



No. 7/2013

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

**In May 2013, the overall economy** moderated following private consumption and investment after the previous year's acceleration. Meanwhile, export expanded in line with cross-border trade and tourism sector remained buoyant as benefited from international seminars in Chiang Mai. Farm income contracted, mainly from lower output of second crop rice. Additionally, declined beverage production led to a decrease in manufacturing production. Government disbursement contracted temporarily after notable pickup in the preceding period. With regard to economic stability, inflation and unemployment rate increased slightly. For banking sector, commercial bank deposits slowed down while credits registered high growth.

Details of the economic conditions are as follows:

**Supply side** showed continual contraction. **Major crop production** continually declined by 8.6 percent year-on-year (yoy) following lesser output of second crop rice, pineapple and linchee as a result of less water and unfavorable weather which also led to subdued production of livestock. Concurrently, **major crop price** decreased mildly following price of second crop paddy, owed partly to dampened exports, all of which led **farm income** dropped by 8.6 percent (yoy). **Manufacturing production index** shrank by 8.0 percent (yoy) as a response to a decline in beverage production after a period of acceleration. Meanwhile, the processed agricultural products seemed facing increased competition as foreign customers switched to the low-price products, while the reduction of rice production continued to be affected by lesser output of paddy. In the meantime, production of camera lenses and hard disk drive components dropped following subdued demand. **Tourism sector** exhibited growth, particularly upper Northern provinces as a beneficiary of ongoing activities and international seminars in Chiang Mai as well as buoyant number of foreign tourists, mainly from China.

**Demand side** moderated. **Private consumption index** increased slightly by 3.7 percent (yoy) following declined wholesale and retail sales along with the slump on motorcycle sales. This corresponded to consumer caution on their spending owing to the high cost of expenses, coupled with a fall of farm income. At the same time, **private investment index** also slowed down, slightly increased by 3.6 percent (yoy), resulting from a decrease in the permitted

construction area in municipalities as well as land registration fees which had previously speeded up before the enactment of new Chiang Mai Comprehensive Plan this month. Nonetheless, a sign of prospective investment in the Northern region was continuing observed as evidenced by the approval of investment promotion for 7 projects, totaled 1,005.0 million baht, mostly for agricultural products. In the meantime, **government disbursement** through provincial treasury offices in the Northern region in April 2013, amounting to 14,018.2 million baht, contracted temporarily by 12.4 percent (yoy) after a marked pick up in the preceding period. However, the total disbursement during 8 month of the 2013 fiscal year still registered growth of 9.6 percent (yoy).

**Export value** was recorded at 417.3 million USD, grew at moderate pace by 7.4 percent (yoy) from cross-border exports of fuels and consumer products. Concurrently, **import value**, amounting to 121.2 million USD, shrank by 4.3 percent (yoy), owing to decreased imports of raw materials and intermediate goods, namely electronic components, rough diamond and glass lenses. For imports of agricultural products as benefited from the ASEAN Free Trade Area (AFTA) still expanded well.

With regard to **internal stability, inflation** was up slightly to 2.32 percent (yoy) following increased prices of meat, eggs, vegetables and fruit as well as fuels. **Unemployment rate** in April 2013, albeit considered low, increased mildly to 0.6 percent (yoy) from the previous month. Correspondingly, the number of registered persons under social security system in May 2013 continued growth.

Monetary sector expanded. **Commercial bank deposits** as of April 2013 amounting to 562,461 million baht grew at slower pace of 15.0 percent (yoy) mainly from increased deposits of public entities. **Credits**, amounting to 518,230 million baht, grew by 23.6 percent (yoy), due partly to an adjustment of a transfer of credit accounts from its head office to be registered in the Northern region. Exclusive of the transfer, a 20.3 percent (yoy) growth would be reported. High growth in credits was observed in consumer loan, wholesale and retail trades, hire purchase as well as agriculture, construction and financial businesses.

Bank of Thailand, Northern Region Office

July 3, 2013

Contact person: Buchita Lertpoonvilaikul

Tel: +66 (0) 5393-1156

E-mail: [Buchitap@bot.or.th](mailto:Buchitap@bot.or.th)