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

In June 2019, economic conditions of the northern remained unchanged from the previous month. Tourism sector continued to expand owing mainly to foreign tourists, while domestic tourists improved. Private consumption slightly increased, with spending on daily consumer items improving. Farm income decreased due to falling agricultural production. Manufacturing production declined, as the production of food, non-metal, and machinery and equipment components shrank. Private investment dropped, pulled down by construction and capital investment. Government decreased, with both in current and capital expenditures declining.

On the stability front, seasonally-adjusted unemployment remained unchanged, while the headline inflation declined, resulting from a decrease in retail gasoline prices.

Details of the economic conditions are as follows:

Farm income decreased by 1.8 percent year-on-year. **Agricultural production** dropped by 3.3 percent due mainly to a decline in rice production as farmers switched to grow other higher yield crops. Productions of longan and lychee decreased due to drought. **Agricultural price** rose by 1.5 percent, contributed by increases in prices of lychee, pineapple, and livestock, given their lower supplies. Prices of cassava declined as China's demand dropped, while price of rice paddy was unchanged.

Manufacturing production declined by 4.7 percent year-on-year. Agricultural processed foods production dropped, pulled down by decreases in the production of flour, fruits and vegetables. Production of machinery and equipment components and jewelry decreased, responding to lower export demand. Non-metal production declined, with paper pulp falling. However, production of electronic components increased, particularly automotive electronic components. In addition production of beverage - alcoholic and non-alcoholic, expanded.

Tourism sector continued to increase due to foreign tourists, especially from Europe, South Korea, US, and other Asian countries. In addition, Chinese and Thai tourists improved. As a result, most key tourism indicators expanded, including, the number of international travelers passing through immigration at Chiang Mai International Airport and the number of air passengers passing through northern airports.

Private consumption index (PCI) grew marginally by 1.5 percent year-on-year. Spending on daily consumer items continually increased in most categories, prompted by the government's welfare card, of which the limit was increased in May 2019. Spending on durable goods dropped, reflected

by a significant decrease in the number of registered motorcycles. Meanwhile, the number of registered passenger cars and registered commercial cars grew slightly, supported by sales promotion.

Private Investment index (PII) dropped continuously as construction investment fell, reflected by decreases in the square meters of permitted construction areas, including commercial buildings and hotels. Most real estate investment indicators weakened, including commercial bank real estate loan outstanding and value added tax (VAT) collected from construction firms. Capital investment also declined, indicated by fall in capital machinery import, particularly by key electronics manufacturers.

Government expenditure dropped by 13.3 percent year-on-year. Capital expenditure decreased by 13.4 percent, pulled down by declines in various categories of expenditures, including land and construction expenditure of the Royal Irrigation Department, general subsidy expenditure of Cooperative Promotion Department, and durable expenditure of the Royal Irrigation Department, Office of the Basic Education Commission, and Office of the Permanent Secretary of Ministry of Public Health. Current expenditure declined by 13.1 percent due to decreases in usage expenditure of Department of Agriculture Extension, the Community Development Department, and general expenditure of Office of the Basic Education Commission. The cumulative disbursement rate excluding the central budget (October 2018 – June 2019) was at 71.1 percent, lower than the target disbursement rate.

Cross-border export value in baht term continued to decline, falling by 9.5 percent year-on-year. Frozen chicken exported to China declined, as exporters switched exporting from cross-border channel to other channels. Petroleum products and electronic appliances exported to Myanmar also declined as the Kyat depreciated. **Cross-border import value** in baht term rose by 35.7 percent due mainly to import of agricultural products from Myanmar and electricity from Lao PDR.

On the economic stability front, **the headline inflation rate** decreased to 1.1 percent, mainly due to lower retail gasoline price. The core inflation rate was at 0.1 percent, decreased marginally from the previous month. The seasonally-adjusted **unemployment rate** was 0.5 percent, unchanged from the previous month. Employment fell – farm and non-farm.

In **banking sector**, at the end of May 2019, **deposit outstanding of financial institutions**, including commercial banks and specialized financial institutions, was 1,219.0 billion baht, growing by 4.1 percent year-on-year. This was boosted by commercial banks' new deposit products aiming to replace the matured deposits, as well as government agencies' deposits. **Loan outstanding of financial institutions** was 1,325.6 billion baht, rising by 4.0 percent, as commercial banks' hire purchase loans and specialized financial institutions' agricultural loans and housing loans increased.

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