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Northern Region Economic Conditions in December 2010 and Year 2010

In December 2010, the Northern region economy continued to expand on the back of an increase in consumption as well as private investment. In addition, exports increased while farm income remained stable. Tourism activities improved. Overall trade activities expanded across the board. Manufacturing production, on the other hand, declined slightly due to a slowdown in demand for electronic components and beverage. Government expenditure disbursement contracted. Internal stability remained sound reflected by moderated inflation and low unemployment rate. As for banking sector, deposits and credits increased satisfactorily.

Details of the economic conditions are as follows:

Domestic demand continued to expand. **Private Consumption Index** rose by 1.6 percent year-on-year (yoy) in line with improving consumer confidence. **Private Investment Index** increased by 3.8 percent (yoy) following an expansion in large-scale construction projects and restoration after flooding. In addition, commercial car sales increased while machinery investment in export-oriented industries was observed. On the other hand, government spending decreased due to last year's high base effect.

Export value amounted to 277.7 million US dollars, rising by 8.1 percent (yoy) mainly due to exports of agricultural products. **Import value**, totaling 116.7 million US dollars, grew slightly by 0.2 percent (yoy) following imports of capital and consumer goods.

On the supply side, Major Crops Production Index continued to decrease by 3.5 percent (yoy) due to an impact of natural disasters, resulting in a decline in major crop outputs such as major rice, sugar cane, maize and cassava. This, therefore, led to a rise of major crop prices. However, price of major rice paddy fell as a result of a slowdown in purchasing by traders. As a result, farm income remained stable compared with the same period last year. **Meanwhile, tourism activities** improved from last month in tandem with various promotional activities in major provinces, long holidays and cool weather. **Manufacturing Production Index (MPI)** fell slightly by 0.6 percent mainly from a decline in domestic-oriented manufacturing production, notably beverage. This was in conjunction with a slowdown in export-oriented manufacturing particularly electronic components.

Headline inflation rose by 3.1 percent (yoy), moderating from the previous month. Prices of food and beverage in particular sticky rice, vegetables and fruits remained high caused by flooding while energy prices accelerated.. **Core inflation** increased by 1.3 percent (yoy).

Employment at end-November 2010 expanded well in non-agricultural sectors, particularly in wholesale/retail and hotel/restaurants which in part benefited from a pickup in tourism activities. As a result, unemployment rate stood at 0.7 percent. Meanwhile, the number of insured persons under social security system at end-December 2010 totaled 736,396 persons, increasing by 4.4 percent (yoy).

As for banking sector, commercial bank **deposit outstanding** increased by 3.9 percent (yoy). **Meanwhile, credit outstanding** rose by 12.8 percent (yoy) following an increase in borrowing demand across businesses, including financial intermediaries, personal loan (especially housing and leasing), wholesale and retail businesses, construction-related material trading/construction businesses, rice mill/crop trading and agricultural-processed industries.

In the fourth quarter of 2010, the economy continued to expand from the previous quarter supported by an improvement in private investment particularly in construction activities. This was coupled with an increase in exports which led to an expansion in export-oriented manufacturing production, mainly electronic components. Meanwhile, tourism activities improved from the previous quarter. Nonetheless, consumption slowed down in line with moderating farm income. Government spending decreased due to last year's base effect. Inflation slowed down while unemployment rate remained low. Deposit and credit outstanding continued to increase.

In 2010, overall economy expanded well from the previous year despite many negative factors, including natural disasters during growing and harvesting seasons and political unrest. Exports expanded satisfactorily in response to the global economic recovery. This led to a remarkable increase in export-oriented manufacturing production. Farm income also rose due to surging major crop prices. Tourism activities improved slightly. Government spending, particularly the Strong Thailand Project, as an economic stimulus, also contributed to a favorable expansion in private investment. Meanwhile, low unemployment rate helped consumption and trading activities. Inflation increased following rising oil and vegetable prices. Deposits and credits continued to expand.

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