



# BANK OF THAILAND NEWS

Northern Region Office

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## [Press Release on Northern Region's Economic Conditions for August 2011](#)

In August 2011, the overall economy moderated from the previous month following a decline in agricultural and manufacturing sectors as well as a drop in private consumption and investment. However, tourism and trade sector continued to expand. In addition, exports and government expenditure expanded favorably. With regard to economic stability, price pressure continued to increase. Unemployment rate remained low. For banking sector, deposits and credits continued to increase.

Details of the economic conditions are as follows:

**Domestic demand** declined. **Private Consumption Index** (PCI) shrank by 1.6 percent year-on-year (yoy) as a result of flooding in several areas, particularly in the lower north provinces. Nonetheless, automotive indicator and necessity goods consumption continued to increase. **Private Investment Index** (PII) dropped by 6.9 percent (yoy) owing to hold-up construction resulted from persisting heavy rain and flooding. However, construction material sales were expected to increase due to rehabilitation after flooding. Meanwhile, **government disbursement** grew by 33.4 percent (yoy), accelerating in both current and capital expenditure, mainly in land and property category during the approaching end of fiscal year 2011.

**Exports** expanded markedly. Export value through the Northern Customs House amounted to 317.1 million USD, increasing by 26.6 percent (yoy) mainly from exports of manufacturing products to China and Europe, specifically the optical lens, circuit breakers, processed food and textiles. Concurrently, **import value** amounted to 136.2 million USD or grew by 4.4 percent (yoy) mainly due to imports of raw materials and intermediate goods. With regard to **cross-border trade**, exports continued to grow by 41.5 percent (yoy) from exports to Myanmar, China and Lao PDR while imports also increased by 10.8 percent (yoy) mainly from an increasing imports of lignite coal from Lao PDR.

Regarding the supply side, both manufacturing and agricultural sectors contracted. **Manufacturing Production Index** (MPI) decreased by 7.3 percent (yoy), owing to a continual decline of electronic production resulted from a slowdown of external demand as well as intense competition. Likewise, beverage production shrank by 9.6 percent (yoy) following a slowdown in consumption due to flooding and high build-up stocks.

Nonetheless, food production, particularly processed vegetable and fruit grew in a slower pace. On agricultural production, **major crops production** rose mainly from longan. However, **major crops price** dropped by 16.8 percent (yoy) as a result of an increase in supply of longan and maize. Meanwhile, both first and second crop paddy prices continue to improve, consecutively. As a result, **farm Income** shrank by 10.3 percent (yoy). **Tourism sector** improved from the same period last year. This was attributable to ongoing motivating promotion of private sector as well as the rising number of foreign tourists, particularly family-group during European's school break. Meanwhile, **trade index** grew by 2.4 percent (yoy), attributing to an increase in both wholesale and retail sales while automobile sales moderated due to pending purchases resulted from the upcoming government tax-refund measure.

With regard to **internal stability**, price pressure continued to increase. **Headline inflation** grew by 5.73 percent (yoy), increasing from the previous month due to prices of food and beverage. **Core inflation** also accelerated by 4.04 percent (yoy).

**Unemployment rate** in July remained low at 0.5 percent in tandem with an increase in employment in agricultural sector. Registered persons under social security system as of August increased by 4.7 percent (yoy), in which under Section 33 (compulsory) increased by 3.2 percent and under Section 39 (voluntary) increased by 13.6 percent (yoy).

**Commercial bank deposits** in July stood at 434,110 million baht, increasing by 10.1 percent (yoy) mainly from new and competitive deposits campaigns attraction of time deposit account. In addition, **credits** amounted to 369,380 million baht, growing by 13.1 percent (yoy) in line with increasing demand from corporate sectors, particularly agricultural product processing, apartment business, electrical appliances trading, and hire purchase business. Correspondingly, loan-to-deposit ratio edged up to 85.1 percent, increasing from 82.8 percent the same period last year.

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