



BANK OF THAILAND

**BOT Press Release**

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Press Release on Southern Region's Economic Conditions for the Third Quarter 2014

The overall economy of the Southern region in the third quarter 2014 recovered at a slow pace. Even the private confidence on domestic political situation has been recovered which led to the increase of private consumption and the recovery of tourism sector comparing previous quarter, farm income and export value continued to decline owing to the falling agricultural production and price. Manufacturing production also softened following the weaker demand of major exporting markets and the decreased raw materials. Meanwhile, private investment remained to await clearer sign of economic situation. In term of internal stability, unemployment rate was low, while inflation eased following the lower prices of raw food and fuel.

Details of the economic conditions are as follows:

The clearer politic situation has lifted the consumer confidence. Consequently, **private consumption** expanded by 2.9 percent (year-on-year) which improved from 1.9 percent (yoy) increase of previous quarter. This was following the accelerated collection of value-added tax. However, the automobile consumption has not recovered due to accelerated purchase in earlier period, together with higher household debt. Farm income continued to decline from previous quarter. Therefore, consumers remained cautious on spending.

**Private investment** dropped by 4.6 percent (yoy) because entrepreneurs have waited clearer sign of economic prospects. The major indices continued to drop including imports of capital goods, the registration of commercial cars and the permitted construction areas in municipal zone. Nevertheless, entrepreneurs begin to have more new investment plans in next year. Many investments in large projects, which had been postponed previously because of the delayed appointment of BOI members, are able to continue after receiving BOI's investment promotion approvals.

**Manufacturing production** expanded by 4.4 percent (yoy) which decelerated from prior quarter. The outputs of canned seafood industry accelerated to support rising demand from the Middle East market and the United States. Additionally, this was partly due to the low base effect with there was unrest situation in the Middle East region previous year. Furthermore, the demand from the United States improves owing to economic recovery. Meanwhile, the production of fresh and frozen seafood products picked up which had declined for 6-quarter earlier. This was shored up by the increased production of fish and cuttlefish products together with the increased demand almost all exporting markets. Apparently, the exports to the European Union have accelerated before the losing GSP privileges in January 1, 2015. Moreover, outputs of rubber gloves and woods expanded following increased purchasing orders from key exporting markets. Concurrently, the production of rubber products continued to decline as a result of decreased purchasing orders from Malaysia, Japan and the United States. However, China remained to import more rubber products for producing rubber tires which was due to the expansion of automobile industry. The production of palm oil fell as the declining raw materials, fresh fruit bunches.

In **Tourism** sector, a number of foreign tourists totaled 1.5 million persons which dropped by 5.9 percent (yoy). Nevertheless, a seasonally adjusted number of tourists rose by 1.6 percent (quarter-on-quarter), particularly in Andaman coastal area. This was supported by government public relations for boosting confidence in politic conditions, together with the visa fee waiver scheme for Chinese tourists and Vegetarian Festival. Chinese and Russian tourists increased accordingly. However, the presence of martial law was a downside risk which many countries maintained their travel advisory level.

Nevertheless, **farm income** fell following the decrease of agricultural production and price. **Agricultural price index** reduced by 19.2 percent (yoy). This was subdued by the excess global rubber supply and the ambiguous management of government rubber stockpile. **Agricultural production index** dropped by 8.6 percent (yoy) following the decreased outputs of rubber, palm oil and Vannamei shrimp. Consequently, **farm income** reduced by 26.2 percent (yoy). **Export value** also declined by 7.3 percent (yoy) mainly following the decrease of rubber outputs and prices.

In government sectors, **revenue disbursement** reduced by 4.1 percent (yoy) following the decrease of capital and current expenditures. However, the disbursement improved from 7.6 percent (yoy) decrease of preceding quarter. Concurrently, **revenue collection** rose by 1.8 percent (yoy) following the increased collection of value-added tax, personal income tax, excise tax on liquor and beverage, as well as the import tax on machinery and equipments.

As of the end of third quarter 2014, **commercial bank credit** and **deposit** continued to soften from prior quarter. This was following the moderated lending of cooperate loans and consumer loans.

In term of internal stability, **unemployment rate** was 1.3 percent which in line with previous quarter. **Inflation** was 2.26 percent (yoy) which decelerated from preceding quarter following the lower raw food price. This was due to increased outputs of vegetables and fruits. Additionally, the fuel price was eased following the decrease of domestic energy prices and soften global oil price accordingly. This was also due to the restructuring of domestic energy price by government. Therefore, retail fuel price has been dropped.

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Table Attached to Press Release on Southern Region's Economic Conditions for The Third Quarter of 2014

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	2013			2014		
	Quarter 3	Quarter 4	Year	Quarter 1	Quarter 2	Quarter 3
<b>The Real Sector (Δ% year-on-year)</b>						
Farm Income Index	-6.3 <sup>r</sup>	-4.2 <sup>f</sup>	-9.6 <sup>r</sup>	-3.7 <sup>r</sup>	-9.0 <sup>f</sup>	-26.2 <sup>e</sup>
Agricultural Production Index	-1.9 <sup>r</sup>	-10.6 <sup>f</sup>	-0.9 <sup>r</sup>	0.4 <sup>r</sup>	4.3 <sup>r</sup>	-8.6 <sup>e</sup>
Agricultural Price Index	-4.5	7.1	-8.8	-4.1	-12.8	-19.2
- Rubber (US\$3)	-12.2	-11.5	-17.4	-21.1	-20.4	-27.6
- Oil palm (FFB)	-26.2	21.9	-21.7	40.0	15.0	18.9
- Shrimp (70 pc/kg)	67.4	93.5	61.9	60.4	4.6	-7.3
<b>Fishery Production</b>						
- Fishery production loaded at ports	-2.5	-11.1	-5.4	-1.6	-5.0	-13.0
- Shrimp production	-47.8 <sup>r</sup>	-68.3 <sup>f</sup>	-47.1 <sup>r</sup>	-63.3 <sup>f</sup>	-48.4 <sup>r</sup>	-36.7 <sup>e</sup>
<b>Number of Foreign Tourists</b>	22.1	12.7	18.9	-1.6	-5.3	-5.9
<b>Manufacturing Production Index (MPI)</b>	-3.5	0.6	2.4	-0.3	5.3	4.4
<b>Private Consumption Index (PCI)</b>	2.9	2.4	3.5	1.5	1.9	2.9
- Car Index	-23.3	-57.0	-17.9	-38.8	-35.3	-34.2
- Fuel Index	4.1	-1.4	1.9	-0.3	1.1 <sup>r</sup>	0.0 <sup>e</sup>
- Household Electricity	4.6 <sup>r</sup>	2.8 <sup>r</sup>	4.6	-0.3	5.2 <sup>r</sup>	6.9
- VAT (real terms) <sup>1/</sup>	7.5 <sup>r</sup>	10.3 <sup>f</sup>	9.2 <sup>f</sup>	6.3	6.2	9.5
<b>Private Investment</b>						
- Private Investment Index (PII)	-4.6	-7.5	-0.2	-8.1	-5.3	-4.6
- Promotional privileges from Board of Investment (Δ% of total investment)	29.0	122.1	133.9	-75.8	-95.0	20.2
- Capital investment of business registered at Ministry of Commerce (Δ% capital)	19.5	6.1	19.7	-19.4	-47.5	-4.8
- Construction area permitted in municipal zone (12-month moving average)	-7.0	-10.7	-1.5	-11.2	-4.0	-5.4
<b>Fiscal Sector</b>						
- Tax revenue	6.4	4.8	4.0	-2.1	0.4	1.8
- Total disbursement	-11.6	-4.9	-4.0	12.4	-7.6	-4.1
<b>Consumer Price Index</b>	1.76	1.88	2.22	2.07	3.08	2.26
- Food and beverages	2.52	3.47	3.27	3.97	5.61	4.51
- Non food and beverages	1.32	0.91	1.56	0.96	1.56	0.91
<b>Core Consumer Price Index (excluding raw food and energy)</b>	0.97	0.93	1.09	1.05	2.27	2.34
<b>International Trade(million USD)</b>						
- Exports	4065.95	4,226.0	16,535.5	3,655.2	3,651.9	3,770.9
Δ% year-on-year	-2.4	0.8	-4.0	-10.7	-12.1	-7.3
- Imports	3,094.0	2,616.3	11,631.7	2,616.0	2,968.4	3,037.3
Δ% year-on-year	-0.3	-8.7	2.8	-8.3	-3.2	-1.8
<b>Financial Sector (at the end of period) (Billions baht)</b>						
- Deposits	608.3	623.5	623.5	643.2	623.8	621.5
Δ% year-on-year	3.0	4.1	4.1	5.5	2.7	2.2
- Loans	683.2	702.2	702.2	700.8	701.3	702.3
Δ% year-on-year	20.0	16.6	16.6	8.6	6.0	2.8
Remark : 1/ excluding VAT from customs duty. e = estimated r = revised n.a. = not available						
Source : Bank of Thailand, Southern Region Office						