



BANK OF THAILAND

BOT Press Release

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Press Release on Southern Region's Economic Conditions in 2015

The overall economic activities of the Southern region in 2015 expanded from last year. The main drivers of economic growth were tourism sector and public spending on capital expenditures. Meanwhile, private consumption improved following the increased sales in department stores and service sectors on the back of expansion in tourism sector. Decline in oil prices also helped to increase in fuel consumption. However, farm income was low following the subdued prices of rubber and oil palm which resulted from low global commodities prices. Shrimp price was pressured by the increased outputs of foreign competitors which sold at a lower price. Besides, manufacturing production and export value contracted because of softened demand from trading partners, together with supply constraint. Consequently, businesses deferred investment projects for waiting a clearer sign of economy. In term of economic stability, headline inflation was in a negative territory following the fall in oil prices.

Details of the economic conditions are as follows;

Tourism sector was a key driver of growth. Tourism expanded at a faster pace by 23.5 percent from last year. This was due to increased tourists' confidence after the recovery of domestic political protest. In addition, government agencies have cooperated with tourism-related businesses to promote tourism in Thailand. Thus, the number of Asian tourists increased, particularly from Malaysia and China. This was consistent with increases in occupancy rate and the number of flights in both domestic and international routes. However, tourism sector revealed some moderation at the end of the year due to a slowdown in Malaysia economy and a Bangkok bombing incident in August which was a temporary factor.

Public spending was one of main growth drivers. This was due to the high expansion of capital expenditures in order to develop roads and irrigation. Besides, the disbursement of stimulus package picked up to promote a living standard of grass-root economy and to invest in small-scale projects, such as the allocation of 1-million-baht for each village under the village fund program and 5-million-baht for each Tambon. Consequently, the overall disbursement increased from last year. Meanwhile, the **government revenue** picked up slightly following the increased collection of personal income tax, corporate income tax and specific tax.

Private consumption improved, despite the negative factors remained, such as weak farm income and low consumer confidence. This was supported by the growing tourism sector and public-related construction. Low oil price and more intensive marketing promotion of department stores also bolstered growth in consumption which was reflected by the accelerated sales of consumer goods and services. In addition, spending on durable goods was temporarily benefited by the accelerated car purchases before increasing excise tax rate in January 1, 2016.

Farm income continued to fall from prior year. This was deteriorated by subdued prices of rubber, oil palm and shrimp. The lower productions of rubber and oil palm, were unable to boost the prices. This was due to the global economic slowdown, particularly China who is the largest rubber consumer, together with the prolonged low oil price. The stockpile of rubber and palm oil was accordingly high. Therefore, government introduced measures to support rubber farmer, including income subsidy, a rubber purchase plan under buffer fund, and a promotion of domestic rubber consumption. Besides, government implemented measures to underpin palm oil price, including the recommended price and the increased biodiesel consumption. Meanwhile, shrimp price was affected by the rising outputs after recovery from disease and the price competition after increase in competitors' outputs.

Manufacturing production dropped almost all industries. However, the production of palm oil expanded as improved oil yield. The output of rubber woods grew due to increased demand on the back of the growing real estate sector in China and the low price of wood logs. However, overall manufacturing production confronted several negative factors, including the sluggish demand, the expiration of Thailand's GSP tax privilege and the shortage of fish and cuttlefish supply owing to the decline in fishing trawlers under IUU fishing regulation. As a result, the production fell in many products, including rubber products, rubber gloves, frozen seafood, and canned seafood. Consistently, export value dropped as a result of distressed export quantity and price.

Private investment declined continually. Investment indicators decreased, including construction area permitted in municipal zone, cement sales, the register of commercial cars and imports of machineries. The weak farm income and sluggish exports deteriorated business confidence, thus businesses remained to wait for a clearer sign of economic recovery. Most investment were to repair existing machines and to improve production efficiency.

In term of economic stability, **unemployment rate** was 1.1 percent which was close to 1.0 percent of last year. The average **headline inflation** was -1.25 percent following decrease in energy price. Therefore, the lower costs of electricity, Liquefied Petroleum Gas (LPG) and retail oil prices led to decrease in production costs, prices of raw food and prepared food hence picked up slightly.

At the end of 2015, the outstanding **credits** of commercial banks fell by 5.0 percent following decreased consumer loans. This was partly due to change in bookkeeping system of certain banks by recording credits in head office instead of branches. Mortgage and personal loans also softened, while corporate loans continued to expand robustly in many sectors, particularly manufacture, construction, retail-wholesale, hotels and restaurants.

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Table Attached to Press Release on Southern Region's Economic Conditions in 2015

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	2014	2015				Year
	Year	Quarter 1	Quarter 2	Quarter 3	Quarter 4	
The Real Sector ($\Delta\%$ year-on-year)						
Farm Income Index	-20.3	-19.2 ^r	-3.4 ^f	-13.5 ^f	-21.8	-14.8
Agricultural Production Index	-4.9	-7.1 ^r	8.2 ^r	1.1 ^r	-3.6	-0.8
Agricultural Price Index	-16.2	-13.1 ^r	-10.7	-14.5	-18.9	-14.1
- Rubber (US\$3)	-25.3	-15.2	-14.1	-12.4	-20.1	-15.3
- Oil palm (FFB)	20.2	2.6	7.1	-18.6	-17.5	-7.0
- Shrimp (70 pc/kg)	1.0	-29.1	-25.2	-23.5	-15.6	-23.9
Fishery Production						
- Fishery production loaded at ports	-6.5	-2.0	-17.7	-27.0	-29.3	-19.1
- Shrimp production	-39.2	5.4	44.0	45.0	4.2	22.4
Number of Foreign Tourists	0.7	26.7	32.3	32.1	8.4	23.5
Manufacturing Production Index (MPI)	2.0	-3.7	1.3	-1.3	-3.1	-1.7
Private Consumption Index (PCI)	-1.2	0.5	0.8	2.4	3.0	1.7
- Car Index	-33.3	-21.9	-24.3	-12.7	9.8	-13.7
- Fuel Index	0.5	7.6	8.2	7.5 ^r	10.3	8.4
- Household Electricity	2.8	2.5	1.7	2.0 ^r	4.7	2.7
- Sales of consumer goods and services ^{1/}	-2.2	1.1	1.8 ^r	5.5	6.4	3.5
Private Investment						
- Private Investment Index (PII)	-3.0	-4.5	-4.5	-4.7	-2.9	-4.2
- Promotional privileges from Board of Investment ($\Delta\%$ of total investment)	-64.2	546.6	214.1	10.0	127.2	105.2
- Registration of Business Entity ($\Delta\%$ of total registration)	-17.0	15.8	39.1	-31.6	-28.2	-6.7
- Construction area permitted in municipal zone (12-month moving average)	-9.3	-18.0	-24.6	-27.6	-28.8	-24.5
Fiscal Sector						
- Tax revenue	1.3	8.7	-1.6	1.5	-0.3	1.9
- Total disbursement	-1.7	-4.6	0.7	-3.7	47.3	9.2
Consumer Price Index	2.21	-0.57	-1.57	-1.46	-1.40	-1.25
- Food and beverages	4.59	2.73	0.37	1.49	0.73	1.32
- Non food and beverages	0.78	-2.56	-2.77	-3.29	-2.73	-2.84
Core Consumer Price Index (excluding raw food and energy)	2.02	2.21	0.91	0.73	0.42	1.06
Unemployment Rate	0.95	1.09	1.02	1.15	1.13	1.10
International Trade(million USD)						
- Exports	14,912.0	2,916.8	3,258.8	2,834.0	2,843.7	11,853.3
$\Delta\%$ year-on-year	-9.8	-20.2	-10.8	-24.8	-25.8	-20.5
- Imports	11,102.1	2,500.6	2,656.6	2,162.0	2,146.2	9,465.4
$\Delta\%$ year-on-year	-4.6	-4.4	-10.5	-28.8	-13.5	-14.7
Financial Sector (at the end of period) (Billions baht)						
- Deposits	628.4	633.9	625.3	617.3	n.a.	n.a.
$\Delta\%$ year-on-year	0.8	-1.5	0.2	-0.7	n.a.	n.a.
- Loans ^{2/}	709.4	654.8	664.7	671.3	674.0	674.0
$\Delta\%$ year-on-year	1.0	-6.6	-5.2	-4.4	-5.0	-5.0

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