

No. 6 /2011

[Northern Region Economic Conditions in March 2011 and the first quarter of 2011](#)

In March 2011, the overall economy in the Northern region expanded moderately from the previous month. Farm income increased from higher output. Tourism improved while private investment grew strongly from construction activities. Nonetheless, manufacturing production contracted due to electronic components productions. In addition, private consumption increased slightly. The unemployment rate was significantly low. As for banking sector, deposits and credits increased favorably.

Details of the economic conditions are as follows:

**Domestic demand** grew at a slower pace from the previous month. **Private Investment Index** (PII) continued to rise by 9.2 percent year-on-year (yoy) following an increase in residential and commercial constructions. This was also supported by government stimulus reflected by an increased current and capital expenditure disbursement which grew by 5.7 percent (yoy), particularly in land and building projects. However, **Private Consumption Index** (PCI) moderated by 0.7 percent as consumers became more cautious with their spending due to rising prices.

Regarding **the external demand, export value** through Custom Houses in the Northern region totaled 312 million US dollars, increasing by 5.6 percent (yoy) following an increase in exports of manufactured and food processing products. **Import value**, totaling 127.6 million US dollars, growing by 7.8 percent (yoy) from imports of electronic components. As for a border trade, export and import continue to rise by 5.1 percent (yoy) and 39.5 percent (yoy) respectively.

On **the supply side, Major Crops Production Index** grew by 5.2 percent (yoy) mainly due to a rise in outputs of second rice crop, sugar cane and garlic supported by favorable weather conditions while major crops price increased by 2.1 percent. As a result, farm income grew by 7.4 percent (yoy). **Tourism activities** improved from the same period last year as benefited from various promotional activities by authorities, greater activities in meeting and seminar markets as well as event of graduation day. In addition, the negative effect from smog was smaller compared with the same period last year. **Trade index** increased marginally by 3.5 percent (yoy) mainly due to sales of vehicles. Meanwhile, **Manufacturing Production Index (MPI)** fell by 2.2 percent owing to a continuous decline in hard disk drive components productions as a result of weakened external demand.

**Headline inflation** increased by 3.7 percent (yoy) driven by a rise in raw food prices including vegetables, eggs and meat as well as processed food and energy prices, notably higher fuel prices. Meanwhile, **core inflation** increased 2.4 percent (yoy). **Unemployment rate** in February 2011 remained low at 0.6 percent, partly reflecting tightening labor market conditions.

As for banking, **commercial bank deposit outstanding** increased by 8.3 percent (yoy) due to an increase in saving deposits of public authorities and mobilizing deposits, notably fixed deposits. **Credit outstanding** expanded by 11.9 percent (yoy) with a rising demand in personal loans and other businesses including saving cooperatives, wholesale and retail, real estate and agriculture. However, a continued decline in credit was observed in manufacturing and hotel businesses.

**In the first quarter of 2011, overall economy continued a broad based expansion** as driven by private consumption, government expenditure, favorable farm income, tourism, private investment and low unemployment environment. Nonetheless, manufacturing production fell slightly in line with a declined production of hard disk drive components. In addition, inflation accelerated during the end of quarter. As for banking, credit and deposit outstanding grew satisfactorily and supported economic expansion in the region.

Bank of Thailand, Northern Region Office

May 4, 2011

Contact person: Varintorn Chaivivat

Tel: +66 (0) 5393-1145

E-mail: Varintot@bot.or.th