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Northern Region Economic condition in November 2009

In November 2009, the economic expansion in the Northern region was largely broad-based. Manufactured production rose sharply after a small decline in the previous month following a strong demand for processed agricultural products and increased purchasing orders of electronic products. Noticeably, electronic components production also registered a positive growth for the first month since October 2008. Overall export turned in a positive growth for the second consecutive month. Import of intermediate goods and capital goods also rose, reflecting an increased external demand in the light of a global economic recovery. Meanwhile, private consumption, trade and private investment exhibited further improvement. Farm income also kept on the upward trend since July 2009. Service sector benefited from the upcoming high-season period and promotional campaigns to boost tourism activities in many provinces. Additionally, government's budget disbursement accelerated after a delay in the promulgation of the Annual Budget Act for the fiscal year 2010 in the earlier month. Unemployment rate remained low. As for banking, credit outstanding slightly declined while deposit outstanding was stable.

Details of the development of the economic conditions are as follows:

1. Agriculture. Farm income from major crops maintained a continued uptrend since July 2009, though registering a 14.7 percent contraction over the same period last year. The major crop price index declined by 12.6 percent as prices of major rice paddy and maize fell by 12.0 percent and 3.8 percent, respectively as a result of last year's exceptionally high base. Nonetheless, prices of major rice paddy and maize surged from the previous month, driven by an increase in world demand. Meanwhile, major glutinous paddy rice, mung bean and cassava sharply rose by 52.1 percent, 106.6 percent and 30.2 percent, respectively. As for production, the major crop production index decreased 2.5 percent following a fall in productions of major rice and cassava with a rate of 2.5 percent and 6.5 percent, respectively. This was largely due to a severe spread of insect pests led to a lower yield per Rai, particularly major planting areas in the lower Northern region. On the other hand, maize output increased by 2.9 percent due to an expansion in cultivation areas induced by a favorable last year's price.

2. Manufacturing. Manufacturing production posted an accelerated growth of 23.3 percent, a reversal from the 3.3 percent contraction in the previous month following a strong expansion in agriculture processing industry. Production of food industry significantly increased by 45.6 percent, largely from increased exports of dried longan to China as well as frozen vegetables and canned-sweet corn to East Asia and Russia. In addition, sugar production expanded favorably in line with an increase of sugarcane planting areas, particularly in the lower Northern region. Electronic components industry, registered a positive growth for the first month since October 2008 with a rate of 18.1 percent, notably components and parts in

computers, mobile phones, LCD and hard disk drives. This was in part due to the base effect from the same period last year resulting from the global economic crisis. Meanwhile, construction-related materials also substantially rose 75.6 percent due mainly to an increase in both government and rural-based household construction activities coupled with strong export to Myanmar. However, beverage production declined by 5.5 percent following a reduction of beer output after the acceleration in production in the earlier period.

3. Service. Several key service indicators showed a continued improvement. The contributing factors included the beginning of high-season period, various promotional measures to boost tourism activities and cool weather condition. The arrival of air passengers to Northern airports was up significantly by 32.3 percent as a result of the increased number of tourists, particularly first-visit travelers to the Northern region coupled with last year's low base due to the closure of Suvarnaphumi and Donmuang airports. However, the amount of Value Added Tax (VAT) collected from hotels and restaurants declined 6.3 percent. Meanwhile, the average of hotel occupancy rates slightly decreased 1.2 percent to 63.7 percent. The average of hotel room rate was 1,077 baht per room night, a fall of 7.0 percent over the same period last year reflecting an intense price competition in major tourism-based provinces.

4. Trading Sector. Trading activities remained on a rising trend on a year-on-year basis. Trading index increased 13.3 percent over the same period last year. Of this, Motor vehicles trade was up by 12.2 percent on account of stronger consumers' demand driven by an aggressive marketing competition, particularly with the launch of new car models by auto producers together with dealers' promotional campaigns to stimulate their year-end sales target. In addition, total sales of fuel increased. Wholesale trade rose 12.2 percent due to an inventory accumulation of construction-related materials for construction projects under Investing from Patibatkan Thai Khem Khaeng Project. Retail trade also expanded 15.4 percent as consumer spending started to edge up.

5. Private Consumption. Private consumption continually improved from the previous month. The private consumption index rose 2.5 percent as a result of economic recovery, strengthened consumers' confidence, various promotional activities and the low interest rate environment. Expenditures on vehicles showed an improvement in almost all categories. This was in part due to the effect of low base over the same period last year caused by a global economic slowdown. Meanwhile, the VAT collected from all types of businesses marginally increased by 0.7 percent, moderated from 2.4 percent growth in the previous month.

6. Private Investment. Private investment in the Northern region continued its improvement trend, mainly benefiting from government stimulus measures. The private investment index increased 5.5 percent, improving from the previous month as total sales of construction-related materials further accelerated by 73.0 percent from the previous month, as a consequence of an increase in domestic sales driven by ongoing large-scale government construction projects, namely road and bridge-neck construction since the beginning of fiscal year 2010 combined with an export to neighboring countries. Meanwhile, land transaction fees continually rose by 22.3 percent following high transactions volume as the deadline draws near for the expiration of the concessionary land registration and transfer fees of 0.01 percent as well as the expansion in sales of vacant land, particularly in provinces of the upper Northern region. On the other hand, the square meters of construction areas permitted in municipal zone, particularly residential areas, declined by 31.8

percent. As for investment prospects in machinery and equipment, the investment value approved by BOI's further improved from the previous month, though recording a decline of 62.9 percent on a year-ago basis. A total of six projects with the proposed investment amount of 427.0 million baht were approved, mainly in the categories of paper and plastic products and agriculture and agricultural products.

7. Foreign Trade. Export recorded an expansion for the second successive month. Export value grew by 21.2 percent to 240.4 million US dollars, accelerating from the previous month. Exports of agricultural products markedly increased by 60.5 percent in line with exports of maize, tobacco and dried longan. Meanwhile, exports of manufactured products rose 4.2 percent, recording a positive growth for the first month since October 2008. Significant increase was observed in the exports of labor-intensive products namely jewelry and resource-based products such as canned sweet corn, preserved food, flavored milk. As for border trade, exports to bordered countries continually rose 35.4 percent to 108.5 million US dollars. Exports to Myanmar and Laos PDR were markedly up by 40.2 percent and 76.9 percent, respectively. In contrast, export to southern China slightly declined by 1.4 percent.

Import value through customs houses in the Northern region grew at an accelerated rate of 32.8 percent to 141.8 million US dollars, compared with 18.4 percent decline in the previous month with the increase being registered in almost all categories. Meanwhile, imports of raw materials and intermediate goods rose by 33.1 percent, namely electronic components, glass and chemical. In addition, import of capital goods increased 42.9 percent mainly from the import of machinery parts. Border trade imports from bordered countries contracted by 24.8 percent to 11.0 million US dollars as imports from Myanmar significantly declined by 73.7 percent, notably vegetables, fruits and fishery products. Meanwhile, import from southern China posted a small growth of 0.7 percent while import from Laos PDR more than doubled, mainly from imports of vegetables, fruits and lignite.

The trade balance registered a surplus of 98.6 million US dollars, increasing from a surplus of 91.7 million US dollars in November 2008, but decreasing from a surplus of 143.8 million US dollars in October 2009.

8. Government Spending. Government spending disbursed from provincial treasury offices in the Northern region grew faster at 60.4 percent, in contrast with a 1.9 percent decline in the previous month as the acceleration in government spending in the current fiscal year more than doubled in volume. Disbursement was expedited particularly by local administrative organizations, in categories of general subsidies in almost all provinces at rates ranging from 12.3 percent to 104.7 percent compared to the same period last year.

9. Prices. The Headline Consumer Price Index (Headline CPI) grew by 2.0 percent, increasing for the second successive month following an increase in non-food prices by 2.2 percent. Vehicle prices contributed notably to the rise in non-food prices, while transportation and communication category was up by 5.6 percent as a result of higher oil prices. Prices in housing category, particularly utilities prices rose 2.4 percent for the fourth consecutive month from the extension of the government's 5 measures 6 months to alleviate the cost of living expenses. On the other hand, prices of education and student apparel remained on a declining trend attributable to the 15-year free education policy. Meanwhile, the food price index increased 1.3 percent, moderating from the previous month as prices of vegetables and fruits slightly fell 0.5 percent. This resulted from a drop in prices of vegetables

after Chinese vegetarian festival in tandem with a rising supply of seasonal fresh fruits, namely orange, into the market. Consumer Price Index (Core CPI) was slightly down by 0.1 percent.

10. Labor. According to the Labor Force Survey conducted by the National Statistical Office, the Northern labor force totaled 7.2 million at end-October 2009. Of these, 7.1 million were employed, increasing by 0.9 percent as employment in non-agricultural sector expanded by 3.6 percent. Notable expansion was shown in areas of wholesale/retail, hotels/restaurant and manufacturing with a rate of 14.5 percent 8.7 percent and 2.2 percent, respectively as demand for labor rose after earlier layoffs due to the global economic crisis in 2008. By contrast, the employment in agricultural sector declined 2.1 percent as a result of a migration of labor to non-agricultural sector. The number of unemployed persons was 0.1 million with an unemployment rate of 2.0 percent, higher than that of 1.8 percent in the same period last year. However, an improved employment condition was reflected by a continued decline of the number of insured persons, which benefited from the unemployment welfare since June 2009, numbering 15,520 persons at end-November 2009. Meanwhile, the number of insured person amounted to 701,707 persons, rising 0.8 percent from the previous month and 5.2 percent from the same period last year. Of this, the number of insured persons listed under section 33 and section 39 was 604,081 persons and 97,676 persons, expanding 1.3 percent and 38.2 percent, respectively.

11. Banking. At end-October 2009, commercial bank deposit outstanding amounted to 380,598 million baht, increasing by 5.5 percent over the same period last year. However, deposit outstanding fell 1,053 million baht comparing with the previous month. This was attributable to a temporary fund withdrawal made by authorities to facilitate various projects as the disbursement of government budget was delayed. The decline was observed in every provinces of the lower Northern region, notably Phitsanulok, Nakhon Sawan and Phetchaboon. In contrast, deposit grew, notably those of academic institutions particularly in Chiang Mai province. As for lending, commercial bank credit outstanding decreased by 1.5 percent to 297,609 million baht, lowering from 1.2 percent decline in the previous month. Saving cooperatives and hotel businesses repaid their loans as they were offered more favorable terms of borrowing compared to commercial banks. Significant decline in credits was observed in provinces of Chiang Mai and Utaradit. However, a continued growth in lending was seen in businesses of rice mills and crop trading, especially certain provinces in the lower Northern region. The ratio of credit to deposit was at 78.2 percent, declining from 83.7 percent at end-October 2008.

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