



No. 6/2016

Press Release on Southern Region's Economic Conditions in February 2016

The overall economic activities of the Southern region in February 2016 improved from previous month. The economic momentum was driven by the robust expansion of tourism sector and the improvement of manufacturing production, leading to increase in non-farm employments and private consumption respectively. Concurrently, public spending remained to be well disbursed. However, the low farm income and weak exports decelerated the economy. This was mainly due to the depressed agricultural prices following a slump in global oil prices and the slowdown in China's economy. In term of economic stability, headline inflation remained negative on the back of the decline in energy prices.

Details of the economic conditions are as follows;

Tourism sector continued to expand and to be the major driver of growth. This was reflected by the increased number of tourist arrivals, particularly Asian tourists such as Chinese, Malaysian, and South Korean. The number of tourists from Europe and Scandinavia picked up as well. Apparently, there was a positive sign from the rebounded number of Russian tourists which had been affected by a slowdown in Russia's economy. Consistently, the number of flights in southern airports increased to support an expansion of tourism sector.

Manufacturing production improved as the increased production in some industries. The output of canned seafood products increased following the increased purchase orders from trading partners during the rising cost of raw material, tuna, after having prolonged slump in price earlier. The productions of rubber gloves and rubber woods continued to grow following the increased demand from major trading partners. The increased output of rubber gloves was buoyed by an increase in production capacity as well. The output of palm oil increased at slower pace following the supply of raw materials. However, the production of frozen seafood product continued to contract as a continual decrease in raw materials, fish and cuttlefish, because of the enforcement of Thai government combating human trafficking and illegal, unreported and unregulated fishing (IUU fishing).

The purchasing power of non-farm households was partly supported by the increased employment in non-farm sector as the expansion of tourism and manufacturing sectors. Accordingly, **private consumption** improved. Sales of consumer goods and services picked up in both necessary and non-necessary goods. Meanwhile, the spending on car purchase decelerated

after the expedited purchase before the increase in vehicle excise tax. Nonetheless, **private investment** continued to contract because businesses remained to delay their investment, whereas cement sales was benefited by government projects.

Public spending was well-disbursed continually. Most capital expenditures were the spending on land and construction which was disbursed by Department of Highways, Department of Rural Roads, Royal Irrigation Department, and educational institutions. The measure of promoting living standards at sub-district levels has been more disbursed as well. Besides, current expenditure picked up following the increased disbursement of subsidies, operating expenses, and civil servant salaries. Meanwhile, **government revenue** increased following the increased collection of personal income tax and value-added tax. The collection of excise tax also increased from tobacco tax hike.

Nevertheless, the economy was subdued by the weak **farm income** and the contracted **export value** mainly due to downward price pressure. The rubber price dropped due to the fall in global oil prices, the slowdown in China's economy and rising rubber stockpile in China. The prices of oil palm and shrimp was affected by the increased outputs.

In term of economic stability, **headline inflation** continued to stay in a negative territory at 0.90 percent (Year-on-Year) mainly due to the decline in energy price, electricity charge and liquefied petroleum gas (LPG) price. Meanwhile, **unemployment rate** was low at 1.33 percent which slightly picked up from last month due to an increase in labor force.

At the end of January 2016, **deposits of commercial banks** grew by 1.1 percent (YoY) following the increased deposit of saving and current accounts. The commercial bank **loans** rose by 4.1 percent (YoY) partly due to increased lending under the government measure which offered low interest rate loans to SMEs. **Deposits of Specialized Financial Institutions** (SFIs) expanded because of the increased deposit mobilization and the deposit on government agencies' accounts, while the loans picked up as increased lending under government measures.

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31 March 2016

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BANK OF THAILAND

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

Released by Bank of Thailand, Southern Region Office

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	2015				2016	
	Sep	Oct	Nov	Dec	Jan	Feb
The Real Sector ($\Delta\%$ year-on-year)						
Farm Income Index	-13.9	-15.3	-22.9	-26.4	-23.5	-21.2
Agricultural Production Index	0.7	0.3	-3.2	-7.4	5.6	8.7
Agricultural Price Index	-14.6	-15.6	-20.3	-20.6	-27.6	-27.5
- Rubber (US\$3)	-10.6	-14.9	-21.7	-23.7	-36.2	-34.4
- Oil palm (FFB)	-20.9	-14.0	-17.9	-19.9	-12.6	-17.9
- Shrimp (70 pc/kg)	-25.9	-25.3	-18.3	-2.4	-3.1	-5.2
Fishery Production						
- Fishery production loaded at ports	-25.6	-7.4	-4.4	0.2	5.4	n.a.
- Shrimp production	48.7	26.3	-6.5	-7.5	6.1	n.a.
Number of Foreign Tourists	21.3	6.4	8.0	10.0	17.5	17.7
Manufacturing Production Index (MPI)	-1.1	-0.3	-5.1	-4.0 ^r	-7.7	2.0
Private Consumption Index (PCI)	2.1	3.8	2.3	3.6	2.5	4.5
- Car Index	-4.9	-14.0	3.3	41.8	17.5	6.5
- Fuel Index	6.9	12.6	9.6	10.1	1.4	7.2
- Household Electricity	5.5	5.3	4.3	4.5	11.7	6.7
- Sales of consumer goods and services ^{1/}	4.3	8.2	4.4	6.8	5.0	9.9
Private Investment						
- Private Investment Index (PII)	-4.7 ^r	-3.4 ^r	-3.0 ^r	-2.4	-1.9	-2.2
- Promotional privileges from Board of Investment ($\Delta\%$ of total investment)	442.7	89.8	162.9	43.8	-2.3	-62.3
- Registration of Business Entity ($\Delta\%$ of total registration)	-21.8	-34.9	-33.2	-13.8	140.6	-22.8
- Construction area permitted in municipal zone (12-month moving average)	-28.6	-25.7	-25.3	-30.3	-28.4	-27.9
Fiscal Sector						
- Tax revenue	2.1	2.0	-9.3	7.0	3.0	4.1
- Total disbursement	5.7	-1.0	12.6	15.5 ^r	4.6	11.7
Consumer Price Index	-1.39	-1.16	-1.65	-1.36	-0.79	-0.90
- Food and beverages	1.63	1.75	0.20	0.23	0.49	0.66
- Non food and beverages	-3.27	-2.98	-2.82	-2.38	-1.61	-1.91
Core Consumer Price Index (excluding raw food and energy)	0.76	0.73	0.31	0.24	0.28	0.42
Unemployment Rate	0.93	1.08	1.02	1.22	1.28	1.33
International Trade(million USD)						
- Exports	1,040.8	1,093.7	870.1	879.9	824.3	851.7
<i>$\Delta\%$ year-on-year</i>	-21.9	-18.6	-38.7	-17.9	-10.6	-5.8
- Imports	736.6	752.6	744.5	649.1	735.4	789.4
<i>$\Delta\%$ year-on-year</i>	-24.3	-19.1	-6.0	-14.4	-2.9	-20.3
Financial Sector (at the end of period) (Billions baht)						
- Deposits	617.3	624.0	628.1	627.4	638.3	n.a.
<i>$\Delta\%$ year-on-year</i>	-0.7	1.3	0.6	-0.2	1.1	n.a.
- Loans ^{2/}	671.3	670.8	671.5	674.0	675.8	n.a.
<i>$\Delta\%$ year-on-year</i>	-4.4	-4.5	-4.8	-5.0	4.1	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