



No. 2/2017

Press Release on Southern Region's Economic Conditions in the Fourth Quarter of 2016

The overall economic activities of the Southern region in the fourth quarter of 2016 expanded from the same period last year, underpinned mainly by accelerating of farm income, especially from higher rubber price, that supported private consumption. Meanwhile, public investment remained the key driver of growth. As a result of higher agricultural prices, value of exports expanded, whereas manufacturing production for exports stayed flat. Tourism slowed down after well-expanded for a number of quarters, due mainly to measures to curb illegitimate tour operators and Malaysian ringgit depreciation. Nevertheless, temporary measures on concession and exemption of visa fee starting from December 2016 and the increased number of Russian and European tourists improved tourism at the end of the quarter. The overall economic expansion contributed to recovery sign in private investment. **On the stability front**, headline inflation increased as prices of petroleum rose. The unemployment rate was higher than the previous quarter that was in line with lower employment in agricultural sector.

Details of the economic conditions are as follows;

**Farm income** accelerated from the same period last year largely from agricultural prices. Rubber price highly increased as China continued to import. Oil palm price rose due to the shortage of output after the lagged impact of the drought. Nevertheless, outputs of rubber and oil palm improved although remained in contraction. Meanwhile, Vannamei shrimp price went up, despite grown output after Early Mortality Syndrome (EMS) has been eased, as domestic and foreign demand increased as well as competitors' outputs dropped. A surge in farm income raised **private consumption**, reflected by growth in consumer goods sales volume, car and motorcycle registration.

**Public spending**, both current and capital expenditures, remained the key driver of growth. Greater current spending was primarily due to the projects for improvement of living standards, subsidies of educational institutions, and disbursement of Southern Border Provinces Administrative Centre. Capital spending also grew, attributable to subsidies of educational institutions, and disbursement on land and construction of Department of Highways, Department of Rural Roads and Royal Irrigation Department. Meanwhile, **tax revenue collection** grew due mainly to higher personal income tax collection, together with value-added tax on retail/wholesale, accommodations, and restaurants.

**The value of exports** rose from the same period last year as a surge in agricultural prices raised the export prices, whereas **manufacturing production** in export-oriented industries stayed flat. Export of rubber wood and rubber gloves expanded owing to continuous demand from major

trading partners. Higher rubber products export was due mainly to rubber price surge, coupled with demand from China in order to accumulate stock of tyre production. However, canned seafood export remained in contraction largely from high tuna price, contributing to slowdown in Middle East's order. In addition, fish output shortage was the main cause of less export of frozen and processed seafood. Crude palm oil production decreased from low level of output.

**The number of foreign tourists** decelerated, especially those from China and Malaysia. The government's regulation on illegal tour operators affected Chinese tourists to slightly grow, reflected by slowdown in the number of international flights, whereas Malaysian tourists in southern border area were affected by ringgit depreciation. However, the number of tourists from Russia and Europe increased since charter flights increased and new international routes were launched. Moreover, measures on concession and exemption of visa fee starting from December 2016 benefited tourism at the end of quarter.

**Private investment**, although remained contracted, showed recovery sign on the back of slightly increase in permitted construction areas in municipal zone for residential, commercial, and services/transportation purposes. This was due mainly to tourism sector that stayed positive. Pickup truck registration also improved. Nonetheless, low level of investment in manufacturing, reflected by negative imports value of machine and equipment.

On the stability front, **headline inflation** stood at 0.91 percent, steadily rising from higher prices of fuel. Employment went down, following lower employment in agricultural sector owing to reduced labours in rubber growing. As a result, **unemployment rate** rose from 1.14 percent in the previous quarter to 1.50 percent in this quarter.

At the end of the fourth quarter of 2016, **deposits** of commercial banks registered a growth of 3.0 percent in order to meet greater loans. Meanwhile, commercial banks **loans** grew at 2.2 percent largely from business loans for retail-wholesale and manufacturing sectors. Consumer loan decreased due to contracted housing loan and auto leasing.

Bank of Thailand, Southern Region Office

30 December 2016

Contact: Regional Economy Division Tel: +66 (0) 7427 2000 ext. 4712

e-mail: [RegionalEconSouth1@bot.or.th](mailto:RegionalEconSouth1@bot.or.th)



BANK OF THAILAND

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

Released by Bank of Thailand, Southern Region Office

Tel. 0-7427-2000 ext. 4710,4712 Fax 0-7423-8765 <http://www.bot.or.th>

	2015		2016			
	Quarter 4	Year	Quarter 1	Quarter 2	Quarter 3	Quarter 4
<b>The Real Sector (<math>\Delta\%</math> year-on-year, unless otherwise stated)</b>						
<b>Farm Income Index</b>	-21.8	-14.8	-19.7	-5.1	19.3	41.9
<b>Agricultural Production Index</b>	-3.6	-0.8	2.7	-10.9	-2.0	-1.3
<b>Agricultural Price Index</b>	-18.9	-14.1	-21.8	6.6	21.8	43.7
- Rubber (US\$3)	-20.1	-15.3	-27.7	3.0	14.5	56.8
- Oil palm (FFB)	-17.5	-7.0	-12.7	21.3	54.6	34.2
- Shrimp (70 pc/kg)	-15.6	-23.9	-2.7	5.8	12.0	12.3
<b>Fishery Production</b>						
- Fishery production loaded at ports	-4.5	-12.9	-11.0	-15.2	-4.6	n.a.
- Shrimp production	4.2	22.4	21.3	22.5	23.1	3.5
<b>Number of Foreign Tourists</b>	8.4	23.5	17.0	6.7	12.9	0.8
<b>Manufacturing Production Index (MPI)</b>	0.1	-0.9	2.5	0.9	1.7 <sup>r</sup>	0.2
<b>Private Consumption Index (PCI)</b>	3.2	1.8	4.4	5.6	5.8 <sup>r</sup>	4.4
- Car Index	8.1	-14.2	8.9	6.3	5.2 <sup>r</sup>	2.1
- Fuel Index	10.7	8.4	6.8 <sup>r</sup>	5.6	5.4 <sup>r</sup>	4.5
- Household Electricity	4.7	2.7	10.6 <sup>r</sup>	8.7	4.8 <sup>r</sup>	2.0
- Sales of consumer goods and services <sup>1/</sup>	6.4	3.7	9.4	12.7	13.2 <sup>r</sup>	10.4
<b>Private Investment</b>						
- Private Investment Index (PII)	-3.0	-4.1	-2.4	-2.9	-2.5	-1.1
- Promotional privileges from Board of Investment ( $\Delta\%$ of total investment)	127.2	105.2	-55.4	101.0	-62.2	-16.3
- Registration of Business Entity ( $\Delta\%$ of total registration)	-28.2	-6.7	43.8	-20.2	35.4	49.5
- Construction area permitted in municipal zone (12-month moving average)	-27.1	-24.5	-27.1	-22.7	-16.4	0.2
<b>Fiscal Sector</b>						
- Tax revenue	-0.3	1.9	3.4	9.9	0.9	-1.6
- Total disbursement	10.1	0.4	7.3	9.3	1.2	8.3
<b>Consumer Price Index</b>	-1.39	-1.25	-0.81	0.18	0.39	0.91
- Food and beverages	0.73	1.32	0.57	2.11	1.91	1.40
- Non food and beverages	-2.73	-2.84	-1.70	-1.06	-0.58	0.59
<b>Core Consumer Price Index (excluding raw food and energy)</b>	0.42	1.06	0.44	0.55	0.71	0.74
<b>Unemployment Rate</b>	1.13	1.10	1.21	1.61	1.14	1.50
<b>International Trade(million USD)</b>						
- Exports	2,843.7	12,328.6	2,964.5	2,893.7	3,329.7	3,075.2
<i><math>\Delta\%</math> year-on-year</i>	-23.5	-18.9	1.0	-13.6	12.1	3.7
- Imports	2,268.8	9,815.3	2,268.8	2,231.3	2,452.4	2,475.1
<i><math>\Delta\%</math> year-on-year</i>	-10.5	-12.9	-11.0	-19.0	8.1	10.9
<b>Financial Sector (at the end of period) (Billions baht)</b>						
- Deposits	627.4	627.4	640.5	642.7	635.4	646.2
<i><math>\Delta\%</math> year-on-year</i>	-0.2	-0.2	1.0	2.8	2.9	3.0
- Loans <sup>2/</sup>	674.0	674.0	676.2	670.8	670.3	688.7
<i><math>\Delta\%</math> year-on-year</i>	-5.0	-5.0	3.3	0.9	-0.1	2.2

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