



BANK OF THAILAND

BOT Press Release

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Press Release on Northern Region's Economic Conditions in September 2014
and the Third Quarter of 2014

In September 2014, general economic conditions in the Northern region maintained from previous month. Manufacturing production, particularly on export-oriented products and tourism sector gained momentum. Private consumption and investment remained slackened due to subdued agricultural production and poor farm income. Household and corporate spending remained weak as a result of their cautiousness on spending and investment. However, general economic conditions have been somewhat supportive with low unemployment rate and inflation 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 continued their contraction similar to previous month. **Private Investment Index** declined by 2.6 percent on year on year basis (YOY) as private sector continued to defer new investments, awaiting upcoming economic stimulation measures of the government. However, increased sales of construction materials following infrastructure rehabilitation project of the government was noted. This was evidenced by a decline in certain key indicators, particularly permitted construction area in municipalities and numbers of registered commercial cars.

A weak **Private Consumption Index** continued from previous month. Households were somewhat cautious on their spending, specifically in durables including automobiles due to high debt burden and poor farm income. In addition, consumer confidence subsided after previous 4-month continuous improvement. Nevertheless, consumption of necessity goods continued to pick up slightly.

Government disbursements through provincial treasury offices in the Northern region, amounting to 17,598.3 million baht, surged from the previous month although shrank by 4.0 percent (YoY) owing mostly to delayed investment projects.

Export growth was 14.9 percent (YoY) attributing from strong demand of electronic products for telecommunication devices and automobile components. Likewise, cross-border exports of consumer products expanded well across the board. Concurrently, **import** growth was 19.9 percent (YoY) mainly from imports of raw materials and intermediate goods for production of electronic components and parts.

Supply side maintained its pace from previous month. **Manufacturing Production Index** raised by 8.9 percent (MoM) and 12.7 percent (YoY), mainly from export-oriented manufacturing goods, i.e. photographic lenses, processed vegetable and fruit, alcoholic beverages, ceramics tableware, textiles and furniture in response to demand from Japan, Europe and also neighboring countries.

Farm income remained weak or decreased by 10.5 percent (YoY), both on production and price basis. A 3.5 percent (YoY) drop of **major crop production** resulted from drought which lowered second crop rice and soy bean output. In addition, the price of **major crops** fell by 7.0 percent (YoY) in line with global slackening of paddy price. Likewise, longan price also declined significantly owing to a record rise of supply. Meanwhile, prices of pineapples and livestock, particularly swine, were considered favorable.

Tourism sector gained momentum albeit moderated growth from previous month, contributing mainly from Chinese visitors. The continuing trend of Chinese tourists may attribute to a measure of visa exemption for the Chinese tourist. In addition, the tourist promotion campaigns from public and private sector helped boosting numbers of various visitors as well.

General **economic conditions** remained benign in September 2014. **Inflation** slightly lowered to 1.7 percent (YoY) as a result of declining prices of fuel and fresh foods (meat, chicken eggs, fish and aquatic animals). **Unemployment rate** maintained at 0.7 percent while numbers of registered person under social security system increased slightly.

In September 2014, **commercial banks' lending** accounted for 579,394.0 million baht and grew at 5.2 percent (YoY) which was attributed to declining loans originating from real estate and construction as well as consumer loan (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.

General economic conditions of the Northern region in the third quarter of 2014 improved from previous quarter. **Demand side** noted a slight improvement as private consumption registered a smaller contraction on the back of easing political situation and gradually improved consumer confidence albeit weakened during last month of the quarter. Exports expanded well following ongoing external demand as well as expedition of government disbursements was more supportive to economy. Private investment, however, recovered at a slower pace due mainly to a deferral of investment outlays, awaiting signs of economic recovery and a clearer direction of government stimulus measures. **Supply side** increased owing to sustained manufacturing production mainly of external demand, particularly of electronic components and parts for telecommunication devices, automobiles, photographic lenses, ceramics tableware and processed agricultural products. Also, agricultural production rose from a quarter earlier, notably of longan and maize. Tourism sector remained unabated with a promising outlook for this coming high season in the last quarter of the year. In the meantime, **economic stability** was considered supportive as unemployment remained low and inflation edged down slightly. For banking sector, deposits registered a growth while credits were reported a continual moderation.

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