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Press Release on Northern Region Economic Condition in May 2009

In May 2009, the northern region economy contracted but improved from the previous month, due in part to acceleration in government spending, the government's economic stimulus packages, and increased production of some industries. Farm income declined from last year's exceptionally high level, whereas the service sector, private investment, exports and imports, remained subdued. Headline inflation declined for the second consecutive month after registering a successive increase since June 2003. At end-April 2009, commercial bank deposit and credit outstanding grew at a slower pace.

Details of economic conditions were as follows:

1. Agriculture. Farm income continued to decline, falling by 19.2 percent, but remained at sound level compared with last year's exceptionally high level. The major crop price index was down by 17.3 percent as prices of some major crops dropped from last year's high level, including second rice paddy (-28.3 percent), soybean (-12.7 percent), and maize (-25.4 percent), while a surge in supply pushed the price of lychee down by 30.7 percent. In contrast, prices of pineapple and garlic increased by 125.3 percent and 32.1 percent, respectively. The major crop production index was down by 2.3 percent as the second rice paddy output decreased by 5.3 percent in light of unfavorable weather conditions. In addition, production of pineapple and garlic declined by 12.6 percent and 16.4 percent, respectively, as some growers switched to plant other crops yielding better returns. In contrast, the outputs of lychee, soybean, maize, and cassava, rose by 48 percent, 0.8 percent, 0.3 percent, and 35.4 percent, respectively, due to better crop maintenance, prompted by last year's high prices, as well as suitable weather conditions.

2. Manufacturing. Manufacturing production improved compared with the previous month. The northern region's Manufacturing Production Index (MPI) contracted by 33.3 percent year-over-year, but the seasonally adjusted MPI increased by 5.1 percent month-over-month. Production of electronics industry declined by 42.9 percent, improving from a 60.4 percent fall in the previous month, while hard disk drive production line began to resume after being suspended for nearly two months. Electronic products recorded an increase in production included diodes, integrated circuits, transformers and motors. Production of food industry fell by 17.9 percent due to a slowdown in production of frozen fruits, fresh frozen vegetables, and dried vegetables. In the beverage industry, production declined by 24.2 percent, as inventory was high and consumers consumed less. In addition, production of ceramic tableware declined by 24.5 percent as demand in Europe weakened. In contrast, production of accessories expanded well, particularly for exporting to Australia.

3. Service. The service sector continued to decline, weighted down by the global economic slowdown, Thailand's weak domestic economy, and concerns over the news on the influenza A (H1N1) pandemic. As a result, the number of Thai and foreign tourists declined. This was reflected by decreases in most of the key service indicators. The Value Added Tax (VAT) collected from hotels and restaurants declined by 26 percent, particularly in provinces of Chiang Mai and Chiang Rai where the amount of the VAT dropped by 28.3 percent and 38.3 percent, respectively. In addition, the number of air passengers continued to decrease, falling by 9.9 percent with every airport in the northern region

reporting a fall. Meanwhile, the average of hotel occupancy rates declined to 33.9 percent, compared with 37.8 percent in the same period last year.

4. Private consumption. Private consumption improved, lifted by sound farm income level, particularly in the lower northern region, as well as the government's stimulus package. Developments of key private consumption indicators were as follows. The VAT collected from all types of businesses rose by 18.1 percent, contributed mainly by a 15.2 percent rise in the VAT collected from wholesale and retail trade businesses. Meanwhile, the VAT collected from manufacturing firms decreased by 2 percent, compared with a 44.5 percent increase last month that occurred when production of alcoholic beverages was escalated in anticipation of the excise tax increase. Spending for durable goods continued to decline in light of weak economic condition, as seen by a 21.6 percent fall in the number of registered cars and an 8.1 percent decline in the number of registered motorcycles. In April 2009, household electrical usage increased slightly by 0.7 percent.

5. Private Investment. Private investment contracted but showed improving signs. The sales of construction related materials turned positive, increasing by 0.7 percent. In addition, the square meters of construction areas permitted in the municipal zone, an indicator of forthcoming construction activities, expanded by 13.5 percent, as both residential and commercial areas rose, especially in major provinces in the upper northern region. Meanwhile, the amount of land transaction fees continued to decline, falling by 46 percent, but this was due to the reduction of tax and fee of property transaction incorporated in the interim measure aiming to promote real estate sector. The interim measure, originally effective until March 2009, was extended for another one year. As for capital investment, the investment value of BOI's approved projects, an indicator of future capital investment, declined by 69.1 percent.

6. Foreign Trade. Foreign trade through customs houses in the northern region contracted, both exports and imports. Export value recorded through customs houses in the northern region declined by 29 percent to 194.6 million US dollars, but the seasonally adjusted export value improved slightly over the previous month. The export of manufacturing goods dropped by 43.8 percent, pulled down by declines in exports of electronic components, optical equipments, and jewelry, whereas the export of agricultural products turned positive, rising by 11.1 percent, due to increased exports of fruits and vegetables. Meanwhile, the export to bordered countries increased by 9.4 percent to 99.8 million US dollars, slowing down from 18.6 percent in the previous month, as exports to Myanmar and Lao PDR grew at decelerated rates of 12.2 percent and 19.6 percent, respectively. The export to southern China, in contrast, contracted by 20.5 percent, compared with a decline of 9.3 percent in the previous month.

Import value recorded through customs houses in the northern region decreased by 35.9 percent to 103.5 million US dollars, but improved from a decline of 67.6 percent last month as the import of raw materials and intermediate goods improved, though remained in the negative territory (-53.3 percent), particularly raw materials for producing electronic components (-31.7 percent). Meanwhile, the import of capital goods dropped by 58 percent as the firms located at Northern Region Industrial Estate in Lamphun province imported less electrical machinery components. As for border trade, the import from bordered countries expanded by 49.9 percent to 11.7 million US dollars as the imports from Myanmar and Lao PDR more than doubled, especially, shallots, and vegetables. In contrast, the import from southern China continued to decline, falling by 63.8 percent. The trade balance registered a surplus of 91.1 million US dollars, compared with a surplus of 112.4 million US dollars in May 2008, and a surplus of 102.3 million US dollars in April 2009.

7. Government Spending. Government spending disbursed from provincial treasury offices in the northern region rose by 49.5 percent to 16,013.8 million baht. Capital expenditures nearly tripled, totaling 7,310.3 million baht, as a general subsidy (classified as capital expenditures) disbursed

by local administrative organizations increased by 174.6 percent. In addition, the disbursement from land and construction increased by 38.8 percent. Provinces recording significant increase in capital spending included Chiang Rai, Chiang Mai, Phetchabun, and Phitsanulok. Meanwhile, the current expenditures grew by 8.2 percent to 8,703.5 million baht, as a general subsidy (classified as current expenditures) disbursed by local administrative organizations increased by 36.9 percent. In addition, other expenses rose by 21.3 percent and operating expenses (personnel and supplies) increased by 18.3 percent.

8. Prices. The Headline Consumer Price Index (Headline CPI) declined by 4.6 percent, recording the second straight month of decline after registering a successive increase since June 2003. The non food price index was down by 9.5 percent as the government's 5 measures 6 months drove the price of transportation and communication and the price of housing and furnishing down by 15.6 percent and 6.9 percent, respectively. In addition, the government's learning free policy led to decreased expense burden and declined prices of education and school children uniforms. Furthermore, the price of recreation and education and the price of apparel and footwear decreased by 10 percent and 3 percent, respectively. The food price index had eased for the seventh consecutive months since November 2008, growing by 2.4 percent compared with last year's high base. The core Consumer Price Index (Core CPI) was down by 0.5 percent, recording the first decline since July 2004, due to the government's learning free policy together with last year's high base effect in prices of several goods and services.

9. Labor. According to the Labor Force Survey conducted by the National Statistical Office, the northern labor force totaled 7.1 million at end-April 2009. Of these, 7 million were employed, increasing by 7.6 percent from the same period last year. Agricultural employment grew slightly by 0.8 percent. Meanwhile, employment in the non-agricultural sector increased by 12.6 percent, with significant increases in wholesale and retail trade (13.3 percent), construction (8.8 percent). With the number of unemployed persons of 0.1 million, the unemployment rate was at 1.5 percent, equaling that of at end-April 2008.

10. Banking. At end-April 2009, commercial bank deposit outstanding increased at a slower rate of 5.3 percent to 383,790 million baht. The increase was due mostly to expansion in current, and savings deposits made by local administrative organizations and academic institutions in provinces of Chiang Mai, Kamphaeng Phet, and Pichit. In contrast, the fixed deposit declined as investor, seeking higher return, withdrew funds to invest in Bills of Exchange and mutual funds, especially in provinces of Nakhon Sawan and Chiang Mai. As for lending, commercial bank credit outstanding grew by 0.6 percent to 289,603 million baht, slowing down from 2.4 percent at end-March 2009, as some businesses and organizations had their debts paid off, particularly Bills of Exchange and overdraft: construction businesses had their debts paid off as a result of debt restructuring, while debt paying off in provinces of Kamphaeng Phet, Nakhon Sawan, and Phetchabun was observed in savings cooperatives, crop traders, and rice mill businesses. The ratio of credit to deposit was at 77.8 percent, declining from 81.4 percent at end-April 2008.

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