



No. 7/2019

[Press Release on Northern Region's Economic Conditions in April 2019](#)

In April 2019, economic conditions of the northern region grew at a slower pace from the previous month. Tourism sector slowed down, affected by the northern haze situation. Private consumption marginally expanded in both spending on daily consumer items and for automobile purchases. Government spending increased, with capital expenditures for infrastructures rising. Farm income contracted, due mainly to falling production of sugarcane and rice paddy. Manufacturing production declined, as the production of sugar, lens, and hard disk drives components shrank. Private investment remained subdued, following tepid construction investment.

On the stability front, the seasonally-adjusted unemployment rate increased, while the headline inflation rate rose, prompted by increases in vegetable and retail gasoline prices.

Details of the economic conditions are as follows:

Farm income decreased by 17.8 percent year-on-year. **Agricultural production** dropped by 20.6 percent, as sugarcane harvesting was wrapped up sooner than usual this year. However, season-wise production of sugarcane was slightly higher than that of the same season last year. Production of rice paddy decreased, following farmers' switching to grow other higher yield crops. **Agricultural price** rose by 3.5 percent, contributed by increases in prices of rice paddy, maize and livestock prices, given their lower supplies. Prices of cassava and sugarcane declined.

Manufacturing production declined by 13.8 percent year-on-year. Production of agricultural processed foods dropped, as sugar production decreased in line with its agricultural raw materials. Additionally, production of processed vegetables and fruits declined, responding to less demand for exports. Production of lens and hard disk drives components continued to fall, as the products were in the decline stage of their product life cycle. Production of beverage, electronics, textile, ceramics and tobacco increased.

Tourism sector slowed down, as domestic tourist inflow was adversely affected by the northern haze situation, indicated by fallen number of air passengers passing through Chiang Mai and Chiang Rai International Airports. International tourist arrival also slowed down, particularly the Chinese, but visitors from other countries expanded well, namely, South Korea, Hong Kong, US, UK, European and Asian countries. This was reflected by an increase in the number of foreign visitors passing through immigration at Chiang Mai International Airport.

Private consumption index (PCI) grew marginally by 0.7 percent year-on-year. Spending on daily consumer items continually increased, particularly in categories of alcohol, tobacco, drinking water, and soft drink. Spending for vehicle purchases increased, reflected by increases in

the numbers of registered passenger cars and registered commercial cars, owing in part to dealers' sales promotion.

Private Investment index (PII) dropped by 4.2 percent year-on-year. Construction investment continued to fall, reflected by decreases in most construction investment indicators, including the square meters of permitted construction areas for commercial buildings and hotels, sales of construction materials, pre-financing real estate loan outstanding, the number of permitted land allocation, Value Added Tax (VAT) collected from construction sector and the number of new real estate projects. Capital investment also contracted, indicated by a fall in capital machinery import.

Government expenditure grew by 5.0 percent year-on-year, contributed mainly by an increase in capital expenditure of 10.1 percent. The increase was mostly in the category of land and construction expenditure associated with public infrastructure construction projects of Department of Highways, Department of Rural Roads, and Royal Irrigation Department. Meanwhile, current expenditure slightly increased by 0.1 percent, as other expenditures of central budget and Department of Provincial Administration, and compensation of office of the permanent secretary ministry of public health expanded. The cumulative disbursement rate excluding the central budget (October 2018 – April 2019) was at 58.8 percent, close to that of the same period last year but slightly below the target disbursement rate.

Cross-border export value in baht term expanded by 8.1 percent year-on-year, owing to export of fruits, particular durian and mangosteen, to China. However exports of electronics appliances, petroleum products and agricultural machinery to Myanmar fell as the Kyat depreciated. Frozen chicken exported to China declined, as exporters switched to ship out from ports in the central region instead of through cross border trade. **Cross-border import value** in baht term rose by 7.7 percent, due mainly to an increase in electricity import from Lao PDR.

On the economic stability front, **the headline inflation rate** was at 1.2 percent, rising continuously as raw food price increased, especially prices of vegetables and pork, in light of lower supplies. Higher retail gasoline price also boosted the headline inflation. The seasonally-adjusted **unemployment rate** increased from last month to 1.1 percent, as non-farm employment fell.

In **banking sector**, at the end of March 2019, **financial institutions' loan outstanding** was at 1,331.7 billion baht, rising by 5.0 percent, due to increases in loans to hotel, construction and transportation businesses, personal loans that included housing and hire purchase loans. Specialized financial institutions' loans rose, responding to agriculture's demand and housing demand. **Deposit outstanding of financial institutions** was at 1,234.9 billion baht, growing by 5.8 percent year on-year, resulting from appealing deposit products, launched by commercial bank to attract depositors and to manage liquidity, as well as transfers related to farmer aid projects undertaken by specialized financial institutions.

Bank of Thailand

31 May 2019

Contact person: Northern Economy Division

Tel: +66 (0) 5393- 1168

E-mail: tanapord@bot.or.th