



BANK OF THAILAND

BOT Press Release

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

In December 2014, general economic conditions in the Northern region improved slowly from previous month. Tourism sector remained a key contribution to Northern region, from both Thai and foreign tourists. In the meantime, exports and government's capital expenditure improved in line with an increased agricultural output and improved manufacturing production. Nevertheless, private consumption and investment showed feeble signs of recovery. On economic stability front, inflation rate further eased off albeit unemployment rate rose slightly. For banking sector, growth of commercial credits in November picked up slightly after its slower trend, meanwhile, deposit growth almost unchanged from previous month.

Details of the economic conditions are as follows:

Private Consumption recovered gradually. **Private Consumption Index** continued to contract at 1.6 percent on year on year basis (YOY) due mainly to continuing contraction from durables consumption - notably automobiles - as household remained cautious on spending given their high debt burden. However, consumption in necessity goods increased from an improvement of consumer confidence as a result of improved farm income and large numbers of incoming tourists during high season.

Private Investment Index dropped by 5.3 percent (YoY) following a continual deferment of new private sector investments. Nonetheless, construction investments improved indicated by higher construction materials sales, permitted construction area in municipalities - both residential and commercial buildings. Additionally, number of the approved BOI investment projects rose in various sectors including agriculture and agricultural product manufacturing, services and alternative energy.

Government disbursements are somewhat laggard, despite its effort to speed up disbursement process. Spending of provincial treasury offices in the Northern region further dropped by 13.5 percent (YOY) owing mainly to a contraction in current expenditure category as well as a technically high-based effect resulting from delayed subsidies transferring to local authorities and academic entities in previous year. However, in the capital expenditure category, disbursement in maintenance and rehabilitation expenditures increased markedly.

Export value grew by 5.4 percent (YoY), attributing mainly to cross-border exports of consumer products to Myanmar. In the meantime, exports to the rest of the world moderated following weakened

demand on electronic parts and components for manufacturing production. Concurrently, **import** increased at 11.3 percent (YoY) mainly from imports of raw materials and intermediate goods, for export-oriented production in particular. This may be expected as a recovering export in forthcoming months.

Farm income rose by 7.1 percent (YoY) as **major crop production** increased by 10.5 percent (YoY) as a result of sugar cane supply postponed its harvesting from November to this month, an increasing off-season longan production, including those productions from cassava and livestock, - specifically broiler chicken and eggs. In addition, **major crop price** continued to decrease by 3.1 percent (YoY) due mainly to falling prices of sticky rice paddy and soya bean as well as livestock, namely swine, broiler chicken and eggs.

Manufacturing Production Index rose from previous month but declined by 2.3 percent (YoY), contributing from drops in production of beverages and electronic components. Nonetheless, certain manufacturing products registered an increase including construction materials, camera lenses, ceramics tableware and jewelry.

Tourism sector remained unabated, supported by a favorable cool weather, a continuing decline of fuel prices, tax deduction privilege for domestic travelers and public and private campaigns to booth tourism in the Northern region. This was partly observed from soaring numbers of air passenger through airports and occupancy rate of hotels within the Northern region - both in terms of month-on-month and year-on-year basis growth.

General **economic stability** remained supportive. **Inflation rate** was at 0.5 percent (YoY), a 5-year lowest level, following declining fuel prices - in line with declining global energy prices, as well as falling prices of fresh foods, resulted from buoyant supplies. Notably, prices of meat, fruit, chicken and eggs edged down. Meanwhile, **unemployment rate** grew marginally by 0.7 percent in response to lower agricultural sector productions.

For banking sector, **commercial banks' lending** as of November 2014, accounting for 591,045.0 million baht, resumed after moderated for 17 consecutive months as increased by 5.0 percent (YoY). This was attributed to working capital loans to corporate as well as housing loans to consumer. Concurrently, **deposits** accounted for 598,538.0 million baht and grew by 4.6 percent (YoY) following deposits mobilization campaign of some commercial banks so as to maintain customer base and facilitate credit expansion plan.

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