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Press Release on Northern Region's Economic Conditions in the Fourth Quarter of 2016

In the fourth quarter of 2016, overall economic activities in the northern region improved from previous quarter with regard to continuing momentum of government investment especially on infrastructure construction and various stimulus projects, picking up of electronic component exports and resuming of tourist activities in December. However, private investment and real estate activities remained underperformed. Poor farm income prevailed in which was resulted from net impact from suppressed major crop prices over better production of key crops such as rice.

On the stability front, headline inflation rose basically from increasing of fuel and fresh food prices. Unemployment rate was somewhat stable despite an increase of unemployment claims. On banking, commercial banks' deposits grew moderately, whereas commercial banks' loans declined which was contributing mainly from the slackening growth from the lower northern provinces.

The details of the economic conditions are as follows:

Government spending, specifically on investment, accelerated by 14.5 percent across upper and lower northern region. Key items were accounted from continuing spending of road construction and maintenance projects, building construction of university campus and hospitals. This also included more rural areas expenditure to villages and tambon.

Export value picked up to 0.7 percent contributing mainly to increasing electronic components exports to Japan, Malaysia, Hong Kong and rice and rubber exports to Southern China. However, consumer goods exports to Myanmar were slower from unstable ethnics' unrest at the border. Exports of rice, fuel, livestock and frozen meats to Lao PRD also declined. **Import** value expanded by 25.1 percent resulting mainly from increasing of electricity import from Lao PDR and imports of raw materials for export-producing manufacturing.

Manufacturing production index declined slightly owing to an improving of export-based industries particularly electronic components such as circuit breakers, capacitors, hard disk drive components and optical lens for cameras and car cameras in line with improving global demand. Textiles and garment production for export also increased during year-end season greetings. Milled rice production rose in response to increased supply of paddy while alcoholic beverages production accelerated for year-end season. However, sugar production declined this quarter due to holding back sugarcane harvesting.

Private investment index remained declined at 3.1 percent and slackened, but improved slightly from previous quarter as a result of more imports of equipment and machinery goods in Lamphoon industrial zones including improving construction areas permission in

municipal zones and construction materials which was probably related to government investment projects.

Tourism activities resumed in December after the slow down during October and November. This reflected from an increase number of international tourists, notably the Chinese's FIT (Free Individual Travelers) and westerners. In addition, number of domestic tourists travelling to key northern cities supported the similar improvement coincide with favorable weather and year-end season.

Farm income declined only 2.8 percent, as a result of higher **major crop production** such as rice and shallots. However, sugar cane production was lower due to postponement of its harvesting. Livestock products such as swine, broilers and eggs remained good. **Agricultural prices** dropped by 3.8 percent, contributed primarily by abundant supply of rice, maize and livestock.

Private consumption index shrank by 1.4 percent, associated with a drop of auto sales due to high base effect last year, a decline in fuel consumption in response to higher retail fuel prices and slightly softened spending on consumption goods such as alcoholic beverages and cigarettes. Slackening purchasing power resulted from continuing poor farm income, high household debt level and tight banks' credit approval.

On the stability front, **economic stability** remained sound. **Unemployment rate** remained unchanged from previous quarter, despite higher unemployment claims. Headline inflation was higher to 0.77 percent resulted from higher prices of eggs, vegetables and fruit as well as local retail prices of gasoline.

In the **banking sector**, at the end of fourth quarter of 2016, commercial banks' deposit amounted to 637,943 million baht or grew by 2.5 percent, moderating from previous quarter while commercial banks' loan of 584,528 million baht dropped by 0.7 percent. Declining of loan growth was contributed essentially from lower northern provinces in association with sluggish activities in financial businesses, manufacturing, real estate, and transportation. Meanwhile, loans to trading businesses and consumer loan moderated and loans to hotels, healthcare and construction businesses increased. Commercial banks' Loan to deposit ratio was slightly lower to 91.6 percent.

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