



No. 5/2015

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

In February 2015, general economic conditions in the Northern region were somewhat weaker than expected due to slackened private consumption and investment. Farm income and consumer confidence were also lower. In addition, export was weaker as a result of shortage demand. Meanwhile, both manufacturing and agricultural production were lower this month. However, tourism has been favorable while government's capital expenditure has gained its momentum. General economic and financial stability remained sound with low inflation and unemployment rate. For the banking sector, growth of commercial deposits increased while credits growth almost unchanged from prior month.

Details of the economic conditions are as follows:

Both private consumption and investment weakened than last month. **Private Consumption Index, after a swiftly improved last month**, dropped 0.3 percent on year on year basis (YoY) mainly contributed to a contraction of durables consumption such as automobiles. Lower farm income and high household debt issues have long been negative to private consumption. Nonetheless, tourism has continued its positive momentum, particularly from Chinese tourists. Benefits of lower fuel prices have yet materialized.

Private investment index dropped by 9.0 percent (YoY) indicated by decline of registered commercial cars and permitted construction area in municipalities as well as slacked demand for imports of machinery and parts. Nevertheless, sales of construction materials improved as a result of spending from government's maintenance and construction projects.

Export value grew slightly by 0.2 percent (YoY) owing partly to a drop of border exports restricting from tightening customs duty collection by Myanmar government and declining value of fuel exports. In addition, export of electronic components declined following sluggish demand. Concurrently, **import value** fell by 8.0 percent (YoY) from lower raw materials and intermediate goods imported, especially electronics components and parts.

Manufacturing Production Index fell by 4.7 percent (YoY), notably from lower processed food production in line with lower sugar cane and rice production. Production of textiles and electronics components contracted also. However, production of alcoholic beverage increased before new excise tax rates implemented while tableware ceramics and wooden products picked up in accordance with rising demand from Europe.

Major crop production slumped 6.5 percent (yoy) despite higher major crop prices increases of 2.5 percent (YoY) and higher cassava and onion production. However, output of major crops such as second crop rice, sugar cane and red onion dropped as a result of drought. **Major crop price** increased from those of pineapple, maize and onion, while prices of livestock notably swine, broiler chicken and eggs went down. All in all, **farm income** dropped by 4.1 percent (YoY).

Tourism sector maintained its positive momentum as indicated by a large number of incoming Chinese tourists during Chinese New Year and growing number of direct and charter flights as well as self-drive caravans. This may contribute to government's effort to boost local events and a resident tax incentive measure. This was evident by rising number of air travelling passengers and hotel occupancy rate.

Government disbursement from capital expenditure increased by 46.5 percent (YoY) mainly from maintenance and construction projects under Department of Rural Roads, Department of Highways and Royal Irrigation Department. However, total disbursement was much lower than previous year, given a drop of current expenditure resulting from high transfers to local authorities last year and adjustment of government agencies' payroll system that centralized all disbursement.

General **economic and financial conditions** were supportive. **Inflation rate** was at 0.8 percent (YoY) owing partly to lower fuel prices and FT (Fuel tariff) surcharge in line with declined prices of fresh food, notably meat and chicken. Meanwhile, **unemployment rate** remained low at 0.8 percent (YoY).

For banking sector, **commercial banks' deposits** as of January 2015, accounting for 612,795 million baht and grew by 4.2 percent (YoY), increased from last month, following deposits of government authorities and deposit mobilization campaigns in the previous quarter. Concurrently, **commercial banks' lending** accounted for 595,114 million baht, rose by 4.7 percent (YoY) closed to last month, to fulfill demand for corporate lending, particularly in wholesale and retail trade businesses, manufacturing industries and housing loans.

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March 31, 2015

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