



No.13/2013

Press Release on Northern Region's Economic Conditions in July 2013

In July 2013, the overall economy moderated in line with a contraction of private investment and government disbursement as well as manufacturing and agricultural production. Private consumption was flat while exports slowed down. However, tourism continued to thrive. Economic stability was well maintained with stable inflation and low unemployment rate. For banking sector, commercial bank credits and deposits levelled off but exhibited favorable growth.

Details of the economic conditions are as follows:

Demand side decelerated, as reflected in the **private investment index** that contracted by 5.8 percent year-on-year (yoy) for the first time since December 2011. This was mainly due to the previous year's high-based effect along with a moderate in construction activities as permitted construction area and sales of construction materials dropped by 57.1 percent (yoy) and 18.1 percent (yoy), respectively. In addition, number of registered commercial cars fell mildly by 0.3 percent (yoy). Nevertheless, a sign of prospective investment in the Northern region was continuing observed as evidenced by the approval of investment promotion for 10 projects, totaled 1,503.0 million baht, mostly for manufacturing of electronic components, biogas electricity and agricultural products. **Government disbursements** through provincial treasury offices in the Northern region, amounting to 14,501.2 million baht, shrank by 13.8 percent (yoy) for the third consecutive month, owing to the previous year's high-based effect in response to a back payment causing by new civil servants' compensation measures coupled with a drop in annual budget allocations. Nonetheless, the 10-month accumulative disbursement for the fiscal year 2013 still rose by 4.9 percent (yoy). **Private consumption** stabilized this month. Despite the continual growth of consumer spending for necessity goods, sales of automobiles recorded the first decline since March 2012 along with a slowdown in luxuries spending especially clothings, electrical appliances and furniture. This was mainly contributed by faltered farm income in line with concern over higher living cost and rising household debt, which in turn tamed consumer caution in their spending and confidence.

Export value was recorded at 357.2 million USD, grew by 3.1 percent (yoy) from cross-border exports of consumer products and fuels to Laos while exports to Myanmar moderated from the severe floods, particularly necessity goods which were exported daily. Concurrently, **import value**, amounting to 164.2 million USD, went up by 19.0 percent (yoy), mainly from imports of raw materials and intermediate goods, specifically electronic components. Altogether, cross-border imports of livestock, furniture and wooden crafts grew continually in line with agricultural products as benefited from the ASEAN Free Trade Area (AFTA), mostly these goods imported before the floods.

Supply side slowed down. **Major crop production** namely second crop rice, pineapple and longan was dampened by turbulent weather and drought, which in turn affected **farm income** which dropped by 8.3 percent (yoy). **Major crop price** edged up marginally following price of livestock in response to increased cost of production mainly from labor and breeding cost. **Manufacturing production index** shrank by 4.3 percent (yoy) following subdued export-oriented and domestic manufacturing production mostly for beverages, food and electronic components, that owed partly to fragiled global and domestic economy. **Tourism sector**, however, remained buoyant even during the low-season months as a beneficiary of government activities, particularly the Northern Rajabhat Universities graduation ceremony and the competitive examination of the Office of the Civil Service Commission as well as returning Asian travelers especially from China, South Korea and Japan.

Internal stability remained sound as **inflation** stayed low almost the same as last month at 2.69 percent (yoy) and **unemployment rate** in June 2013, lowered from the same period of preceding year at 1.0 percent (yoy) to 0.5 percent (yoy). Correspondingly, **the number of registered persons** under social security system in July 2013 grew continually. Skilled labor shortage continued to be entrepreneurs' concerns.

Monetary sector was considered favorable albeit subdued. **Commercial bank credits** as of June 2013 amounting to 531,075 million baht ramped up by 23.6 percent (yoy). Credit expanded remarkably due mainly to consumer lending. Besides, the corporate loan, mostly for utility businesses, trading, agricultural and manufacturing businesses also increased. Concurrently, **deposits**, amounting to 569,438 million baht, kept rising to 11.6 percent (yoy), following deposits mobilization of commercial banks through campaign activities and new attractive financial products.

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September 3, 2013

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