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Press Release on Southern Region's Economic Conditions in September 2016

The overall economic activities of the Southern region in September 2016 stabilized from the previous month. Number of tourists rose after having slowed down last month. Meanwhile, public spending continually grew both current and capital expenditures. Households were still cautious in their spending owing to lower farm income. Moreover, a decline in manufacturing production and export values of the major products also affected private consumption. **On the stability front**, headline inflation slightly increased due to an increase in the prices of raw food and energy.

However, the Southern economy expanded from the same period last year following a growth in farm income and tourism sector.

Details of the economic conditions are as follows;

Tourism sector expanded in all areas, including the Gulf of Thailand, Andaman coast, and border areas, as Malaysian tourists increased after having softened last month. This was due largely to Muslim holiday – Eid al-Adha. Moreover, the number of Chinese and Russian tourists continued to rise, resulting in an expansion of both domestic and international flights in southern airports.

Public spending, both current and capital expenditures, remained an important economic growth driver. Current expenditure expanded due to subsidies, compensation, and other expenses. Meanwhile, capital expenditure also increased as a result of the expedited disbursement of land and construction before the end of the fiscal year. Government revenue collection expanded mainly due to an increase in personal income tax, corporate income tax, and value-added tax (VAT) which was significantly accelerated from retail-wholesale tax and tourism related taxes.

Farm income contracted from the previous month both outputs and prices especially a downward pressure on rubber price because of an expedited exports earlier that resulted in a weak domestic demand this month. However, when compared to the same period last year, agricultural prices increased due to rubber and oil palm outputs shortage, whereas Vannamee shrimp price increased resulting from lower supply from competitors. As a result, farm income substantially rose to the highest level since 2014.

Manufacturing production contracted from the previous month, but increased when compared to the same period last year. Production of rubber products and rubber woods expanded to meet rising demand from China. In addition, production of rubber glove continued to grow following higher demand from United States and European Union. Meanwhile, frozen and

processed seafood production using Vannamei shrimp as raw material increased in Japan and United States which continuously demand until the end of the year. However, production of canned seafood declined due to high price of tuna, coupled with a decrease in raw materials because of the enforcement on human trafficking and illegal, unreported, and unregulated fishing (IUU fishing). Crude palm oil production continued to decline due to lower amount of raw material.

Private consumption stayed flat relative to the previous month as spending on necessary and unnecessary goods continued to contract, reflecting the cautiousness of households in their spending. Additionally, residential electricity consumption slowed down, together with a slowdown in promotional offers of car sales that levelled the number of vehicle registration. However, private consumption was able to expand from the same period of last year mainly due to an improvement in farm income, contributing to an acceleration in consumer goods and services sales volume of discount stores.

The value of exports contracted in comparison to the preceding month. The contraction was observed in major products, including agricultural products, products from rubber, and wood and products from wood. However, exports value grew from the same period last year in particular petroleum-related equipment, wood and products from wood. **The value of imports** rose in various categories, sailboats with equipment for marine leisure, machinery and equipment, and fishery.

Private investment stayed flat following a sluggish investment in real estate sector. Main indicators-permitted construction area in municipal zone and cement sales-shrank in comparison to the same period last year. Meanwhile, import of capital goods remained stable.

On the stability front, **headline inflation** was at 0.55 percent, slightly increased from last month due to higher prices of raw food, particularly poultry, vegetables, and aquatic animals, coupled with slightly higher price of energy. **Unemployment rate** remained low at 0.98 percent.

At the end of August 2016, **deposits** of commercial banks and specialized financial institutions (SFIs) slowed down as low interest rate discouraged savings, resulting in increased investment in other higher-return financial products. Commercial banks **loans** slightly edged up following an increase in approval of lending to the existing customers with good credit quality, while SFIs loans continued to expand particularly business, and household resident partly due to the government project.

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BANK OF THAILAND

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

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	2016					
	Apr	May	Jun	Jul	Aug	Sep
The Real Sector ($\Delta\%$ year-on-year, unless otherwise stated)						
Farm Income Index	0.9	-8.0	-7.7	20.1	24.3	21.8
Agricultural Production Index	-10.6 ^r	-14.4	-7.9	-0.5	3.0	-2.1
Agricultural Price Index	12.8	7.5	0.3	20.6	20.7	24.3
- Rubber (US\$3)	11.8	3.5	-5.1	10.9	15.4	17.9
- Oil palm (FFB)	20.7	27.8	15.9	61.5	46.1	55.3
- Shrimp (70 pc/kg)	5.7	1.1	10.4	13.6	9.4	13.1
Fishery Production						
- Fishery production loaded at ports	-16.6	-8.7	-20.8	38.3	n.a.	n.a.
- Shrimp production	10.1	17.4	37.0	41.2	55.1	9.5
Number of Foreign Tourists	15.0	5.3	-0.3	14.5	9.0	15.5
Manufacturing Production Index (MPI)	1.7	1.7	-0.6	3.7	0.6	3.4
Private Consumption Index (PCI)	5.0	6.4	5.5	3.8 ^r	6.1	7.3 ^e
- Car Index	9.5	1.7	7.7	-9.1	16.4	8.7
- Fuel Index	6.7	7.2	3.0	0.7 ^r	7.9 ^r	3.9 ^e
- Household Electricity	9.2	14.9	2.0	3.5 ^r	6.2 ^r	3.9 ^e
- Sales of consumer goods and services ^{1/}	11.0	14.3	12.7	9.1	14.0	17.2
Private Investment						
- Private Investment Index (PII)	-3.0	-3.3	-2.3	-3.1	-2.3	-2.0
- Promotional privileges from Board of Investment ($\Delta\%$ of total investment)	-21.1	-100.0	1,189.4	-18.0	136.8	-93.5
- Registration of Business Entity ($\Delta\%$ of total registration)	-25.2	-59.8	38.3	30.7	102.0	-8.3
- Construction area permitted in municipal zone (12-month moving average)	-27.1	-23.5	-16.9	-20.6	-16.7	-11.7
Fiscal Sector						
- Tax revenue	14.1	13.4	3.8	-4.8	2.7	3.1
- Total disbursement	-3.9	19.5	14.2	-8.7	5.3	5.3
Consumer Price Index	-0.19	0.28	0.43	0.22	0.42	0.55
- Food and beverages	1.06	2.44	2.82	2.04	2.07	1.61
- Non food and beverages	-0.98	-1.11	-1.10	-0.94	-0.64	-0.14
Core Consumer Price Index (excluding raw food and energy)	0.55	0.54	0.55	0.70	0.70	0.73
Unemployment Rate	1.68	1.55	1.47	1.18	1.27	0.98
International Trade(million USD)						
- Exports	971.8	949.9	972.0	1,047.6	1,052.9	1,229.2
$\Delta\%$ year-on-year	1.0	-12.8	-25.0	10.6	14.7	11.4
- Imports	752.3	778.6	700.5	907.2	752.3	792.9
$\Delta\%$ year-on-year	-22.5	-13.3	-21.8	30.6	-7.5	4.1
Financial Sector (at the end of period) (Billions baht)						
- Deposits	644.8	640.9	642.7	637.4	634.1	n.a.
$\Delta\%$ year-on-year	1.5	1.4	2.8	2.6	2.3	n.a.
- Loans ^{2/}	673.3	669.6	670.8	667.7	669.4	n.a.
$\Delta\%$ year-on-year	2.9	2.2	0.9	0.2	0.3	n.a.

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