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Press Release on Southern Region's Economic Conditions for the First Quarter 2016

The overall economic activities of the southern region in the first quarter 2016 improved from previous quarter and the same quarter last year. The economic growth was driven by the tourism sector and public spending which were positive factors to boost non-farm employment. These factors also bolstered household purchasing power and private consumption accordingly. Meanwhile, the economy was dragged by the weak farm income and the contracted exports in major products. This was mainly due to the depressed exporting prices of key agricultural products following a slump in global oil prices and the slowdown in major trading partners' economies. In term of economic stability, headline inflation remained negative on the back of the decline in energy prices.

Details of the economic conditions are as follows;

Tourism sector expanded robustly. The number of tourist arrivals grew by 17.0 percent (Year-on-Year) following the increase in all major tourists, particularly from China and Malaysia. There was a positive sign from the rebounded number of Russian tourists which had been affected by a slowdown in Russia's economy. The expansion of airline routes and flights, especially during Chinese New Year, supported the growth of tourism sector as well.

Public spending continued to expand. The disbursement increased from the same quarter last year in both current and capital expenditures. The major disbursement was mainly for the measure of promoting living standards at sub-district levels (5 million baht per sub-district). Meanwhile, **government revenue** increased following the increased collection of personal income tax. Furthermore, the revenue from value-added tax accelerated following the increased collection of wholesale and retail, hotel and restaurant, and construction sectors. However, the collection of excise tax declined as the decreased imposition on fuel oil and petroleum products.

Private consumption was able to expand, particularly the spending on consumer goods. The purchasing power in some households gained benefits from the expansion of tourism sectors and the investment in government projects which helped to boost employment in related businesses, including trading, service and construction businesses. Conversely, **private investment** stabilized in low level, particularly the decrease in permitted construction areas owing to the slowdown in real estate sectors.

Farm income remained weak mainly following depressed agricultural price, particularly rubber price. The rubber price was pressured by a slump in global oil prices which lower than last year, together with the slowdown in China's economy, a major trading partner. The price of oil palm dropped owing to the high stockpile of crude palm oil. Meanwhile, major agricultural production increased, including rubber, oil palm and shrimp.

Overall **export value** resumed to expand. This was due to a temporary factor, the exports of oil drilling equipment and ship in March 2016. However, exports of major products continued to drop regarding depressed exporting prices and slowdown in trading partners' demand. Meanwhile, the export-oriented manufacturing production flattened following the production of rubber products which was in line with the same quarter last year. The outputs of frozen seafood product, palm oil and rubber wood expanded following an increase in raw materials and demand. However, the output of canned seafood products fell slightly.

In term of economic stability, **headline inflation** remained negative at -0.81 percent (YoY) mainly due to the decline in oil price which dragged down the cost of fuel, electricity charge and transportation respectively. However, the price of tobacco increased because of the tobacco tax hike. **Unemployment rate** was at 1.21 percent which was in line with the prior quarter. Farm workers increasingly moved into non-farm sectors, especially trading and service sectors.

At the end of the first quarter 2016, **deposits of commercial banks** grew by 1.0 percent (YoY) following the increased deposits of current and saving accounts. The commercial bank **loans** rose by 3.3 percent (YoY) partly due to increased lending under the government measure for supporting SMEs. Consequently, the corporate loans expanded in many sectors, particularly in manufacturing, construction, trading, hotel and restaurant sectors. However, consumer loans contracted by 0.8 percent (YoY) following the decreased auto leasing and the decelerated housing loans.

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BANK OF THAILAND

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

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	2015					2016
	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Year	Quarter 1
The Real Sector ($\Delta\%$ year-on-year, unless otherwise stated)						
Farm Income Index	-19.2	-3.4	-13.5	-21.8	-14.8	-17.0
Agricultural Production Index	-7.1	8.2	1.1	-3.6	-0.8	6.1
Agricultural Price Index	-13.1	-10.7	-14.5	-18.9	-14.1	-21.8
- Rubber (US\$3)	-15.2	-14.1	-12.4	-20.1	-15.3	-27.7
- Oil palm (FFB)	2.6	7.1	-18.6	-17.5	-7.0	-12.7
- Shrimp (70 pc/kg)	-29.1	-25.2	-23.5	-15.6	-23.9	-2.7
Fishery Production						
- Fishery production loaded at ports	-2.0	-17.7	-27.0	-29.3	-19.1	n.a.
- Shrimp production	5.4	44.0	45.0	4.2	22.4	17.4
Number of Foreign Tourists	26.7	32.3	32.1	8.4	23.5	17.0
Manufacturing Production Index (MPI)	-3.7	1.3	-1.3	0.1 ^r	-0.9 ^r	0.3
Private Consumption Index (PCI)	0.5	0.8	2.5 ^r	3.2 ^r	1.8 ^r	4.4 ^e
- Car Index	-22.0 ^r	-24.7 ^r	-12.8 ^r	8.1 ^r	-14.2 ^r	8.9
- Fuel Index	7.6	8.0 ^r	7.4 ^r	10.7 ^r	8.4	5.2 ^e
- Household Electricity	2.8 ^r	1.4 ^r	2.0	4.7	2.7	9.6 ^e
- Sales of consumer goods and services ^{1/}	1.0 ^r	1.7 ^r	5.6 ^r	6.4	3.7 ^r	9.4
Private Investment						
- Private Investment Index (PII)	-4.2 ^r	-4.3 ^r	-5.0 ^r	-3.0 ^r	-4.1 ^r	-2.4
- Promotional privileges from Board of Investment ($\Delta\%$ of total investment)	546.6	214.1	10.0	127.2	105.2	-55.4
- Registration of Business Entity ($\Delta\%$ of total registration)	15.8	39.1	-31.6	-28.2	-6.7	43.8
- Construction area permitted in municipal zone (12-month moving average)	-18.0	-24.6	-28.8 ^r	-27.1 ^r	-24.5	-27.1
Fiscal Sector						
- Tax revenue	8.7	-1.6	1.5	-0.3	1.9	3.4
- Total disbursement	-4.6	0.7	-3.7	10.1 ^r	0.4 ^r	7.3
Consumer Price Index	-0.57	-1.57	-1.46	-1.39	-1.25	-0.81
- Food and beverages	2.73	0.37	1.49	0.73	1.32	0.57
- Non food and beverages	-2.56	-2.77	-3.29	-2.73	-2.84	-1.70
Core Consumer Price Index (excluding raw food and energy)	2.21	0.91	0.73	0.42	1.06	0.43
Unemployment Rate	1.09	1.02	1.15	1.13	1.10	1.21
International Trade(million USD)						
- Exports	2,916.8	3,258.8	2,834.0	2,843.7	11,853.3	2,964.5
$\Delta\%$ year-on-year	-20.2	-10.8	-24.8	-25.8	-20.5	1.6
- Imports	2,500.6	2,656.6	2,162.0	2,146.2	9,465.4	2,150.1
$\Delta\%$ year-on-year	-4.4	-10.5	-28.8	-13.5	-14.7	-14.0
Financial Sector (at the end of period) (Billions baht)						
- Deposits	633.9	625.3	617.3	627.4	627.4	640.5
$\Delta\%$ year-on-year	-1.5	0.2	-0.7	-0.2	-0.2	1.0
- Loans ^{2/}	654.8	664.7	671.3	674.0	674.0	676.2
$\Delta\%$ year-on-year	-6.6	-5.2	-4.4	-5.0	-5.0	3.3

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