

No. 18/2017Press Release on Southern Region's Economic Conditions for the Third Quarter of 2017

The overall economic activities of the Southern region in the third quarter of 2017 expanded from the same period last year and the previous quarter, as a result of the continued expansion of exports due to higher foreign demand which was consistent with manufacturing production. The current public spending excluding salary payment increased. However, farm income contracted mainly by the decline in prices. Tourism posted slightly negative growth owing to the number of Malaysian tourists in the Southern-border provinces. **On the stability front**, headline inflation remained stable compared to the previous quarter from the lower prices of fresh food, whereas energy prices rose. Meanwhile, unemployment rate went up from the previous quarter.

Details of the economic conditions are as follows;

**The value of exports** expanded by 19.8 percent from the same period last year. By excluding aircraft, petroleum platform, ship, and rail, the value of exports continued to improve from the previous quarter with a growth of 21.8 percent and was in line with the **manufacturing production** which grew by 12.1 percent. The production and exports of rubber, rubber glove, and processed rubber wood increased through higher foreign demand. Processed rubber and rubber wood exports rose due largely to the demand for cars and the urbanisation in China. Meanwhile, the exports of frozen and processed seafood grew from the demand in Japanese market especially in fish products. For crude palm oil, the production continually rose as output increased. However, canned seafood exports stayed flat. Although the exports to the South Africa rose, the exports to Egypt contracted from the US dollar settlement control policy.

**Private consumption indicators** showed an uptick with a growth of 1.1 percent from the same period last year due mainly to an increase in services expenses as well as the spending on durable and semi-durable goods. The spending on non-durable goods improved from the previous quarter although it remained negative resulting from low farm income.

**Private investment indicators** marginally expanded at 0.7 percent, driven by an increase in imports of machinery and equipment used in processed rubber and palm oil industries, together with the continued expansion of pickup truck sales. However, permitted construction areas for housing decreased which was consistent with the low investment in **real estate sector**.

**Farm Income** contracted by 7.4 percent from the same period last year, owing to agricultural prices reduction. The lower rubber price was the effect of the significant price drop at the beginning of the quarter as high level of rubber stock in China. Nevertheless, the rubber price had showed an improvement at the end of the quarter. While an increase in oil palm output caused the oil palm price to be decreased, Vannamei shrimp price declined due to high base effect from the disease

problem last year. For agricultural production, it increased by 1.6 percent chiefly from rubber and oil palm outputs. The rubber output rose due to tapping area expansion and favourable weather. Nevertheless, the Vannamei shrimp output decreased because of delayed crops after heavily rain.

**The number of foreign tourists** registered a negative growth of 1.6 percent from the same period last year as the Malaysian tourists in Southern-border provinces declined due mainly to the depreciation of Malaysian Ringgit. However, the tourists in the Andaman coast and the Gulf of Thailand kept increasing which was partly due to the launch of new airline routes such as Khunming-Phuket and Istanbul-Phuket.

**Public spending** continued to decline by 14.2 percent from the same period last year, but it rose by 11.5 percent after the salary payment exclusion. The increase was due to the budget of sustainable development in agricultural sector. Meanwhile the investment spending declined from the construction budget of the Department of Local Administration. However, the disbursement under the provincial cluster project continued to increase.

On the stability front, **headline inflation** remained stable at 0.52 percent, driven mainly by the decrease of fresh food prices since vegetable and fruit prices continually declined as more output was supplied to the market due to favourable weather. Meanwhile, energy prices rose as a result of the persistent increase of petroleum price and the increase of both LPG and electricity prices at the end of the quarter. Regarding employment, it dropped by 1.8 percent from the same period last year, driven mainly by the contraction of the agricultural employment since the agricultural prices remained low. The employment in non-agricultural sector posted a slight decrease from the reduction in construction and commercial sectors' employment. Meanwhile, the employment in manufacturing and services sectors continually expanded. Thus, the **unemployment rate** was at 1.59 percent, increasing from the same period last year.

At the end of the third quarter of 2017, **deposits** of commercial banks grew by 2.6 percent. Commercial banks **loans** expanded at 3.7 percent largely from business loans, particularly loans for rubber manufacturing. For households, loan slightly grew mainly from consumer loan.

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**BANK OF THAILAND**

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

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	2016			2017		
	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 2	Quarter 3
<b>The Real Sector (<math>\Delta\%</math> year-on-year, unless otherwise stated)</b>						
<b>Farm Income Index</b> <sup>r</sup>	0.8	24.6	32.9	45.6	8.0	-7.4
<b>Agricultural Production Index</b>	-7.2	1.1	-5.4	-9.2	2.4	1.6
<b>Agricultural Price Index</b>	8.6	23.2	40.5	60.4	5.4	-8.8
- Rubber (US\$3)	3.0	14.6	56.8	98.7	16.7	-2.1
- Oil palm (FFB)	19.9	50.5	25.5	7.9	-19.2	-33.9
- Shrimp (70 pc/kg)	5.8	12.0	12.3	15.8	2.7	-2.9
<b>Fishery Production</b>						
- Fishery production loaded at ports	-15.2	-4.6	-25.4	-21.1	-1.4	n.a.
- Shrimp production	22.5	23.1	3.5	-30.4	5.7	-4.1
<b>Number of Foreign Tourists</b>	6.7	12.9	0.8	-1.2	7.0	-1.6
<b>Manufacturing Production Index (MPI)</b>	0.4	-1.3	0.2	0.1	0.9	12.1
<b>Private Consumption Index (PCI)</b> <sup>r</sup>	1.0	1.3	0.3	-0.3	-0.4	1.1 <sup>e</sup>
- Car Index	5.1	5.3	1.4	5.2	29.6	12.4 <sup>e</sup>
- Fuel Index	5.7	5.5	2.5	-0.7	2.0	4.0
- Household Electricity Index	8.4	4.8	1.6	-2.7	-3.2	4.3
- Non-durable goods Index	1.2	2.3	-1.3	-4.0	-5.0	-1.2
- Semi-durable goods Index	-1.1	0.9	8.4	11.8	-3.1	4.6
- Durable goods Index	9.1	11.5	4.5	4.8	12.2	23.3 <sup>e</sup>
<b>Private Investment</b>						
- Private Investment Index (PII)	-2.9	-2.9	-1.9	-2.4	0.1	0.7
- Promotional privileges from Board of Investment	101.0	-62.2	-16.3	48.6	-27.3	169.8
- Registration of Business Entity	-20.2	35.4	49.5	20.1	40.1	53.8
- Construction area permitted in municipal zone (12-month moving average)	-23.8	-20.7	-7.1	-2.9	-1.0	-1.2
<b>Fiscal Sector</b>						
- Tax revenue	9.9	0.9	-1.6	-1.5	10.6	4.8
- Total disbursement <sup>1)</sup>	9.3	1.2	8.3	-23.8	-33.2	-14.2
<b>Consumer Price Index</b> <sup>2/</sup>	0.18	0.40	0.91	1.99	0.57	0.52
- Food and beverages	2.11	1.90	1.40	2.23	0.33	-0.36
- Non food and beverages	-1.06	-0.58	0.58	1.85	0.76	1.10
<b>Core Consumer Price Index (excluding raw food and energy)</b>	0.55	0.71	0.74	0.78	0.75	0.60
<b>Unemployment Rate</b>	1.61	1.14	1.50	1.45	1.65	1.59
<b>International Trade(million USD)</b>						
- Exports	2,870.0	3,311.6	3,085.3	3,518.3	4,229.7	3,967.9
$\Delta\%$ year-on-year	-14.3	11.5	4.2	14.4	47.4	19.8
- Imports	2,237.6	2,457.5	2,475.35	2,431.22	2,853.04	2,439.04
$\Delta\%$ year-on-year	-19.3	8.1	10.9	7.2	27.5	-0.8
<b>Financial Sector (at the end of period) (Billions baht)</b>						
<b>Deposits of commercial banks</b>	642.7	635.4	646.2	660.8	654.8	652.1
$\Delta\%$ year-on-year	2.8	2.9	3.0	3.2	1.9	2.6
<b>Loans of commercial banks</b>	670.8	670.3	688.7	693.5	689.5	695.1
$\Delta\%$ year-on-year	0.9	-0.1	2.2	2.6	2.8	3.7

Remark : e = estimated r = revised indices

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

<sup>2/</sup> changing base year from 2011 to 2015

Source : Bank of Thailand, Southern Region Office