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

In August 2019, northern region economy expanded at a slower pace from the previous month. Private consumption slowed down, with spending on daily consumer items being tepid and durable goods spending decreasing. Manufacturing production declined, as production of processed agricultural products dropped, with agricultural raw materials falling, while export-oriented production decreased due to weak foreign demand. Private investment continued to contract, as both construction and capital investment decreased. Government spending declined, with both current and capital expenditures falling, given last year's high base and this year's lower budgetary allocation. In contrast, tourism sector grew, along with foreign visitor arrivals, especially from China. In addition, farm income expanded, as major crops prices increased.

On the stability front, seasonally-adjusted unemployment rate remained at a low level. The headline inflation rate decreased due to falling gasoline price.

Details of the economic conditions are as follows:

Farm income increased by 2.3 percent year-on-year. **Agricultural price** rose by 5.7 percent, contributed by increases in prices of longan, rice, pineapple, lychee and livestock, given lower supplies. **Agricultural production** dropped by 3.2 percent, pulled down by decreases in productions of longan, rice and pineapple, given drought-affected farming areas. Livestock production fell after having accelerated earlier.

Manufacturing production decreased by 4.9 percent year-on-year, with food production dropping in line with lower supply of rice paddy, and metal and pulp production shrinking in response to weak foreign demand. In contrast, beverages production rose, as both alcoholic and non-alcoholic beverages increased, along with a pick-up in electronic components production, particularly automotive component parts.

Tourism sector expanded, contributed by foreign visitor arrivals, especially from China due partly to the exemption of the visa on arrival fee. In addition, foreign visitors from other continued to grow, including South Korea, the US, Europe and Asian countries. Meanwhile, Thai tourists improved gradually. Key tourism indicators that expanded were the number of international travelers passing through immigration at Chiang Mai International Airport, and the number of air passengers in major cities in the northern region.

Private consumption index (PCI) slowed down. Spending on daily consumer items increased at a similar pace compared to last month as government's welfare card scheme helped improve purchasing power, while durable goods spending declined, indicated by a slowdown in the number of registered passenger cars and motorcycles as well as the numbers of registered commercial cars, as a result of weak household's purchasing power and cautious loan approvals by financial institutions.

Private investment index (PII) contracted, as construction investment remained weak, reflected by decreases in construction investment indicators, including the square meters of permitted construction areas, particularly commercial and industrial buildings, sales of construction materials, commercial bank real estate loan outstanding, and value added tax (VAT) collected from construction firms. In addition, capital investment declined, indicated by a fall in capital machinery import. In contrast, the number of registered commercial cars grew, driven by greater demand from transportation businesses.

Government expenditure decreased by 19.4 percent year-on-year. Current expenditure fell by 23.8 percent, due to last year's high base where general subsidy accelerated, most of which belonged to the Office of the Permanent Secretary of Ministry of Public Health and Office of the Vocational Education Commission. In addition, overhead expenses of Office of Basic Education Commission and Department of Agriculture Extension declined, given lower budgetary allocation. Capital expenditure dropped by 13.2 percent, resulting from decreases in land and construction expenditures of Department of Highways and Department of Rural Roads. The cumulative disbursement rate excluding the central budget (October 2018 - August 2019) was at 83.2 percent, lower than the target disbursement rate.

Cross-border export value in baht term fell by 7.0 percent year-on-year, attributing to decreases in exports of automobiles and parts, machinery and appliances, construction materials, electronic appliances, food and drug, rubber products and frozen chicken. In contrast, exports of mangosteen and durian grew well in response to China demand. **Import value** rose by 32.2 percent, contributed by increases in imports of electricity from Laos PDR and agricultural products from Myanmar.

On the economic stability front, the **headline inflation rate** dropped to 0.8 percent, due mainly to lower retail gasoline prices. On the contrary, fresh food prices went up in light of higher glutinous rice and meat prices. The seasonally-adjusted **unemployment rate** stayed at a low level. Non-farm employment declined but farm employment increased slightly.

In banking sector, at the end of July 2019, **deposit outstanding of financial institutions** was 1,214.7 billion baht, rising by 4.6 percent year-on-year, attributed mainly fixed deposits of large commercial banks. **Loan outstanding of financial institutions** totaled 1,330.4 billion baht, growing by 4.4 percent, particularly housing and agricultural loans of specialized financial institutions and hire purchase and housing loans of commercial banks.

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