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

In March 2019, economic conditions of the northern region grew at a slower pace from the previous month. Tourism sector slowed down, as the northern haze situation deterred domestic tourists, while international tourist arrivals continued to expand. Farm income grew a slower pace, with agricultural production falling, especially sugarcane, and agricultural price increasing, livestock in particular. Manufacturing production declined in most categories. On the demand side, private consumption slowed down in both spending on daily consumer items and for automobile purchases. Government spending contracted, with both current and capital expenditures declining. Private investment subdued following tepid construction investment.

On the stability front, seasonally-adjusted unemployment stayed at a low level, while the headline inflation rose, prompted by increases in fresh food and retail gasoline prices.

Details of the economic conditions are as follows:

**Farm income** increased by 1.3 percent year-on-year, slowing down from the previous month. **Agricultural production** dropped by 2.8 percent due mainly to a decline in sugarcane production as its harvesting was wrapped up sooner than usual this year. Production of second rice paddy and garlic decreased on the back of reduced plant areas, as farmers switched to grow other higher yield crops. **Agricultural price** rose by 4.3 percent, contributed by an increase in swine price in light of lower supply. In addition, maize price remained good, while paddy price was unchanged. However, cassava price declined.

**Manufacturing production** declined by 3.1 percent year-on-year. Agricultural processed foods production dropped, pulled down by decreases in sugar and milled rice production, as agricultural raw materials declined. Production of electronics component fell since some manufacturing firms either switched to produce low-volume, high-value products or reduced production during production line changes. Production of lens and hard disk drives, textiles, and ceramics continually decreased, whereas tobacco production increased, driven by external demand.

**Tourism sector** slowed down, affected by the northern haze that cast shadowed over northern cities since mid-March 2019. As a result, domestic tourists slowed down, indicated by a fall in the number of domestic visitors passing through Chiang Mai International Airport. In addition, hotel occupancy rate declined. However, international tourist arrivals expanded significantly, reflected by an increase in the number of foreign visitors passing through

immigration at Chiang Mai International Airport. This included visitors from China, South Korea, Hong Kong, the US, the UK, and other European and Asian countries.

**Private consumption index (PCI)** increased marginally by 0.2 percent year-on-year. Spending on daily consumer items slowed down partly due to the softening farm income. However, the government's welfare card scheme continued to provide additional purchasing power for grassroot households. Spending for vehicle purchases increased at a slower pace, indicated by slowdowns in the numbers of registered passenger cars and registered commercial cars. This was due to a more cautious lending by financial institutions. Meanwhile, the number of registered motorcycles decelerated continuously.

**Government expenditure** dropped by 9.2 percent year-on-year after having increased significantly earlier due to a temporary factor. Capital expenditure decreased by 13.3 percent, pulled down by declines in various categories of expenditures: land and construction expenditure disbursed by Royal Irrigation Department, Office of the Basic Education Commission, and Office of the Permanent Secretary of Ministry of Public Health; equipment expenditure disbursed by Royal Thai Police; and subsidy expenditure disbursed by Department of Local Administration. Current expenditure declined by 5.2 percent as subsidy expenditure disbursed by the higher education institutions dropped after having accelerated in the previous periods. The cumulative disbursement rate excluding the central budget (October 2018 – March 2019) was at 53.6 percent, which was below that of the same period last year and the target disbursement rate.

**Private Investment index (PII)** dropped by 5.9 percent year-on-year as construction investment continued to fall, reflected by decreases in various key indicators for construction investment, including the square meters of permitted construction areas in the categories of commercial buildings, hotels and single detached houses outside the municipal areas; real estate loan outstanding and the number of new real estate projects. Nevertheless, capital investment expanded slightly, with the number of registered commercial cars increasing in transportation businesses. However, capital investment of export-oriented firms decreased.

**Cross-border export value** in baht term fell by 2.5 percent year-on-year, with many categories of export goods falling. Frozen chicken exported to China via cross-border channel declined, as they were instead shipped out from ports in the central regions by reasons of convenience and cost saving. Other items exported to Myanmar via cross-border also declined as the Kyat depreciated. These included petroleum products, consumer products, beverages and agricultural machinery. **Cross-border import value** in baht term dropped by 11.4 percent due mainly to a fall in electricity import for Lao PDR.

On the economic stability front, **the headline inflation rate** was at 1.0 percent, accelerating from last month as raw food price increased, especially prices of pork, vegetables and fruits, in light of lower supplies. Higher retail gasoline price also boosted the headline inflation. The seasonally-adjusted **unemployment rate** stayed low at 0.5 percent. Employment grew as non-farm employment improved, whereas farm employment fell.

In **banking sector**, at the end of February 2019, **deposit outstanding of financial institutions**, including commercial banks and specialized financial institutions, was at 1,228.3 billion baht, growing by 5.2 percent year on-year. This was due to increases in government agencies' deposits at commercial banks and savings deposits following the launch of new deposit products aiming attract matured deposits and to manage cost of funds. **Financial institutions' loan outstanding** was at 1,326.5 billion baht, rising by 4.0 percent, as commercial banks' loans to hotels, construction and transportation businesses and personal customers increased. Specialized financial institutions' loans also increased, prompted by demand for housing loans and agricultural loans.

Bank of Thailand

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Contact person: Northern Economy Division

Tel: +66 (0) 5393- 1168

E-mail: [tanapord@bot.or.th](mailto:tanapord@bot.or.th)