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

**In the second quarter of 2019, economic conditions of the northern region grew at a slower pace from the previous quarter.** Tourism sector slowed down, as foreign and Thai tourists were potentially deterred by the northern haze situation. Private consumption increased mainly due to spending on daily consumer items. Farm income contracted, with agricultural production falling as sugarcane harvesting was wrapped up sooner than usual in the previous quarter. Manufacturing production declined, pulled down by decreases in production of food, machinery and equipment components and non-metal. Private investment remained subdued. Government spending decreased, as current expenditure declined after having increased significantly earlier.

On the stability front, the seasonally-adjusted unemployment rate increased marginally, while the headline inflation rate rose, prompted by fresh food price increase.

Details of the economic conditions are as follows:

**Farm income** decreased by 14.6 percent year-on-year. **Agricultural production** dropped by 17.2 percent, as sugarcane production declined following early harvesting wrap up in the last quarter. Season-wise production of sugarcane was unchanged, however. Production of rice paddy decreased since farmers' switching to grow other higher yield crops, such as maize. **Agricultural price** rose by 3.1 percent. Maize price increased responding to demand from animal feed industry, while prices of livestock, namely, swine, broiler and egg continued to rise, as supplies lessened.

**Manufacturing production** declined by 9.7 percent year-on-year. Food production decreased, as sugar production fell in line with agricultural raw materials. Also declined were production of processed vegetable and fruit, cassava, flour and starch, machinery and equipment, and jewelry, caused by lower export demand. In addition, non-metal production dropped, with paper pulp production falling. By contrast, electronics and beverage production expanded.

**Tourism sector** slowed down from the previous quarter, affected by the northern haze situation in the beginning of the second quarter. As a result, Chinese and Thai tourists decelerated significantly. However, international tourists from other countries continued to grow well, including Europe, other Asian countries, South Korea, and US. As for key tourism indicators, the number of international travelers passing through immigration at Chiang Mai International Airport expanded well, while the number of air passengers passing through northern airports increased marginally.

**Private consumption index (PCI)** grew by 1.5 percent year-on-year. Spending on daily consumer items continually increased in most categories, particularly non-alcoholic beverage and food, as low-income purchasing power was boosted by the government's welfare cards. However,

spending on durable goods contracted, indicated by a significant drop in motorcycle purchase. Spending for automobile purchases slightly increased, due to dealers' sales promotion.

**Private Investment index (PII)** dropped by 4.4 percent year-on-year. 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, sales of construction materials, real estate loan outstanding, and Value Added Tax (VAT) collected from construction businesses. Capital investment also contracted, indicated by a fall in capital machinery import, particularly by key electronics manufacturers.

**Government expenditure** declined by 10.0 percent year-on-year. Current expenditure dropped by 21.9 percent, as subsidy disbursement of the Office of the Basic Education Commission and Higher Education Institutions decreased after having accelerated earlier. Capital expenditure, by contrast, increased by 3.7 percent, particularly disbursement of land and construction category involving infrastructure projects. These included water systems improvement projects of the 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 – June 2019) was at 71.1 percent, lower than the target disbursement rate.

**Cross-border export value** in baht term declined by 3.5 percent year-on-year, pulled down by frozen chicken export to China, as exporters switched to ship out from ports in the central region instead of through cross border trade to save cost. Export of cattle and sugar also fell in response to softer external demand. **Cross-border import value** in baht term rose by 20.5 percent, as agricultural product import from Myanmar increased.

On the economic stability front, **the headline inflation rate** was at 1.3 percent as prices of vegetables, fruits and meat rose. **The core inflation rate** remained at a low level of 0.2 percent. The seasonally-adjusted **unemployment rate** was at a low level of 0.9 percent. Employment decreased as both farm and non-farm employment fell.

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 1,325.5 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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