

**No. 3/2017****Press Release on Southern Region's Economic Conditions in 2016**

The overall economic activities of the Southern region in 2016 steadily grew from the previous year. Public spending, both current and capital expenditures, was one of the key driver of economic growth. Tourism was also well-expanded despite the impact of the government's regulation on illegal tour operators and ringgit depreciation. In addition, farm income surged in the second half of the year supported private consumption to continually increase. Manufacturing production picked up from foreign demand, resulting in greater value of exports. As the expansion of overall economy, private investment was on the upward trend. **On the stability front**, headline inflation increased following fresh food prices. The unemployment rate stayed at low level.

Details of the economic conditions are as follows;

Public spending, both current and capital expenditures, continually rose throughout the year. Growth in current expenditure was from the disbursement for improvement of living standards in rural areas. Capital expenditure went up, in particular land and construction category, due to higher disbursement from Department of Highways, Department of Rural Roads, and Department of Public Works and Town & Country Planning. Tax revenue collection also increased in value-added tax, excise tax, and import duty

The number of foreign tourists increased, especially those from China, despite deceleration at the end of the year, due to the impact of the government's regulation on illegal tour operators. Russian and European tourists also grew in line with increased number of international flights. However, Malaysian tourists travelling to southern border area were affected by ringgit depreciation.

Farm income became positive after remained in contraction for years, attributable mainly to agricultural prices, particularly accelerated rubber and crude oil palm prices at the second half of the year. Rubber price significantly picked up due to continuous demand from China and output shortage. Oil palm price also increased owing to lagged impact of the drought on output. Vannamei shrimp price went up as domestic and foreign demand rose, as well as Early Mortality Syndrome (EMS) easing contributed to higher output.

Private consumption registered growth that was shown in higher consumer goods and services sales volume, coupled with higher number of light vehicle registration. This was largely due to higher farm income and tourism expansion.

Growth in **manufacturing production** was supported by rubber products and rubber wood production, following continuous demand from China. Rubber gloves production steadily increased. As a result of higher Vannamei shrimp output and foreign demand, frozen and processed seafood

production rose, resulting in **value of exports** growth. Nevertheless, canned seafood production remained contracted due largely to high tuna price throughout the year that deterred demand from trading partners. Crude palm oil production also decreased as output dropped.

Private investment remained in contraction as can be observed in low permitted construction areas in municipal zone and cement sales, following sluggish investment in real estate sector. The number of pickup truck registration, however, increased and recovery sign of private investment can be seen in the fourth quarter of 2016.

On the stability front, **headline inflation** stood at 0.17 percent, higher than the previous year mainly from high fresh food prices due to lack of vegetables and fruits, coupled with fish and aquatic animals. **Unemployment rate** was at 1.36 percent, slightly increasing from the previous year as employment in agricultural sector went down from the drought and the flood. Meanwhile, employment in non-agricultural sector, specifically in trade, edged up.

At the end of 2016, **deposits** of commercial banks registered a growth of 3.0 percent, primarily in savings account as commercial banks attracted more level of deposits in order to fund more loans. Meanwhile, commercial banks **loans** grew at 2.2 percent largely from retail-wholesale and manufacturing sector, particularly for rubber products and sawmill. Lending grew both for small and medium enterprises (SMEs), and large enterprises. Meanwhile, Consumer loans decreased from housing loan and auto leasing mainly.

Looking ahead, Southern economy in 2017 is projected to continually expand despite the impact of the flood at the beginning of the year. Public spending, benefited by additional mid-year budget of 2017 in order to encourage provincial cluster economy, remained the engine of growth, whereas recovered farm income resulted in greater private consumption. Moreover, tourism sector is expected to revive from continuing increase in Russian, European, and Chinese tourists. The number of tourists from China, although affected by the government's regulation on illegal tour operators, grew due mainly to an increasing number of foreign individual tourists, coupled with the government measures to support tourism sector. Nevertheless, ringgit depreciation remained the negative factor for Malaysian tourists. Manufacturing production is likely to increase from the previous year, following the continuing growth of rubber gloves and rubber wood production. Canned seafood production could slightly improve. The value of exports would be beneficial from risen prices.

However, there are some risks needed to be close monitoring, including the uncertainty of Donald Trump's economic policies and China economic restructuring. Moreover, the increasing fuel price is the main inflationary pressure.

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BANK OF THAILAND

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

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	2015	2016				
	Year	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Year
The Real Sector ($\Delta\%$ year-on-year, unless otherwise stated)						
Farm Income Index	-14.8	-19.7	-5.1	19.3	41.9	6.6
Agricultural Production Index	-0.8	2.7	-10.9	-2.0	-1.3	-2.9
Agricultural Price Index	-13.9	-21.8	6.6	21.8	43.7	9.7
- Rubber (US\$3)	-15.3	-27.7	3.0	14.5	56.8	7.8
- Oil palm (FFB)	-7.0	-12.7	21.3	54.6	34.2	20.6
- Shrimp (70 pc/kg)	-23.9	-2.7	5.8	12.0	12.3	6.4
Fishery Production						
- Fishery production loaded at ports	-19.1	-11.0	-15.2	-4.6	n.a.	n.a.
- Shrimp production	22.4	21.3	22.5	23.1	3.5	16.8
Number of Foreign Tourists	23.5	17.0	6.7	12.9	0.8	9.3
Manufacturing Production Index (MPI)	-0.9	2.5	0.9	2.5	0.2	1.2
Private Consumption Index (PCI)	1.8	4.4	5.6	5.7	4.4	5.0
- Car Index	-14.5	8.9	6.3	5.4	2.1	5.4
- Fuel Index	8.5	6.8	5.6	4.1	4.5	5.5 ^e
- Household Electricity	2.8	10.6	8.7	4.5	2.0	6.4 ^e
- Sales of consumer goods and services ^{1/}	2.6	9.4	12.7	13.4	10.4	11.1
Private Investment						
- Private Investment Index (PII)	-3.7	-2.0	-2.9	-2.5	-1.1	-2.1
- Promotional privileges from Board of Investment ($\Delta\%$ of total investment)	105.2	-55.4	101.0	-62.2	-16.3	-23.6
- Registration of Business Entity ($\Delta\%$ of total registration)	-6.7	43.8	-20.2	35.4	49.5	24.4
- Construction area permitted in municipal zone (12-month moving average)	-24.5	-27.1	-22.7	-16.4	0.2	-17.5
Fiscal Sector						
- Tax revenue	1.9	3.4	9.9	0.9	-1.6	3.4
- Total disbursement	0.4	7.3	9.3	1.2	8.3	6.5
Consumer Price Index	-1.25	-0.80	0.18	0.40	0.91	0.17
- Food and beverages	1.32	0.57	2.11	1.91	1.40	1.50
- Non food and beverages	-2.84	-1.70	-1.06	-0.58	0.59	-0.69
Core Consumer Price Index (excluding raw food and energy)	1.06	0.44	0.55	0.71	0.74	0.61
Unemployment Rate	1.10	1.21	1.61	1.14	1.50	1.36
International Trade(million USD)						
- Exports	11,853.3	3,077.5	2,893.7	3,329.7	3,075.2	12,376.1
$\Delta\%$ year-on-year	-20.5	1.0	-13.6	12.1	3.7	0.4
- Imports	9,465.4	2,268.8	2,231.3	2,452.4	2,475.1	9,427.7
$\Delta\%$ year-on-year	-14.7	-11.0	-19.3	8.1	10.9	-3.9
Financial Sector (at the end of period) (Billions baht)						
- Deposits	627.4	640.5	642.7	635.4	646.2	646.2
$\Delta\%$ year-on-year	-0.2	1.0	2.8	2.9	3.0	3.0
- Loans ^{2/}	674.0	676.2	670.8	670.3	688.7	688.7
$\Delta\%$ year-on-year	-5.0	3.3	0.9	-0.1	2.2	2.2

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