



BANK OF THAILAND

BOT Press Release

Northern Region Office
Tel. 0-5393-1216 Fax. 0-5322-4171 www.bot.or.th

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

In December 2018, economic conditions of the northern region expanded from the same period last year. Tourism sector accelerated due to increased foreign visitors, especially Chinese tourists. Farm income rose contributed by agricultural production and price increases. Manufacturing production grew boosted mainly by food and beverage production. On the demand side, private consumption expanded marginally due to the spending on daily consumer items and automobile purchase. Private investment shrank as construction investment fell. Government spending decreased both in current and capital expenditures.

On the stability front, unemployment rate remained low. The headline inflation was negative, pulled down by declines in raw food and retail gasoline prices.

Details of the economic conditions are as follows:

Farm income continued to expand, increasing by 16.6 percent year-on-year. Main contribution to farm income growth came from an increase in agricultural production of 12.3 percent, mostly sugarcane, of which production rose markedly in light of favorable weather conditions and the speed-up in sugarcane harvest to deliver for crushing by the end of sugarcane crushing season. In addition, agricultural price rose by 3.9 percent, lifted by price gains for maize, off season longan and swine, driven respectively by strong demand from animal feed industry, foreign demand, and reduced supply.

Manufacturing production index grew by 13.7 percent year-on-year, contributed largely by increases in production of foods, beverages and electronic components. Production of food expanded markedly, with production of processed vegetable and fruit for export increasing, and sugar production growing in line with abundant sugarcane supply. Production of beverages expanded significantly, with both alcoholic and non-alcoholic rising. Production of electronic components increased, with automotive integrated circuits growing, boosted by external demand from Japan. In contrast, production of lens and hard disk drive components, textile and garment and leather declined.

Tourism accelerated due to an increase in foreign visitors, especially Chinese tourists. Foreign tourists from other countries also rose, namely, South Korea, Hong Kong, USA, European countries and other Asian countries. All key tourism indicators expanded well, including, the number of foreign visitors passing through immigration in Chiang Mai airport, the number of air passengers and flights in major cities, and the hotel occupancy rate.

Private consumption index continued to increase by 1.1 percent year-on-year, supported in part by increased farm income. Spending on daily consumer items continued to grow in nearly all categories. In addition, spending on durable goods, specifically vehicle purchase, remained sound as reflected by increases in the number of registered passenger cars, the number registered of commercial cars and the number of registered motorcycles, particularly in the lower northern region.

Government expenditure contracted by 16.7 percent year-on-year. Capital expenditure dropped by 23.6 percent, as land and construction expenditures made by the Department of Highways decreased markedly as a result of construction difficulties in certain projects. Current expenditure declined by 5.4 percent due to decreases in the subsidy expenditure made by universities, the Office of the Vocational Education Commission and the Office of Permanent Secretary Ministry of Public Health. The cumulative disbursement rate excluding the central budget (October – December 2018) was at 28.5 percent, lower than the 32.0 percent target disbursement rate.

Private Investment index shrank by 2.1 percent year-on-year, as construction investment fell. Most construction investment indicators weakened, including the square meters of permitted construction areas, covering single detached houses, commercial buildings, apartments and condominiums; the number of new real estate projects, the number of units applied for land allocation; real estate loan outstanding by commercial banks; and value added tax (VAT) collected from construction firms. Capital investment increased marginally, indicated by a slight increase in the number of registered commercial cars. Capital investment of import-oriented firms declined as large electronics firms had already made significant capital investment in the earlier periods. In contrast, other export-oriented firms increased their capital investment.

Cross-border export value decreased by 23.0 percent year-on-year, with various export good categories falling. Rubber export dropped significantly as Chinese demand weakened in light of the on-going trade war. Export of cars to Myanmar remained sluggish since the introduction of measures to reduce vehicle import in late 2017. Export of foods, beverages and electrical appliances to Myanmar declined as the Kyat weakened. **Cross-border import value** grew by 3.8 percent due primarily to imports of electricity from Lao PDR.

On the economic stability front, the **headline inflation rate** dropped to -0.5 percent, resulted mainly from declines in prices of fresh fruits, fresh and processed vegetable, and retail gasoline. The core inflation rate remained at 0.2 percent, the same as the previous month. The seasonally-adjusted **unemployment rate** stayed low at 0.9 percent. Employment expanded as farm employment increased, while non-farm employment dropped slightly.

In banking sector, at the end of November 2018, **commercial banks' loan outstanding** was at 570,005 million baht, falling by 2.2 percent year-on-year, as loans of some commercial bank branches declined. Nonetheless, housing loan, construction loan and loans to transportation and manufacturing firms expanded. **Commercial banks' deposit outstanding** was at 684,137 million baht, growing by 7.0 percent owing to an increase in savings deposit account, whereas current and fixed deposit accounts fell. Loan to deposit ratio was at 84.3 percent.

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Contact person: Northern Economy Division
Tel: +66 (0) 5393-1141
E-mail: Wiryad@bot.or.th