



## Press Release on Northern Region Economic Conditions in 2004

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**In 2004, overall northern economy expanded well, driven primarily by private consumption and private investment**, in spite of some deceleration in the latter half of the year in light of a farm income slowdown, rising oil prices, and dampened consumer and investor confidence that prompted by successive adverse uncertainties. On the external front, exports rose significantly, resulting in an increase in manufacturing production particularly that of export-oriented; nonetheless, export growth decelerated in the second half of the year as foreign demand slowed down. Services activity expanded well. Headline inflation accelerated from the previous year. Commercial bank deposits appeared to accelerate, but credits decelerated from the same period last year.

Details of economic conditions in 2004 are as follows:

**1. Agricultural Production.** Farm income rose by 0.7 percent year-on-year, decelerating from 14.7 percent last year, major crop output fell slightly by 0.2 percent and major crop price grew by 0.9 percent. Major rice, and second rice output declined mainly as a result of flood and insufficient rainfall, while garlic production declined due to the government efforts to lessen cultivating areas. However, outputs of various crops, including sugarcane, maize, longan, and lychee, increased mostly on account of expansion of cultivating areas, encouraging prices, and favorable weather conditions. Major crop price grew in tandem with increases in prices of major rice and second rice in light of encouraging world market prices and the government measures. Prices of garlic, shallot, onion, and sugarcane, however, fell from the same period last year.

**2. Manufacturing Production.** Manufacturing production expanded at a decelerated rate, but remain at satisfactory level. Production and export value of manufactures located in Northern Region Industrial Estate (NRIE) at Lumphun province grew by 25.5 percent year-on-year, accelerating from 16.4 percent last year, in response to foreign demand in the events of the Euro 2004, the Athens Olympic Games, and the US presidential election. However NRIE production and exports slowed down in the latter half of the year as foreign demand decelerated. Sugar production increase moderately by 3.8 percent year-on-year, decelerating significantly from 30.1 percent in the previous year due in part to high-base effect, and part of sugarcane output was damaged by drought.

**3. Services.** Services conditions improved from last year's depressed level triggered by the news of the SARS outbreak, benefiting from tourism promotion by private and public entities, price competition among budget airlines, and concerns over the unrest in three southern provinces of Thailand that prompted parts of tourists to shift destinations to the northern region. As a result, services activity accelerated from last year. The number of air passenger and the number of all incoming passenger rose by 35.7 percent year-on-year and 16.2 percent year-on-year, respectively, while VAT collected from hotels and restaurants grew from the previous year by 18.2 percent. Hotel occupancy rate increased by 4.2 percent year-on-year; while hotel average room rate was at 887.98 Baht per room night, up from 823.19 Baht per room night in 2003.

**4. Private Consumption.** Private consumption activity expanded well, albeit at a decelerated rate. Registered cars rose by 27.9 percent year-on-year to record a ten-year peak as both passenger car and commercial car increased due to low interest rates, continued active promotional campaigns, introductions of new automobiles, and reduction in new excise tax rates of economy cars. Meanwhile, registered motorcycle, recording recorded a ten-year high, increased moderately by 5.9 percent year-on-year, decelerating from 31.7 percent last year. VAT collected from wholesale and retail businesses rose by 16.2 percent year-on-year, reflecting improved economic activities in most of northern provinces.

**5. Private Investment.** Overall private investment activity expanded. Capital investment accelerated, both in the areas of export-oriented production and domestic oriented production. Import value of non-electrical machinery and parts grew markedly by 67.8 percent year-on-year, accelerating from 24.8 percent last year, owing to capital investment of electronics plants, while investment value of newly registered factories increased by nearly two folds, largely as a result of investment in industries of food, agricultural, water treatment system, generating and distributing electricity, and repair of motor vehicles. In addition, capital investment outlook was satisfactory, reflected by investment value of BOI approved project, which represented investment interest in the areas of producing electronics and electrical appliances, agriculture and agricultural products, metal products, machinery and transport equipment. Nonetheless, construction investment increased at a slower pace from last year as construction costs rose in light of increases in prices of steel, construction materials, and oil. Construction areas permitted in municipal zone fell by 4.8 percent year-on-year, as every types of construction area declined. Land transaction fees grew by 15.4 percent year-on-year, slowed down from 46.4 percent last year, as there was no reduction in land ownership transferring fees as in last year.

**6. Fiscal Positions.** In January-November 2004, government budgetary expenditures registering at northern provincial treasuries and district treasuries increased by 8.6 percent year-on-year to 113,181 million Baht, compared with a decline of 5.4 percent in the same period last year. Current expenditure grew by 6.1 percent year-on-year, while capital expenditure, accelerating since the beginning of the year, rose by 14.3 percent year-on-year, especially in the area of subsidies that stemmed from disbursement of Tambol Administrative Organizations (sub-district administrative organization). Increases in disbursement were seen in provinces of Nakhon Sawan, Phetchabun, Chiang Mai, and Chiang Rai. As for government income, revenue rose by 13.8 percent year-on-year to 15,274 million Baht, compared with an increase of 10.6 percent in the same period last year, mainly as a result of economic expansion and an increase in tax base. Taxation grew by 15.6 percent year-on-year, particularly specific business tax, corporate income tax, and value added tax (VAT). Meanwhile, other revenue item was up by 8.5 percent year-on-year, contributed largely by increases in provinces of Chiang Mai, Chiang Rai, Kam Phaeng Phet, and Phitsanulok. As a result, budgetary balance registered a deficit of 97,907 million Baht, compared with a deficit of 90,770 million Baht in the same period last year.

**7. Foreign Trade.** Export value registering at custom houses in northern region increased by 28.8 percent year-on-year to 2,162 million US dollars. *Export value of industries located at NRIE in Lumphun province* rose significantly, especially in the first half, in response to foreign demand during the Euro 2004, the Athens 2004 Olympic Games, and the US Presidential Election, with major export goods being electrical apparatus for making and breaking electrical, electrical appliance, and optical appliance and instruments. *Border-trade export value* increased markedly, even though exports to Southern China declined, as exports to Myanmar and Laos PDR expanded well.

Import value registering at custom houses in northern region rose by 21.3 percent year-on-year to 1,353 million US dollars, contributed mainly by an increase in *import value of industries located at NRIE in Lumphun province* that prompted by demand for raw materials and capital goods, particularly computer parts and non-electrical machinery and parts. *Border-trade import value* also expanded well as imports from every neighboring country increased, especially Myanmar. Trade balance registered a surplus of 810 million US dollars, compared with a surplus of 564 million US dollars in 2003.

**8. Prices.** Consumer Price Index rose from the previous year by 2.8 percent, accelerating from 1.9 percent in 2003. Food prices increased by 4.8 percent year-on-year, accelerating from last year, as prices of meats, fish and seafood rose in response to consumer demand prompted by concern over the avian flu outbreak; while price of fresh vegetables increased in light of diminished supplies. Non-food prices grew by 1.6 percent year-on-year, accelerating from last year, largely as a result of increases in prices of retail benzene gasoline, electricity price per unit, and motor vehicle maintenance. Core Consumer Price Index increased by merely 0.1 percent year-on-year.

**9. Labor.** From November 2004 Labor Force Survey by National Statistical Office, northern region labor force stood at 6.8 million, of this, 6.6 million were employed. Employment rate was at 98.1 percent, improving from 97.8 percent in November 2003, as non-agricultural sector employment grew by 9.3 percent year-on-year in light of labor demand from businesses of manufacturing, and tourism. Unemployment rate, nonetheless, increased from 1.6 percent in the same period last year to 1.8 percent because agricultural employment was adversely affected by drought conditions.

**10. Banking.** At end-November 2004, commercial bank deposit outstanding expanded by 6.2 percent year-on-year to 296,205 million Baht, due in part to increases in deposits from farmers, public-sector entities, and saving cooperatives, particularly in provinces of Chiang Mai, Nakhon Sawan, Chiang Rai, Phitsanulok, and Phichit. Meanwhile, commercial bank credit outstanding grew by 7.7 percent year-on-year to 215,628 million Baht, decelerating slightly from the same period last year in line with economic activities, with credits being extended export businesses, especially rice and processed agricultural products, in provinces of Chiang Mai, Chiang Rai, Kam Phaeng Phet, Pichit, Phitsanulok, and Nakhon Sawan. A ratio of credits to deposits was 72.8 percent, improved from 71.7 percent in November 2003.

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