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Press Release on Northern Region's Economic Conditions in the Third Quarter of 2015

In the third quarter of 2015, general economic conditions in the northern region was mainly supported by tourism, government's investment project, private consumption and cross-border trade. However, pull back sectors have been continuing in private investment, farm income and some export-oriented manufactures. On stability front, headline inflation continued to ease off while unemployment rate remained at low level. At the end of third quarter of 2015, commercial bank credits and deposits grew modestly.

Details of the economic conditions are as follows:

Private Consumption Index grew by 1.7 percent contributing mainly to spending consumption goods and services, especially from tourists including main items of construction from government projects. However, sales of automobile and motor cycles remained weak due to stagnated farmer income, fragile consumer confidence and tightened credit criteria from financial institutions.

Tourism sector has been benign across the region, indicated by an increasing number of air passengers, high hotel occupancy rate and average room price, including the value added tax (VAT) associated with hotel and restaurant businesses. Noteworthy speaking, the tourism in the region especially the upper north of Thailand was largely attributed to continuing visitors from China via normal and direct flights and partly with auto caravans.

Government investment spending rose by 22.6 percent, attributing to construction on campus premises and buildings, regional residences buildings of the Royal Thai Police and public hospitals. Disbursement rate was 78.9 percent, somewhat higher than the average rate of last four fiscal years.

Private Investment Index contracted by 4.8 percent due to soft domestic demand in general. There was no observed major new investment project during the period while production in key manufactures remained below full capacity such as the electronic manufacturing. Key indicators such as permission of construction areas in municipal zones, construction material sales, number of registered commercial cars, and imports of machinery and equipment have been weakening.

Indigence **farmer income** has been slackening throughout the year. **Major crops price index** continued to fall by 0.7 percent. Production contracted by 14.1 percent indicated by the **major crop production index** as a result of wide spread drought and reducing harvesting areas.

Yields per rai of major crops reduced in major crops such as rice, maize, pineapples and longan, but increased in livestock production such as swine, broiler and eggs.

Manufacturing Production Indexes dropped by 5.8 percent due partly to a contraction of productions in electronic components and textiles attributing to soft global demand and of trading partners including fierce trade competition. Likewise, processed products such as those of milled rice, vegetables and fruits dropped as a result of agricultural materials affected by drought. However, household furnishing items and wooden products, alcoholic and non-alcoholic beverages increased as to new product line promotion campaign.

Cross-border trades with Myanmar and Lao were somewhat soft in this quarter mostly attributing to slackening consumer goods as well as those exports to the southern China. Accordingly, the **export value** dropped by 3.6 percent where the **import** value also declined by 7.2 percent as a result of declining of imports of raw materials and intermediate goods.

Overall economic stability of the northern region remained sound. **Headline inflation rate** continued easing at 1.76 percent in response to falling prices of fuel and household LPG despite rising prices of vegetables and fruits. **Unemployment rate** was low at 0.8 percent. Seasonally unemployed workers and job migration from agricultural sector to services, trade and construction sectors was also observed.

At the end of third quarter 2015, **commercial banks' deposits outstanding** amounted to 604,741 million baht, grew by 3.5 percent mainly from increased saving deposits. Concurrently, **commercial banks' credits outstanding** amounted to 616,930 million baht, rose by 6.5 percent owing mainly to increased demand for corporate loans – particularly to manufacturing business, financial business, wholesale and retail trade, hotel, and construction business as well as housing loan. Loan to deposits ratio, therefore, edged up to 102.0 percent.

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