



BANK OF THAILAND

BOT Press Release

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Press Release on Southern Region's Economic Conditions in 2014

The overall economy of the Southern region in 2014 contracted from previous year following the decrease in agricultural production and price. Manufacturing production also moderated, while exports dropped. Concurrently, tourism sector was affected by the unstable political situation and the unrest in the Southern border area. This was led to the falling economic confidence of business and household sector, private investment has not recovered accordingly. Inflation eased as the softened prices of raw food and fuel. Unemployment rate picked up slightly. Nevertheless, there were positive signs from recovered tourism sector and expedited government disbursement at the end of the year.

Details of the economic conditions are as follows;

Farm income dropped by 20.1 percent (year-on-year) in term of price and quantity. **Agricultural price index** declined by 16.0 percent (yoy) following the 9-year lowest rubber price. The low rubber price was subdued by a plunge in global demand and the falling crude oil price which led to the higher stocks of both domestic and international rubber. Concurrently, **agricultural production index** fell by 5.3 percent (yoy) following a decrease in rubber output in the second half of this year. This was subdued by rubber farmers slowed tapping because of a significant decline in rubber price, as well as floods in some plantation areas. The outputs of oil palm fell after giving high outputs earlier as the life cycle. However, the shrimp production was likely to recover in the end of this year.

Manufacturing production index expanded by 2.0 percent (yoy) which decelerated from 2.4 percent (yoy) increase in preceding year. The outputs of rubber products, palm oil and fresh-frozen seafood products declined because of lower raw materials. Meanwhile, the production of rubber wood softened considerably as the moderated growth of China's real estate sector. However, the output of fresh and frozen seafood products has been likely to increase since the third quarter. The productions of canned seafood grew following the rising demand from the Middle East and The United States. The growth of rubber glove production also accelerated to fulfill demand from the European Union.

The value of exports and imports fell from prior year. **Export value** declined by 9.8 percent (yoy) as a decrease in exporting prices, particularly 26.8 percent (yoy) decrease in rubber export value. However, the exports of rubber gloves, fishery and canned seafood picked

up. Concurrently, **imports** reduced by 4.6 percent (yoy) as the decreased imports of machineries, construction materials and fisheries.

Tourism grew by 0.7 percent (yoy) which moderated from 18.9 percent (yoy) increase in prior year. Tourism was affected by the domestic political tension, together with the imposition of the state of emergency and the unrest in the Southern border area. This was resulted in a lower tourist confidence, particularly the 2.6 percent (yoy) decreased number of Malaysian tourists. However, a number of Chinese tourists grew by 19.1 percent (yoy) which was partly subdued by the enactment of China's new tourism law which has prohibited zero-dollar tours since October 1, 2013.

Private consumption index increased at a slow pace by 1.6 percent (yoy). This was deteriorated by the prolonged political tension in the early year which led to the lower confidences of consumers and entrepreneurs. In addition, rubber price – a major crop- was low continuously which led to the households' spending cautious in accordance with the moderated collection of value-added tax. The value-added tax slightly rose by 4.8 percent (yoy) which decelerated from 9.4 percent (yoy) of previous year. The lower consumer confidence caused the 7.3 percent (yoy) decrease in **private investment index**. Apparently, the most constructions were built to deliver backlog orders of year-ago projects because of the sluggish real estate sector. Furthermore, investments in capital goods declined which reflected by the contracted registration of commercial vehicles and imports of capital goods.

In government sector, **revenue disbursement** reduced by 1.7 percent (yoy). This was due to the Department of Local Administration has transferred funding to each local administration directly. Besides, the Ministry of Public Health has implemented the new salary payment system which directly transfers salary to officers. However, an increase in government stimulus led to the 11.9 percent (yoy) expansion of capital expenditures. Meanwhile, **revenue collection** expanded by 1.9 percent (yoy) which decelerated from 4.0 percent (yoy) increase in previous year.

An economic slowdown and the tighten credit standard of commercial banks caused the slow growth of **commercial bank credit** in both corporate and consumer loans. The credit increased slightly by 1.0 percent (yoy) which decelerated from 16.6 percent (yoy) increase in prior year.

In term of economic stability, **unemployment rate** was 1.2 percent which picked up from 1.0 percent. Meanwhile, **inflation** was low at 2.21 percent (yoy) which was in line with 2.22 percent (yoy) increase of earlier year. This was mainly following the decreased prices of raw food and fuel.

Southern Region's Economic Outlook in 2015

Southern region's economy in 2015 is expected to recover following the gradually improved private spending. This is likely supported by the substantially falling crude oil price and low inflation. Meanwhile, the government has various measures for economic stimulus including the expedited public spending, the policy for encouraging investments in the Southern border area, the proactive tourism promotion and the expansion of new airline routes. The shortage of raw material – Vannamei shrimp – in agricultural and manufacturing sectors also was likely to recover gradually.

Even the low interest rate provides tailwind to investments, the overall economy remains to confront downside risks, including the low agricultural price which may affect the future private confidence and the unrest in Southern border area. The economic slowdown in China, Russia and the European Union may affect the tourism sector. Additionally, the seafood industry confronts the negative factors, such as the non-tariff barrier of trading partner as well as the increasing competitors.

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

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	2013	2014				
	Year	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Year
The Real Sector (Δ% year-on-year)						
Farm Income Index	-9.6	-1.0	-9.6	-31.0	-36.0	-20.1
Agricultural Production Index	-0.9	3.2	3.7	-14.5	-11.5	-5.3
Agricultural Price Index	-8.8	-4.1	-12.8	-19.2	-27.6	-16.0
- Rubber (US\$3)	-17.4	-21.1	-20.4	-27.6	-33.1	-25.3
- Oil palm (FFB)	-21.7	40.0	15.0	18.9	8.6	20.2
- Shrimp (70 pc/kg)	61.9	60.4	4.6	-7.3	-31.6	1.0
Fishery Production						
- Fishery production loaded at ports	-5.4	-1.6	-5.0	-13.9 ^f	-4.6	-6.5
- Shrimp production	-47.1	-63.3	-48.4	-38.0	15.0	-39.2
Number of Foreign Tourists	18.9	-1.6	-5.3	-5.9	13.8	0.7
Manufacturing Production Index (MPI)	2.4	-0.3	5.3	4.4	-1.0	2.0
Private Consumption Index (PCI)	3.5	1.5	1.9	2.9	0.1	1.6
- Car Index	-17.9	-38.8	-35.3	-34.2	-39.9	-37.0
- Fuel Index	1.9	-0.3	1.1	1.8	-3.8	-0.3
- Household Electricity	4.6	-0.3	5.2	4.5	0.8	0.8
- VAT (real terms) 1/	9.2	6.3	6.0	9.2	3.2	6.3
Private Investment						
- Private Investment Index (PII)	-0.2	-8.1	-5.3	-4.6	-11.2	-7.3
- Promotional privileges from Board of Investment (Δ% of total investment)	133.9	-75.8	-95.0	20.2	-28.7	-64.2
- Capital investment of business registered at Ministry of Commerce (Δ% capital)	6.1	-19.4	-47.5	-4.8	16.7	-17.0
- Construction area permitted in municipal zone (12-month moving average)	-1.5	-11.2	-4.0	-5.4	-16.3	-15.5
Fiscal Sector						
- Tax revenue	4.0	-2.1	0.4	1.8	8.4	1.9
- Total disbursement	-4.0	12.4	-7.6	-4.1	-5.7	-1.7
Consumer Price Index	2.22	2.07	3.08	2.26	1.42	2.21
- Food and beverages	3.27	3.97	5.61	4.51	4.28	4.59
- Non food and beverages	1.56	0.96	1.56	0.91	-0.30	0.78
Core Consumer Price Index (excluding raw food and energy)	1.08	1.05	2.27	2.34	2.44	2.03
International Trade(million USD)						
- Exports	16,535.5	3,655.2	3,651.9	3,770.9	3,834.0	14,912.0
Δ% year-on-year	-4.0	-10.7	-12.1	-7.3	-9.3	-9.8
- Imports	11,631.7	2,616.0	2,968.4	3,037.3	2,480.4	11,102.1
Δ% year-on-year	2.8	-8.3	-3.2	-1.8	-5.2	-4.6
Financial Sector (at the end of period) (Billions baht)						
- Deposits	623.5	643.2	623.8	621.5	628.4	628.4
Δ% year-on-year	4.1	5.5	2.7	2.2	0.8	0.8
- Loans	702.2	700.8	701.3	702.3	709.4	709.4
Δ% year-on-year	16.6	8.6	6.0	2.8	1.0	1.0
Remark : 1/ excluding VAT from customs duty. e = estimated r = revised n.a. = not available						
Source : Bank of Thailand, Southern Region Office						