



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

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**In July 2004, northern region economy expanded well but at a slightly slower pace from last month**, as private consumption grew at a decelerated rate particularly in the upper north in light of declining farm income, but remained sound in the lower north. However, manufacturing production accelerated in response to foreign demand, leading to capital investing to expand production capacity to support exports. Services sector grew significantly benefiting from public, and private sectors' seminars, tourism promotion, and competitive low fare airlines. Meanwhile, government spending accelerated. Consumer Price Index accelerated due to rises in food prices. Commercial bank credits increased, supporting rice mill industry and electronic industry.

Details of economic conditions in July 2004 are as follows:

**1. Agricultural Production.** In July 2004, major crop production grew by 11.3 percent year-on-year as longan output increased markedly due to expansion of cultivating areas in the last 4-5 years and favorable weather conditions during the prolific season. In addition, shallot production and maize output rose in line with expansion of cultivating areas prompted by last year's high prices. Major crop price, on the other hand, declined by 14.5 percent year-on-year, owing primarily to decreases in prices of longan and shallot in light of rising supplies. With the fall of major crop price outpaced the rise in production, farm income, thus, fell by 3.2 percent year-on-year.

The recent outbreak of the avian flu effect on consumer confidence was less strong compared with that of the first quarter outbreak, with student group's chicken consumption being at about 85 percent of the its usual level. Nonetheless, prices of chicken, hens' eggs, and ducks' eggs increased from the same period last year by 20.1 percent, 69.4 percent, and 82.9 percent, respectively, due to short supplies.

**2. Manufacturing Production.** Manufacturing output continue to expand as captured by production and export activities of manufacturers located at Northern Region Industrial Estate (NRIE) in Lumphun province. In July 2004, NRIE export value rose considerably by 52.8 percent year-on-year, accelerating from the previous month in response to foreign demand for electronic parts prompted by demand for electrical appliances during Athens 2004 Olympic Games, and the US presidential election. This resulted in increases in production of apparatus for making and breaking electrical circuit, optical appliance and instruments, electrical appliances, with production capacity expansion being observed in some industries.

**3. Services.** In July 2004, services activity expanded well, benefiting from public sector's activities, including official work-update visits, upcountry cabinet meetings; workshops and seminars; as well as private sector's tourism promotion to attract more visitors during the low season. As a result, hotel average occupancy rate and hotel average room rate was at 53.5 percent and 769.78 Baht per room night, up from 46.2 percent and 711.94 Baht per room night in the same period last year. Air passenger increased by 50.2 percent year-on-year, with strong traveling activity in Chiang Mai and Chiang Rai, supported by competitive budget airlines.

**4. Private Consumption.** In July 2004, private consumption activity expanded at a slower pace. Registered motorcycle grew moderately by 3.9 percent year-on-year, decelerating from last month as registered motorcycle of the upper north, particularly provinces of Chiang Rai, Lumphun, and Chiang Mai, slowed down. Meanwhile, the lower north's registered motorcycle and registered car expanded well, benefiting from favorable major crop prices. The latter led to an increase in the north's registered car of 26.2 percent year-on-year, accelerating from the previous

month. In June 2004, household electricity usage grew slightly by 2.2 percent, slowing down from last month as household demand for electricity weakened in every northern province.

**5. Private Investment.** In July 2004, private investment grew at a slower pace in line with construction investment, while capital investment remained strong. Indicators of construction investment activity slowed down: preliminary construction areas permitted in municipal zone fell by 6.3 percent year-on-year as residential, and commercial construction areas declined, while services and transportation construction area increased significantly in tandem with dormitory and apartment construction in Chiang Mai; while preliminary land transaction fee rose by 26.0 percent year-on-year, slightly decelerated from last month, but remained at a relatively high level in line with the upper north's active transactions. Capital investment activity continued to be strong. Import value of non-electrical machinery and parts grew robustly by 89.0 percent year-on-year, with rising machinery imports from Japan and Switzerland, reflecting capital investment of electronic manufactures. In addition, investment value of newly registered factories nearly doubled, highlighting investment in industries of agricultural-related, repair of motor vehicles, and ice product, in provinces of Chiang Mai, Phetchabun, and Uttaradit. Meanwhile, investment value of BOI's approved projects rose by more than one fold from the same period last year, underlying investment interest in producing metal products, machinery and equipments for automobile industry.

**6. Fiscal Positions.** Government budgetary expenditures registering at northern provincial treasuries and district treasuries increased by 24.9 percent year-on-year to 11,603 million Baht, with current expenditures expanding considerably, particularly in provinces of Chiang Mai and Lampang. As for government income, revenue grew by 16.0 percent year-on-year to 1,086 million Baht, due primarily to a rise in tax income in provinces of Chiang Mai, Nakhon Sawan, Phetchabun, and Uthai Thani. This, thereby, widened budgetary deficit to 10,517 million Baht, compared with deficits of 8,354 million Baht in July 2003 and 9,052 million Baht in the previous month, respectively

**7. Foreign Trade.** Export value registered a hefty increase of 55.9 percent year-on-year to 201 million US dollars, accelerating from the previous month. Export value registered at NRIE Custom House in Lumphun province rose markedly in response to foreign demand for electrical appliances in the events of Athens 2004 Olympic Games, and the US presidential election, with rising export items including apparatus for making and breaking electrical circuit, optical appliance and instruments, electrical appliances; and key export markets being Japan, Hong Kong, and Singapore. However exports to the US, and Israel declined. Border-trade export value rose considerably as exports to every neighboring countries increased. Import value expanded in tandem with exports, rising by 26.2 percent year-on-year to 114 million US dollars, with import value registered at NRIE Custom House rising significantly in line with machinery imports. Meanwhile, border-trade import value rose owing mainly to imports from Myanmar, while imports of wooden products from Southern China declined. Trade balance was in surplus of 86.8 million US dollars, improving significantly from a surplus of 38.4 million US dollars in July 2003.

**8. Prices.** In July 2004, Consumer Price Index (CPI) increased by 3.1 percent year-on-year, accelerating from last month, contributed by food prices that rose by 5.3 percent year-on-year owing mainly to increases in prices of fresh vegetables, meats, eggs and milk products. However, prices of pork and fresh chicken weakened from last month. Non-food prices grew by 1.9 percent year-on-year, equaling to that of last month, due largely to increases in retail benzene price as well as electricity price per unit. Consumer Price Index (Core CPI) unchanged from July 2003, but improved slightly from a drop of 0.1 percent year-on-year in the previous month as fresh food, and energy prices increased, while housing rent continued to decline.

**9. Labor.** From June 2004 Labor Force Survey by National Statistical Office, northern region labor force stood at 6.8 million, up from the same period last year by 10.1 percent. Of this, 6.6 million were employed. Employment rate stood at 96.7 percent, compared with 96.6 percent in June 2003. Agricultural sector employment grew by 11.7 percent year-on-year during longan harvesting period and major rice cultivating season in the lower north, which, in turns, lowered employment of construction sector by 20.2 percent as labors shifted to agricultural sector. Nonetheless, non-agricultural sector employment expanded by 8.6 percent year-on-year as employment in manufacturing, and wholesale and retail trade rose favorably. Unemployment rate was at 3.1 percent, up from 2.7 percent in June 2003.

**10. Banking.** At end-June 2004, commercial bank deposit outstanding expanded by 3.1 percent to 291,765 million Baht, contributed mainly by deposits of public sector and universities, especially in Chiang Mai, Lumphun, Phitsanulok, and Chiang Rai. Noticeably, Kamphanphet's deposits declined considerably as petroleum-tax deposits were transferred to Bangkok. Commercial bank credit outstanding registered an increase of 9.6 percent year-on-year to 206,567 million Baht, due primarily to credits extended to rice mill businesses in the lower north, and export-oriented industries, services businesses, and traders of agricultural products in the upper north.

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