



Press Release on Northern Region Economic Conditions in May 2004

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In May 2004, northern region economy continued to expand at a slightly decelerated rate in line with private consumption performance. On the production front, rises in major crop price and production led to an increase in farm income. Manufacturing production of export-oriented industries expanded at a slower pace, while services sector improved as tourism was not affected by the news of the SARS outbreak as in May 2003. Consumer Price Index decelerated. Commercial bank credits continued to expand in line with credits to agricultural related industries and residential construction.

Details of economic conditions in May 2004 are as follows:

1. Agricultural Production. Major crop production grew by 1.6 percent year-on-year owing mainly to a rise in lychee output in light of favorable weather conditions at end-2003, and an increase in maize output in line with expansion of cultivating areas prompted by last year's high prices. However, production of second rice declined as farmers postponed cultivation and part of the harvest was damaged due to insufficient water supply. Major crop price grew by 4.4 percent year-on-year owing primarily to increases in prices of second crop rice and maize on the back of favorable world market prices. Nonetheless, lychee price fell considerably by 60.2 percent year-on-year, impairing part of farmers' purchasing power. Overall increases in major crop production and price led to a rise in farm income of 6.0 percent year-on-year.

2. Manufacturing Production. Manufacturing output expanded as suggested by active production and export activities of manufacturers located at Northern Region Industrial Estate (NRIE) in Lumphun province. In May 2004, NRIE export value expanded well by 24.5 percent year-on-year, though decelerating from the previous month, due to favorable foreign demand for latest technology goods. Zinc production returned to its usual level, increasing by 27.6 percent year-on-year after having environmental problem in the earlier period, while VAT collected from manufacturing businesses grew by 4.5 percent year-on-year.

3. Services. Services activity increased from last year's depressed level setting off by the news of the SARS outbreak. May 2004 tourism conditions was satisfactory, supported by an exhibition of rare giant pandas and budget airlines. In addition, parts of tourists shifted destinations to northern region on the back of unrest in southern Thailand. As a result, air passenger grew significantly by 64.2 percent year-on-year, with buoyant activities observing in Chiang Mai and Chiang Rai. Hotel occupancy rate and hotel average room rate stood at 43.9 percent and 863.14 Baht per room night, up from 33.8 percent and 796.66 Baht per room night in the same period last year.

4. Private Consumption. Private consumption activity expanded at a slower pace. VAT collected from wholesale/retail businesses increased by 8.2 percent year-on-year, decelerating from 52.1 percent last month owing mainly to a slowdown in the upper north. However, the VAT expanded well in the lower north, benefiting from favorable major crop price. As for spending for vehicles, registered car expanded by 30.0 percent year-on-year, compared with 52.1 percent last month, while registered motorcycle declined slightly by 0.7 percent year-on-year due primarily to decreases in Lumphun and Chiang Rai provinces, but remained sound in key provinces such as Chiang Mai, Nakhon Sawan, and Kamphaeng Phet.

5. Private Investment. Private investment activity decelerated due in part to adverse effect of relatively high price of rebar steel that disturbed investment decision of private sector. Construction area permitted in municipal zone posted a preliminary increase of 12.8 percent year-on-year, decelerating from last month owing largely to a slowdown in residential construction area. Land transaction fee recorded a preliminary broad-based expansion of 32.3 percent year-on-year, slightly decelerated from the previous month. As for capital investment indicators, import value of non-

electrical machinery and parts grew moderately by 16.0 percent year-on-year, significantly slowing down after having increased exceptionally over the past four months, as imports from South Korea and the US declined. Nonetheless, non-electrical machinery imports from Japan rose considerably, suggesting production technology improvement of electronics industries located at NRIE in Lumphun province. Preliminary figure of investment value of newly registered factories increased by 18.4 percent year-on-year, representing investment interest in the areas of construction and agricultural related industries, furniture manufacturing, and repair of motor vehicles.

6. Fiscal Positions. Government budgetary expenditures registering at northern provincial treasuries and district treasuries declined by 0.2 percent year-on-year to 9,722 million Baht due mainly to a decrease in capital expenditures, particularly in Nan, Lampang, Tak, and Phitsanulok provinces. However, current expenditures expanded, with salary item rising in many provinces. As for government income, revenue grew more than double from the same period last year to 2,612 million due primarily to a rise in petroleum tax collection. This, thereby, resulted in narrowing budgetary deficit of 7,110 million Baht, compared with deficits of 8,875.9 million Baht in May 2003, and 8,303.3 million Baht in the previous month.

7. Foreign Trade. Export value expanded well by 29.8 percent year-on-year to 178.7 million US dollars as export value of industries located at NRIE in Lumphun province grew in response to foreign demand, particularly from Japan, Hong Kong, Singapore, Israel, and Malaysia. Export value registered at Chiang Mai Airport Customs House declined slightly, while border-trade export value expanded robustly in line with exports to Myanmar, with majority items being vegetable oil, textile products, and chemical products. Also, border-trade exports to Southern China rose markedly, responding mainly to demand for horticultural products, rubber products, and vegetable oil and fat.

Import value amounted to 118.2 million US dollars, expanding by 49.9 percent year-on-year on account of raw material import, i.e. computer parts and electrical circuit board, of export-oriented industries located at NRIE Lumphun province. Border-trade import value grew significantly in line with Myanmar import that increased by more than one fold. Trade balance was in surplus at 60.5 million US dollars, comparable to a surplus of 58.9 million US dollars in the same period last year.

8. Prices. Consumer Price Index (CPI) grew by 2.1 percent year-on-year, decelerating from the previous month. Food prices rose by 4.7 percent year-on-year on account of increases in prices of meats and fresh vegetable, while fresh food price dropped as the market was concurrently flooded with various fruit supplies. Noticeably, pork price began to decelerate from last month after the authorities urged producers to control swine price while more consumers resumed chicken consumption. Non-food prices increased 0.7 percent year-on-year, accelerating from the previous month due largely to increases in electricity price per unit as well as cooking gas. Core Consumer Price Index (Core CPI) remained low and decreased by 0.2 percent year-on-year as housing rents continued to decline.

9. Labor. From April 2004 Labor Force Survey by National Statistical Office, northern region labor force stood at 6.6 million, of this, 6.3 million were employed and 0.2 million were unemployed. Employment rate standing at 96.0 percent, lower than that of 96.5 percent in April 2003, as agricultural sector absorbed less employment. Non-agricultural sector employment, however, continued to expand, particularly wholesale and retail trade, construction, and education. Unemployment rate was at 3.0 percent, compared with 2.4 percent in the same period last year, as more new graduates entered the market, nonetheless, specific-skill labors were difficult to find.

10. Banking. At end-May 2004, commercial bank deposit outstanding grew by 2.6 percent year-on-year to 289,780 million Baht owing in part to fund transfer by authorities and deposits arising from new loans. Commercial bank credit outstanding amounted to 208,920 million Baht, increasing by 11.2 percent year-on-year as a result of new credit extension to agricultural related industries, and residential construction in provinces of Chiang Mai, Phitsanulok, and Kamphaeng Phet.

Northern Region Office, Bank of Thailand
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Contact person: Rawisprapa Ruckphaopunt Tel: +66 (0) 5393-1156
e-mail: rawispr@bot.or.th