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Northern Region Economic Conditions in August 2010

In August 2010, the Northern economic expansion at a modest pace was continued from the previous month. Export continued to grow at a slower pace followed manufacturing sector, notably food industry as agricultural processed production declined as a result of supply shortage from drought condition. Private investment also weakened. In addition, reduced tourism activities attributed to the slowdown in trade and private consumption. As for government side, government expenditure registered a decline in line with a scale down in budget allocation compared to the earlier year. However, overall public spending including the disbursement under the Strong Thailand project still noted an increase. Meanwhile, farm income remained on a remarkable growth as a result of high prices stemming from this year's low output. The unemployment rate remained low which helped shore up consumers' purchasing power. Headline inflation slightly moderated. As for banking, commercial banks deposit and credit outstanding expanded well.

Details of the economic conditions are as follows:

Northern Region's demand continued to grow moderately from the previous month. The **Private Consumption Index** (PCI) increased by 4.3 percent but decelerating from last month's expansion of 6.5 percent followed the slowdown in VAT collection, particularly VAT collected from wholesale and retail trade. This was partly due to softened farm income and tourism activities. Meanwhile, the number of registered cars and motorcycles grew well as a result of promotional activities and favorable payment conditions. **The Private Investment Index** (PII) rose slightly by 1.8 percent, moderating from the previous month as sales of construction-related material and imports of machinery for expanding the capacity and productivity decelerated. The square meters of construction area permitted in the municipal zone declined whereas expansion in residential construction and renovation were ongoing. In addition, the investment value approved by BOI registered a marginal growth at a rate of 1.7 percent. As for government side, government expenditure as a key economic stimulus continued to decline from the previous month as a result of less budget allocation. Nevertheless, overall public spending including the disbursement under the Strong Thailand Project Budget kept increasing.

As for the external demand, **export value** recorded through customs houses in the Northern region, amounting to 250.5 million US dollars, increased by 20.6 percent. The pace of export growth slowed as a result of weakened purchasing order of electronic components particularly categories of integrated circuits. Concurrently, the shortage of raw materials led to decreased exports in agricultural processed products. As for border trade, the export value was up by 6.3 percent to 93.1 million US dollars as exports to Laos PDR and the southern China increased. **Import value** recorded through customs houses in the Northern region with amount of 130.5 million US dollars expanded by 22.5 percent, decelerating from the

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previous month. The slowdown was registered in imports of raw materials and capital goods used in electronic industry.

Manufacturing and agricultural sector were in negative territory mainly due to drought weather. **Manufacturing Production Index (MPI)** declined by 21.4 percent in response with the fall in productions of agricultural processed industry, notably processed vegetable and fruit such as dried longan as a result of raw material shortages. In addition, electronic manufacturing and construction-related material productions slowed down. **The Major Crop Production Index** dropped by 9.5 percent followed a decline in longan and shallot output caused by drought climate. However, outputs of second rice and maize continued to increase as farmers expanded their planting areas. Farm income registered a favorable growth with a rate of 49.6 percent, though moderating from the previous month as a result of irregularly low output this year, notably longan and cassava. In addition, **tourism activities** remained subdued from the earlier month whereas registered a decline over the same period last year on account of foreign tourists' concerns over current economic conditions. Consequently, VAT collection from hotels and restaurants was down by 2.3 percent. However, average of hotel occupancy rate slightly improved as benefited from rising number of visitors due to the civil service exam arranged in major provinces in the Northern region. Meanwhile, **trade Index** grew by 17.0 percent, decelerating from 17.8 percent last month followed the slowdown in wholesale and retail trade, especially durable goods such as electrical appliances and construction-related materials.

The **Headline Consumer Price Index** in the Northern region rose by 3.7 percent, slightly lower from 3.8 percent last month due to the slowdown in non-food prices, particularly fuel prices. The **Core Consumer Price Index** increased 0.8 percent, noting a slight decline from 0.9 percent last month.

As for **employment side**, the unemployment rate in July 2010 improved from the previous month as non-agricultural employment across the board increased. Unemployment rate was low with a rate of 0.8 percent, lower than the previous month and in the same period last year. At end of August, 2010, the number of insured persons increased compared to the previous month and the same period last year.

At end-July 2010, commercial bank **deposit outstanding** expanded by 4.3 percent year-on-year, but decreasing with amount of 5,889 million baht from the previous month. This was largely due to a withdrawal from fixed deposit by public authorities to utilize in various projects. As for lending, **credit outstanding** rose by 10.4 percent accommodating increased demand for borrowing across businesses such as saving cooperatives, agricultural processed industry, wholesale and retail businesses, local administrative organizations, apartments, construction businesses as well as leasing and housing loans.

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