



No. 14/2018

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

In the third quarter of 2018, northern region economy remained unchanged from the previous quarter. Farm income increased from rising agricultural output and prices of some major crops. Tourism sector continued to expand, largely from foreign visitors. However, manufacturing production declined due mainly from decrease of alcohol beverages production, resulting from last year's high base and electronic component production. Private consumption was unchanged from the previous quarter. Meanwhile, private investment grew, mainly from machinery and equipment investment for export-oriented manufacturing. Government spending slowed down due to last year's high base.

On the economic stability front, headline inflation accelerated owing mainly to higher retailed gasoline prices. Unemployment rate was at low level.

Details of the economic conditions are as follows:

Farm income increased by 9.9 percent year-on-year, slowing down from the previous quarter. Agricultural production expanded by 4.2 percent, as production of rice, longan and maize increased, given favorable weather conditions. In contrast, cassava production declined in line with reduced cultivated area prompted by last year's low cassava price. Agricultural price increased by 5.5 percent due to increasing domestic demand for maize used in animal feed and rising cassava price as its supply dropped. However, price of paddy rice decreased as rice purchase for exports declined after accelerating earlier in line with the decreased in export of rice in this quarter.

Manufacturing production declined by 14.2 percent year-on-year, as alcoholic beverage production decreased from last year's high level of production accelerated ahead of the new excise tax implementation. Electronic components production also dropped owing to both production line modification and stock run down as their trading partners were still in wait-and-see mode on trade-war threat. However, production of certain industries expanded, mainly driven from external demand, including production of processed-food for export to Japan, U.S. , Lao PDR, and Malaysia as well as metal production for export to Australia, Japan, and U.S. market.

Tourism expanded as overall foreign visitors still increased, namely, Hong Kong, U.S., South Korea, UK, Japan, and Asia, although the number of Chinese visitors slightly slowed down. 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 passing through airport in northern region and hotel occupancy rate in northern region.

Private consumption remained unchanged from the previous quarter with a slight decline of 0.3 percent year-on-year. Durable goods spending expanded, reflected by increase in the number of registered passenger cars thanks to the attractive car campaigns from dealers and new car models launched on the market. In addition, spending on everyday items grew slightly in all categories after two consecutive years decrease.

Government expenditure expanded by 1.8 percent year-on-year. Current expenditure decreased by 4.2 percent due to last year's high base as an implementation of fiscal stimulus package, while capital expenditure increased by 10.9 percent year-on-year owing to increases in various categories of expenditures: land and construction expenditure made by the Royal Irrigation Department and the Department of Rural Roads, temporary subsidy expenditure made by the Department of Local Administration, and durable article expenditure made by universities and Royal Thai Police. The cumulative disbursement rate in fiscal year 2017 (October 2017 to Sep 2018) was 91.5 percent, higher than that of the previous year, but lower than the target rate of 96.0 percent.

Private Investment grew by 1.9 percent year-on-year. Investment in manufacturing production expanded reflected by an increased in import of machine and equipment of export-oriented firms. Construction investment stayed low, indicated by decrease in construction permitted area, commercial banks' loan outstanding for real estate developers. In addition, supply of both residential buildings and condominium remained high.

Cross-border export value slowed down by 1.3 percent year-on-year as export to Myanmar fell in light of widespread flooding in Myanmar and a sharp depreciation in kyat at the end of this quarter. Meanwhile, export to Southern China expanded continuously especially fruits, namely, durian and magosteen. **Cross-border import value** dropped by 0.2 percent mainly due to a decreased in import from Myanmar.

On the economic stability front, the **headline inflation rate** increased by 1.0 percent, accelerating from last quarter due mainly to rising prices of retailed gasoline. Meanwhile, prices of fresh food decreased as a fall of prices of fresh meat, fruits, and vegetable. The seasonally-adjusted **unemployment rate** stayed low at 1.0, remained unchanged from previous quarter, given higher labor demand from non-agricultural sector.

In banking sector, at the end of August 2018, **commercial banks' loan outstanding** was at 567,491 million baht, falling by 2.7 percent year-on-year, as loans of some commercial bank branches declined. **Commercial banks' deposit outstanding** grew by 4.0 percent to 668,076 million baht, due to launches of new attractive deposit products and an increase in funds pending payments. Loan to deposit ratio was at 84.9 percent.

Bank of Thailand
November 2, 2018

Contact person: Northern Economy Division

Tel: +66 (0) 5393-1141

E-mail: Wiryad@bot.or.th