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[Press Release on Northern Region's Economic Conditions in the First Quarter of 2016](#)

In the first quarter of 2016, economic activities in the northern region remained **stable** from previous quarter. Key driver factors came largely from government spending, tourism activities and cross-border exports. Private consumption expanded in certain areas and non-durable goods while overall spending was still under weighed by farm income slackness and drain of private confidence. Pull back sectors of the northern economy have been continued in private investment, particularly excess real estate, falling agricultural output and price as well as declining manufacturing production. This was partly dampened by weak external demand, intense price competition and severe impact from drought. On the stability front, headline inflation was less negative in line with gradual increase of domestic retail oil prices. Unemployment rate edged up slightly. Some labor migration from agricultural sector to construction, trade and services was also observed. Commercial bank's credits moderated while deposits grew slightly.

Details of the economic conditions are as follows:

**Government disbursement** maintained its role as a key driver of economy with a robust increase of 12.5 percent, mainly through project for improvement of living standards at the Tambol level measure as well as other investment projects such as road construction and maintenance projects, buildings construction on campus and hospital premises and local construction subsidiaries. However, disbursement for the irrigation system and the water management slowed down after acceleration in previous period.

**Tourism sector** continued to expand as anticipated from a remarkable number of air passengers, the value added tax (VAT) associated with hotels and restaurant businesses together with high hotel occupancy rate and average room price. More Chinese tourists travelled to the northern region, particularly during the Chinese New Year festival, by air and land, likewise the number of American and European tourists has gradually increased. In addition, more Thai tourists attend meetings and seminars in major tourist attraction provinces.

**Private consumption index** rose at 4.5 percent, attributed mainly to consumer goods, fuel and electricity, even lessened from declining auto and household spending after acceleration in previous quarter from government stimulus measures. Accordingly, households have appeared to be more cautious in spending from high household debts leading to poor consumer confidence. Likewise, the financial institutions also tightened credit approvals.

**Export value** dropped slightly by 0.2 percent, contributing primarily from declined exports of electronic components to Japan, Hong Kong and Singapore, while cross-border exports of consumer products to Myanmar and Lao PDR still performed well. Meanwhile, import value accelerated to 17.6 percent from imports of electricity from Lao PDR, albeit decreased imports of raw materials and intermediate goods for export-oriented manufacturing production.

**Private investment index** remained at low level by 3.9 percent decline, indicated by sluggish manufacturing production and real estate and construction activities although temporary government tax measures and property transfer fee reduction helped absorb some excess supply. This was reflected from continued declining in some key indicators including permission of construction areas in municipal zones, the number of registered commercial cars and sales of construction materials.

**Farm income** remained weak, decreasing by 11.1 percent, from severe drought. In the meantime, **major crop output** dampened further by 4.6 percent particularly sugarcane, off-season rice crop and maize. However, cassava and other livestock outputs increased. **Major crop price** dropped by 6.8 percent with respect to decreasing global demand in sugarcane, cassava and maize. Conversely, rice and livestock prices hiked slightly.

**Manufacturing production** continued to fall by 6.7 percent, particularly in export-oriented manufacturing of electronic components, partly affected from economic slowdown of key trading partners together with the loss of European Union's GSP privileges. Meanwhile, agricultural production dropped further, mainly from milled rice and sugar, and vegetable and fruit processing as an adverse effect of drought, whereas beverages, ceramics and furniture productions grew admirably.

**General economic condition** in the northern region remained sound. **Headline inflation rate** declined at slower pace by 0.77 percent. **Unemployment rate** picked up from previous quarter to 1.0 percent as employment in agricultural sector declined and some migrated to construction, trade and service sectors. Pronounced permanent layoff has not yet been observed and some entrepreneurs applied the Section 75 of the Labor Protection Act.

At the end of first quarter 2016, **commercial banks' credits outstanding** amounted to 585,704 million baht, rising by 4.5 percent from previous quarter, attributed to partial debt repayment of businesses. **Commercial banks' credits outstanding**, totaled to 638,579 million baht, rose broadly by 4.0 percent, primarily from business sector and government agencies deposits. Loan to deposits ratio, therefore, edged down from previous quarter to 91.7 percent.

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