



BANK OF THAILAND

BOT Press Release

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

In March 2017, most key economics activities improved from previous month, driven mainly by resumption of increasing Chinese tourist numbers, and increasing manufacturing output, such as sugar, milled rice and electronic components as well as beverages. However, cross-border exports slowed down as well as private consumption, both in everyday items and durable goods, reflected by weak agricultural purchasing power, high household debt. Private investment remained muted, as real estates continued to linger. However, new machinery purchases in related export-oriented industries were observed. Government spending inclined to resume from up-coming provincial cluster budget allotment compared to small disbursement this month.

On the stability front, unemployment rate remained at low level, even though, the number of first time jobseekers increased. Headline inflation slowed down marginally from fuel oil and raw food price. Commercial banks' deposits outstanding grew at the same rate as last month, while credit outstanding continued to decrease in mot provinces.

Details of the economic conditions are as follows:

Tourism sector resumed its growth momentum after somewhat slowdown last month, reflected by increasing number of foreign visitors at Chiang Mai International Airport, especially those of Chinese tourists. In addition, other key indicators also performed well, such as air passengers, occupancy rate and value added tax (VAT) in hotels and restaurants. Moreover, corporate loan in hotel and restaurant sector continued to increase.

Farm income accelerated by 68 percent, contributed mainly by late harvesting of sugarcane from prior months as well as higher-than-expected production of second-crop rice this year. In addition, output of cassava, livestock products, namely swine and broilers, continued to increase. As a result, **major crop production** expanded by 70.2 percent. Meanwhile, the **agricultural price** shrank by 1.3 as most major crops, particularly second-crop rice, cassava, and livestock products still declined, except sugar price.

Manufacturing production increased by 17.6 percent, contributed mainly by increasing of production of sugar and milled rice due to increasing supply. Moreover, production of alcoholic beverages boosted up before Songkran festival, while production of

export-oriented electronic components continued to increase, benefited by recovery of trading partners' economies.

Disbursement of government investment temporary shrank by 5.2 percent, contributed mainly by decreased transfers to local government. However, spending focused on construction of road network, and small projects still performed well. Meanwhile, government spending inclined to resume from up-coming provincial cluster budget allotment.

Private consumption index (PCI) declined slightly by 0.9 percent, contributed largely by decreases in spending for automotive and everyday items as well as fuel oil due to increasing retail gasoline price. Even though farm income and consumer confidence have been improved, purchasing power, especially agricultural household, remained weak, given debt burden. As a result, the private consumption remained muted.

Private investment index (PII) contracted by 1.6 percent, mainly resulted by sluggish real estate sector in line with declined corporate loan in real estate segment. However, construction areas permitted in commercial buildings and manufacturing edged up, and increased import of machinery and equipment for investment in certain industries, especially electronic components, were observed.

Export value declined by 2.1 from declined cross-border export to Lao PDR as well as slowdown in export of beverage and sugar to Myanmar and the southern of China. However, export of electronic components to Asia market expanded in line with trading partners' economic recovery. Meanwhile, **import value** accelerated by 63.6 percent from recovery of electricity importing from Lao PDR while raw materials and intermediate goods, such as electronic components, also increased.

Economic stability of the northern region remained sound. **Headline inflation rate** was 0.56 percent, growing at a slower pace from price of fuel oil, raw food, and food, such as fresh vegetable, chicken eggs, milk-related products, rice and meat. **Unemployment rate** stayed at low level, whereas slightly rose 1.2 percent from increasing of the number of first time jobseekers.

In banking sector, at the end of March 2017, **commercial banks' deposits outstanding** was 654,909 million baht, increasing by 2.6 percent as a rise in savings deposits more than offset a fall in fixed deposits. Concurrently, **commercial banks' loan outstanding** was 579,375 million baht, declining by 1.1 percent, contributing to a negative loan growth in most provinces. In particular, loans growth also declined for real estate developers, transportation business, financial businesses, manufacturing industry firms and agricultural sector. Meanwhile, loans for wholesalers and retailers, construction business and household consumption increased at the same rate as the previous month. Hotel and restaurant loans expanded well along with tourism sector. Loan to deposit ratio was at 88.5 percent.

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