



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

Issued by Economic Research Division, Northern Region Office, Bank of Thailand  
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**In October 2004, northern region economy expanded at a decelerated rate from last month.** Private consumption continued to expand, but exports slowed down due to foreign demand as well as changing of production line of some major plants that, in turns, led to a slow down in production of export-oriented manufacturing. Investment activity, government spending, and services decelerated. However, farm income from major crops grew owing mainly to price increase. Headline inflation accelerated due to higher prices of retail benzene and fuel tariff electricity charge rate (FT rate). Commercial bank credit continued to expand, primarily fuelling rice mills and teacher cooperatives.

Details of economic conditions in October 2004 are as follows:

**1. Agricultural Production.** Major crop production grew by 1.5 percent year-on-year as maize output increased by 4.4 percent due to expansion of cultivating areas prompted by last year's high price. Meanwhile rice output, partly damaged by unusually short rainy season, declined by 2.2 percent year-on-year. Major crop price increased by 11.2 percent year-on-year as price of rice rose markedly by 23.7 percent in light of higher export price and a decrease in rice output. As a result, farm income from major crops grew by 12.7 percent year-on-year.

**2. Manufacturing Production.** Manufacturing output decelerated from last month as captured by production and export activities of manufacturers located at Northern Region Industrial Estate (NRIE) in Lumphun province. NRIE export value grew slightly by 2.5 percent year-on-year as production and exports of some plants slowed down during changing of machinery while foreign demand for new products, produced by new machinery, took up gradually. However, production of the following items remain sound: apparatus for making and breaking electrical circuit, optical appliance and instruments, electrical appliances, and medical equipment, while production of transformer generator and motors, jewellery, and base metal products, declined.

**3. Services.** Services activity increased seasonally but slowed down compared with the same period last year due to foreign tourists' concern over recent unrest in the three southern provinces and potential terrorism action during the US presidential election. As a result, average hotel occupancy fell by 1.3 percent from the same period last year and average hotel room rate was at 738.07 Baht per room night, declining from 744.40 Baht per room night in October 2003. Meanwhile, VAT collected from hotels and restaurants increased by 2.5 percent year-on-year, decelerating from the previous month. Nonetheless, air passenger continued to expand, rising by 45.8 percent year-on-year in light of high price competition of budget airlines.

**4. Private Consumption.** Private consumption activity expanded. VAT collected from wholesale and retail businesses increased by 21.5 percent year-on-year as the VAT of most of northern provinces registered an expansion. Automobile purchase improved from last month, as seen by an increase of 9.5 percent year-on-year of registered cars, benefiting from a new excise tax framework for automobile that led to price cut, as well as introductions of new pick-up models. Nonetheless, registered motorcycle fell slightly by 1.9 percent year-on-year, decelerating from last month as motorcycle purchase in most of northern province decelerated.

**5. Private Investment.** Construction investment interest declined, as reflected by a preliminary fall of 2.8 percent year-on-year of construction areas permitted in municipal zone, particularly in the lower north provinces. Land transaction fees also registered a drop of 7.0 percent year-on-year as land transaction activity in most of upper north provinces declined. However, capital

investment activity continued to expand favorably: investment value of newly registered factories increased by 96.3 percent year-on-year due largely to investment in industries of processing and preserving of fruit and vegetables, prepared animal feeds, and rice mill; while import value of non-electrical machinery and parts grew significantly by 1.3 fold as capital investment of firms located at NRIE in Lumphun province rose. Moreover, investment value of BOI's approved projects rose by more than six folds, underlying investment interest in producing electronic products, electrical appliances, and agricultural/agricultural related products.

**6. Fiscal Positions.** Government budgetary expenditures registering at northern provincial treasuries and district treasuries declined by 13.3 percent year-on-year to 6,482 million Baht owing primarily to changing of disbursement system to Government Fiscal Management Information System (GFMIS) that required central disbursement for some budget items, though actual spending was made in northern region. Current expenditure fell by 35.2 percent year-on-year, while capital expenditure continued to increase, recording a significant 38.3 percent growth. As for government income, revenue dropped by 18.0 percent year-on-year to 1,092 million Baht, due mainly to a fall of interest income tax. Other tax revenue slowed down, except specific business tax that increased by more than one fold. As a result, budgetary deficit was at 5,806 million Baht, compared with deficits of 10,794 million Baht last month and 6,294 million Baht in October 2003.

**7. Foreign Trade.** Export value registering at custom houses in northern region grew by 7.8 percent year-on-year to 183 million US dollars, decelerating from last month as *export value of industries located at NRIE in Lumphun province* slightly increased during changing of production line of some export-led manufacturers. However, certain export items continued to expand, including apparatus for making and breaking electrical circuit, optical appliance and instruments, electrical appliances, and medical equipment, with key export markets being Singapore, the U.S., and China. Export to Japan, Hong Kong, and Israel, nonetheless, declined. *Export value registering at Chiang Mai Airport Custom House* fell moderately while *border-trade export value* increased markedly as border-trade export to every neighboring countries rose.

Import value registering at custom houses in northern region decreased slightly by 3.8 percent year-on-year to 109 million US dollars, as *import value of industries located at NRIE in Lumphun province* dropped following earlier accelerated machinery import. Also, *border-trade import value* fell slightly as imports from Southern China declined. However, border-trade import from Myanmar and Laos PDR rose satisfactorily. Trade balance registered a surplus of 74 million US dollars, compared with a surplus of 57 million US dollars in October 2003.

**8. Prices.** Consumer Price Index (CPI) increased by 3.7 percent year-on-year, accelerating from the previous month, due mainly to higher prices of non-food products, particularly a rise in retail gasoline price, a hike of electricity rate caused by an increase in fuel tariff electricity charge rate (FT rate), as well as an increase in motor vehicle maintenance. As a result, non-food prices rose by 3.7 percent year-on-year. Food prices grew by 3.9 percent year-on-year, decelerating from last month as prices of jasmine rice and fruit declined. Consumer Price Index (Core CPI) remained at low level, increasing by only 0.5 percent year-on-year.

**9. Labor.** From September 2004 Labor Force Survey by National Statistical Office, northern region labor force stood at 6.9 million, of this, 6.7 million were employed. Employment rate registered at 97.5 percent, increasing slightly from 97.0 percent in September 2003, as agricultural sector employment grew by 6.1 percent. In addition, non-agricultural sector employment increased by 11.5 percent year-on-year, in light of labor demand from businesses of manufacturing, construction, wholesale and retail. Unemployment rate was at 2.4 percent, slightly lower than that of September 2003.

**10. Banking.** At end-September 2004, commercial bank deposit outstanding expanded by 5.2 percent year-on-year to 295,361 million Baht, consisting mainly of deposits of public sector and teacher cooperatives. Commercial bank credit outstanding amounted to 210,460 million Baht, increasing by 8.3 percent year-on-year. Credit extension in the lower north expanded, particularly to manufacturing sector such as rice mills, and teacher cooperatives in provinces of Nakhon Swan, Kamphaeng Phet, Sukhothai, and Phichit. A ratio of credits to deposits was 71.2 percent, higher than 69.2 percent in September 2003.

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December 1, 2004

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