

No. 13/2017Press Release on Southern Region's Economic Conditions in the Second Quarter of 2017

The overall economic activities of the Southern region in the second quarter of 2017 expanded from the same period last year and the previous quarter, driven mainly by growth in agricultural output, tourism, and exports. Although agricultural output increased, prices decelerated. The number of foreign tourists grew mainly from China. Moreover, exports continually expanded as a result of increased price and external demand. Manufacturing production slightly grew, while private consumption decelerated following a slowdown in discount store sales. However, public investment contracted and private investment remained stable. **On the stability front**, headline inflation slowed down from the previous quarter as a result of lower prices of fresh food and petroleum. Meanwhile, unemployment rate went up from the previous quarter.

Details of the economic conditions are as follows;

Agricultural production rose from the same period last year by 10.8 percent, resulting from favourable weather that raised the output of oil palm and rubber. Meanwhile, Vannamei shrimp output rose at low level as high rainfall. As a result of increased output, prices decelerated. Therefore, **farm income** rose by 19.2 percent, slowed down from the previous quarter.

The number of foreign **tourists** rose mainly from Chinese that robustly recovered after imposing the regulation on illegitimate tour operators last year. In addition, Russian and European tourists also grew. Malaysian tourists slightly rose due partly to Hari Raya festival at the end of the quarter. Consequently, the overall number of foreign tourists grew by 7.0 percent, in line with the number of international flights that increased in both Andaman coast and the Gulf of Thailand.

The value of exports continued to expand at a sustained pace of 47.4 percent, partly from increased price and external demand for frozen and processed seafood, rubber glove, and rubber wood processing. However, rubber product exports declined, resulting from high rubber stocks level in China. Meanwhile, canned seafood exports remained contracted, led to slightly increase in **manufacturing production** at 0.8 percent.

Private consumption indicators showed a growth of 1.6 percent from the same period last year. The growth was lifted by accelerated spending on durable goods since the farm income was higher than last year. Moreover, spending on semi-durable goods also increased for replacement after flood. However, spending on consumer goods and services slowed down, especially in discount stores, partly due to household cautiousness on spending (mainly from non-farm income consumers).

Public spending declined by 33.2 percent in both current and capital expenditure. Capital expenditure contracted from lower investment projects by local administrations, Department of

Highways, and Department of Rural Roads. Meanwhile, current expenditure, excluding salary payment, declined because of expedited disbursement in the previous quarter by the Internal Security Operations Command, together with high-base effect from the projects of living standard improvement at sub-district level.

Private investment remained flat. The investment in real estate and construction sector contracted as reflected by decreased permitted construction areas for residential construction in municipal zone and cement sales. This was due mainly to high housing backlog, together with low absorption rate. However, investment in machinery and equipment improved as well as pickup truck purchase.

On the stability front, **headline inflation** was lower at 0.57 percent from 1.99 percent in the previous quarter, driven mainly by cost factors. During the quarter, the prices of vegetable and fruit decreased as a result of high-base effect from the drought last year. In addition, domestic petroleum price decelerated. Employment slightly slowed down from reduction in non-farm employment. However, employment in rubber and oil palm plantation rose. This resulted in higher unemployment rate at 1.65 percent from 1.45 percent in the previous quarter.

At the end of the second quarter of 2017, **deposits** of commercial banks grew by 1.9 percent as a result of increased savings account. Meanwhile, commercial banks **loans** expanded at 2.8 percent largely from business loans, particularly loans for wholesale and retail, whereas loans for accommodation, manufacturing, and construction decelerated. However, loan for rubber production industry continued to expand. For households, consumer loan grew but housing loan contracted at a faster pace.

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BANK OF THAILAND

Table Attached to Press Release on Southern Region's Economic Conditions for the Second Quarter 2017

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	2016				2017	
	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 2
The Real Sector (Δ% year-on-year, unless otherwise stated)						
Farm Income Index	-20.3	-6.4	17.4	31.8	48.0	19.2
Agricultural Production Index	1.7	-12.2	-3.3	-8.4	-10.2	10.8
Agricultural Price Index	-21.6	6.5	21.4	43.8	64.8	7.5
- Rubber (US\$3)	-27.7	3.0	14.5	56.8	98.7	16.7
- Oil palm (FFB)	-12.1	20.0	50.7	25.6	7.8	-19.2
- Shrimp (70 pc/kg)	-2.7	5.8	12.0	12.3	15.8	2.6
Fishery Production						
- Fishery production loaded at ports	-11.0	-15.2	-4.6	-25.4	-21.1	-1.4
- Shrimp production	21.3	22.5	23.1	3.5	-30.4	5.7
Number of Foreign Tourists	17.0	6.7	12.9	0.8	-1.2	7.0
Manufacturing Production Index (MPI)	2.5	0.4	1.8	0.1	0.0	0.8
Private Consumption Index (PCI)	4.2	5.7	5.6	4.3	2.9	1.6
- Car Index	7.8	4.9	4.2	0.9	3.0	29.8
- Fuel Index	6.7	5.5	5.4	2.4	-0.7 ^f	-0.0 ^e
- Household Electricity	10.8	8.4	4.8	1.6	-2.7 ^f	-6.8 ^e
- Sales of consumer goods and services ^{1/}	9.0	13.1	13.2	10.3	7.2	3.7
Private Investment						
- Private Investment Index (PII)	-2.1	-2.6	-2.4	-1.3	-2.4	-0.2
- Promotional privileges from Board of Investment (Δ% of total investment)	-55.4	101.0	-62.2	-16.3	48.6	-27.3
- Registration of Business Entity (Δ% of total registration)	43.8	-20.2	35.4	49.5	20.1	40.1
- Construction area permitted in municipal zone (12-month moving average)	-27.1	-22.7	-16.4	0.2	-1.8	-2.5
Fiscal Sector						
- Tax revenue	3.4	9.9	0.9	-1.6	-1.5	10.6
- Total disbursement ¹⁾	7.3	9.3	1.2	8.3	-23.8	-33.2
Consumer Price Index^{2/}	-0.81	0.18	0.40	0.91	1.99	0.57
- Food and beverages	0.57	2.11	1.90	1.40	2.23	0.33
- Non food and beverages	-1.70	-1.06	-0.58	0.58	1.85	0.76
Core Consumer Price Index (excluding raw food and energy)	0.43	0.55	0.71	0.74	0.78	0.75
Unemployment Rate	1.21	1.61	1.14	1.50	1.45	1.65
International Trade(million USD)						
- Exports	3,077.5	2,893.7	3,329.7	3,075.2	3,518.3	4,229.7
Δ% year-on-year	1.0	-13.6	12.1	3.7	14.4	47.4
- Imports	2,268.8	2,231.3	2,452.4	2,475.1	2,431.22	2,853.04
Δ% year-on-year	-11.0	-19.3	8.1	10.9	7.2	27.5
Financial Sector (at the end of period) (Billions baht)						
Overall deposits	1004.4	1004.1	1000.5	1026.4	1055.3	n.a.
Δ% year-on-year	n.a.	4.4	4.3	4.7	5.1	n.a.
- Deposits of commercial banks	640.5	642.7	635.4	646.2	660.8	n.a.
Δ% year-on-year	1.0	2.8	2.9	3.0	3.2	n.a.
- Deposits of Specialised Financial Institutions (SFIs)	363.9	361.5	365.1	380.2	394.5	n.a.
Δ% year-on-year	n.a.	7.3	6.7	7.7	8.4	n.a.
Overall loans	1155.5	1153.0	1155.5	1181.9	1196.2	n.a.
Δ% year-on-year	n.a.	3.2	2.1	3.3	3.5	n.a.
- Loans of commercial banks	676.2	670.8	670.3	688.7	693.5	n.a.
Δ% year-on-year	3.3	0.9	-0.1	2.2	2.6	n.a.
- Loans of Specialised Financial Institutions (SFIs)	479.3	482.2	485.2	493.2	502.7	n.a.
Δ% year-on-year	n.a.	6.5	5.5	5.0	4.9	n.a.

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

¹⁾ Changing in payment system of the Office of the Basic Education Commission to directly transfer to the officers without passing through Southern Comptroller

²⁾ changing base year from 2011 to 2015

Source : Bank of Thailand, Southern Region Office