



BANK OF THAILAND

BOT Press Release

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Press Release on Southern Region's Economic Conditions for the Second Quarter 2014

The overall economy of the Southern region in the second quarter 2014 was mostly unchanged from previous quarter. There were supportive factors as the increased production of agricultural and manufacturing sectors. However, tourism sector has been affected by various factors, including domestic political situation, unrest situation in Southern border area and the inconvenient travelling. Agricultural prices, particularly rubber price, remained low which led to the decrease of farm income and export value. Private sector has become caution on spending accordingly, while commercial banks have taken precautionary credit qualities. In term of internal stability, unemployment rate picked up, inflation also increased, particularly following the rising prices of prepared food and fuel.

Details of the economic conditions are as follows;

Farm income fell by 11.5 percent (year-on-year), particularly following the decrease of agricultural price. **Agricultural price index** reduced by 12.1 percent (yoy). This was subdued by the declined rubber price which was pressured by the increase of international and domestic rubber supply, together with the concern about economic slowdown in China. Concurrently, **agricultural production index** picked up by 1.6 percent (yoy) following the increased production of oil palm. On the other hand, the outputs of shrimp have not been recovered from shrimp disease, Early Mortality Syndrome (EMS).

Tourism sector has been affected by domestic political changes as several countries raised their travel advisory levels. Concurrently, Southern border area was aggravated by the unrest in Hatyai district, Songkhla province, together with the inconvenient transportation regarding an issue of Malaysian tour buses. As a result, a number of tourists had continued to decline by 5.3 percent (yoy) since previous quarter. Occupancy rate was low at 54.1 percent. Nevertheless, tourism in Andaman coastal area continued to expand as increased tourists, particularly from China, Russia and Australia.

Export value fell by 12.1 percent (yoy). Even the rubber import of China and the European Union increased in term of volume as the increased demand in automobile and tire industry accordingly, the export value of rubber products remained to decrease resulting from depressed rubber price. Exports of rubber woods fell following the softened demand from Vietnam and Indonesia. Exports of fishery products also contracted because of shrimp supply constraint. Conversely, export of rubber gloves rose along with the increased demand from the United States which is a major market, and new markets. In addition, export of canned seafood products picked up following the accelerated purchasing orders from the Middle East and the United States before the expected higher price of the raw material, tuna, in next period.

Nevertheless, manufacturing production expanded which reflected by 5.3 percent (yoy) increase of **manufacturing production index**. This was due to the increased production of palm oil because of the rising raw materials, fresh fruit bunches. The outputs of canned products and rubber gloves picked up consistent with the expansion of exports, while the productions of fresh and frozen seafood products and rubber woods declined.

Private consumption index improved slightly by 1.8 percent (yoy) which was in line with 1.5 percent (yoy) increase of previous quarter. The automobile consumption has not recovered since the accelerated consumption during the first car rebate scheme. In addition, consumers have remained cautious on spending regarding the declining farm income since preceding quarter. However, there was the positive sign of private sentiment since the end of quarter after the recovery of political situation.

Private investment index dropped by 5.3 percent (yoy). This was due to the entrepreneurs remained to wait for clearer signs of domestic economy and politics which led to the decrease of major indices, including imports of capital goods, the registration of commercial car and the permitted construction areas in municipal zone.

Commercial bank credit as of June 2014 grew by 6.0 percent (yoy) which decelerated from 8.6 percent (yoy) increase of preceding quarter. This was following the moderated lending of corporate loans and consumer loans. Meanwhile, **commercial bank deposit** rose by 2.7 percent (yoy) following the decreased deposit on fixed deposits substantially.

The fiscal stimulus declined as the 7.6 percent (yoy) decrease of **revenue disbursement**. This was following the decrease of specific grants to local administrations which accelerated disbursement in previous quarter. Concurrently, **revenue collection** slightly rose by 0.4 percent (yoy) following the increased collection of excise tax and customs.

In term of internal stability, **unemployment rate** picked up from previous quarter. **Inflation** was 3.08 percent (yoy) which accelerated from preceding quarter. This was due to the higher prices of prepared food as higher costs of liquefied petroleum gas (LPG), together with seasoning and condiments.

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Table Attached to Press Release on Southern Region's Economic Conditions for The Second Quarter of 2014

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	2013				2014	
	Quarter 2	Quarter 3	Quarter 4	Year	Quarter 1	Quarter 2
The Real Sector (Δ% year-on-year)						
Farm Income Index	-10.4	-8.0	-6.2	-11.4	-6.7	-11.5
Agricultural Production Index	5.6	-4.7	-14.0	-3.7	-4.2	1.6
Agricultural Price Index	-15.1	-3.5	9.0	-7.9	-2.6	-12.1
- Rubber (US\$3)	-22.1	-12.2	-11.5	-17.4	-21.1	-20.4
- Oil palm (FFB)	-37.6	-26.2	21.9	-21.7	40.0	15.0
- Shrimp (70 pc/kg)	68.3	67.4	93.5	61.9	60.4	4.6
Fishery Production						
- Fishery production loaded at ports	-3.9	-2.5	-11.1	-5.4	-1.6	-5.0
- Shrimp production	-58.9	-55.3	-74.6	-55.3	-57.2	-40.1
Number of Foreign Tourists	26.5	22.1	12.7	18.9	-1.6	-5.3
Manufacturing Production Index (MPI)	3.6	-3.5	0.6	2.4	-0.3	5.3
Private Consumption Index (PCI)	3.3	2.9	2.4	3.5	1.5	1.8
- Car Index	10.5	-23.3	-57.0	-17.9	-38.8	-35.3
- Fuel Index	2.4	4.1	-1.4	1.9	-0.3 ^r	1.0 ^e
- Household Electricity	7.6 ^r	4.6 ^r	2.8 ^r	4.6	-0.3 ^r	4.3
- VAT (real terms) ^{1/}	7.4 ^r	7.5 ^r	10.3 ^r	9.2 ^r	6.3	6.2
Private Investment						
- Private Investment Index (PII)	-0.4	-4.6	-7.5	-0.2	-8.1	-5.3
- Promotional privileges from Board of Investment (Δ% of total investment)	240.7	29.0	122.1	133.9	-75.8	-95.0
- Capital investment of business registered at Ministry of Commerce (Δ% capital)	48.1	19.5	6.1	19.7	-19.4	-47.5
- Construction area permitted in municipal zone (12-month moving average)	-1.3	-7.0	-10.7	-1.5	-11.1	-4.0
Fiscal Sector						
- Tax revenue	-1.2	6.4	4.8	4.0	-2.1	0.4
- Total disbursement	8.6	-11.6	-4.9	-4.0	12.4	-7.6
Consumer Price Index	2.22	1.76	1.88	2.22	2.07	3.08
- Food and beverages	3.39	2.52	3.47	3.27	3.97	5.61
- Non food and beverages	1.48	1.32	0.91	1.56	0.96	1.56
Core Consumer Price Index (excluding raw food and energy)	1.03	0.97	0.93	1.09	1.05	2.27
International Trade(million USD)						
- Exports	4,152.5	4,066.0	4,226.0	16,535.5	3,655.2	3,651.9
Δ% year-on-year	-10.3	-2.4	0.8	-4.0	-10.7	-12.1
- Imports	3,067.1	3,094.0	2,616.3	11,631.7	2,616.0	2,968.4
Δ% year-on-year	3.2	-0.3	-8.7	2.8	-8.3	-3.2
Financial Sector (at the end of period) (Billions baht)						
- Deposits	607.3	608.3	623.5	623.5	643.2	623.8
Δ% year-on-year	6.3	3.0	4.1	4.1	5.5	2.7
- Loans	661.8	683.2	702.2	702.2	700.8	701.3
Δ% year-on-year	21.5	20.0	16.6	16.6	8.6	6.0
Remark : 1/ excluding VAT from customs duty.						
e = estimated r = revised n.a. = not available						
Source : Bank of Thailand, Southern Region Office						