

No. 8/2017Press Release on Southern Region's Economic Conditions in the First Quarter of 2017

The overall economic activities of the Southern region in the first quarter of 2017 contracted from the same period last year as the flood had an impact on agricultural production particularly rubber and Vannamei shrimp. Manufacturing production stayed flat. Number of foreign tourists decreased mainly from Malaysia due to Ringgit depreciation. Meanwhile, government spending, both current and capital expenditures, dropped. However, exports registered a growth following continued demand and accelerated agricultural prices. Farm income also rose, benefitting to private consumption. **On the stability front**, headline inflation increased as price of domestic petroleum rose. The unemployment rate remained unchanged from the previous quarter.

Details of the economic conditions are as follows;

Agricultural production was suffered from flooding in January, coupled with continued raining in March, resulting in falling rubber and Vannamei shrimp outputs. However, oil palm output rose as negative impact of the severe drought in the previous year waned. Agricultural prices significantly increased, particularly rubber price, attributable to higher farm income.

Tourism slightly contracted due mainly to Ringgit depreciation that dampened tourism in Southern border provinces. Although the number of Chinese tourists fell after the government's regulation on illegal tour operators imposed, it improved with a rebound partly owing to the measures on concession and exemption of visa fee. This was reflected by increased charter flights in Phuket and number of Russian tourists.

Private consumption expanded at a slower pace as the flood impacted on households' income and consumption on non-durable goods. However, private consumption gained benefit from the purchases for donation to the flood victims. Spending on durables goods, both pickup trucks and motorbikes, registered a growth thanks to accelerated farm income and tourism expansion in Andaman coast.

Public spending declined from the same period last year both capital and current expenditures. Capital expenditure contracted following lower investment projects by local administrations such as roads, waterworks, and child development centres. However, capital expenditure on land and construction invested by Department of Highways increased. Meanwhile, current expenditure showed a contraction mainly from changing in salary payment system of the Office of the Basic Education Commission, directly transferring salary to their officers without passing through the Southern provincial office of Comptroller General, together with high base effect from last year's stimulus measure to promote living standards at the sub-district level. Meanwhile, **tax revenue collection** declined from excise tax, especially alcohol, and import duty.

Manufacturing production stayed flat. The rubber-related industries, rubber products, rubber glove, and rubber wood, continued to expand, attributable to steadily demand from trading partners. In addition, rubber output reduction was compensated by rubber supply from the state stockpiles auction. Crude palm oil production rose on the back of an increase in oil palm. The production of frozen and processed, and canned seafood decreased as Vannamei shrimp output suffered from flooding and tuna price hiked.

The value of exports substantially rose from the same period last year mainly in rubber-related products, consistent with the manufacturing production. Although the production of seafood processing declined, its export value rose largely from rising price. The value of imports also expanded due to the import of machinery and oil drilling vessel.

Private investment contracted for both real estate investment and construction. This was due to a number of housing backlog and unfavourable weather, reflected by reduced permitted construction areas in municipal zone and cement sales. However, permitted construction areas in municipal zone for commercial, pickup truck registration, and the import of machinery increased in line with growing in trade and rubber-related industries. In addition, electricity generated using biomass and software were the two largest businesses obtaining investment promotion.

On the stability front, **headline inflation** increased to 1.99 percent from the previous quarter. The higher inflation was driven mainly by upward adjustments to domestic energy and aquatic animals prices. Employment remained unchanged; farm employment dropped due to less demand for labour in rubber plantation affected by flooding and heavy rainfall, whereas non-farm employment improved from tourism sector. Consequently, unemployment rate was unchanged from the previous quarter, at 1.45 percent.

At the end of the first quarter of 2017, **deposits** of commercial banks registered a growth of 3.2 percent, resulting from government budget awaiting for disbursement, together with short-term deposit waiting to see future interest rate. Meanwhile, commercial banks **loans** expanded at 2.6 percent largely from business loans for manufacturing, in particular rubber-related and crude palm oil industries. Consumer loan decreased due to contracted housing loan and auto leasing.

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BANK OF THAILAND

Table Attached to Press Release on Southern Region's Economic Conditions for the First Quarter 2017

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	2015	2016				2017
		Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1
The Real Sector (Δ% year-on-year, unless otherwise stated)						
Farm Income Index	-12.3	-20.3	-6.4	17.4	31.8	48.3
Agricultural Production Index	2.0	1.7	-12.2	-3.3	-8.4	-10.1
Agricultural Price Index	-13.9	-21.6	6.5	21.4	43.8	65.0
- Rubber (US\$3)	-15.3	-27.7	3.0	14.5	56.8	98.7
- Oil palm (FFB)	-1.0	-12.1	20.0	50.7	25.6	7.8
- Shrimp (70 pc/kg)	-23.9	-2.7	5.8	12.0	12.3	15.8
Fishery Production						
- Fishery production loaded at ports	-12.9	-11.0	-15.2	-4.6	-25.4	-21.1
- Shrimp production	22.4	21.3	22.5	23.1	3.5	-30.4
Number of Foreign Tourists	23.5	17.0	6.7	12.9	0.8	-1.2
Manufacturing Production Index (MPI)	-0.7	2.5	0.4	1.8	0.1	0.0
Private Consumption Index (PCI)	1.7	4.2	5.7	5.6	4.3	2.8
- Car Index	-13.8	7.8	4.9	4.2	0.9	3.0
- Fuel Index	8.4	6.7	5.5	5.4	2.4	-1.9 ^e
- Household Electricity	2.7	10.8	8.4	4.8	1.6	-3.8 ^e
- Sales of consumer goods and services ^{1/}	3.5	9.0	13.1	13.2	10.3	7.2
Private Investment						
- Private Investment Index (PII)	-3.7	-2.1	-2.6	-2.4	-1.3	-2.7
- Promotional privileges from Board of Investment (Δ% of total investment)	105.2	-55.4	101.0	-62.2	-16.3	48.6
- Registration of Business Entity (Δ% of total registration)	-6.7	43.8	-20.2	35.4	49.5	20.1
- Construction area permitted in municipal zone (12-month moving average)	-24.5	-27.1	-22.7	-16.4	0.2	-1.8
Fiscal Sector						
- Tax revenue	1.9	3.4	9.9	0.9	-1.6	-1.5
- Total disbursement ¹⁾	0.4	7.3	9.3	1.2	8.3	-23.8
Consumer Price Index ²⁾	-1.25	-0.81	0.18	0.40	0.91	1.99
- Food and beverages	1.32	0.57	2.11	1.90	1.40	2.23
- Non food and beverages	-2.84	-1.70	-1.06	-0.58	0.58	1.85
Core Consumer Price Index (excluding raw food and energy)	1.06	0.43	0.55	0.71	0.74	0.78
Unemployment Rate	1.10	1.21	1.61	1.14	1.50	1.21
International Trade(million USD)						
- Exports	12,328.6	3,077.5	2,893.7	3,329.7	3,075.2	3,518.3
Δ% year-on-year	-18.9	1.0	-13.6	12.1	3.7	14.3
- Imports	9,815.3	2,268.8	2,231.3	2,452.4	2,475.1	2,431.22
Δ% year-on-year	-12.9	-11.0	-19.3	8.1	10.9	7.2
Financial Sector (at the end of period) (Billions baht)						
- Deposits	627.4	640.5	642.7	635.4	646.2	660.8
Δ% year-on-year	-0.2	1.0	2.8	2.9	3.0	3.2
- Loans ^{2/}	674.0	676.2	670.8	670.3	688.7	693.5
Δ% year-on-year	-5.0	3.3	0.9	-0.1	2.2	2.6

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 General

²⁾ Changing base year from 2011 to 2015

Source : Bank of Thailand, Southern Region Office