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

The overall economic activities in the Southern region in January 2020 contracted at a slower pace than the previous month. This was partly attributable to the overlap in 2020 Lunar New Year holidays which started in late January, whereas the holiday was on February last year. Manufacturing production contracted at a slower pace due to an expansion in production and export in processed rubber. However, private consumption continued to decline as the spending of Thai tourists on tourism-related services shrank. The benefit of increased farm income was limited only to some groups of farmers as the increase was mainly from agricultural prices, whereas the outputs remained in contraction. Investment, both by private and public sectors, remained at a low level.

**On the stability front**, the inflation rate was higher than the previous month due to the rising energy price.

Details of the economic conditions are as follows;

**The number of foreign tourist arrivals** turned positive as the number of Malaysian tourists increased partly due to the overlap in 2020 Lunar New Year holidays which started in late January, whereas the holiday was on February last year. The number of Russian and European tourists continued to rise. The number of Chinese tourists, however, declined further since the outbreak of Covid-19 caused suspension of flights from China particularly after tour group travel restriction by Chinese government.

The value of **merchandise exports** contracted after expansion last month due to higher exports value of aircrafts, ships, floating structure, and locomotive. Nevertheless, **manufacturing production** registered a smaller decline due partly to the acceleration of purchasing order of processed rubber in late 2019 as the end of rubber-tapping season in Vietnam and China was earlier than last year, boosting demand in Thailand. The production of processed rubberwood also expanded after the significant drop over the past 2 years. In addition, the production of rubber glove continually increased, following the increasing demand from China and the US. The production of frozen and processed seafood shrank in all products, including Vannamei shrimp, fish and cuttle fish. The production of crude palm oil, however, significantly dropped resulting from lower oil palm output.

**Private consumption** fell due mainly to weak purchasing power and the impact of the outbreak of Covid-19 which caused the spending of Thai tourists on tourism-related services to decline. In addition, the spending on durable goods dropped, despite slightly improved from a growth in motorcycle purchase. However, the spending on consumer goods marginally rose, following the increase in food and beverages. However, the benefit of growth in farm income was limited only to some groups of household as its increase was mainly from price effect, whereas the outputs remained in contraction especially oil palm.

**Agricultural production** registered a drop at a similar pace as the previous month. Oil palm output significantly declined due to high-based effect last year from the seasonal change and below-average rainfall this year. Vannamei shrimp output was also impacted by white spot disease. Conversely, agricultural prices accelerated in particular oil palm price following a decline in output, together with higher demand as a result of the government measure to use biodiesel B10 instead of B7 as a primary diesel. However, rubber and Vannamei shrimp prices dropped due partly to Covid-19 outbreak that caused the reopening of a number of factories in China to delay. Moreover, the outbreak also cut the demand for Vannamei shrimp. As a consequent, **farm income** increased at a faster pace from the previous month.

**Public spending** remained in contraction, despite at a slower pace than the previous month. This was attributable to growth in current spending as the disbursement on other expenses grew. Nevertheless, the capital spending continued to decline. The decline was still observed in land and construction autonomous public universities disbursement which owing to the delayed enactment of the Annual Budget Expenditure Act.

**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. The newly registered commercial cars also further dropped. Nevertheless, the expansion was observed in the permitted construction areas.

On the stability front, **headline inflation** was at 0.41 percent, edged up from the previous month caused by higher prices of energy.

At the end of December 2019, total **deposit** grew at a similar pace as the previous month due to the moderate increase in the deposit of both the commercial banks and Specialized Financial Institutions (SFIs). The overall **loan**, however, decelerated on the back of commercial banks' loan.

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