

**No. 12/2018****Press Release on Southern Region's Economic Conditions for the Second Quarter of 2018**

The overall economic activities in the Southern region in the second quarter of 2018 decelerated from the previous quarter. Agricultural production significantly slowed down, coupled with decreased prices. Manufacturing production also decelerated due to the shortage of raw material; seafood and oil palm. Moreover, the strictness on environmental restriction in China lowered the demand from Chinese market. The slowdown in tourism was due to the postponement of travel, especially Russian and European, during the 2018 FIFA World Cup period. However, private consumption continued to grow, partly due to the minimum wage raised since April 2018. Public investment also expanded, whereas private investment slightly decelerated. **On the stability front**, inflation rose, driven by higher energy, while the seasonally-adjusted unemployment rate declined from the previous quarter.

Details of the economic conditions are as follows;

The number of foreign tourists registered a growth of 15.1 percent from the same period last year, but slowed down from the previous quarter mainly from European and Malaysian tourists. Meanwhile, Russian tourists slightly dropped due to the postponement of travel during the 2018 FIFA World Cup period. However, the tourists from China and other Asian countries continually rose. When considering by area, tourism in Andaman coast and southern border grew, whereas tourism in the Gulf of Thailand contracted.

The value of **merchandise exports** dropped by 11.9 percent from the same period last year. When the aircraft, petroleum platform, ship and rail excluded, the value of merchandise exports expanded by 5.2 percent in both prices and quantity, supported by the external demand expansion. The increase in exports value drove the manufacturing production to increase as well by 4.6 percent. The production of processed rubber grew due to the continued demand, coupled with the end of the curb of natural rubber exports. The production of canned seafood also increased on the back of trading partners' economic recovery and the slowdown in tuna price. The rubber glove production continually rose due to rising demand from Chinese market. However, the shortage of seafood supply, especially shrimp and cuttlefish, and the losing of competitiveness lowered the production of frozen and process seafood. Moreover, the processed rubberwood production contracted, affected by the strictness on environmental restriction in China that caused the shutdown of processing rubberwood factories in China.

Agricultural production increased by 6.0 percent from the same period last year, mainly from rubber production due to the increased tapping areas and favourable weather. In contrast, oil palm production went down as the season pattern temporarily changed from last year, whereas Vannamei shrimp also declined following the downward global price. The **agricultural prices** dropped by 20.7 percent in all major crops. The rubber price decreased due to excessive supply and high base effect from the flood during the beginning of 2017. The Vannamei shrimp

price significantly dropped after the surge of supply. Oil palm price also declined as the global price rose, together with the high palm oil stock in Thailand. As a result, **farm income** contracted by 15.9 percent.

Private consumption indicators expanded by 1.6 percent from the same period last year, accelerating from the preceding quarter. The spending on services relating to tourism continued to expand. Moreover, semi-durable goods consumption also increased, in particular electronic appliances and sports equipment, as well as clothing due partly to accelerated consumption prior the semester start. The non-durable goods consumption turned positive by expanding at 3.6 percent as the consumption on food rose. The higher consumption was due partly to the minimum wage raised since April, 2018. However, the spending on automotives dropped by 1.1 percent owing to the higher prior consumption. Nevertheless, the household purchasing power remained weak due to negative farm income and high level of household debt.

Private investment indicators expanded by 1.9 percent from the same period last year, slightly decelerated from the preceding quarter. Domestic machinery and equipment sales grew by 15.4 percent, mainly for construction, agricultural activities, and food and beverages production. Moreover, cement sales rose by 2.3 percent, coupled with less contraction of permitted construction areas for housing and hotel. However, the investment in manufacturing sector declined, reflected by the imported value of capital goods.

Public spending increased by 4.7 percent from the same period last year, mainly from capital spending which rose by 19.6 percent due to increased disbursement of land and construction budget, durable goods budget, and specific-purpose subsidy for roads, waterworks, and child development centre maintenance. In contrast, current spending declined by 6.2 percent following the disbursement of general-purpose subsidy and compensation for employees.

On the stability front, **headline inflation** was at 1.13 percent, accelerating from 0.43 percent in the previous quarter, as a result of higher prices of retail petroleum and Liquid Petroleum Gas (LPG). Moreover, the price of aquatic animals also went up due to lower supply. The seasonally-adjusted **unemployment rate** was at 1.5 percent, declining from the previous quarter as the non-agricultural employment rose.

At the end of the second quarter of 2018, overall **deposits**, both commercial banks and Specialised Financial Institutions (SFIs), expanded by 4.9 percent from the same period last year, mainly from savings account. The overall **loan** also increased by 2.4 percent due to the expansion of SFIs' loan, particularly the long-term credit to farmers and housing loan.

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

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	2017				2018	
	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 2
The Real Sector ($\Delta\%$ year-on-year, unless otherwise stated)						
Farm Income Index ^r	45.3	14.1	-7.7	-17.7	-21.4	-15.9
Agricultural Production Index	-9.1	8.2	1.0	4.2	22.1	6.0
Agricultural Price Index	59.8	5.4	-8.6	-20.9	-35.7	-20.7
- Rubber (RSS3)	98.7	16.7	-2.1	-26.9	-43.7	-27.2
- Oil palm (FFB)	7.8	-19.2	-34.0	-35.2	-35.7	-22.1
- Shrimp (70 pc/kg)	15.8	2.7	-2.9	-0.6	-14.5	-20.5
Fishery Production						
- Fishery production loaded at ports	-21.1	-1.4	-10.9	-12.6	n.a.	-19.4
- Shrimp production	-30.4	5.7	-4.1	9.9	34.9	-10.2
Number of Foreign Tourists	-1.2	7.0	-1.6	12.1	19.0	15.1
Manufacturing Production Index (MPI)	0.1	0.9	12.1	13.3	8.1	4.7
Private Consumption Index (PCI) ^r	-0.3	-0.1	1.4	0.8	0.7	1.6
- Car Index	4.8	29.6	21.7	40.1	9.7	-1.1
- Fuel Index	-0.8	1.9	2.7	1.1	5.1 ^e	-1.4
- Household Electricity Index	-2.7	-3.4	4.6	5.0	7.2 ^e	5.0
- Non-durable goods Index	-3.3	-4.1	-0.8	-0.5	-1.8	3.6
- Semi-durable goods Index	4.4	-0.6	5.1	-6.8	4.5 ^e	7.8 ^e
- Services Index	5.4	12.7	24.1	17.4	12.3	10.8
Private Investment						
- Private Investment Index (PII) ^{1/}	-2.8	-2.0	0.3	0.0	2.3	1.9
- Promotional privileges from Board of Investment (total investment)	48.6	-27.3	169.8	-24.0	67.0	n.a.
- Registration of Business Entity (total registration)	20.1	40.1	53.8	213.7	-29.5	16.6
- Construction area permitted in municipal zone (12-month moving ave	5.8	-12.5	-25.9	-27.5	-16.7	-2.8
Fiscal Sector						
- Tax revenue	-1.5	10.6	4.8	2.8	6.8	-5.3
- Total disbursement ^{2/}	-23.8	-33.2	-14.2	-21.2	12.2	4.7
Consumer Price Index (Base Year = 2015)	1.99	0.57	0.52	1.04	0.42	1.13
- Food and beverages	2.23	0.33	-0.36	0.49	-0.55	-0.33
- Non food and beverages	1.85	0.76	1.10	1.38	1.00	1.98
Core Consumer Price Index (excluding raw food and energy)	0.78	0.75	0.60	0.73	0.56	0.45
Sesonally-adjusted Unemployment Rate *	1.5	1.7	1.6	1.9	1.7	1.5
International Trade(million USD)						
- Exports	3,518.3	4,229.7	3,967.9	4,010.8	3,829.6	3,727.1
$\Delta\%$ year-on-year	14.4	47.4	19.8	30.0	8.8	-11.9
- Imports	2,431.2	2,853.0	2,439.0	2,864.6	2,720.9	2,662.7
$\Delta\%$ year-on-year	7.2	27.5	-0.8	15.7	11.9	-6.6
Financial Sector (at the end of period) (Billions baht)						
Overall deposits	1,055.3	1,047.3	1,049.1	1,079.0	1,099.2	1,098.3
$\Delta\%$ year-on-year	5.1	4.3	4.9	5.1	4.2	4.9
- Deposits of commercial banks	660.8	654.8	652.1	674.1	682.1	679.0
$\Delta\%$ year-on-year	3.2	1.9	2.6	4.3	3.2	3.7
- Deposits of Specialised Financial Institutions (SFIs)	394.5	392.4	397.0	404.9	417.0	419.3
$\Delta\%$ year-on-year	8.4	8.6	8.7	6.5	5.7	6.9
Overall loans	1,196.2	1,198.3	1,210.7	1,217.3	1,221.7	1,226.8
$\Delta\%$ year-on-year	3.5	3.9	4.8	3.0	2.1	2.4
- Loans of commercial banks	693.5	689.5	695.1	692.9	688.4	685.4
$\Delta\%$ year-on-year	2.6	2.8	3.7	0.6	-0.7	-0.6
- Loans of Specialised Financial Institutions (SFIs)	502.7	508.8	515.5	524.4	533.2	541.4
$\Delta\%$ year-on-year	4.9	5.5	6.2	6.3	6.1	6.4

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

^{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