



BANK OF THAILAND

BOT Press Release

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Press Release on Northern Region's Economic Conditions in June 2013
and the Second Quarter of 2013

The overall economy in June 2013 moderated continuously following a decrease in private consumption and investment as well as exports. This was in line with a contraction of government disbursement, manufacturing production and farm income. Tourism, however, remained on a robust expansion. Economic stability was considered supportive given a low unemployment rate, despite a slight increase in inflation. For banking sector, credits growth ascended while deposits descended.

Details of the economic conditions are as follows:

Private Consumption Index (PCI) expanded by 3.0 percent year-on-year (yoy) but slowed down continually. As farm income and consumer confidence subsided, coupled with higher indebtedness, household became more cautious about their spending. Meanwhile, **Private Investment Index** rose mildly by 0.7 percent (yoy) due mainly to the previous year's high-base effect. Besides, several major indicators were on the wane particularly permitted construction area, sales of construction materials and numbers of commercial cars registered. Nevertheless, either ongoing or new construction projects continued to be observed. In addition, prospects of investment in the Northern region remained. This was reflected in not only an increase in imported machinery and equipment, but also a continuation of investment promotion approvals as reported in this month totally 8 projects with the total value of 1,488.6 million baht, mostly for manufacturing of agricultural products. Meanwhile, **government disbursements** through provincial treasury offices in the Northern region, amounting to 15,026.4 million baht, shrank by 10.3 percent (yoy) owing to the previous year's high-base effect in response to a back payment causing by new civil servants' compensation measures. Nonetheless, the 9-month accumulative disbursement for the fiscal year 2013 still grew by 7.2 percent (yoy).

Export Value, amounting to 384.0 million USD, increased by 2.1 percent (yoy) following cross-border exports which slow down from the previous month as the rainy season begun resulting in merchandise transportation and distribution inconvenience. Concurrently, **import value**, amounting to 128.5 million USD, contracted by 4.2 percent (yoy) mainly from decreased imports of capital goods. However, cross-border imports of agriculture products, livestock and furniture increased.

Tourism sector remained sound. The average occupancy rate of hotels in the Northern region reported at 43.3 percent (yoy), higher than a 38.2 percent (yoy) in the same period of the previous year. Likewise, numbers of air passenger rose by 20.2 percent (yoy) as partly benefited from the ongoing seminars and meetings as well as an increase of Chinese tourists. **Manufacturing Production Index** shrank by 1.6 percent (yoy), mainly from lesser production of photography equipment and hard disk drive components,

following faltered demand as a result of outdated technology. In tandem, production of processed agricultural products dropped, beset by price competition. In the meantime, **farm income** contracted by 12.1 percent (yoy) resulting from lesser output of major crops, namely second crop rice, pineapple and lychee as an adverse effect of drought and turbulent weather. In addition, **major crop price** lowered continuously following price of second crop paddy, arisen from decreased external demand.

Regarding **internal stability, inflation** edged up marginally to 2.6 percent (yoy) on the back of meat and fuel prices. **Unemployment rate** lowered from the preceding month to 0.5 percent (yoy). Meanwhile, numbers of registered person under social security system in June 2013 continued to grow, reflecting an increased employment. Yet, skilled labor shortage, notably in the construction sector, was observed.

Banking sector expanded well. **Commercial bank credit** as of May 2013, amounting to 522,942.0 million baht, soared to 24.2 percent (yoy), particularly lending for hire purchase, housing, construction materials trading, construction, real estate development and automobile dealers. Additionally, a transfer of credit accounts, from its head office to be registered in the Northern region, was attributable to the increase. Exclusive of the transfer, a 20.9 percent (yoy) growth would be reported. Concurrently, **deposits**, amounting to 564,225.0 million baht, kept growing to 13.9 percent (yoy), albeit moderated continually, following deposits mobilization of commercial banks so as to maintain market shares and customer bases.

In the second quarter of 2013, overall economy expanded in a slower pace following faltered consumer consumption. Consumer caution about spending was elevated on the back of higher indebtedness. Declined sales of agricultural products also lowered household income. Besides, private investment abated after previous acceleration. Meanwhile, government expenditure rose following increased disbursement in category of subsidies to local authorities. In the meantime, exports grew following cross-border exports. Tourism expanded well on the back of sustained seminar activities, particularly international conference as well as persistent visit of Chinese tourists. However, supply side contracted in both manufacturing and agriculture production. Manufacturing production declined in accordance with decreased production of processed agricultural products, hard disk drive components and compact camera's lenses. Likewise, agricultural production shrank in response to lesser output of second crop rice, caused by drought. Consequently, farm income dropped. Economic stability was considered supportive as reflected in relatively low unemployment and eased inflation. For banking sector, credits registered a growth while deposits reported a moderation.

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