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

The overall economic activities in Southern region in May 2020 contracted at a similar pace as the previous month. Private consumption slightly improved, from spending on daily-life products, as a result of the easing of lockdown measures in phase 2. However, such improvement cannot compensate for the declined overall economic activities caused by the COVID-19 pandemic. Tourism remained subdued as international travel was restricted. Manufacturing production fell further due to weak external demand. Private investment, both construction and machinery, continued to decline. Government spending turned to negative as capital spending dropped, whereas current spending slowed down.

On the stability front, headline inflation fell further due mainly to the retail oil prices contraction, whereas electricity and fresh food prices also decreased. Labour market conditions remained soft, reflected by an increase in the number of labours receiving unemployment benefit.

Details of the economic conditions are as follows;

Agricultural production decelerated from the previous month as the rubber output slowed down. Palm oil output declined due to high base effect last year, while Vannamei shrimp output fell due to the concern over the disease which lowered the raising of shrimp fry in the first quarter. **Agricultural prices** declined as weak global demand for rubber lowered its price. Palm oil price decelerated as output increased, whereas Vannamei shrimp price went up as output declined. As a result of output deceleration and prices drop, **farm income** remained in contraction.

The number of foreign tourist arrivals came to a standstill due to travel restrictions, including land, water, and air, to curb the infection. The number of foreigners showed at the Immigration Bureau were the Malaysian truck drivers crossing the border between Thailand and Malaysia.

The value of **merchandise export** remained sluggish amid the slowdown in global demand caused by COVID-19 which then lowered **manufacturing production** further from the previous month. The processed and frozen seafood production continued to decline in all major products as trading partners' demand dropped particularly from Japan and the United States, whereas weak demand for processed rubber from China resulted in the reduction in processed rubber production. Crude palm oil production remained subdued. Canned seafood production increased but at a slower pace following slowing demand after the measurements to contain COVID-19 outbreak were gradual easing in many countries. The production of processed rubberwood, however, improved from the previous month, including particleboard and fiberboard. The rubber glove production continued to expand.

Private consumption remained in contraction but at a slower pace than the previous month. The gradual easing of stringent lockdown measures in phase 2 increased consumption of non-durable goods especially consumer goods and fuel. Moreover, the fiscal packages, including cash subsidy, also partly

mitigated households' income shock affected by COVID-19 outbreak. However, the spending on semi-durable and durable goods continued to decline due to weak purchasing power and concern over future income. Moreover, a sharp drop in tourism-related services spending was attributed to the restriction on inter-provincial travel in Thailand.

Private investment continued to contract from the previous month. Domestic sales of machinery and equipment used in construction dropped, alongside declining in commercial cars. Imports value of capital goods used in rubberwood and crude palm oil industries remained contracted. Investment in construction expanded, albeit slower pace, due partly to the slowdown in the **real estate sector** as the residential projects were postponed. This was reflected by declining permitted construction areas for residential and service purposes, together with falling in cement sales.

Public spending turned to negative as the delay in the procurement process, resulting from delayed 2020 fiscal budget, dampened the capital disbursement on land and construction, special-purpose subsidy, and durable goods. Current spending expanded at a slower pace following the disbursement on general-purpose subsidy and other expenses.

On the stability front, **headline inflation** was at -3.97 percent, declining from the previous month, due mainly to a decline in retail oil prices caused by a plunge in global oil prices, alongside the reduction in electricity price due to the electricity bill subsidy. Fresh food price also highly dropped from falling in aquatic animal, fruits, and vegetable prices. The price of aquatic animal dropped attributable to lower domestic demand, whereas fruit and vegetable prices dropped attributable to higher supply. Meanwhile, a rise in the number of labours receiving unemployment benefit under the social security system showed a fragile **labour market**.

At the end of April 2020, total **deposit** increased at a higher pace from the previous month, both from commercial banks and Specialized Financial Institutions (SFIs). The overall **loan** also grew due partly to the lending to support business liquidity.

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