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

The overall economic activities in Southern region in July 2020 contracted at similar pace as the previous month. Manufacturing production shrank due to the concerns over the economic recovery which hampered global demand, together with the prior's period demand acceleration. The number of foreign tourist arrivals continued to contract since travel restrictions remaining in place. However, domestic demand showed an improvement mainly from durable goods and tourism-related services. Public investment significantly increased, coincided with private investment that showed less contraction.

On the stability front, headline inflation contracted at a slower pace due to the suspension of the cost of living relief measure on tap water and the increase in fresh food prices. Labour market conditions remained weak, reflecting by the continued rising of the number of jobless claims under the social security system. At the end of June 2020, the overall deposits expanded from the government's COVID-19 relief measures, whereas the overall loans went up from liquidity loan.

Details of the economic conditions are as follows;

The value of **merchandise export** contracted as the demand from trading partners slowed down after the order accelerated last month, due partly to the concerns over the global economy although easing lockdown measures taken place. As a consequent, **manufacturing production** contracted in various industries. The production of processed rubber contracted from block rubber, while mixture rubber and latex decelerated. The production of rubberwood shrank in fiberboard products exporting to Middle East. The production of canned seafood also contracted this month mainly from pet food. The production of rubber glove, however, continued to grow due to increasing global demand.

The number of foreign tourist arrivals continued to plunge with travel restrictions remaining in place.

**Agricultural production** increased at a slower pace than the previous month due to the slowdown in oil palm output. However, Vannamei shrimp output increased resulting from the shift in tiger prawn farming to Vannamei shrimp due to higher domestic demand. The output of rubber grew at the similar pace as the previous month. **Agricultural prices** declined at a slower pace since the rubber price slightly improved but remained in contractionary zone as the output declined on the back of higher rainfall and the shortage of labour in rubber tapping. Moreover, oil palm price turned to growth. As a result, **farm income** less contracted than the previous month mainly from price improvement.

**Private consumption** contracted at a slower pace than the previous month. The spending on durable goods, namely motorcycle, slightly picked up. The spending on consumer goods remained in contraction as post-lockdown raised pent-up consumer demand last month. However, the spending on tourism-related services showed improvement positively affected by stimulus packages to spur domestic tourism resulting in increasing inter-provincial travelling especially during long holidays. This also raised the consumption of fuel to increase. However, the overall supporting factors for households' consumption remained weak.

**Private investment** contracted at a slower pace from the previous month as imports of capital goods in crude palm oil, rubber glove, and frozen and processed seafood industries expanded. In addition,

the investment in construction improved as reflected by an increase in cement sales, together with less decline in number of newly registered commercial cars. However, permitted construction areas for hotel and commercial purposes dropped, whereas those for residential purpose expanded at a similar pace from the previous month which consistent to the investment in **real estate** sector.

**Public spending** remained expanded. Capital spending in many provinces expanded at a higher rate due to the disbursement on land and construction by the Royal Irrigation Department, Department of Highways, and Department of Rural Roads. The expansion was also observed in special purpose subsidy by Department of Local Administration. Nonetheless, based on the fiscal year, the accumulated disbursement on capital spending remained low compared to the same period last year. Current spending, however, expanded at a slower pace after prior period's acceleration.

On the stability front, **headline inflation** remained negative, at -1.74 percent, albeit edging up from higher cost of tap water after the suspension of relief measure. In addition, food and beverage prices showed less contraction due to higher prices of meat, poultry, and aquatic animals. **Labour market conditions** remained subdued as reflected by a rise in the number of jobless claims under the social security system.

At the end of June 2020, total **deposit** increased at a higher pace from the previous month, both from commercial banks and Specialized Financial Institutions (SFIs) due partly to cash handouts from the government's COVID-19 relief measures. The overall **loan** expanded at a similar pace as the previous month. The liquidity loan to businesses continued to grow, whereas consumer loan slowed down as households' purchasing power remained weak.

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