

No. 5/2016Press Release on Southern Region's Economic Conditions in January 2016

The overall economic activities of the Southern region in January 2015 moderated from previous month. Private consumption softened which was subdued by weak farm income and sluggish exports. This was due to the prolonged slump in agricultural prices and a slowdown in major trading partners' economies, especially China and the ASEAN. Private investment remained to contract. However, the expanded tourism sector and public spending on capital expenditure remained the main driver of growth. In term of economic stability, headline inflation remained negative on the back of a decline in energy prices, while unemployment rate was low which was in line with prior month.

Details of the economic conditions are as follows;

Private consumption indicators softened from prior month. This was subdued by a weak purchasing power in farm households and a gradual phase-out in temporary supportive factors, particularly the acceleration in car purchases before rising excise tax rates. The spending on non-durable goods mainly was necessary goods. However, a decline in oil prices also helped to boost fuel consumption. Meanwhile, **private investment** continued to contract because of the existing downside risks. Consequently, Businesses remained to delay their investment.

Farm income was weak following a decline in prices. **Agricultural prices** of major crops have not recovered. Rubber price continued to drop following a decline in crude oil price and a slowdown in China's economy. Thus, the 100,000-ton rubber purchase plan was approved by the government, allowing direct purchases from farmers at 45 baht per kilogram and taking effect on January 25, 2016. Meanwhile, price of oil palm contract continually following the reference price in Malaysia and high stockpile of palm oil. The shrimp price declined as well. **Agricultural outputs** picked up in all major crops.

A substantial decline in **export value** was caused by the softened foreign demand, together with a decline in export prices following a slump in global oil prices. The export-oriented **manufacturing production** dropped as well, following the declined outputs of rubber products, rubber gloves, canned seafood products. Apparently, the decrease in these productions was unlikely to compensate by increased outputs in some industries. The production of frozen seafood and palm oil industries picked up because of rising raw material outputs. The rubber wood industry expanded to support growing demand from China's real estate sector. The low price of wood log also motivated trading partners to purchase.

However, **tourism sector** continued to expand following the increased number of tourists from major countries, particularly from China. Furthermore, there was a positive sign from the increased number of Russian tourists which was affected by a slowdown in Russia's economy for a year. Consistently, the number of flights in southern airports, in both Andaman coast and Gulf of Thailand areas, increased to support an expansion of tourism sector. Nevertheless, the number of tourists softened in southern border area.

Public spending remained to grow as the main driver of economic growth. The disbursement softened substantially by comparing to preceding month after a rapid acceleration in the previous month. Most capital expenditures were the spending on land and construction investment which was disbursed by Department of Rural Roads, Royal Irrigation Department, and Office of The Basic Education Commission. Department of Local Administration also increased disbursement of specific grants. Meanwhile, the measure which promotes living standards at the village and sub-district levels, such as the allocation of 5-million-baht for each Tambon, has been partly disbursed gradually. **Government revenue** eased as the moderated collection of personal income tax and corporate income tax. However, the collection of value-added tax improved, particularly from wholesale-retail and hotel and restaurants businesses which were supported by the expansion of tourism sector.

In term of economic stability, headline inflation continued to stay in a negative territory at 0.79 percent (year-on-year) mainly due to the decline in energy prices and the reduction in Fuel Adjustment Charge (FT) power fee. Meanwhile, **unemployment rate** was low at 1.28 percent and in line with previous month. Furthermore, the low agricultural prices led to the continually decreased employment in agricultural sector, while the employment in non-agricultural sector expanded.

At the end of December 2015, **deposits of commercial banks** fell by 0.2 percent (yoy) following the decrease in time deposits and Negotiable Certificate of Deposits (NCD). The commercial bank **loans** dropped by 5.0 percent (yoy) following the decrease in consumer loan. This was partly due to change in bookkeeping system of certain banks by recording credit in head office instead of branches. Nevertheless, corporate loan expanded well in some sectors. Concurrently, **deposits of Specialized Financial Institutions (SFIs)** expanded by 7.6 percent (yoy) because of the increased deposit mobilization and the new special deposit products, while **loans** picked up by 8.0 percent (yoy) following increased lending to farm households and low-income households.

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

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	2015					2016
	Aug	Sep	Oct	Nov	Dec	Jan
The Real Sector ($\Delta\%$ year-on-year)						
Farm Income Index	-13.1	-13.9	-15.3	-22.9	-26.4	-23.5
Agricultural Production Index	1.4	0.7	0.3	-3.2	-7.4	5.6
Agricultural Price Index	-14.3	-14.6	-15.6	-20.3	-20.6	-27.6
- Rubber (US\$3)	-12.5	-10.6	-14.9	-21.7	-23.7	-36.2
- Oil palm (FFB)	-16.7	-20.9	-14.0	-17.9	-19.9	-12.6
- Shrimp (70 pc/kg)	-24.4	-25.9	-25.3	-18.3	-2.4	-3.1
Fishery Production						
- Fishery production loaded at ports	-17.2	-25.6	-7.4	-4.4	0.2	n.a.
- Shrimp production	44.3	48.7	26.3	-6.5	-7.5	5.3
Number of Foreign Tourists	38.1	21.3	6.4	8.0	10.0	17.5
Manufacturing Production Index (MPI)	1.9	-1.1	-0.3	-5.1	-4.0 ^r	-7.7
Private Consumption Index (PCI)	2.2 ^r	2.1 ^r	3.8 ^r	2.3 ^r	3.6 ^r	2.7
- Car Index	-14.9 ^r	-4.9 ^r	-14.0 ^r	3.3 ^r	41.8 ^r	17.5
- Fuel Index	6.7 ^r	6.9 ^r	12.6 ^r	9.6 ^r	10.1 ^r	11.2
- Household Electricity	-0.9 ^r	5.5 ^r	5.3 ^r	4.3 ^r	4.5 ^r	4.6
- Sales of consumer goods and services ^{1/}	4.9 ^r	4.3 ^r	8.2 ^r	4.4 ^r	6.8 ^r	5.0
Private Investment						
- Private Investment Index (PII)	-5.2 ^r	-4.7 ^r	-3.4 ^r	-3.0 ^r	-2.4	-1.9
- Promotional privileges from Board of Investment ($\Delta\%$ of total investment)	-35.3	442.7	89.8	162.9	43.8	-2.3
- Registration of Business Entity ($\Delta\%$ of total registration)	-34.0	-21.8	-34.9	-33.2	-13.8	n.a.
- Construction area permitted in municipal zone (12-month moving average)	-29.0	-28.6	-25.7	-25.3	-30.3	-28.4
Fiscal Sector						
- Tax revenue	4.3	2.1	2.0	-9.3	7.0	3.0
- Total disbursement	-7.8	5.7	-1.0	12.6	15.5 ^r	4.6
Consumer Price Index	-1.50	-1.39	-1.16	-1.65	-1.36	-0.79
- Food and beverages	1.62	1.63	1.75	0.20	0.23	0.49
- Non food and beverages	-3.44	-3.27	-2.98	-2.82	-2.38	-1.61
Core Consumer Price Index (excluding raw food and energy)	0.71	0.76	0.73	0.31	0.24	0.28
Unemployment Rate	1.28	0.93	1.08	1.02	1.22	1.28
International Trade(million USD)						
- Exports	877.6	1,040.8	1,093.7	870.1	879.9	824.3
<i>$\Delta\%$ year-on-year</i>	-34.1	-21.9	-18.6	-38.7	-17.9	-10.6
- Imports	788.9	736.6	752.6	744.5	649.1	735.4
<i>$\Delta\%$ year-on-year</i>	-4.1	-24.3	-19.1	-6.0	-14.4	-2.9
Financial Sector (at the end of period) (Billions baht)						
- Deposits	619.5	617.3	624.0	628.1	627.4	n.a.
<i>$\Delta\%$ year-on-year</i>	-0.3	-0.7	1.3	0.6	-0.2	n.a.
- Loans ^{2/}	667.3	671.3	670.8	671.5	674.0	n.a.
<i>$\Delta\%$ year-on-year</i>	-4.4	-4.4	-4.5	-4.8	-5.0	n.a.

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