

**No. 11/2017****Press Release on Southern Region's Economic Conditions in May 2017**

The overall economic activities in Southern region in May 2017 decelerated from the previous month as private consumption slowed down caused by softened agricultural prices after higher supply of oil palm and Vannamei shrimps. The number of foreign tourists dropped particularly those from Malaysia which remained affected by Ringgit depreciation. However, exports of processing agricultural products expanded consistent with manufacturing production. In addition, capital expenditure by the local government increased after remaining in contraction since the beginning of the year, whereas private investment stayed flat. **On the stability front**, headline inflation slowed down owing to lower prices of petroleum and fresh food. Unemployment rate reduced from an increase in non-farm employment.

Details of the economic conditions are as follows;

Agricultural production rose by 11.5 percent from the same period last year, driven by oil palm and Vannamei shrimp outputs from the favourable weather. However, rubber output declined due to the reduction in tapping frequency affected by the rain in various areas. In terms of price, rubber and Vannamei shrimp prices continuously rose but at a slower pace, whereas oil palm price decreased due to higher output. The deceleration in agricultural prices resulted in slower pace of growth of farm income, at 23.5 percent.

Private consumption showed a growth rate of 1.1 percent from the same period last year, at a slower pace from the previous month because of high consumption of semi-durable goods for replacement after the flood. Moreover, discount stores sales decreased as households remained cautious on the spending. However, consumption on durable goods continued to expand from high level of farm income compared to the previous year.

Number of foreign **tourists** declined by 1.3 percent from the same period last year, due primarily to Malaysian tourists that remained affected by Ringgit depreciation, together with travel avoidance during Ramadan at the end of May. In addition, European tourists slightly declined as the warmer weather and cheaper airfares across European countries encouraged the European to travel within the region. However, the tourists from China strongly increased both in Andaman and Thai Gulf areas consistent with the number of international flights and passengers.

Manufacturing production registered a growth rate of 2.7 percent from the same period last year in most categories. Rubber processing production rose owing to higher demand from Japan and South Korea, whereas Chinese demand decreased from increasing in rubber inventory. Production of rubber glove and rubber wood processing also increased, following continued demand from major trading partners. Frozen and processed seafood and palm oil production rose

due to higher output supply. The frozen and processed seafood that was exported to Japan accelerated due to the concern of Korean peninsula conflict. However, canned seafood production remained in contraction from high raw material price and payment problem in Middle East. Higher manufacturing production and prices contributed to a growth of **export** value by 38.6 percent.

Public spending contracted by 37.3 percent from the same period last year, and contracted by 22.4 percent when salary payment was excluded due mainly to reduced disbursement by the Internal Security Operations Command after having disbursed few months ago. Meanwhile, capital expenditure rose by 3.6 percent after contracting since the beginning of the year, following the spending on flood damaged road recovery. However, the spending by local administration for investment declined.

Private investment stayed flat from the same period last year. Investment on construction and real estates remained subdued, reflected by reduced permitted construction residential areas and cement sales, because of high housing backlog and the cautious on consumer spending. Moreover, the import of machinery declined. However, the spending on commercial cars continued to grow, partly from small businesses.

On the stability front, **headline inflation** continuously decelerated to 0.46 percent from 1.13 percent in the previous month. This was attributable to a decrease petroleum, LPG, and fresh food prices, including vegetable, fruits, and meat. Meanwhile, **unemployment rate** decreased to 1.56 percent from 1.98 percent in the previous month, following increased employment in manufacturing and trade sectors. However, employment in construction sector improved mainly from higher capital expenditure.

At the end of April 2017, overall **deposits** rose by 4.8 percent from the same period last year. The deposits of commercial banks rose by 2.7 percent after the launch of attractive products, whereas the deposits of Specialised Financial Institutions (SFIs) rose by 8.6 percent in savings and fixed deposits. Meanwhile, **loan** growth was at 3.3 percent, increased from the same period last year. The commercial banks' loan rose by 2.1, decelerated from the previous month partly due to debt repayment, while SFIs' loan rose by 5.1 percent primarily from flood recovery and housing loans.

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BANK OF THAILAND

Table Attached to Press Release on Southern Region's Economic Conditions in May 2017

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	2016		2017			
	Dec	Jan	Feb	Mar	Apr	May
The Real Sector ($\Delta\%$ year-on-year, unless otherwise stated)						
Farm Income Index	46.0	48.4	67.3	34.2	30.8	23.5
Agricultural Production Index	-8.2	-14.7	-6.8	-6.3	12.5	11.5
Agricultural Price Index	59.1	74.0	79.5	43.3	16.3	10.7
- Rubber (RSS3)	85.9	122.2	124.4	58.1	26.8	20.5
- Oil palm (FFB)	17.4	1.2	12.0	10.9	-12.7	-17.7
- Shrimp (70 pc/kg)	12.1	15.6	13.4	18.5	6.6	5.5
Fishery Production						
- Fishery production loaded at ports	-22.7	-95.0	-14.1	-5.7	-5.5	n.a.
- Shrimp production	15.4	-9.1	-30.5	-45.7	-10.2	12.8
Number of Foreign Tourists	0.3	5.9	-12.8	4.6	7.5	-1.3
Manufacturing Production Index (MPI)	5.2	-1.4	2.3	-0.8	-1.0	2.7
Private Consumption Index (PCI)	3.5	2.9	3.7	2.0	2.2	1.1
- Car Index	-7.3	-11.7	4.9	19.2	20.6	49.7
- Fuel Index	-0.9	-3.8	-0.4	2.0	-5.7 ^r	-1.3 ^e
- Household Electricity	1.3	-3.1	-5.7	0.9	-7.3 ^r	-4.0 ^e
- Sales of consumer goods and services	8.9	8.0	9.5	4.2	5.9	2.0
Private Investment						
- Private Investment Index (PII)	-1.5	-1.4	2.3	-2.2	-0.6	0.0
- Promotional privileges from Board of Investment ($\Delta\%$ of total investment)	61.9	209.3	12.1	-19.7	-45.9	-
- Registration of Business Entity ($\Delta\%$ of total registration)	54.1	-7.7	64.2	33.2	61.8	125.8
- Construction area permitted in municipal zone (12-month moving average)	6.9	4.1	-2.3	-7.2	-2.0	-2.3
Fiscal Sector						
- Tax revenue	-4.2	-0.6	-1.5	-2.2	27.9	5.0
- Total disbursement ¹⁾	16.0	-30.4	-33.2	-12.5	-38.2	-37.3
Consumer Price Index ²⁾	1.55	2.20	2.30	1.47	1.13	0.46
- Food and beverages	1.85	2.42	2.35	1.91	1.25	-0.11
- Non food and beverages	1.37	2.06	2.30	1.20	1.08	0.87
Core Consumer Price Index (excluding raw food and energy)	0.78	0.76	0.77	0.82	0.75	0.74
Unemployment Rate	0.91	1.70	1.34	1.11	1.98	1.56
International Trade(million USD)						
- Exports	1,045.8	957.5	1,152.7	1,408.1	1,445.7	1,312.7
$\Delta\%$ year-on-year	16.2	10.3	29.8	6.6	49.3	38.6
- Imports	710.8	608.5	773.2	1,049.5	1,246.6	835.8
$\Delta\%$ year-on-year	6.2	-23.7	-4.9	59.4	65.7	6.8
Financial Sector (at the end of period) (Billions baht)						
- Deposits of commercial banks	646.2	654.8	658.3	660.8	662.0	n.a.
$\Delta\%$ year-on-year	3.0	2.6	3.1	3.2	2.7	n.a.
- Loans of commercial banks	688.7	690.0	696.1	693.5	687.3	n.a.
$\Delta\%$ year-on-year	2.2	2.1	2.7	2.6	2.1	n.a.
- Deposits of Specialised Financial Institutions (SFIs)	380.2	383.4	388.6	394.5	392.3	n.a.
$\Delta\%$ year-on-year	7.7	7.7	8.6	8.4	8.6	n.a.
- Loans of Specialised Financial Institutions (SFIs)	493.2	494.1	496.0	502.7	505.2	n.a.
$\Delta\%$ year-on-year	5.0	4.3	4.2	4.9	5.1	n.a.

Remark : e = estimated r = revised n.a. = not available

¹⁾ Changing in payment system of the Office of the Basic Education Commission to directly transfer to the officers without passing through Southern Comptroller

²⁾ Changing base year from 2011 to 2015

Source : Bank of Thailand, Southern Region Office