



BANK OF THAILAND

BOT Press Release

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Press Release on Northern Region's Economic Conditions in December 2015

In December 2015, economic activities in the northern region were driven mainly by benign tourism activities, government investment spending on irrigation system and road construction and momentum from cross-border exports to Myanmar. Private consumption was expected to temporarily increase from auto sales as a result of planned excise tax increase of non-eco cars by early of 2016. However, private investment in real estate remained sluggish. Farm income remained poor as a result of declining price and output of major crops. Meanwhile, other manufacturing production such as electronic components and processed agricultural products also dropped. On the stability front, headline inflation eased off slightly while unemployment rate remained low. At end-November, commercial banks credits increased moderately while deposits growth was slightly lower from previous quarter.

Details of the economic conditions are as follows:

Tourism sector continued to outperform as expected which reflected from impressive number of air passengers, high hotel occupancy rate and average room price including higher value added tax (VAT) associated with hotel and restaurant businesses. More diversified inbound tourists - besides the Chinese - included the Americans and the Europeans where Thai tourists travelled throughout the year-end peak season.

Government disbursement increased by 22.3 percent and gained the momentum through the irrigation system, water management, highways construction and other government office buildings.

Private consumption index rose for the third consecutive month at 6.7 percent. This was contributed mainly to a steady increase of auto and motorcycle sales to which were expected to be temporary. In the meantime, consumption related to service sector and government investment increased such as construction materials, wholesale and retail trades, as well as consumer goods and fuel.

Private investment index declined by 0.1 percent reflecting by a drop of permission of construction areas in municipal zones and imports of machinery and equipment. At firm level, there have been under capacity utilization in certain export-oriented manufactures such as electronic components from unfavorable global demand. However, number of registered commercial cars and certain construction materials rose accordingly.

Farm income further declined by 20.0 percent, associated with lower output and price of major crops. Drought impacted on lower yield per rai and harvesting area. **Major crops index** dropped by 12.3 percent, attributed to lower supply of rice, sugarcane and maize. Meanwhile, **major crop price index** continued to fall by 8.8 percent from poor prices of rice and sugarcane in line with prices of world commodities.

Manufacturing production declined by 11.1 percent. Slackening production was observed almost across the board such as electronic components, optical lenses and hard disk drives components, attributing to softened demand from trading partners as well as fierce competition. Also, agricultural production declined particularly from milled rice, sugar and processed vegetables and fruits where alcoholic beverage, ceramics and construction materials rose.

Cross-border exports to Myanmar rose in consumer goods. **Export value** in dollar term dropped by 2.9 percent, meanwhile, **imports** increased by 6.3 percent attributed to vegetables and fruits.

General economic condition in the northern region remained sound. **Headline inflation rate** eased off slightly at 1.4 percent. **Unemployment rate** remained low at 0.8 percent. Labor force resumed to non-farm sector such as services and trade after finishing the paddy harvesting season.

As of end-November 2015, **commercial banks' credits outstanding** amounted to 625,439 million baht, rose by 5.8 percent, attributed partly to soft loans and credit guarantee scheme to SME. **Commercial banks' deposits outstanding** amounted to 621,940 million baht, rising modestly by 3.9 percent. Concurrently, Loan to deposits ratio, therefore, edged up slightly to 100.6 percent.

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