

No. 2/2018Press Release on Southern Region's Economic Conditions for the Fourth Quarter of 2017

The overall economic activities in the Southern region in the fourth quarter of 2017 expanded both from the same period last year and the previous quarter. Tourism expanded robustly from Chinese tourists. Meanwhile, foreign demand continued to increase which also led manufacturing production and exports to grow. In addition, capital spending of public sector slightly rose. However, private consumption slowed down from the preceding quarter, pressured by the contraction of farm income and household debt level. Private investment contracted following a decrease in construction and real estate investment. **On the stability front**, inflation accelerated from the past quarter, owing to vegetable and fruit prices and retail petroleum price. Meanwhile, the unemployment rate rose from the previous quarter which was in line with a decrease in employment.

Details of the economic conditions are as follows;

Exports value expanded from the same quarter last year, with a growth of 30.0 percent. By excluding aircraft, petroleum platform, ship, and rail, the value of exports expanded by 20.7 percent, accelerated from the previous quarter following an increase in foreign demand, in accordance with the **manufacturing production** which expanded by 13.3 percent. The production and exports of rubber-related goods increased including processed rubberwood and products, rubber glove, especially processed rubber which was supported by continued demand from China and Malaysia. Also, the production of Crude Palm Oil (CPO) expanded robustly, due to the raw material. The lower CPO price than Malaysia's market price was a supportive factor enabling the export of CPO via customs in Southern region to be at high level of 160,000 tons approximately. However, the production and exports of seafood industry dropped. The production and exports of processed and frozen seafood decreased both shrimp, fish, particularly squid. Regarding canned seafood, the production and exports contracted, owing to economic problem and the unrest in the Middle East.

The number of foreign tourists increased from the same period last year by 12.1 percent. The tourism in the Andaman coast and the Gulf of Thailand expanded, mostly from Chinese tourists, as a partial result of low base effect from the government's regulation on illegal tour operators. Also, the number of Russian and European tourists increased. Meanwhile, the number of foreign tourists in Southern-border area declined, due to Malaysian tourists. Nevertheless, at the end of the quarter, tourism expanded in every area.

Agricultural production expanded by 4.2 percent from the same period last year. Oil palm output largely increased from the favourable weather condition. Meanwhile, the Vannamei shrimp output rose as shrimp farming was more efficient including an early harvest during October to November. However, rubber output decreased. Regarding the agricultural price, it contracted by 20.6 percent as each agricultural price fell, especially oil palm which price decreased following an increase

in output and high level of Thai CPO stock. Also, rubber price declined by cause of a high base effect which was a partial result of the slowdown vehicle sales in China along with an increase in Shanghai and Qingdao' rubber stock. Thus, farm income contracted by 17.2 percent.

Private consumption indicators expanded by 0.7 percent compared to the same period last year, and decelerated from the preceding quarter which was at 1.3 percent, as a result of the contraction of spending on semi-durable and non-durable goods which was pressured by weak purchasing power, since household debt maintained at high level and the volatility of income level. However, the spending on durable goods which was reflected by car registration accelerated from the previous quarter, partially supported by demand for new models. In addition, the spending on services involving tourism and transportation well expanded.

Private investment indicators contracted by 1.6 percent compared to the same period last year following the decrease of investment in the construction and real estate sectors which most developers still delayed the investment, reflected by the decrease in cement sales and permitted residential construction areas in municipal zone. In addition, import of capital goods in machinery and equipment category dropped, particularly in the processed seafood industry. However, commercial car registration continued to increase.

Public spending contracted by 21.2 percent compared to the same period last year. By excluding salary payment, it exhibited a negative annual growth of 4.9 percent. Current spending reduced following the reduction of the central budget which was a result of high base effect in the last year. The high base effect was from the greater disbursement of the following projects: Project to enhance villages' potential and strengthen grass-root economy under People's State approach and Project for improvement of living standards in the southern border area. Nevertheless, capital spending slightly increased, mainly from the operational budget' disbursement by educational institutions.

On the stability front, **headline inflation** was at 1.04 percent, accelerated from the previous month which was at 0.52 percent as vegetable and fruit prices increased after crops had been damaged by rainfall, coupled with energy price which continued to expand from the previous quarter following global crude oil price. The **unemployment rate** was at 1.9 percent, rose from the preceding quarter which was at 1.6 percent, owing to a decrease in the employment in the agricultural sector.

At the end of the fourth quarter of 2017, overall **deposits** of commercial banks and Specialised Financial Institutions (SFIs) expanded by 5.1 percent compared to the same period last year following an increase of both savings and fixed-deposit accounts. Regarding overall **loan**, it increased by 3.0 percent whereby the increase of commercial banks' loan was mainly attributed to consumption loan.

Bank of Thailand, Southern Region Office
2 February 2018



	2016		2017			
	Quarter 3	Quarter 4	Quarter 1	Quarter 2	Quarter 3	Quarter 4
The Real Sector (Δ% year-on-year, unless otherwise stated)						
Farm Income Index ^r	19.1	43.5	46.1	12.6	-7.8	-17.2
Agricultural Production Index	-3.3	2.2	-8.9	6.8	1.1	4.2
Agricultural Price Index	23.2	40.5	60.4	5.4	-8.8	-20.6
- Rubber (RSS3)	14.6	56.8	98.7	16.7	-2.1	-26.9
- Oil palm (FFB)	50.7	25.6	7.8	-19.2	-34.0	-35.2
- Shrimp (70 pc/kg)	12.0	12.3	15.8	2.7	-2.9	-0.6
Fishery Production						
- Fishery production loaded at ports	-4.6	-25.4	-21.1	-1.4	-10.9	n.a.
- Shrimp production	23.1	3.5	-30.4	5.7	-4.1	9.9
Number of Foreign Tourists						
	12.9	0.8	-1.2	7.0	-1.6	12.1
Manufacturing Production Index (MPI)						
	-1.3	0.2	0.1	0.9	12.1	13.3
Private Consumption Index (PCI)^r						
	1.3	0.6	-0.4	-0.2	1.3	0.7 ^e
- Car Index	5.3	1.4	5.2	29.6	21.3	39.7
- Fuel Index	5.5	2.5	-0.7	2.0	2.7	1.4 ^e
- Household Electricity Index	4.8	1.6	-2.7	-3.2	4.7	6.4 ^e
- Non-durable goods Index	2.2	-1.3	-3.3	-4.1	-0.8	-0.5
- Semi-durable goods Index	0.8	14.9	3.8	-1.4	4.4	-8.4 ^e
- Services Index	11.5	5.0	4.7	12.2	23.2	16.3 ^e
Private Investment						
- Private Investment Index (PII)	-2.9	-1.9	-2.4	0.1	0.9 ^f	-1.6
- Promotional privileges from Board of Investment (total investment)	-62.2	-16.3	48.6	-27.3	169.8	-24.0
- Registration of Business Entity (total registration)	35.4	49.5	20.1	40.1	53.8	213.7
- Construction area permitted in municipal zone (12-month moving average)	-20.7	-7.1	-2.9	-1.0	-1.2	-19.0
Fiscal Sector						
- Tax revenue	0.9	-1.6	-1.5	10.6	4.8	2.8
- Total disbursement ^{1/}	1.2	8.3	-23.8	-33.2	-14.2	-21.2
Consumer Price Index^{2/}						
	0.40	0.91	1.99	0.57	0.52	1.04
- Food and beverages	1.90	1.40	2.23	0.33	-0.36	0.49
- Non food and beverages	-0.58	0.58	1.85	0.76	1.10	1.38
Core Consumer Price Index (excluding raw food and energy)						
	0.71	0.74	0.78	0.75	0.60	0.73
Unemployment Rate						
	1.1	1.5	1.5	1.7	1.6	1.9
International Trade(million USD)						
- Exports	3,311.6	3,085.3	3,518.3	4,229.7	3,967.9	4,010.8
Δ% year-on-year	11.5	4.2	14.4	47.4	19.8	30.0
- Imports	2,457.5	2,475.4	2,431.2	2,853.0	2,439.0	2,864.6
Δ% year-on-year	8.1	10.9	7.2	27.5	-0.8	15.7
Financial Sector (at the end of period) (Billions baht)						
Overall deposits	1,000.5	1,026.4	1,055.3	1,047.3	1,049.1	1,079.0
Δ% year-on-year	4.3	4.7	5.1	4.3	4.9	5.1
- Deposits of commercial banks	635.4	646.2	660.8	654.8	652.1	674.1
Δ% year-on-year	2.9	3.0	3.2	1.9	2.6	4.3
- Deposits of Specialised Financial Institutions (SFIs)	365.1	380.2	394.5	392.4	397.0	404.9
Δ% year-on-year	6.7	7.7	8.4	8.6	8.7	6.5
Overall loans	1,155.5	1,181.9	1,196.2	1,198.3	1,210.7	1,217.3
Δ% year-on-year	2.1	3.3	3.5	3.9	4.8	3.0
- Loans of commercial banks	670.3	688.7	693.5	689.5	695.1	692.9
Δ% year-on-year	-0.1	2.2	2.6	2.8	3.7	0.6
- Loans of Specialised Financial Institutions (SFIs)	485.2	493.2	502.7	508.8	515.5	524.4
Δ% year-on-year	5.5	5.0	4.9	5.5	6.2	6.3

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