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Press Release on Northern Region's Economic Conditions in the Fourth Quarter of 2018

In the fourth quarter of 2018, economic conditions of the northern region expanded from the same period last year. Tourism sector grew continually, contributed by international and Thai tourists. Farm income grew on the back of increased agricultural production and price. Manufacturing production also expanded, boosted primarily by increased production of food, beverages and electronics components. On the demand side, private consumption picked up slightly, specifically spending on daily consumer items and automobiles. However, private investment declined due to tepid construction investment while government spending contracted both in capital and current expenditures.

On the stability front, the seasonally-adjusted unemployment rate remained at a low level. Headline inflation turned slightly negative due mainly to a decline in fresh food price. Core inflation stayed low and slowed down from the previous quarter.

Details of the economic conditions are as follows:

**Farm income** continued to grow, increasing by 13.6 percent year-on-year, as both agricultural production and price rose. **Agricultural production** increased by 7.1 percent, contributed by increases in production of rice, sugarcane and maize, benefited from favorable weather conditions. **Agricultural price** went up by 6.1 percent, due to increased maize price driven by greater demand, and increased prices of swine and cassava in light of lower supplies.

**Manufacturing production index** grew by 10.0 percent year-on-year, led by increases in three production categories – food, electronics components and beverages. Food production increased on account of greater agricultural raw material supplies and external demand for processed vegetables and fruits. Production of electronic components expanded, boosted by greater foreign demand for automotive electronics. In addition, beverage production grew significantly. However, productions of lens and hard disk drive, textiles, non-metal and leather continued to decline for second consecutive quarter.

**Tourism sector** grew well, as Chinese visitors have recovered at the end of the year while other foreign visitors from various countries rose, notably Hong Kong, USA, UK, other Asian countries and European countries. As a result, all key tourism indicators expanded from the same period last year, including the number of air passengers, the number of foreign visitors passing through immigration in Chiang Mai airport and hotel occupancy rate.

**Private consumption index** picked up marginally by 0.9 percent year-on-year. Consumption of daily consumer items grew continuously, with nearly all categories increasing, especially alcoholic beverages and tobacco. In addition, spending for vehicle purchases rose, indicated by increases in the numbers of registered passenger cars, commercial cars and motorcycles.

**Government expenditure** decreased by 17.6 percent year-on-year, with both capital and current expenditures declining. Capital expenditure dropped by 28.2 percent, attributed to a fall in land and construction expenditure made by Department of Highways and Department of Rural Roads, due to construction project delays. In addition the expenditure made by Provincial Cluster was lower than the same period last year, while durable article expenditure made by Office of the Basic Education and Office of the Permanent Secretary declined in line with lower budgetary allocation. Current expenditure fell by 8.0 percent, on account of a decline in general subsidy made by higher educational institutions.

**Private Investment index** dropped by 1.5 percent year-on-year, due to declines in construction investment, notably residential, commercial buildings, apartments, flats and condominiums. All key construction indicators fell, including real estate loan outstanding, the number of new real estate projects, the number of units applied for land allocation, as well as construction VAT. On the contrary, capital investment increased, reflected by increases in the numbers of registered commercial cars. Meanwhile imports of machine and equipment of export-oriented firms declined slightly, particularly electronics components producers.

**Cross-border export value** declined by 10.5 percent year-on-year, as nearly all export good categories fell. Export of rubber decreased markedly in light of China's auto industry slowdown, dampened by the ongoing trade war between China and the United States. Meanwhile, export of cars to Myanmar dropped continuously since introduction of measures to reduce vehicle imported introduced in late 2017. Exports of beverages, electrical appliances and agricultural machinery to Myanmar declined as the Kyat weakened. **Cross-border import value** grew by 10.0 percent, due mostly to import of electricity from Lao PDR and import of live cattle and used steel scrap from Myanmar.

On the economic stability front, the **headline inflation rate** turned slightly negative at -0.1 percent, owing mainly to a slowdown in fruit and vegetables prices. The core inflation rate was at 0.2 percent, softened from the last quarter. The seasonally-adjusted **unemployment rate** stayed low at 1.0 percent. Employment grew by 1.0 percent, lifted by agricultural employment, while non-farm employment dropped, particularly wholesale and retail trade, manufacturing, construction and hotel and restaurant sectors.

In banking sector, at the end of fourth quarter of 2018, **commercial banks' loan outstanding** was at 617,518 million baht, increasing by 4.7 percent year-on-year, partly from changes in loan registration of certain commercial banks from head office to branches. However, housing loan, personal loan and loans to hotel, construction and transportation businesses still expanded well. Meanwhile wholesale and retail loan grew marginally. **Commercial banks' deposit outstanding** was at 686,147 million baht, growing by 2.9 percent owing to an increase in savings deposit account, whereas current and fixed deposit accounts fell. Loan to deposit ratio was at 90.0 percent.

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