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Northern Region Economic condition in October 2009

In October 2009, economic conditions continued to improve in the Northern region. Private investment exhibited signs of recovery, particularly in the construction activities in line with an upward adjustment in the services sector with the start of the high-season period. Trade activities maintained its favorable expansion, though slowing down from the previous month. In addition, export recorded a positive growth for the first time in the year. Private consumption remained stable compared to the same period last year. Furthermore, farm income continually improved for the third consecutive month. Nonetheless, manufacturing production declined following a slowdown in processed agricultural production and a decrease in ceramic tableware production. Government spending slightly declined. Headline consumer price index, however, turned positive for the first month after registering a decline for the last six months. As for banking, credit outstanding improved and deposit outstanding expanded.

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

1. Agriculture. Farm income from major crops though declining 14.8 percent year on year, represented the third successive month of improvement.. This was largely a result of the smaller contraction of the major crops price index at a rate of 16.1 percent compared with 21.5 percent in the previous month. A decline of the major crop price index was due to a fall in prices of major rice paddy with a rate of 21.6 percent following a decline in the world prices combined with a reduction in rice export. In addition, the price of maize was down by 21.2 percent as a result of oversupply in the market. Furthermore, the price of soybean also declined by 20.7 percent. As for production, the major crop production index slightly increased by 1.5 percent as production of major rice and maize still grew at a slower rate of 0.8 percent and 3.5 percent, respectively, due to the expansion of planting areas encouraged by the previous year's high prices, though a lack of rainfall in major planting area yielding lower output than that of last year. However, production of soybean marginally increased by 0.2 percent.

2. Manufacturing. Manufacturing production showed a continuous slowdown. The manufacturing production index (MPI) decreased 3.3 percent on year ago basis and 5.9 percent from the previous month. Food production recorded a slower growth of 1.3 percent, compared with a marked expansion of 85.5 percent last month, particularly dried longan, and frozen and dried vegetables following a request by customers to delay their delivery. In addition, production of tableware ceramic products for exports to major markets, namely England, Sweden and USA substantially declined by 41.6 percent. Furthermore, production of electronics industry remained weak on year-on-year basis but continually improved from the previous month, notably new model of electronic components such as touchpad for

computer screen/ mobile phone and GPS receivers in mobile phones. Meanwhile, beverage production resumed an expansion for the first month since April, 2009 as entrepreneurs replenished a rundown of inventory in the earlier period and started to accumulate stock for sales during the New Year festival.

3. Service. The upward trend in service sector became more apparent due to a return of both domestic and foreign tourists with the coming high season and improving political situation relative compared to the end of last year. Developments of key service indicators were as follows. The arrival of air passengers to Northern airports continued to increase by 18.6 percent for the fourth consecutive month, a moderate slow down from the previous month. The amount of Value Added Tax (VAT) collected from hotels and restaurants declined 5.1 percent, improving from a 16.5 percent contraction in the previous month. Notably, the VAT collection in the lower Northern region posted a slight increase of 0.4 percent. Meanwhile, the average hotel occupancy rates decreased from 42.6 percent in the same month last year to 41.3 percent. The average hotel room rate was 813.7 baht per room night, a fall of 0.5 percent over the same period last year following a price competition strategy among entrepreneurs.

4. Trading Sector. Trading activities expanded on a year-ago basis, but moderating from the previous month. Trading sector index was up by 11.8 percent and can be broken down into the following components. Motor vehicles trade still recorded a positive growth of 8.8 percent, but slowing down from the previous month. While, total sales of fuel expanded for the first month since November 2008. Wholesale trade rose by 12.7 percent. Favorable increase was observed in almost all categories, except for food and beverage category. Meanwhile, retail trade, reflecting consumers' spending, expanded across the board by 15.5 percent.

5. Private Consumption. Private consumption remained stable. The private consumption index slightly increased 0.2 percent, moderating from the previous month. This was reflected by key private consumption indicators as follows. The VAT collected from all types of businesses decelerated by 1.9 percent. Of this, manufacturing category registered a continual contraction from the previous month, whereas construction category posted an expansion, benefiting in part from the acceleration in government spending before the end of fiscal year. As for durable goods, the number of registered cars rose by 0.3 percent, slowing from the previous month in the passenger cars category. By contrast, commercial cars showed a sign of recovery. Meanwhile, the number of registered motorcycles fell by 3.0 percent, improving from the previous period due in part to the introduction of new motorcycle models and marketing strategies.

6. Private Investment. Construction investment continued to show signs of recovery following construction investment activities. The private investment index increased by 5.3 percent, as reflected by the following indicators. The sales of construction related materials expanded well by 55.7 percent. In addition, the square meters of construction areas permitted in municipal zone, contributed by an increase in construction areas for commercial buildings, particularly in Chiang Rai provinces rose by 7.0 percent. Significant expansion in construction activities were seen in the household and public sectors such as road and bridge construction projects. Collection of transaction fees also increased 10.6 percent. Meanwhile, the investment value of BOI's approved projects, an investment prospects in machinery

and equipment, fell by 78.5 percent, totaling 560.7 million baht. The approved projects included investment in services and public utilities and light industry.

7. Foreign Trade. Overall trade expanded. Export value through customs houses in the Northern region increased by 7.9 percent to 248.6 million US dollars, recording the first month of expansion in 2009. This was due to an increase in exports of agricultural products, namely tobacco and maize at a rate of 30.5 percent. Meanwhile, exports of manufactured products still contracted by 7.1 percent, but exhibited an improvement in almost all categories, particularly jewelry products which registered a positive growth for the first time since the global economic crisis. Additionally, exports of electronic equipments and components improved well, led mostly by exports to China. As for border trade, exports to bordered countries rose by 31.3 percent to 104.5 million US dollars, accelerating from the previous month. Exports to Myanmar and Laos PDR expanded favorably by 42.2 percent and 28.0 percent, respectively. On the contrary, export to southern China continually declined by 27.4 percent.

Import value through customs houses in the Northern region still decreased by 18.4 percent in certain categories to 104.7 million US dollars. High-value imports of machinery parts in the same period last year resulted in a larger import contraction of capital goods with a rate of 36.8 percent, compared to 20.8 percent last month. Meanwhile, imports of raw materials declined by 14.2 percent, improving from the previous month, due mainly to an increase in imports of raw materials for electronic industry and rough diamond. As for border trade, imports from bordered countries grew by 6.3 percent to 11.9 million US dollars as imports from Laos PDR and southern China significant rose by 42.3 percent and 34.8 percent, respectively. In contrast, import from Myanmar continued to decline by 48.9 percent.

The trade balance registered a surplus of 143.9 million US dollars, increasing from a surplus of 102.0 million US dollars in October 2008, and a surplus of 94.2 million US dollars in September 2009.

8. Government Spending. Government spending disbursed from provincial treasury offices in the Northern region contracted following a delay in the promulgation of the Expenditure Budget Act for the fiscal year 2010. In October 2009, the budgetary disbursement totaled 7,157.0 million baht, decreasing 1.9 percent from the same period last year. Notable decrease was seen in categories of general subsidies of local administrative organizations (classified as current expenditure) with a rate of 16.2 percent. Meanwhile, the capital expenditure amounted to 781.2 million baht, increasing by 25.9 percent due to an increase in categories of land and building, and specific subsidies.

9. Prices. The Headline Consumer Price Index (Headline CPI) slightly grew by 0.3 percent, increasing for the first month after registering a successive decline for six months. The food price index rose by 2.4 percent following a rise in prices of fruits and vegetables on account of the vegetarian food festival and the impact of the flood. Meanwhile, the non food price index fell by 1.6 percent, improving from the previous month as prices in categories of vehicles, transportation and communication continually posted a smaller decline following a rise in oil prices. However, prices in category of education maintained in a negative territory on

account of the government's measure. Consumer Price Index (Core CPI) was down by 0.3 percent.

10. Labor. According to the Labor Force Survey conducted by the National Statistical Office, the Northern labor force totaled 7.3 million at end-September 2009. Of these, 7.2 million were employed, increasing by 1.8 percent as employment in agricultural and non-agricultural sector expanded by 0.8 percent and 2.7 percent, respectively. A marked expansion was observed in areas of wholesale/retail, manufacturing and hotels/restaurant with a rate of 13.3 percent 6.3 percent and 13.6 percent, respectively following a continued recovery in these areas. The number of unemployed persons was 0.1 million with an unemployment rate of 1.2 percent, comparable to that of the same period last year. Additionally, the underemployment rate was 1.7 percent, higher than that of 1.5 percent in the same period last year. However, current employment condition had eased reflected by a continued decline of the number of insured persons, which benefited from the unemployment welfare since June 2009, equivalent to 16,154 persons at the end-October 2009. Meanwhile, the number of insured person registered under section 33 totaled 600,130 persons, recording an increase with a rate of 0.5 percent for the first month since October 2008. The number of insured persons registered under section 39 was 95,676 persons, increasing by 2.0 percent from the September 2009 and 37.2 percent from October 2008.

11. Banking. At end-September 2009, commercial bank deposit outstanding amounted to 381,651 million baht, increasing by 5.5 percent over the same period last year. However, deposit outstanding moderated from a 7.1 percent increase last month, equivalent to a 2,186 million baht decline on account of fund withdrawal by authorities and academic institutions to facilitate various project and to invest in debt securities which offer higher returns. Significant decline was seen in the provinces of Phetchaboon, Nakhon Sawan and Kamphaengphet. As for lending, commercial bank credit outstanding decreased by 1.2 percent to 298,184 million baht, improving from 1.4 percent in the previous month. An increase in credits was observed in businesses of rice mills and crop trading, especially in the lower Northern region, namely Nakhon Sawan and Kamphaengphet. The ratio of credit to deposit was at 78.1 percent, declining from 83.4 percent at end-September 2008.

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