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Press Release on Northern Region's Economic Conditions in March 2014
and the First Quarter of 2014

The overall economy in March 2014 declined from last month as concern over political situation and economic conditions coupled with a drop of farm income continued to weigh down consumer and business confidence and raising caution in their spending. Accordingly, a slowdown in private consumption and investment led to a contraction of domestic-oriented manufacturing production. Meanwhile, tourism, exports and government disbursement, albeit subdued, remained favorable. With regard to economic stability, inflation increased while unemployment rate stayed low. For banking sector, deposits growth ascended while credits descended.

Details of the economic conditions are as follows:

Demand side softened. **Private investment index** contracted by 6.8 percent year-on-year (yoy), reflecting a decline in key indicators including permitted construction area in municipalities, import value of machinery and equipment and numbers of commercial car registration. However, sale of construction materials expanded mainly from government construction projects. **Private consumption index** declined by 5.8 percent (yoy) as consumers remained cautious in their spending and consumed principally necessity goods. This was attributable to a historical low consumer confidence given prolonged political unrest and deteriorated household income in both agricultural and non-agricultural sector. Meanwhile, **government disbursements** through provincial treasury offices in the Northern region, amounting to 17,467.8 million baht, rose by 16.4 percent (yoy) following both current expenditure, in category of ongoing measure subsidies to government entities, academic institutions and local administrative organizations, and capital expenditure, in accordance with a progress of ongoing construction projects which expanded for a second consecutive month.

Export value through the Northern Customs House was recorded at 458.4 million USD, up 13.0 percent (yoy) in response to increasing demand on electronic parts and hard disk drive components from Japan and USA, in line with exports of consumer goods to Myanmar and Laos. In the meantime, **import value**, amounting to 132.1 million USD, shrank by 1.2 percent (yoy) mainly from decreased imports of equipment and machinery parts. However, imports of agricultural products which benefited from the ASEAN Free Trade Area (AFTA), cattle, furniture and wooden products expanded well.

Supply side contracted. **Manufacturing Production Index** dropped by 5.9 percent (yoy) owing to decelerated production for domestic-oriented, particularly beverages, rice and sugar. Nonetheless, production of electronic components grew further from external demand for telecommunication, electrical appliances and automotive equipments. **Major Crop Production index** fell by 1.1 percent (yoy) due mainly to decreased output of second crop rice causing by insufficient water supply from reservoir in addition to the adverse effects of drought. **Major crop price** subsided further to 9.7 percent (yoy) following falling global prices of second crop paddy, maize and sugarcane due to abundant supply, all of which led **farm income** fell by 10.7 percent (yoy). **Retail Trade index** shrank by 12.4 percent (yoy) from sale of automobiles and relevant products, together with construction materials and electrical appliances. Meanwhile, **tourism sector** slowed down after a notable expansion in the earlier period, especially in MICE market, in tandem with haze pollution which started to partly affect tourism sector. However, persistent visits of foreign tourists remained, particularly the Chinese, fostering by a trendy travel theme to the Upper Northern Thailand.

Economic stability considered sound, **headline inflation** edged up to 2.37 percent (yoy) following rising prices of fresh food, notably meat, vegetables and fruit due to dry and extremely hot weather condition, resulting in lesser output which led to an increase in processed food prices. In the meantime, **unemployment rate** was down to 0.5 percent (yoy) while **the number of registered persons** under social security system grew further.

Monetary sector expanded well. **Commercial bank deposits** as of February 2014 totaled 598,393 million baht, went up by 9.6 percent (yoy) mainly from increased deposits of public entities and academic institutions as well as temporarily relocated deposits from depositors of some specialized financial institutions as a negative impact from political situation. Concurrently, **credits**, registered 569,954 million baht, grew by 17.2 percent (yoy) albeit declining for the ninth consecutive month due to the economic slowdown, higher household indebtedness and more strictly consideration of commercial banks lending. However, demand for corporate and consumer loan remained.

In the first quarter of 2014, economy moderated from the previous quarter as **demand side** continued soften following flagging private consumption and investment due to a concern on political condition, faltered farm income coupled with delayed payment of rice pledging scheme in line with postponed private investment for more economic clarification. Real estate sector cooled down. Nevertheless, exports grew in accordance with the recovery of global economy and increased government spending in both current and capital expenditure. **Supply side** posted a slight expansion as tourism sector thrived from favorable cold weather, ongoing promotional activities and seminars which resulted in increased number of inbound visitors, both domestic and foreign, notably Chinese tourists traveling by direct flights. Meanwhile, agricultural and manufacturing production increased following abundant raw materials of sugarcane and maize

owing to expansion of plantation area along with favorable weather condition which resulted in higher yield per Rai. In addition, production of electronic components and optical lens increased from external demand. **Economic stability** was considered supportive on the back of relatively eased inflation and low unemployment rate. For banking sector, deposits registered a growth while credits exhibited a favorable increase albeit subdued.

Bank of Thailand, Northern Region Office

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Contact person: Buchita Lertpoonvilaikul

Tel: +66 (0) 5393 1156

e-mail: Buchitap@bot.or.th