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

In January 2018, economic conditions of the northern region expanded from the previous month. Farm income increased as major crops production rose. Manufacturing production expanded, on account of increased agricultural related production, fueled by ample agricultural raw materials and rising export-oriented electronic components production from improved external demand. Tourism sector expanded well. Government spending increased, while private investment and consumption remained unchanged from last month.

On the economic stability front, headline inflation decelerated and unemployment rate stayed low.

Details of the economic conditions are as follows:

Farm income increased by 12.8 percent on the year-on-year basis, as agricultural production increased by 5.3 percent largely from increases in sugarcane and rice output, given supportive weather conditions. Agricultural price rose by 7.1 percent mainly from higher prices of cassava and livestock in light of their lower supplies. Meanwhile, price of paddy rice dropped by 1.0 percent.

Tourism expanded well on the year-on-year basis, due mainly to foreign tourist arrivals, particularly from South Korea, Europe and ASEAN. However, the number of Chinese tourists in this month was lower than in January 2017, as base effect of the Chinese Lunar New Year. Tourism indicators that increased 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.

Manufacturing production index expanded by 23.5 percent on the year-on-year basis, contributed by increases in production of sugar, milled rice, agricultural-processed food and electronic components for exports. Also increase was beverage production, especially alcohol beverages which accelerated ahead of new excise tax rates that would come into effect at the end of this month.

Government expenditure picked up by 12.8 percent on the year-on-year basis, attributed mainly to an increase in capital expenditure under projects of road system, irrigation and public health systems, as well as expenditure under provincial cluster projects. The accumulated capital expenditure disbursement rate was at 27.9 percent, closed to the target rate.

Private Investment remained muted. Construction investment was subdued, reflected by the weak performances of indicators, including construction material sales, the number of permitted construction areas and real estate loan outstanding. In contrast, capital investment of export manufacturing firms grew, particularly those producing electronic components and agricultural-processed foods, as reflected by their machinery imports.

Private consumption remained unchanged. Auto purchases continued to increase due to sales promotion and easing financing conditions. In contrast, spending on everyday items continued to decline, reflecting weak purchasing power, especially agricultural households that had low discretionary income given high debt burdens.

Export value expanded by 15.4 percent on the year-on-year basis. Cross-border export value increased, as exports to Myanmar and Lao PDR expanded. Most exports were of agricultural machinery, motorcycle, petroleum products, chemical products, rubber, frozen meat, fruits and vegetables, cattle, and construction materials. In addition, non-cross-border export value expanded, with exports of electronic components increasing, particularly those used in navigation screen for cars, electrical appliances and smartphones. **Import value** continued to increase. Cross border import value grew as imports from Lao PDR and Myanmar rose. Most imports were of electricity, consumption goods, scrap, aluminum and raw materials. Furthermore, non-cross-border import value increased, with most imports being raw materials and intermediate goods for export-oriented production.

On the economic stability front, **headline inflation rate** decelerated to 0.4 percent. This was due to a slowdown in energy price, pulled down by deteriorating retail gasoline prices. In addition, raw food price dropped, given increased agricultural supplies. Core inflation remained low at 0.5 percent as the economy gradually improved. **Unemployment rate** stayed low at 1.3 percent, though increasing from last month. Employment decreased among non-agricultural sectors, while agricultural employment increased.

In banking sector, at the end of December 2017, **commercial banks' loan outstanding** increased by 0.9 percent to 589,634 million baht. The increases were seen largely in the upper Northern provinces. Consumer loan and loans to certain businesses expanded, including healthcare, hotel, construction, and financial and manufacturing businesses. In contrast, loan to real estate and agricultural sectors continued to fall. **Commercial banks' deposit outstanding** continued to grow, rising by 4.6 percent to 667,097 million baht. Loan to deposit ratio was at 88.4 percent, decreasing from the previous month.

Bank of Thailand, Northern Region Office

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Contact person: Regional Economy Division

Tel: +66 (0) 5393-1141

E-mail: Wiryad@bot.or.th