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Press Release on Northern Region Economic Conditions in October 2007

In October 2007, northern region economy improved from the previous month. **On the supply side**, farm income expanded, driven primarily by increased price of major crops. In addition, manufacturing production rose responding to foreign demand, while the service sector seasonally improved from the previous month. **On the demand side**, private consumption continued to expand but private investment declined in light of weakened construction investment. As for government spending, budgetary disbursement increased significantly, particularly capital investment. On the external front, both exports and imports increased, compared with last month's declines. The Headline Consumer Price Index accelerated as fuel prices rose. At end-September 2007, commercial bank deposit outstanding and credit outstanding continued to expand.

The development of the economic conditions in details is as follows:

1. Agriculture. Farm income grew at an accelerated rate of 9.6 percent due mainly to risen price of major crops. The major crops price index was up by 8.9 percent, boosted by increased prices of glutinous rice, and maize. Export demand, especially to China, drove the price of glutinous rice up by 26.9 percent, while the increased price of maize by 35.2 percent was lifted by greater demand, both domestic and export, as well as lesser maize supply. However, the price of major rice dropped by 8.1 percent. As for agricultural production, the major crop production index grew slightly by 0.7 percent, with production of major rice increasing by 3.9 percent because weather conditions was more suitable than that of last year that had seen some floods. Meanwhile, production of maize decreased by 4.4 percent, as farmers switched to plant cassava, and industrial sugar cane.

2. Manufacturing. Manufacturing production turned positive after eight months of consecutive declines. The export value by firms located at Northern Region Industrial Estate (NRIE) in Lamphun province, an indicator for export-oriented production, increased by one percent to 164.8 million US dollars, halting sequence of seven consecutive declines since April this year. The increase was driven by stronger demand for camera, particularly from China, Singapore, and Malaysia, which in turns lifted the export value of camera lens up significantly. Meanwhile, export-oriented production of cut precious stones continued to expand markedly, though slowing down from a more-than-one-fold increase in the previous month. Nonetheless, certain export-oriented production posted a decline, including components of hard disk drives, and electric transformers and motors that recorded a decline in export value by 23.6 percent as a result of a significant fall in small motors used in mobile phones. As for production for domestic consumption, beverages production accelerated from the previous month, responding to seasonally improved consumption demand. Production of construction-related materials, on the contrary, continued to decline. Meanwhile, the amount of Value Added Tax (VAT) collected from manufacturing firms increased by 8.7 percent to 215.7 million Baht, slowing down from the previous month, particularly in provinces of Nakhon Sawan, and Lampang.

3. Service. The service sector improved from the previous month, with the number of foreign visitors increasing in light of the approaching season of tourism. The development of key services indicators is as follows. The amount of VAT collected from hotels and restaurant rose by 26.8 percent, while the number of air passengers grew by 8.1 percent. In addition, the average of hotel room rate was up slightly by 0.9 percent, and the average of hotel occupancy rate was at 46.8 percent, improving from the previous month but slightly declining from the same month last year.

4. Private Consumption. Private consumption continued to expand with the development, as follows. The amount of VAT collected from all types of businesses increased by nine percent, slightly decelerating from the previous month, with the VAT collected from wholesale and retail businesses posting an

increase of 9.7 percent. Indicators for consumption of durable goods such as motor vehicles, however, remained in the negative territory. The number of registered cars, comprising passenger car and commercial car, fell by 6.6 percent, compared with a decline of 1.7 percent in the previous month, as both passenger car and commercial car decreased – by 0.5 percent, and by 10.3 percent, respectively. In addition, the number of registered motorcycle declined by 14.3 percent but improved from a decline of 28.1 percent in the previous month.

5. Private Investment. Private investment continued to decline, primarily as a result of weakened construction investment. The development of key private investment indicators is as follows. Sales of construction-related materials declined, while the square meter of construction areas permitted in municipal zones, a sign of construction investment, increased by 7.8 percent, reversing a negative growth of 28.6 percent in the previous month. Improved interests in building individual residences were main factor contributed primarily to the increase of construction areas permitted in municipal zones. The amount of land transaction fees, however, posted a decline of 4.5 percent, compared with an 1.1 percent increase in the previous month. As for capital investment, the investment value of BOI's approved projects, a sign for capital investment, continued to increase, recording a growth rate of 59.1 percent with total investment value of 555.2 million Baht. Of this, 424 million Baht was investment value of a project to produce clean electricity from biomass in Phichit province.

6. Government Spending. In October 2007, the first month of fiscal year 2008, the amount of budgetary spending recorded at provincial treasuries in the northern region increased significantly by 67.1 percent to 12,482.4 million Baht as both capital spending and current spending expanded. The capital spending (capital expenditures) continued to grow at an accelerated rate, rising by more than two folds. Accounted mainly for the increase in the capital spending were contingent subsidies that rose by more than one fold, particularly spending for the village waterworks project, and spending for land and building that increased by 51.2 percent. The current spending (for recurring, day-to-day expenses) was up by 10.8 percent, as a result of increased disbursement in categories of public utilities, and salaries and wages, which rose by 40.2 percent, and 12.3 percent, respectively. Provinces reporting significant increase in budgetary spending included Chiang Mai, Chiang Rai, Phitsanulok, and Nakhon Sawan.

7. Foreign Trade. In October 2007, the trade value passed through all customs houses in the northern region expanded by 2.8 percent to 379.2 million US dollars, recording an expansion for the first time since February this year. Exports passed through all customs houses in the northern region increased, with export value rising by 1.6 percent to 222.6 million US dollars, compared with a decline of 1.2 percent in the previous month. Details of exports classified by customs houses are as follows. *At the border customs houses*, exports to all neighboring countries increased by 33.5 percent to 60.3 million US dollars, with exports to Myanmar rising by 39 percent to 42.7 million US dollars and exports to China increasing by 30.1 percent to 14.5 million US dollars. Goods exported through the border customs houses consisted primarily of agricultural products, such as Para rubber, and dried longan. Meanwhile, *Lamphun Customs House* reported a decline in export value of 4.3 percent, improving from a fall of 6.5 percent in the previous month. Accounted primarily for the decline in export value at this customs house was a fall in exports of electrical apparatus for electrical circuits that decreased 11.8 percent, following decline of 19.8 percent in the previous month. However, certain products, exported through this customs house, expanded well such as camera lens, and cut precious stones.

Import passed through all customs houses in the northern region also increased, with import value rising by 4.6 percent to 156.6 million US dollars, compared with a decline of 13.9 percent in the previous month. Contributed primarily to the increase were import of raw materials and intermediate goods, and import of capital goods. Import value of raw materials and intermediate goods was up by three percent to 75.8 million US dollars, noting increases in imports of precious stones, metal, and plastic materials. Meanwhile, import of capital goods posted significant gain, with import value rising by 24.8 percent, largely as a result of imports of electrical machinery parts, and scientific equipment. Nonetheless, import of consumer goods was down, with import value dropping by 30.9 percent due to declined imports of cosmetics, and household goods. *At the border customs houses*, imports from all border countries rose by 20.7 percent to 11 million US dollars, improving from a decline of 5.5 percent in the previous month, as imports from Lao PDR more than doubled, boosted by imports of coal, and animal feeds; and increased imports from southern China that rose by 1.1 percent. Imports from Myanmar, on the contrary, was down by 10.3 percent to 3.1 million US dollars. The trade balance posted a surplus of 66 million US dollars, compared with a surplus of 69.5 million US dollars in October 2006, and a surplus of 91.9 million US dollars in September 2007.

8. Prices. The Headline Consumer Price Index (Headline CPI) increased by 2.8 percent, accelerating from 2.4 percent in the previous month as the food price index was in acceleration and rose by 2.6 percent due primarily to significant increase in fuel price of 16.4 percent. Meanwhile, risen price of sticky rice continued to lift the non-food price index up by 3.3 percent, compared with 4.5 percent in the previous month. As for core inflation, the Core Consumer Price Index (Core CPI), excluding prices of raw food, and energy, grew slightly by 0.5 percent, compared with 0.4 percent in the previous month.

9. Labor. According to the Labor Force Survey by the National Statistical Office, northern labor force totaled 6.73 million at end-September 2007. Of this 6.62 million were employed and accounted for 98.3 percent of the labor force, compared with 98.8 percent at end-September 2006. Agricultural employment expanded by 3.8 percent, while non agricultural employment grew by 2.3 percent, noting marked increase in hiring by manufacturing sector of 17.1 percent. The number of unemployed person was 0.10 million and accounted for 1.5 percent of the labor force, compared with one percent at end-September 2006, and 1.1 percent at end-August 2007. In October 2007, the number of insured person was 0.6 million, increasing from October 2006 by two percent but equaling that of September 2007.

10. Banking. At-end September 2007, the commercial bank deposit outstanding was 346,989 million Baht, expanding from the same period last year by 4.8 percent. Deposits made by savings cooperatives and service businesses in Chiang Mai province, and short-term deposits made by firms at NRIE in Lamphun province, contributed mainly to the increase in the overall deposit outstanding. As for lending, the commercial bank credit outstanding was 278,145 million Baht, expanding from the same period last year by 5.2 percent. Provinces of Nakhon Sawan, Phitsnulok, and Kamphaeng Phet reported significant gain in credit outstanding, largely as a result of credit demand from crop traders. The ratio of credit to deposit was at 80.2 percent, improving from 79.9 percent at end-September 2006

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