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[Press Release on Northern Region's Economic Conditions in September 2016](#)

In September 2016, general economic activity in the northern region maintained from previous month. Tourism and government spending continued to be key growth driver. Farm income and processed agricultural production continued to increase slightly after prolonged drought as agricultural production, especially rice, has been in harvesting period. Nonetheless, private consumption was flat as weak consumers' purchasing power weighed down spending of necessitate goods, despite slight increase in auto sales. Underperforming sectors have been from export-oriented manufacturing and private investment, particularly real estate. On the stability front, key indicators such as headline inflation and unemployment rate became less negative, except for an increased number of job termination. At end-August, 2016, commercial bank deposits increased while credits growth eased off further.

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

**Tourism sector** performed well. Most key indicators were satisfactory, reflected by an increasing number of air passengers, hotel occupancy rate, Value Added Tax (VAT) collected from hotels and restaurants, direct flights and foreign tourists passing through Chiang Mai International Airport, mainly from Chinese tourists travelling to major upper northern provinces while domestic tourists attending events and seminars were also expanded.

**Government disbursement** grew by 1.5 percent, lower than expected due to an acceleration in the earlier period. Disbursement concentrated mainly in infrastructure construction and maintenance projects such as irrigation system, road construction, hospital building and campus as well as transfers to those of local government including accrediting amounts and salaries for teachers and educational personnel.

**Private consumption** grew by 3.3 percent, owing to an increase in vehicle registration due partly to delivery after the launch of new models in the earlier period. Amid unclear positive signs, consumer sentiment and spending were restrained by weak purchasing power, high household debt and tight credit condition reflected by decreasing in necessitate goods spending.

**Farm income** resumed positive growth this month. **Major crop production** edged up by 0.3 percent, with increased production of livestock particularly swine, broilers and chicken eggs following higher domestic and external demand in line with increased production of rice, red onions and pineapples as the harvesting time approaches. However, output of maize, soybeans, peanuts, cassava and longan have fallen. **Agricultural price** edged down by 0.2 percent, mainly from price of maize and cassava due to higher imports of wheat to produce animal feed while livestock price shrank from excess supply. Fortunately, higher price of rice and longan helped cushion the contraction.

Manufacturing sector remained underperformed as **manufacturing production** shrank by 16.9 percent mainly from production of alcoholic beverages after acceleration in the earlier period. Key exports on electronic components, hard disk drives and textiles also dropped from slackening demand and severe competition. Nevertheless, there were positive signs for production of switching power supply and transformer as well as processed production of rice mill.

**Export value** dropped slightly by 0.6 percent, mainly from flagging exports of electronic components to Hong Kong and Singapore, despite a slight improvement in Japan and China market. Meanwhile, cross-border export of livestock, sugar and fuel to Lao PDR decreased, whereas exports to Myanmar increased slightly. **Import value**, by contrast, expanded by 14.8 percent, owing to imports of electricity from Lao PDR, and vegetables and fruit from southern China, except for raw materials and intermediate goods.

**Private investment** declined by 6.7 percent following fragile demand, reflected by sluggish construction and real estate activities coincided with lessening of investment in industrial sector due to excess capacity. Key private investment indicators have been declining which were the construction area permitted in municipal zone, registration of commercial vehicles, sales of construction materials and import value of machinery and equipment.

On the stability front, **economic stability** remained sound. Headline inflation stayed at 0.3 percent, basically from higher prices of eggs, vegetables and fruit, except for price of gasoline sold locally which dropped further. **Unemployment rate** went down to 0.8 percent, albeit number of unemployed persons who claim for unemployment benefits increased.

In the **banking sector**, at the end of September 2016, the outstanding of commercial banks' credit grew by 1.2 percent to 581,831 million baht, albeit eased down further, due mainly declined demand from real estate, transportation and financial businesses. Meanwhile, demand for corporates' working capital in hotels and healthcare, construction, wholesale and retail, manufacturing and housing loan still expanded. Meanwhile, deposits moderated by 4.0 percent to 628,754 million baht, due to withdrawal of public entities. Loan to deposit ratio was at 92.5 percent, increased from previous quarter.

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