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[Press Release on Northern Region's Economic Conditions in the Third Quarter of 2016](#)

In the third quarter of 2016, overall economic activities in the northern region was slower from previous quarter. Domestic demand remained weak given subdued private investment and consumption. Despite continued increase in government investment and benign tourism. Production of electronic components and export to border and non-border declined. Farm income improved slightly, mainly owed to increased rice output as the harvest began while concern remained over a declining major crop prices. On the stability front, headline inflation rose slightly on account of fresh food prices while unemployment rate stayed low, except for greater number of job termination. For banking sector, growth of the commercial bank's deposit was moderate while the credit declined.

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

**Private investment** fell by 4.7 percent contributed partly from sluggish real estate and construction activities including weak demand for manufacturing products from both domestic and foreigners. Only minor investments were found in hotel businesses. Major indicators of private investment have been weakening such as permission of municipal construction areas, commercial buildings and condominiums, and sales of construction materials, registration of commercial vehicles and import value of machinery and equipment.

**Private consumption** grew slower at 2.2 percent from discontinuing temporary windfall gain of recent higher auto sales. Spending on non-durable consumption goods and fuel remained weak across the northern region.

**Government spending** maintained its momentum, especially on **investment which** accelerated by 7.8 percent in Q3 across the upper and lower northern region. Main spendings were on road construction, irrigation system including university campus and hospital buildings.

**Farm income** declined by 6.7 percent. **Major crop production** improved by lower contraction of 7.3 percent which accounted for an increase of rice production, shallot, pineapples and livestock products namely swine, broilers and chicken eggs. Meanwhile, maize, soybeans, peanuts, cassava and longan production declined. **Agricultural price** was slightly higher at 0.7 percent, mainly from an increase of rice, longan price while those price of maize and cassava fell. Given an improved key agriculture products, it is expected that there would be a downward price pressure.

**Manufacturing production index** declined by 17.1 mainly from production of electronic components notably integrated circuits and capacitors including hard disk drives, textiles, ceramics and jewelry following weakened external demand. Nonetheless interests were found on new investment spending for the auto and mobile phone parts production. Meanwhile, milled rice and processed vegetables and fruit improved in this quarter.

**Export value** shrank further by 4.0 percent, dented by flagging exports of electronic components to China, Hong Kong and Singapore amid economic slowdown and fierce competition. Meanwhile, cross-border exports of consumer products and livestock to the Lao PDR and southern China contracted as a result from tighter quality control at the Chinese border. However, exports momentum of agricultural machinery and consumer products to Myanmar continued. **Import value**, by contrast, expanded by 23.6 percent, owing mainly to imports of electricity from the Lao PDR, whereas imports of raw materials and intermediate goods subdued.

**Activities in the tourism remained benign regardless of the low season.** Key indicators were supportive such as air passengers, direct flights and foreign tourists passing through Chiang Mai International Airport, hotel occupancy rate and Value Added Tax (VAT) collected from hotels and restaurants. Besides, number of domestic tourists attending special events and seminars in long weekend and Chinese visitors from both tour group and FITs (Free Individual Travelers) expanded more than expected.

On the stability front, **economic stability** remained sound. Headline inflation was up slightly from previous quarter, basically from higher prices of eggs, vegetables and fruit, in contrast, price of gasoline sold locally has dropped in response to global oil prices. **Unemployment rate** was at low level of 1.0 percent, albeit number of unemployed persons who claim for unemployment benefits tended to increase.

In the **banking sector**, at the end of September 2016, commercial banks' credits grew lower to 1.2 percent with the outstanding of 581,824 million baht. The slower pace reflected in sluggish of real estate, transportations and financial businesses. Meanwhile, credit to hotels and healthcare, construction, wholesale and retail, industrial manufacturing and personal and housing increased. Commercial banks' deposit grew by 3.9 percent with the outstanding of 628,307 million baht. Loan to deposit ratio increased slightly to 92.6 percent.

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