



Press Release on Northern Region Economic Conditions in January 2004

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The overall northern region economy continued to expand. On the supply side, major crop production increased owing to favorable weather conditions while major crop price rose due to improving export demand and world market prices, thereby increasing farm income. Manufacturing production grew continuously while tourism conditions benefited from festive seasons and favorable climate. On the demand side, private consumption slightly decelerated but remained strong under supportive environments, with number of registered cars recording a five-year high. Private investment weakened as construction investment activity concentrated the previous month taking advantage of expiring incentives on land ownership transferring fees. Government spending expanded. Consumer Price Index slightly increased. Banking conditions improved, with both commercial bank deposits and credits expanding.

Details of economic conditions in January 2004 are as follows:

1. Agricultural Production. January's major crops consisted of sugarcane, major rice, cassava, and maize. As for output, major crop production grew by 2.7 percent year-on-year due mainly to increase in sugarcane production resulted from cultivation area expansion. Cassava production grew as a result of higher yield in light of favorable weather conditions, while major rice production increased owing to sufficient and scattered rainfall during cultivation season. As for agricultural price, major crop price increased by 2.4 percent year-on-year, driven mostly by rising sugarcane price. Major rice price grew in line with world market price while maize price increased responding to export demand. With increasing production and rising price, farm income from major crops grew by 7.2 percent year-on-year.

2. Manufacturing Production. Overall manufacturing production increased from the same period last year as reflected by increasing export activity of manufactures located in Northern Region Industrial Estate Customs House in Lumphun province with export value recording a 38.9 percent increase year-on-year driven by improving foreign demand. Sugar production rose significantly by 32.3 percent year-on-year as a result of early sugarcane harvest and rising sugar demand in foreign markets, especially China. However, zinc production declined from the same period last year by 4.8 percent.

3. Services. Tourism activity continued to improve satisfactorily under approving environments of favorable weather conditions, extended New Year holiday, and Chinese New Year festival. Hotel occupancy rate averaged at 64.0 percent, improving from 62.6 percent in the same period last year. Air passenger grew by 26.8 percent year-on-year as number of passengers in all northern airports improved due partly to the operation of low fare airlines.

4. Private Consumption. In January 2004, private consumption remained at satisfactory level though slightly decelerated from last month. Spending for vehicles weakened moderately but remained at strong level under the supportive environment of low interest rates, attractive loan repayment conditions and sales promotion along with launching of striking car models in last December. Based on preliminary data, registered car grew by 6.9 percent year-on-year, decelerated from the previous month that benefited from the introductions of new car models during November-December 2003. Nonetheless, number of registered car was the highest in the last 5 years as passenger car and pick-up expanded in most of the northern provinces. Based on preliminary data registered motorcycle declined by 30.3 percent year-on-year, as there were fewer introductions of new attractive price models than in the second half of 2002-the first half of 2003. In December 2003, residential electrical usage increased by 4.9 percent year-on-year, decelerating from the previous month as household electrical demand weakened due to cold weather conditions.

5. Private Investment. In January 2004, private investment, both construction and capital investments, decelerated. Construction investment activity slowed down from last month's escalating activity aiming to take advantage of expiring incentives on land ownership transferring fees. Based on preliminary data, key investment indicators such as land transaction fee increased by 12.1 percent year-on-year, decelerating from an increase of 2.5 folds in December 2003, while construction areas permitted in municipal zone declined from the same period last year by 48.8 percent as residential, commercial, and service and transportation areas dropped. Capital investment also decelerated as reflected by a slow down in import value of non-electrical machinery and parts, and decrease in investment value of newly registered factories, however, investment interest appeared to concentrate in transportation and agricultural industries. Indication of foreign investment in export-oriented industries appeared to weaken as seen by a decline in investment value of BOI's approved projects, with foreign investment interest focusing on electronics, agriculture and agricultural product, and diamond cutting industries.

6. Fiscal Positions. Government budgetary expenditure registered at northern provincial treasuries and district treasuries grew by 13.9 percent year-on-year as capital expenditure on subsidies increased by 55.2 percent as a result of funds disbursement by Local Administrative Organizations. Government revenue rose by 20.6 percent year-on-year, with revenue items reflecting overall household and business conditions grew satisfactorily including VAT, corporate income tax, and specific business tax.

7. Foreign Trade. Foreign trade activity was captured by export-import value registered at all customs houses in northern region consisting of (1) Northern Region Industrial Estate Customs House in Lumphun province (2) Chiang Mai Airport Customs House (3) Border trade customs houses/checkpoints. In January 2004, export value registered at customs houses in northern region grew by 33.5 percent year-on-year to 159.6 million US dollars, with exports from Northern Region Industrial Estate Customs House increasing by 38.9 percent and consisting of key export items such as electrical apparatus for making and breaking electrical, optical appliance and instruments, electrical appliance, transformers generator and motors, and precious stones. However, export value registered at Chiang Mai Airport Customs House declined slightly by 2.1 percent year-on-year in tandem with decrease in exports of horticultural products, prepared foodstuffs (canned food not included), ceramic products, and wood products.

Import value registered at all customs houses in northern region rose by 23.7 percent year-on-year as imports of Northern Region Industrial Estate Customs House in Lumphun province increased, with key import items including non-electrical machinery and parts from Japan, South Korea, Malaysia, and Taiwan; plastic raisin and products; and precious stones.

Details of border trade are as follows. Border-trade export value increased by 27.7 percent year-on-year, as exports to Myanmar increased markedly by 83.8 percent from exports of vegetable oil and monosodium glutamate. Exports to Southern China, however, dropped by 44.9 percent year-on-year due to waterway transportation obstacles, resulting in decrease in most of the export goods except rubber, while exports to Lao PDR declined by 56.8 percent year-on-year affected by high import tax. Border-trade import value rose by 44.0 percent year-on-year in tandem with increase in imports from Myanmar and Southern China. Imports from Myanmar grew by 43.7 percent year-on-year as imports of fishery product increased by more than one fold, while imports from Southern China, benefited from Thailand-China Free Trade Agreement (vegetable and fruit items), rose by almost one fold with major items being apple and pear. Imports from Lao PDR, however, dropped by 9.5 percent year-on-year.

In January 2004, the trade balance, resulted from export-import registered at all customs houses in northern region, was in surplus at 57.5 million US dollars, improving from a surplus of 36.9 million US dollars in the same period last year.

8. Prices. The Consumer Price Index (CPI) grew by 1.7 percent year-on-year, decelerating from 2.1 percent in the previous month. Food prices increased by 4.7 percent year-on-

year as price of Thai Jasmine rice increased responding to export demand, and prices of vegetable and fruit rose in response to increasing demand prompted by Chinese New Year festival. Meat price increased as consumers shunned poultry after the spread of avian flu was confirmed in the end of January. Non-food prices rose moderately by 0.2 percent year-on-year due mainly to higher fuel price in light of rising world market oil prices. Core CPI dropped by 0.1 percent year-on-year as housing rents continued to decline.

9. Labor. From December 2003 Labor Force Survey by National Statistical Office, northern region labor force stood at 6.6 million. Employment increased by 3.0 percent year-on-year in tandem with employment in non-agricultural sectors including construction, manufacturing, and transportation. Unemployment rate stood at 1.4 percent, improving from 1.6 percent in the same period last year, as labor demand from agricultural sector, manufacturing sector, and wholesale and retail sector improved.

10. Banking. At end-January 2004, commercial bank deposits increased by 2.9 percent year-on-year as a result of improving farm income and funds transferring from sugar refinery and mining business that led to increase in deposits in Chiang Mai, Lampang, Nakhon Sawan, Uttaradit, and Tak. Commercial bank credits expanded by 9.5 percent year-on-year as commercial credits to wholesale and retail businesses, agribusinesses, manufacturing credits, and consumer credits improved, resulting in significant credits increase in Chiang Mai, Tak, and Sukhothai. Ratio of credits to deposits stood at 70.8 percent, improving from 70.6 percent and 66.6 percent in the same period last year.

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