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Press Release on Southern Region's Economic Conditions in December 2019

The overall economic activities in the Southern region in December 2019 remained in contraction at a similar pace as last month. Private consumption declined as income of non-farm employees were lower, pulling back on purchasing power. Moreover, a slight recovery sign in the global economy was likely to underpin the manufacturing production and the number of foreign tourist arrivals. Investment remained at a low level, both that of private and public sectors. Agricultural production also further declined due mainly to oil palm output.

On the stability front, the inflation rate was higher than the previous month due to the rising energy price. Meanwhile, the seasonally-adjusted unemployment rate dropped from last month.

Details of the economic conditions are as follows;

Private consumption broadly fell across all categories as the weak purchasing power, due to the high level of household debt and low farm and non-farm income, caused the spending on consumer goods and durable goods to decline. Also, households delayed the purchase of new cars to wait for the launch of new models. However, the spending of Thai tourists on tourism-related services grew at a similar pace as the previous month.

The value of **merchandise exports** recovered after trade war de-escalated which eased the contraction in **manufacturing production**. The production in processed rubber and canned seafood showed less negative growth, whereas processed rubberwood turned into expansion due to frontloading effect before Chinese Lunar New Year in January 2020. However, the production of frozen and processed seafood remained subdued, resulting from a decline in external demand. The production of crude palm oil continued to decline as the oil palm output significantly dropped.

The number of foreign tourist arrivals remained in contraction but slightly improved from the previous month due to increasing European tourists according to the delay of arrival, compared to last year as the winter is quite mild and warm this year. The number of Russian and Indian tourists remained growth. However, the number of Malaysian tourists shrank due to the high-based effect last year as it accelerated after the consumer confidence rose due to post-election optimism. The number of Chinese tourists fell partly because the Chinese postponed their trips to travel during Chinese Lunar New Year in January 2020 instead.

Private investment declined at a similar pace as the previous month. The imports value of machinery and equipment used in processed rubber and processed rubberwood industries remained subdued. The domestic sales of machinery and equipment were also pulled down by weak manufacturing production. Nevertheless, the expansion was observed in the permitted construction areas.

Public spending continually shrank due partly to the delay in 2020 budget approval weighed on capital spending. The disbursement on land and construction and general subsidy for autonomous public universities declined. However, the current spending contracted at a slower pace.

Agricultural production decreased further due mainly to seasonal decline in oil palm output, together with the high-based effect last year from the seasonal change. In addition, Nakri typhoon and white spot disease in Vannamei shrimp badly damaged output to drop. Nevertheless, the off-season output of durian grew. Agricultural prices, conversely, rose at a faster pace since the price of oil palm went up resulting from the lower output and higher demand owing to the announcement of biodiesel B10 as the primary diesel from 2020 onwards. The price of rubber also rose as leaf disease threatened rubber production. As a consequent, **farm income** increased from the previous month.

On the stability front, **headline inflation** was at 0.27 percent, edged up from the previous month caused by higher prices of energy. The seasonally-adjusted **unemployment rate** was at 1.5 percent, declining from the preceding month due to a fall in unemployed persons who had never worked before.

At the end of November 2019, total **deposit** decelerated from the previous month due to the slowdown in the deposit of the commercial banks and Specialized Financial Institutions (SFIs). The overall **loan**, however, expanded at a faster pace 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