



BANK OF THAILAND

BOT Press Release

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

In March 2016, general economic activity in the northern region was slower from previous month. Despite of continuing momentum of private consumption expenditure, the momentum has been somewhat concentrating in certain areas and in non-durable goods. Slackening of farm income and lower consumer confidence have been a key pulling factor. Likewise, poor agriculture and manufacturing production –such as electronic components, and private investment further pulled back northern region in general. Nevertheless, key push factors were government spending and cross border trade while tourism activities somewhat moderated after its high season. On the stability front, key indicators such as the headline inflation continued to ease off while unemployment rate rose slightly. Commercial banks credits and deposits slowed down slightly.

Details of the economic conditions are as follows:

**Government disbursement** further increased by 16.1 percent, gaining momentum through investment spending in accordance with the 5-million baht-per-Tambon measure to improve the living standards at the tambon level as well as highways construction and maintenance projects, construction on campus and public hospital premises and buildings, and local construction subsidiaries.

**Export value** grew by 1.0 percent, mainly on account of cross-border exports of consumer products to Myanmar and Lao PRD while exports of electronic components to major trading partners such as Japan, China, and Hong Kong declined. However, **import** value dropped by 11.3 percent, attributing to imports of raw materials and intermediate goods for export-oriented manufacturing.

**Private consumption index** rose by 5.8 percent, contributing primarily to an increase in durable spending in light of sales promotion campaigns and continued deliveries of previous sales in response to recently expired government stimulus measures, besides a favorably low price level of fuel and electricity. Nonetheless, derived consumption from agriculture sector contracted, associated with low farm income, high household debt and weak consumer confidence.

**Tourism sector** moderated slightly after its previous peak period, but key activities remained reflecting by an increase in key indicators including a number of air passengers and

the value added tax (VAT) associated with hotel and restaurant businesses. Number of the Chinese tourists continued while the impact from smoke and haze has yet to claim.

The plight of indigence **farm income** has continued, shrinking by 20.3 percent this month on the back of both output and prices. The adverse effects of prolonged drought have led to a 15.3 percent reduction on **major crop output**, particularly of sugarcane, rice and maize, and quality deterioration of various crop, notably sugarcane, cassava, and maize. Coupled with softened demand, **major crop price** declined further by 5.8 percent.

**Manufacturing production index** fell by 12.6 percent after sugar mill crushing season ended. Additionally, rice milling dropped in response to a shortfall of rice supply from drought; in line with a broad-based contraction in electronic components production attributing to softened demand from trading partners as well as price competition. However, production of beverages, textiles, ceramics and furniture increased further.

**Private investment index** remained sluggish, decreasing by 4.8 percent this month following by subdued real estate activities and manufacturing productions in certain industries. This reflected from declining in some key indicators such as permission of construction areas in municipal zones, sales of construction materials and imports of machinery and equipment.

General economic condition in the northern region remained sound. **Headline inflation rate** continued easing as less declined by 0.82 percent. **Unemployment rate** stayed at low level although rose marginally to 1.0 percent. As pronounced permanent layoffs not yet observed, measures in accordance with the Section 75 of the Labor Protection Act have been adopted by some export-oriented manufacturing firms temporarily experiencing tepid production.

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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