



BANK OF THAILAND

BOT Press Release

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

In June 2016, general economic activity in the northern region maintained from previous month. Government and tourism sector including cross-border exports to Myanmar have been a key driver of economic activities. Meanwhile, private consumption was lack of momentum reflecting from poor spending on consumer goods due to slackening of farm income. However, improving rainfalls and forth coming harvesting season are expected to help better farm income. Those underperforming sectors were export-oriented manufacturing such as electronic parts and private investment to decline in arrow. In terms of economic stability, unemployment rate slightly declined and no significant layoffs in manufacturing sector has not yet been observed. Meanwhile, headline inflation came off slightly from decreased price of raw foods. Commercial banks credits were slower and deposits improved.

Details of the economic conditions are as follows:

Government disbursement accelerated by 25.0 percent contributing to in both the upper and lower northern region on infrastructure projects such as road construction, irrigation system, public health and education as well as transfer of regional subsidies.

Tourism sector performed well owing mainly to remarkable number of foreign tourists and MICE visitors reflected by increase of number of direct flights to northern destinations, g number of air passengers, hotel occupancy rate and the value added tax (VAT) collected from hotels and restaurants.

Private consumption index grew moderately at 3.1 percent. The growth momentum in private consumption was largely suppressed by slackening demand for consumer goods as a result of poor farm income, low consumer confidence and high household debt awareness. However, demand for durable goods such as new automobiles was somewhat improving which may contribute to intensive sales campaigns and attractive new car models.

Export value dropped slightly by 1.1 percent, contributing from declined exports of electronic components to China, Singapore, Hong Kong and Japan. However, cross-border exports of consumer products to Myanmar continued to perform well. **Import value** sparkled by 37.9 percent, attributed largely electricity imports from the Lao PDR.

Although agricultural sector remained underperformed in terms of prices and production, but they showed an improving direction this month. **Major crop prices** improved

in almost agricultural products such as rice, lychee, swine and eggs except for a drop of the chicken price as a result of excess production. In terms of **major crop production**, the growth dropped by 13.3 percent which was largely affected by drought and reducing cropping areas. However, favorable demand for livestock including swine, chickens and eggs from domestic and foreign markets help increase the production this month. All in all, **farm income** improved slightly from previous month but continued to decline by 13.9 percent.

Private investment index fell further by 6.6 percent due to sluggish real estate and construction activities as well as dampened manufacturing production given weak external demand resulting in excess capacity. This was reflected from declining in key indicators such as permission of construction areas in municipal zone and imports of machinery and equipment. However, some indicators such as number of registered commercial cars and sales of construction materials improved this month, mainly benefited from government projects.

Manufacturing production index declined by 18.5 percent particularly in export-oriented manufacturing of electronic components, hard disk drives and textiles as a result of price competition and losing market share to competitors. Nonetheless, it was observed signs of implementing new production line of electronic components to serve growing demand for smartphone and automobiles. Meanwhile, production of processed agricultural products and milled rice still dropped from an adverse effect of drought. Beverages production continued to increase at a modest pace.

In terms of economic stability, **headline inflation** eased to 0.4 percent from lower fresh food prices in line with a drop in retail oil prices. **Unemployment rate** stayed at low level, declining by 0.7 percent which was slightly lower from last month. Although industrial production remained weak, but there was no significant impact on firms' employment and lay off policy. At end-June 2016, **commercial banks' deposits outstanding** grew by 5.1 percent to 639,888 million baht, attributable to government agency saving. Meanwhile, **credits outstanding** moderated by 2.4 percent to 581,120 million baht due mainly to partial debt repayment of businesses and slowing growth of credit in wholesale and retail businesses, manufacturing, construction, hotel and agricultural businesses as well as consumer loan. Loan to deposits ratio was 91.3, close to last month.

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