



BANK OF THAILAND

BOT Press Release

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### Press Release on Northern Region's Economic Conditions in January 2016

In January 2016, general economic activity in the northern region has been benefited from a benign tourism and cross-border trade flows despite a slower momentum in private consumption and government investment spending. Farm income, private investment and export-oriented manufacturing production further contracted. On the stability front, key indicators such as the headline inflation eased off slightly while unemployment rate remained low. At end-January, commercial banks credits and deposits increased at the same pace as previous month. Consumer loan moderated in accordance with real sector's lukewarm conditions.

Details of the economic conditions are as follows:

**Tourism sector** advanced as expected, indicated 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 - besides the Chinese – included the Europeans, the Americans and the Australians where Thais tourist travelled throughout the peak season.

**Private consumption index** rose steadily at 5.8 percent, contributing mainly to declining autos sales as it temporarily advanced last month. Consumption on consumer goods, fuel, electricity and construction materials continued to increase, partly favored by robust tourism and improved non-farm income. However, household consumption in the lower northern region was relatively slower, influenced by further weakness of farm income and poor consumer confidence.

**Government disbursement**, slightly dropped from December 2015, grew by 19.0 percent, contributing primarily to disbursement from the Highways construction, other government office buildings and local construction subsidiaries.

**Farm income** declined by 9.0 percent, associated with poor prices of major crops particularly rice and sugarcane in line with declining world commodity prices, and falling prices of cassava and livestock in accordance with buoyant supplies. Accordingly, **major crop price index** dropped by 7.9 percent. Meanwhile, **major crops index** decreased modestly by 1.2 percent in response to an increase of cassava and livestock production while rice and sugarcane production were affected from drought across region.

**Private investment index** dropped further by 4.3 percent, attributing to poor sentiment in real estate and construction activity, despite a temporary government tax measure to reduce a property transfer fee and special business tax. At firm level, certain manufactures experiencing unfavorable global and domestic demand also deferred new investment as well as capacity expansion. In addition, key indicators such as permission of construction areas in municipal zones, number of registered commercial cars and certain construction materials also declined.

**Manufacturing production** fell by 8.1 percent. A broad-based contraction in export-oriented manufacturing of electronic components was impacted from weak demand from trading partners. Likewise, a processed agricultural production such as sugar, milled rice and processed vegetables and fruits contracted. However, alcoholic beverage, ceramics, furniture and wooden products advanced.

**Export value** decreased by 5.0 percent, experiencing by fierce competition in electronic components to major trading partners such as Japan, China, Malaysia and Singapore. However, cross-border exports of consumer products to Myanmar and Lao PRD and exports to China improved this month. Meanwhile, **import** value dropped by 2.0 percent as a result of a contraction of raw materials and intermediate imports of export-oriented goods.

General economic condition in the northern region remained sound. **Headline inflation rate** eased off as less declined by 1.0 percent. **Unemployment rate** remained low at 1.0 percent. Labor force in non-farm sector such as services, construction and trade increased, part of which moved from agriculture sector.

At end-December 2015, **commercial banks' deposits outstanding** rose by 3.2 percent to 622,485 million baht, attributed mainly by increased saving deposits of government agencies. **Commercial banks' credits outstanding** grew steadily by 5.9 percent to 630,946 million baht, benefited in part from government measures to provide soft loans and credit guarantee scheme for SME. Loan to deposits ratio therefore, edged up slightly at 101.4 percent but remained in the same level as previous month.

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