

**No. 18/2016****Press Release on Southern Region's Economic Conditions in the Third Quarter of 2016**

The overall economic activities of the Southern region in the third quarter of 2016 expanded from both the previous quarter and the same period last year on the back of tourism and public investment. Meanwhile, private consumption picked up due partly to a recovery of farm income following a significant increase in agricultural prices. However, the production in some manufacturing contracted resulting from a shortage in raw materials, overall, manufacturing production increased from the same period last year. **On the stability front**, headline inflation increased due to an increase in raw food prices. The unemployment rate was higher than the previous quarter that was in line with higher employment.

Details of the economic conditions are as follows;

**Tourism sector** expanded well from an increase in the number of Asian tourists, despite the bombing incidents in 7 southern provinces in August, reflecting in an expansion of both domestic and international flights in southern airports. This was partly due to a growth in Chinese tourists, particularly in Andaman coast and the Gulf of Thailand which was resulted from an expansion of international routes by the airlines between Suratthani and China. In addition, Malaysian tourists also grew in border areas.

Well-disbursed **public spending** continued to play an important role in supporting the economy, especially capital expenditure as a result of the expedited disbursement of land and construction by Department of Highways, Department of Rural Roads, and Royal Irrigation Department. However, current expenditure declined as the salary of forces, namely army, navy, and air forces, subdued because their salary payment systems were changed to the new system which directly transfers salary to officers. Government revenue collection increased in reciprocal to the increases in personal income tax and value-added tax (VAT) which expanded from retail-wholesale tax and tourism related taxes.

**Farm income** significantly grew from the same period last year as a result of an expedited agricultural prices, especially rubber and oil palm prices, together with an improvement in agricultural outputs due to alleviation of the drought. The shrimp price also rose, despite the output continued to increase after recovery from the disease, because of higher demand of Thai shrimp after a reduction in the competitors' supply.

**Private consumption** expanded reflected by the increases in consumer goods and services sales volume. This was supported by an improvement in farm and non-farm incomes, together with a growth in tourism resulting in higher spending on accommodation and restaurants.

However, the spending on vehicles slowed down after the acceleration of car sales due to a launch of new car models earlier this year.

**Manufacturing production** increased well from the same period last year as the production of frozen and processed seafood, rubber glove, and rubber wood and products. Nonetheless, the production of canned seafood contracted as raw materials declined due to the enforcement on human trafficking and illegal, unreported, and unregulated fishing (IUU fishing), coupled with higher price of tuna. Crude palm oil production also declined following lower amount of raw material.

**The value of exports and imports** expanded although the value of exports and imports of petroleum-related equipment were deducted. Export of rubber products, rubber wood and products benefited from higher demand from China and Malaysia. Moreover, export of rubber wood and products to Middle East was also accelerated. However, the contraction of exports value was observed in agricultural and processing agricultural products.

**Private investment** continued to drop, especially the decreases in permitted construction area in municipal zone and cement sales which was resulted from a stagnant investment in real estate sector. This was due mainly to low purchasing power and credit conditions tightening from the commercial banks, together with decline in the number of pick-up vehicle registration. However, some sectors increased investment as observed by the Economic/Business Information Exchange Programme, for example, area expansion, productivity improvement, in order to support the businesses.

On the stability front, **headline inflation** was at 0.40 percent, increasing from higher prices of raw food, particularly poultry, aquatic animals, vegetables, and fruits. Employment increased in trading sector, coupled with construction sector which was benefited from government investment projects, causing **unemployment rate** to reduce from 1.61 percent in the previous quarter to 1.14 percent in this quarter.

At the end of the third quarter of 2016, **deposits** of commercial banks expanded 2.90 percent owing to the increases in savings and current deposits. Commercial banks **loans** contracted following a decrease in housing loan and auto leasing. Corporate loan also slowed down due to a slowdown in lending to retail-wholesale, hotels and restaurants, and manufacturing. The manufacturing lending essentially decelerated from rubber products, and processing seafood. Lending to small- to medium businesses also grew at a slower pace, while lending to large businesses contracted.

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30 September 2016

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BANK OF THAILAND

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

Released by Bank of Thailand, Southern Region Office

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	2015			2016		
	Quarter 3	Quarter 4	Year	Quarter 1	Quarter 2	Quarter 3
<b>The Real Sector (Δ% year-on-year, unless otherwise stated)</b>						
<b>Farm Income Index</b>	-13.5	-21.8	-14.8	-19.7 <sup>r</sup>	-5.1	19.3
<b>Agricultural Production Index</b>	1.1	-3.6	-0.8	2.7	-10.9	-2.0
<b>Agricultural Price Index</b>	-14.5	-18.9	-14.1	-21.8	6.6	21.8
- Rubber (US\$3)	-12.4	-20.1	-15.3	-27.7	3.0	14.5
- Oil palm (FFB)	-18.6	-17.5	-7.0	-12.7	21.3	54.6
- Shrimp (70 pc/kg)	-23.5	-15.6	-23.9	-2.7	5.8	12.0
<b>Fishery Production</b>						
- Fishery production loaded at ports	-27.0	-4.5	-12.9	-11.0	-15.2	n.a.
- Shrimp production	45.0	4.2	22.4	21.3	22.5	23.1
<b>Number of Foreign Tourists</b>	32.1	8.4	23.5	17.0	6.7	12.9
<b>Manufacturing Production Index (MPI)</b>	-1.3	0.1	-0.9	2.5 <sup>r</sup>	0.9	2.5
<b>Private Consumption Index (PCI)</b>	2.5	3.2	1.8 <sup>r</sup>	4.4 <sup>r</sup>	5.6 <sup>r</sup>	5.7 <sup>e</sup>
- Car Index	-12.8	8.1	-14.2 <sup>r</sup>	8.9	6.3	5.4
- Fuel Index	7.4	10.7	8.4	6.8 <sup>r</sup>	5.6 <sup>r</sup>	4.1 <sup>e</sup>
- Household Electricity	2.0	4.7	2.7	10.6 <sup>r</sup>	8.7 <sup>r</sup>	4.5 <sup>e</sup>
- Sales of consumer goods and services <sup>1/</sup>	5.6	6.4	3.7 <sup>r</sup>	9.4	12.7	13.4
<b>Private Investment</b>						
- Private Investment Index (PII)	-5.0	-3.0	-4.1	-2.4	-2.9 <sup>r</sup>	-2.5
- Promotional privileges from Board of Investment (Δ% of total investment)	10.0	127.2	105.2	-55.4	101.0 <sup>r</sup>	-62.2
- Registration of Business Entity (Δ% of total registration)	-31.6	-28.2	-6.7	43.8	-20.2	35.4
- Construction area permitted in municipal zone (12-month moving average)	-28.8 <sup>r</sup>	-27.1 <sup>r</sup>	-24.5	-27.1	-22.7 <sup>r</sup>	-16.4
<b>Fiscal Sector</b>						
- Tax revenue	1.5	-0.3	1.9	3.4	9.9	0.9
- Total disbursement	-3.7	10.1 <sup>r</sup>	0.4 <sup>r</sup>	7.3	9.3	1.2
<b>Consumer Price Index</b>	-1.46	-1.39	-1.25	-0.81	0.18 <sup>r</sup>	0.40
- Food and beverages	1.49	0.73	1.32	0.57	2.11	1.91
- Non food and beverages	-3.29	-2.73	-2.84	-1.70	-1.06	-0.58
<b>Core Consumer Price Index (excluding raw food and energy)</b>	0.73	0.42	1.06	0.44	0.55	0.71
<b>Unemployment Rate</b>	1.15	1.13	1.10	1.21	1.61	1.14
<b>International Trade(million USD)</b>						
- Exports	3,047.0	2,843.7	12,328.6	2,964.5	2,893.7 <sup>r</sup>	3,329.7
Δ% year-on-year	-23.0	-23.5	-18.9	1.0	-13.6 <sup>r</sup>	12.1
- Imports	2,548.5	2,268.8	9,815.3	2,268.8	2,231.3 <sup>r</sup>	2,452.4
Δ% year-on-year	-27.8	-10.5	-12.9	-11.0	-19.0	8.1
<b>Financial Sector (at the end of period) (Billions baht)</b>						
- Deposits	617.3	627.4	627.4	640.5	642.7	635.4
Δ% year-on-year	-0.7	-0.2	-0.2	1.0	2.8	2.9
- Loans <sup>2/</sup>	671.3	674.0	674.0	676.2	670.8	670.3
Δ% year-on-year	-4.4	-5.0	-5.0	3.3	0.9	-0.1

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