



No. 9/2014

[Press Release on Northern Region's Economic Conditions in August 2014](#)

The overall economy in August 2014 remained stable from last month as export-oriented manufacturing production expanded on the back of external demand recovery and political situation became clearer which helped alleviate concern of foreign tourists. Private consumption also showed signs of recovery following increasing consumer confidence. Nevertheless, private investment recovered at a slow pace as businesses were awaiting signs of economic recovery and clarity on government policy. In addition, government disbursement continued to subdue on limitation. With regard to economic stability, unemployment rate remained low while inflation picked up slightly. For banking sector, deposits growth ascended while credits descended.

Details of the economic conditions are as follows:

Demand side stabilized from last month. **Private consumption** dropped by 3.5 percent year-on-year (YoY) following shrinking on durable goods spending, especially in automobile sector, as household debt level remained high. Nonetheless, there were signs of improvement comparing with a month-earlier level as improving consumer confidence and higher non-farm income benefited from overtime pay helped sales of necessity goods to edge up continually.

Private investment index contracted by 4.6 percent month-on-month (MoM) and 5.9 percent (YoY) as businesses continued to defer new investments, awaiting signs of economic recovery and clearer direction of public policy corresponded to declines in certain key indicators particularly numbers of commercial car registration and permitted construction area in municipalities as well as sale of construction materials on account of subdued construction projects in both government and private sector. **Government disbursements** through provincial treasury offices in the Northern region, amounting to 13,976.5 million baht, shrank on both month-on-month and year-on-year basis by 3.6 percent (MoM) and 3.4 percent (YoY) respectively, due to a limitation disbursement of government budget, specifically in construction projects.

Export value through the Northern Customs House was recorded at 464.0 million USD, up 16.8 percent (YoY) mainly from exports of agricultural and electronic products notably camera lenses components, printed circuit boards and integrated circuits to ASEAN, USA and Europe. Cross-border exports of consumer goods to Myanmar, Laos and southern China also expanded well. Meanwhile, **import value**, amounting to 166.0 million USD, accelerated by 16.9 percent (YoY) following imports of raw materials and intermediate goods for export-oriented manufacturing production especially electronics components and parts.

Supply side revived from the prior month and its year-earlier level as **major crop production index** geared up to 6.9 percent (YoY) following output of longan and maize due to favorable weather. In the meantime, **major crop price** downed by 8.3 percent (YoY) following falling prices of paddy resulted from decreased global price; in line with declining price of longan in response to abundant supply. However, prices of pineapple and livestock remained favorable. Altogether, **farm income** improved from the previous month and the same period last year.

Tourism sector adjusted upward from last month as benefited from promoting events supported by public and private sectors. Moreover, the government measure to exempt visa fees for Chinese tourists and more direct flights available helped boost the numbers of Chinese tourists visiting Thailand, especially Chiang Mai. Occupancy rate and number of air passengers, as a result, picked up.

Meanwhile, **Manufacturing Production Index** registered a growth of 3.7 percent (YoY) albeit soften from 14.3 percent (YoY) in a month earlier as exports of electronic components increased following global recovery. In addition, production of camera lenses expanded to serve the growing market share and exports of tableware ceramics grew from demand from Europe. However, production for domestic-oriented contracted mainly from production of beverages.

Internal stability remained satisfactorily, inflation rose slightly from last month to 2.18 percent (YoY) following increased prices of fresh chicken and egg due to unstable weather condition and decreased numbers of hen, resulting in lesser output. On the contrary, prices of swine, vegetables and fruit as well as fuel posted a fall. Concurrently, **unemployment rate** remained low at 0.7 percent (YoY), same level as the previous month, while **numbers of registered persons under social security system** slowed down from the prior month and year.

Monetary sector grew at moderate pace. **Commercial bank deposits** as of July 2014 totaled 587,001 million baht, rose by 4.4 percent (YoY) but softened from the earlier-month following deposits reallocation from time deposits to debt instruments, given higher return. However, commercial banks continued to launch deposit campaigns to maintain customer bases. Meanwhile, **credits**, registered 569,918 million baht, grew by 6.2 percent (YoY) albeit declining for 14 consecutive months as consumers remained cautious in their spending due to elevated level of household debt. In tandem, investment outlays were still subdued, waiting for signs of economic recovery, and commercial banks' credit approvals were also tightened.

Bank of Thailand, Northern Region Office

October 2, 2014

Contact person: Buchita Lertpoonvilaikul

Tel: +66 (0) 5393 1156

e-mail: Buchitap@bot.or.th