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Northern Region Economic and Monetary Conditions for November 2010

The overall economy of the Northern region continued to grow in November 2010 supported by the expansion in private investment, exports and export-oriented manufacturing as well as an improvement in tourism activities. In addition, public spending remained a significant driver for the economy. Nonetheless, the slowdown in farm income coupled with decline in both major crops prices and output weighed down overall consumers' purchasing power leading to a moderate consumption activities. Overall stability remained sound. Unemployment rate was low while inflation remained stable from the previous month. For banking sector, deposit and credit outstanding at the end of October 2010 continued to increase.

Details of the economic conditions are as follows:

Domestic demand registered a positive growth. **Private Investment Index (PII)** rose by 4.2 percent year-on-year (yoy), improving from a 1.7 percent (yoy) last month as a result of expansion in construction activities and restoration after flood, together with investment in machinery and equipment for export-oriented industries. **Private Consumption Index (PCI)** grew slightly by 0.6 percent, though falling from the previous month partly due to a slowdown in farm income. With respect to a government stimulus, budget expenditure disbursement accelerated from the previous month, although decreased from the same period last year due to high base effect caused by the delay in promulgation of the Annual Budget Act in the last fiscal year.

On the external front, **export value**, amounting 259.9 million US dollars, rose by 8.1 (yoy) mainly due to exports of electronic products. Meanwhile, bordered exports continued to decrease as a result of the Mae Sod-Myawadee border closure. **Import value** stood at 126.6 million US dollars, decreasing across the board by 10.7 percent (yoy).

Manufacturing Production Index (MPI) increased by 1.7 percent (yoy), slowing down from the previous month owing to domestic-oriented production, notably food and beverage industries. However, export-oriented production continued to expand favourably, especially electronic industries. **Major Crops Production** dropped by 4.1 percent (yoy) due to a fall in output of rice, maize and green bean caused by natural disaster during growing

and harvesting seasons. In addition, cassava production fell following an outbreak of plant disease. Farm income grew moderately due to the fall in output together with major rice paddy price owing to the decrease in export price. However, prices of glutinous rice paddy, maize, green bean and cassava continued to rise. **Tourism activities** continued to improve from last month on the back of various provincial promotional tourism activities, greater activities in the meetings and seminar market as well as cool weather condition attracting more domestic and foreign visitors. **Trade index** moderated by 7.3 percent (yoy) compared with 10.1 percent in the previous month, following a slowdown in automobile and wholesale trade. However, retail trade remained buoyant, in particular necessities for consumption.

Headline inflation in the Northern region was stable compared with the previous month with a rate of 3.3 percent (yoy). Food and beverage prices, particularly raw food, accelerated due partly to lower output. Non-food prices slowed down mainly in line with a decline in retail fuel prices. **Core inflation** rose by 1.2 percent (yoy).

Employment condition in October 2010 improved as demand for labor in agricultural sector increased during harvesting season. Nonetheless, employment in non-agricultural sector declined in manufacturing, construction and hotel/restaurants sectors. Unemployment rate remained low at 1.0 percent. At the end of November 2010, the number of insured persons under the social security system totaled 735,962 persons, higher than that of previous month and over the same period last year.

Commercial bank **deposit outstanding** rose 5.2 percent (yoy) due to an increase in deposits made by authorities together with commercial banks' mobilization of deposits by offering special deposit products with attractive returns. Meanwhile, **credit outstanding** grew by 14.1 percent mainly due to the credit expansion of personal loans, saving cooperatives, local administrative, crop trading, construction-related material trading/construction businesses as well as retail and wholesale businesses.

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