



BANK OF THAILAND

BOT Press Release

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

In February 2016, general economic activity in the northern region maintained the momentum from previous month. Upper Northern tourist designated provinces remained benefited as we expected during the Chinese and long holidays in China which reflected to better private consumption expenditures. However, lower Northern provinces have been somewhat slackening despite its better alcoholic beverages production and temporary increase of sugar milled production. Underperforming parts of the region have been attributed to the slackening private investment and electronic manufacturing production. On the stability front, key indicators such as the headline inflation continued easing while unemployment rate remained low. At end-January, commercial banks credits and deposits increased steadily.

Details of the economic conditions are as follows:

Tourism sector continued to outpace as expected by an impressive 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 Europeans, the Americans and notably the Chinese travelling to the Northern region during the Chinese New Year festival where Thais tourist travelled to attend meetings and seminar organized by both public and private sectors, mostly in major tourist attraction provinces.

Government disbursement grew by 11.2 percent, contributing mainly to expedite investment spending on local maintenance and rehabilitation projects, construction on campus as well as public hospital premises and buildings, and local construction subsidiaries.

Export value resumed growth, increasing by 3.5 percent, attributed primarily to energetic cross-border exports of consumer products to Myanmar and Lao PRD amid feeble exports of electronic components to major trading partners such as Japan, China, Hong Kong and Singapore. Likewise, **import** value rose sharply by 70.6 percent in light of electricity import from Lao PRD besides imports of raw materials and intermediate goods for export-oriented manufacturing.

Private consumption index increased slightly by 0.9 percent, associated with sales reduction in automobile after the temporarily tax-averse-driven factor subsided, and weak

consumer confidence given concerns about slow economic recovery, high household debt level and tightened credit approval from banks. In the meantime, declined spending on not only automobiles but also consumption goods continued to be observed in the lower northern region while increase spending continued in most provinces benefiting from tourism.

Farm income increased by 8.1 percent as a result of higher sugarcane production which was supposed to reflect in previous month's production including increasing cassava and other livestock output. **Major crop index** therefore rose by 15.8 percent. However, in terms of price, **major crop price index** fell by 6.6 percent as a result of poor demand for sugarcane, cassava and maize as well as low global commodity prices.

Manufacturing production grew marginally by 0.3 percent attributed to better beverages and sugar milled production. Meanwhile, production of key export items such as electronic components has been contracting. Also, rice milling and frozen vegetable and fruit processing declined further as an adverse effect of drought while optical lenses, textiles, ceramics and furniture grew continuously.

Private investment index decreased by 3.3 percent, associated with soften demand on certain manufacturing products, both domestic and external, as well as poor sentiment in real estate and construction activity despite the temporary government tax measure to reduce a property transfer fee and special business tax. At firm level, certain manufactures deferred new investment as well as capacity expansion, awaiting more solid economic recovery sign. Consequently, key indicators such as permission of construction areas in municipal zones and number of registered commercial cars dropped further.

General economic condition in the northern region remained sound. **Headline inflation rate** eased off in a row as less declined by 0.96 percent. **Unemployment rate** remained low at 0.9 percent. Slight labor force transferring from agriculture sector to non-farm sector was also observed.

At end-January 2016, **commercial banks' deposits outstanding** grew by 4.0 percent to 637,071 million baht, attributed mainly by increased saving deposits of government agencies and academic entities. **Commercial banks' credits outstanding** rose steadily by 5.7 percent to 584,435 million baht, partly benefited from certain government measures such as the soft loans and credit guarantee scheme for SME, and the soft housing loans with personal tax deduction scheme. Loan to deposits ratio therefore, edged down to 91.7 percent.

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