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Press Release on Northern Region's Economic Conditions in May 2014

In May 2014, the overall economy in the Northern region remained stable, even though manufacturing production and exports expanded on the back of external demand recovery; and the political situation seemed to ease up in late May. Nevertheless, household and corporate remained cautious in spending owing mainly to persistently high debt level and shortfalls of farm income resulting by drought and depressed rice price, despite ongoing receipt of payment on rice pledging scheme project to farmer. In addition, tourism subdued, coupled with a delayed investment of businesses awaiting signs of economic recovery. Economic stability was considered favorable as inflation increased slightly while unemployment rate remained low. For banking sector, deposits and credits moderated.

Details of the economic conditions are as follows:

**Demand side** improved mildly from the previous month but still contracted comparing with a year-earlier level. **Private Consumption Index** leveled off (MoM) but shrank by 5.8 percent (YoY), mainly on account of declining consumer outlays on durable goods as a high base effect. Moreover, consumers remained cautious in their spending in response to elevated level of household debt and farm income registered a sizable decrease even though a sign of recovery, given ongoing payments upon rice pledging scheme project, was noted. Nevertheless, easing political situation in late May was attributable to an improvement of consumer confidence index for the first time in 14 months.

Meanwhile, **Private Investment Index** descended slightly from the previous month and dropped by 4.5 percent (YoY) as businesses slowed down their investment outlays for signs of economic recovery and clarity on government policy. This was resulted in a decline of major indicators, particularly import value of machinery and equipment, numbers of commercial car registration and permitted construction area within the municipalities. Likewise, growth on sales of construction materials softened in response to subdued activities of private construction. **Government disbursements** through provincial treasury offices in the Northern region amounted to 14,128.8 million baht, registering higher on a month-on-month basis (MoM) and a minimal growth on a year-on-year basis (YoY).

**Export value** through the Northern Customs House, amounted to 468.1 million USD. The increase of 22.3 percent (MoM) and 12.2 percent (YoY) was contributed mainly by exports of electronic components and equipment for telecommunication and automobiles to the USA and Europe as well as cross-border exports of consumer goods to Myanmar. In the meantime, **import value**, amounting to 129.5 million USD, grew by 6.9 percent (YoY) mainly from imports of raw materials and intermediate goods for manufacturing sector, particularly integrated circuits, rough diamonds, electronic components, and also optical glasses.

**Supply side** was mostly unchanged from the previous month. **Manufacturing Production Index** rose by 7.0 percent (MoM) and 3.6 percent (YoY) following increased production of electronic components for telecommunication devices and automobiles, ceramics, electrical appliances, leather products and footwear, in response to external demand, namely the USA, Europe and Japan; besides to serve the growing market share of optical lenses. In the meantime, a sign of improvement in domestic-oriented production was observed, given an increased production of construction materials following public construction activities. Likewise, beverages production was also on the rise compared with the previous month. Meanwhile, **Major Crop Production Index** fell by 14.1 percent (YoY) owing mainly to lessen output of second crop rice, sugar cane and soybean as a result of severe and widespread drought. Also, **major crop price** dropped by 14.2 percent (YoY) resulting from falling prices of paddy, maize and sugar cane in tandem with global price. Although prices of pineapples and livestock remained favorable, **farm income** decreased by 28.3 percent (YoY) but improved slightly from a decline of 29.9 percent (YoY) in the previous month.

**Tourism** seasonally moderated from the previous month but improved from the same period of the preceding year. An adverse impact from political situation mainly contributed to the moderation by reducing the number of foreign tourists who were highly sensitive, particularly the Chinese. **Retail Trade Index**, although remained at the same level as the previous month, decreased by 12.9 percent (YoY) due mainly to sales of automobiles and related sectors, electrical appliances, fuel, furniture and apparels. However, sales in department stores and sales of agricultural raw materials still expanded.

Regarding **internal stability, inflation** edged up from the previous month to 2.69 percent (YoY) following a pass-through cost to price of prepared food in response to rising prices of cooking gas, fuel and raw food. Meanwhile, **unemployment rate** remained low at 0.7 percent, same level as the preceding month and year, while numbers of **registered person under social security system** moderated mildly.

**Banking** sector expanded at a slower pace. **Commercial bank deposits** as of April 2014, amounting to 592,054 million baht, increased by 5.3 percent (YoY) albeit moderated from the previous month. This was attributable to deceleration in deposits mobilization of commercial banks which was due to not only to assess economic conditions and interest rate tendency but also to proper facilitate softened demand on credits from corporate and consumer, upon a concern over the political situation as well as tightened credit approvals. Consequently, **credits**, amounting to 572,013 million baht, grew by 10.4 percent (YoY) and posted moderation for 11 consecutive months.

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