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Northern Region Economic and Monetary Conditions for October 2010

In October 2010, overall economy in the Northern region continued to grow but at a slower pace from the previous month. Farm income slowed down, but remained at a favorable level, leading to moderate trade and consumption activities. Meanwhile, private investment also decelerated. Export value declined slightly whereas import value expanded. Manufacturing production rose following an increased production in agricultural processing industry for exports. Government budget disbursement was higher compared to the same period last year. Tourism activities continued to decrease but improved from the previous month. Inflation slightly decelerated from the previous month. For banking sector, deposit and credit outstanding continued to expand.

Details of the economic conditions are as follows:

Domestic demand moderated from the previous month. **Private Consumption Index** (PCI) grew by 2.1 percent, slightly slowing down from 2.2 percent in the previous month as a result of weakened consumers' confidence due to flood in various areas. The number of registered passenger cars continued to increase favorably while the number of registered commercial passenger cars and motorcycles decelerated, particularly in the lower Northern region due to the slowdown in farm income. The amount of VAT collection increased by 2.6 percent, moderating from the previous month. Meanwhile, **Private Investment Index** (PII) grew by 1.7 percent, slowing down from last month due to higher costs of construction-related materials in tandem with the suspension in construction activities in some flood areas. However, investment prospect was still positive going forward. With respect to government spending, budget disbursement from fiscal impulse accelerated with a rate of 83.8 percent due to earlier promulgation of the Annual Budget Act compared with the last fiscal year.

On the external front, **export value** declined by 0.9 percent due to a slowdown in manufacturing and agricultural products such as vehicles and parts, jewelry, tobacco, rice and electronic components. Meanwhile, bordered exports contracted by a fall in exports to Myanmar due to the Maesod-Myawadee border closure. Nonetheless, exports to Lao PDR and the southern China continued to expand. **Import value** rose by 8.6 percent following an

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increase in imports of raw materials and capital goods while imports of vegetables and beverage declined. In addition, imports from neighboring countries accelerated.

On the supply side, manufacturing sector improved from the previous month. **Manufacturing Production Index (MPI)** rose by 8.6 percent supported by production of food industry, notably processed vegetables and fruits as well as expansion in apparel production. Nonetheless, production of electronic components decelerated further. **Major Crops Production** dropped by 2.8 percent, but improved from a 5.9 percent decrease in the previous month, due to a decline in outputs of maize and major rice as a result of drought during growing season. This was also partly aggravated by flooding during harvesting season leading to a lower yield per Rai. However, farm income remained at a favorable level despite the slow growth.

Tourism activities continue to decline compared to the same period last year. However, there are some positive signs from last month reflected by higher hotel occupancy rate benefited from domestic tourists due to long holidays and cool weather condition. **Trade index** grew modestly by 10.0 percent across the board, particularly durable goods while sales of raw food continued to expand.

Headline inflation in the Northern region stood at 3.3 percent, lower from 3.5 percent in the previous month in tandem with a decline in raw food prices. However, prices of retailed fuels and construction-related materials increased. **Core inflation** increased by 1.3 percent.

For banking sector, commercial bank **deposit outstanding** rose by 4.5 percent as commercial banks offered special depository products with higher return to attract depositors. As for lending, **credit outstanding** increased further by 13.0 percent following continued borrowing demand across businesses, including personal loans, crop trading, financial intermediaries, retail and wholesale businesses.

Bank of Thailand, Northern Region Office

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Contact person: Varintorn Chaivivat

Tel: +66 (0) 5393-1145

E-mail: Varintot@bot.or.th

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