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

In the fourth quarter of 2017, northern region economy gradually recovered. Farm income increased from rising agricultural production and price. Manufacturing production fell as production of beverage resumed to its normal level after accumulating stock in the previous quarter. Meanwhile, export-oriented production as well as number of tourist expanded according to external demand. Government expenditure remained an engine of growth. Private consumption was not broad-based, with spending concentrating in a few durable goods purchase. Private investment was unchanged from the previous quarter.

On the stability front, unemployment rate and inflation stayed at a low level. Headline inflation rose due to higher gasoline prices.

Details of the economic conditions are as follows:

Farm income increased by 17.2 percent. **Agricultural production** increased by 15.0 percent, contributed by rising sugarcane, maize and main-crop rice, supported by good weather condition. **Agricultural price** picked up by 1.9 percent, as prices of paddy rice, maize and cassava improved. However, prices of livestock products, namely swine, chicken egg and broilers, dropped in light of greater supplies.

Manufacturing production fell by 4.4 percent, pulled down mainly by a decrease in alcohol beverage production. The production of alcoholic beverages returned to its normal level after hiking sharply in the previous quarter in anticipation of new excise tax rates coming into effect in September 2017. Meanwhile, the production of agricultural-processed foods, sugar and milled rice grew, given ample supply of agricultural raw materials available. Also increase was the export-oriented production of electronic components used in household appliance and automobile manufacturing, driven by improving demand from trading partners. The production of lens and hard disk drive remained unchanged.

Tourism sector continued to accelerate. Foreign visitors increased largely from Chinese visitors during the Chinese National Day Golden Week holidays. In addition foreign incentive travelers rose. The opening of international direct flights to Chiang Mai airport played an important role in boosting foreign arrivals. Thai visitors also rose as cool northern weather attracted visitors from other regions of the country. Conference and seminar activities remained active in major tourism provinces. As a result, all tourism indicators performed well, namely the number of immigration at Chiang Mai International airport, the number of air passengers in major airports, the number of direct flights and hotel occupancy rate.

Government expenditure remains a key engine driving the economy despite declining 13.7 percent due to high base effect from exceptionally high government spending of stimulus programs during the same quarter last year. Level-wise, the overall government spending 2017 was above the average in the fourth quarter, and the spending target was achieved.

Private consumption grew slightly by 4.7 percent, but not yet broad-based. Private spending continued to concentrate in durable goods, reflected by the increase in passenger car purchases, which driven mostly by sales promotion from both manufacturers and dealers, combined with easing borrowing conditions for potential car buyers. However, spending for everyday items remained subdued, indicating weak consumer purchasing power, associated with low discretionary income of agriculture households, given high debt burden and expenses.

Private investment remained unchanged. Construction investment shrank, reflected by decreases in every construction investment indicators, such as the number of new projects, real estate loan outstanding, the number of land allocation permits, sales of construction raw materials and the square meters of permitted construction areas. In contrast, capital investment of export-oriented firms that produced electronic components and agricultural-processed products improved, reflected by their increasing machinery imports. Capital investment was also seen in trading, and logistic firms, reflected by their buying cars for business use.

Export value declined by 6.0 percent, due mostly to the sluggish cross-border exports. Cross-border exports to Myanmar declined, including sugar, agricultural machinery and mobile phone. Cross-border export to Lao PDR dropped, including gasoline, rice, swine and construction materials. Non-cross-border exports, however, unchanged from the same period last year. **Import value** expanded by 21.0 percent, attributed to rising raw materials and intermediary goods imports of export-oriented firms, as well as increasing electricity imports from Laos PDR.

On the stability front, **unemployment rate** maintained unchanged at 1.0 percent. **Headline inflation rate** grew to 0.7 percent largely from the rising of gasoline price, whereas the price of fresh food decreased with its increasing supply.

In banking sector, at the end of the fourth quarter of 2017, **commercial banks' loan outstanding** increased by 0.9 percent to 589,634 million baht. The increases were seen largely in the upper Northern provinces. Consumer loan and loans to certain businesses expanded, including healthcare, hotel, construction, and financial and manufacturing businesses. In contrast, loan to real estate and agricultural sectors continued to fall. **Commercial banks' deposit outstanding** continued to grow, rising by 4.6 percent to 667,097 million baht. Loan to deposit ratio was at 88.4 percent, decreasing from the previous quarter.

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