

No.5/2020Press Release on Southern Region's Economic Conditions in February 2020

The overall economic activities in the Southern region in February 2020 contracted at a higher rate than the previous month. Private consumption remained in contraction due to the COVID-19 outbreak, together with a slower growth in farm income which caused lower spending on tourism-related services by Thai tourists and consumer goods. Moreover, the COVID-19 outbreak also severely hit the number of tourist arrivals. Investment also continued to decline due mainly to the slump in public investment due to the delayed enactment of the Annual Budget Expenditure Act 2020, whereas private investment declined at a slower pace as the investment in real estate sector gradually expanded. Manufacturing production in some industries, however, were beneficial from the COVID-19 outbreak via trade diversion from China and higher external demand, e.g. rubber glove and canned seafood.

On the stability front, the inflation rate was at 0.04 percent, slower from the previous month due to the plunge in global oil prices. The seasonally-adjusted unemployment rate was at 1.2 percent, slightly dropped from the previous month.

Details of the economic conditions are as follows;

The number of foreign tourist arrivals plummeted following the number of Chinese, Malaysian, European and other Asian tourists after the travel restrictions and other measures have imposed by many countries, including flights cancellations, to contain the COVID-19 outbreak. However, the number of Russian tourists continued to rise, consistent with rising flights coming to Phuket.

The value of merchandise exports continued to decline due to the contraction in aircraft, ship, floating structure, and locomotive exports value. However, exports value contracted at a slower pace when those categories were excluded as some exports industries were beneficial from the COVID-19 outbreak which contributed the manufacturing production to register positive growth. The production of rubber latex rose following higher demand from the glove industry in Malaysia. Also, the production of a rubber glove continued to increase. The production of canned seafood also rose after the spike in demand for food stockpiling in many countries. In addition, trade diversion from China resulting from supply chain disruptions caused a rise in fiberboard production. The production of block rubber remained expanded due to the order from China during the end of last year.

Private consumption declined at a similar pace as the previous month due to the COVID-19 outbreak, together with weak purchasing power which dampened consumption confidence of the households, reflecting by the higher contraction in the spending on consumer goods and tourism-related services especially in major tourism provinces such as Phuket and Krabi. Nevertheless, the number of newly registered personal and commercial cars showed less negative growth, due to the temporary benefit of delivering new model cars.

Private investment fell at a slower pace than the previous month due to the increase in domestic sales of machinery and equipment in the construction sector, consistent with the expansion in permitted construction areas and cement sales. However, the imports value of machinery and equipment used in rubberwood industry declined. Also, newly registered commercial cars further dropped.

Agricultural production remained contracted but at a slower pace as palm oil output rose owing to the starting of seasonal yield period. Nevertheless, the impact of low rainfall in the earlier periods caused palm oil's size to be smaller. The rubber output showed growth at a similar pace as the last month, whereas Vannamei shrimp output turned positive due to the favourable weather during the end of last year which positively affected shrimp farming. Agricultural prices also decelerated following a continued decline in rubber and Vannamei shrimp prices after the demand declined attributable to the COVID-19 outbreak. Meanwhile, oil palm price slowed down due to rising output. As a result, **farm income** increased at a slower pace from the previous month.

Public spending declined at a higher pace than the previous month owing to the decline in both current and capital spending. Although the Annual Budget Expenditure Act of 2020 was approved at the end of February, the disbursement remained in the execution process. The decline in current spending was observed in general subsidy and services fee. Meanwhile, the capital spending on land and construction by various organizations, including the Royal Irrigation Department, Department of Highways, and Department of Rural Roads, also went down.

On the stability front, **headline inflation** was at 0.04 percent, edged down further from the previous month due to lower global oil prices, whereas fresh food prices increased. The **seasonally-adjusted unemployment rate** was at 1.2 percent, slightly dropped from the previous month.

At the end of January 2020, total **deposit** decelerated from the previous month both of the commercial banks and Specialized Financial Institutions (SFIs). The overall **loan**, however, slightly grew 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