



BANK OF THAILAND

BOT Press Release

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

In January 2017, economic conditions of the northern region slowed down from the previous month, although tourism sector expanded from growing number of Chinese inbound tourists during the Lunar New Year 2017. Private consumption had yet to recover as agricultural purchasing power remained weak, particularly in the lower northern region, although the a new year-end shopping tax break gave a brief boost to consumption in December 2016. Public capital disbursement slowed down after accelerating last month. Private investment remained sluggish, with construction investment being muted in light of slow real estate market. On the external front, cross-border export declined as export to the Lao PDR and the southern China decreased. On the production side, manufacturing production continued to improve, in production of processed food and sugar. Major crops production increased, particularly sugarcane, and major rice, whereas major crops price declined slightly, as prices of most major crops dropped except sugarcane price.

On the stability front, unemployment rate remained low while the headline inflation rose from increases in prices of fuel oil, vegetables and fruits. In banking sector, commercial banks' deposits outstanding marginally increased. Meanwhile, commercial banks' loans outstanding declined slightly, noting significant decreases in the lower northern region.

Details of the economic conditions are as follows:

**Private consumption index (PCI)** increased by 1.2 percent due mostly to last year's low base effect. Despite the small increase in PCI, private consumption remained sluggish, with consumers' spending for everyday items declined, particularly alcoholic and nonalcoholic beverages and personal care. This was primarily attributed to weak agricultural purchasing power, especially in the lower northern region, as well as the fact that consumers had rushed to spend last month to take the advantage of the government's offering shopping tax incentive for consumers on goods they bought during 14-31 December, 2016. Most of key private consumption indicators fell, including, numbers of registered passenger cars, and registered motorcycles, and fuel sales.

Following last month's acceleration, **public capital disbursement** declined slightly by 0.2 percent, noting significant drop in category of transfer to local authorities. However, outlook for public capital disbursement remained good, reflected by marked expansion in

spending of road construction and maintenance projects, building construction of university campus and local administrative organizations' construction projects.

**Private investment index (PII)** remained unchanged. Construction investment was sluggish, given subdued real estate sector. Indicators for construction investment remained weak, including construction area permitted in municipal zones, and sales of construction materials. Capital investment of firms in Northern Region Industrial Estate in Lamphun province was expected to improve, as their imports of machinery and equipment rose. Meanwhile, the number of registered commercial vehicles, an indicator for capital investment, increased, but this was due mainly to last year's low base.

**Export value** declined by 2.3 percent, as cross-border exports of frozen chicken, swine, rice and consumer goods to Lao PDR and southern China declined. Export to Myanmar was expected to increase slightly. Meanwhile, export of electronic components to Japan and China continued to expand, driven by improved foreign demand. **Import value** increased, due mainly to imports of raw material and intermediate goods.

**Tourism sector** expanded well, benefited mostly from an increase of foreign tourists, especially the Chinese, during the Lunar New Year holidays. Other foreign tourist also rose including the European and the American. All key tourism indicators expanded, including the number of foreign tourists passing through immigration, the number of direct flights to Chiang Mai International Airport, the number of air passengers, hotel occupancy rate and Value Added Tax collected from hotels and restaurants.

**Farm income** expanded by 4.0 percent. **Major crop production** grew by 4.8 percent, lifted mainly by an increase in production of industrial sugarcane. In addition, production of cassava, maize and garlic rose, as drought conditions alleviated. **Major crop price** fell marginally by 0.8 percent, as prices of most major crops decreased, such as prices of major rice and cassava. Meanwhile, price of sugarcane rose. As the slight fall in price was more than offset by the rise in major crop production, farm income increased.

**Manufacturing production** decreased by 6.8 percent, mainly contributed by decline of beverage production due to last year's high level where manufacturers rushed their production with new packages to promote their products. Meanwhile, production of electronic components and camera lenses somewhat moderated. However, sugar, milled rice and processed food production continued to expand.

General economic condition in the northern region remained sound. **Unemployment rate** was at low level of 1.09 percent, with normal level of seasonally inactive persons. **Headline inflation rate** increased by 1.67 percent due to increases in prices of fuel oil, vegetables, and fruits.

In banking sector, **commercial banks' deposits outstanding** increased by 2.4 percent to 652,096 billion baht as in part a result of temporary government agency savings

for the upcoming projects and launched deposit products. Concurrently, **commercial banks' credits outstanding** declined slightly by 0.8 percent to 579,707 million baht. The lower northern region showed significant falls in credits, whereas the upper northern region continuously expanded. Falling credits outstanding was due in part to SMEs' repaying debts and lower household-credit demand. Loan to deposit ratio edged up to 88.9 percent.

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