



BANK OF THAILAND

BOT Press Release

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

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Press Release on Northern Region's Economic Conditions in October 2016

In October 2016, general economic activity in the northern region mostly moderated, mainly from subdued private consumption as low crop prices weighed on farm income despite increased output. Tourism activities were slower-than-expected with lesser Chinese tourists and some locally tourism-related activities were postponed. In addition, cross-border trade flow declined due mainly to temporarily suspended sugar exports to Myanmar and China. However, momentum from government investment spending remained, coupled with an improvement in production of beverages as well as electronic components for export to Japan. On the stability front, headline inflation was somewhat stable while unemployment rate stayed low with a slight increase. For banking sector, commercial banks deposits and credits moderated.

Details of the economic conditions are as follows:

Private consumption index rose in a slower pace by 1.0 percent following decrease in spending on autos, non-durable consumption goods as well as fuel in response to rising retail fuel prices. Flagging purchasing power continued, resulting from softened farm income, weak consumer confidence, high household debt level and cautiousness in credit approval by bank.

Tourism sector advanced less than expected, indicated from a number of air passengers and numbers of direct flights given stable hotel occupancy rate. This was contributed mainly to a declined number of the Chinese tourists, particularly ones travelling with the tour group notwithstanding the China's Golden Week of travel. However, a number of the European tourists rose. For domestic activities, a number of Thai travelers also fell, due partly to a postponement of meetings and seminars.

Cross-border exports dropped and led to a shrinkage of total **export** value by 1.0 percent. The drop was attributable to the suspended sugar imports of trading partners in Myanmar and China in anticipation of sugar price reduction. Nonetheless, exports to Southern China expanded for two consecutive months in line with electronic components exports to Japan and food exports as well. **Import** value, by contrast, continued growing by 35.4 percent, attributing mainly to increased imports of electricity from Lao PRD. In the meantime, imports of raw materials and intermediate goods resumed positive in this month.

Private investment index remained sluggish, decreasing by 5.7 percent. Slackened investment in real estate and construction activities continued, in line with a reduction in its credits outstanding with banks. A solid sign of new investment in manufacturing sectors has as yet been observed. As such, certain key indicators such as permission of construction areas in municipal zones, the number of registered commercial cars, sales of construction materials and imports of machinery and equipment have been in decline.

Government disbursement increased by 2.1 percent, lesser than expected, gaining the momentum through investment spending notably on constructions of university campus and hospital buildings as well as constructions and maintenance of road and irrigation system. However, more spending in accordance with a recent implementation of newly economic stimulus measure was expected in the following period.

Indigence **farm income** continued with lesser contraction of 3.7 percent, associated mainly with a slump of **major crop** and livestock **prices**, falling by 5.8 percent – notably of rice, broilers and eggs, given their abundant supply. **Major crop output** noted an expansion of 2.2 percent, contributed primarily by rice, shallot, swine, broilers and eggs.

Manufacturing production index resumed positive at a growth of 0.9 percent, higher than expectation, on the back of increased production - particularly of alcoholic and non-alcoholic beverages, textiles and garment as well as milled rice during its harvesting period; and less-contracted production of electronic components for export – benefited from recent machinery investment to serve new product lines.

General economic condition in the northern region remained sound. **Headline inflation rate** was somewhat stable at 0.3 percent whereas prices of egg, vegetable and raw food declined slightly. **Unemployment rate** stayed at low level although rose marginally to 1.1 percent, in line with increasing numbers of workers registering for an unemployed welfare.

In banking sector, at the end of September 2016, **commercial banks' credits outstanding** grew at a slower pace by 1.2 percent to 581,824 million baht, accorded with sluggish activities of real estate, transportations and financial businesses. Nonetheless, credits to tourism industry, notably hotels and healthcare businesses, continued growing in response to performed tourism sector. Concurrently, **deposits outstanding** also grew moderately at 3.9 percent to 628,307 million baht. Loan to deposits ratio therefore, edged up to 92.6 percent.

Bank of Thailand, Northern Region Office

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Contact person: Regional Economy Division

Tel: +66 (0) 5393-1167

E-mail: Jarnyat@bot.or.th