

**No. 12/2019****Press Release on Southern Region's Economic Conditions for the Second Quarter of 2019**

The overall economic activities in the Southern region in the second quarter of 2019 slightly expanded from the previous quarter, with agricultural sector as the main growth driver. Agricultural production rose mainly from oil palm and rubber outputs, coupled with increased prices, leading to farm income improvement. However, tourism sector and manufacturing production continued to drop due to weaker foreign demand. Private consumption expanded, particularly from domestic tourism spending. Private investment continued to grow from the last quarter. Regarding government spending, it dropped on both current and capital spending. **On the stability front**, the inflation rate accelerated, attributing from an increase in fresh food prices. The seasonally-adjusted unemployment rate slightly declined from the previous quarter.

Details of the economic conditions are as follows;

The value of merchandise exports fell by 11.0 percent from the same period last year, consistent with the decrease in **manufacturing production** in most categories, with a total contraction of 3.9 percent. Production of processed rubber declined mainly due to softening demand as a result of the slowdown in Chinese economy, together with the high base effect from the fifth Agreed Export Tonnage Scheme (AETS) last year. Also, the production of frozen and canned seafood remain subdued, partly due to shortage of raw materials. Nevertheless, the production of crude palm oil rebounded, following the expansion of oil palm outputs. Rubber glove production continued to expand thanks to the demand in the US, EU and China. The production of processed rubberwood increased because of the low base effect, relating to the strictness on environmental restriction in China last year.

The number of foreign tourist arrivals dropped by 8.4 percent from the same period last year as the number of Chinese tourists continued to decline, mainly from the slowdown in Chinese economy and stronger competition from neighboring countries. However, Malaysian tourists expanded at a softer pace which was partly undermined by concerns about a weakening of the Malaysian ringgit and moderate outlook for Malaysian economy.

Agricultural production grew by 15.9 percent from the same period last year where the production expanded in all major products. Rubber and palm oil outputs increased following the expansion of yield areas, including low base effect from the overlapped crop season of oil palm last year. Vannamei shrimp outputs expanded at moderate pace given concern related to the unfavorable weather conditions. For agricultural prices, it fell by 1.1 percent but improved from the last quarter. Rubber and Vannamei shrimp prices escalated as the drop in production

in Indonesia and India respectively. Oil palm price remained weak from the high level of crude palm oil in Thailand and Malaysia. As a consequent, farm income rose rapidly by 14.6 percent.

Private consumption indicators expanded by 1.6 percent from the same period last year, improved from the previous quarter, which mainly from the domestic spending for travel-related services. The spending on semi-durable goods was unchanged, however, the spending on non-durable goods and durable goods spending, particularly on motorcycle sales were slightly softened. This was partially due to the purchasing power of households in non-agricultural sector remained weak.

Private investment indicators rose by 2.0 percent from the same period last year, reflected by the increase in import of capital goods in processed rubber and rubberwood industries. Additionally, investments in construction continued to grow reflected by increasing cement sales and permitted construction areas for residential and hotel buildings.

Public spending contracted by 8.6 percent from the same period last year. The current spending dropped by 9.3 percent, owing to the decline in disbursement on general purpose subsidy by public universities. Also, the capital spending decreased by 7.8 percent following the disbursement on durable goods of Office of Permanent Secretary, Ministry of Public Health and Southern Gulf of Thailand Provincial Cluster. Also, the disbursement on land and construction declined, both from central budget and Southern Provincial Clusters' budget.

On the stability front, **headline inflation** was at 0.62 percent, rising from 0.40 percent in the previous quarter. This was attributed to an increase in vegetable price, due to unfavorable weather, resulted in limited outputs. The seasonally-adjusted **unemployment rate** was at 1.2 percent, falling from 1.5 percent in the previous quarter.

At the end of May 2019, **overall deposit** expanded at 3.5 percent from the same period last year, mainly driven by government agencies' saving. The **overall loan** also increased by 5.1 percent from the expansion of commercial banks loan due to credit portfolio transferring among some financial institution. By excluding the transferring, commercial banks loan slightly expanded. The Specialized Financial Institutions (SFIs) loan expanded from long-term credit to farmers.

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