



No. 9/2018

[Press Release on Northern Region's Economic Conditions in June 2018](#)

In June 2018, economic conditions of the northern region grew at a slower pace from the previous month. Agricultural production decelerated at the end of harvesting season, leading to slowdowns in production of food and processed agricultural industries. Meanwhile, the export-oriented production rose, driven by external demand. Tourism sector continued to expand. Private consumption declined, as consumption of durable goods subdued. As for government expenditure, capital expenditure increased, but current expenditure declined due to decreased subsidies. Private investment remained muted, with construction investment staying low, whereas equipment investment of export-oriented firms was sound.

On the economic stability front, the headline inflation increased, owing to increased retail gasoline prices. The unemployment rate stayed low.

Details of the economic conditions are as follows:

Farm income increased by 32.3 percent year-on-year. Agricultural production grew by 22.5 percent, slowing down from last month's exceptional high growth caused by unusual off-season sugarcane production. In addition, production of second crop rice, swine and broilers increased. Agricultural price increased by 8.0 percent, as the prices of paddy rice and cassava increased, driven by external demand, while the price of lychee increased as supply dropped.

Manufacturing production expanded by 1.9 percent year-on-year, due to increases in production of electronic components, frozen fruits, wood products and ceramics, driven by external demand. In addition, the milled rice production continued to increase as supply of paddy rice rose. However, the beverage production declined to its normal level.

Tourism continued to expand as Thai and foreign tourists increased, especially the Chinese and the American. Key tourism indicators increasing from the same period last year included the number of foreign visitors passing through immigration in Chiang Mai International Airport, the number of air passengers and hotel occupancy rate.

Private Consumption fell by 2.4 percent year-on-year, with passenger car purchase slowed down, and motorcycle purchase dropped in light of weak purchasing power. In addition, consumption of everyday items decreased, particularly spending on beverage and tobacco, but showed an upward direction.

Government expenditure declined by 1.9 percent year-on-year, as the current expenditure dropped by 13.7 percent due mainly to decreased subsidies. The capital expenditure rose by 11.2 percent owing mainly to spending for projects under the Department of Local Administration, the Department of National Parks Wildlife and Plants, and provincial clusters. However, the cumulative disbursement rate (October 2017 – June 2018) was 69.1 percent, lower than the target set by the government at 74.3 percent.

Private investment remained muted as construction investment was low, reflected by a year-on-year decrease in construction permit area. In additions, real estate loan outstanding continued to fall. Equipment investment of export-oriented electronic components firms, though falling from last year's high base, remained at a satisfactory level.

Cross-border export value expanded by 9.1 percent year-on-year, contributed by increases in exports of oil, agricultural machinery and mobile phone categories. **Cross-border import value** grew by 5.3 percent, resulting mainly from imports of electricity from Lao PDR, steel scrap from Myanmar.

On the economic stability front, the **headline inflation rate** was 0.9 percent, due mainly to increased retail gasoline prices. Meanwhile, the raw food price declined, as prices of fresh meats, fresh fruits and vegetables dropped as their supplies rose. The seasonally-adjusted **unemployment rate** stayed low at 0.9 percent due to increasing demand for labor in the sectors of agriculture, manufacturing, wholesale and retail and education.

In banking sector, at the end of May 2018, **commercial banks' loan outstanding** totaled 559,728 million baht, decreasing by 3.3 percent from the same period last year due to declines in loans of some commercial bank branches. **Commercial banks' deposit outstanding** rose by 4.7 percent to 680,431 million baht. Loan to deposit ratio was at 82.3 percent.

Bank of Thailand, Northern Region Office

July 31, 2018

Contact person: Tanaporn Tungtrakul

Tel: +66 (0) 5393-1142 E-mail: Tanaport@bot.or.th