



Press Release on Northern Region Economic Conditions in February 2005

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In February 2005, northern economy expanded, with private consumption increased at a slower pace. Private investment, particularly construction investment, rose from the same period last year. Farm income from major crops grew as a result of an increase in price. However, export-oriented manufacturing production declined from the same period last year in response to a decelerated foreign demand. Services activity expanded, benefiting from festival promotions. Consumer Price Index accelerated. Commercial bank credits and deposits improved from the same period last year.

Details of economic conditions in February 2005 are as follows:

1. Agricultural Production. Major crop production, affected by drought conditions and insufficient rainfall, fell by 1.9 percent year-on-year in line with decreases in output of sugar and rice. Meanwhile lessening cultivation areas led to decreases in shallot and onion production. Nonetheless, average major crop price increased by 18.7 percent year-on-year. Sugar cane price was up satisfactorily in line with an increase of its preliminary price. Cassava price rose considerably in response to export demand for cassava product. In addition rice price grew due to favorable world market price and the government's domestic price-support system. As a result, farm income from major crop increased by 16.8 percent year-on-year.

2. Manufacturing Production. Manufacturing output declined from the same period last year. Production and exports of industries located in Northern Region Industrial Estate (NRIE) at Lumphun province dropped by 7.4 percent year-on-year as foreign demand decelerated. Export goods that declined significantly included apparatus for making and breaking electrical circuit, transformer generator and motors, and optical appliances. Meanwhile, sugar production fell by 6.8 percent year-on-year, as there was less quantity of sugar cane –a major raw material. Production of construction materials, on the contrary, increased owing to demand for residential housing and public sector's construction projects.

3. Services. Tourism activity expanded slightly from the same period last year. Tourists were attracted by tourism promotion offered by public and private sectors particularly in the upper north. In addition, service sector also benefited from destination shifting to the north in light of unrest in three southern provinces. Air passenger increased by 14.7 percent year-on-year, with airports of Chiang Rai and Chiang Mai registering significant growth. Hotel average room rate was at 68.2 percent, compared with 67.9 percent in the same period last year. Hotel average room rate grew by 6.3 percent year-on-year, reflecting expense of room renovation in the earlier period. However, value added tax collected from hotels and restaurants declined by 15.7 percent year-on-year.

4. Private Consumption. Consumer spending grew at a decelerated rate. Value added tax collected from wholesale and retail businesses increased by 2.1 percent year-on-year, decelerating from 10.2 percent last month. Registered motorcycle grew by 6.5 percent year-on-year, slowing down from 15.6 percent in the previous month. Despite a moderate increase in passenger car, registered car declined by 0.9 percent year-on-year as registered commercial car fell.

5. Private Investment. Construction investment expanded well, particularly household's residential construction in suburban areas. Construction areas permitted in municipal zone rose by 39.8 percent year-on-year in line with construction of commercial, service and transport construction buildings. Land transaction fees increased slightly by 2.5 percent year-on-year. Meanwhile, capital investment interest in improved as seen by an 15.9 percent increase of investment value of BOI's approved projects, compared with a large decline of 63.4 percent last month.

6. Foreign Trade. Export value registering at custom houses in northern region increased by 5.7 percent year-on-year to 179.7 million US dollars, decelerating from last month. *Border trade export* value grew markedly as exports to every neighboring country expanded well, especially Southern China. Whereas *Export value of industries located at NRIE in Lamphun province* declined in line with decreases in exports of breaking electrical circuit, transformer generator and motors, and optical appliances. However, exports of non electrical machinery and parts more than doubled as used machineries were shipped out to China, while exports of electrical appliances increased, especially to Japan and Singapore.

Import value registering at custom houses in northern region dropped by 11.8 percent year-on-year to 97.8 million US dollars, due largely to a decline in *import value of industries located at NRIE in Lamphun province* prompted by a fall of capital imports such as electrical machinery and parts, no-electrical machinery and parts, and integrated circuits. Moreover, *Border-trade import value* also decreased as imports from every neighboring countries declined.

Trade balance registered a surplus of 81.8 million US dollars, compared with a surplus of 58.9 million US dollars in February 2004.

7. Prices. Consumer Price Index grew from the same period last year by 2.8 percent year-on-year, accelerating from the previous month. Food prices rose by 4.2 percent resulting largely from increases in prices of meats, eggs, vegetables and fruits. Non-food prices grew by 2.2 percent year-on-year due mainly to a rise in retail benzene prices. Core Consumer Price Index increased by 0.7 percent year-on-year, nearly the same as last month's rate.

8. Labor. From January 2005 Labor Force Survey by National Statistical Office, northern region labor force stood at 6.7 million. Of these, 6.4 million were employed and made up an employment rate of 95.2 percent, compared with 95.1 percent in January 2004. As a result, unemployment rate was at 3.7 percent, improving from 4.0 percent in the same period last year.

From January 2005 data from Department of Employment, the number of job openings in northern region totaled 17,017 positions, increasing by 192.7 percent year-on-year, reflecting sound labor demand in provinces of Nan, Chiang Mai, and Lamphun especially in manufacturing sector. The number of job applicants stood at 5,102 persons, increasing from the same period last year by 77.1 percent, as a result of labor supply in provinces of Lamphun, Chiang Rai, and Chiang Mai. While, the number of hires totaled 2,174 persons, rising by 111.9 percent year-on-year, largely as a result of placement in provinces of Sukhothai, Chiang Rai, and Lamphun. A ratio of hires to job applicants was 42.6 percent, improving from 35.6 percent in January 2004. The majority of hires were aged 18 – 24 with elementary education.

9. Banking. At-end January 2005, commercial bank deposit outstanding was 302,240 million Baht, expanding by 6.0 percent year-on-year due in part to active deposit raising; increases in deposits from public sector, academic institutions, and public enterprises; and a rise in incoming fund transfer. Deposits increased considerably in provinces of Chiang Mai, Nakhon Sawan, Chiang Rai, and Kamphaeng Phet. In the meantime, commercial bank credit outstanding amounted to 216,461 million Baht, rising by 7.5 percent year-on-year and accelerating from the previous month. This was due to an increase in credits resulting from a merger of a financial institution and a commercial bank, and increase in credits extending to sugar cane farmers in Kamphaeng Phet province, and a rise in consumer credits. Credits increased significantly in provinces of Kamphaeng Phet, Chiang Rai, Phetchabun, Chiang Mai, and Phitsanulok. A ratio of credits to deposits stood at 71.6 percent, improved from 70.6 percent in January 2004.

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