



No. 11/2017

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

In July 2017, economic conditions of the northern region recovered at a gradual pace. The supply-side performance of the economy improved. Manufacturing production essentially increased from beverages, food products and electronic components. Tourism retained its momentum basically from Chinese visitors and local conference and seminar activities. An increase in farm income attributed largely from agricultural output despite of slumping farm prices. However, net purchasing power of farm level did not yet improve much reflecting by poor consumption of non-durable products such as everyday products. Private investment remained unchanged recently as a result from sluggish real estate sector. On the government sector, spending was initiated from the government 9101 farm level stimulus program, while investment expenditure continued to decline.

General economic stability remained sound considering from benign headline inflation and relatively low unemployment rate. In banking sector, at the end of June 2017, commercial banks' credit slightly dropped with a lackluster deposit growth.

Details of the economic conditions are as follows:

Manufacturing production expanded by 20.8 percent on the year-on-year basis, as beverage production increased significantly before imposing a new excise tax. Also increased were export-oriented production of lens and electronic components, including smartphone integrated circuits, automotive sensors and household appliance. Moreover, processed food production such as those milled rice and agricultural products, increased from abundant supply of agricultural raw materials.

Export value grew by 10.2 percent on the year-on-year basis. Fruits, rubber products and rice exported cross-border to southern of China and Lao PDR increased, but consumption goods exported cross-border to Myanmar remained sluggish. Additionally, electronic components exported to Asia counterparts and Germany increased in a row. **Import value** expanded by 9.7 percent, as imports of raw material and intermediate goods increased corresponding the above mentioned electronic goods exports.

Tourism increased markedly from Chinese visitors and more conference and seminar activities in major tourism provinces. All indicators showed higher growth on the year-on-year basis, such as the number of air passengers in major airports, the number of immigration entries at Chiang Mai International Airport, the number of international direct flights, hotel occupancy rate and VAT collected from hotels and restaurants.

Farm income grew significantly at 46.2 percent on the year-on-year basis, due to an increase in agricultural **production** of 54.7 percent as output of longan and second crop rice rose. In addition, livestock increased, attributed to a larger number of broilers. **Agricultural prices** dropped by 5.5 percent as prices of crops and livestock declined.

Overall government spending increased 49.2 percent, boosted by the initiation of the government 9101 farm level stimulus program. However, investment spending declined by 6.9 percent, as funds transferred to local governments decreased and disbursement of capital expenditure undershot projections for certain projects, such as hospital buildings construction projects and the Royal Thai Police projects. Moreover, the provincial cluster project tended to undergo its target disbursement.

Private consumption index (PCI) increased by 2.3 percent on the year-on-year basis, but consumer purchasing power, plagued by high debt burden, and continuing weak consumer sentiment. Consumer spending on everyday items continued its moderate pace, while spending on durable goods, especially passenger car, increased on account of sales promotions. However, spending in some categories improved, such as personal items, treats and snacks.

Private Investment index (PII) declined 6.2 percent on the year-on-year basis, with construction investment declining on the back of a lackluster real estate sector, as indicated by fewer new project initiation, declining real estate loans and decreasing construction materials sales, while capital investment spending was seen only in export-oriented manufacturing firms, notably manufacturers of electronic components and processed agricultural products. Sign for construction investment was observed in certain businesses, including apartments, hotels and commercial buildings.

General economic stability remained sound. **Headline inflation rate** was minus 0.12 percent due to falling prices of vegetables, fruits, rice, chicken egg and meat. **Unemployment rate** remained low at 1.14 percent, slightly increasing from the previous month as recent graduates entered employment markets.

In banking sector, at the end of June 2017¹, **commercial banks' credits outstanding** was 579,822 million baht, falling by 0.2 percent, especially in the lower northern region. Loans to real estate, transportation, financial and agricultural businesses declined, whereas consumer loans and loans to wholesalers and retailers, construction businesses and manufacturing firms increased marginally. In contrast, loans to hotels and healthcare businesses continued to expand well. **Commercial banks' deposits outstanding** was 647,452 million baht, growing at a slower pace of 1.2 percent. Loan to deposit ratio was at 89.6 percent, closed to that of the previous month.

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August 31, 2017

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¹ Data are provisional and subject to revision.