

No. 8/2020Press Release on Southern Region's Economic Conditions in April 2020

The overall economic activities in Southern region in April 2020 continued to contract from the previous month as COVID-19 pandemic and the measures taken to contain the virus had a substantial negative impact on economic activity, resulting in zero number of foreign tourists alongside a continually fall in exports value due to weak foreign demand. However, exports and manufacturing production of the rubber glove, canned seafood and some processed rubber products increased. Regarding domestic demand, private consumption highly contracted due to weaker households' purchasing power, resulting from higher unemployed persons and falling in farm income. Private investment contracted at a higher pace than the previous month, whereas government spending decelerated due to contraction in capital spending.

On the stability front, the deep slump of global oil price and the lower fresh food prices had a greater disinflationary effect on headline inflation.

Details of the economic conditions are as follows;

Agricultural production turned into expansion following rising palm oil output after the easing of dry weather conditions, together with entering seasonal yield period. Vannamei shrimp output also improved from the previous month due to favourable weather during raising shrimp fry in the last couple of months. **Agricultural prices**, however, dropped as the weak global demand for rubber lowered its price. Vannamei shrimp price dropped at a slower pace following higher demand due to gradual easing of COVID-19 containment measures in some countries. Meanwhile, palm oil price decelerated as output increased. As a result of prices drop, **farm income** remained in contraction.

The number of foreign tourist arrivals dramatically fell to zero as many countries, including Thailand, had imposed travel restrictions, namely the closure of airports and national borders, to curb the infection. The measures have resulted in all flight cancellations entering the South of Thailand.

The value of **merchandise export** remained sluggish amid the slowdown in global demand which also dragged the export price of various products. However, the **manufacturing production** improved from the previous month although remained in contraction. The processed rubber production, especially rubber latex and mixture rubber, picked up due mainly to Chinese operations resumed along with the order that has postponed since serious pandemic in China. Also, the production of the rubber glove and canned seafood continued to expand owing to increased demand during COVID-19. Nonetheless, processed and frozen seafood continued to drop, as same as the production of processed rubberwood.

Private consumption steeply dropped as a result of COVID-19 outbreak which weakened households' purchasing power and consumer sentiment, reflected by declining spending in various

categories, particularly a sharp drop in tourism-related services spending. Moreover, the spending on durable goods, particularly passenger and commercial cars, showed a further drop, as same as the spending on consumer goods and energy consumption which was substantially affected by curfew proposal and a ban on alcohol sales.

Private investment contracted at a higher pace than the previous month following lower imports value of capital goods used in rubberwood industry. Also, newly registered commercial cars contracted further. Investment in construction declined at a higher pace than the previous month as can be seen in a decline in cement sales and domestic sales of machinery and equipment. **Real estate** sector also subdued as developers delayed their new project construction, resulted in lower permitted construction areas for detached house and condominium.

Public spending decelerated from the previous month as the delay in the procurement process dampened the capital disbursement on land and construction and special-purpose subsidy. Nonetheless, current spending accelerated following the higher disbursement on general-purpose subsidy and other expenses.

On the stability front, **headline inflation** was at -3.81 percent, more negative than last month, due mainly to a plunge in global oil prices together with lower electricity charge according to measure alleviating cost of living, while low domestic demand for fresh food dampened its cost pressure on headline inflation. Meanwhile, a rise in the number of unemployed persons under the social security system showed slumping labour market.

At the end of March 2020, total **deposit** increased at a higher pace from the previous month mainly from the commercial banks as depositors were more cautious on their liquidity during the outbreak. The overall **loan**, however, slowed down from consumer loan.

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