



BANK OF THAILAND

**BOT Press Release**

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

In July 2014, the overall economy in the Northern region was considered stabilized, compared with the preceding month. As manufacturing production, exports and tourism expanded well in response to a recovery of external demand and a clearer political situation, confidence of both consumer and businesses resumed. Also, farm income and government disbursement improved. Private consumption and investment, however, picked up slowly as high level of household debt resulted in more cautious in spending. Likewise, business activities remained subdued, awaiting clear direction of government policy. Economic stability was considered favorable as inflation and unemployment rate edged down. For banking sector, deposits and credits continued to moderate.

Details of the economic conditions are as follows:

**Demand side** leveled off from the previous month but still contracted comparing with a year-earlier level. **Private Investment Index** shrank by 1.4 percent year on year (YoY). Even though business confidence improved, investment outlays were still subdued, waiting for signs of economic recovery and clarity on government policy. This was evidenced by a decline in major indicators, particularly numbers of commercial car registration and import value of machinery and equipment. Nevertheless, sales of construction materials kept growing on the back of ongoing government construction projects and permitted construction area within the municipalities, notably in secondary cities, was on the rise.

**Private Consumption Index** contracted by 5.0 percent (YoY), on account of declined consumer spending on durable goods, specifically in automobile sector. Albeit consumer confidence improved continuously, household remained cautious in their spending given their elevated level of household debt. Nonetheless, a growth on sales in department stores and sales of electrical appliances, boosted by promotional activities, as well as sales of necessity goods were exhibited. **Government disbursements** through provincial treasury offices in the Northern region amounted to 14,406.2 million baht, registering a contraction of 0.7 percent (YoY) in light of limitation on disbursement of capital expenditures.

**Export value** through the Northern Customs House, amounted to 418.5 million USD, growing by 17.2 percent (YoY). This was mainly contributed by exports of electronic components, namely printed circuit boards and integrated circuits, and camera lenses components to ASEAN, Europe and the USA. In addition, cross-border exports of consumer goods expanded well in all markets. In the

meantime, **import value**, amounting to 158.4 million USD, dropped by 3.5 percent (YoY) mainly from less imports of raw materials and intermediate goods for manufacturing sector.

**Supply side** was unchanged from the previous month. **Manufacturing Production Index** rose by 14.3 percent (YoY) following increased production of electronic components for telecommunication devices, automobiles, electrical appliances and office supplies as well as ceramic tableware, in response to rising external demand from Asia and Europe. Domestic-oriented production, meanwhile, improved mainly of processed agricultural products and construction materials in accordance with ongoing government construction projects. However, food and beverages production decreased.

**Farm income**, although fell by 1.9 percent (YoY), improved from the preceding month on the back of 10.6 percent increase of **major crop production**, mainly from rising longan output which benefited from favorable weather, coupled with a slight increase in second crop rice output. In the meantime, **major crop price** dropped by 12.5 percent (YoY) resulting from falling prices of almost all crops, particularly paddy and maize. Nonetheless, price of livestock, namely pork, remained favorable.

**Tourism** improved from the previous month. Eased political situation brought about a sign of recovery as evidenced by rising numbers of inbound foreign tourists, particularly the Chinese, visiting the Northern region. Additionally, persistent number of meetings and seminars of government sector in order to accelerate budget utilization, helped increase the occupancy rate.

Regarding **internal stability** which remained favorable, **inflation** moderated continuously to 2.2 percent (YoY) on the back of falling prices of fuel, following the global price, as well as prices of fruit and vegetables, as a result of buoyant supply in the market. Meanwhile, **unemployment rate** reduced to 0.7 percent while numbers of **registered person under social security system** declined mildly.

**Banking** sector expanded at a slower pace. **Commercial bank deposits** as of June 2014, amounting to 587,680.0 million baht, increased by 3.2 percent (YoY) albeit moderated continually from the previous month. To maintain deposits base and facilitate credit expansion as planned, commercial banks exercised deposits mobilization but some customers preferred investing in debt instruments for higher yields. Concurrently, **credits**, amounting to 571,774.0 million baht, grew by 7.7 percent (YoY) and posted moderation for 13 consecutive months in response to a decline in consumer loan, particularly hire purchases; and corporate lending.

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