



No. 8/2019

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

In May 2019, economic conditions of the northern region grew at the same pace as the previous month. Tourism sector expanded mainly due to foreign tourists. Private consumption slightly increased, with spending on daily consumer items and for automobile purchases improving. Farm income contracted as production fell, particularly sugarcane and rice paddy. Manufacturing production declined, pulled down by declines in production of sugar, metal, and machinery and equipment components. Private investment remained subdued, following tepid construction and capital investments. Government spending decreased, as general subsidy declined from last year's high base.

On the stability front, the seasonally-adjusted unemployment rate decreased, while the headline inflation rate rose, prompted by increases in prices of vegetable fruit and meat.

Details of the economic conditions are as follows:

Farm income decreased by 9.0 percent year-on-year. **Agricultural production** dropped by 12.8 percent, as sugarcane harvesting was wrapped up sooner than usual this year. However, season-wise production of sugarcane remained unchanged from the same season last year. Production of rice paddy decreased due to farmers' switching to grow other higher yield crops, such as maize. **Agricultural price** rose by 4.4 percent, contributed by increases in prices of maize, lychee and livestock, given their lower supplies. Meanwhile, cassava price declined as China's demand dropped.

Manufacturing production declined by 10.9 percent year-on-year. Food production decreased, with sugar production falling given a decline agricultural raw material. Additionally, production of metal and machinery and equipment components fell, responding to lower export demand. Beverage production expanded in line with alcoholic beverage production, while electronics production increased, boosted by external demand for automotive electronic components.

Tourism sector expanded, as international tourist arrival increased, particularly from South Korea, US, European, and Asian countries, whereas Chinese tourist remained slowed. In addition, domestic tourist arrival rebounded. As a result, most key tourism indicators increased, including the number of international travelers passing through immigration at Chiang Mai International Airport, the number of air passengers passing through northern airports, and hotel occupancy rate.

Private consumption index (PCI) grew slightly by 1.2 percent year-on-year. Spending on daily consumer items continually increased in most categories, as the government's welfare cards boosted consumer purchasing power. In addition, spending for vehicle purchases continually

increased, owing in part to dealers' sales promotion, and improving purchasing power of some farm households linked to agricultural price increase.

Private Investment index (PII) dropped continuously. Construction investment continued to fall, reflected by decreases in most construction investment indicators, including the square meters of permitted construction areas for commercial buildings and hotels in municipal zones, the square meters of permitted construction areas outside municipal zones, sales of construction materials, pre-financing real estate loan outstanding, and Value Added Tax (VAT) collected from construction sector. Capital investment also contracted, indicated by a fall in capital machinery import, particularly by key electronics manufacturers.

Government expenditure declined by 17.2 percent year-on-year. Current expenditure dropped by 39.8 percent, as subsidies of the Office of the Basic Education Commission declined from last year's high base. However, capital expenditure increased by 20.4 percent, with land and construction category rising, particularly in infrastructure projects. These included water systems improvement projects of Royal Irrigation Department, public infrastructure construction projects of Department of Highways and Department of Rural Roads. The cumulative disbursement rate excluding the central budget (October 2018 – May 2019) was at 65.3 percent, lower than the target disbursement rate.

Cross-border export value in baht term declined by 7.6 percent year-on-year, pulled down by falling export of petroleum and sugar. Frozen chicken exported to China also dropped, as exporters switched to ship out from ports in the central region instead of through cross border trade. **Cross-border import value** in baht term rose by 17.6 percent, as agricultural product import from Myanmar increased.

On the economic stability front, **the headline inflation rate** was at 1.5 percent as prices of vegetables, fruits and pork rose, in light of lower supplies. The seasonally-adjusted **unemployment rate** decreased marginally to 1.0 percent, lower than that of last month, as non-farm employment increased, whereas farm employment fell.

In **banking sector**, at the end of April 2019, **financial institutions' loan outstanding** was at 1,328.0 billion baht, rising by 4.7 percent, due to increases in commercial banks' loans to personal use, hotel and restaurant businesses, and construction and transportation businesses. Specialized financial institutions' loans to farmers and housing loans rose. **Deposit outstanding of financial institutions** was at 1,232.5 billion baht, growing by 5.6 percent year on-year, contributed mainly by government agency deposit, parking for the short term, as well as commercial banks' term deposits launched to attract and retain depositors.

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