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

The overall economic activities in Southern region in May 2021 contracted further from the previous month due to more contagious situation of the third wave of COVID-19. The contraction had been observed in private consumption which continued to decline despite higher farm income. The infections also had a significant effect on mobility which lowered domestic tourism. Moreover, the manufacturing production considerably slowed down as a result of lower demand for some products and a hike in global freight rates amid port congestion and container box shortages which affected exports. On the other hand, the public investment remained high despite slowdown from the previous month. The private investment slightly picked up in particular the number of registered pickup trucks due partly to low-based effect last year.

On the stability front, headline inflation decelerated from the previous month due to the living cost relief measures, together with lower petroleum prices. Regarding labour market conditions, it remained vulnerable. As for financial sector as of April 2021, deposit expanded at a slower pace, whereas loan expanded at a similar rate as last month.

Details of the economic conditions are as follows;

Private consumption continued to decline from the previous month, based on seasonal adjusted month-on-month figure, due to the rise in COVID-19 cases and more abrupt slowdowns in activity. Meanwhile, current government stimulus packages could partially support purchasing power. The spending declined in various categories, including consumer goods, semi-durable goods, and durable goods. The spending on tourism-related services also significantly dropped resulting from the stringency of domestic movement restrictions.

Agricultural production increased at a higher pace than the previous month as the Vannamei shrimp output increased as a result of better weather conditions which caused lower rate of shrimp mortality. The output of rubber rose at a higher pace as it was the first month of tapping season, together with low-based effect from delayed tapping due to the dry weather last year. The oil palm output slowed down after accelerating last month due to the earlier peak season this year compared to last year. **Agricultural prices** rose at a higher pace from the previous month mainly from oil palm and rubber prices. The higher price of oil palm was due to the more purchase from the refineries in order to build up stocks. The further increase in agricultural prices and production was crucial to an increase at a higher pace in **farm income**.

The number of domestic tourists significantly dropped from the previous month due mainly to the rise in COVID-19 cases and more stringent movement restrictions across the provinces. As a result, the occupancy rate dropped. Moreover, international travelling restrictions remaining in place.

The value of merchandise exports grew at a slower pace than last month as the rise of newly COVID-19 cases at the South's China port caused another impact again on container volumes and global freight rates along the global shipping routes after the port had been partially closed. The **manufacturing production** expanded at a much slower pace than the previous month. The slowdown was due mainly to

lower demand from trading partners, including mixture rubber and latex from China, fiberboard from Middle East. In addition, the production of crude palm oil decelerated as the oil palm output slowed down. The shortages of container box and the surge of global freight rates impacted the export of rubber glove and canned seafood although the production of rubber glove was maintained, whereas the production of pet food continued to grow.

Public spending continually expanded. The current spending turned positive as the disbursement on central fund and the disbursement by Department of Corrections increased. The capital expanded at a slower pace, despite remained at high growth rate, as the disbursement on specific purpose subsidy by Department of Local Administration, the disbursement on land and construction by Department of Highways, Department of Rural Roads, and Royal Irrigation Department slowed down.

Private investment increased at a higher pace than the previous month due mainly from the investment in construction. The permitted construction areas for resident and manufacturing improved from last month which was consistent to cement sales. Additionally, domestic sales of machinery grew, as well as the number of registered pickup trucks which partly due to low-based effect last year. The imports of capital goods, however, declined as the imported machinery in processing seafood went down.

On the stability front, headline inflation slowed down to 2.76 percent due mainly to the government relief measures on utilities bills, including water and electricity, together with the slowdown of petroleum prices, and fresh food prices in particular vegetables and fruits. The **labour market** conditions remained vulnerable as reflected by a continued decline of the number of employee under Social Security System.

At the end of April 2020, the overall outstanding **deposit** for both commercial and Specialized Financial Institutions (SFIs) remained at high level in order to maintain liquidity. The overall **loan** grew at a similar pace as last month in part to the debt relief measures. However, loan for businesses slightly slowed down as lending policy was more cautious after the third wave of COVID-19.

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