



Press Release on Northern Region Economic Conditions in November 2004

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In November 2004, northern region economy expanded well, with government spending, private consumption, and exports accelerating from last month. Farm income grew as rice price increased. Manufacturing production expanded, benefiting from foreign demand. Private investment activity expanded. Headline inflation decelerated from last month primarily as a result of decreases in prices of retail benzene and chicken.

Details of economic conditions in November 2004 are as follows:

1. Agricultural Production. Farm income from major crop grew by 2.8 percent year-on-year, but decelerated from last month largely as a result of a decline in major rice production, particularly in the lower north, caused by flood during cultivating season and insufficient rainfall. Major crop production, thereby, fell by 5.4 percent year-on-year as major rice output decreased. However, maize production increased due to expansion of cultivating areas prompted by last year's high price. Major crop price grew by 8.2 percent year-on-year as rice price rose in light of favorable world market prices and government measures, and maize price increased.

2. Manufacturing Production. Manufacturing output expanded as captured by production and export activities of manufacturers located at Northern Region Industrial Estate (NRIE) in Lumphun province. NRIE export value increased by 8.3 percent year-on-year, accelerating from last month, in response to foreign demand for apparatus for making and breaking electrical circuit and electrical appliances from Japan, Singapore, and the U.S. Meanwhile overseas demand for transformer generator and motors, electronic components, and medical equipment declined. Zinc production picked up and increased by 2.7 percent year-on-year, prompted by favorable world market prices.

3. Services. Services activity continued to increase in tourism season. Promotion of Loi Kra Thong Festival and arrangement for tourism activities by public and private sectors helped boosting inflows of foreign tourists, particularly from Europe, the U.S., and Japan. Also, inflows of domestic tourists increased as part of Thai tourist shifted to northern destinations because of concern over recent unrest in three southern provinces of Thailand. As a result, average hotel occupancy rate grew by 4.4 percent year-on-year, and average hotel room rate rose by 8.8 percent year-on-year to 1,047.5 Baht per room night. Air passenger and VAT collected from hotels and restaurants increased by 29.8 percent year-on-year, and 8.8 percent year-on-year, respectively.

4. Private Consumption. Private consumption activity expanded. Registered car rose significantly by 51.5 percent year-on-year, suggesting sound spending for automobile that was encouraged by intense promotional campaigns, recently launched new excise tax framework for automobile, and earlier introductions of new pick-up models. Spending for motorcycle, benefiting from improved farm income, picked up as seen by a 20.8 percent year-on-year growth of registered motorcycle, compared with a fall of 1.9 percent last month. Meanwhile, VAT collected from wholesale and retail businesses rose by 15.0 percent year-on-year.

5. Private Investment. Construction investment activity expanded. Import value of non-electrical machinery and parts grew by 58.4 percent year-on-year, as capital investment of firms located at NRIE in Lumphun province rose, while investment value of newly registered factories increased by more than three folds due mainly to investment in food industry. However, signal of construction investment weakened as seen by a decline in construction areas permitted in municipal

zone, particularly residential and commercial areas in the lower north. But land transaction fee picked up, rising by 40.5 percent year-on-year, due largely to land purchases in Lumphun province.

6. Fiscal Positions. Government budgetary expenditures registering at northern provincial treasuries and district treasuries grew by 15.4 percent year-on-year to 9,965 million Baht, compared with 7.2 percent in November 2003, largely as a result of an increase in subsidies that stemmed from disbursement of Tambol Administrative Organizations (sub-district administrative organization). As for government income, revenue rose by 25.3 percent year-on-year to 1,141 million Baht, compared with 10.5 percent in the same period last year, attributable to increases in every tax receipt of every provinces, particularly Chiang Mai. As a result, budgetary balance recorded a deficit of 8,824 million Baht, compared with a deficit of 5,390 million Baht last month, and a deficit of 7,728 million Baht in November 2003.

7. Foreign Trade. Export value registering at custom houses in northern region grew by 12.1 percent year-on-year to 172 million US dollars, owing to growth in both export from industries located at NRIE in Lumphun province and border trade export. *Export value of industries located at NRIE in Lumphun province* rose in response to foreign demand for apparatus for making and breaking electrical circuit, electrical appliances, and optical appliance, while *border-trade export value* increased but at a slower pace from last month as export to Myanmar slowed down.

Import value registering at custom houses in northern region rose by 12.2 percent year-on-year to 113 million US dollars, contributed by both an increase in *import value of industries located at NRIE in Lumphun province* that prompted by demand for raw materials, and a rise in *border-trade import value*, especially from Myanmar. Trade balance registered a surplus of 59 million US dollars, up from a surplus of 53 million US dollars in November 2003.

8. Prices. Consumer Price Index decelerated from the previous month to 3.4 percent year-on-year, due mainly to decreasing retail benzene prices, and to a lesser extent, falling chicken price that prompted by weaker consumer demand for chicken. Non-food prices, thereby, increased by 3.3 percent year-on-year, decelerating from 3.7 percent year-on-year last month, while food prices slowed down from last month as chicken price fell and fresh vegetable price decelerated in light of increasing supply. Core Consumer Price Index increased slightly by 0.5 percent year-on-year.

9. Labor. From October 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 96.5 percent, as agricultural sector employment grew by 2.6 percent year-on-year. In addition, non-agricultural sector employment increased by 13.0 percent year-on-year, in light of labor demand from businesses of education, and wholesale and retail. As a result, unemployment rate was low at 1.7 percent, compared with 3.2 percent in October 2003.

10. Banking. At end-October 2004, commercial bank deposit outstanding expanded by 5.4 percent year-on-year to 293,501 million Baht. Commercial bank credit outstanding increased by 8.4 percent, the same rate as last month, to 212,201 million Baht, due to credit extension to export-oriented industries, particularly in the lower north provinces such as Nakhon Sawan, Kamphaeng Phet, Phetchabun, Uthai Thani, and Pichit. A ratio of credits to deposits was 72.3 percent, improved from 70.3 percent in October 2003.

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