



Press Release on Northern Region Economic Conditions in February 2004

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The overall northern region economy continued to expand. Private consumption activity remained at satisfactory level while exports grew strongly despite consumer confidence and foreign tourist inbound were affected somewhat by the avian flu. On the supply side, manufacturing production expanded well mainly in response to foreign market demand, while services sector benefited from Thai visitors. Agricultural production rose but major crop price moderately declined, leading to a drop in farm income. Headline Consumer Price Index accelerated but remained at low level. Commercial bank deposits increased slightly since funds were withdrawn to invest in financial securities and to repay loans.

Details of economic conditions in February 2004 are as follows:

1. Agricultural Production. Major crop production grew by 6.1 percent year-on-year. Sugarcane, and onion productions grew by 2.7 percent and 66.5 percent respectively due to expansion of cultivation areas and price motivation. Shallot, garlic, and cassava productions increased by 9.0 percent, 11.0 percent, and 11.8 percent respectively owing to higher yields in light of favorable weather conditions. However, major crop price fell by 10.1 percent year-on-year as prices of garlic, shallot, and onion dropped markedly by 47.4 percent, 41.1 percent, and 79.7 percent respectively, facing competitive price of import products from China. Farm income thereby declined by 4.0 percent year-on-year.

Having been affected by the spread of the avian flu, chicken and hen egg sales dropped significantly since the end of January but began to pick up subsequently after the government campaigning for safety of fully cooked chicken and hen egg consumption, with resumption of hen egg consumption being relatively faster than chicken consumption.

2. Manufacturing Production. Overall manufacturing production continue to expand as reflected by increasing activity of export-oriented manufactures located in Northern Region Industrial Estate Customs House (NRIE) in Lumphun province. In February 2004, NRIE export value recorded a robust 37.8 percent increase year-on-year driven primarily by improving foreign demand especially for new technology goods. Sugar production in crop year 2003/2004 rose by 14.6 percent year-on-year in line with increasing sugarcane production. Zinc production, however, declined from the same period last year by 7.3 percent.

3. Services. Number of Thai tourists improved satisfactorily under encouraging tourism conditions including favorable weather conditions, a rare giant panda showcase, and the operation of low fare airlines. The avian flu appeared to have a limited adverse effect on tourism since only foreign tourists from France, China, and Hong Kong weakened. Most of the key tourism indicators registered at acceptable levels. Air passenger grew by 16.9 percent year-on-year as number of passengers of Chiang Mai International Airport and Phitsanulok Airport rose by 21.9 percent and 10.2 percent respectively. Hotel average occupancy rate and hotel average room rate, however, declined from last year's February, which was the occasion of the Chinese New Year Festival.

4. Private Consumption. In February 2004, private consumption remained at satisfactory level though slightly decelerated from last month. Spending for vehicles weakened moderately but remained at a strong level under the supportive environment of low interest rates, attractive loan repayment conditions and sales promotion. Based on preliminary data, registered car grew by 37.2 percent year-on-year, with passenger car and pick-up expanding in most of the northern provinces, but registered motorcycle declined by 3.2 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

January 2004, residential electrical usage increased by 9.1 percent year-on-year, accelerating from the previous month as household electrical demand increased due in part to rising temperature.

5. Private Investment. In February 2004, private investment decelerated as construction investment activity slowdown, after having been accelerated in the prior period, due mainly to the effect of rising rebar steel price. Based on preliminary data, key investment indicators such as construction areas permitted in municipal zone fell from the same period last year by 43.9 percent as every types of construction areas declined, while land transaction fee returned to its usual level after escalating real estate transactions in the end of 2003, registering an increase of 22.4 percent from the same period last year.

Capital investment grew markedly as reflected by an increase of 66.0 percent year-on-year of import value of non-electrical machinery and parts, with imports from Japan taking up more than one half, followed by Taiwan, Malaysia, and the US. Also, investment value of newly registered factories increased from the same period last year by 25.4 percent, representing particular investment interest in agricultural industries.

6. Fiscal Positions. Government budgetary expenditure registered at northern provincial treasuries and district treasuries grew by 13.3 percent year-on-year, accelerating from the previous month, as capital expenditure on subsidies increased by more than two folds as a result of funds disbursement by Local Administrative Organizations. Government revenue rose significantly by 32.6 percent year-on-year as revenues from specific business tax grew by more than two folds while corporate income tax, and VAT increased by 35.5 percent and 18.0 percent, respectively. Budgetary balance was at 8,200.7 million baht compared with 7,365.7 million baht in the same period last year.

7. Foreign Trade. Foreign trade activity was captured by trading values 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 February 2004, export value registered at all customs houses in northern region continued to expand favorably and grew from the same period last year by 43.9 percent, with exports of Northern Region Industrial Estate Customs House in Lumphun province increasing by 37.8 percent in response to demand for new technology goods such as electrical apparatus for making and breaking electrical, electrical appliances, optical appliance and instruments, insulated electric wire cable, transformers generator and motors, and precious stones. Export value registered at Chiang Mai Airport Customs House grew by 12.7 percent year-on-year in tandem with increase in exports of horticultural products, prepared foodstuffs (canned food not included), manufacturing products, and precious stones.

Import value registered at all customs houses in northern region rose significantly by 41.7 percent year-on-year, accelerating from last month as imports of Northern Region Industrial Estate Customs House in Lumphun province increased by 40.7 percent, with key import items including electrical apparatus for making and breaking electrical, special goods, precious stones, base metal products, plastic raisin and products from Japan, Singapore, and Israel.

Details of border trade are as follows. Border-trade export value increased markedly by 96.7 percent year-on-year, accelerating from last month, as exports to Myanmar increased by more than one fold on account of Myanmar's relaxed import guideline. Exports to Southern China, rose from the same period last year by more than one fold, with most of the export goods being vegetables and fruits, while exports to Lao PDR increased by 18.4 percent year-on-year. Border-trade import value grew from the same period last year by more than one fold as imports from Myanmar, Southern China, and Lao PDR rose significantly. Imports from Myanmar increased from the same period last year by more than one fold due mainly to strong demand for fishery product and horticultural products. Imports from Southern China rose from the same period last year by almost one fold with major items being apple and pear. Imports from Lao PDR grew by 79.6 percent year-on-year with key items being wood products and horticultural products.

In February 2004, the trade balance, resulted from exports-imports registered at all customs houses in northern region, was in surplus at 58.9 million US dollars, improving from a surplus of 39.8 million US dollars in the same period last year.

8. Prices. The Consumer Price Index (CPI) grew by 1.9 percent year-on-year, accelerating from 1.7 percent in the previous month. Food prices increased by 5.4 percent year-on-year as price of Thai Jasmine rice rose responding to export demand, and prices of vegetable and fruit increased owing to diminishing quantity. Meat, fish and seafood prices increased as consumers, concerning over the spread of the avian flu, switched to meat, fish, and seafood. Non-food prices rose slightly by 0.1 percent year-on-year due primarily to higher electricity price per unit resulting from the government's Fuel Adjustment Committee approval of increase in the fuel adjustment (Ft) tariff in the middle of February. Core CPI fell by 0.2 percent year-on-year as housing rents continued to decline.

9. Labor. From January 2004 Labor Force Survey by National Statistical Office, employment rate stood at 95.1 percent of labor force, lower than 96.2 percent in the same period last year owing to a decrease in agricultural employment. However, Non-agricultural employment continued to expand and grew from the same period last year by 15.3 percent as employment in services, construction, wholesale and retail trade sectors improved. Unemployment rate stood at 4.0 percent, higher than 3.1 percent in the same period last year, as a result of mismatching between employers' requirement and applicants' offered qualification.

10. Banking. At end-February 2004, commercial bank deposits increased slightly by 0.5 percent year-on-year since funds were withdrawn to invest in equity market and mutual funds, to purchase land, and to repay loans, especially in provinces of Chiang Mai, Chiang Rai, and Lampang. Commercial bank credits expanded by 7.9 percent year-on-year, decelerating from the previous month as a result of debt repayment by wholesale/retail, construction, and real estate businesses, and cooperatives.

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