



BANK OF THAILAND

BOT Press Release

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Press Release on Southern Region's Economic Conditions for the First Quarter of 2021

The overall economic activities in Southern region in the First quarter of 2021 remained to contract, but improved slightly from last quarter. The spread of the COVID-19 in the second wave caused household purchasing power to be still fragile, partially reflected by the continuing contraction of number of labors under the social security system, together with a deceleration of farm income. Then, private consumption still contracted at a similar rate as previous quarter, where government's stimulus measures supported the private consumption partially. Domestic tourism was affected, especially at the beginning of the quarter. Also, international travel restrictions remained in place. Thus, tourism sector continued to contract. Nevertheless, foreign demand recovered more clearly, following the recovery trend of global economy, led the value of merchandise exports to expand at a higher rate than last quarter, and manufacturing production turned to expand slightly. Meanwhile, private investment indicators improved slightly. However, government's capital spending slowed down.

**On the stability front**, headline inflation became less negative following less contraction in energy prices. Regarding labor market, it was still fragile, reflected by high level of labor applying for unemployment benefits in the social security system.

**Details of the economic conditions are as follows;**

**Private consumption** contracted at a similar pace as last quarter owing to fragile household purchasing power, partially reflected by the continuing contraction of number of labors under the social security system. Meanwhile, the government's stimulus measures such as "Half-Half co-payment", "Rao Chana" together with an expansion of farm income, even with lower rate than last quarter, helped to support the private consumption partially. Considering each category, spending on consumer goods contracted at a similar rate as last quarter. Also, spending on domestic tourism was more contracted than last quarter as a result of the second wave of the COVID-19. However, spending on durable goods, specifically motor vehicle, improved.

**Agricultural production** turned to expand slightly, after it had contracted in the last quarter. Rubber output turned to expand slightly as a result of less rainfall at the beginning of the quarter, together with low-base effect last year from leaf fall disease. Meanwhile, oil palm output also turned expanded as peak season came earlier compared to last year. Vannamei shrimp output contracted at a similar rate as last quarter. **Agricultural price** slowed down owing mainly to deceleration of oil palm price, as output increased. Rubber price continued to expand since there was overdemand, especially field latex. Vannamei shrimp price expanded at a slower rate than last quarter. Decelerated agricultural price was a major contribution of decelerated farm income.

**The number of foreign tourist arrivals** continued to plummet since the travel restriction had imposed. While, the domestic tourism slowed down from last quarter, due to the effect of the second wave of COVID-19 especially at the beginning of the quarter. Nevertheless, recovery sign was observed at the end of the quarter.

**The value of merchandise exports** expanded at a higher rate than last quarter from a recovery of foreign demand, in line with recovery trend of global economy. Then, manufacturing production turned to expand slightly. An increased foreign demand, especially at the end of the quarter, caused an improvement of processed rubber, processed seafood, and canned seafood production. Palm oil production turned to expand owing to increased output. However, rubber glove and processed rubberwood production expanded at a slower rate, following the acceleration in the previous quarter.

**Private investment** improved slightly, contracted at a lower rate than last quarter, owing to higher expansion of number of commercial vehicle registration from demand using for freelance business. Also, value of domestic machinery sales expanded. However, investment in construction contracted at a higher rate than last quarter, both in number of permitted construction areas and cement sales, in line with the slowdown of real estate investment as developers postponed new project to wait and see the development of COVID-19 situation that majorly obstructed the buyer's purchasing power.

**Public spending** decelerated from last quarter. Current spending turned to contract, following a decrease in disbursement in other expense of Internal Security Operations Command and general subsidy of Office of the Basic Education Commission and autonomous universities. Nevertheless, basing on six months cumulative disbursement of fiscal year 2564, current spending expanded slightly when compared to the same period last fiscal year. Capital spending slowed down from last quarter but was still in good range.

intensively expanded from the last quarter general subsidy, due significantly to the low-based effect when it was occurred the delay enforcement of FY2020 budget. While the current spending rebounded from the last quarter. The capital spending was also developed by a general subsidy in the autonomous university and a special subsidy in Department of Local Administration. Nonetheless, the overall disbursement in this quarter remained below the average of the disbursement in the Fourth quarter of 2017 – 2019.

On the stability front, **headline inflation** was at -0.35 percent and less negative, following less contraction of energy price which was in the same direction as global crude oil price movement. Labor market was still fragile, reflected by high level of labor applying for unemployment benefits in the social security system.

The financial statement at the end of the first quarter of 2021, **the total deposit** stayed in high level with slow deceleration from the last quarter, due partly to the COVID-19 impact that caused the unstable economy, also affected the businesses and households to preserve their financial liquidity. **The overall loan** expanded at a similar pace as the previous quarter, due partly to the liquidity supplement and debt relief measures.

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