

No. 20/2016Press Release on Southern Region's Economic Conditions in October 2016

The overall economic activities of the Southern region in October 2016 expanded at a slower pace than last month. Number of tourists fell from the previous month, particularly Asian tourists, while government capital expenditure significantly dropped. In addition, imports value of the major products, including processed rubber, canned seafood, and frozen and processed seafood, declined in line with a reduction in manufacturing production this month, partially affecting private investment to stay at low level. Private consumption decelerated as households remained cautious on spending although farm income continually accelerated. **On the stability front**, headline inflation slowed down from the previous month as prices of raw food lowered. However, energy price slightly improved.

Details of the economic conditions are as follows;

**Tourism sector** grew at a slower pace than previous month as the number of Asian tourists dropped in line with a slowdown in the number of international flights at Southern airports. A fall in Malaysian tourists was due to weak economic growth and ringgit depreciation, while Chinese tourists were affected by measures to curb illegitimate tour operators.

**Public spending**, especially capital expenditure, registered a contraction from the same period last year after several months of positive growth due to lower spending on durable goods, general and special subsidies, and other expenses. Government revenue collection decreased following a fall in tax revenue: personal and corporate income taxes, and import duty. Value-added tax (VAT), however, increased from retail-wholesale, accommodation, and restaurant taxes.

**Manufacturing production** declined both from the previous month and from the same period last year. The production of rubber products shrank as continued raining lowered rubber output. The production for exports was also affected although demand from China continued to rise. The production of canned seafood remained weak due to subdued demand from major trading partners as their economies slowed down, coupled with high price of tuna. However, demand from Middle East continued to grow. Moreover, raw material shortage, in particular fish, together with Vannamei shrimp output reduction were the main problems in frozen and processed seafood production. The lagged impact of the drought continued to reduce crude palm oil production. However, the production of rubber glove, and rubber wood and products increased, following the increased orders from major markets.

**The value of exports** contracted from both the previous month and the same period last year owing to reduction in agricultural and processed agricultural products: rubber sheets, block rubber, concentrated latex, canned seafood, and frozen and processed seafood, reflected by a

contraction in Manufacturing Production Index (MPI). Nonetheless, the export value of wood and products continually expanded. On the other hand, **the value of imports** increased, driven largely by the imports of petroleum-related equipment and fishery such as shrimp and cuttlefish.

**Private investment** remained in contraction, following sluggish investment in real estate sector, supported mainly by less permitted construction areas in municipal zone and bulk cement sales compared to the same period last year. In addition, decelerated investment in manufacturing and trading sectors was due to a slowdown in domestic and international trade.

**Private consumption** reported expansion despite at a slower pace from the previous month, on account of reduction in spending on necessary and unnecessary goods in spite of accelerated farm income. Most of the main indicators decelerated particularly car index since the sales promotion was halted this month. Consumer goods and services sales in discount stores also registered slower growth than previous month.

**Farm income** significantly rose both from the previous month and from the same period last year, driven mainly by increased prices such as rubber, oil palm, and Vannamei shrimp, as the outputs declined from an unfavorable weather conditions, coupled with the white spot disease in Vannamei shrimp.

On the stability front, **headline inflation** was at 0.39 percent, slightly decreased from the previous month. Prices of fresh food went down owing to low demand on meat during the Chinese Vegetarian Festival, while high production on vegetables and fruits lowered the prices. However, crude oil price edged up. **Unemployment rate** was at 1.84 percent, increasing from last month. This was supported by a drop in agricultural sector employment, whereas employment in trading, construction and services sectors went up.

At the end of September 2016, **deposits** of commercial banks and specialized financial institutions (SFIs) expanded from the same period last year, partly due to government budget deposit, together with higher return to encourage savings by SFIs. Commercial banks **loans** slightly declined following slowdown in retail-wholesale, hotels and restaurants, and manufacturing loans. SFIs loans continually grew mainly from finance and household resident.

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30 October 2016

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BANK OF THAILAND

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

Released by Bank of Thailand, Southern Region Office

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	2016					
	May	Jun	Jul	Aug	Sep	Oct
<b>The Real Sector (<math>\Delta\%</math> year-on-year, unless otherwise stated)</b>						
<b>Farm Income Index</b>	-8.0	-7.7	20.1	24.3	21.8	25.9
<b>Agricultural Production Index</b>	-14.4	-7.9	-0.5	3.0	-2.1	-4.1
<b>Agricultural Price Index</b>	7.5	0.3	20.6	20.7	24.3	31.3
- Rubber (US\$3)	3.5	-5.1	10.9	15.4	17.9	29.9
- Oil palm (FFB)	27.8	15.9	61.5	46.1	55.3	46.3
- Shrimp (70 pc/kg)	1.1	10.4	13.6	9.4	13.1	13.2
<b>Fishery Production</b>						
- Fishery production loaded at ports	-8.7	-20.8	38.3	-18.4	-16.9	n.a.
- Shrimp production	17.4	37.0	41.2	55.1	9.5	-2.0
<b>Number of Foreign Tourists</b>	5.3	-0.3	14.5	9.0	15.5	4.8
<b>Manufacturing Production Index (MPI)</b>	1.7	-0.6	3.7	0.6	3.4	-1.0
<b>Private Consumption Index (PCI)</b>	6.4	5.5	3.8	6.1	7.4 <sup>r</sup>	4.4
- Car Index	1.7	7.7	-9.1	16.4	8.7	3.0
- Fuel Index	7.2	3.0	0.7	7.9	7.9 <sup>r</sup>	5.6 <sup>e</sup>
- Household Electricity	14.9	2.0	3.5	6.2	4.7 <sup>r</sup>	4.8 <sup>e</sup>
- Sales of consumer goods and services <sup>1/</sup>	14.3	12.7	9.1	14.0	17.2	9.8
<b>Private Investment</b>						
- Private Investment Index (PII)	-3.3	-2.3	-3.1	-2.3	-2.0	-1.2
- Promotional privileges from Board of Investment ( $\Delta\%$ of total investment)	-100.0	1,189.4	-18.0	136.8	-93.5	125.6
- Registration of Business Entity ( $\Delta\%$ of total registration)	-59.8	38.3	30.7	102.0	-8.3	12.3
- Construction area permitted in municipal zone (12-month moving average)	-23.5	-16.9	-20.6	-16.7	-11.7	-4.1
<b>Fiscal Sector</b>						
- Tax revenue	13.4	3.8	-4.8	2.7	3.1	-1.5
- Total disbursement	19.5	14.2	-8.7	5.3	5.3	-15.7
<b>Consumer Price Index</b>	0.28	0.43	0.22	0.42	0.55	0.39
- Food and beverages	2.44	2.82	2.04	2.07	1.61	0.80
- Non food and beverages	-1.11	-1.10	-0.94	-0.64	-0.14	0.13
<b>Core Consumer Price Index (excluding raw food and energy)</b>	0.54	0.55	0.70	0.70	0.73	0.71
<b>Unemployment Rate</b>	1.55	1.47	1.18	1.27	0.98	1.84
<b>International Trade(million USD)</b>						
- Exports	949.9	972.0	1,047.6	1,052.9	1,229.2	1,019.3
<i><math>\Delta\%</math> year-on-year</i>	-12.8	-25.0	10.6	14.7	11.4	-9.9
- Imports	778.6	700.5	907.2	752.3	792.9	983.1
<i><math>\Delta\%</math> year-on-year</i>	-13.3	-21.8	30.6	-7.5	4.1	23.1
<b>Financial Sector (at the end of period) (Billions baht)</b>						
- Deposits	640.9	642.7	637.4	634.1	635.4	643.6
<i><math>\Delta\%</math> year-on-year</i>	1.4	2.8	2.6	2.3	2.9	3.1
- Loans <sup>2/</sup>	669.6	670.8	667.7	669.4	670.3	673.2
<i><math>\Delta\%</math> year-on-year</i>	2.2	0.9	0.2	0.3	-0.1	0.4

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