



BANK OF THAILAND

BOT Press Release

Northern Region Office
Tel. 0-5393-1216 Fax. 0-5322-4171 www.bot.or.thNo. 15/2018Press Release on Northern Region's Economic Conditions in October 2018

In October 2018, economic conditions of the northern region remained unchanged from the previous month. Farm income increased, contributed mainly by agricultural price growth, while agricultural production rose only moderately. Manufacturing production grew slightly, but this was due mostly to a low base effect of alcoholic beverage production. Tourism sector decelerated, with a Chinese visitors falling significantly. Private consumption increased slightly, as spending on everyday items and durable goods rose. Private investment declined marginally, pulled down by a fall in construction investment. Government spending shrank in both current and capital expenditures.

On the stability front, the seasonally-adjusted unemployment rate stayed low, while the head line inflation continued to slow down owing to fallen raw food price.

Details of the economic conditions are as follows:

Farm income increased by 9.7 percent year-on-year. Agricultural price rose by 6.5 percent, with prices of maize and longan rising, driven respectively by strong domestic animal feed demand and high foreign demand. However, rice price remained unchanged as demand for export slowed down. Meanwhile, agricultural production grew moderately by 3.0 percent, as a result of higher yields of rice, longan and maize, given supportive weather conditions.

Manufacturing production increased moderately by 2.8 percent year-on-year, contributed mainly by high growth of alcohol beverage production, however, such growth was attributed to low base effect to some extent. In addition, agricultural processed foods production rose, prompted by ample agricultural raw materials and higher foreign demand. These included frozen fruits and vegetables, as well as milled rice. Meanwhile, electronic components production posted no growth, with a gain in automobile electronic components offset a fall in mobile phone electronic components. Production of textile and garment, wooden products, and ceramic products decreased due to softened external demand.

Tourism decelerated, with a significant decline in Chinese visitors. In contrast, foreign visitors from other countries, namely Hong Kong, USA, UK, Europe and Asia, increased. As a result, overall foreign visitors remained unchanged. Key tourism indicators were mixed. Notably, hotel occupancy rate continued to perform well, the number of air passengers in major cities slowed, whereas the number of foreign visitors passing through immigration in Chiang Mai airport posted no growth, virtually.

Private consumption increased slightly. Spending on everyday items grew by 4.7 percent year-on-year, with most categories increasing. Spending on durable goods also rose, indicated by increases in the numbers of registered passenger cars, commercial cars and motorcycles, which grew by 5.6 percent, 21.7 percent and 2.3 percent, respectively.

Government expenditure contracted by 19.1 percent year-on-year. Current expenditure decreased by 7.0 percent, attributed largely to a fall in general subsidy disbursed by educational institutions and public organizations, as well as a decline in central expenditure. Capital expenditure declined by 38.4 percent, as specific subsidy disbursed by education institutions decreased, since the institutions received lower budgetary allocation. A fall in land and construction expenditure also contributed to the decline in capital expenditure. The disbursement rate was at 19.0 percent, higher than 16.9 percent in last year's October.

Private Investment index (PII) declined marginally by 0.3 percent year-on-year, due mainly to the contraction in construction investment, reflected by an 11.2 percent fall in construction permitted areas in both residential and commercial buildings. In contrast, capital investment expanded, indicated by an increase in import of machine and equipment of auto parts industry.

Cross-border export value rose by 5.6 percent year-on-year, as export of fruits, specifically durian, longan and banana, as well as live cattle to Southern China increased. In addition, export of consumption goods and gasoline to Myanmar turned positive growth after flood conditions eased. **Cross-border import value** grew marginally by 0.4 percent, with electricity import from Lao PDR, and used steel scrap import from Myanmar increasing.

On the economic stability front, the **headline inflation rate** was 0.3 percent, slowing down from last month, as prices of fresh fruits, vegetables and meat fell markedly. Meanwhile, prices of gasoline and cooking gas (LGP) continued to increase. The seasonally-adjusted **unemployment rate** stayed low at 1.0 percent, as non-farm employment increased, particularly in manufacturing sector, and hotels and restaurants.

In banking sector, at the end of September 2018, **commercial banks' loan outstanding** was at 569,877 million baht, falling by 2.7 percent year-on-year, as loans of some commercial bank branches declined. **Commercial banks' deposit outstanding** grew by 4.1 percent to 668,127 million baht, due to launches of new attractive deposit products. Loan to deposit ratio was at 85.3 percent.

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