

**No. 17/2018****Press Release on Southern Region's Economic Conditions for the Third Quarter of 2018**

The overall economic activities in the Southern region in the third quarter of 2018 expanded at a slower pace from the previous quarter. The major merchandise exports contracted due mainly to price drop. Manufacturing production also declined. Meanwhile, agricultural production decelerated, whereas the prices remained low, resulted in low farm income which dampened private consumption. Tourism slowed down from Chinese tourist reduction after Phuket tour boat incident. However, both public and private investment increased, partly supported by expansion in real estate sector. **On the stability front**, inflation rose, driven by higher energy prices. The seasonally-adjusted unemployment rate declined from the previous quarter.

Details of the economic conditions are as follows;

The number of foreign tourists showed a growth of 11.4 percent from the same period last year, although at a slower pace from previous quarter from the decrease in number of Chinese and Russian tourists. The number of Chinese tourists declined affected by Phuket tour boat incident on July 2018, whereas the number of Russian tourists dropped caused by Russian ruble depreciation after the US sanction. However, the number of Malaysian, Asian (excluding Chinese), and European expanded. When considering by area, tourism in southern border expanded. The tourism in Andaman coast significantly slowed down. The tourism in the Gulf of Thailand contracted.

The value of **merchandise exports** grew at 2.5 percent from the same period last year. Excluding aircraft, petroleum platform, ship and rail, the value of merchandise exports contracted at 5.5 percent mainly from declining price. The merchandise exports fell in most major categories, contributed to the decline in **manufacturing production** at 3.0 percent. The production of processed rubber declined as the trade tensions between China and the US lowered the sentiment and the demand from major trading partners. The decline in processed and frozen seafood was from shortage of seafood supply and a decline in its international competitiveness. The production of crude palm oil (CPO) decreased attributable to low oil palm supply. Meanwhile, the production of processed rubberwood and products continued to decline due mainly to the processing rubberwood factories in China causing by strictness on environmental restriction in China. Nevertheless, canned seafood production showed continual increase following the higher demand from trading partners.

Agricultural production increased at 4.0 percent from the same period last year, although at a slower pace from the previous quarter. Oil palm production declined due mainly to adverse weather conditions, as well as Vannamei shrimp production. The rubber production, conversely, increased from expanding tapping areas and favourable weather. The **agricultural prices** contracted at 16.5 percent in all major products. The rubber price decreased caused by trade

tensions between China and the US that weighed on the investor sentiment, coupled with higher Shanghai stock. Vannamei shrimp price dropped due to oversupply particularly from India. Meanwhile, Palm oil price declined following the global price and high stock in Thailand. As a result, **farm income** contracted at 13.2 percent.

Private consumption indicators registered a growth of 0.6 percent from the same period last year. The growth was slower from the previous quarter from decreasing spending on consumer goods and vehicles, namely motorcycles and pickup truck. The decline in spending was partly due to farm income contraction. However, the spending on semi-durable goods, particularly electrical appliances, and on services relating tourism sector expanded.

Private investment indicators expanded at 0.6 percent from the same period last year, decelerating from the preceding quarter. Investment in machinery and equipment rose from domestic machinery and equipment sales for construction. Moreover, permitted construction areas for housing and hotel also increased. However, the imported value of capital goods declined.

Public spending increased at 3.5 percent from the same period last year, mainly from capital spending which rose at 19.8 percent as the disbursement on land and construction, durable goods and specific purpose subsidy increased. However, the current spending declined at 5.3 percent from lower disbursement on general purpose subsidy due to last year's high base effect stemming from accelerated spending on agricultural development projects.

On the stability front, **headline inflation** was at 1.51 percent, increasing from 1.13 percent in the previous quarter, as a result of higher prices of energy. The seasonally-adjusted **unemployment rate** was at 1.2 percent, declining from the previous quarter as the number of the labours who had never worked dropped.

At the end of the third quarter of 2018, overall **deposits** expanded at 4.3 percent from the same period last year as savings account, fixed account, and savings bond increased. The overall **loan** also increased at 2.1 percent due to the expansion of SFIs' loan, particularly the long-term credit to farmers and mortgage loan. However, the commercial banks' loan dropped due to the decline in promissory note.

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Table Attached to Press Release on Southern Region's Economic Conditions for the Third Quarter of 2018

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	2017			2018		
	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 2	Quarter 3
The Real Sector (Δ% year-on-year, unless otherwise stated)						
Farm Income Index ¹	14.1	-7.7	-17.7	-21.4	-13.6	-13.2
Agricultural Production Index	8.2	1.0	4.2	22.1	8.9	4.0
Agricultural Price Index	5.4	-8.6	-20.9	-35.7	-20.7	-16.5
- Rubber (RSS3)	16.7	-2.1	-26.9	-43.7	-27.2	-19.2
- Oil palm (FFB)	-19.2	-34.0	-35.2	-35.7	-22.1	-15.5
- Shrimp (70 pc/kg)	2.7	-2.9	-0.6	-14.5	-20.5	-12.0
Fishery Production						
- Fishery production loaded at ports	-1.4	-10.9	-12.6	n.a.	-19.4	25.7
- Shrimp production	5.7	-4.1	9.9	34.9	-9.7	-2.1
Number of Foreign Tourists	7.0	-1.6	12.1	19.0	15.1	11.4
Manufacturing Production Index (MPI)	0.9	12.1	13.3	8.1	4.7	-3.0
Private Consumption Index (PCI) ^r	-0.1	1.4	0.8	0.7	1.6	0.6
- Car Index	29.6	21.7	40.1	9.7	-1.1	-0.6
- Fuel Index	1.9	2.7	1.1	5.1e	-1.1	-1.6 ^e
- Household Electricity Index	-3.4	4.6	5.0	7.2e	4.6	2.7e
- Non-durable goods Index	-4.1	-0.8	-0.5	-1.8	3.6	-0.1
- Semi-durable goods Index	-0.6	5.1	-6.8	4.5e	8.0	7.3 ^e
- Services Index	12.7	24.1	17.4	12.3	10.7	9.5 ^e
Private Investment						
- Private Investment Index (PII) ^{1/}	-2.0	0.3	0.0	2.3	1.9	2.0
- Promotional privileges from Board of Investment (total investment)	-27.3	169.8	-24.0	67.0	n.a.	n.a.
- Registration of Business Entity (total registration)	40.1	53.8	213.7	-29.5	16.6	-17.5
- Construction area permitted in municipal zone (12-month moving average)	-12.5	-25.9	-27.5	-16.7	-3.0	13.0
Fiscal Sector						
- Tax revenue	10.6	4.8	2.8	6.8	-5.3	8.0
- Total disbursement ^{2/}	-33.2	-14.2	-21.2	12.2	4.7	3.5
Consumer Price Index (Base Year = 2015)	0.57	0.52	1.04	0.42	1.13	1.51
- Food and beverages	0.33	-0.36	0.49	-0.55	-0.33	-0.07
- Non food and beverages	0.76	1.10	1.38	1.00	1.98	2.42
Core Consumer Price Index (excluding raw food and energy)	0.75	0.60	0.73	0.56	0.45	0.49
Seasonally-adjusted Unemployment Rate *	1.7	1.6	1.9	1.7	1.5	1.2
International Trade(million USD)						
- Exports	4,229.7	3,967.9	4,010.8	3,829.6	3,727.1	4,065.4
Δ% year-on-year	47.4	19.8	30.0	8.8	-11.9	2.5
- Imports	2,853.0	2,439.0	2,864.6	2,720.9	2,662.7	2,712.6
Δ% year-on-year	27.5	-0.8	15.7	11.9	-6.6	11.3
Financial Sector (at the end of period) (Billions baht)						
Overall deposits	1,047.3	1,049.1	1,079.0	1,099.2	1,098.3	1,094.5
Δ% year-on-year	4.3	4.9	5.1	4.2	4.9	4.3
- Deposits of commercial banks	654.8	652.1	674.1	682.1	679.0	673.4
Δ% year-on-year	1.9	2.6	4.3	3.2	3.7	3.3
- Deposits of Specialised Financial Institutions (SFIs)	392.4	397.0	404.9	417.0	419.3	421.0
Δ% year-on-year	8.6	8.7	6.5	5.7	6.9	6.1
Overall loans	1,198.3	1,210.7	1,217.3	1,221.7	1,226.8	1,235.9
Δ% year-on-year	3.9	4.8	3.0	2.1	2.4	2.1
- Loans of commercial banks	689.5	695.1	692.9	688.4	685.4	689.5
Δ% year-on-year	2.8	3.7	0.6	-0.7	-0.6	-0.8
- Loans of Specialised Financial Institutions (SFIs)	508.8	515.5	524.4	533.2	541.4	546.5
Δ% year-on-year	5.5	6.2	6.3	6.1	6.4	6.0

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