



BANK OF THAILAND

BOT Press Release

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

In December 2016, many key economic activities improved markedly from November, namely, continuing of government investment projects, tourism activities and picking up of certain export goods such as sugar and beverages to Myanmar, rubber and rubber products to Southern China and electronic components to Japan, Hong Kong and Germany. In terms of supply side, production on the electronic components rose more than expected, meanwhile sugar production dropped due to a delay of sugarcane harvesting this year. However, consumer spending remained moderated on durable goods. Farm income and private investment have not yet recovered.

On the stability front, headline inflation increased double from November basically from fuel prices while core inflation increased but relatively smaller extent. Unemployment rate remained stable. For banking sector, commercial banks deposits increased whereas the outstanding of commercial banks loans contracted, primarily in the lower northern region.

Details of the economic conditions are as follows:

Government disbursement increased to 17.7 percent contributed mainly to continuing investment projects such as highways and rural roads constructions and maintenance as well as those spending from other government support of small projects and projects for improvement of living standards at the tambon level.

Tourism sector has somewhat recovered from recent months reflecting from increases of incoming domestic and international tourists especially those from the Chinese's FIT, Europeans and Americans. Accordingly, major key indicators such as direct flights, hotel occupancy rate improved markedly. Local tourists to key northern cities showed an improving due to favorable weather and coming of the year end high season.

Export value grew at 5.7 percent, contributing mainly to cross-border exports of sugar and beverages to Myanmar, exports of rubber and rubber products to Southern China and exports of electronic components to Japan, Hong Kong and Germany. **Import** value, expanded by 30.9 percent, attributing mainly to increased imports of electricity from Lao PRD and furniture and wooden products from Myanmar. In addition, imports of raw materials and intermediate goods increased in association with recovering of production of export-based electronic components.

Private consumption index decreased by 2.6 percent, associated with not only a major drop in auto sales due to last year's high base effect, but also a decline in fuel consumption in response to rising retail fuel prices. Spending on consumption goods was stable amid flagging purchasing power, resulted from softened farm and non-farm income, high household debt level and restriction of banks' credit approval. In addition, the increase of tax exemption during the year end to boost spending probably helped those middle and upper income spenders but not a broad-based to the lower income bracket.

Farm income further contracted to 3.3 percent contributed to a drop of **agriculture production of** 4.7 percent resulting mainly from contraction of sugar cane production due to drought. However, **major crop prices** somewhat improve to 1.4 percent – primarily from rising prices of sugar cane in line with an increase in livestock prices, namely broilers and eggs while prices of rice, maize and cassava less contraction.

Manufacturing production index dropped by 5.3 percent as a result of contraction of sugar cane production and harvesting and declining of beverage products, meanwhile, frozen vegetables and milled rice production improved. However, from a recovery of global economy, export-based products improved such as electronic components, circuit breakers, glass discs in the hard disk drive, optical lens for cameras and car cameras.

Private investment index remained sluggish, decreasing by 2.5 percent reflecting from poor key indicators such as permission of construction areas in municipal zones, sales of construction materials, and the number of registered commercial cars. However, only marginally there was a small investment from importing new machinery and equipment in certain businesses.

General economic condition in the northern region remained sound. **Headline inflation rate** increased double to 1.28 percent from November following rising retail prices of fuel whereas core inflation rate rose modestly to 0.57. **Unemployment rate** remained stable and declined marginally to 0.8 percent.

In banking sector, at the end of December 2016, **commercial banks' deposits outstanding** amounted to 637,943 million baht, growing by 2.5 percent as in part a result of deposits mobilization campaign of some commercial banks so as to maintain customer base. Concurrently, **credits outstanding** amounted to 584,528 million baht, contracting marginally by 0.7 percent, accorded with sluggish activities of financial businesses, manufacturing, real estate, and transportation businesses whereas loans to trading businesses and consumer loan moderated, given an increase in loans to hotels, healthcare and construction businesses. Additionally, underperformed lending was reported in the lower northern region. Loan to deposits ratio therefore, edged down marginally to 91.6 percent.

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