



No. 3/2019

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

In January 2019, economic conditions of the northern region expanded at the same pace as the **previous month**. Tourism sector continued to accelerate, with foreign visitor numbers growing particularly from China. Farm income rose due to higher agricultural production. Manufacturing production slowed down as beverage production decreased due to high base effect, while food and electronic component production expanded well. On the demand side, private consumption increased slightly attributable to consumers' spending on daily consumer items and automobile purchase. Private investment fell, pulled down by construction investment. Government spending increased markedly as current expenditure rose due to a temporary factor.

On the stability front, seasonally-adjusted unemployment rate remained unchanged. The headline inflation was negative, resulted from declines in retail gasoline, fruit and vegetable prices.

Details of the economic conditions are as follows:

Farm income expanded by 19.4 percent year-on-year. Agricultural production grew by 20.0 percent, contributed by increases in sugarcane, cassava and rice production as a result of favorable weather conditions. Agricultural price remained unchanged since rice paddy price was flat. Sugarcane price declined on the back of falling world sugar price and abundant domestic sugarcane output. However, maize price reached a four-year record high, driven by the domestic animal feed industry demand, while prices of cassava and swine rose in light of decreased supplies.

Manufacturing production index (MPI) grew by 1.2 percent year-on-year, supported by increases in production of food and electronic components. Food production expanded as sugar and milled rice production increased due to ample agricultural raw materials. Production of processed fruits and vegetables also rose responding to foreign demand. In addition, production of electronic components, especially automotive integrated circuits, increased on the back of rising export of electronic component firms. In contrast, beverage production decreased from last year's high base, of which the production accelerated ahead of the new excise tax implementation. Production of lens, hard disk drive components, textile and ceramic declined continuously.

Tourism continued to accelerate due to foreign visitor inflow, especially Chinese tourists. Foreign tourists from other countries also rose, namely, Hong Kong, USA, the UK, other European and Asian countries. 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 1.5 percent year-on-year. Spending on consumer items increased in most categories. Moreover, spending on durable goods grew as reflected by increases in passenger car and commercial car registration. However, motorcycle registration dropped after increasing significantly in the previous month.

Government expenditure expanded significantly by 57.0 percent year-on-year, as both current and capital expenditures increased by more than double and by 10.4 percent, respectively. This was due to a temporary factor that led to a markedly high subsidy expenditure of higher education institutions. The cumulative disbursement rate excluding the central budget (October 2018 – January 2019) was at 38.9 percent, higher than the 36.0 percent target disbursement rate.

Private Investment index (PII) shrank by 4.5 percent year-on-year, as construction investment fell, specifically commercial buildings, apartments and condominiums. Most construction investment indicators contracted, namely, real estate loan outstanding, the number of new real estate projects and the number of units applied for land allocation permits. Capital investment expanded at a slower pace, indicated by a slowdown in commercial car registration. However, imports of capital goods of export-oriented firms declined.

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. Automobile export to Myanmar remained sluggish since the introduction of measures to reduce vehicle imported in late 2017. Export of beverages, electrical appliances and agricultural machinery to Myanmar declined slightly as the Kyat weakened. **Cross-border import value** dropped by 15.5 percent due mainly to a fall in electricity import from Lao PDR.

On the economic stability front, the **headline inflation rate** was at -0.5 percent, the same as that in the previous month, due primarily to declines in prices of retail gasoline, and fruits and vegetables. The core inflation rate was at 0.3 percent, closed to that of last month. The seasonally-adjusted **unemployment rate** stayed low at 0.9 percent. Employment expanded as non-farm employment increased, while farm employment decreased. Part-time employment rose, whereas full-time and over-time employment fell.

In banking sector, at the end of December 2018, **deposit outstanding of financial institutions**, including commercial banks and specialized financial institutions, was at 1,197.4 billion baht, increasing by 4.6 percent year-on-year as 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 3.6 percent, as commercial banks' personal loans and loans to hotel, construction and transportation businesses expanded. The increase in loan outstanding was also attributable to changes in hire purchase loan booking report of some commercial banks.

Bank of Thailand

February 28, 2019

Contact person: Northern Economy Division

Tel: +66 (0) 5393-1141

E-mail: Wiryad@bot.or.th