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

The overall economic activities of the southern region in May 2016 softened from the previous month. Farm income was deteriorated by the drought which affected the decrease in outputs of oil palm and rubber. The momentum of public investment declined after an expedited disbursement in the earlier period. Private investment still contracted. Export value was also sluggish following a slowdown in major trading partners' economies and supply constraint. However, tourism sector remained a growth driver of economy, but at moderate pace. Manufacturing sector slightly expanded. This supported an increase in non-farm employment and an expansion of private consumption. In term of economic stability, headline inflation turned slightly positive due to an increase in the price of raw food.

Details of the economic conditions are as follows;

Farm income declined from previous month and the same period last year. This was mainly due to the decrease in agricultural productions which was dragged by the drought, particularly the decreased output of oil palm and rubber. The shrimp output continued to increase because of the recovery from disease. Meanwhile, agricultural prices improved following an increase in rubber and oil palm prices on the back of competitive buying among traders during low supply. The shrimp price also increased partly because the competitors' production was affected by shrimp disease and unfavorable weather.

Manufacturing production expanded slightly from previous month. The production of canned seafood increased following the higher purchasing order from trading partners after the demand decelerated in the earlier periods as customers wait for clearer direction of raw material price. The production of rubber wood and rubber gloves grew as demand from trading partners increased, while the outputs of rubber products poised. However, the production of frozen seafood declined as a decrease in raw material, fish and cuttlefish, in spite of the recovery of shrimp output. The output of palm oil fell as the decrease in raw materials because of the drought.

Tourism sector continued to grow. However, the growth rate softened following the decline in Malaysian tourists. This was partly due to the slowdown in Malaysian economy, coupled with a high base in last year due to the great number of tourist arrivals after the cancellation of martial law. However, there was a supporting factor from an increase in Chinese and Russian tourists. Therefore, hotel occupancy rate and the overall tourist arrivals remained to expand from the same period of previous year.

Public spending on capital expenditure moderated after an expedited disbursement in earlier period. Meanwhile, the spending on current expenditure rose from the same period of prior year following the increased disbursement in various items, including subsidies of educational institutes, operational expenses of Royal Thai Police and Office of The Basic Education Commission. Besides, there was an increased disbursement in three border provinces of Internal Security Operations Command. As a result, the overall public spending remained to grow from the same period last year. Meanwhile, **government revenue** increased following the increased collection of all types of taxes.

Employment continued to increase from the same period last year. Even the employment in agricultural sector dropped, the non-farm employment picked up, particularly in service and manufacturing sectors, which was supported by the growing tourism sector and the expanded manufacturing sector. **Private consumption** was able to expand which mainly was the spending on consumer goods. This was partly motivated by an increase in employment which supported purchasing power of some households, together with promotional campaigns. Meanwhile, the spending on durable goods softened which was reflected by the slowdown in vehicle sales.

Export value contracted after the dissipation of temporary factors. The exports deteriorated from depressed export price due to the slowdown in trading partners' economies, particularly rubber products. Besides, the constraint of raw materials, fish and cuttlefish, led to the lower export of frozen seafood products. Meanwhile, the value of **imports** recorded an increase in contraction. Apparently, the decreased imports of machineries and equipment reflected a sluggish investment in capital goods. **Private investment** had not shown a clear sign of recovery which was reflected by the contraction of all investment indicators.

In term of economic stability, **headline inflation** turned slightly positive at 0.28 percent (Year-on-Year) following increased prices of raw food and energy. **Unemployment rate** was at 1.55 percent which slightly declined from previous month.

At the end of April 2016, **deposits** of commercial banks and specialized financial institutions (SFIs) increased from the same period last year. Banks increased deposit mobilization of current and saving accounts instead of fixed deposits to manage the cost of funds. The **loans** of commercial banks slowed down, while the lending of SFIs continued to expand due to increased lending under the government measure, such as the real estate stimulus measure and "Baan Pracha Rath" housing loans for low-to middle- income peoples.

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BANK OF THAILAND

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

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	2015	2016				
	Dec	Jan	Feb	Mar	Apr	May
The Real Sector ($\Delta\%$ year-on-year, unless otherwise stated)						
Farm Income Index	-26.5 ^r	-27.4 ^r	-23.4 ^r	-5.7 ^r	0.9 ^r	-8.0
Agricultural Production Index	-7.4	0.3 ^r	5.7 ^r	2.8 ^r	-10.5 ^r	-14.4
Agricultural Price Index	-20.6	-27.6	-27.5	-8.3	12.8	7.5
- Rubber (US\$3)	-23.7	-36.2	-34.4	-10.4	11.8	3.5
- Oil palm (FFB)	-19.9	-12.6	-17.9	-6.2	20.7	27.8
- Shrimp (70 pc/kg)	-2.4	-3.1	-5.2	0.6	5.7	1.1
Fishery Production						
- Fishery production loaded at ports	0.2	5.4	-9.5	-24.6	-16.6	n.a.
- Shrimp production	-7.5	5.3	38.3	22.2	10.1	n.a.
Number of Foreign Tourists	10.0	17.5	17.7	15.8	15.0	5.3
Manufacturing Production Index (MPI)	-1.1	-5.0	5.6	6.4	1.7	1.7
Private Consumption Index (PCI)	3.6	2.5	4.7	5.9	5.0 ^r	6.4 ^e
- Car Index	41.8	17.5	6.5	2.4	9.5	1.7
- Fuel Index	10.1	1.4	7.2	9.9	6.7 ^r	8.7 ^e
- Household Electricity	4.5	11.7	6.7	6.1	9.2 ^r	9.9 ^e
- Sales of consumer goods and services ^{1/}	6.8	5.0	9.9	13.3	11.0	14.3
Private Investment						
- Private Investment Index (PII)	-2.4	-1.9	-2.2	-3.2	-3.9	-4.0
- Promotional privileges from Board of Investment ($\Delta\%$ of total investment)	43.8	-2.3	-62.3	-62.2	-21.1	-100.0
- Registration of Business Entity ($\Delta\%$ of total registration)	-13.8	140.6	-22.8	38.3	-25.2	-59.8
- Construction area permitted in municipal zone (12-month moving average)	-30.3	-28.4	-27.9	-24.8	-27.1	-23.5
Fiscal Sector						
- Tax revenue	7.0	3.0	4.1	3.1	14.1	13.4
- Total disbursement	15.5	4.6	11.7	5.8	-3.9	19.5
Consumer Price Index	-1.36	-0.79	-0.90	-0.74	-0.19	0.28
- Food and beverages	0.23	0.49	0.66	0.56	1.06	2.44
- Non food and beverages	-2.38	-1.61	-1.91	-1.57	-0.98	-1.11
Core Consumer Price Index (excluding raw food and energy)	0.24	0.28	0.42	0.60	0.55	0.54
Unemployment Rate	1.22	1.28	1.33	0.90	1.68	1.55
International Trade(million USD)						
- Exports	879.9	824.3	851.7	1,288.5	929.4	910.5
$\Delta\%$ year-on-year	-17.9	-10.6	-5.8	18.1	1.4	-13.9
- Imports	649.1	735.4	789.4	625.3	708.8	754.5
$\Delta\%$ year-on-year	-14.4	-2.9	-20.3	-17.0	-9.1	-25.6
Financial Sector (at the end of period) (Billions baht)						
- Deposits	627.4	638.3	638.7	640.5	644.8	n.a.
$\Delta\%$ year-on-year	-0.2	1.1	1.3	1.0	1.5	n.a.
- Loans ^{2/}	674.0	675.8	677.9	676.2	673.3	n.a.
$\Delta\%$ year-on-year	-5.0	4.1	3.2	3.3	2.9	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