



No. 8/2012

Press Release on Northern Region's Economic Conditions in June 2012
and the Second Quarter of 2012

In June 2012, the overall economy in the Northern region continued to expand. Demand side expanded well following an increase in private consumption and investment as well as government expenditure and exports. For supply side, agricultural production also grew despite mild contraction of manufacturing production and moderation of tourism. With regard to economic stability, inflation decelerated following declined prices of food and energy. Concurrently, unemployment rate remained low. For banking, commercial bank deposits and credits increased satisfactorily.

Details of the economic conditions are as follows:

Supply side expanded. **Farm Income** rose by 15.1 percent year-on-year (yoy), because of a rise in **major crop production** by 9.9 percent (yoy) as a result of favorable weather and water. Notably, second crop rice, lychee, pineapple, longan and cassava were fruitful in tandem with livestock production which expanded following increased output of swine, broiler and egg. Meanwhile, **major crop prices** grew by 4.8 percent (yoy) due mainly to price of second crop paddy, resulting from price pledging scheme. However, prices of swine, broiler, egg, pineapple and lychee were lower, compared to the same period last year, causing by higher output. **Tourism**, even though moderated seasonally, was comparatively satisfactory with ongoing seminars and marketing activities. In the meantime, **Manufacturing Production Index** (MPI) contracted slightly by 1.2 percent (yoy) owing to decreased production in garments, ceramics, metallic jewelry and optical lens while production of food, beverages, electronic components and hard disk drive components expanded well.

Private Consumption grew favorably, particularly in automobile sector, following the attractive government measure of tax refund, the trendy fuel-efficient vehicle demand as well as resumed production and distribution back to the pre-flood level. In addition, the consumer confidence improved, benefiting to both wholesale and retail trades in consumer goods, namely food, beverages, vegetables, fruit and construction materials. **Private Investment Index** (PII) rose by 9.9 percent (yoy), on the back of an expansion and newly launched real estate projects, both high-rise and low-rise, in response to robust demand as well as the upcoming enactment of new Chiang Mai Comprehensive Plan. In addition, a sign of prospective investment in the Northern region was continuously observed as evidenced by approval of investment promotional projects, for electronics and

integrated circuit businesses in particular. **Government disbursements** through provincial treasury offices amounted to 16,744.4 million baht with a growth of 31.8 percent (yoy). The current expenditure expanded particularly in personnel and subsidies categories for local administrative organizations while the investment expenditure increased mainly in flood prevention projects.

Export value amounting to 376.1 million USD, accelerated by 19.2 percent (yoy) following exports of agricultural products, namely rubber and frozen vegetables as well as manufacturing products, particularly optical lens and electronic components through Customs in Lamphun province. Likewise, cross-border exports expanded across all markets, mainly from exports of fuel and consumer goods. Concurrently, **import value**, amounting to 134.1 million USD, contracted by 3.6 percent (yoy) owing to decreased imports of raw materials and intermediate goods, notably transformer components and rough diamond. On the contrary, the cross-border imports continued to increase due mainly to imports of livestock from Myanmar as well as fruit and vegetables from Lao PDR.

With regard to **internal stability, headline inflation** continued to moderate at 2.22 percent (yoy) on the back of decreased prices of food and energy. **Unemployment rate** in May 2012, albeit considered low, slightly grew to 1.0 percent (yoy). Nevertheless, the numbers of registered person under social security system as of June 2012 kept rising.

Commercial bank deposits amounted to 510,059 million baht, rising by 17.2 percent (yoy), particularly of private sectors, in accordance with mobilizing deposits by commercial banks. **Credits** amounted to 429,586 million baht, increasing by 15.8 percent (yoy), following consumer credits such as leasing, housing and other personal loans in tandem with corporate demand from wholesale and retail trades, financial intermediaries, construction businesses, real estate, hotels and transportation services. However, credit to manufacturing sector continued to decline. Hence, loan-to-deposit ratio was 84.2 percent, decreasing from 85.0 percent in the previous month as a result of higher acceleration in deposits than credits.

In the second quarter of 2012, overall economy continued to expand, fueled by both demand and supply. Government expenditure and commercial bank credits increased while inflation and unemployment remained low. Consumer confidence improved following the attractive government measure and resumed production and distribution of durable goods back to the pre-flood level. Private investment accelerated following flood rehabilitation and prevention projects as well as expanded and newly launched projects in real estate sector and the upcoming enactment of new Chiang Mai Comprehensive Plans. Exports and imports continued to expand well. Agricultural production yielded satisfactorily as a result of favorable weather and water. Manufacturing production grew well in accordance with external demand. Tourism, however, declined seasonally.

Regarding the euro area economy, its crisis was likely not to seriously affect the Northern region economy. So far, the adverse impact from the euro area's sovereign debt problem has limited effect on only particular industries, namely jewelry, ceramics and some agro-businesses whose their major customers located in highly affected countries. Nevertheless, the proportion of trade as a percent of total manufacturing production in the Northern region was considered minimal. Although the number of European tourists tended to moderate, Asian tourists, particularly Chinese, have increased.

Bank of Thailand, Northern Region Office

August 6, 2012

Contact person: Jarnya Tananuchittikul

Tel: +66 (0) 5393-1167

E-mail: Jarnyat@bot.or.th