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

**In May 2018, economic conditions of the northern region continued to expand.** Farm income expanded as agricultural production and price increased. Manufacturing production rose, prompted by greater supply of agricultural raw materials for milled rice and sugar production and external demand for electronic components products. Tourism sector grew on the back of tourist arrivals, both foreign and Thai. Private consumption unchanged, noting that consumption of everyday items gradually resumed. Government spending expanded on account of current expenditure, but capital expenditure declined. Private investment remained muted, pulled down by falling construction investment.

On the stability front, core inflation unchanged while headline inflation accelerated from gasoline prices. The seasonally-adjusted unemployment rate increased as non-agricultural unemployment rose.

Details of the economic conditions are as follows:

**Farm income** grew by 90.9 percent from the same period last year, contributed by increases in agricultural production and price. **Agricultural production** increased by 78.5 percent, with second-crop rice production rising markedly due to favorable weather conditions and ample irrigation water. Also increased was sugarcane output but the strong rise was due mostly to the low base last year. In contrast, cassava and lychee production declined with reducing cultivation area. **Agricultural price** increased by 7.0 percent, as paddy price expanded responding to high external demand. In addition, maize price rose, prompted by demand from animal feed industry, while prices of lychee and eggs rose as supplies dropped.

**Manufacturing production index** increased by 5.3 percent from the same period last year, slowing down from the previous month. Ample agricultural raw materials prompted milled rice and sugar production to expand, though at a slower pace from last month. Production of electronic components grew driven by continued foreign demand, whereas beverage production declined to a normal level.

**Tourism sector** continued to expand as Thai and foreign tourist inflow increased, especially the Chinese. Key tourism indicators performing well included the number of foreign visitors passing through immigration in Chiang Mai airport, the number of air passengers, hotel occupancy rate and hotel average room rate.

**Private consumption** unchanged, with private consumption index decreasing only marginally by 0.1 percent from the same period last year. Consumption of everyday items continued to pick up for the third consecutive month. As for consumption of durable goods, passenger car purchase continued to grow, driven by sales promotion and easing in auto lending conditions. On the contrary, motorcycle purchase dropped further as purchasing power at grassroots level remained weak.

**Government expenditure** increased by 18.9 percent from the same period last year, as current expenditure expanded significantly by 30.6 percent owing to increased expenditure of Office of the Basic Education Commission. However, capital expenditure, which played significant role in driving the economy, increased by only 3.3 percent, slowing down from last month as expenditure of the Department of Highways and Department of Rural Roads declined. The cumulative disbursement rate from October 2017 to May 2018 was 64.8 percent, lower than the target disbursement rate of 67.0 percent.

**Private investment** declined, with private investment index falling by 2.1 percent from the same period last year. Construction investment dropped considering excess supply of residential buildings and condominiums. Key indicators that decreased were pre-financing loan outstanding and permitted construction area, notably apartments, flats and commercial buildings. However, machinery investment remained sound, albeit decreased from the high base last year. Machinery investment of export-oriented manufacturing firms grew continually, particularly those producing electronic components.

**Cross-border export value** rose by 21.4 percent from the same period last year, with most export categories increasing, such as oil, agricultural machinery and mobile phone. **Cross-border import value** shrank by 7.9 percent, due mainly to the decreased import of electricity from Laos PDR. On the other hand, imports from Myanmar expanded well in all categories, especially scrap iron.

On the economic stability front, **core inflation rate** was at 0.6 percent, closed to that of the prior month. **Headline inflation rate** was at 1.0 percent, accelerated from last month due to soaring gasoline price. The seasonally-adjusted unemployment rate was at 1.1 percent, increasing from 0.7 percent last month, as non-agricultural sector unemployment rose, particularly manufacturing and construction sectors.

In banking sector, at the end of April 2018, **commercial banks' loan outstanding** totaled 560,289 million baht, decreasing by 2.9 percent from the same period last year due to declines in loans of some commercial bank branches. **Commercial banks' deposit outstanding** rose by 3.1 percent to 678,725 million baht. Loan to deposit ratio was at 82.6 percent.

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