



BANK OF THAILAND

**BOT Press Release**

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

In October 2014, general economic conditions in the Northern region improved from previous month. Tourism sector maintained its upward momentum with great contribution from incoming Chinese tourists. Also, exports and government disbursement expanded well. Nevertheless, manufacturing production moderated and private consumption continued slackened as household remained cautious on spending. Corporates remained cautious on new investments, awaiting clear signs of economic recovery as well as government's economic stimulus measures. However, economic stability remained sound as inflation rate remained eased with low unemployment rate. For banking sector, deposits grew at the same level as previous month while credits moderated.

Details of the economic conditions are as follows:

**Demand side** improved slightly from previous month. **Government disbursements** improved remarkably through provincial treasury offices in the Northern region to accelerate by 7.9 percent on year on year basis (YOY), particularly in capital expenditure category on construction projects of both current fiscal year budget and carry over expenditure. These government spending would be a key driver for economic growth going forward.

**Private Consumption Index** maintained its pace from previous month but declined by 3.2 percent (YoY) following contracted durables consumption, notably automobiles, as household remained cautious on spending given their high debt burden. Nonetheless, improved sign of consumer confidence was observed, in line with increased income of both agriculture and non-agriculture sector, specifically from overtime receipts coupled with ongoing disbursement of government's farmer subsidy measure. These resulted in an increased consumption of necessity goods.

**Private Investment Index** shrank by 1.0 percent on a month-on-month basis (MOM) and 1.7 percent (YoY) due mainly to deferment of new investments as private sector continued waiting for concrete signs of economic recovery as well as government's economic stimulus measures. Consequently, certain key indicators exhibited a decrease, namely permitted construction area in municipalities and numbers of registered commercial cars. However, sales of construction materials registered an increase following government construction projects.

**Exports** grew by 19.8 percent (YoY), a record value of 480.1 million USD. This was attributable to demand on electronic products for components of telecommunication devices and automobiles, notably integrated circuits and boards to ASEAN. Likewise, cross-border exports of consumer products expanded well,

both to Myanmar and Lao PDR. Concurrently, **import** grew by 16.1 percent (YoY) mainly from imports of raw materials and intermediate goods for export-oriented production in particular.

**Tourism sector** improved as expected, mainly a continual incoming Chinese visitors. This was partly observed from more direct chartered flights and individual caravans travelling to upper northern provinces during Chinese National Days. **Manufacturing Production Index** grew with a slower pace by 1.9 percent (YoY). This attributed from a decline in beverage production owing to 1) the high base effect of last year as alcoholic beverages production had been accelerated after a clarification of tax structure; and 2), non-alcoholic beverages production resumed to the Central region sites after temporarily relocated to Northern plants.

**Farm income** contracted by 7.7 percent (YoY), on both production and price basis, although improved from the previous month. **Major crop production** dropped by 2.8 percent (YoY), mainly of rice, maize and pineapples as a result of drought. In addition, the price of **major crops** fell by 5.1 percent (YoY) due mainly to lower prices of paddy and soya bean. However, prices of pineapples and livestock, particularly swine, increased.

General **economic conditions** were considered supportive. **Inflation** eased down to 1.5 percent (YoY) following decline prices of fuel, in line with global prices, as well as prices of fresh foods, particularly vegetables, meat and chicken eggs in response to buoyant supplies. **Unemployment rate** grew slightly to 0.8 percent.

In September 2014, **commercial banks' lending** accounted for 579,394.0 million baht and grew at 5.2 percent (YoY), moderating from previous month, which was attributed to declining loans to corporate, specifically for real estate, construction, services, commercials and financial businesses, as well as to consumer, notably hire purchases. Concurrently, **deposits** accounted for 584,345.0 million baht and grew at 4.1 percent (YoY) following deposits mobilization campaign of some commercial banks.

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