	701.3
$\Delta\%$ year-on-year	15.0	13.4	8.6	7.8	6.4	6.0
Remark : 1/ excluding VAT from customs duty.						
e = estimated r = revised n.a. = not available						
Source : Bank of Thailand, Southern Region Office						