



BANK OF THAILAND

BOT Press Release

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[Press Release on Northern Region's Economic Conditions in the First Quarter of 2019](#)

In the first quarter of 2019, economic conditions of the northern region grew at a slower pace from the previous quarter. Tourism sector expanded well, benefitting from the Chinese Lunar New Year and the 23rd ASEAN Finance Ministers' Meeting in Chiang Rai. Farm income grew at slower pace as agricultural production declined while livestock price increased. On the demand side, private consumption improved marginally, contributed by spending on daily consumer items and for automobile purchases. Government spending picked up, with expenditure disbursed by education institutions accelerating. Manufacturing production declined slightly owing to a decrease in beverage production. However, private investment remained sluggish due mainly to falling construction investment.

On the stability front, seasonally-adjusted unemployment rate stayed low. The headline inflation rate rose, resulting from an increase in raw food price, particularly price of meat.

Details of the economic conditions are as follows:

Farm income increased slightly by 1.6 percent year-on-year. Agricultural production expanded by 5.0 percent, as production of cassava and livestock increased. Sugarcane production moderately since farmers wrapped up harvesting earlier than usual. Rice production declined along with reduced cultivation areas, as farmers switched to grow higher return crops. Agricultural price increased by 1.1 percent, slowing down from the previous quarter on the back of decreases in world market prices of sugarcane, rice paddy and cassava. However, livestock price picked as prices of swine, broiler and egg rose due to tightened supplies.

Manufacturing production index (MPI) declined slightly by 0.6 percent year-on-year, contributed by a decrease in beverage production, after having accelerated in the previous quarter. Production of lens and hard-disk-drive components decreased, as products reached the decline stage of life cycles, while production of electronic components increased in the beginning of the quarter, especially automotive integrated circuits, driven by external demand. Food production expanded as sugar production increased on account of greater agricultural raw material supplies.

Tourism sector accelerated from the previous quarter, boosted by foreign tourists, particularly the Chinese during the Chinese Luna New Year. Foreign tourists from other countries also rose, such as, Hong Kong, South Korea, the US, the UK, other European and Asian countries. This was due partly to new flight routes from both Chiang Mai and Chiang Rai International Airports, as well as visa-on-arrival fee waiver. The northern haze situation, beginning around end-March, had limited impacts on tourism. As a result, all key tourism indicators expanded, including, the number of air passengers in major cities, the hotel occupancy rate, and the number of foreign visitors passing through immigration in Chiang Mai International Airport.

Private consumption index (PCI) grew by 0.4 percent year-on-year. Spending on daily consumer items increased and was more broad-based, supported by higher farm income and higher purchasing power of welfare card holders. Spending for automobile purchases, indicated by the number of registered passenger cars and

the number of registered commercial cars, grew but tapered off at the end of the quarter following more cautious lending by financial institutions. Meanwhile, the number of registered motorcycles slowed down.

Government expenditure rose by 12.1 percent year-on-year. Current expenditure grew by 27.3 percent due largely to general subsidy disbursed by higher educational institutions in January. Capital expenditure declined by 2.6 percent, attributed to a decrease in land and construction expenditure distributed by Office of Permanent Secretary Ministry of Public Health and Office of the Basic Education Commission, as well as a decline in equipment expenditure disbursed by various government agencies. The cumulative disbursement rate excluding the central budget (October 2018 – March 2019) was at 53.6 percent, slightly lower than the target disbursement rate and that of the same period last year.

Private Investment index (PII) dropped by 3.7 percent year-on-year, due mainly to continuous declines in construction investment, reflected by a fall in the square meters of permitted construction areas, covering commercial buildings, hotels 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 slightly, indicated mainly by an increase in the number of registered commercial cars, especially in transportation firms, while investment in machinery of export-oriented firms decreased.

Cross-border export value in baht term declined by 2.9 percent year-on-year, with most categories of export goods falling. Frozen chicken exported cross-border to China declined, as exporters switched to ship from sea ports in the central region by reasons of convenience and cost saving. Rubber export dropped significantly as demand from China auto industry weakened in light of the on-going trade war. Other items exported cross-border to Myanmar, such as beverages, electrical appliances and agricultural machinery decreased marginally as the Kyat depreciated. **Cross-border import value** dropped by 3.8 percent due mainly to a fall in electricity importing from Lao PDR.

On the economic stability front, the **headline inflation rate** was at 0.3 percent, contributed by an increase in raw food price, especially prices of meats, rice, flour, and fresh vegetables. The core inflation rate was at 0.3 percent. The seasonally-adjusted **unemployment rate** stayed low at 0.8 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 to 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.

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