

**No. 2/2020****Press Release on Southern Region's Economic Conditions for the Fourth Quarter of 2019**

The overall economic activities in the Southern region in the fourth quarter of 2019 slightly contracted from the previous quarter. The agricultural production slipped back to negative growth after a reduction in oil palm outputs, resulting in a slowdown in farm income and thereby dampened private consumption. Also, the decline in oil palm outputs caused manufacturing production to decrease further from the previous quarter. Meanwhile, the global economic outlook, showing a slight improvement during the end of the quarter, led the merchandise exports and the tourism sector to be less negative. Public spending and private investment continued to contract from the previous quarter.

On the stability front, the inflation rate was more negative than the prior quarter, mainly on the back of the decrease in global crude oil prices. The seasonally-adjusted unemployment rate slightly increased from the previous quarter.

Details of the economic conditions are as follows;

Agricultural production shrank from the previous quarter, primarily due to seasonal decline in oil palm outputs, together with high base effect last year from the seasonal shift. Also, Vannamei shrimp outputs slightly decreased, affected by a tropical storm, whereas rubber outputs continued to expand. For agricultural prices, it turned into positive, following a significant increase in oil palm price, due to the low output level and robust demand from the announcement of biodiesel B10 as the primary diesel from 2020 onward. However, rubber price declined because of the softening demand from China. All of which put downward pressure on farm income to expand at a slower pace, compared with the previous quarter.

Private consumption indicators decelerated from the previous quarter, but unchanged compared with the same period last year. The spending on non-durable goods and durable goods turned into contraction. Meanwhile, the government's economic stimulus measures, e.g. Chim Shop Chai, continued to somewhat support household purchasing power by boosting spending on semi-durable goods and services.

Manufacturing production indicators contracted more compared to the previous quarter, primarily from the remarkably drop in production of crude palm oil, following the lower oil palm output. Canned seafood production continued to contract, particularly in sardine products. In contrast, processed rubber and processed rubberwood productions improved marginally, which temporary benefited from some front-loading by Chinese importers before the Chinese New Year festival. Frozen seafood production also increased, especially in fish and shrimp products.

Conversely, the value of merchandise exports showed less contraction, driven by an improvement in the export of seafood and industrial products.

The number of foreign tourist arrivals decreased at a slower pace than the previous quarter, contributed by Chinese, Russian and European tourists, partly thanks to the launch of new airline routes to Phuket and Krabi. Furthermore, the number of Indian tourists remained firm. However, the number of Malaysian tourists contracted given the high base effect last year.

Public spending shrank from the previous quarter, from both capital and current expenditures. Capital expenditures contracted, owing to the decline in disbursement on land and construction of Royal Irrigation Department, Department of Highways and Customs Department, coupled with the decrease in disbursement on general-purpose subsidy by autonomous public universities. Current expenditures remain subdued, in other and operational expenses, from the Community Development Department.

Private investment indicators continued to deteriorate from the last quarter, as a result of subdued activities in processed rubberwood, processed rubber and crude palm oil industries, reflected by machinery and equipment sales for those industries. However, the continued expansion was observed in the permitted construction areas for commercial and hotel buildings.

On the stability front, headline inflation inched down to -0.28 percent, decelerating from -0.04 percent in the previous quarter, after the lower global crude oil and food prices. The seasonally-adjusted unemployment rate was at 1.8 percent, rising from 1.6 percent in the previous quarter, mainly from unemployed persons who have never worked before.

At the end of the fourth quarter of 2019, the **overall deposit** grew at a slower pace than the previous quarter as commercial bank's saving decelerated. **The overall loan** slowed down from the previous quarter, following commercial banks' loan, due to the high base effect of credit portfolio transferring among the financial institutions last year.

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