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[Press Release on Northern Region's Economic Conditions for December 2012
and Year 2012](#)

In December 2012, the overall economy in the Northern region continued to expand following buoyant private consumption and investment, government disbursement and tourism activities. Meanwhile, agricultural production and exports moderated slightly and manufacturing production contracted. Regarding economic stability, inflation accelerated while employment continued to increase. For banking sector, deposits and credits firmly increased.

Details of the economic conditions are as follows:

Demand side has given momentum to the Northern region economy. **Private Consumption Index** (PCI) increased by 19.4 percent year-on-year (yoy), particularly from the accelerated spending on automobiles in response to the coming expiration of the first-car tax rebate program by the end of this month coupled with high growth of overall consumer spending. **Private Investment Index** (PII) rose remarkably by 23.1 percent (yoy) due mainly to persistent demand on investment in new real estate projects as well as machinery and equipment; in line with a noticeable investment promotion approval in the Northern region, amounting to 1,589.5 million baht in this month for biomass electricity generation in particular. **Government disbursements** through provincial treasury offices in the Northern region, amounting to 15,246.6 million baht, grew by 25.7 percent (yoy) mainly from categories of personnel, local and academic institutions subsidies and public constructions.

Export value through the Northern Customs House, amounting to 367.0 million USD, rose by 10.2 percent (yoy) following cross-border exports of petroleum products and consumer goods. In the meantime, export to other countries, specifically optical lenses and integrated circuits, dropped as a result of Smartphone substitution for digital compact camera. Concurrently, **import value**, amounting to 132.2 million USD, continued to shrink by 6.9 percent (yoy) mainly from imports of raw materials and intermediate goods, particularly electronic components and rough diamond.

Supply side still expanded well. **Tourism** improved satisfactorily from both domestic and overseas tourists as a beneficiary of a special event, namely Thailand National Athlete Game held in Chiang Mai, ongoing marketing activities, favorable cold weather, trendy travel theme to the North of Thailand, particularly among Chinese tourists, and more flights available. **Farm Income** grew by 8.3 percent (yoy) on the back of increased production, such as sugarcane, major crop rice and cassava, resulting from not only plantation expansion but also favorable weather. Moreover, livestock production kept growing. However, **crop price** contracted by 4.0 percent (yoy) as a result of declined price of sugarcane in accordance with its lower primary price. Likewise, price of paddy dropped in response to increased output and build-up stock in line with lower price of cassava due partly to historical-high output this year. **Manufacturing Production Index** (MPI) contracted by 4.8 percent (yoy), following a decreased beverage production compared to the previous year's acceleration. Nonetheless, electronic components production for telecommunication and processed agricultural products continued to expand to fulfill demand.

With regard to **internal stability**, **inflation** increased by 3.49 percent (yoy) due to rising prices of vegetables, fruit, meat, fuel and electricity charge. Meanwhile, **employment** in

November 2012 and numbers of registered person under social security system in December 2012 remained favorably upward as reflected in higher demand for labor from business sector.

Commercial bank credits as of November 2012, amounting to 469,933 million baht, grew robustly by 18.4 percent (yoy). This was attributable to a demand for consumer loan, particularly hire purchase, as well as wholesale and retail trade, crop trading business, construction business and cooperatives. **Deposits**, amounting to 544,240 million baht, increased remarkably by 24.5 percent (yoy) mainly from public and academic entities. Correspondingly, loan-to-deposit ratio edged down slightly to 86.3 percent, comparing to the previous month.

The economy in 2012 expanded well across the board, following accommodative monetary conditions and government measures, notably first-car tax rebate program, minimum wages hike and price pledging scheme as well as a robust tourism and were attributable to demand growth. Trade and private spending satisfactorily increased, particularly in sales of automobile sector which broke historical records. Likewise, private investment accelerated in response to private sector's real estate development projects, both low-rise and high-rise, along with government's ongoing projects for flood rehabilitation and prevention which simultaneously increased sales of construction-related products.

Furthermore, government disbursement through provincial treasury offices in the Northern region surged due to earlier budgetary allocation and accelerated disbursements, comparing to the previous year.

Exports grew remarkably, contributing mainly by cross-border exports as well as exports of electronic components for telecommunication devices. Supply side rose satisfactorily in both agricultural and manufacturing sectors. Output of rice, sugarcane and cassava broke the record as benefits from favorable weather and increased plantation, in tandem with ample output of livestock. In the meantime, manufacturing production grew markedly, particularly processed agricultural products, beverage and electronic components. Nevertheless, production of some products namely ceramics, jewelry and furniture has been dampened by adverse effects of weakness in the euro area economy.

Regarding economic stability, inflation slowed down on the back of descended food prices in line with a low-level of unemployment rate. For the banking sector, both deposits, mostly of public and academic entities, and credits, notably of consumer lending for hire purchase, expanded robustly.

Going forward, the Northern region's economy in 2013 is likely to expand moderately. Albeit some government measures expired, large-scale infrastructure projects by public and private sector are in the pipeline. Moreover, real estate sector in major provinces as well as buoyant private consumption and investment and also robust tourism activities are likely to sustain growth momentum. Nonetheless, uncertainty of global economy, labor shortage, minimum wage hike which could consequently be passed on to consumer as well as negative impacts of climate changes could weighed down the Northern region outlook and would be monitored closely.

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