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## Northern Region Economic Conditions in July 2010

**In July 2010, the Northern region economy moderated from the previous month.** Export grew at a slower rate followed a decreased production of agricultural processed industry due mainly to supply shortage as a result of drought. Private investment exhibited a marginal slowdown. Meanwhile, public spending declined as budget allocation was scaled down. However, tourism activities started to improve and farm income accelerated as major crops prices rose resulted from lower output. In addition, consumers' purchasing power was upheld by low unemployment environment. As a consequence, trade activities and private consumption registered a favorable expansion. Meanwhile, inflation accelerated following a rise in raw food prices. As for banking, deposit outstanding slowed down slightly whereas credit outstanding expanded well.

Details of the economic conditions are as follows:

On the demand side, Northern region's demand continued to increase from the previous month. The **Private Consumption Index (PCI)** rose by 6.6 percent as reflected by an increase in Value Added Tax collection as well as the number of registered cars and motorcycles following an improvement in consumers' confidence in tandem with favorable employment condition which positively contributed to consumers' purchasing power. The **Private Investment Index (PII)** grew by 2.8 percent, slowed down from the previous month as construction areas permitted in the municipal zone declined. Meanwhile, private construction projects and imports of machinery for expanding the capacity and improving productivity still expanded in line with an increase in domestic consumption as well as a recovery of external demand. Furthermore, some of investment projects approval from BOI in the Northern region pointed to ongoing investment though declining when compared with the remarkable rise in May 2010. As for government spending, fiscal stimulus shrank as a result of a reduction in budget allocation. Nonetheless, ongoing government spending was cushioned by budget under the Strong Thailand 2012 Project which allocated to some local government authorities.

As for the external front, export grew at decelerated rate. The **export value** amounted to 248.6 million US dollars, increasing by 22.0 percent. The modest growth was seen in exports to major markets including ASEAN, Japan and Europe. In addition, a slowdown was observed in products of electronic components and jewelry while contraction was observed in processed agricultural products in line with a decline in dried longan export as a result of last year's exceptionally-high export value. As for border trade, export contracted by 1.7 percent to 86.0 million US dollars as a result of the closure of Myawaddy border in Myanmar which connected to Mae Sot in Tak province. **Import value** grew favorably by 24.6 percent to 126.7 million US dollars followed an increase in imports of raw material and capital goods

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used for electronic components production as representing the forthcoming production and investment.

On the supply side, outputs in both manufacturing and agricultural sectors were in a negative growth. **Manufacturing Production Index (MPI)** dropped by 5.0 percent due mainly to a decline in processed agricultural production, notably processed vegetables and fruits and dried longan which faced the shortage of raw materials caused by the drought. Production of electronic components also moderated. Meanwhile, **Major Crops Production Index** declined by 12.7 percent as unfavorable weather condition led to lower supply of longan and shallot. In contrast, outputs of second rice, maize and pineapple rose followed an expansion in planting areas. Farm income accelerated by 54.5 percent primarily resulted from an increase in longan price. In addition, **tourism activities** started to improve as benefited from Buddhist lent holiday and a return of a small group of foreign tourists. **Trade index** increased by 17.3 percent, particularly retail trades. However, wholesale and motor vehicle trades began to slow down in response with softened demand in fuel as well as durable goods such as household equipments, machinery equipment and electrical appliances.

The **Headline Consumer Price Index** in the Northern region increased by 3.8 percent, up from 3.6 percent in the previous month followed an upward adjustment in raw food prices. The **Core Consumer Price Index** rose by 0.9 percent, remained unchanged from the previous month.

As for **employment condition**, the unemployment rate in June 2010 remained low at 1.3 percent, noting a slight increase from the same period last year mainly from newly graduated labor forces entering into the market. However, demand for labor in the electronic components and ceramic industries still increased.

At end-June 2010, commercial bank **deposit outstanding** rose by 3.8 percent, slowing down from last month. This was attributable to a shift of fund from fixed deposit to invest in other financial assets which offered greater return. As for lending, **credit outstanding** continued to expand by 8.9 percent to various businesses with sign of improvements such as wholesale and retail businesses, construction material trading, saving cooperatives as well as personal loans including leasing and housing.

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