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[Press Release on Northern Region's Economic Conditions in the First Quarter of 2018](#)

In the first quarter of 2018, northern region economy expanded from the previous quarter, driven mainly by agricultural and tourism sectors. In addition, manufacturing production growth turned positive. However, private consumption and investment remained unchanged, while government spending decreased as capital expenditure dropped.

On the stability front, the headline inflation softened owing to deceleration in gasoline prices. The seasonally-adjusted unemployment rate remained the same as in the previous quarter.

Details of the economic conditions are as follows:

Farm income increased by 22.2 percent year-on-year. **Agricultural production** increased by 17.2 percent, contributed by significant increases in production of sugarcane and second-crop rice, given favorable weather conditions during planting season. **Agricultural price** rose by 4.3 percent, as prices of cassava and rice paddy increased, lifted in part by export demand. In addition, maize price rose, driven by animal feed industry's demand. However, prices of sugarcane and garlic decreased as their production quantity rose.

Tourism sector expanded continuously from Thai and international tourists. Chinese tourist in particular expanded well during the China National Day Golden Week. International tourist from other countries also rose. As a result, key tourism indicators expanded, including the number of foreign travelers passing through immigration in Chiang Mai International Airport, the number of air passengers and hotel occupancy rate.

Manufacturing production grew by 8.9 percent year-on-year. Production of sugar, milled rice and processed agricultural products increased on account of more agricultural raw material supplies. Also increased was the export-oriented production of electronic components, boosted by improving demand from trading partners. Alcoholic beverage production accelerated before the excise tax increase came into effect in January 2018.

Government expenditure decreased by 2.2 percent year-on-year, with the capital expenditures decreasing by 6.1 percent as slower-than-expected construction projects delayed capital expenditures of Department of Highways, Department of Rural Roads and the Department of Local Government. The cumulative disbursement rate (October 2017 – March 2018) was 56 percent, lower than that of the same period last year, but higher than the disbursement target rate of 52.3 percent.

Private investment remained unchanged. Construction investment was muted, reflected by low real estate loan outstanding and number of square meters of permitted construction areas. In contrast, machinery investment continued to expand, particularly in export-oriented firms that produced electronic components and agricultural-processed products.

Private consumption remained unchanged, with private consumption index falling slightly by 0.5 percent year-on-year. Passenger car consumption continued to grow, prompted by sales promotion by manufacturers and car, as well as introduction of new car models. Consumption of everyday products excluding alcohol gradually improved.

Cross-border export value slightly increased by 0.3 percent year-on-year. Most export categories posted expansion, except sugar that declined from high base last year where sugar export accelerated prior to China's imposing safeguard measures against sugar imports in May 2017. **Cross-border import value** increased by 62.9 percent due to the imports of electricity from Laos, fruits and vegetables from China and steel scrap from Myanmar.

On the economic stability front. The **headline inflation rate** was at 0.3 percent, slowing down from the previous quarter, due largely to the deceleration in gasoline price. Meanwhile, fresh food price decreased due to falling fresh fruit price and declining prices of meat and rice prompted by greater supplies. The **seasonally-adjusted unemployment rate** stayed the same as last quarter at 1.0 percent.

In banking sector, at the end of March 2018, **commercial banks' loan outstanding** decreased by 2.5 percent year-on-year to 564,637 million baht. **Commercial banks' deposit outstanding** stood at 674,024 million baht, increasing by 2.9 percent. The loan to deposit ratio was at 83.8 percent.

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