



BANK OF THAILAND

BOT Press Release

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Press Release on Northern Region's Economic Conditions for September 2011
and the Third Quarter of 2011

In September 2011, the overall economy in the northern region continued to **slow down** resulting from deterioration in agricultural and manufacturing production as well as investment. Nevertheless, private consumption grew slightly and tourism sector improved. Meanwhile, trading, exports and government expenditure expanded well. With regard to economic stability, inflation slightly declined by the government's measure to reduce oil price while unemployment rate remained low. For banking sector, deposits and credits continued to increase.

Details of the economic conditions are as follows:

Domestic demand moderated. **Private Consumption Index** (PCI) slightly rose at 0.6 percent year-on-year (yoy) reflected cautious consumers' spending due to flooding. Durable goods consumption grew at a slower pace while necessary goods consumption continued to increase. **Private Investment Index** (PII) shrank by 11.7 percent (yoy) due mainly to hold-up construction resulted from region-wide inundation. Nevertheless, **government disbursement** grew by 29.5 percent (yoy) in both current and capital expenditure during the approaching end of fiscal year 2011.

Export value through the Northern Customs House amounted to 307.9 million USD, growing by 25.7 percent (yoy) on the back of an expansion in all major markets. Concurrently, **imports** continued to increase mainly from imports of raw materials, intermediate goods, capital goods and consumer goods as well.

Regarding supply side, Manufacturing Production Index (MPI) declined by 5.9 percent (yoy) following a contraction in several industries. Notably, electronic components production, particularly diode, integrated circuit, transformer and electric motor, decreased continually as a result of a slowdown in world economy affecting a drop in purchasing orders. Moreover, construction material production shrank due to hold-up constructions. However, processed food production improved from the previous month and ceramic tableware production favorably increased, mainly from European market. **Farm Income** declined by 11.2 percent (yoy), from both output and price. **Major crop production** dropped by 2.3 percent (yoy), specifically major crop rice and maize, due to flooding.

Meanwhile, **agricultural price** decreased by 9.1 percent (yoy) following falling prices of maize, deteriorating from unfavorably high moistures, and longan resulted from an increased output. Nonetheless, price of major crop rice was on an upward trend. **Tourism** still improved attributing to the acceleration in government spending particularly on conferences and seminars during the approaching fiscal year end.

Headline inflation decelerated from 5.73 percent (yoy) in the previous month to 5.21 percent (yoy), albeit remained high, owing to the government measures to reduce oil prices. Notably, fresh vegetable price continued to rise as a result of supply shortage and higher transportation cost caused by flooding. Concurrently, **core inflation** moderated by 3.98 percent (yoy).

Unemployment rate in August remained low at 0.6 percent in line with an increase in registered persons under social security system as of September grew by 4.8 percent (yoy), in which under Section 33 (compulsory) and Section 39 (voluntary) increased by 3.2 percent (yoy) and 14.2 percent (yoy) respectively.

Commercial bank deposits as of August amounted to 432,069 million baht, lower than the previous month but increasing by 10.8 percent (yoy) mostly from withdrawals for government project disbursements as well as corporate working capital and daily spending. As for lending, **credits**, amounting to 380,244 million baht, continued to grow by 14.7 percent (yoy) from both corporate and consumer demands. Correspondingly, loan-to-deposit ratio edged up to 88 percent.

In the third quarter of 2011, the economic conditions of the Northern Region moderated following severe impacts of flooding and a deceleration of overall economy as evidenced by a contraction of manufacturing production, farm income, private consumption and investment. Nevertheless, the economy was supported by an increase in government disbursement, trading and exports as well as an improvement in tourism and a low unemployment rate. However, inflation accelerated following the pass-through of production costs to other goods.

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