



BANK OF THAILAND

BOT Press Release

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[Press Release on Northern Region's Economic Conditions in the First Quarter of 2015](#)

In the first quarter of 2015, economic conditions in the Northern region improved slightly from previous quarter. Private consumption increased marginally from higher sales of some necessity goods partly benefited from tourist spendings. Government capital spending and continuing cross-border exports were key drivers for the Northern economy. Nevertheless, major fall back factor has long been the declining of farmers' income especially triggered by the drought and falling agricultural prices led to weak household's purchasing power. Manufacturing productions remained unchanged from previous quarter while private investment continued to underperform. In terms of general economic stability regarded from low inflation and unemployment rate, the Northern economy is somewhat sustainable. For banking sector, commercial bank's credit and deposit grew slightly from previous quarter.

Details of the economic conditions are as follows:

Tourism sector maintained its growth momentum, indicating by continuing foreign and Thai tourists, especially from Chinese visitors traveled by direct and chartered flights as well as caravans during Chinese New Year, while Thai tourists continued from the New Year long holiday. Key contribution factors included authorities' promotional campaigns, seminar events and lower fuel cost. Accordingly, this was evidenced by a number of increasing air passengers through airports in the Northern region and higher hotel occupancy rate.

Private Consumption Index in this quarter was higher by 1.4 percent on year on year basis, which was expected to increase from consumption of necessity goods, mainly of domestic and foreign tourists and positive impact from lower retail fuel prices. However, key fall backs have been an awareness of high household debts, poor farm income and declining consumer confidence. In addition, commercial banks and leasing companies seemed to tighten their lending to household durable goods consumption such as automobiles.

Disbursement on government capital expenditure increased by 52.3 percent, largely originated by spending of maintenance and construction projects from the Department of Highways and the Department of Rural Roads and the Royal Irrigation Department.

Export value grew by 4.6 percent which decelerated from exports to Myanmar due partly to the tightening measure by the Myanmar authority and declining value export from lower fuel prices. Meanwhile, **import** dropped by 8.3 percent mainly from imports of raw materials and intermediate goods especially for export-oriented manufacturing.

Manufacturing Production Index remained unchanged from previous quarter. Production of alcoholic beverage accelerated temporarily from inventory buildup prior to the anticipated increase of excise tax rates and introduction of new Alcoholic Control Act. This was concurrently to response to higher demand during Songkran Festival. Camera lenses, ceramics tableware and wooden products increased from continuing foreign demand, meanwhile, textiles, electronic parts and components and processed food products dropped.

Major crop production fell by 3.6 percent from lower rice and maize production impacted by drought. Meanwhile, **major crop prices** were lower by 2.2 percent, comprised of lower rice, sugar cane and soybean prices. For livestock products, those prices from swine, broiler chicken and eggs were lower. Accordingly, the **farm income** declined by 5.8 percent.

Private Investment contracted at 8.0 percent due mainly from construction in real estate businesses. Key indicators of the private investment index dropped such as number of construction permission areas in municipalities, land registration fee and numbers of registered commercial cars. Nevertheless, the number of the BOI's investment projects increased in a row.

General **economic conditions** remained accommodative. **Inflation rate** edged down by 0.8 percent, recording the first negative growth in 5 years. This was contributed from falling prices of fuel costs and fresh foods, namely vegetables, meat and eggs. In the meantime, **unemployment rate** remained low at 0.8 percent.

For banking sector, **commercial banks' lending** as of March 2015 accounted for 602,396.0 million baht, continuing increase of 5.4 percent. Lending expanded mainly in manufacturing production, wholesale and retail trading, construction businesses and also housing loans. **Deposits**, accounting for 613,958.0 million baht, increased by 3.5 percent due to temporarily fund parking of government authorities and academic institutions for upcoming projects as well as some commercial bank's deposit mobilization campaign. Loan-to-deposit ratio therefore picked up slightly from previous quarter.

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