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Press Release on Northern Region's Economic Conditions in December 2013
and the Year 2013

In December 2013, the overall economy in the Northern region improved almost across the board, with a remarkable expansion in tourism sector, exports and government disbursement in particular. In addition, both agricultural and manufacturing product increased. Meanwhile, private consumption and investment noted a decline. Regarding economic stability, inflation subdued while unemployment rate rose mildly. For banking sector, deposits and credits moderated.

Details of the economic conditions are as follows:

Supply side expanded well. **Tourism** expanded notably as favorable cold weather motivating domestic tourists, as well as buoyant inbound visitors, particularly Chinese tourists. **Manufacturing Production Index** rose following increased production of electronic components, for smart phone and tablet production in particular, supplying mainly to plants in China; along with a relocation of some production lines from abroad to the Northern region. In addition, sugar manufacturing grew on the back of abundant sugar cane, in line with manufacturing of processed agricultural products in response to robust demand from Japanese market. Likewise, **Major Crop Production Index** increased by 4.3 percent year-on-year (yoy). This was mainly attributable to higher output of major crop rice, sugar cane and cassava as a result of higher yields as benefited from favorable weather condition. Nevertheless, **major crop price** dropped by 8.7 percent (yoy) owing to declining price of major crop paddy, in tandem with falling price of sugar cane in accordance with global price, and coupled with much less agricultural subsidies, comparing to the previous year. In addition, price of cassava was slightly low due to increased output. Consequently, **farm income** decreased by 4.8 percent (yoy).

Demand side continued to abate. **Private Consumption Index** fell by 8.7 percent (yoy) as consumer confidence weakened and more cautious spending was observed, given current political situation, deteriorated economic conditions, rising household indebtedness and lower prices of agricultural products. **Private Investment Index** declined by 12.4 percent (yoy) as a result of the previous year's high base effect which also weighed down major indicators, namely numbers of commercial car registration, imports of machinery and equipment and permitted construction area in municipalities. However, **government disbursements** through provincial treasury offices in the

Northern region, amounting to 18,024.7 million baht, grew by 18.2 percent (yoy) mainly from categories of subsidies to government entities, academic institutions and local authorities in accordance with ongoing government's projects.

Export value through the Northern Customs House, amounting to 443.5 million USD, recorded a new high for second consecutive month as increased by 20.9 percent (yoy), owing mainly to exports of electronic components and equipment as well as cross-border exports of petroleum products, alcoholic beverages, mobile phones and consumer goods. In the meantime, **import value**, amounting to 117.7 million USD, fell by 11.0 percent (yoy) mainly from imports of raw materials for manufacturing sector, specifically electronic components, and also cross-border imports of fruit and vegetables.

With regard to **internal stability, inflation** moderated to 1.84 percent (yoy) following prices of rice, fruit and vegetables in response to increased output. Meanwhile, **unemployment rate** remained low at 0.5 percent (yoy) while numbers of **registered person under social security system** continued upward trend.

Banking sector expanded at a slower pace. **Commercial bank credits** as of November 2013 grew by 19.8 percent (yoy), amounting to 562,825 million baht. This was attributable to a demand for working capital and investments, from the SMEs in particular, as well as for housing, hire purchase and consumer loan. Concurrently, **deposits** increased by 5.2 percent (yoy), amounting to 572,408 million baht, partly from deposits mobilization of commercial banks both for occasions of new branches opening and the Money Expo Chiang Mai 2013, a timely exposition introducing various attractive financial products and services.

In 2013, the Northern region's economy moderated, compared with the previous year. Only tourism sector expanded very well and remained a key driver of the economy. Private consumption and exports abated significantly. Moreover, private investment, government disbursement, manufacturing production and farm income declined. Internal stability, however, regarded favorable as inflation edged down, coupled with low unemployment rate. For the banking sector, deposits and credits exhibited a slow growth.

Demand side was tepid on the back of feeble expansion in trade and private consumption. This was attributable to no government scheme to stimulate spending, weakened consumer confidence and purchasing power dampened by higher household indebtedness and lower farm income. However, sales of necessity goods along with sales of construction materials, which stemmed from ongoing real estate projects, recorded a continued increase but sign of downtrend in the second half of the year was observed. Investment declined on account of last year's acceleration in response to government sector's rehabilitation from the historic flood in 2012 and flood prevention projects as well as construction projects of private sector for both high-rise and low-rise buildings. Government disbursement, through provincial treasury offices in the Northern region, also decreased owing to high-

base effect as a consequence of delayed enactment of fiscal year 2014 budget. Exports registered a growth following cross-border exports of consumer goods and petroleum products and exports of electronic components through the Northern Customs House as well.

Supply side posted a modest increase. Tourism sector continued to expand robustly, supporting by persistent visits of Chinese tourists, favorable cold weather and ongoing promotional marketing activities and seminars; while agricultural production weakened, contributing mainly by drought and turbulence weather in the first half of the year. Output of major crops, particularly second crop rice, sugar cane, pineapples, longan, and lychee, dropped. Likewise, output of cassava, soybean, shallot, garlic, and onion was also lessened as farmers switched their plantation to other higher-yield-expected crops. Meanwhile, major crop price fell, corresponding mainly to subdued prices of rice, cassava and sugar cane and in line with global prices. Consequently, farm income declined. In tandem, manufacturing production decreased slightly following production of rice and sugar as a result of lesser output of raw materials. In the meantime, production of alcoholic beverages slowed for further clarification of tax rate's revision. In addition, production of garments, leather products and furniture contracted as their competitiveness were on the wane. Moreover, production of compact camera components and hard disk drives shrank, resulting from new technology displacement.

On the stability front, inflation moderated on the back of descended prices of food and fuel. Unemployment rate remained low throughout the year, despite skilled labor shortages in some specific sectors. For banking sector, deposits expanded at a moderate pace, attributable to last year's high base, but deposits mobilization of commercial banks to facilitate credit expansion remained. Credits, albeit moderated, grew satisfactorily following demand from private sector on both corporate lending for wholesale and retail trade, financial intermediary and processed agricultural products businesses in particular, and consumer lending, notably of housing and hire purchase.

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