



BANK OF THAILAND

BOT Press Release

Northern Region Office
Tel. 0-5393-1216 Fax. 0-5322-4171 www.bot.or.th

No. 11/2016

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

In July 2016, general economic activity in the northern region unchanged significantly from previous month. The tourism sector and cross-border exports to Myanmar continued spearheading economic activities. Private consumption picked up reflected by slightly improving consumer confidence, whereas this month public spending weakened but it normally picked up at the forthcoming months of fiscal year ending. Negative factors to the slackening economy have been the poor farm income, declining manufacturing production and exports, particularly those of electronic components, and tepid private investment. Economic stability remained sound, with low unemployment rate and slightly lower headline inflation from declining raw food prices. At end-June, 2016, commercial banks deposits gradually rose but loans continued to slow down.

The details of the economic conditions are as follows:

Tourism sector performed well reflected by an increasing number of foreign tourists, contributing mainly to better-than-expected Chinese tourists. Meanwhile, local tourists gained momentum by both the long holiday in August and special meeting and seminars held in Chiang Mai. In addition, other key indicators have been improving such as increasing number of direct flights, air passengers, foreign tourists passing through Chiang Mai International Airport, hotel occupancy rate, and Value Added Tax (VAT) collected from hotels and restaurants.

Private consumption slightly picked up by 4.1 percent from previous month reflecting from higher fuel and electricity consumption and higher consumer confidence which accounted for the first time in 7 months after the drought. However, sales of durable goods such as autos and commercial vehicles were negative as expected. Key factors to pull back private consumption remained from poor farm income, manufacturing production, high household debt, and cautious financial institutions' credits.

Cross-border exports to Myanmar maintained its momentum, but underweighted by less export on electronic components to China, Singapore, Hong Kong and Japan. The fall was attributable to export market share loss and slowdown in trading partners' economies. In addition, exports to the Lao PDR and southern China dropped markedly, due mostly to strengthened import regulations and restrictions by China, and last year's high base effect. As a result **export value** contracted by 8.7 percent. **Import value**, by contrast, expanded significantly by 43.7 percent, owing to imports of electricity from Lao PDR, and fruits and vegetables from southern China.

Government disbursement of the investment budget slowed down, especially in the lower part of the northern region. The disbursement was expected to pick up before the end of fiscal year 2016 to ensure on-time finalization of infrastructure construction and maintenance projects, including road infrastructure and irrigation systems projects. Meanwhile, disbursement of project to improve well-being of the districts diminished after having accelerated earlier.

Agriculture sector remained sluggish. **Farm income** declined by 16.6 percent, mainly from decrease in **major crop production** by 16.0 percent, due to prolonged drought, including off-season rice and longan. Meanwhile, livestock production rose in response to higher domestic and external demand. **Agricultural price** declined slightly by 0.1 percent, as prices of broilers and cassava decreases. Prices of rice, longan and pineapple increased, as supply lessened.

Manufacturing production dropped by 17.7 percent, following slowdowns in trading partners' economies, and export market share loss. Export-oriented production of hard disk drive components and electronic components declined continuously. In addition, production of processed agricultural products dropped, including those of rice mill and processed foods and vegetables, as agricultural raw materials were affected by the prolonged drought. On the positive note, this month saw an increase in machinery investment, which related to production line adjustment to cater to demand for automotive, air conditioners parts, and mobile phone components.

Private investment declined by 4.2 percent as construction investment remained dormant in light of weak real estate sector. Meanwhile, condition for capital investment was unclear. Most of key private investment indicators decreased, including construction area permitted in municipal zone, the number of registration of commercial vehicles, and import value of machinery and equipment. Sales of construction materials, in contrast, increased, due in part to public investment in infrastructure projects.

On the stability front, **economic stability** remained sound. Headline inflation rate was 0.03 percent, slightly lower from the previous month basically from lower prices of eggs, fresh foods, vegetables and gasoline prices. Unemployment rate was at low level of 1.1 percent, as there were unemployed persons who had not looking for work but were waiting for agricultural season.

In the **banking sector**, at the end of June 2016, the outstanding of commercial banks' deposit grew by 5.1 percent to 639,888 million baht, mostly contributed by government agency savings. Credit outstanding grew by 2.4 percent to 581,120 million baht, slowing down from the previous month, due in part to businesses' debt repayment and management of credit lines to fit the amount of their financial transactions. This resulted in a deceleration of credits for wholesale and retail sector, manufacture industry, hotels, construction and agricultural sectors, and personal consumption. In addition, credits to real estate sector continued to fall. Loan to deposit ratio was lower to 90.8 percent.

Bank of Thailand, Northern Region Office

August 31, 2016

Contact person: Regional Economy Division

Tel: +66 (0) 5393-1167

E-mail: Jamyat@bot.or.th