



Press Release on Northern Region Economic Conditions in January 2005

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In January 2005, northern economy grew at a decelerated rate from last month, with private consumption expanding well due to increasing farm income largely as a result of an increase in price. Construction investment improved particularly in the area of household residential construction. Manufacturing output decelerated, especially export-led production prompted by a slower foreign demand. Despite a decline in foreign tourist inflow that was led by the adverse impact of the tsunami disaster on the Andaman coast and the unrest in three southernmost provinces of Thailand, overall tourist inflow expanded, though at a much slower pace, as the number of Thai tourist continued to rise. Headline inflation decelerated. Commercial bank deposits accelerated, while credits decelerated in line with economic activity.

Details of economic conditions in January 2005 are as follows:

1. Agricultural Production. Major crop production grew by merely 0.5 percent year-on-year as a result of drought. Outputs of rice and sugar cane fell, where as outputs of maize and cassava increased in light of expansion of cultivation areas encouraged by last year's high prices. Farm income rose by 17.8 percent year-on-year largely as a result of a 17.3 percent increase in major crop price. Rice price rose due to favorable pledging rice price – domestic price-support system, and a decline in world stock. Prices of cassava, sugar cane, and maize also increased satisfactorily.

2. Manufacturing Production. Manufacturing output increased from the same period last year at a decelerated rate as sugar production, affected partly by drought conditions, grew slightly by 3.5 percent year-on-year. Meanwhile production and export value of manufactures located in Northern Region Industrial Estate (NRIE) at Lumphun province fell by 1.1 percent year-on-year as production and export of apparatus for making and breaking electrical circuit and transformer generator and motors dropped in response to weakening foreign demand. Production of construction materials, however, increased significantly benefiting from active demand for residential housing as well as public sector's construction projects.

3. Services. Tourism activity increased at a slower pace in light of the adverse effect of the tsunami disaster and the unrest in three southernmost provinces of Thailand, which forced some foreign tourists to cancel their trips. Thai tourist inflow, however, continued to rise. The number of air passenger grew by 7.2 percent year-on-year benefiting from low airfare prices offered by budget airlines, additional flights, and a tendency towards using air transportation as a mean of traveling. However, VAT collected from hotels and restaurants, and hotel occupancy rate declined by 13.0 percent year-on-year, and 5.8 percent year-on-year, respectively. Hotel average room rate increased by 25.0 percent year-on-year, reflecting room renovation in the earlier period.

4. Private Consumption. Private consumption activity improved. Registered motorcycle increased by 15.6 percent year-on-year, accelerating from 10.8 percent in the previous month, benefited from a rise in farm income especially in the lower north. Registered car decelerated from last month, increasing by 24.4 percent year-on-year as both passenger car and commercial car rose due to low interest rates, introductions of new automobiles, and price reduction stemming from new excise tax rates of economy cars. VAT collected from wholesale and retail businesses grew by 7.8 percent year-on-year.

5. Private Investment. Private investment activity improved, especially investment in household residential construction in suburban areas. Nonetheless, construction areas permitted in municipal zone fell by 15.1 percent year-on-year owing primarily to a fall in residential construction

area. Land transaction fees grew by 58.7 percent year-on-year. Capital investment activity remained unchanged from the previous month.

6. Foreign Trade. Export value registering at custom houses in northern region grew by 12.6 percent year-on-year to 176.3 million US dollars, resulting mainly from a marked increase in *border trade export* to every neighboring country. *Export value of industries located at NRIE in Lamphun province*, on the other hand, dropped and recorded the first monthly decline since March 2002, as apparatus for making and breaking electrical circuit, transformer generator and motors, and medical equipment, which were exported to Hong Kong, the U.S., Malaysia, and South Korea, declined. Meanwhile, exports to Japan, Singapore, and China, rose, with machinery export to China increasing considerably as a result of relocating some labor-intensive production lines. Import value registering at custom houses in northern region fell by merely 0.4 percent year-on-year to 102 million US dollars, as *import value of industries located at NRIE in Lamphun province* declined due mainly to decreases in imports of apparatus for making and breaking electrical circuit, non-electrical machinery and parts, plastic resin and products. Meanwhile, *border-trade import value* expanded well as imports from every neighboring countries increased, particularly Myanmar and Lao PDR.

Trade balance registered a surplus of 74.5 million US dollars, compared with a surplus of 57.5 million US dollars in January 2004.

7. Prices. Consumer Price Index rose by 2.5 percent year-on-year, decelerating from last month. Food prices grew by 4.1 percent year-on-year owing primarily to increases in prices of meats, fish and seafood, fresh vegetables, and eggs. Non-food prices rose by 2.0 percent year-on-year, decelerating from last month largely as a result of a decline retail benzene gasoline prices. Core Consumer Price Index increased by 0.6 percent year-on-year.

8. Labor. From December 2004 Labor Force Survey by National Statistical Office, northern region labor force stood at 6.8 million. Employment rate was at 98.3 percent, improving from 98.1 percent in December 2003, as non-agricultural sector employment grew by 13.0 percent year-on-year, particularly in the areas of wholesale and retail, manufacturing, construction, and construction. Agricultural employment, nonetheless, dropped by 3.8 percent year-on-year due to the adversely affected by drought conditions, As a result, unemployment rate was at 1.3 percent, improved from 1.4 percent in the same period last year.

9. Banking. At end-December 2004, commercial bank deposit outstanding expanded by 5.1 percent year-on-year to 297,566 million Baht, decelerating from November 2004. Deposits increased particularly in provinces that were the prime cultivation areas such as Nakhon Sawan, Kamphaeng Phet, Phichit, Pechabun, Lamphun, and Tak. Meanwhile, commercial bank credit outstanding amounted to 214,795 million Baht, increasing by 7.1 percent year-on-year, with credits being extended mainly to rice mills and firms located in Northern Region Industrial Estate in Lamphun province. However, credit outstanding declined significantly in provinces of Chiang Mai, Phitsanulok, Phrae, and Nan, as a result of loan repayment of major accounts as well as transferring some accounts from commercial bank branches to their asset management companies. Therefore, a ratio of credits to deposits was 72.2 percent, improved from 70.8 percent in December 2003.

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