



BANK OF THAILAND

BOT Press Release

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Press Release on Northern Region's Economic Conditions for December 2011
and Year 2011

In December 2011, the overall economy in the Northern region broad-based improved following the faltering impact from the historic floods. Tourism sector expanded well on the back of a favorably cool weather condition and festivals. In the meantime, manufacturing production and agricultural sector improved resulting in an expansion in trade, private consumption, exports and imports. Nevertheless, private investment still decelerated. Regarding economic stability, inflation moderated, affecting by energy prices, in tandem with a low unemployment rate. For banking sector, deposits and credits continued to increase.

Details of the economic conditions are as follows:

Service sector, particularly tourism, significantly improved, according to a favorably cool weather condition, festivals and attractive tourism activities including the Royal Flora Ratchaphruek Fair 2011, as well as a change in travel destinations from flood-damaged provinces and stormy coastal areas in the South.

On supply side, **Manufacturing Production Index** (MPI) expanded by 11.8 percent year-on-year (yoy), due to an increased production in sugar, beverage and construction materials. Also, it was partly resulted from temporarily transferring production from deluged factories in the Central area. However, electronic components production continued to contract not only by the global economic slowdown but also the negative impact from the floods. **Farm Income**, preliminary, recovered from last month despite a contraction of 6.2 percent (yoy). **Major crop price** grew by 5.1 percent (yoy) from rising prices of major crop particularly both paddy and glutinous rice, as a result of price pledging scheme. Likewise, price of maize rose in response to seasonally decreased output while a certain demand existed. **Major crop production** continued declining by 10.8 percent (yoy) owing to a partly drop of major crop rice output from the floods and a decline of maize output from flooded damages and switching plantation area, particularly to sugar cane. Nonetheless, outputs of both sugar cane and cassava continued to increase. Meanwhile, **trade Index** increased by 6.4 percent (yoy) attributing to both wholesale and retail trades, while automobile trade remained shrink by supply disruption.

Domestic demand grew in a slower pace mainly resulted from a shortage of durable goods, particularly automobiles. **Private Consumption Index** (PCI) moderated from last month, rose by 1.1 percent (yoy), owing to a supply disruption of broad-based durable goods which causing a shortage in merchandises. However, necessity consumption remained increase. **Private Investment Index** (PII) dropped by 1.9 percent (yoy) due mainly to hold-up construction and decreased registration of commercial cars. Nevertheless, sales of construction materials still grew attributed to a marked demand for replacement and rehabilitation induced by flooded damage. Meanwhile, **government disbursements** remained contract by 6.3 percent (yoy) affected by a non-promulgated Budget Act Fiscal Year 2012 and a high base of the previous year.

Export value through the Northern Customs House amounted to 330.0 million USD, growing by 19.9 percent (yoy), and accelerated from last month following exports of consumer goods and petroleum products to neighboring countries. In the meantime, export to other countries increased from manufacturing and agricultural products exports. Concurrently, **import value** amounted to 141.5 million USD, growing by 21.3 percent (yoy) mainly from imports of raw materials and capital goods to compensate domestic supply shortages caused by the floods. Meanwhile, the cross-border imports rose slightly following imports of Lignite from Lao PDR.

With regard to **internal stability**, inflation declined steadily on the back of energy price. **Headline inflation** remained high at 4.36 percent (yoy), mainly from food and beverage categories including raw food, particularly pork, in line with **core inflation** which was 3.68 percent (yoy). Meanwhile, **unemployment rate** in November 2011 was relatively low at 0.5 percent, albeit the registered persons under unemployment benefits claim increased. It is, however, expected to be temporary as several industries still experienced labor shortages.

Commercial bank deposits as of November 2011 amounting to 437,034 million baht, increased by 8.1 percent (yoy) partly in response to attractive deposits campaigns launched in the Northern Money Expo. Concurrently, **credits** amounting to 397,010 million baht, continued to grow by 14.6 percent (yoy). In the upper Northern region, it was attributable to a demand from cooperatives, wholesale and retail trades, contractors, gas stations, hotels as well as consumer loan while in the lower Northern region was of the cooperatives, rice mills and crop trading business. Correspondingly, loan-to-deposit ratio edged up to 90.8 percent, increasing from 89.7 percent in the previous month.

The economy in the year 2011 in the Northern region grew in a slower pace, compared to the previous year, affected by a severely negative impact of the Tsunami in Japan, European economic crisis and the floods. Manufacturing production slumped as a result of both a supply disruption and a dampened global demand. Agricultural production

growth was below expectation owing to the flooded damage in major plantation areas and causing a moderated farm income. Likewise, exports, imports, trade and private consumption slowed down, partly by a lower production as well as transportation and distribution disruption. Nonetheless, private investment remained expansion in response to ongoing projects of both government and private sectors as well as a significant demand for replacement and rehabilitation after the floods subsided. Tourism expanded well benefiting from festivals, attractive travel campaigns and a favorably cool weather condition as well as a residing of temporary flooding evacuee. Concurrently, government disbursement, both current and capital categories, continued to drive the Northern economy. Regarding economic stability, inflation remained high on the back of rising food prices while unemployment rate remained low. For the banking sector, both deposits and credits expanded favorably.

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