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Press Release on Southern Region's Economic Conditions in March 2020

The overall economic activities in the Southern region in March 2020 contracted at a faster rate than the previous month. Private consumption significantly dropped in various categories as households' purchasing power was lower contributed by the decrease in non-farm income, as a result of the serious outbreak of COVID-19, together with contraction in farm income following the decreasing in palm oil and Vannamei shrimp outputs. However, spending on consumer goods slightly grew. The external demand declined, due mainly to COVID-19 outbreak also, causing the number of foreign tourist arrivals and exports value decreased at a higher rate than the previous month. Then, the export-driven manufacturing production turned out to be negative, although the production in rubber gloves and canned seafood continued to grow. Regarding the investment, public investment improved from the previous month due to the accelerated disbursement after the enactment of the Annual Budget Expenditure Act 2020 was in effect at the end of February, whereas private investment remained low. **On the stability front**, the inflation rate turned into negative due to the plunge in global oil price and fresh food prices. Meanwhile, the seasonally adjusted unemployment rate rose from the previous month.

Details of the economic conditions are as follows;

Agricultural production contracted at a higher rate than the previous month owing to a huge drop in Vannamei shrimp output after the farmers decreased shrimp fry at the end of 2019 as demand and prices contracted. Palm oil output contracted at a slower pace due to entering the seasonal yield period. Rubber output, conversely, increased at a similar growth rate as the previous month. Regarding agricultural prices, it highly decelerated following a contraction in rubber price after the global demand fell as a result of the COVID-19 outbreak. Also, palm oil price slow down. However, the Vannamei shrimp price slightly picked up as the output declined. As a result of the deceleration in prices and the contraction in production, **farm income** turned negative from the previous month.

The number of foreign tourist arrivals plummeted by more than 70% from the same period last year which was a higher pace than the previous month, following a sharp decline in all major tourists, including the number of Russian tourists after trending up since the end of last year. The reduction was resulted from many countries implementing travel restrictions, including flight cancellations due to the outbreak of COVID-19 epidemic.

The value of **merchandise export** slumped further from the previous month as the COVID-19 outbreak severely affected external demand, contributed to a contraction in **manufacturing production**. Weaker demand from Malaysia and China lowered the production of processed rubber, including rubber latex, block and mixture rubber. The production of processed and frozen seafood also shrank, especially frozen cuttlefish product, as the fallout of COVID-19 outbreak caused Chinese, Japanese and US suppliers decided to postpone shipment. The production and export of processed

rubberwood also dropped, although the production of fiberboard remained expanded following higher demand from the Middle East. The production of rubber gloves and canned seafood, however, continued to grow due mainly to higher demand during the COVID-19 outbreak.

Private consumption declined significantly from the previous month. The serious outbreak of COVID-19 dampened households' income, purchasing power and consumer confidence. The spending dropped in various categories especially the spending on tourism-related services in Phuket, Krabi and Songkhla provinces due to the travel restrictions to curb COVID-19 outbreak. The spending on durable goods also further dropped, reflecting on the lower number of newly registered personal and commercial cars. However, the spending on consumer goods slightly expanded, attributable to accelerating purchases on food and other necessary goods as a result of the concerns over COVID-19 outbreak.

Private investment remained low due to a decline in the imports value of capital goods following the lower import of machinery and equipment used in processed rubberwood industry. Moreover, the newly registered commercial cars remained in contraction. Nevertheless, the investment in construction expanded, reflecting in increased domestic sales of machinery and equipment for construction and the expansion in permitted construction areas, consistent with a growth in the **real estate** sector. The permitted construction housing areas expanded due partly to the low base effect year earlier as the developers slowed down the new projects launched before the LTV measure was implemented on April 1st, 2019.

Public spending turned out to be positive from the previous month owing to the accelerated disbursement after the Annual Budget Expenditure Act of 2020 became effective at the end of February. The current spending increased mainly in general subsidy. Meanwhile, the capital spending on general subsidy and durable goods went up, whereas the spending on land and construction by various government agencies remained in sharp contraction.

On the stability front, **headline inflation** was at -1.38 percent, edged down further from the previous month due to a plunge in global oil prices. The fresh food prices also dropped due to lower demand in the tourism sector. The **seasonally adjusted unemployment rate** was at 1.8 percent, rose from the previous month following a higher number of unemployed persons in the non-farm sector due to the impact of the COVID-19 outbreak.

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.

Bank of Thailand

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Contact: Southern Regional Economic Division

Tel: +66 (0) 7427 2000 ext. 4712

e-mail: SRO-EconDiv@bot.or.th