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**Press Release on Northern Region's Economic Conditions in July 2015**

In July 2015, general economic conditions in the northern region was sluggish, particularly from slowing down of private consumption and investment. Output from the agricultural sector continued to drop from draught as well as farm income and consumer confidence. Export-oriented manufacturing production in electronic and textiles products were also lower. Government capital expenditure, after many consecutive months of expansion was somewhat lower this month. However, tourism and cross-border trade seemed to continue outperforming. Overall economic stability remained sound. Headline inflation rate eased slightly from falling fuel prices. Unemployment rate has been lower in a row. At end-June 2015, both commercial bank deposits and credits grew in line with recent month.

Details of the economic conditions are as follows:

A number of key economic indicators showed a declining momentum. **Major crop production index** contracted by 19.3 percent as an adverse effect of drought and intermitted rainfall causing a decline in production of major seasonal crops - notably longan, second crop rice and pineapples, despite increased supplies of livestock, namely swine, broiler chickens and chicken eggs. Accordingly, **major crops price index** resumed rising by 1.7 percent. **Farm income** therefore dropped by 17.9 percent.

**Manufacturing Production Indexes** declined by 9.4 percent from a slowdown of export-oriented production such as electronics components, textiles, apparels and ceramics. Production of construction materials fell temporarily owing to machinery maintenance. However, production of frozen fruits rose, meanwhile, liquor production resumed its normal production after a temporary shut off.

**Private Investment Index** decreased by 7.5 percent, especially from no new investment in the real estates and sluggish demand. Key private investment indicators such as construction areas permitted in municipal zones, sales of construction materials and the number of registered commercial cars were lower. However, the BOI's approved investment projects continue to increase, notably in services and utilities sectors – specifically in solar electric generation.

**Private Consumption Index** rose by 1.7 percent, contributed to those related government construction projects, while the tourist spending on necessity goods moderated. In the meantime, consumption of durable goods including autos and motorcycles dropped as a result of unfavorable farm income and consumer confidence. Accordingly, financial institutions continued to be more caution of customer credits.

**Government capital expenditure** was lower after many consecutive months of expansion. It is expected to resume their disbursement in coming months.

**Tourism sector** has been outperformed, indicating from a number of air passengers, benign hotel occupancy rate and price of room rate. The value added tax (VAT) collected from hotels and restaurants showed a similar picture. Tourists from mainland China has been a major visitor for the country and the northern region. Concurrently, number of Thais traveling to attend meetings and seminars organized by public entities rose as well.

**Export value** grew at 3.9 percent, contributed mainly from cross-border export for our consumer products. However, electronics component and textile exports dropped dramatically from main competitors from South Korea and China. Consequently, **import value** fell by 10.0 percent, mainly from imports of raw materials and intermediate goods for export-oriented production, primarily of integrated circuits and electronic components.

Overall economic stability of the northern region remained sound. **Headline inflation rate** continued easing and was reported at 1.7 percent following declining prices of domestic fuel while raw food prices – particularly fresh vegetables and fruits - rose in response to lesser supplies led by drought. **Unemployment rate** remained at low level of 0.9 percent. Although employment in agricultural sector dropped, employment in other sectors including services, wholesale and retail trade as well as construction industry, reported an increased.

As of end-June 2015, **commercial banks' deposits** outstanding amounted to 608,634 million baht, growing by 3.6 percent. However, the growth rate was moderated from previous month by withdrawals of public entities accounts for project disbursement, and also depletion in matured time deposits accounts in response to uncompetitive yield. **Credits outstanding** amounted to 609,650 million baht, rising by 6.6 percent following demand on consumer loans, particularly for housing. In addition, corporate loans increased in broadly sectors including wholesales and retails, finance, construction, transportation, hotel and manufacturing. Loan to deposits ratio was somewhat balanced at 100.2 percent and increased slightly from previous month.

Bank of Thailand, Northern Region Office

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Contact person: Regional Economy Division

Tel: +66 (0) 5393-1167

E-mail: [Jarnyat@bot.or.th](mailto:Jarnyat@bot.or.th)