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

**In the third quarter of 2019, northern region economy expanded at a slightly slower pace to the previous month.** Private consumption grew nearly at the same rate as that of the previous quarter, with spending on daily consumer items increasing, as the government's welfare card scheme partly translated into better consumer purchasing power. Meanwhile, spending on durable goods, particularly automobile, remained unchanged. Manufacturing production turned positive growth, as production of beverage continued to increase on the back of accelerated production before the excise tax raised. In addition, production of food and electronic components increased following foreign demand. Tourism growth slowed down, as domestic tourist declined while foreign tourist expanded well. Agricultural production and private investment decreased at a slower pace; whereas government spending continued to fall.

On the stability front, the headline inflation declined due to falling gasoline price, while seasonally-adjusted unemployment rate remained at a low level.

Details of the economic conditions are as follows:

**Private consumption index (PCI)** marginally expanded year-on-year, with spending on daily consumer items increasing in most categories as consumer purchasing power was boosted by government's welfare card scheme. Meanwhile, spending on durable goods, especially automobile remained unchanged, reflected by a slight increase in the number of motorcycles and a contraction in the number of registered passenger cars

**Tourism sector** expanded at a slower pace. The number of Thai tourists contracted year-on-year, due in part to cautious spending, given economic slowdown. This was reflected by decreases in the number of air passengers passing through northern airports and the average number of hotel occupancy rate. Nevertheless, the number of foreign visitors especially from China, South Korea, Europe and Asian countries continued to rise, prompted by the exemption of the visa on arrival fee and the opening of new flight routes to and from major northern cities.

**Farm income** grew slightly year-on-year, contributed mainly by agricultural price increase. Prices of maize, rice and longan, in particular, increased in the light of lower supplies. In addition, prices of livestock, namely, swine and broiler increased, driven by export demand, as foreign markets for alternative pork sources after the outbreak of African swine fever. **Agricultural production** dropped, especially longan, rice, and maize, as a result of drought and fall armyworms destroying maize crop.

**Manufacturing production** bounded back to expand, as beverage production accelerated before new excise tax raised in the next quarter. Furthermore, production of agricultural processed foods increased responding to China demand for longan. In addition, electronic components

production rose, benefited by Asia demand and plant relocation from China to northern region. These included, automotive component parts, telecommunications equipment parts and cloud computing parts. Additionally, textile production expanded from low base in the same quarter last year.

**Private investment index (PII)** contracted at a slower pace year-on-year. Capital investment declined, indicated by a fall in capital machinery import, particularly among major export-oriented firms that had already imported capital machinery in the previous quarter. The number of registered commercial cars, another capital investment indicator, also declined. Given high property supply, construction investment remained at a low level, indicated by a decrease in the square meters of permitted construction areas, particularly in commercial and industrial buildings, and a fall in commercial bank real estate loan outstanding.

**Government expenditure** continued to decrease year-on-year, due to the high base effect last year. Current expenditure declined, pulled down by a fall in general subsidy of Office of Basic Education Commission and Department of Agriculture Extension, a decrease in overhead expenses of Office of Basic Education Commission and Community Development Department, and a decline in other expenses of Department of Provincial Administration. Capital expenditure dropped, as land and construction expenditures fell. The cumulative disbursement rate excluding the central budget (October 2018 - September 2019) was at 90.9 percent, lower than the target disbursement rate.

**Cross-border export value** in baht term fell, attributing to decreases in exports of petroleum products, electronic equipment, automobiles, machinery and appliance parts, rubber products and frozen chicken. In contrast, exports of mangosteen and durian expanded markedly in response to China demand. **Import value** rose from the previous quarter, contributed mainly by increases in imports of agricultural products from Myanmar and electricity from Laos PDR.

On the economic stability front, the **headline inflation** dropped from the previous quarter to 0.9 percent, due mainly to lower retail gasoline prices. On the contrary, fresh food prices went up on the back of higher prices of rice, meat, vegetable and fruits. The seasonally-adjusted **unemployment rate** remained stable at 0.9 percent, equaling to that of the previous quarter. Farm employment increased slightly but non-farm employment declined.

In banking sector, at the end of August 2019, **Loan outstanding of financial institutions** expanded from the same period last year to 1,334.3 billion baht, due particularly to increases in auto hire purchase and housing loans. In contrast, business loan continued to shrink. **Deposit outstanding of financial institutions** grew to 1,211.9 billion baht, attributed mainly to increases in fixed deposits of medium and large commercial banks following the launch of new deposit products aiming to attract matured deposits.

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