

North Businesses Urged to Increase Productivity

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On October 22, the Bank of Thailand Northern Region Office held its 2009 symposium in Phitsanulok, entitled "Managing the Global and Thai Economy in the Post Crisis."

To open, Governor Tarisa Watanagase highlighted that, as a result of the slow global economic recovery, prices of raw materials would not increase rapidly, thus providing businesses with the opportunity to expand their production in preparation for future economic expansion. Meanwhile, businesses should also raise their productivity, which currently remains the economy's weakness, by investing more in R&D, improving labour skills and upgrading management systems and technologies.

The northern region's economic development in the past two to three months indicated stabilisation. The government's announcement on policy reform in agriculture, particularly the rice-price insurance scheme, will affect related businesses in the lower north in particular. With the relatively high agricultural prices this year, an increase in farm incomes has helped moderate a contraction in domestic demand in the lower North.

Recently, manufacturing production has also improved on a month-on-month basis thanks to the adjustment of inventory in the electronics industry and a concern on quality of food exports which was beneficial to northern Thailand.

Panellists, including Nipon Poapongsakorn, president of the Thailand Development Research Institute, Wirote Jirattigalachote, vice secretary-general of the Thai Chamber of Commerce and Board of Trade of Thailand, and Sethaput Suthiwartnarueput, executive vice president of the SCB Centre for Economic and Business Intelligence, shared the view that a V-shaped recovery would not be observed as uncertainty remained and domestic demand recovery was still fragile.

Northern Thailand's resilient economic fundamentals and its position as a gateway to South China and Burma provide investment opportunities, reflected in an expansion of the Board

of Investment's approval of projects, mostly in processed agriculture products and bio-energy industries. However, the path of the recovery industries. However, the path of the recovery depends on both the turnaround of the global economy and the stability, continuity and effectiveness of the public stimulus policy.

Looking ahead, the post-crisis economy provides an opportunity in the long term for businesses to gain from an expansion of the urban middle class in Asia, a change in consumption preference owing to ageing societies, and an ability and willingness of the commercial banks to provide credit due to high liquidity. Under this environment, businesses should prepare by creating added value on their products, differentiating products by using strong economic clusters, and upgrading the quality of products well as increasing competitiveness through logistics management.

For rice-related businesses, the panelists stressed that the newly announced rice-price insurance scheme would eliminate the government's intervention in the rice market, allowing the government to shift its focus to R&D and trade policy reform. As a result, Thai rice will remain highly competitive in the world market. As for the impact from free-trade agreements, rice businesses should not be too worried by rice imports from neighboring countries but should prepare to reposition their production in the upper level of the value chain.

(The views expressed are the author's own.)

Published in The Nation on Monday, November 02, 2009