

**No. 12/2016****[Press Release on Northern Region's Economic Conditions in August 2016](#)**

In August 2016, general economic activity in the northern region was slightly slower, due mainly to weakness of consumption on necessitate goods and cross-border exports to Myanmar. However, government spending and tourism have been a key driver. Meanwhile, main agricultural productions was higher at the beginning of harvesting period which helped slightly improve of farm income and production of processed agricultural products, except for the lower prices. Meanwhile, underperforming sectors have been on the export of electronic parts and private investment, particularly on real estate activities. On the economic stability, key indicators such as unemployment rate and headline inflation were somewhat benign. At end-July, 2016, commercial bank's deposits grew at same pace last month but credits growth eased off.

**The details of the economic conditions are as follows:**

**Government disbursement** especially investment expenditure accelerated by 30.7 percent ahead of fiscal year ending to support payment schedule on various infrastructure projects such as road, campus and hospital buildings as well as transfers to those of local government.

**Tourism sector** continued its momentum despite of coming the 'green season'. This was attributed to an impressive number of domestic tourists attending special events and seminars while the Chinese tourists slightly eased off. Most key indicators were satisfactory such as air passengers, hotel occupancy rate and Value Added Tax (VAT) collected from hotels and restaurants. Direct flights and foreign tourists passing through Chiang Mai International Airport slightly declined.

**Private consumption** was up by 1.8 percent reflected mainly by an increase of auto sales as a result of stimulating sales campaign earlier. Meanwhile, high household debt and tight credit condition have been deterring consumer sentiment and spending including lower fuel consumption despite an improving farm income this month.

**Export value** dropped by 2.7 percent, as exports of electronic components to China, Singapore and Philippines as well as declining exports to the Lao PDR and the southern China. Meanwhile, cross-border exports growth to Myanmar was lower. **Import value**, by contrast, expanded by 14.7 percent, owing to imports of electricity from Lao PDR, and vegetables and fruit from southern China.

**Private investment** fell by 2.0 percent contributing to sluggish construction and real estate activities which coincided with slower credits to construction and real estate business. However, marginal investment was only observed in hotel business. Key private investment indicators have been declining which were the construction area permitted in municipal zone, sales of construction materials and import value of machinery and equipment, except for a temporary increase of registration of commercial vehicles.

**Manufacturing production** shrank by 11.9 percent, despite of improvement in processed agricultural products including rice mill, processed production of vegetables and fruit from less drought impact. However, due to slackening demand from trading partners abroad and severe competition, key exports on electronic components, optical lenses and hard disk drives remained underperformed. Productions of beverages also dropped after acceleration in the earlier period for new bottle and packaging design.

**Agriculture sector declined but showed** an upward direction in terms of output and prices. **Major crop production** posted smaller decline to 6.4 percent, with increased production of rice and livestock, including swine, broilers, chicken eggs and chicken following higher domestic and external demand. However, output of maize and longan have fallen. **Agricultural price** edged up by 2.0 percent, mainly from increased prices of rice and longan as well as swine and eggs. **Farm income**, thus, decreased by 4.5 percent, but improved from previous month.

On the stability front, **economic stability** remained sound. Headline inflation rate was up slightly to 0.1 percent, basically from higher prices of eggs, vegetables and fruit, in contrast, price of gasoline sold locally has dropped. **Unemployment rate** was at low level of 1.0 percent, significantly increased in non-agricultural sector. However, number of unemployed persons who claim for unemployment benefits tended to increase.

In the **banking sector**, at the end of July 2016, the outstanding of commercial banks' deposit grew by 5.0 percent to 635,268 million baht, slowing down from the previous month, due to withdrawal of public entities to state-initiated projects and somewhat seek for higher yield. Meanwhile, credits eased by 1.7 percent to 578,629 million baht following low household and manufacturing confidence. None-performing loans (NPLs) also rose slightly. Loan to deposit ratio was at 90.8 percent, closed to that of previous month.

Bank of Thailand, Northern Region Office  
September 30, 2016  
Contact person: Regional Economy Division  
Tel: +66 (0) 5393-1156  
E-mail: [Buchitap@bot.or.th](mailto:Buchitap@bot.or.th)