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Press Release on Northern Region's Economic Conditions for March
and the First Quarter of 2012

The Northern region economy expanded well in March 2012. Agricultural production continued to increase while exports accelerated, breaking the record for the second consecutive month. Government disbursement increased. Private consumption improved due to consumer confidence while private investment contracted. Tourism sector moderated owing to less promotional activities. Manufacturing production declined but sign of improvement was observed. For economic stability, inflation slowed down while unemployment rate remained low. Commercial bank deposits and credits expanded satisfactorily.

Details of the economic conditions are as follows:

Supply side expanded. **Farm Income** grew by 12.4 percent year-on-year (yoy). This was attributable to an increase of 12.1 percent (yoy) in production, mainly from second crop rice, sugar cane, garlic, cassava and shallot. This was due to increased plantation areas from previous crop's attractive prices, as well as a favorable weather and water. Meanwhile, price rose slightly by 0.3 percent (yoy) following a rising price of second crop paddy and sugar cane. However, price of garlic declined, affecting by both higher domestic output and increased imports while price of cassava and shallot decreased causing by fallen exports. **Tourism** moderated after a robust growth in the previous period, resulting from less promotional activities after the end of the Royal Flora Ratchaphruek Fair 2011 in Mid-March, as well as the effect of smog. In the meantime, **Manufacturing Production Index** (MPI) contracted following a decreased production of machine components and equipments which resumed their normal sites of production once the rehabilitation had completed; in tandem with a continued shrink of electronic component production as well. Nonetheless, the rising book-to-bill ratio as indicator for prospective production signaled a sign of recovery. In addition, production of navigator components, mobile phones and beverages expanded on the back of increased external demand. This was in line with an expansion of food production, particularly rice milling and sugar processing.

Private Consumption improved, supporting by consumer confidence in expectation of higher future income of both agriculture and non-agriculture sectors. However, a shortage of automobile supply persisted, even though sales of motorcycle supply recovered. **Private Investment Index** (PII) continued to contract, resulting from the supply disruption of commercial cars as well as high-base effect in the previous year. Nevertheless, sales of construction materials accelerated following the rising demand from both residential accommodation and large construction projects from both public and private sectors. Going forward, this direction seemed continue as reflected by an increase in applications for construction permit in major provinces in the upper North. **Government disbursements** through provincial treasury offices in the Northern

region amounted to 19,027.4 million baht, growing by 30.9 percent (yoy). This was mainly from the current expenditure, particularly personnel and subsidies categories, while the disbursement of investment expenditure shrank as several projects had been under procurement.

Export value through the Northern Customs House accelerated by 28.2 percent (yoy), amounting to 400.0 million USD. This was recorded as a new high for the second consecutive month, mainly from the cross-border exports particularly to Myanmar and Lao PDR. In addition, exports through Customs in Lamphun province grew well following the exports of optical lens and electronic components. Concurrently, **import value** expanded by 4.9 percent (yoy), amounting to 133.9 million USD, mainly from imports of raw materials, intermediate and capital goods as well as other import goods. Meanwhile, the cross-border imports contracted across all markets, namely Myanmar, Lao PDR and the Southern China.

Regarding **economic stability, headline inflation** continued to moderate at 3.88 percent (yoy) owing to decreasing price of raw food, notably chicken, pork and rice. However, energy price continued to rise due to the Oil Fund taxes measure. Meanwhile, **core inflation** increased slightly from the previous month to 3.45 percent (yoy). **Unemployment rate** in February 2012 stood at a low level of 0.7 percent. Meanwhile, the numbers of registered person under social security system kept rising.

Commercial bank credits as of March 2012 amounted to 415,588 million baht, increasing by 17.2 percent (yoy) following an expansion of both consumer and corporate credits. In the meantime, **deposits** amounted to 479,147 million baht, rising by 11 percent (yoy), particularly from education and corporate sectors as well as mobilizing deposits by commercial banks. Hence, loan-to-deposit ratio was 86.7 percent, decreasing from 89.3 percent in the previous month.

In the first quarter of 2012, overall economy in the Northern region continued to expand well, albeit a slowdown in the previous quarter due to massive flooding. The production sector recovered in both manufacturing and agricultural sectors. Exports accelerated and recorded a new high. Tourism was robust owing to various festivals and ongoing promotional activities. In the meantime, trade grew well in both wholesale and retail trade. Private consumption was not fully recovered due mainly to persistent supply disruption of automobile. Meanwhile, government disbursements slightly increased as a result of delayed promulgation of Budget Act Fiscal Year 2012. Private investment contracted after favorable increase in the previous year. Nonetheless, going forward, manufacturing and real estate sectors tended to increase. Regarding economic stability, inflation moderated following decreased price of raw food despite accelerated price of energy. Unemployment rate remained low. As for banking sector, credit and deposit of commercial banks grew satisfactorily.

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