



BANK OF THAILAND

BOT Press Release

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Press Release on Northern Region's Economic Conditions in April 2016

In April 2016, general economic activity in the northern region softened slightly in almost all sectors from previous month whereas cross-border trade with Myanmar and Lao PDR expanded well. However, private investment, manufacturing production and farm income remained vulnerable. Meanwhile, agricultural prices are expected to recover gradually from output shortfall due to widespread drought. On the stability front, unemployment rate remained at low level. Labor force somewhat shifted from agricultural sector to construction, services and trade sectors. Headline inflation became less negative as fresh food prices slightly rose. Commercial bank's credits and deposits slowed down in line with slower economic activities.

Details of the economic conditions are as follows:

Private consumption index moderated by 3.2 percent, associated with lower durable spending due to income contraction in agriculture, manufacturing production, construction and trade sectors. Accordingly, dampened consumer confidence contributed to restrain households to be more cautious with their spending. Nevertheless, subdued oil prices and a warmer weather induced an upward spending on oil and electricity.

Tourism sector grew in a row, but slightly slower from last month indicating by a high number of air passengers, hotel occupancy rate and value added tax (VAT) associated with hotel and restaurant businesses.

Government disbursement tumbled by 8.3 percent as accelerated disbursement in previous month. However, disbursement is prone to boost in road construction and maintenance projects, buildings construction on campus and hospital premises, which would substitute previous economic stimulus measures such as water management and road transportation system, project for improvement of living standards at the Tambol level and other small-sized investment projects.

Export value grew by 8.0 percent, benefiting mainly to cross-border exports of consumer products to Myanmar and Lao PDR, whereas exports of electronic components to China and Hong Kong dropped as to economic slowdown and fierce competition. In the meantime, **imports** turned up recently from electricity imported from Lao PDR.

Farm income plunged by 28.7 percent from outputs and prices. **Major crop output** fell by 26.5 particularly off-season rice crop, sugarcane, maize and cassava on account of more severe drought than expected resulting in a decrease in planting area, quality and outputs per rai. Accordingly, **major crop price index** contracted by 2.9 percent, attributing to lower quality output and receding demand in sugarcane, cassava, rice and maize. Nevertheless, agricultural prices have a tendency to rise due to decreasing outputs from drought. Meanwhile, outputs and prices of livestock still grew well.

Manufacturing production index shrank by 14.6 percent particularly production of sugar, rice, food processing and textiles as well as electronic components production contracted across the board particularly integrated circuits, transformers, capacitors, optical lenses and hard disk drives. However, beverage production kept increasing.

Private investment index remained stagnant as expected, deteriorated by 7.6 percent from unfavorable demand in real estate in line with lessened mortgage loan. However, temporary government tax measures and property transfer fee reduction helped absorb existing supply. Also, investment in manufacturing sector struggled to increase due to weak domestic and external demands. These was reflected from several key indicators such as a permission of construction areas in municipal zones, sales of construction materials, the number of registered commercial cars and imports of machinery and equipment.

General economic condition in the northern region remained sound. **Headline inflation rate** became less negative by 0.09 percent mainly from temporary surge of fresh food prices. Retail oil prices are likely to revive slightly in the near term. **Unemployment rate** stayed unchanged at 1.0 percent, as some agricultural labors migrated to construction, trade and services sectors. Meanwhile, entrepreneurs inclined to adopt the Section 75 of the Labor Protection Act less than before.

At end-March 2016, **commercial banks' credits outstanding** grew by 4.5 percent to 585,704 million baht, due mainly to increased demand for corporate's working capital loans particularly to manufacturing business, construction, hotel, transportation, financial business and agricultural business as well as in part from repayment of businesses. However, increased housing loan was also partly benefited from the government measures of soft housing loans with personal tax deduction scheme. Meanwhile, **deposits outstanding** rose steadily by 4.0 percent to 638,579 million baht mainly from increased saving of government agencies and business sector. Loan to deposits ratio was somewhat unchanged at 91.7 percent.

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