



BANK OF THAILAND

BOT Press Release

Northern Region Office
Tel. 0-5393-1216 Fax. 0-5322-4171 www.bot.or.th**No. 4/2019****Press Release on Northern Region's Economic Conditions in February 2019**

In February 2019, economic conditions of the northern region expanded at the same pace as the previous month. Tourism sector continued to increase. Farm income slowed down marginally due to lower prices of some major crops. Manufacturing production expanded as beverages food and electronic components productions rose. On the demand side, private consumption increased slightly attributable to consumers' spending on daily consumer items and automobile purchase. Government spending grew, mainly contributed by an increase in current expenditure. However, private investment dropped as construction investment fell.

On the stability front, seasonally-adjusted unemployment stayed low and declined from the previous month. The headline inflation rose, resulted from an increase in raw food price.

Details of the economic conditions are as follows:

Farm income expanded by 1.5 percent year-on-year. Agricultural production grew by 1.7 percent, attributed by increases in sugarcane, cassava and maize as a result of favorable weather conditions. Agricultural price fell slightly by 0.2 percent. Sugarcane price declined on the back of low world sugar price. Maize price also decreased due to abundant output. Rice price remained unchanged, while livestock price picked up from several products, namely swine, broiler and egg due to lower production.

Manufacturing production index (MPI) improved by 3.3 percent year-on-year, contributed by increases in production of alcohol beverage. Food production expanded as sugar production increased due to ample agricultural raw materials. Also increase was electronic components production, particularly integrated circuit used in automobile, given high external demand from Japan, Hong Kong and South Korea. However, production of lens and hard-disk-drive components, textile, ceramic and jewelry continued to decline.

Tourism continued to increase due especially to Chinese tourists in Chinese New Year. Foreign tourists from other countries also rose, such as, Hong Kong, South Korea, USA, the UK, other European and Asian countries. This was resulted partly from more flight routes from both Chiang Mai and Chiang Rai airports as well as the waiver on visa-on-arrival fee. All key tourism indicators expanded well, including, the number of foreign visitors passing through immigration in Chiang Mai airport, the number of air passengers and flights in major cities, and the hotel occupancy rate.

Private consumption index (PCI) grew slightly by 0.6 percent year-on-year. Spending on daily consumer items increased continuously and broadly, supported by higher farm income and higher purchasing power of welfare cards holders. Spending on vehicle purchase slowed down as reflected by deceleration in the number of registered passenger cars and the number of registered commercial cars since financial

institutions' car loan approval processes were more stringent. Meanwhile, the number of registered motorcycles fell continuously.

Government expenditure rose by 1.8 percent year-on-year following a significant increase prompted by a temporary factor in the previous month. Current expenditure grew by 4.4 percent due largely to spending on scenery and road improving and canal dredging made by provinces in the lower northern region. Capital expenditure declined slightly by 0.6 percent from equipment expenditure made by the Office of Permanent Secretary Ministry of Public Health and Office of the Basic Education Commission, and subsidy expenditure made by Department of Local Administration. The cumulative disbursement rate excluding the central budget (October 2018 – February 2019) was at 45.5 percent, lower than the same period last year at 50.2 percent and the 36.0 percent target disbursement rate.

Private Investment index (PII) dropped by 2.9 percent year-on-year, owing largely to construction investment as reflected by the contraction of the square meters of permitted construction areas, covering commercial buildings, apartments and single detached houses outside the municipal areas. Other construction investment indicators also shrank, namely, real estate loan outstanding and the number of new real estate projects. Nevertheless, capital investment expanded, indicated mainly by an increase in commercial car registration, while imports of capital goods of export-oriented firms continued to decrease.

Cross-border export value fell by 3.1 percent year-on-year, with various categories of export goods falling. Rubber export dropped significantly as demand from China auto industry weakened in light of the on-going trade war. Other items exported to Myanmar, such as beverages, electrical appliances and agricultural machinery decreased marginally as the Kyat depreciated. **Cross-border import value** dropped by 18.8 percent due mainly to a fall in electricity import from Lao PDR.

On the economic stability front, the **headline inflation rate** was at 0.4 percent, contributed by an increase in raw food price, especially price of meat. The core inflation rate was at 0.2 percent. The seasonally-adjusted **unemployment rate** stayed low at 0.7 percent. Employment grew as non-farm employment improved, whereas farm employment fell.

In banking sector, at the end of January 2019, **deposit outstanding of financial institutions**, including commercial banks and specialized financial institutions, was at 1,221.7 billion baht, growing by 5.4 percent year-on-year as government deposit account in commercial banks increased and savings deposit account rose following the launch of new deposit products, aimed to attract matured deposits and to manage cost of funds. **Financial institutions' loan outstanding** was at 1,332.7 billion baht, rising by 3.5 percent, as commercial banks' personal loans and loans to hotel, construction and transportation businesses expanded.

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