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

In February 2017, economic conditions of the northern region was slightly better from previous month, main drives were government spending and exports. Major government expenditures were from construction of road network and irrigation system. Exports expanded in response to demand for electronic components from Japan, China, Hong Kong, Germany and Malaysia, and demand for consumer goods from Myanmar and fresh fruits from Southern China. On the production side, manufacturing production somewhat improved contributing largely from an increase of processed food and sugar production. Private consumption have not strongly recovered, due essentially to weak purchasing power from agricultural sector despite the improvement of some crops such as garlic, sugarcane and second crop rice. Tourism technically dropped when compared with last month in which it coincided with the large number of Chinese tourists visiting Thailand during the Chinese Lunar New year. Private investment has not been very active, showing from lukewarm real estate businesses while only few investment from exporting manufacturers rose.

On the stability front, unemployment rate remained at a low level, while headline inflation rate slowed down marginally with prices of food and raw food declining and price of fuel oil rising. In banking sector, commercial banks' deposits outstanding expanded comparable with last month, whereas credits outstanding growth remained low.

Details of the economic conditions are as follows:

**Disbursement** of government investment increased to 8.1 percent contributing to overall disbursement across the region. Main spending focused on related construction and maintenance of the regional road network and irrigation system.

**Export value** grew markedly by 8.5 percent, contributing largely to exports of electronic components to Japan, China, Hong Kong, Germany and Malaysia. In addition, cross-border export improved from key items such as sugar, fuel oil and beverage to Myanmar, and fresh fruit, rice and rubber products to the southern of China. Meanwhile, **import value** declined by 23.4 percent, mainly from a drop of importing electricity from Lao PDR while raw materials and intermediate goods such as electronics slightly increased.

**Private consumption index (PCI)** increased slightly by 0.4 percent, as household purchasing power remained weak, given high household debt and cautious credit extension by financial institutions. Spending for durable goods declined, but to a lesser extent than the previous month as reflected by smaller decreases in registered passenger cars and registered motorcycles. Spending for everyday items continued to decline, while spending for fuel oil dropped in light of oil price increase.

**Private investment index (PII)** remained inactive. Construction was sluggish, reflected by lukewarm real estate sector and weak real estate loans. Indicators for construction investment remained weak, including sales of construction materials and registered commercial vehicles. Construction areas permitted in municipal zones decreased, but to a lesser extent than the previous month as there were land areas given permission to build single houses. In contrast to construction investment, capital equipment investment increased, particularly those of export oriented manufacturers of electronic components.

**Farm income** expanded by 5.1 percent, largely as a result of sugarcane price increase. **Major crop production** grew by 8.6 percent due mainly to an increase in sugarcane production, prompted by farmers' rushing to harvest sugarcane to feed sugar millers in the delay sugar crushing season. In addition, production of cassava, second rice and garlic increased from last year's low levels as drought had hit output. Meanwhile, **major crop price** fell by 3.2 percent, pulled down by decreases in prices of cassava, maize and second crop rice. By contrast, prices of sugarcane and chicken egg increases. The latter was due to excess demand.

**Manufacturing production** declined by 6.3 percent, but showed improving momentum from electronics exports. Such electronic components included integrated circuits, electrical capacitors and other electrical apparatuses. In addition, production of frozen vegetables increased, and production of sugar, and milled rice rose during harvesting period. However, production of alcoholic beverages were somewhat weak compared to high production last year.

**Tourism sector** grew at a slower pace following Lunar New Year 2017 in the preceding month. The number of Chinese tourist arrivals and the number of Thai visitors attending seminars and meetings in major northern provinces both slowed down. Tourism indicators that weakened this month were the number of air passengers and the number of foreign tourists passing through Chiang Mai International Airport.

Economic stability of the northern region remained sound. **Headline inflation rate** was 1.5 percent, growing at a slower pace. Prices of raw food, and food such as rice, flour and flour-related products, dropped, whereas price of fuel oil increased. **Unemployment rate** stayed at low level of 0.7 percent.

In banking sector, **commercial banks' deposits outstanding** increased by 2.7 percent to 653,764 million baht, contributed by introduction of new deposit products by commercial banks aimed to replace maturing financial products. As a result, saving outstanding increased by 6.4, whereas deposit outstanding decreased by 2.8. Concurrently, **commercial banks' credits outstanding** continued to broadly decline, falling by 1.0 percent to 577,640 million baht, as a result of SMEs' repaying debts and a slowdown in household credit. In addition, leasing remained unrecovered. Besides housing loan was slowdown. Loan to deposit ratio dropped to 88.9 percent.

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