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Press Release on Northern Region's Economic Conditions in the Second Quarter of 2018

In the second quarter of 2018, economic conditions of the northern region expanded from the previous quarter. Farm income increase as major agricultural output rose. Abundant agricultural supply and continued external demand drove up production of processed agricultural industries and electronic components industries, respectively. In addition, tourism sector continued to perform well and government expenditure also improved. However, private consumption somewhat slowed down. As for private investment, construction investment was muted but machinery and equipment investment for export-oriented industries continued to expand.

On the stability front, headline inflation accelerated from gasoline prices. The seasonally-adjusted unemployment rate remained low.

Details of the economic conditions are as follows:

**Farm income** grew by 93.6 percent from the same period last year, with agricultural production rising markedly by 82.0 percent, contributed by increases in production of sugarcane and second-crop rice, given favorable weather conditions and ample water supply. In contrast, production of maize, cassava and lychee declined in line with reduced cultivation area. Agricultural price picked up by 6.3 percent, due mainly to increased paddy price in response to external demand. In addition, prices of maize, cassava and lychee rose in light of lower supplies, while sugarcane price declined due to higher supply as well as falling world price of sugar.

**Manufacturing production index** increased by 9.3 percent from the same period last year, as ample agricultural raw materials prompted sugar and milled rice production to expand. Production of frozen fruits and vegetables and electronic components continued to grow, driven by external demand. Meanwhile, beverage production declined to its normal level.

**Tourism sector** continued to expand from tourist arrivals both Thai and international, especially the Chinese. 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.

**Government expenditure** increased by 6.8 percent from the same period last year, as current and capital expenditure expanded by 4.5 percent and 9.5 percent, respectively, owing to increased expenditure of Office of the Basic Education Commission, the Royal Irrigation Department and the Department of Local Administration. However, the cumulative disbursement rate (October 2017 - June 2018) was 69.1 percent, lower than the target disbursement rate of 74.3 percent.

**Private consumption** decreased by 1.1 percent from the same period last year. Consumer spending for durable goods, particularly passenger car, slowed down but remained at satisfactory level due to continued sales promotion by automakers and dealers as well as easing financial conditions. In addition, motorcycle sales still declined, reflecting weak purchasing power in low-income households. However, spending of everyday items continued to improve with less negative growth in all categories.

**Private Investment** remained subdued as construction investment stayed low. This was reflected by year-on-year decline in most key indicators, including real estate loan outstanding and permitted construction area as supply of both residential buildings and condominiums remained high, resulting in low number of new real estate projects. However, machinery investment of export-oriented manufacturing firms continued to expand, especially those producing electronic components.

**Cross-border trade** improved from the previous quarter. **Cross-border export value** rose by 17.6 percent from the same period last year, contributed by increase in categories of oil, fresh fruits, agricultural machinery and mobile phone. **Cross-border import value** increased by 1.8 percent, due mainly to import of scrap iron from Myanmar.

On the economic stability front, the **headline inflation rate** was at 0.8 percent, pushed up by rising prices of retail gasoline, Liquefied Petroleum Gas (LPG), and electricity. Meanwhile, price of fresh food decreased, on account of abundant supplies. The seasonally-adjusted **unemployment rate** stayed low at 1.0 percent, given increased labor demand in agricultural and manufacturing sectors.

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.

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