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

In the third quarter of 2017, northern region economy gradually recovered. Tourism sector expanded well mainly from Chinese visitors and seminar activities. Manufacturing production accelerated, especially beverage production that rose significantly ahead of the introduction of new excise tax. Production of electronic components for exports grew continuously. Farm income slowed down from decelerated agricultural production and fallen agricultural price. Private consumption remained weak due to low consumer discretionary income and high debt burden. Private investment shrank largely from dormant real estate sector, but capital investment increased. Government expenditure picked up due to the 9101 economic stimulus program.

General economic stability remained sound. Unemployment rate stayed at a low level. Headline inflation rose mainly due to higher gasoline prices.

Details of the economic conditions are as follows:

Tourism sector expanded continuously from Chinese visitors and conference and seminar activities in major provinces. All tourism indicators increased, including the number of immigration at Chiang Mai International airport, the number of air passengers in major airports, the number of direct flights, hotel occupancy rate, VAT collected from hotels and restaurants and loans to hotels and restaurants.

Manufacturing production growth accelerated to 24.4 percent contributed largely to significant increases in beverage production, both alcoholic and nonalcoholic ahead of the introduction of new excise tax in September 2017. Export-oriented production also increased, including smartphone lens and electronic components, automotive sensor, hard disk drive, home electrical appliances, and lace textile. However, milled rice production slowed down given low agricultural raw-material supply.

Agricultural production growth decelerated to 31.9 percent, pulled down by slowdowns in production of rice and maize. Meanwhile longan output increased. **Agricultural price** continued to decline, falling by 6.0 percent, as prices for various crops dropped, namely rice, maize, longan and pineapple. As a result, **farm income** growth slowed down to 24.0 percent.

Private consumption index (PCI) grew slightly by 2.6 percent. Consumer spending was not broad-based given high debt burden and low discretionary income of farmer households. Overall consumer sentiment index continued to decline, due to consumers' concerns over low agricultural price. This was reflected by a decrease in consumer spending on everyday items. However, automobile purchase continued to expand, as indicated by preliminary data on registered cars in provinces of Chiang Mai, Kam Phaeng Phet and Phitsanulok.

Government expenditure picked up by 7.2 percent, contributed mainly to disbursement on the 9101 economic stimulus program, which released funds to grass-root economy, creating employment

and purchases of community goods. Capital disbursement growth was less negative, due to progress in procurement of durable articles and disbursement on provincial cluster and other construction projects. However, disbursement on local construction projects declined and disbursement targets of several projects were not met.

Export value increased by 5.1 percent on the year-on-year basis. Cross-border exports to Laos PDR and southern China expanded, with export items including fresh fruits, rice and frozen meat, whereas cross-border exports to the Union of Myanmar continued to fall. Also increased were exports of electronic components to Germany, USA and Asia market. **Import value** expanded by 18.4 percent, attributed to rising imports of raw materials and intermediary goods of export-oriented firms, as well as increasing imports of electricity from Laos PDR.

Private investment index (PII) continued to shrink. Construction investment remained soft on the back of sluggish real estate sector, reflected by decreasing real estate loan outstanding and declining sales of construction materials. However, construction leading indicator improved, namely construction areas permitted to build single detached houses. Capital investment expanded 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 0.97 percent due to increasing employment in non-agricultural sectors, particularly manufacturing. **Headline inflation rate** picked up to 0.29 percent, owing to rising gasoline price and improved price of fresh foods.

In banking sector, at the end of September 2017, **Commercial banks' credits outstanding** was 585,867 million baht, increasing marginally by 0.7 percent, especially in the upper northern region provinces. Loans demand increased in several businesses, including wholesales and retails, manufacturing, hotels, construction and health care, whereas loans to real estate sector, financial sector, agricultural sector and transportation sector continued to fall. Personal loan grew marginally. **Commercial banks' deposits outstanding** was 641,941 million baht, growing at a slower pace of 2.2 percent. Loan to deposit ratio was at 91.3 percent, closed to that of the previous quarter.

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