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Press Release on Northern Region Economic Conditions in May 2010

Northern Region economic conditions in May 2010 continued to improve at a moderate rate. Export demand expanded well, especially in high – tech and labored – intensive commodities, which in turn boosted growth in the manufacturing sector. Private sector investment rose both in the construction activities and in the manufacturing production. However, private consumption grew at a slower pace as the tourism industry was affected by the political unrest. The moderation in private consumption was also a result of the decline in farm income following the loss in output from the spread of agricultural crop pest and the impact from the drought.

Headline inflation rate increased. Demands for labor were still high, while bank deposits grew moderately and bank credits still expanded at a favorable rate.

Details of the economic conditions are as follows:

Northern Region's demand increased moderately from the previous month. The **Private Consumption Index (PCI)** posted a 2.7 percentage boost year-on-year, although it contracted 1.6 percent from last month, partly as a consequence of the decline in tourism activities and farm income. This could be seen from the 0.8 percent reduction in Value Added Tax (VAT) collection and the drop in motorcycle registration, whereas the electronic appliances sales and the number of cars registration expanded at a good pace, particularly in the compact cars category. The **Private Investment Index (PII)** grew continuously at 6.5 percent year-on-year, resulting from the expansion in construction investment both in the large private and public projects and the spending on home construction and renovations by agricultural farmers. Private investment as reflected by the machineries import for export production also escalated at a favorable rate, in line with the rising volume of proposals seeking for approval from the Board of Investment (BOI) in the Northern Region. Whereas, economic stimulus from government spending declined in all provinces due to the acceleration of budgetary disbursement in the previous period, particularly the subsidy for local government authorities.

As for the external demand, the export hiked at a satisfactory level. The **export value** was 308.7 million US dollars, a 58.7 percent surge year-on-year, with growth picking up in all important export markets, for instances, ASEAN, Japan, Europe and China, in electronic components and jewelry and ornamental products. However, the value of agricultural export contracted, as a result of rice and tobacco exports. The border trade activities soared 53.0 percent to 152.7 million US dollars, resulting from the expansion in exports to Myanmar and Lao PDR. **Import value** was 113.2 million US dollars, a 9.4 percent growth, following an increase in raw materials and capital goods imports, such as electrical parts and machineries. As for border trade, imports from bordered countries decreased 9.9 percent to 10.5 million US dollars as imports from Myanmar and the southern China declined.

Increasing foreign demand also positively contributed to overall production sector. **Manufacturing Production Index (MPI)** rose to 52.3 percent, in line with the increase in production of electronic components, food and beverage, and textile industries. **Trade Index** also increased to 20.1 percent year-on-year as a result of expanding car and electronics sales. In contrast, **farm income** shrank 5.8 percent year-on-year, due mainly to the decrease in both farm production and farm price. Farm production dropped 0.7 percent year-on-year as output was adversely affected by the drought and mealy bugs. The fall in the price of rice also brought down the index of farm price which declined to 5.2 percent year-on-year. Lastly, the **Northern tourism sector** also shrank, due to the fall in the number of foreign tourists resulting from the political unrest.

The **Headline Consumer Price Index** in the Northern Region continued to increase 3.9 percent year-on-year as a result of rising fresh food prices in May. The **Core Consumer Price Index** remained low.

As for **labor supply** in the Northern Region in April, 2010, the unemployment rate remained low while demand for labor was still high, especially in the electronic components and agricultural processed industry.

Commercial bank **deposit outstanding** in the Northern Region increased to 3.8 year-on-year at end-April 2010, compared with a 4.5 percent growth at end-March. The slower growth was attributed to the withdrawal of funds from time deposit account for investment in bonds and other financial assets.

As for lending, commercial bank **credit outstanding** continued to grow from last month to 5.9 percent. This was due to an increase in credit extended to retail trade businesses, saving cooperatives, and personal loans.

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