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Press Release on Southern Region's Economic Conditions in June 2021

The overall economic activities in Southern region in June 2021 contracted further from the previous month due to more contagious situation of the third wave of COVID-19. The situation caused domestic tourism to be at very low level as well as indicators of private consumption which contracted further from the previous month, where the government measures could partially support household purchasing power. Also, farm income decelerated from the previous month. Regarding manufacturing production, it turned to contract from the same period last year due to more contagious situation in the southern region, together with partial effect from Malaysia lockdown measure. Then, the value of merchandise exports also slowed down.

On the stability front, headline inflation decelerated from the previous month due to lower petroleum prices and the living cost relief measures. Regarding labour market conditions, it remained vulnerable and was concerned. As for financial sector as of May 2021, both deposit and loan expanded at a similar rate as last month.

Details of the economic conditions are as follows;

**Private consumption indicators** continued to decline from the previous month, based on seasonal adjusted figure, due to more contagious situation of the third wave of COVID-19 which caused more abrupt slowdowns in activity. Meanwhile, current government stimulus packages could partially support household purchasing power. The spending declined year-on-year in various categories, especially consumer goods and semi-durable goods. In addition, the spending on durable goods expanded at a slower rate than last month, reflected weak household purchasing power.

**Agricultural production** turned to be zero growth from the same period last year as oil palm output turned to contract sharply from the same period last year owing partly to the shift of peak season this year. Meanwhile, shrimp output slowed down where manufacturers reduced quantity of raw material purchasing as the effect of the COVID-19 situation. However, rubber output rose at a similar rate as last month. **Agricultural prices** decelerated from rubber and shrimp price, following lower demand from manufacturers. Also, Malaysia lockdown measure caused rubber demand to be lower. Oil palm price continued to expand at high rate due to low excess supply level and high level of oil palm price in Malaysia. In conclusion, **farm income** slowed down compared to last month.

**The number of domestic tourists** continued to be at very low level as the effect of more contagious situation of the third wave of COVID-19, reflected by less than 5% of average occupancy rate, especially in significant tourism province like Phuket. Nevertheless, by comparing to the previous month, the number improves a little bit. Regarding international tourism, it still contracted at high rate as international travelling restrictions remaining in place.

**The value of merchandise exports** grew at a slower pace than last month following the contraction of mixture rubber and canned seafood export. Meanwhile, other processed rubber export slowed down a little bit owing to lower latex export to Malaysia as a result of a decrease production

capacity of factory in Malaysia caused by lockdown measure. In addition, export in southern region was still affected by an increase of sea freight charge due to container shortage problem. Then, **manufacturing production** turned to contract from the same period last year following a decrease in the manufacturing of processed rubberwood and products, and crude palm oil. The main reasons were from lower demand and lower quantity of oil palm. In addition, manufacturing of processed rubber turned to contract from the same period last year as well, due to the contraction of mixture rubber and latex production. However, production of rubber block exported to Europe expanded after vehicle sales in Europe improved. The production of canned seafood contracted at a higher rate than last month, partially due to low-base effect last year together with an increase of demand from US and Europe after the COVID-19 situation in those countries unraveled.

**Public spending** decelerated from last month following the deceleration of capital spending as a result of high-base effect last year. Nevertheless, current spending expanded at a higher rate than last month due to an increase in disbursement of general subsidy by autonomous universities, city and town municipalities.

**Private investment indicators** increased at a slower pace than the previous month due mainly to a slowdown of cement sales and domestic sales of machinery. Meanwhile, an import of capital goods continued to contracted. However, the number of registered commercial vehicles grew at a similar rate as last month where the expansion was observed both in pickup and big trucks.

**On the stability front**, headline inflation slowed down to 1.79 percent due mainly to slowdown of petroleum prices and the government relief measures on utilities bills, including water and electricity. Fresh food price accelerated owing to higher price of vegetables and fruits, duck and chicken. The **labour market** conditions remained vulnerable as reflected by a continued decline of the number of employee under section 33 of the Social Security Act.

At the end of April 2020, the overall outstanding **deposit** for both commercial and Specialized Financial Institutions (SFIs) slowed down. Nevertheless, deposit remained at high level according to liquidity preservation of depositors. The overall outstanding **loan** expanded at a similar rate as last month. Business loan grew faster than last month, partially due to liquidity loan and debt relief measures. However, consumer loan slowed down.

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