



BANK OF THAILAND

BOT Press Release

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

In the fourth quarter of 2015, economic activities in the Northern region were driven primarily by tourism activities and government investment as well as momentum from cross-border exports and private consumption. However, private investment in real estate remained slackened. Farm income remained poor as a result of declining output and price of major crops. Meanwhile, other manufacturing production such as electronic components and textiles also dropped. On the stability front, headline inflation eased off slightly while unemployment rate remained low. For banking sector, commercial bank's credits and deposits grew moderately from previous quarter.

Details of the economic conditions are as follows:

Tourism sector have gained its momentum as expected, 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. Diversified inbound tourists included the Chinese, the Americans and the Europeans where Thai tourists travelled throughout the year-end peak season.

Government investment spending rose by 23.4 percent, gaining the momentum through the irrigation system, water management, highways construction and other government office buildings.

Private consumption index grew further by 4.8 percent. Increased durable spending on autos and motorcycles was expected to be temporary as a result of planned excise tax increase of non-eco cars by early of 2016. Partly favored by robust tourism, consumption on consumer goods, fuel, and electricity rose in line with increased luxury spending such as cosmetics and ornaments. However, economic activities in the lower northern region were relatively slower, associated with unfavorable agricultural production and farm income.

Private Investment Index contracted by 2.4 percent in response to a drop in permission of construction areas in municipal zones and sales of construction materials which partly a result of lukewarm real estate and construction businesses. In addition, at firm level, there have been under capacity utilization with build-up stock in certain manufactures due to unfavorable demand.

Farm income further declined by 15.6 percent, associated with drought impact on lower yield per rai and harvesting area. **Major crops index** dropped by 12.2 percent, attributed to lower supply of rice, sugarcane and maize. Accordingly, **major crop price index** fell by 3.9 percent.

Manufacturing production index shrank by 11.2 percent. Slackening production was observed almost across the board such as electronic components, textiles, ceramics, 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 and sugar, where alcoholic beverages, wooden products as well as non-canned processed vegetables and fruits increased.

Export value in dollar term decreased by 2.6 percent, particularly in electronic components to major trading partners such as China, Japan, Hong Kong, Malaysia and Singapore. Cross-border exports to Myanmar rose in a row while those to China and Lao PRD declined in response of weakened fuel exports and China's tightened inspection on certain products imported from Thailand. **Import** value slightly dropped by 0.6 percent as a result of declined imports of raw materials and intermediate goods for export-oriented production.

General economic condition in the northern region remained sound. **Headline inflation rate** eased off slightly at 1.5 percent. **Unemployment** rate remained low at 0.7 percent. Increased hiring was observed in services and trade sectors while labor force in construction sector partly resumed to agricultural sector during paddy harvesting season.

At the end of fourth quarter 2015, **commercial banks' credits outstanding** amounted to 630,942 million baht, rising by 5.9 percent attributed partly to soft loans and credit guarantee scheme to SME. **Commercial banks' deposits outstanding** amounted to 622,485 million baht, growing by 3.2 percent mainly from increased saving deposits. Loan to deposits ratio therefore, was somewhat balanced at 101.4 percent in the quarter.

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