



## Press Release on Northern Region Economic Conditions in March 2005 and the First Quarter of 2005

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**In March 2005, northern region's economy expanded at a decelerated rate** due to the negative impact of natural disasters and weakening foreign demand that lessened agricultural and manufacturing production. Private consumption increased at a decelerated rate, while private investment was at satisfactory level especially construction of residential housing in the outer suburbs. In addition service sector improved benefiting from official promotions. Consumer Price Index accelerated. Commercial bank deposits and credits expanded from the same period last year.

**In the first quarter of 2005, northern economy expanded at a slower pace** as a result of the adverse effect of drought, persistent high oil prices, and weakening foreign demand for certain electronic products in world market, leading to decreases in agricultural and manufacturing production. Although farm income from major crops increased owing to price growth, private consumption decelerated. Service sector grew at a decelerated rate as the tsunami disaster in the Andaman coastal areas triggered a decline in foreign tourists, whereas Thai tourists increased because of destination shifting to the north. As for private investment, construction investment increased as private sector, concerning over probable rising costs stemming from high oil prices sped up construction activity. Consumer Price Index accelerated. Commercial bank deposits and credits continued to expand.

Details of economic conditions in March 2005 and in the first quarter of 2005 are as follows:

**1. Agricultural Production.** In March 2005, major crop production fell by 12.1 percent year-on-year largely as a result of declines in second crop rice, industrial sugarcane, and cassava, caused by drought conditions and insufficient rainfall. In addition shallot output dropped due to a decrease in planted areas prompted by its last year's low price. However, major crop price rose by 15.3 percent year-on-year. Price of industrial sugarcane increased in line with the provisional price of cane, while cassava price increased as export demand for cassava products rose. Furthermore, the price of second crop rice grew owing to favorable world rice prices and supportive government's measures. As price growth outpaced production growth, farm income from major crops increased by 3.2 percent from the same period last year.

In the first quarter of 2005, the output of major crops declined by 12.3 percent year-on-year owing largely to the negative impact of drought which lessened outputs of industrial sugarcane, second crop rice, and cassava. However, supportive government's measures and favorable prices of agricultural commodities in world market contributed to a rise of major crop price by 17.1 percent year-on-year as prices of industrial sugarcane, second crop rice, and cassava increased. As a result farm income from major crops grew by 4.8 percent from the same period last year.

**2. Manufacturing Production.** In March 2005, the overall manufacturing output declined, following last's month decrease, driven mainly by a sharp fall of sugar output of 75.7 percent year-on-year because of less supply of sugarcane - a major raw material. Nonetheless production and exports registering at Northern Region Industrial Estate (NRIE) in Lamphun province, which consisted mainly of electronic goods and electrical appliances, grew by 3.5 percent year-on-year with certain products recording strong growth including apparatus for making and breaking electrical circuit, electrical appliances, and non-electrical machinery and parts. Exports to China, Japan, and Singapore grew significantly. In addition, production of construction materials remained firm on the back of stronger demand for construction materials driven by public investment and speeding up of private sector's investment prompted by concerns about potentially higher costs in the face of persistently high oil prices and expectations of higher interest rates.

In the first quarter of 2005, the overall manufacturing output declined from the same period last year. This decrease was contributed primarily by a drop of sugar output of 24.6 percent year-on-year, as there were less supplies of sugarcane resulting from drought. Moreover, output and exports of electronic goods and electrical appliances produced by plants located at NRIE in Lumphun province fell slightly by 1.5 percent year-on-year, in response to trading countries' decelerated economic growth. Nevertheless, output of construction materials rose, responding residential housing demand in the outer suburbs, accelerating government's projects, and private sector's concerns over possible rising costs arising from high oil prices.

**3. Services.** In March 2005, tourism activity continued to expand, benefiting from official tourism promotions and destination shifting to the north in light of unrest in three southernmost provinces. All indicators of tourism activity improved from the same period last year. Air passenger grew by 19.7 percent-year-on-year, with airports of Mae Hong Son and Chiang Rai posting significant growth. In addition hotel occupancy rate and hotel room rate averaged at 52.9 percent and 840.8 Baht per room night, improving from 52.6 percent and 835.0 Baht per room night in March 2004.

In the first quarter of 2005, tourism activity grew at a decelerated rate as parts of foreign tourists were deterred by the December 26 tsunami disaster and the unrest in three southernmost provinces of Thailand. However, northern region's tourism was supported by an increase in Thai tourists who looked for alternative destinations since their original holidays in the south were cancelled. Tourism activities and attractive tourism packages, arranged by private and public sectors, also helped boosting tourism condition. Air passenger rose by 13.3 percent year-on-year lifted by appealing airfare prices offered by budget airlines. Hotel occupancy rate averaged at 62.1 percent, slightly down from 63.9 percent in the same period last year, while hotel average room rate increased by 11.6 percent year-on-year to 1,042.0 Baht per room night, reflecting expense for room renovation in the earlier period. Value added tax collected from hotels and restaurants, however, fell by 4.5 percent year-on-year.

**4. Private Consumption.** In March 2005, private consumption activity expanded, owing to an improved farm income from major crops. Value added tax collected from wholesale and retail businesses grew by 13.5 percent year-on-year, accelerating from 5.5 percent in a month earlier, with the upper north clearly displaying accelerated growth and the lower north showing growth similar to that of last month. In addition, spending for vehicle also increased as seen by increases in registered cars and registered motorcycle of 17.5 percent year-on-year and 4.2 percent year-on-year, respectively.

In the first quarter of 2005, private consumption activity expanded at a decelerated rate. Value added tax collected from wholesale and retail businesses rose by 9.5 percent year-on-year, down from 10.5 percent and 37.5 percent in the final quarter and the first quarter of last year, respectively. Registered cars increased by 13.9 percent year-on-year, with the upper north and the lower north growing at almost the same rate. Meanwhile registered motorcycle was up by 8.2 percent year-on-year, with the lower north's growth being greater than the upper north's growth.

**5. Private Investment.** In March 2005, private investment activity continued to expand, driven largely by accelerating construction investment prompted by concerns over potentially rising costs stemming from persistent high oil prices. Capital investment activity moderated as seen by a fall of 21.9 percent year-on-year of import value of non-electrical machinery and parts registering at Northern Region Industrial Estate Customs House, but signs of capital investment remained sound since investment value of BOI approved projects more than doubled compared with the same period last year, underlying investment interest in agriculture agricultural product industry, electronics and electrical appliances industry, and light industry such as diamond cutting, service and public utility industry, metal product industry, and machinery and transport equipment industry.

In the first quarter of 2005, construction investment continued to expand, accelerating from the first quarter of 2004. Construction areas permitted in municipal zone grew by 17.3 percent year-on-year in line with expansion of commercial building and service construction. In addition land transaction fee increased by 1.2 percent year-on-year. Although capital investment activity slowed down, signs of capital investment remained positive. For example, import value of non-electrical machinery and parts registering at Northern Region Industrial Estate fell by 23.8 percent year-on-year, but investment value of BOI approved projects grew by 37.9 percent year-on-year, reflecting investment interest in producing electronics and electrical appliances, agriculture and agricultural products, service and public utility.

**6. Foreign Trade.** In March 2005, export value registering at customs houses in northern region increased by 18.1 percent year-on-year to 223 million US dollars, accelerating from the previous month, as border-trade export value grew significantly, especially border-trade exports to Southern China and Laos PDR. Border trade exports to Myanmar, however, grew at a slower pace.

In March 2005, import value registering at customs houses in northern region rose by 7.5 percent year-on-year to 140 million US dollars due mainly to increases in imports of apparatus for making and breaking electrical circuit, and non-electrical machinery and parts. Meanwhile border-trade import value grew favorably as a result of increases in imports from every neighboring country. Trade balance posted a surplus of 82.7 million US dollars, improving from a surplus of 58.3 million US dollars in March 2004.

In the first quarter of 2005, export value registering at customs houses in northern region was up by 11.7 percent year-on-year to 579 million US dollars, down from 40.3 percent in the first quarter 2004. The increment was largely as a result of border-trade exports to Laos PDR, Southern China, and Myanmar. In addition export value registering at Chiang Mai Airport customs house grew by 1.8 percent year-on-year. However, export value of industries located at NRIE in Lamphun province fell by 1.5 percent year-on-year as world market demand for certain export goods weakened, including apparatus for making and breaking electrical circuit, optical appliances, and transformer generator and motors

In the first quarter of 2005, import value registering at customs houses in northern region declined slightly by 1.1 percent year-on-year to 340 million US dollars as import value of industries located at NRIE in Lamphun province fell owing primarily to decreases in imports of apparatus for making and breaking electrical circuit, and basic metal products. Meanwhile import value registering at Chiang Mai Airport Customs House grew by 20.2 percent year-on-year as a result of imports of industrial products and jewellery. In addition, border-trade import value grew satisfactorily as imports from every neighboring country rose. Trade balance registered a surplus of 239 million US dollars, improved from a surplus of 175 million US dollars in the first quarter 2004.

**7. Prices.** In March 2005, Consumer Price Index increased by 3.3 percent year-on-year, accelerating from 2.8 percent in a month earlier, due largely to rising oil prices, and to a lesser extent, less quantity of agricultural products as a result of drought. Food prices rose by 3.5 percent year-on-year as prices of meats, eggs, and vegetables and fruits, increased. Non-food prices grew by 3.2 percent year-on-year, contributed mainly by a rise in retail benzene gasoline prices. Core Consumer Price Index increased by 0.7 percent year-on-year, equaling last month's growth.

In the first quarter of 2005, Consumer Price Index rose by 2.9 percent year-on-year. Non-food prices grew by 2.4 percent year-on-year, up from 0.1 percent in the first quarter 2004, due to persistent increases in oil prices. Food prices increased by 3.9 percent year-on-year, down from 5.5 percent in the first quarter 2004, as a result of decreases in prices of meats, eggs, and vegetables and fruits affected by drought. Core Consumer Price Index grew by 0.7 percent year-on-year, up from 0.5 percent in the first quarter 2004.

**8. Labor.** From February 2005 Labor Force Survey by National Statistical Office, northern region's labor force totaled at 6.6 million. Employed person stood at 6.5 million and represented employment rate of 97.3 percent, improving from 96.2 percent in February 2004. Agricultural employment declined by 3.9 percent year-on-year since a negative impact of drought forced farmers to seek employment in non-agricultural sectors. As a result non-agricultural sector employment rose by 9.1 percent year-on-year, particularly in construction, wholesale and retail trade, and manufacturing. Unemployed person dropped by 22.0 percent year-on-year and unemployment rate was at 1.9 percent, improving from 2.5 percent in the same month last year.

From February 2005 data from Department of Employment, the number of job openings in northern region totaled 24,311 positions, increasing from the same period last year by 104.0 percent, in response to employment demand in provinces of Phitsanulok, Chiang Mai, and Nakhon Sawan, particularly in the area of manufacturing. The number of job applicants stood at 6,942 persons, declining by 49.2 percent year-on-year. The number of hires totaled 2,552 persons, increasing by 20.2 percent year-on-year as a result of placement in provinces of Phitsanulok, Chiang Rai, and Chiang Rai. A ratio of hires to job applicants was 36.8 percent, improving from 21.3 percent in February 2004. The majority of hired persons were aged 18 – 24 with college education.

**9. Banking.** At-end February 2005, deposit outstanding of commercial bank branches stood at 302,685 million Baht, increasing by 6.5 percent year-on-year. The deposits expanded continuously, especially in provinces of Nakhon Sawan, Kamphaeng Phet, Tak, and Chiang Mai. Credit outstanding of commercial bank branches amounted to 222,443 million Baht, increasing by 10.4 percent year-on-year and accelerating from a month earlier. This was due primarily to an increase in credits resulting from a merger of a financial institution and a commercial bank. Credit outstanding increased significantly in provinces of Chiang Mai, Lampang, Nakhon Sawan, Lamphun, Phichit and Uttaradit. A ratio of credits to deposits stood at 73.5 percent, compared with 70.9 percent in February 2004.

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