



BANK OF THAILAND

BOT Press Release

Northern Region Office
Tel. 0-5393-1216 Fax. 0-5322-4171 www.bot.or.th

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Press Release on Northern Region's Economic Conditions for November 2011

In November 2011, the overall economy in the Northern region continued to slow down despite a slight improvement from the previous month. The historic floods have severely impacted upon agricultural and export-oriented manufacturing sectors. Trade and consumption still expanded partly resulting from both the post-flood rehabilitation and the year-ended marketing promotion. Meanwhile, government spending shrank as the Budget Act Fiscal Year 2012 was not yet enacted. Nonetheless, the momentum from an expansion of cross-border trade as well as an improvement of tourism and private investment has still driven the Northern economy. With regard to economic stability, inflation moderated albeit remained high in tandem with low unemployment rate. For banking sector, deposits and credits expanded well.

Details of the economic conditions are as follows:

Production continued to contract. Farm income still dropped by 7.6 percent year-on-year (yoy) following a major crop supply reduction causing by the floods. **Major crop production** shrank by 10.9 percent (yoy) from a decline in supply of major crop rice and maize even though cassava and sugar cane output increased partly from switching plantation area, driven by price, and higher yield per rai. **Agricultural price** increased by 3.8 percent (yoy) on the back of rising price of major crop paddy, as a result of price pledging scheme, as well as decreased supplies. Likewise, prices of sugar cane, maize and cassava remained favorable. **Manufacturing Production Index** (MPI) continued declining by 3.6 percent (yoy) despite an improvement from the previous month. It was dampened further not only by the global economic slowdown but also the supply disruption resulting from partly halted or lower production caused by floods specifically the hard disk drive components. Food production, however, broad-based increased particularly in processed vegetables, fruits and sugar in line with beverages, mainly alcoholic and soft drink, in order to cope with a production capacity of shutdown factories in deluged sites or to resume the normal capacity after rehabilitation.

Meanwhile, **Trade Index** grew by 10.4 percent (yoy) although lower than the previous month by 1.6 percent (yoy) in tandem with **Private Consumption Index** (PCI) which rose by 2.2 percent (yoy) attributing partly to the replacement of flooded damage and the year-ended marketing promotion. **Tourism** also improved as Thai tourists in major

Northern provinces increased, benefiting from both a Loy Krathong festival and a favorably cool weather condition, besides the residing of temporary flooding evacuee.

On the demand side, **domestic consumption** continued to moderate following the shrinkage of government disbursement by 11.3 percent (yoy) affected by a high base of the previous year and non-promulgated Budget Act Fiscal Year 2012 as well. Nonetheless, **Private Investment Index** (PII) expanded by 1.2 percent (yoy) from residential and infrastructure construction in post-flooded area.

Export value through the Northern Customs House amounted to 294.4 million USD, decelerated by 13.3 percent (yoy) in response to a shrinking export of electronic components while cross-border exports to Myanmar and Laos PDR (partly passed through to the Southern China) expanded well. **Imports** amounted to 143.3 million USD, expanded by 13.2 percent (yoy) following imports of raw materials and intermediate goods which partly as a substitute of the flooded factories in the Central region.

Regarding the **internal stability**, inflation decelerated albeit remained high. **Headline inflation** rose by 4.65 percent (yoy), lowering from the previous month from a drop in fresh food and energy prices. Concurrently, **core inflation** increased by 3.79 percent (yoy). **Unemployment** rate in October 2011 remained low at 0.7 percent, Employments fell in accordance with the negative impact of flooding crisis despite a mild increase in agricultural sector. At the end of November 2011, the registered persons under unemployment benefits claim rose slightly. However, this increased unemployment is expected to be temporary as labor shortages in several industries will partially absorb the unemployed labor force.

Commercial bank deposits as of October 2011 amounted to 434,994 million baht, increased by 9.4 percent (yoy) mostly in Uthaitхани, Nan, Chiang Rai and Lampoon. In the meantime, **credits** amounting to 390,018 million baht, continued to grow by 16.0 percent (yoy) owing mainly to a demand from cooperatives, wholesale and retail trade, contractors, construction materials, gas station and furniture businesses as well as consumer loan in the upper Northern region. Meanwhile, the lower Northern region lending slightly rose, mainly to the cooperatives, as a result of negative impact of floods. Correspondingly, loan-to-deposit ratio edged up to 89.7 percent, increasing from 89.1 percent in the previous month.

Bank of Thailand, Northern Region Office
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Contact person: Jarnya Tananuchittikul
Tel: +66 (0) 5393-1167
E-mail: Jarnyat@bot.or.th