

No. 7/2019Press Release on Southern Region's Economic Conditions for the First Quarter of 2019

The overall economic activities in the Southern region in the first quarter of 2019 decelerated. The manufacturing production continued to contract due to weaker foreign demand as a result of global economic slowdown, consistent with the decline in the value of merchandise exports. Moreover, the number of foreign tourists also contracted from the continually decreased number of Chinese tourists. Meanwhile, agricultural production increased from rubber and Vannamei shrimp against the backdrop of falling agricultural prices. Consequently, farm income remained contracted which eventually affected the purchasing power of low-income households. These contributed to the deceleration of private consumption. In contrast, private investment continued to expand, driven by construction and machinery investment. Regarding government spending, it dropped mainly owing to capital spending. On the stability front, the inflation rate slowed down from the previous quarter regarding the sharp fall in retail petroleum prices. The seasonally-adjusted unemployment rate slightly increased from the last quarter.

Details of the economic conditions are as follows;

The value of merchandise exports fell by 9.6 percent from the same period last year. The decrease was mainly due to the softening in major trading partners' demand as a result of an economic slowdown. The contraction was in line with the contraction of **manufacturing production** at 1.6 percent from the same period last year. Processed rubber and processed rubberwood productions declined due to softening demand from China. However, the production and export of processed rubber improved. Rubber glove and canned seafood production continued to expand while the production of crude palm oil slightly contracted because of the high-base effect from seasonal overlap leading to an unusually high level of output. The number of foreign tourists decreased by 1.0 percent from the same period last year following the continually dropping in the number of Chinese tourists. The contraction was affected by the insecurity regarding sea travel in the South, coupled with a weaker outlook for the Chinese economy. The number of Malaysian tourists slowed down after the strong growth in the earlier period. However, Indian tourists continued to rise thanks to the launch of new airline routes to Phuket, together with the visa-onarrival fee exemption.

Agricultural production grew by 1.5 percent from the same period last year from rubber and Vannamei shrimp outputs. Rubber output increased from the expansion of tapping areas whereas Vannamei shrimp' output expanded thanks to favorable weather conditions, together with the low-base effect last year owing to concern about flooding and shrimp disease. However, palm oil production remained subdued as a result of the temporary high-base effect relating to change in weather conditions which led to an unusually high level of output at the beginning of

2018. For agricultural prices, it fell by 8.2 percent following the continually decline in palm oil price due to the high level in Thai and Malaysia crude palm oil stocks. Moreover, Vannamei shrimp price decreased as global output continued to grow. For rubber price, it remained at a stable low level. As a consequent, farm income contracted by 6.8percent.

Private consumption indicators expanded by 0.4 percent from the same period last year, slightly decelerated from the previous quarter. The deceleration was due to the slowdown in spending on tourismrelated services, coupled with the contraction of spending on semi-durable goods, particularly on clothes. Nevertheless, the spending on durable goods continued to grow, partially supported by the government measures to help low-income people. In overall, household income remained unchanged contributing to the gradual expansion of private consumption.

Private investment indicators expanded by 1.8 percent from the same period last year, reflected by an increased value of capital import in the rubber glove, processed rubber and rubberwood industries. Supporting factors also included investment in construction which continually expanded, reflected by the expansion of cement sales and permitted construction areas for residential and hotel buildings. Public spending contracted by 4.7 percent from the same period last year, following the decline in capital spending on central and provincial budgets including disbursement on land and construction of Department of Rural Road. Also, the disbursement on durable articles declined, particularly from provincial and central budgets. Regarding current spending, it slightly decreased by 0.4 percent.

On the stability front, **headline inflation** was at 0.40 percent, declining from 0.76 percent in the previous quarter, reflecting significant fall in retail petroleum prices during the end of December 2018 to the beginning of February 2019. The seasonally-adjusted **unemployment rate** was at 1.5 percent, increasing from 1.3 percent in the last quarter following the higher unemployed workers. Meanwhile, the number of employed workers remained stable following the decrease in agricultural sector' employment while nonagricultural sector' employment rose.

At the end of February 2019, **overall deposit** expanded by 4.5 percent from the same period last year, driven largely by government agencies' savings. The **overall loan** also increased by 5.0 percent from an increase in commercial banks loan due to credit portfolio transferring among some financial institutions. By excluding the transferring, commercial banks loan slightly expanded. The SFIs' loan expanded from long-term credit to farmers.

Bank of Thailand
2 May 2019



	2017	2018				2019
	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	-16.2	-25.4	-14.8	-10.4	-17.5	-6.8
Agricultural Production Index	6.0	15.8	7.1	7.1	-1.9	1.5
Agricultural Price Index	-21.0	-35.6	-20.4	-16.3	-15.9	-8.2
- Rubber (RSS3)	-26.9	-43.7	-27.2	-19.2	-12.3	0.0
- Oil palm (FFB)	-35.1	-35.7	-22.1	-15.5	-24.0	-28.5
- Shrimp (70 pc/kg)	-0.6	-14.5	-20.5	-12.0	-20.0	-12.9
Tourism						
- Number of foreign tourists	12.1	19.0	15.1	11.4	13.1	-1.0
- Occupancy rate (%)	67.8	79.0	73.3	63.2	68.5	81.0
Manufacturing Production Index (MPI)						
- Level	170.5	159.7	157.1	157.2	163.3	157.1
- Δ% year-on-year	13.3	8.1	4.7	-3.0	-4.2	-1.6
Private Consumption Index (PCI)	1.7	0.8	1.7	0.6	0.7	0.4
- Car Index	39.2	9.9	-1.1	-0.3	-10.0	0.6
- Fuel Index	1.1	3.8	-1.1	-2.2	1.5	-4.7
- Household Electricity Index	5.0	7.5	4.7	1.6	2.7	3.4
- Non-durable goods Index	3.6	-1.1	3.8	-0.3	1.5	2.2
- Semi-durable goods Index	-6.9	5.6	8.2	4.9	-1.8	-5.7
- Services Index	18.0	12.3	10.7	12.7	16.3	4.5
Private Investment						
- Private Investment Index (PII) ^{1/}	0.0	2.3	2.0	2.1	2.8	1.8
- Registration of Business Entity (total registration)	213.7	-29.5	16.6	-17.5	-57.3	12.3
- Construction area permitted in municipal zone (12-month moving average)	-27.5	-16.6	-3.0	12.7	13.7	10.7
Fiscal Sector						
- Total disbursement	-21.2	12.2	4.7	3.5	-2.4	-4.7
- Current expenditure	-31.5	11.2	-6.2	-5.3	3.0	-0.4
- Capital expenditure	0.9	13.5	19.6	19.8	-10.3	-10.0
Consumer Price Index (Base Year = 2015)	1.04	0.42	1.13	1.51	0.76	0.40
- Food and beverages	0.49	-0.55	-0.33	-0.07	0.20	0.92
- Non food and beverages	1.38	1.00	1.98	2.42	1.08	0.10
Seasonally-adjusted Unemployment Rate *	1.9	1.7	1.5	1.3	1.3	1.5
International Trade(million USD)						
- Exports	4,005.9	3,828.7	3,728.4	4,065.4	3,623.2	3,460.5
Δ% year-on-year	29.8	9.7	-11.8	2.5	-9.6	-9.6
- Imports	2,864.2	2,722.2	2,663.8	2,712.6	2,835.4	2,820.0
Δ% year-on-year	15.7	11.9	-6.6	11.3	-1.0	3.6
Financial Sector (at the end of period) (Billions baht)						
Overall deposits	1,079.0	1,099.2	1,098.3	1,094.5	1,111.7	1,139.3 **
Δ% year-on-year	5.1	4.2	4.9	4.3	3.0	4.5
- Deposits of commercial banks	674.1	682.1	679.0	673.4	682.1	698.8
Δ% year-on-year	4.3	3.2	3.7	3.3	1.2	3.0
- Deposits of Specialised Financial Institutions (SFIs)	404.9	417.0	419.3	421.0	429.5	440.4
Δ% year-on-year	6.5	5.7	6.9	6.1	6.1	6.8
Overall loans	1,217.3	1,221.7	1,226.8	1,235.9	1,280.8	1,282.3 **
Δ% year-on-year	3.0	2.1	2.4	2.1	5.2	5.0
- Loans of commercial banks	692.9	688.4	685.4	689.5	729.9	728.0
Δ% year-on-year	0.6	-0.7	-0.6	-0.8	5.3	5.2
- Loans of Specialised Financial Institutions (SFIs)	524.4	533.2	541.4	546.5	550.9	554.4
Δ% year-on-year	6.3	6.1	6.4	6.0	5.1	4.8

Remark : e = estimated r = revised n.a. = not available *Seasonally-adjusted by BOT

^{1/} The index has been revised since March 2018. ** The data as of the end of February 2019

Source : Bank of Thailand, Southern Region Office