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

In October 2015, economic conditions in the northern region marginally improved in certain sectors, but remained overwhelmingly impacted from a contraction in agricultural sector. Despite a slower momentum in tourism, the growth in government spending and consumption on necessity goods were still in a row. Meanwhile, the contraction in private investment, farm income and some export-oriented manufactures have yet to improve. On the stability front, headline inflation rate continued to ease off while unemployment rate remained low. At end-September 2015, commercial bank credits and deposits expanded modestly.

Details of the economic conditions are as follows:

Private Consumption Index slightly rose by 2.7 percent, contributing mainly to higher sales of commercial cars as a result from both automobile dealers' sales promotional campaigns and anticipation of an excise tax increase on non-eco cars early next year. Tourists' spending on consumer and necessity goods supported higher private consumption, except those areas in the lower northern region which were largely affected from continuing sluggish agricultural sector.

On **tourism** sector, **momentum was supported** from an increase number of air passengers, high hotel occupancy rate and average room price including higher value added tax (VAT) associated with hotel and restaurant businesses. Interestingly, more tourists besides from China were observed such as those tourists from the Europeans and the Americans.

Government disbursement increased by 2.2 percent, mainly from current expenditures transferred to provincial authorities while investment categories dropped technically from the base effect.

Soft domestic and external demand have further dampened **private investment index**. A decrease of 3.4 percent partly reflected as a slackened real estate sector and construction activities. No significantly new investment or capacity expansion have yet been observed.

Indigence **farm income** continued including widespread drought and intermitted rainfall led to declining yields per rai and reducing harvesting areas. **Major crops** consequently decreased by 14.3 percent from falling production of rice, maize and pineapples in particular. **Major crop price index** continued to fall by 2 percent in line with declining livestock prices, notably swine and broiler, except the pineapples price.

Manufacturing production index further declined by 16.5 percent, mostly from export-oriented production. A broad-based drop in electronics components production was technically

from last year's base effect, a slowdown in global and trading partners' economy and fast changing new requirements. Meanwhile, processed agricultural products such as milled rice were lower from declining agricultural productions including alcoholic beverages production. However, processed vegetable and fruit production increased.

Export value shrank by 10.0 percent, owing mainly to fierce competition of electronic components exporting to Japan, Malaysia and Hong Kong markets. Accordingly, imports of raw materials and intermediate goods for export-oriented production continued declining by 14.0 percent. Cross-border exports to Laos People's Democratic Republic and the Southern part of China slightly dropped, while export to Myanmar, particularly consumer goods kept increasing.

Overall economic stability of the northern region remained accommodative. **Headline inflation rate** continued easing at 1.4 percent in response to falling prices of fuel and raw meat despite rising prices of vegetables and fruits during the Vegetarian Festival. **Unemployment rate** was low at 0.8 percent. However, increased hiring in services and trade sectors was observed as partly migrated from agricultural sector.

As of end-September 2015, **commercial banks' deposits outstanding** amounted to 604,741 million baht, growing by 3.5 percent mainly from increased saving deposits. Concurrently, **commercial banks' credits outstanding** amounted to 616,930 million baht, rising by 6.5 percent due mainly to increased demand for corporate's working capital loans – particularly to manufacturing business, financial business, wholesale and retail trade, hotel, and construction business as well as consumer's housing loan. Loan to deposits ratio, therefore, edged up to 102.0 percent.

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