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[Press Release on Northern Region's Economic Conditions in the Second Quarter of 2017](#)

In the second quarter of 2017, northern region economy improved from the previous quarter.

Farm income grew due to an increasing agricultural output, particularly rice and sugarcane. Manufacturing production rose, as production of agricultural-related goods increased, given greater agricultural supplies, and production of electronic components for export rose, boosted by Asian and German demand. Tourism sector expanded mainly from Chinese visitors. On the expenditure side, private investment increased slightly, with capital investment and sign for construction investment concentrating in certain businesses. Private consumption remained soft, despite an increasing passenger car sale. Government capital spending declined more than expected. Cross-border exports to Myanmar and Lao PDR shrank.

General economic stability remained sound. Unemployment rate stayed at a low level. Headline inflation was negative, pulled down by fallen food prices and decelerated gasoline prices.

Details of the economic conditions are as follows:

Farm income increased by 64.0 percent on the year-on-year basis, due to rising agricultural output of 72.9 percent. Second-crop rice output grew from a low base last year. Sugarcane output rose as harvesting of sugarcane, which typically ended in March, was delayed to April this year. Livestock increased, particularly broilers and chicken eggs. While agricultural output increasing, agricultural price dropped by 5.3 percent, with prices of rice, maize, cassava and longan fell. Sugarcane price rose despite more output, due to rising world sugar price.

Manufacturing production expanded by 10.9 percent on the year-on-year basis, attributed mainly to rising food production, including milled rice, agricultural processed foods and sugar, supported by increasing agricultural raw materials. In addition, production of export-based firms rose, as major trading partners' economic recovery increased their demand for imports, leading to increasing production of lens, household electrical appliances and electronic components, such as smartphone integrated circuits and automotive sensor components.

Tourism sector grew by more than expected as Chinese and other foreign visitors increased even in the off peak period, reflected by higher immigration entries at Chiang Mai International airport and international direct flights. Also increased were the number of air passengers in major airports, VAT collected from hotels and restaurants and loans to hotels and restaurants.

Private investment index (PII) grew slightly by 2.5 percent. Capital investment increased but concentrated in certain businesses, reflected by rising imports of capital equipment and machinery that was observed only in export-based manufacturers of electronic components and agricultural processed products. A commercial car sales also rose, boosted especially by demand from logistics businesses and traders. Sign for construction investment was seen in certain businesses, including apartments, hotels and commercial buildings. However, real estate sector remained weak, while loans to real estate businesses slowed.

Private consumption index (PCI) improved marginally by 0.8 percent, attributed mainly to an increasing passenger car sales, supported by demand from salary-based purchasers and businesses. Meanwhile, consumer spending on non-durable goods dropped continually, especially alcoholic beverages. Household purchasing power remained weak, particularly that of agricultural households where the increasing farm income had yet translated into better consumer purchasing power because of debt burden and high child's educational expenses. In addition, financial institutions tightened loan standards.

Government capital expenditure disbursement was lower than expected. The disbursement shrank by 25.5 percent, as subsidies earmarked to local municipalities decreased, and disbursement on road network system projects dropped. In addition, disbursement on provincial cluster projects was slow, particularly at the stage of purchasing process.

Export value fell by 1.1 percent, pulled down largely by falling cross-border exports of mobile phones, agricultural machinery and sugar to Myanmar, and decreasing cross-border exports of consumption goods to Lao PDR that was affected by China's tightening rules for cross-border goods in transit to Lao PDR. However, exports of electronic components to Asia and Germany expanded as their economies recovered. **Import value** rose by 30.1 percent, due to increasing import of electricity from Lao PDR and rising imports of raw materials and intermediate goods of export-based firms.

General economic stability of the northern region remained sound. **Unemployment rate** stayed low at 1.14 percent. Negative **headline inflation rate** of minus 0.3 percent was owing to decreasing prices of fruits, vegetables and rice, given higher agricultural supplies, and falling prices of meat and flour. Meanwhile, gasoline price slowed down.

In banking sector, at the end of June 2017, **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 88.6 percent, closed to that of the previous quarter.

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