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

The overall economic activities in Southern region in June 2020 remained in contraction, despite experiencing slightly recovery from the previous month due mainly to the easing of the lockdown measures. Private consumption showed a recovery sign in various categories, though remained contracted. Also, farm income, which contracted at a lower rate, partially supported consumption. Manufacturing production turned to expansion in several industries after many countries further easing lockdown restrictions. Public investment expanded, after last month contraction, whereas private investment contracted at a slower pace. The number of foreign tourists, however, continued to decline sharply amid tightened international travel restrictions.

On the stability front, headline inflation contracted at a slower pace as the domestic retail oil prices increased and electricity fee was back to the normal rate after the relief measures on electricity consumption terminated. Also, fresh food prices declined. Labour market conditions remained weak as reflected by the continued rising of the number of jobless claims under the social security system. At the end of May 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;

Private consumption contracted at a slower pace than the previous month as the easing of the lockdown measures somewhat helped improve the spending on consumer goods and tourism-related services by Thai tourists as the confidence on inter-provincial travelling picked up. Moreover, the government's COVID-19 relief measures and farm income which contracted at a lower rate, also partially supported households' consumption. However, weak households' purchasing power remained the pressure on spending on durable and semi-durable goods.

Agricultural production grew at a higher rate from the previous month. Palm oil output increased as a resulting of an increased newly yield area. Vannamei shrimp output also rose due partly to the low-based effect last year as low price demotivated the raising of shrimp fry. Meanwhile, rubber output slowed down. **Agricultural prices** declined further as weak global demand for rubber lowered its price. Palm oil price turned into contraction as output increased. However, Vannamei shrimp price accelerated as the global output still be contracted, together with the demand for consumption improved after the easing of the lockdown measures in many countries. As a result of output expansion, despite prices remained in contraction, **farm income** contracted at a slower pace than the previous month.

The number of foreign tourist arrivals extremely contracted for the fourth consecutive months due to the implementation of Thailand's inbound restrictions to curb the infection.

The value of **merchandise export** expanded, after last month contraction, as many countries further easing lockdown measures. Moreover, the concern over the second wave of COVID-19 raised the demand for several products. As a consequent, **manufacturing production** also expanded, after last month contraction as well. The production of canned seafood and rubber glove continued to grow. In addition, the production of mixture rubber exporting to China, concentrated latex exporting to Malaysia, and

fiberboard exporting to the Middle East, increased. The production of processed and frozen seafood, however, continued to decline.

Private investment contracted at a slower pace from the previous month as the investment in machinery and construction improved. The imports value of capital goods in rubberwood, crude palm oil, and rubber glove industries increased. The investment in the construction sector also improved as reflected by the increase in domestic sales of machinery and equipment for construction, together with less contracted cement sales. However, the investment in **real estate** sector slowed down as reflected by slower permitted construction areas for residential purpose after highly expanding in the previous periods.

Public spending expanded, after last month contraction. Current spending accelerated from an increased general-purpose subsidy disbursed by educational institutions. Moreover, capital spending turned to be positive as the disbursement on land and construction, special purpose subsidy, and durable goods increased. Nonetheless, based on the fiscal year, the accumulated disbursement on capital spending remained low compared to the same period last year.

On the stability front, **headline inflation** was at -2.26 percent, less contracted as compared to the previous month, due to a rise in domestic retail oil prices, alongside the electricity price converting to the normal rate after the relief measures on electricity consumption terminated. However, fresh food prices remained in contraction due to falling in poultry, aquatic animals, vegetables, and fruits prices. **Labour market conditions** remained weak as reflected by a rise in the number of jobless claims under the social security system.

At the end of May 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** also slightly rose as the SFIs lent more liquidity loan to businesses.

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