

**No. 8/2018****Press Release on Southern Region's Economic Conditions for the First Quarter of 2018**

The overall economic activities in the Southern region in the first quarter of 2018 expanded both from the same period last year and the previous quarter. Tourism continued to expand robustly and expanded in every area. Meanwhile, private investment and public spending accelerated from the previous quarter. Also, foreign demand solidly grew as reflected by an increase in exports volume of significant products. However, the fifth Agreed Export Tonnage Scheme (AETS), which had limited exports volume of dry rubbers, i.e. Technically Specified Rubber (TSR) and Smoked Ribbed Sheets (RSS), led manufacturing production to decelerate. Private consumption expanded at similar rate as the preceding quarter and it was still pressured by the contraction of farm income and the high level of household debt. **On the stability front**, inflation decelerated from the past quarter following energy prices and fresh food prices. Meanwhile, the unemployment rate rose from the same period last year.

Details of the economic conditions are as follows;

The number of foreign tourists posted a 19.0 percent annual growth from the same period last year and continued to expand from the past quarter. Such expansion was a partial result of a supportive factor from Chinese New Year Festival together with the low base effect of Chinese tourists during the same quarter last year which was affected by regulation on illegal tour operators. Tourism expanded in every area where the tourism in the Andaman coast and the Gulf of Thailand expanded by cause of an increase in the number of Chinese, Russian, and European tourists. Meanwhile, the tourism in southern border area rebounded from Malaysian tourists, coupled with more Chinese tourists.

Exports value expanded from the same quarter last year, with a growth of 8.8 percent. By excluding aircraft, petroleum platform, ship, and rail, the value of exports contracted by 1.9 percent due mainly to price factor. Meanwhile, foreign demand continued to expand which was consistent with the expansion of manufacturing production at 8.1 percent. The production of Crude Palm Oil (CPO) grew robustly following the raw material. The production of processed rubberwood rose owing to continued demand from China, Malaysia, and the Middle East. Meanwhile, rubber glove' production increased thanks to demand from Europe and Japan. Regarding seafood, the production of canned seafood grew, after the contraction for some consecutive quarters, following the better purchasing power of Middle East market. Meanwhile, frozen and processed seafood' production increased in shrimp and fish. Nevertheless, the production of processed rubber for export contracted from temporary factor by the fifth Agreed Export Tonnage Scheme (AETS) during the first quarter of 2018. However, for concentrated latex and other processed rubbers which were excluded from the measure, the production expanded. By comparing with the previous quarter, the manufacturing production grew with slower growth.

Agricultural production expanded by 22.1 percent from the same period last year. The output increased in all products, namely rubber, oil palm, and white shrimp, on the back of the low base effect from the flood at the beginning of 2017. Also, oil palm output got the additional positive factor from the favourable weather condition and an increase of tapping area. Meanwhile, rubber

output got the additional positive factor from an increase in tapping activity as latex price was higher during March 2018. Regarding the agricultural price, it contracted by 35.7 percent as each agricultural price fell, especially oil palm which price decreased following an increase in output together with high level of Thai CPO stock. Rubber price declined by cause of a high base effect from the flood at the beginning of 2017. Thus, farm income contracted by 21.4 percent.

Private consumption indicators expanded by 0.7 percent compared to the same period last year and was similar to the rate of the preceding quarter. The spending on semi-durable goods rebounded from purchasing power which accelerated during Chinese New Year Festival. Meanwhile, the spending on services and durable goods increased with slower growth. Nevertheless, the contraction of farm income and high level of household debt still pressured the overall purchasing power to be not sufficiently strong as reflected by a decrease in non-durable goods' spending.

Private investment indicators expanded by 2.3 percent compared to the same period last year, accelerated from the preceding quarter. Cement sales turned into positive growth at 6.8 percent. Meanwhile, the investment in the manufacturing sector rose especially in the processed rubberwood and products industry, reflected by the expansion of capital goods' import and domestic machinery and equipment sales. However, permitted construction areas in and out-of municipal zone continued to contract compared to the same quarter last year

Public spending accelerated in which it rose by 12.2 percent compared to the same period last year. The public spending accelerated both current and capital spending. Current spending increased by 11.2 percent following the disbursement of general purpose subsidy by autonomous universities and the Office of the Basic Education Commission. Meanwhile, capital spending grew by 13.5 percent according to the disbursement of the following items: land and construction budget from central budget, provincial cluster budget, Office of the Permanent Secretary' budget, and Royal Irrigation Department budget; durable goods budget by provincial cluster and Office of the Permanent Secretary.

On the stability front, **headline inflation** was at 0.42 percent, slowed down from the previous quarter which was at 1.04 percent. The slowdown was a result of the deceleration of retail petroleum price and Liquid Petroleum Gas (LPG) price, coupled with the higher contraction of fresh food prices due to oversupply especially vegetables, fruits, meats, and aquatic animals. The **unemployment rate** was at 1.7 percent, rose from the same quarter last year following a decrease in the employment in the non-agricultural sector. Nevertheless, by comparing with the previous quarter, the unemployment rate declined.

At the end of the first quarter of 2018, overall **deposits** of commercial banks and Specialised Financial Institutions (SFIs) expanded by 4.2 percent compared to the same period last year, but slowed down from the preceding quarter both savings and fixed-deposit accounts. Regarding overall **loan**, it increased by 2.1 percent compared to the same period last year, but slowed down from the previous quarter due to the contraction of commercial banks' loan.

Bank of Thailand, Southern Region Office
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Table Attached to Press Release on Southern Region's Economic Conditions for the First Quarter of 2018

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	2016	2017				2018
	Quarter 4	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1
The Real Sector (Δ% year-on-year, unless otherwise stated)						
Farm Income Index ^r	43.4	45.3	14.1	-7.7	-17.7	-21.4
Agricultural Production Index	2.1	-9.1	8.2	1.0	4.2	22.1
Agricultural Price Index	40.4	59.8	5.4	-8.6	-20.9	-35.7
- Rubber (RSS3)	56.8	98.7	16.7	-2.1	-26.9	-43.7
- Oil palm (FFB)	25.6	7.8	-19.2	-34.0	-35.2	-35.7
- Shrimp (70 pc/kg)	12.3	15.8	2.7	-2.9	-0.6	-14.5
Fishery Production						
- Fishery production loaded at ports	-25.4	-21.1	-1.4	-10.9	-12.6	n.a.
- Shrimp production	3.5	-30.4	5.7	-4.1	9.9	34.9
Number of Foreign Tourists	0.8	-1.2	7.0	-1.6	12.1	19.0
Manufacturing Production Index (MPI)	0.2	0.1	0.9	12.1	13.3	8.1
Private Consumption Index (PCI) ^r	0.7	-0.3	-0.1	1.4	0.8	0.7
- Car Index	1.1	4.8	29.6	21.7	40.1	9.7
- Fuel Index	2.6	-0.8	1.9	2.7	1.1	5.1 ^e
- Household Electricity Index	1.7	-2.7	-3.4	4.6	5.0	7.2 ^e
- Non-durable goods Index	-1.3	-3.3	-4.1	-0.8	-0.5	-1.8
- Semi-durable goods Index	14.4	4.4	-0.6	5.1	-6.8	4.5 ^e
- Services Index	5.7	5.4	12.7	24.1	17.4	12.3
Private Investment						
- Private Investment Index (PII) ^{1/}	-0.5	-2.8	-2.0	0.3	0.0	2.3
- Promotional privileges from Board of Investment (total investment)	-16.3	48.6	-27.3	169.8	-24.0	67.0
- Registration of Business Entity (total registration)	49.5	20.1	40.1	53.8	213.7	-29.5
- Construction area permitted in municipal zone (12-month moving average)	10.2	5.8	-12.5	-25.9	-27.5	-16.7
Fiscal Sector						
- Tax revenue	-1.6	-1.5	10.6	4.8	2.8	6.8
- Total disbursement ^{2/}	8.3	-23.8	-33.2	-14.2	-21.2	12.2
Consumer Price Index (Base Year = 2015)	0.91	1.99	0.57	0.52	1.04	0.42
- Food and beverages	1.40	2.23	0.33	-0.36	0.49	-0.55
- Non food and beverages	0.58	1.85	0.76	1.10	1.38	1.00
Core Consumer Price Index (excluding raw food and energy)	0.74	0.78	0.75	0.60	0.73	0.56
Unemployment Rate	1.5	1.5	1.7	1.6	1.9	1.7
International Trade(million USD)						
- Exports	3,085.3	3,518.3	4,229.7	3,967.9	4,010.8	3,829.6
Δ% year-on-year	4.2	14.4	47.4	19.8	30.0	8.8
- Imports	2,475.4	2,431.2	2,853.0	2,439.0	2,864.6	2,720.9
Δ% year-on-year	10.9	7.2	27.5	-0.8	15.7	11.9
Financial Sector (at the end of period) (Billions baht)						
Overall deposits	1,026.4	1,055.3	1,047.3	1,049.1	1,079.0	1,099.2
Δ% year-on-year	4.7	5.1	4.3	4.9	5.1	4.2
- Deposits of commercial banks	646.2	660.8	654.8	652.1	674.1	682.1
Δ% year-on-year	3.0	3.2	1.9	2.6	4.3	3.2
- Deposits of Specialised Financial Institutions (SFIs)	380.2	394.5	392.4	397.0	404.9	417.0
Δ% year-on-year	7.7	8.4	8.6	8.7	6.5	5.7
Overall loans	1,181.9	1,196.2	1,198.3	1,210.7	1,217.3	1,221.7
Δ% year-on-year	3.3	3.5	3.9	4.8	3.0	2.1
- Loans of commercial banks	688.7	693.5	689.5	695.1	692.9	688.4
Δ% year-on-year	2.2	2.6	2.8	3.7	0.6	-0.7
- Loans of Specialised Financial Institutions (SFIs)	493.2	502.7	508.8	515.5	524.4	533.2
Δ% year-on-year	5.0	4.9	5.5	6.2	6.3	6.1

Remark : e = estimated r = revised n.a. = not available

^{1/} The index has been revised since March 2018.

^{2/} Changing in payment system of the Office of the Basic Education Commission to directly transfer to the officers without passing through Southern Comptroller.

Source : Bank of Thailand, Southern Region Office