

**No. 7/2020****Press Release on Southern Region's Economic Conditions for the First Quarter of 2020**

In the first quarter of 2020, the Southern region economy contracted at a faster pace than the previous quarter. The COVID-19 outbreak affected economic activities more severely, particularly at the end of quarter. The impact also dampened purchasing power, including domestic and external demand. The number of foreign tourists highly contracted compared to the previous quarter while private consumption dropped in most categories, notably in spending on tourism-related services. Investment contracted at a slower rate than the previous quarter following public investment's improvement, after the enactment of the Annual Budget Expenditure Act 2020 was in effect. Meanwhile, private investment remained at a low level. Regarding an agricultural sector, the production decreased following a reduction in palm oil output damaged by below-average rainfall. However, in the manufacturing sector, the production gradually improved, thanks to the demand for processed rubber at the beginning of the quarter.

On the stability front, the inflation rate was more negative regarding the sharp fall in fresh food prices. The seasonally adjusted unemployment rate slightly increased from the previous quarter.

Details of the economic conditions are as follows;

Agricultural production plunged at the rate close to that of the previous quarter. Palm oil output declined continuously, affected by below-average rainfall coupled with high base effect last year from the seasonal shift. Vannamei shrimp output decreased, owing to decreased shrimp fry at the end of 2019 as demand and prices contracted. Meanwhile, rubber output turned into slightly positive growth. For agricultural prices, it continued to expand, driven by palm oil's price, due to the low output level and robust demand from biodiesel B10. In contrast, rubber and Vannamei shrimp prices fell because of the slowdown of external demand, affected by the COVID-19 outbreak. Despite this, farm income turned to expand due mainly to the price factor.

The number of foreign tourist arrivals markedly contracted from the previous quarter as COVID-19 outbreak became more severe, led to travel restrictions in many countries including Thailand, especially at the end of quarter. The tourist figures substantially declined in all nationalities, especially from China, which fell by 60 percent approximately. However, the number of Russian tourists contracted slightly given that the tourists remained their travel as planned at the beginning of the quarter since the situation in Russia was not severe at that time.

Manufacturing production indicators contracted at a slower pace compared to the previous quarter. The productions of processed rubber and processed rubberwood expanded, which temporary benefited from foreign purchasing orders in late 2019. Moreover, the production of rubber glove increased remarkably, thanks to the robust demand due to health concerns. Canned seafood

production showed less contraction, particularly in Tuna products. Conversely, the contraction was observed in the production of crude palm oil, following the lower palm oil output. Frozen seafood production also declined, reflecting softer external demand caused by COVID-19 outbreak. All of which partially brought a continue contraction in the value of merchandise exports.

Private consumption indicators highly contracted because of the effect of COVID-19 outbreak, especially in March. The spending on most categories dropped as income remained weak as well as consumer confidence which has fallen. The spending of Thai tourists on tourism-related services declined in many provinces. Durable spending plunged, indicated by decreasing in the numbers of registered car and motorcycle. However, spending on daily consumer items increased temporarily as a result of concerns over COVID-19 outbreak.

Private investment remained at a low level. Capital machinery import continued to decrease, notably in processed rubberwood industry, while the numbers of the registered commercial car turned negative. However, construction investment improved, indicated by the expansion of permitted construction areas and cement sales. Such expansion coincided with investment in real estate where permitted construction areas for townhome, twin home and condominium were expanded, due partially to the subdued activities last year before loan-to-value (LTV) measure was implemented on 1 April 2019 and concerned over economic condition at that time. Nevertheless, demand for real estate softened from the previous quarter.

Public spending shrank at a slower pace than the previous quarter following the disbursement's acceleration after the Annual Budget Expenditure Act 2020 was in effect at the end of February. Current spending turned positive owing to disbursement on general-purpose subsidy for public universities. Also, capital spending contracted at a slower rate than the previous quarter. However, disbursement on land and construction of some government agencies still highly contracted. Also, disbursement on specific purpose subsidy for Department of Local Administration in many provinces declined.

On the stability front, headline inflation inch downed to -0.31 percent, following the lower global crude oil and fresh food prices. The seasonally-adjusted unemployment rate was at 1.5 percent, declining from 1.8 percent in the previous quarter. This due to an improvement in agricultural employment, particularly in rubber sector which in line with rubber production.

At the end of February 2020, total deposit decelerated from the previous month both of the commercial banks and Specialized Financial Institutions (SFIs). The overall loan, however, slightly expanded on the back of commercial banks' loan.

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