

**1.3.8 ECONOMIC IMPACTS AND DEVELOPMENT OPPORTUNITIES**

# 1. ECONOMIC IMPACTS AND DEVELOPMENT OPPORTUNITIES

## 1.1 FEATURES OF THE PROVINCE

The growth of GPP in five years from 1980 to 1985 in Surat Thani is steeply lower than that in the whole Kingdom (see Table 1-28), and income per capita in the province is also lower than the average in the whole Kingdom.

TABLE 1-28 GROSS PROVINCIAL PRODUCT AT CURRENT MARKET PRICES BY AREA 1990-1995

YEAR	1980	1981	1982	1983	1984	1985	85/80(%)	
Surat Thani	GPP total	7,316.3	7,648.7	8,421.0	9,947.8	10,062.3	10,091.0	37.90%
	service	436.8 (**6.0%)	499.6 (**65%)	634.1 (**7.5%)	705.2 (**7.1%)	756.9 (**7.5%)	813.5 (**8.1%)	86.20%
	*Per capita GPP	12,214.0	12,457.0	13,387.0	15,280.0	14,841.0	14,519.0	18.90%
Whole Kingdom	GDP total	684,911.8	786,166.3	846,135.7	924,254.5	991,558.5	1,047,292.2	52.90%
	service	64,442.6 (**9.4%)	75,228.6 (**9.8%)	89,169.8 (**10.5%)	98,680.1 (**10.7%)	106,704.2 (**10.8%)	115,467.0 (**11.0%)	79.20%
	*Per capita GDP	14,660.0	16,469.0	17,359.0	18,564.0	19,551.0	20,263.0	38.20%

Note: Unit: millions of Baht  
 \*Unit: Baht  
 \*\* service ratio GPP(GDP) service  
 GPP(GDP)Total  
 Gross Regional and Provincial Product

Focusing on GPP by industries, that in the service sector including tourism grows fairly rapidly as shown in Table 1-29, which makes its component ratio slightly larger, but still much lower than the average in the whole Kingdom.

TABLE 1-29 GROSS PROVINCIAL PRODUCT(GPP) AT CONSTANT 1972 PRICES FOR SOUTHERN REGION

Industrial Origin	Province Surat Thani			Whole Kingdom						
	1980 GPP	(%)	1985 * GPP	(%)	'85/'80 (%)	1980 GPP	(%)	1985 * GPP	(%)	'85/'80 (%)
Agriculture	1,444.4	48.71	1,661.9	44.65	15.06	72,785.3	24.85	87,895.7	23.20	20.76
Crops	1,052.9	35.51	1,246.4	33.47	18.83	54,179.1	18.50	66,695.7	17.61	23.10
Livestock	57.3	1.93	142.0	3.81	147.82	9,012.1	3.08	11,087.9	2.93	23.03
Fisheries	275.4	9.29	250.5	6.73	-9.04	6,276.0	2.14	7,289.5	1.92	16.15
Forestry	58.8	1.98	23.0	0.62	-60.88	3,318.1	1.13	2,822.6	0.74	-14.93
Mining and Quarrying	129.8	4.38	162.4	4.36	25.12	4,780.4	1.63	6,012.0	1.59	25.76
Manufacturing	128.3	4.33	147.1	3.95	14.65	60,639.2	20.70	78,927.3	20.84	30.16
Construction	143.2	4.83	185.9	5.00	29.82	16,575.9	5.66	17,602.7	4.65	6.19
Electricity and Water Supply	49.6	1.67	71.1	1.91	43.35	5,559.9	1.90	8,875.2	2.34	59.63
Transportation and Communication	133.4	4.50	171.6	4.61	28.64	18,811.2	6.42	26,242.1	6.93	39.50
Wholesale and Retail Trade	453.4	15.29	616.6	16.57	36.00	48,226.9	16.47	59,496.9	15.71	23.37
Banking Insurance of Real Estate	97.8	3.30	179.4	4.82	83.44	17,419.3	5.95	29,388.2	7.76	68.71
Ownership of Dwellings	46.0	1.55	58.2	1.57	26.52	4,502.2	1.54	5,594.0	1.48	24.25
Public Administration and Defence	130.7	4.41	178.7	4.80	36.73	12,422.9	4.24	14,873.0	3.92	19.72
Services	208.6	7.03	288.9	7.76	38.49	31,173.3	10.64	43,854.0	11.58	40.68
GPP	2,965.2	100.00	3,721.8	100.00	25.52	292,896.5	100.00	378,761.1	100.00	29.32

Source: National Accounts Division  
 Office of the National Economic and Social Development Board  
 Office of the Prime Minister

Note: unit: millions of Baht.

The features in the province based on the figures in Table 4.2.2 are described as follows. As to industrial structure, it is a typical agricultural province. The component ratio of primary industries in 1985 was 44.7%, and it was well over the whole kingdom average (23.2%). Especially, the ratio of agriculture was 33.5%. That of fisheries, 6.8%, was also above the average (1.9%). There are not any remarkable features in other industries. The component ratio of services was 7.8%, and it was below the average (11.6%), the smallest proportion among that of the three.

## 1.2 ECONOMIC IMPACT

The increase in foreign exchange earnings produced by the increase in the number of foreign tourists and an employment creation caused by the tourism development, based on the aforementioned demand forecast are examined.

### 1) INCREASE OF FOREIGN EXCHANGE EARNINGS

Foreign exchange earnings are given by the following formula: "Expenditure by a foreign tourist per day (A) X Average length of stay per person (B) X Number of foreign tourists (C)" (see Table 1-30)

TABLE 1-30 FOREIGN EXCHANGE EARNINGS EFFECT

	1987	1991	1996	2001
(A) Expenditure (Bahts per person a day)	802	802	802	802
(B) Average length of stay (day)	14.46	15.96	18.05	20.43
(C) Number of foreign tourists (1,000 person)	141	300	420	560
(D) Foreign exchange earnings (A) X (B) X (C) (Mil. Bahts)	1,632.8	3,840.3	6,080.0	9,175.5
(E) Deduction Import related (Mil. Bahts)	414.8	975.4	1,544.4	2,330.7
Net F/E earnings (D) - (E) (Mil. Bahts)	1,218.1	2,864.6	4,535.6	6,844.8
Increase (against 1987)	-	1,646.5	3,317.5	5,626.7

Note : Constant 1987 price  
Source: Study Team

- (A) As to expenditure, the total amount in TAT's actual survey in 1985 with some revision on accommodation and food is used. And in order to make the issue clear, the figure of expenditure in each year is with no consideration to inflation rate, that is, fixed at the real price of 1987 respectively.
- (B) The figures of the average length of stay is based on TAT's study. The TAT's nationwide average growth rate, 2.5% p.a., was also used for the computation of the projected average length of stay in 1991, 1996, and 2001. This annual growth rate, 2.5%, is calculated on the basis of the TAT's plan which states that the average length of stay is to be 6 days in 1988. (from 5.58 days in 1985 to 5.93 days in 1988).
- (E) Net foreign exchange earnings is calculated by deducting increase of import E) produced by the increase of the number of foreign tourists from Foreign exchange earnings D). As to the case of Songkhla, it is calculated by using the deduction ratio (25.4%) ad foreign exchange earnings. (the basis of this figure is referred in Vol. 3, 2.4.3)

It is expected that Net F/E earnings will be 2.35 times the figure of 1987 in 1991, 3.7 times in 1996, 5.6 times in 2001 as shown in Table 1-30.

### 2) EMPLOYMENT CREATION

Based on the data of 1986, unemployment rate in Surat Thani was 4.6%, which was much lower than 9.1%, the average of the whole Kingdom.

TABLE 1-31 ESTIMATE OF PERSONS II YEARS OF AGE AND OVER AND IN LABOR FORCE BY AREA, 1986

Province	Total	Persons II years of Age and Over						Persons under II Years of Age
		Total	Persons in Labour Force			Persons not in Labour Force		
			Total	Employed persons	Unemployed persons		Seasonally Inactive	
Surat Thani	690,000	479,300	290,700 (ratio)	260,000 89.40%	13,400 4.60%	17,300 6.00%	188,600	210,700
Whole Kingdom	52,500,000	38,209,000	23,646,000 (ratio)	18,303,500 77.40%	2,152,000 9.10%	3,190,500 13.50%	14,563,000	14,291,000

Ministry of Interior Thailand  
Year book of labor statistics 1985

The increase of employment generated by the tourism development might be effective to resolve problems on employment condition. Therefore, number of employment created based on the demand forecast conducted by the study team is calculated. The procedures are:

- 1) to forecast, by industries, value added generated by expenditure by tourists.
- 2) to calculate the productivity of an employee in each industry
- 3) to divide 1) by 2) and get the number of increase in employment by industries. (details on above mentioned procedures are referred in Vol. 3 2.4.2).

TABLE 1-32 EFFECT ON EMPLOYMENT (SURAT THANI)

YEAR	1987	1991	1996	2001
Agriculture	9.9	20.7	27.8	35.8
Mini. & Quarr.	0.0	0.0	0.0	0.0
Manufacturing	3.2	6.8	9.1	11.7
Construction	0.0	0.1	0.1	0.1
Elec. & Water	0.1	0.2	0.3	0.4
Trans. & Comm.	2.7	5.6	7.5	9.7
Commerce	4.4	9.2	12.4	16.0
Service	12.8	26.7	35.9	46.2
Ttotal	33.3	69.3	93.0	119.9
Increase (agst. 1987)		36.0	59.7	86.6

As shown in the table above, the increase of employment out of the figure in 1987 is expected as follows: 2.1 times the figure of 1987 in 1991, 2.8 times in 1996, and about 3.6 times in 2001.

## 2. ECONOMIC IMPACT ON SONGKHLA/HAT YAI

### 2.1 FEATURES OF THE PROVINCE

The growth of GPP in five years from 1980 to 1985 in Songkhla/Hat Yai is slightly lower than that in the whole Kingdom (see Table 1-33), and income per capita in the province is also lower than the average in the whole Kingdom.

TABLE 1-33 GROSS PROVINCIAL PRODUCT AT CURRENT MARKET PRICES BY AREA 1980-1985

YEAR	1980	1981	1982	1983	1984	1985	85/80(%)
Songkhla GPP total	11,769.4	13,617.4	14,304.5	16,377.0	16,865.9	17,557.5	49.20%
service	1,290.1 (**11.0%)	1,493.8 (**11.0%)	1,818.4 (**12.7%)	2,108.7 (**12.9%)	2,268.0 (**13.4%)	2,445.1 (**13.9%)	89.50%
*Per capita GPP	13,669.0	15,491.0	15,806.0	17,385.0	17,157.0	17,418.0	27.40%
Whole Kingdom GPP total	684,911.8	786,166.3	846,135.7	924,254.5	991,558.5	1,047,292.2	52.90%
service	64,442.6 (**9.4%)	75,228.6 (**9.6%)	89,169.8 (**10.5%)	98,680.1 (**10.7%)	106,704.2 (**10.8%)	115,467.0 (**11.0%)	79.20%
*Per capita GDP	14,660.0	16,469.0	17,359.0	18,584.0	19,551.0	20,263.0	38.20%

Note : Unit ; millions of Baht

\* Unit ; Baht

\*\* service ratio GPP(GDP) service

GPP(GDP)Total

Gross Regional and Provincial Product

Focusing on GPP by industries, that in the service sector including tourism grows fairly rapidly as shown in Table 1-34 which makes its component ratio larger.

TABLE 1-34 GROSS PROVINCIAL PRODUCT (GPP) AT CONSTANT 1972 PRICE FOR SOUTHERN REGION

Industrial Origin	Province Surat Thani		1985 *		85/80		Whole Kingdom		1985 *		85/80	
	1980	%	GPP	%	%	1980	%	GPP	%	%		
Agriculture	1,644.6	33.02	2,093.3	31.59	24.28	72,785.3	24.85	87,895.7	23.2	20.76		
Crops	835.3	16.77	842.4	12.71	0.85	54,179.1	18.5	66,695.7	17.61	23.1		
Livestock	118.6	2.38	193.9	2.93	63.49	9,012.1	3.08	11,087.9	2.93	23.03		
Fisheries	580.3	11.65	1,056.8	15.95	82.11	6,276.0	2.14	7,289.5	1.92	16.15		
Forestry	110.4	2.22	0.2	0	-81.88	3,318.1	1.13	2,822.6	0.74	-14.93		
Mining and Quar	70.9	1.42	52.3	0.79	-26.23	4,780.4	1.63	6,012.0	1.59	25.76		
Manufacturing	292.6	5.88	296.1	4.47	1.2	60,639.2	20.7	78,927.3	20.84	30.16		
Construction	350.5	7.04	503.3	7.6	43.59	16,575.9	5.66	17,602.7	4.65	6.19		
Electricity and W	95.6	1.92	196.8	2.97	105.86	5,559.9	1.9	8,875.2	2.34	59.63		
Transportation ai	483.8	9.71	564.9	8.52	16.76	18,811.2	6.42	26,242.1	6.93	39.5		
Wholesale and R	866.0	17.39	1,168.0	17.63	34.87	48,226.9	16.47	59,496.9	15.71	23.37		
Banking Insurance	248.2	4.98	469.6	7.09	89.2	17,419.3	5.95	29,383.2	7.76	68.71		
Ownership of Dw	65.0	1.31	80.5	1.21	23.85	4,502.2	1.54	5,594.0	1.48	24.25		
Public Administra	261.1	5.24	329.4	4.97	26.16	12,422.9	4.24	14,873.0	3.92	19.72		
Services	601.9	12.09	872.3	13.16	44.92	31,173.3	10.64	43,854.0	11.58	40.68		
GPP	4,980.2	100	6,626.5	100	33.06	292,896.5	100	378,761.1	100	29.32		

Source : National Accounts Division  
Office of the National Economic and Social Development Board  
Office of the Prime Minister

Note : unit : millions of Baht

The features in the province based on the figures in Table 1-34 are described as follows. With regards to the component ratio of GPP in 1985, wholesale and retail trade were 17.6%, and followed by 16% of fisheries and 13.2% of services. The features of the industrial structure were; (i) the ratio of fisheries was above the average of the whole kingdom (1.9%) by a large margin, the largest among the three provinces, (ii) the ratio of wholesale and retail trade is also above the average (13.7%), and the largest among the three, too.

As to each industry except forestry and mining, output increased favorably for the five years from 1980 to 1985. Songkhla was the only province among three whose growth rate of all industries exceeded that of the whole kingdom, namely 33.1%. Though outputs of forestry and mining decreased, their component ratios in 1980 were so small that this decrease in the growth rate of the province was also small.

## 2.2 ECONOMIC IMPACT

The increase in foreign exchange earnings produced by the increase in the number of foreign tourists and an employment creation caused by the tourism development, based on the aforementioned demand forecast are examined

### 1) INCREASE OF FOREIGN EXCHANGE EARNINGS

Foreign exchange earnings are given by the following formula; "Expenditure by a foreign tourist per day (A) X Average length of stay per person (B) X Number of foreign tourists (C)." (see Table 1-35)

TABLE 1-35 FOREIGN EXCHANGE EARNINGS EFFECT

YEAR	1987	1991	1996	2001
(A) Expenditure (Bahts per person a day)	3,345	3,345	3,345	3,345
(B) Average length of stay (day)	3.09	3.41	3.86	4.36
(C) Number of foreign tourists (1,000 person)	732	820	1,030	1,220
(D) Foreign exchange earnings (A) X (B) X (C) (Mil. Bahts)	7,562.9	9,353.3	13,299.1	17,792.7
(E) Deduction Import related (Mil. Bahts)	1,005.7	1,243.7	1,768.4	2,365.9
Net F/E earnings (D) - (E) (Mil. Bahts)	6,557.2	8,109.6	11,530.6	15,426.8
Increase (against 1987)	-	1,552.3	4,973.4	8,869.5

Note : Constant 1987 price

Source: Study Team

#### Notes:

(A) As to expenditure, the total amount in TAT's actual survey in 1985 with some revision on accommodation and food is used. And in order to make the issue clear, the figure of expenditure in each year is with no consideration to inflation rate, that is, fixed at the real price of 1987 respectively.

(B) The figures of the average length of stay is based on TAT's study. The TAT's nationwide average growth rate, 2.5% p.a., was also used for the computation of the projected average length of stay in 1991, 1996, and 2001. This annual growth rate, 2.5%, is calculated on the basis of the TAT's plan which states that the average length of stay is to be 6 days in 1988. (from 5.58 days in 1985 to 5.93 days in 1988)

(E) Net foreign exchange earnings is calculated by deducting Increase of import (E) produced by the increase of the number of foreign tourists from Foreign exchange earnings (D). As to the case of Songkhla, it is calculated by using the deduction ratio (13.3%) as foreign exchange earnings. (the basis of this figure is referred in Vol. 3, 2.4.3.)

It is expected that Net F/E earnings will be 1.2 times the figure of 1987 in 1991, 1.75 times in 1996, 2.35 times in 2001 as shown in Table 1-35.

### 2) EMPLOYMENT CREATION

Based on the data of 1986, unemployment rate in Songkhla was 10.2%, which was higher than 9.1%, the average of the whole Kingdom.

**TABLE 1-36 ESTIMATE OF PERSONS 11 YEARS OF AGE AND OVER IN LABOR FORCE BY AREA, 1986**

Province	Total	Persons 11 years of Age and Over						Persons under 11 Years of Age
		Total	Persons in Labour Force			Persons not in Labour Force		
			Total	Employed persons	Unemployed persons		Seasonally Inactive	
Songkhla	1,000,000	703,200	405,300 (ratio)	335,100 82.70%	41,300 10.20%	28,900 7.10%	297,900	296,800
Whole Kingdom	52,500,000	38,209,000	23,646,000 (ratio)	18,303,500 77.40%	2,152,000 9.10%	3,190,500 13.50%	14,563,000	14,291,000

Ministry of Interior Thailand  
Year book of labor statistics 1985

The increase of employment generated by the tourism development might be effective for such a region to resolve problems on employment condition. Therefore, number of employment created based on the demand forecast conducted by the study team is calculated. The procedures are:

- a. to forecast, by industries, value added generated by expenditure by tourists
- b. to calculate the productivity of an employee in each industry
- c. to divide a. by b. and get the number of increase in employment by industries.

Note: Details on above mentioned procedures are referred in Vol. 3 2.4.2.

**TABLE 1-37 EFFECT ON EMPLOYMENT (SONGKHLA)**

YEAR	1987	1991	1996	2001
Agriculture	17.2	21.9	27.4	32.3
Mini. & Quarr.	0.0	0.0	0.0	0.1
Manufacturing	5.7	7.3	9.1	10.7
Construction	0.3	0.4	0.5	0.6
Elec. & Water	0.3	0.4	0.4	0.5
Trans. & Comm.	2.0	2.5	3.2	3.8
Commerce	43.9	56.1	70.1	82.7
Service	31.5	40.3	50.3	59.4
Total	100.9	128.9	161.0	190.2
Increase (agst. 1987)		28.0	60.1	89.2

As shown in the table above, the increase of employment out of the figure in 1987 is expected as follows: 1.28 times the figure of 1987 in 1991, 1.6 times in 1996, and about 1.9 times in 2001.

### 3. TOURISM RELATED INDUSTRY

As mentioned repeatedly, tourism related industries are promoted by incomes by tourists and the increase in employment which are caused by tourism development. Now, we would like to consider this by looking at expenditures 1984-86 by tourists.

**TABLE 1-38 DISTRIBUTION OF TOURIST CONSUMPTION EXPENDITURES 1984-1986**

TYPE OF EXPENDITURE	YEAR	(Unit: Percentage)		
		1984	1985	1986
Total		100.00	100.00	100.00
Accommodation		28.12	25.62	26.63
Food & Drinks		20.53	19.14	16.93
Shopping		30.16	33.66	27.39
Entertainment		10.43	11.64	10.02
Local Transport & Tour		8.48	7.82	15.59
Miscellaneous		2.28	2.12	3.44

Source of Data: A Tourist Consumption Expenditure and Attitudes Survey 1984 conducted by Tourism Authority of Thailand

According to expenditures research by TAT, they are divided into six, and the related industry are for example, from Accommodation - Hotel Industry from Food and Drink - Restaurant, Bars, Snacks, Shops, etc.

If we look at "Shopping", this share 27-34% is always major item in tourist expenditures in Thailand, not accommodation. This can be also said in the three regions in Southern Thailand except Ko Samui. Especially in Hat Yai, this share is very large. As the number of good local souvenir stores in these regions seems to be less down those in famous tourist resorts in other countries. In this regard, it is hoped to found big local Souvenir Center in Phuket Island or Hat Yai to sale local souvenir such as Thai silk, Jewelry, and so on besides Southern Thailand's local goods such as pearl and tin-products, etc.

Furthermore, if a big duty free shop such as in Singapore or in Hong Kong for foreign tourists especially, well motivated Japanese shoppers, is built in Phuket Island and Hat Yai, the further increase in foreign tourists would be expected.

Much more urgently required, however, is, for example, to enforce and diversify local souvenir industry, which creates souvenirs to sell in Local Souvenir Center aforesaid.

Generally speaking, Southern Thailand is less industrial than Northern Thailand.

On the whole, present local souvenir products in Southern Thailand are mainly by home manufacturing industry. And technique in processing is low, and packages are not so good in quality, besides designs are not so attractive. Therefore, for enforcement of the local souvenir industry, it might be needed to receive technical assistance and guidance on design. For that, it is effective to invite foreign experts and designers. Especially, in Thailand, all kinds of garment are important products, which are the second in export, and not only famous Thai Silk but also cotton goods are worthy to export. Therefore, each province is expected to have original products, which preserve local identify, and are highly fashionable.

We suggest that the above Souvenir Center takes various characters as a technical center and a education and training center as well as a sales center, for all sorts of local industries in addition to for such clothing. And there, it might be also recommended to make demonstration to tourists. Phuket Island and the surrounding islands are now becoming famous for success in its cultured pearl production, mostly by foreign joint ventures. It also can contribute to tourism development. That is why the image of pearls combined with tourism potential such as white sand beaches will appeal strongly to tourists when they are making decisions about the destination. By the above, the given name "Pearl of the South" for Phuket might have much more vivid image.

