



BANK OF THAILAND

BOT Press Release

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### Press Release on Northern Region's Economic Conditions in August 2018

In August 2018, economic conditions of the northern region remained unchanged from the previous month. Farm income increased as both agricultural price and output grew. Tourism sector continued to expand. Government spending rose in both current and capital spending. Private consumption gradually improved, while private investment grew due mainly to export oriented investment. Meanwhile, manufacturing production declined, largely due to a high-base effect from last year.

On the economic stability front, the headline inflation accelerated owing mainly to higher retail gasoline prices. The seasonally-adjusted unemployment rate was at low level.

Details of the economic conditions are as follows:

**Farm income** increased by 11.6 percent year-on-year. Agricultural production expanded by 4.5 percent, as production of major crops included rice, longan and maize increased, given supportive weather conditions. Agricultural price accelerated by 6.8 percent due to the increasing domestic demand for maize used in animal feed, which partly resulted from price of cassava, as alternative feed ingredients, increased. Also increased was the price of longan, driven by high foreign demand, given lower-than-expected output.

**Manufacturing production index** declined by 26.7 percent year-on-year, as production decreased for various products. In particular, alcoholic beverage production decreased from an unusually high-level last August ahead of the new excise tax rates that became effective in September 2017. In addition, production of garment and textile dropped due to decreasing foreign demand, while production of electronic components declined as several firms needed to change their production lines. In contrast, production of frozen vegetables and fruits, milled rice, as well as wooden, metal and steel products increased continuously.

**Tourism** continued to expand, especially due to international visitors from a variety of countries, namely China, Hong Kong, USA, South Korea and Europe. Key tourism indicators increasing year-on-year were the number of foreign visitors passing through immigration in Chiang Mai airport, the number of air passengers in major cities and hotel occupancy rate.

**Private consumption** gradually improved, with private consumption index rising slightly by 1.1 percent year-on-year. Demand for both passenger and commercial cars increased continuously, boosted by sales promotions and the debut of new car models. Spending for everyday items also grew at a gradual pace.

**Government expenditure** picked up by 21.1 percent year-on-year. Current expenditure increased by 22.4 percent, contributed by the subsidy spending of the Office of the Basic Education Commission, Department of Agricultural Extension, and Ministry of Public Health's Office of the Permanent Secretary, as well as the spending of Thai Niyom Yangyuen (Sustainable Thainess) program. Capital expenditure also expanded by 19.5 percent on the back of increased expenditure of land and construction from various government entities, including the Royal Irrigation Department, Department of Rural Roads, the Office of the Basic Education Commission, and the Royal Forest Department. However, the cumulative disbursement rate in FY to date (October 2017 to August 2018) was 82.0 percent, lower than the target rate of 88.8 percent.

**Private Investment Index** grew by 2.8 percent year-on-year, resulting mainly from increased capital investment, as reflected by the increase in import of machine and equipment of export-oriented firms. Meanwhile, construction investment stayed low, indicated by the decrease of construction permitted area, and the contraction of real estate loan outstanding.

**Cross-border export value** rose by 11.1 percent year-on-year, pushed up by increases in export of various products, such as fruit, cattle and gasoline to China, Lao PDR and Myanmar. **Cross-border import value** dropped by 10.1 percent, as electricity imported from Lao PDR declined and agricultural products imported from Myanmar fell as certain areas in Myanmar were struggling to cope with the aftermath of recent monsoon floods.

On the economic stability front, the seasonal-adjusted **unemployment rate** stayed low at 1.0 percent, closed to that of the previous month. The **headline inflation rate** was 1.2 percent, accelerating from last month, due largely to increases in prices of retailed gasoline, electricity and cooking gas (LPG).

In banking sector, at the end of July 2018, **commercial banks' loan outstanding** was at 563,099 million baht, falling by 2.9 percent year-on-year, as loans of some commercial bank branches declined. **Commercial banks' deposit outstanding** rose by 4.2 percent to 672,634 million baht, due to the launch of attractive deposit products and the increase in deposits for payment purpose. Loan to deposit ratio was at 83.7 percent.

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