



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

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**In August 2004, northern region economy continued to expand, but at a slower pace from last month** due to weakened consumer confidence, dampened by high oil prices; delayed vehicle purchases as consumers expected to reap the benefit from a new excise tax framework for automobile; and slowdowns in private investment and government spending. Meanwhile, exports and manufacturing production, particularly export-led, decelerated from last month but remained sound, lifted by continued foreign demand. However, farm income expanded as both major crop price and production rose. Services activity increased, benefiting from business promotions as well as seminars held by private and public sectors. Headline inflation decelerated while core inflation remained at low level. Commercial banks' credits continued to expand, supporting businesses of agricultural-related, export-led, wholesale and retail, and services.

Details of economic conditions in August 2004 are as follows:

**1. Agricultural Production.** Major crop production grew by 11.9 percent year-on-year, contributed by a significant rise in longan output due to cultivating area expansion and favorable weather conditions during the prolific season, a moderate increase in maize production owing to cultivating area expansion prompted by last year's high prices, and a slight increase in rice output. Despite a marked fall in longan price, major crop price grew by 1.1 percent year-on-year, supported by higher prices of sticky rice, mungbean, and soybean. Farm income, thereby, was up by 13.0 percent year-on-year.

**2. Manufacturing Production.** Manufacturing output expanded at a slower pace from last month as orders of old technology electronic equipments began to decline. Nonetheless, production of electronic parts used in televisions and automobile remained sound in light of continued foreign demand for latest technology goods, especially electronic parts for plasma screen televisions, electronic equipments for automobile, electrical apparatus for making and breaking electrical, optical appliance and instruments, and transformer generator and motors

**3. Services.** Services activity continued to expand owing mainly to off-season business promotions, and seminars and workshops held by public and private sectors. As a result, hotel average occupancy rate and average room rate were at 54.6 percent and 794.49 Baht per room night, up from 49.7 percent and 770.28 Baht per room night in August 2003. Air passenger increased markedly by 50.0 percent year-on-year in light of competitive services of budget airlines as well as introduction of new international routes to Chiang Mai.

**4. Private Consumption.** Private consumption activity expanded at a slower pace from last month. Registered car increased by 13.2 percent year-on-year, decelerating from last month in tandem with slowdowns in passenger and commercial cars, both in the upper and the lower north, due to delayed automobile purchases as consumers expected to reap a benefit from a new excise tax framework for automobile. However, registered motorcycle expanded by 4.7 percent year-on-year, contributed by favorable farm income of the lower north, while registered motorcycle of the upper north decline for the second consecutive month. In July 2004, VAT collected from wholesale and retail trade decelerated, increasing slightly by 2.8 percent year-on-year, owing mainly to a slowdown in the upper north.

**5. Private Investment.** Private investment grew at a slower pace as construction investment decelerated. Key construction investment such as land transaction fee rose moderately by 9.7 percent year-on-year, decelerating from last month's increase of 38.7 percent, representing an

overall slowdown in northern region. Meanwhile, construction areas permitted in municipal zone fell by 4.8 percent year-on-year in tandem with decreases in commercial and services construction areas in the upper north, while that of the lower north expanded well. As for capital investment, import value of non-electrical machinery and parts grew by 42.4 percent year-on-year, compared with a hefty increase of 89.0 percent last month, while investment of newly registered factories rather concentrated in agricultural related industries.

**6. Fiscal Positions.** Government budgetary expenditures registering at northern provincial treasuries and district treasuries rose by 4.7 percent year-on-year to 11,035 million Baht, compared with an increase of 11.4 percent in August 2003, with current expenditures expanding significantly in line with remuneration and equipment items, particularly in provinces of Nakhon Sawan and Phitsanulok. As for government income, revenue grew by 5.3 percent year-on-year to 1,036 million Baht, compared with a 7.7 percent growth in the same period last year, contributed by a rise in tax income in provinces of Chiang Mai, Nakhon Sawan, Phitsanulok, and Lumphun. Budgetary deficit was at 9,999 million Baht, compared with 11,380 million Baht the previous month and 9,556 million Baht in August 2003.

**7. Foreign Trade.** Export value registering at custom houses in northern region increased by 18.1 percent year-on-year to 186 million US dollars, decelerating from last month as *export value of industries located at NRIE in Lumphun province* slowed down, after having been buoyant in the earlier period, as export orders of old technology goods began to decline. Nonetheless, export orders of latest technology products remained sound, including electronic parts for plasma screen televisions, electronic equipments for automobile, electrical apparatus for making and breaking electrical, optical appliance and instruments, transformer generator and motors. Exports to key markets including Japan, Hong Kong, Singapore, and China expanded, but exports to the US and Israel declined. *Export value registering at Chiang Mai Airport Custom House* fell moderately while *border-trade export value* increased in line with exports to Myanmar and Lao PDR, even though border-trade export to Southern China declined. Import value registering at custom houses in northern region was up by 23.7 percent year-on-year to 108 million US dollars, contributed mainly by an increase in *import value of industries located at NRIE in Lumphun province*, especially raw materials and machinery imports. Meanwhile, *border-trade import value* rose as a result of seafood imports. Trade balance registered a surplus of 78 million US dollars, up from a surplus of 70 million US dollars in August 2003.

**8. Prices.** Consumer Price Index (CPI) rose by 2.8 percent year-on-year, decelerated from last month, largely reflected slowdowns trade conditions of Thai Jasmine rice, and increase in quantity of fresh vegetables and fruits. As a result, food prices grew by 4.1 percent year-on-year, decelerated from an increase of 5.3 percent last month. Non-food prices grew by 2.0 percent year-on-year, accelerating slightly from last month, due primarily to upward prices of retail benzene and electricity price per unit. Consumer Price Index (Core CPI) remained at low level and unchanged from August 2003.

**9. Labor.** From July 2004 Labor Force Survey by National Statistical Office, northern region labor force stood at 6.8 million, of this, 6.7 million were employed. Employment rate registered at 98.5 percent, slightly improving from 98.3 percent in July 2003, as non-agricultural sector employment increased by 14.1 percent year-on-year, with employment in businesses of manufacturing, construction, hotels and restaurants, and education, expanding well. Agricultural sector employment, on the other hand, declined slightly by 0.7 percent year-on-year as labors shifted to non-agricultural businesses. Unemployment rate was at 1.1 percent, improving from 1.4 percent in July 2003.

**10. Banking.** At end-July 2004, commercial bank deposit outstanding expanded by 4.8 percent year-on-year to 293,608 million Baht, comprising mainly of public sector's deposits such as

academic institutions, saving cooperatives, and local administrative organizations, particularly in provinces of Chiang Mai, Lampang, Nakhon Sawan, and Tak. Commercial bank credit outstanding totaled 207,533 million Baht, increasing 9.4 percent year-on-year close to that of July 2003. Credit extension in the lower north, especially provinces of Nakhon Swan, Kam Phaeng Phet, and Phitsanulok; expanded to support rice mill businesses and saving cooperatives. While credit extension in the upper north, particularly Chiang Mai, increased to promote export-led industries, wholesale and retail trade, as well as businesses of agricultural-related, services, construction, and real estate. A ratio of credits to deposits was 70.7 percent, higher than 67.7 percent in July 2003.

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