



## Press Release on Northern Region Economic Conditions in April 2004

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In April 2004, northern region economy continued to expand although at a slightly decelerated rate, driven primarily by favorable private consumption and services. Continued and improved foreign demand strengthened performance of exports as well as manufacturing production, while government spending supported the economy to expand further through capital expenditure. Nonetheless, private investment slowed down as construction investment was affected by high prices of rebar-steels. Farm income, although declined, still benefited from favorable foreign demand. Satisfactory conditions, both in production and expenditure sides, drove price level up and lowered unemployment rate. Commercial bank credits expanded well, supporting export-oriented industries and residential purchase.

Details of economic conditions in April 2004 are as follows:

**1. Agricultural Production.** Major crop production declined by 2.8 percent year-on-year in line with a decrease in second rice output that was led by the authorities' efforts of controlling second crop cultivating under the circumstance of low water-supply of major reservoirs. Garlic output also dropped in tandem with a decrease in cultivating area, induced by the authorities' offering raw material subsidy for cultivating other crops in place of garlic that presently faced price competition from imported products. Major crop price grew by 0.5 percent year-on-year as prices of second crop rice, soybean, and mungbean, increased in response to overseas demand where their respective products were in short supply. Farm income, thereby, dropped by 2.3 percent year-on-year.

**2. Manufacturing Production.** Manufacturing output expanded as reflected in increases in production and export activities of manufacturers located in Northern Region Industrial Estate Custom House (NRIE) in Lumphun province. NRIE export value rose significantly by 37.9 percent year-on-year in response to foreign demand for latest technology goods, such as plasma screens and television equipments that were in demand in Europe in the event of the forthcoming Euro 2004, and electronic car keys. This, in turn, generated plans for capacity expansion in some export-oriented industries. As for sugar production, its output fell by 72.4 percent year-on-year in line with a decline in sugarcane output.

**3. Services.** Services activity increased from last year's depressed level triggered by the news of the SARS outbreak. April 2004 tourism activity expanded favorably driven by Songkran tourism promotion, an exhibition of rare giant pandas, combined with economy air transportation provided by low fare airlines. As a result, air passenger grew markedly by 49.2 percent, with upbeat activities in Chiang Mai and Chiang Rai. Hotel occupancy rate and hotel average room rate stood at 49.2 percent and 954.2 Baht per room night, up from 43.0 percent and 863.2 Baht per room night in April 2003.

**4. Private Consumption.** Private consumption activity remained sound, although decelerated slightly from last month. Accommodative financial environments including low interest rates, easier access to consumer credits, and favorable loan payment plans; coupled with introduction of new vehicle models, provided a strong boost to durable goods consumption. Thus, registered car recorded a preliminary whopping growth of 46.8 percent year-on-year, with passenger car and commercial car expanding well particularly in upper northern provinces. Following its March peak, registered motorcycle returned to its normal level, recording a preliminary growth of 2.4 percent year-on-year. Residential electricity usage accelerated, increasing by 11.4 percent year-on-year, as electricity demand of every provinces expanded in light of high temperature.

**5. Private Investment.** Private investment activity decelerated as construction investment was affected by high prices of rebar-steels that impaired investment decision. Thus, construction investment signs slowed down, except in key provinces including Chiang Mai, Nakhon

Sawan, and Phitsanulok: Land transaction fee decelerated from last month's unusual marked expansion, recording a 17.5 percent increase year-on-year; construction areas permitted in municipal zone slowed down in line with commercial construction area but favorably expansion was observed in residential construction area as well as services and transportation construction area of Chiang Mai. As for capital investment, investment value of newly registered factory decelerated from last month, but remained at its usual level with investment concentrating in agricultural related industries. Capital investment sign, reflected in investment value of BOI's approved projects, revealed interest in domestic-oriented industries such as basic public infrastructure, mining, and agricultural-related.

**6. Fiscal Positions.** Government budgetary expenditures registering at northern provincial treasuries and district treasuries increased by 10.2 percent year-on-year to 9,632.2 million Baht, accelerating from last month. Capital and current expenditures expanded, recording a hefty growth of 31.8 percent and a slight increase of 0.7 percent, due to the disbursement of the local administrative authorities, particularly in Nakhon Sawan, Tak, and Pichit. Government revenue grew moderately by 2.8 percent year-on-year to 1,328.9 Baht, with income-based and consumption-base taxes expanding. The budgetary deficit gap was at 8,303.3 million Baht, compared with deficits of 7,444.5 million Baht in April 2003, and 9,481.1 million Baht in the previous month.

**7. Foreign Trade.** Export value amounted to 171.2 million US dollars, rising considerably by 38.4 percent year-on-year in line with a rise in export value of Northern Region Industrial Estate Customs House in Lumphun province in response to foreign demand for latest technology goods. Export items expanding well included plasma screens, television equipments, and electronic car keys. Border-trade export value also expanded and registered a robust growth rate as exports to Myanmar increased nearly one fold due to Myanmar's relaxed import guideline that lead to increases in northern region's exports of consumer goods, household goods, and motorcycle. However, border-trade exports to Southern China declined as a result of waterway transportation obstacles. Border-trade exports to Lao PDR increased slightly with regards to Lao PDR's import tax increase.

Import value rose significantly by 37.8 percent year-on-year in tandem with imports of Northern Region Industrial Estate Customs House in Lumphun province. Encouragingly, the breakdown revealed that machinery and raw materials were accountable for a considerable proportion of imports. Border-trade import value grew by more than one fold as imports from every neighboring countries increased. Border-trade imports from Myanmar nearly tripled as demand for fresh fish and fishery products expanded well, while border-trade imports from Southern China increased by more than two folds mainly in response to demand for wooden products. Border-trade imports from Lao PDR grew attributable to demand for wood products, lignite, and garlic. Trade balance was in surplus at 61.6 million US dollars, improving from a surplus of 44.1 million US dollars in the same period last year.

**8. Prices.** Consumer Price Index (CPI) grew by 2.6 percent year-on-year, accelerating from the previous month. Food prices rose by 7.0 percent year-on-year owing mainly to higher prices of meats, poultry, eggs, and fresh vegetable, as their respective quantities were in short supply. Chicken and eggs consumption continued to improve in light of waning concern over the avian flu outbreak. Non-food prices increased slightly by 0.2 percent year-on-year, due largely to an increase in electricity price per unit. Core Consumer Price Index (Core CPI) fell by 0.2 percent year-on-year as housing rents continued to decline.

**9. Labor.** From March 2004 Labor Force Survey by National Statistical Office, northern region labor force stood at 6.3 million, of this, 6.2 million were employed and 0.1 million were unemployed. In March 2004, employment conditions improved from last month, with employment rate standing at 97.1 percent, higher than that of 95.8 percent in the same period last year, as non-agricultural sectors absorbed more employment, particularly construction, wholesale and retail trade, and hotels and restaurants. Agricultural employment showed an improved trend, although still not expanding. Unemployment rate was at low level, registering at 1.6 percent, compared with 2.9 percent in the same period last year.

**10. Banking.** At end-April 2004, commercial bank deposit outstanding grew slightly by 1.7 percent year-on-year to 285,427 million Baht owing in part to satisfactory income from second rice production, which pushed deposit expansion in Kamphaeng Phet, Nakhon Sawan, and Phetchabun. Commercial bank credit outstanding amounted to 205,970 million Baht, increasing by 8.9 percent year-on-year, as a result of credit extension to consumers for housing purpose, export-oriented industries, and teacher's saving cooperatives in some provinces.

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