

**No. 16/2016****Press Release on Southern Region's Economic Conditions in August 2016**

The overall economic activities of the Southern region in August 2016 stabilized from the previous month. Public spending continually grew especially capital expenditure. Meanwhile, private consumption edged up resulting from higher purchasing power of farm households and an increase in manufacturing employment that helped improve the consumption of both farm and non-farm households. Nonetheless, tourism sector grew at slower rate following a decrease in number of Malaysian tourists whereas number of Chinese tourists continued to rise. Private investment remained low. On the stability front, headline inflation and unemployment rates increased.

Details of the economic conditions are as follows;

**Public spending** continued to be a major economic growth driver due to an expansion of capital expenditure particularly on land and on construction. High disbursement were conducted by Office of the Permanent Secretary, Royal Thai Police, Office of the Vocational Education Commission, and Office of the Basic Education Commission. While the disbursement made by the Department of Highways and the Department of Rural Road and Department of Public Works and Town & Country Planning was for road construction and improvement. Meanwhile, current expenditure subdued due largely to changes in salary payment system of Royal Thai Army, Navy, and Air Force.

**Farm income** leveled from previous month as an increase in agricultural outputs lowered agricultural prices. This resulted in a slowdown in rubber demand from China, the major trading partner, since they awaited for lower prices in near future whereas high rubber stocks in China also pressured on rubber demand. Meanwhile, a reduction in palm oil usage in biodiesel production from B5 to B3 decreased oil palm price. However, agricultural prices including rubber, oil palm and Vannamei shrimp increased compared to the same period last year.

**Manufacturing production** expanded following higher production of rubber products and rubber wood. Rubber glove production also increased due to higher demand from United States. Frozen seafood production using Vannamei shrimp as raw material also picked up despite the production using fish and cuttlefish declined. Nevertheless, production of canned seafood contracted following delayed orders from trading partners as they anticipated a downward trend of tuna price. Production of crude palm oil continued to decline due to lower amount of raw material. However, oil palm output was higher than the same period last year.

**Private consumption** edged up from a rise in purchasing power of farm households. Moreover, an acceleration in manufacturing employment increased non-farm income that

improved private consumption including consumer goods and services. The consumption on durable goods-cars, fuel, and residential electricity-also improved. Nonetheless, consumer confidence remained low as shown by the sales of non-necessary goods that decreased from previous month.

**Tourism sector** decelerated from previous month following a decline in Malaysian tourist arrivals due mainly to sluggish Malaysian economy that led to Ringgit currency depreciation. Moreover, a reduction in Malaysian tourists was also partly affected by a discontinued of the almsgiving of 100,000 Buddhist monks that annually held in Songkhla. However, a number of Chinese tourists continually increased from the same period last year both in the Gulf of Thailand and Andaman coast, whereas a number of domestic and international flights continually increased.

**Export and import value** decreased from last month but continually expanded compared to the same period last year following a rise in demand for rubber particularly from Malaysia, EU, and United States. Moreover, export of rubber woods and relating products made from rubber woods also expanded in China and other markets including Middle East, Malaysia, and Indonesia.

**Private investment** remained low and stayed at a level close to the same period last year due to a sluggish investment in real estate sector. Main indicators-construction allowed in municipal areas and cement sales-shrank compared to the same period last year, whereas import of capital goods had not improved. However, there had seen a recovery sign from an increase in a number of projects requiring for investment promotion and an increase in a number of businesses registered as a juristic person.

On the stability front, **headline inflation** was at 0.42 percent, minimally rose resulting from higher fresh food prices such as poultry, vegetables, and fruits as there was higher demand during Chinese Spirit Festival. **Unemployment rate** was at 1.27 percent, improved slightly from the previous month. Farm employment significantly declined due largely to a contraction of demand for labor in rubber plantation. In contrast, a number of non-farm labors expanded, namely in manufacturing, construction, and trading sectors.

At the end of July 2016, **deposits** of commercial banks and specialized financial institutions (SFIs) slowed down as low interest rate discouraged savings. In addition, there were no new attractive products in order to replace the matured ones, resulting in higher withdrawals from bank accounts to invest in higher return assets such as mutual funds. Commercial banks **loans** also slowed down following loan repayment and high strictness on lending especially to SMEs customers, while SFIs loans continued to expand particularly business, household resident, and public services loans.

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30 September 2016

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BANK OF THAILAND

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

Released by Bank of Thailand, Southern Region Office

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	2016					
	Mar	Apr	May	Jun	Jul	Aug
<b>The Real Sector (<math>\Delta\%</math> year-on-year, unless otherwise stated)</b>						
Farm Income Index	-5.7	0.9	-8.0	-7.7	20.1	24.3
Agricultural Production Index	2.8	-10.6 <sup>r</sup>	-14.4	-7.9	-0.5	3.0
Agricultural Price Index	-8.3	12.8	7.5	0.3	20.6	20.7
- Rubber (US\$3)	-10.4	11.8	3.5	-5.1	10.9	15.4
- Oil palm (FFB)	-6.2	20.7	27.8	15.9	61.5	46.1
- Shrimp (70 pc/kg)	0.6	5.7	1.1	10.4	13.6	9.4
<b>Fishery Production</b>						
- Fishery production loaded at ports	-24.6	-16.6	-8.7	-20.8	38.3	n.a.
- Shrimp production	22.2	10.1	17.4	37.0	41.2	55.1
<b>Number of Foreign Tourists</b>	15.8	15.0	5.3	-0.3	14.5	9.0
<b>Manufacturing Production Index (MPI)</b>	6.4	1.7	1.7	-0.6	3.7	0.6
<b>Private Consumption Index (PCI)</b>	5.9	5.0	6.4	5.5	3.8 <sup>r</sup>	6.1 <sup>e</sup>
- Car Index	2.4	9.5	1.7	7.7	-9.1	16.4
- Fuel Index	10.0	6.7	7.2	3.0	0.7 <sup>r</sup>	3.6 <sup>e</sup>
- Household Electricity	6.0	9.2	14.9	2.0	3.5 <sup>r</sup>	6.8 <sup>e</sup>
- Sales of consumer goods and services <sup>1/</sup>	13.3	11.0	14.3	12.7	9.1	14.0
<b>Private Investment</b>						
- Private Investment Index (PII)	-2.6	-3.0	-3.3	-2.3	-3.1	-2.3
- Promotional privileges from Board of Investment ( $\Delta\%$ of total investment)	-62.2	-21.1	-100.0	1,189.4	-18.0	136.8
- Registration of Business Entity ( $\Delta\%$ of total registration)	38.3	-25.2	-59.8	38.3	30.7	102.0
- Construction area permitted in municipal zone (12-month moving average)	-24.8	-27.1	-23.5	-16.9	-20.6	-16.7
<b>Fiscal Sector</b>						
- Tax revenue	3.1	14.1	13.4	3.8	-4.8	2.7
- Total disbursement	5.8	-3.9	19.5	14.2	-8.7	5.3
<b>Consumer Price Index</b>	-0.74	-0.19	0.28	0.43	0.22	0.42
- Food and beverages	0.56	1.06	2.44	2.82	2.04	2.07
- Non food and beverages	-1.57	-0.98	-1.11	-1.10	-0.94	-0.64
<b>Core Consumer Price Index (excluding raw food and energy)</b>	0.60	0.55	0.54	0.55	0.70	0.70
<b>Unemployment Rate</b>	0.90	1.68	1.55	1.47	1.18	1.27
<b>International Trade(million USD)</b>						
- Exports	1,321.0	971.8	949.9	972.0	1,047.6	1,052.9
$\Delta\%$ year-on-year	17.2	1.0	-12.8	-25.0	10.6	14.7
- Imports	658.5	752.3	778.6	700.5	907.2	752.3
$\Delta\%$ year-on-year	-14.0	-22.5	-13.3	-21.8	30.6	-7.5
<b>Financial Sector (at the end of period) (Billions baht)</b>						
- Deposits	640.5	644.8	640.9	642.7	637.4	n.a.
$\Delta\%$ year-on-year	1.0	1.5	1.4	2.8	2.6	n.a.
- Loans <sup>2/</sup>	676.2	673.3	669.6	670.8	667.7	n.a.
$\Delta\%$ year-on-year	3.3	2.9	2.2	0.9	0.2	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