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[Press Release on Northern Region's Economic Conditions in August 2017](#)

In August 2017, economic conditions of the northern region remained unchanged from the previous month. Most supply-side sectors expanded, but this had yet translated into improving domestic demand. On the supply side, manufacturing production continued to expand from increasing beverage, electronic component and lens production. Tourism accelerated largely from Chinese tourists as well as conference and seminar activities. However, farm income slowed down from deterioration of agricultural prices and output. On the demand side, private consumption gradually recovered. Government disbursement declined. Private investment decreased, pulled down by sluggish real estate investment, whereas capital investment of exported-oriented firms increased.

General economic stability remained sound. Unemployment rate stayed low. Headline inflation picked up from gasoline price. In banking sector, at the end of July 2017, commercial banks' credit slightly improved, while deposits remained unchanged.

Details of the economic conditions are as follows:

Manufacturing production continued to expand, increasing by 35.4 percent on the year-on-year basis. Beverage production doubled ahead of new excise tax rates that would see higher prices for alcoholic beverages and tobacco, which would come into effect this September. Export-oriented production of lens and electronic components continued to grow. Also increased were production of construction materials, ceramics, and textile. In contrast, production of foods, such as processed agricultural production and milled rice, decreased in light of lower agricultural raw material supply.

Export value increased by 6.3 percent mainly from the continuously growing exports of electronic components to China, Malaysia and Germany. Also increased were cross-border exports of fruits and rubber to southern of China and Lao PDR. Exports of consumption goods to Myanmar declined, though at a slower pace. **Import value** increased by 36.9 percent from the imports of electricity from Lao PDR as well as imports of raw materials and intermediate goods used in the production of electronic components.

Tourism accelerated mostly from Chinese visitors and more conference and seminar activities in major cities. All tourism indicators showed higher year-on-year growth, including the numbers of air passengers in major airports, the number of immigrant entries at Chiang Mai International Airport, the number of direct flights and hotel and occupancy rate.

Agricultural production grew at a slower pace, increasing by 28.5 percent on the year-on-year basis. Production of rice and longan increased, whereas those of swine and broilers dropped. **Agricultural prices** shrank by 7.9 percent as prices for both crops and livestock fell. As a result, **farm income** growth slowed to 18.3 percent.

Private consumption index (PCI) grew by 2.7 percent on the year-on-year basis. Consumer buying power remained slack in light of high household debt, reflected by lower spending on daily consumption items. Auto sales in major provinces also declined.

Government disbursement declined, with capital disbursement falling by 14.9 percent on the year-on-year basis due to slowdowns in capital disbursement on 9101 stimulus program and construction projects including road system and campus buildings. In addition, capital disbursement on certain projects was either delayed or lower than expected, namely, the Royal Thai Police projects, provincial cluster projects, and hospital buildings.

Private Investment index (PII) continued to fall. Most real estate indicators were weak, including real estate loan outstanding, the number of residential and commercial units associated with permitted land allocation, and the number of newly launched real estate projects. However, a sign for construction activity improved, indicated by an increase in construction areas permitted to build single detached houses, apartments, flats and commercial buildings. Capital investment concentrated in export-oriented firms that produced electronic components and agricultural processed products.

General economic stability of the northern region remained sound. **Unemployment rate** stayed low at 0.71 percent, as manufacturing, wholesale and retails and construction employment increased. **Headline inflation rate** increased to 0.23 percent, particularly contributed to increasing gasoline price. Meanwhile, the food price fell from the same period last year.

In banking sector, at the end of July 2017¹, **commercial banks' credits outstanding** was 579,922 million baht, growing slightly by 0.2 percent due to loan demand from the upper northern region. Loans to hotels and health care businesses continued to expand well, while loans to manufacturing and construction sectors, and wholesale and retail businesses improved. **Commercial banks' deposits outstanding** was 647,551 million baht, increased moderately by 1.6 percent. Loan to deposit ratio was at 89.8 percent, closed to that of the previous month.

Bank of Thailand, Northern Region Office
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Contact person: Regional Economy Division
Tel: +66 (0) 5393-1141
E-mail: Wiryad@bot.or.th