



BANK OF THAILAND

BOT Press Release

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[Press Release on Northern Region's Economic Conditions in January 2015](#)

In January 2015, general economic conditions in the Northern region improved from previous month, driven mainly by rising private consumption of necessity goods. In addition, tourism sector remained buoyant, in line with improved farm income from higher production as well as improved non-farm income. Sentiment was also supported by lower fuel prices. Manufacturing production increased from export-oriented output and consumer goods. Fallbacks of this month were a drop from government's capital expenditure and a slack of private investment, reflecting by a laggard in real estate investment. General economic and financial stability have been benign. Inflation and unemployment rate remained low, although the unemployment rate was slightly higher in agricultural and construction sector. For banking sector, growth of commercial deposits moderated while credits growth unchanged from previous month.

Details of the economic conditions are as follows:

Private Consumption Index increased by 0.9 percent on year on year basis (YoY), accounted the first increase in 15 months. Favorable tourist sector and higher non-farm income were key factors together with lower fuel prices. This reflected by increased sales of necessity goods. However, durables consumption, notably automobiles continued its negative territory as household remained cautious on spending and commercial banks continued to tighten credit approvals.

Tourism sector maintained growth momentum from previous month as contributed by increasing direct flights from major cities abroad which helped boosting numbers of tourists, particularly Chinese, Korean and ASEAN. In addition, numbers of Thai tourists that came to the Upper Northern Thailand increased continually over the New Year Festival period. This resulted in rising number of air passengers as well as higher hotel occupancy rate.

Farm income rose by 3.4 percent (YoY). **Major crop production** geared up to 4.4 percent (yoy) following output of cassava, onion and garlic due to expansion of plantation area and quality improvement in production, resulted in higher yield per Rai. Meanwhile, productions of livestock, - especially swine and broiler chicken increased. **Major crop prices** improved continually with smaller decline of 0.9 percent (YoY) following falling prices of sticky rice paddy, soya bean and livestock, namely swine, broiler chicken and eggs, anyhow prices of maize and pineapple went up.

Manufacturing Production Index registered a growth of 8.9 percent (YoY), owing to accelerated production of alcoholic beverage, in response to new legislation on Alcoholic Beverage Control and upcoming new excise tax rates. Export-oriented production of camera lenses, tableware ceramics and wooden products were higher in response to continuing demand from Europe and Asia whereas productions of electronics components and processed food declined.

Export value grew by 5.3 percent (YoY), attributing mainly from cross-border exports of consumer goods to Myanmar and Laos. Meanwhile, exports of electronic components to Singapore, Hong Kong, Germany and USA increased. Concurrently, **import value** fell by 17.3 percent (YoY) as a result of these drops in raw materials, and intermediate goods and electronics components and parts.

Private investment index dropped by 10.9 percent (YoY) from slowdown in real estate and sluggish government investment projects. Key indicators such as the permitted construction area in municipalities, the number of commercial cars registered and sales of construction materials have yet improved.

Government disbursement from current and capital expenditure decreased by 22.1 percent (YoY) and 11.5 percent (YoY) respectively. Similar to last month, a drop of current expenditure was reflected partly by exceptionally high transfers to local authorities last year. In addition, there was adjustment of some government agencies' payroll system that centralized all disbursement. Nevertheless, disbursement in the land and buildings category went up by 22.5 percent (YoY), mainly from maintenance and construction projects under Royal Irrigation Department, Department of Highways, Department of Rural Roads and Department of Water Resources.

General **economic and financial conditions** have been benign. **Inflation rate** was at 0.6 percent (YoY), came off for the first time in 5 years, owing mainly to declined fuel prices. Meanwhile, **unemployment rate** remained low at 1.0 percent (YoY), slightly higher from previous month

For banking sector, **commercial banks' deposits** as of December 2014, accounting for 603,335 million baht and grew by 3.4 percent (YoY), although moderated from last month following a shift to higher-return investment, notably in debt instruments, along with subsided deposit mobilization campaigns. Concurrently, **commercial banks' lending** accounted for 595,647 million baht, rose by 4.8 percent (YoY) at the same pace as prior month. Loans to corporate particularly, manufacturing industries, trading, constructions and housing loans picked up while loans to real estate, financial businesses and hire purchases remained contracted.

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