



Press Release on Northern Region Economic Conditions in April 2005

Issued by Economic Research Division, Northern Region Office, Bank of Thailand (<http://www.bot.or.th>)

In April 2005, northern region's economy improved moderately from last month, with private consumption still expanding, and exports and imports continuing to accelerate for the second consecutive month. Nonetheless, private investment activity, particularly residential construction, began to decelerate. As for the supply side, major crop production declined as a result of drought condition, but farm income increased from a significant rise in major crop price. Manufacturing production noted an upturn following a decrease in the previous month, lifted by exports. The number of tourists slowed down moderately from the explosions in Songkhla province. Consumer Price Index accelerated mainly because of higher oil prices. Deposits and credits of commercial bank branches expanded at decelerated rates.

Details of economic conditions in April 2005 are as follows:

1. Agricultural Production. Major crop production declined by 12.5 percent year-on-year as outputs of second rice crop and industrial sugar cane fell due to insufficient rainfall during planting. Major crop price, on the other hand, rose by 15.5 percent year-on-year. Price of second crop rice rose in line with world rice prices and the government's measures. In light of a decline in sugar cane output due to drought condition, price of industrial sugar cane increased corresponding to the world sugar prices. As a rise in price outpaced a fall in production, farm income from major crops increased by 3.0 percent year-on-year.

2. Manufacturing Production. Overall manufacturing output expanded from the same period last year attributed primarily to foreign demand, reflected by an increase in production of export-oriented industries located at Northern Region Industrial Estate (NRIE) in Lumphun province, with its export-value recording growth of 26.2 percent year-on-year. Demand for apparatus for making and breaking electrical circuit, electrical appliances, optical appliances, and machinery and mechanical appliances, rose above April 2004 levels. By contrast, exports of transformers, generators, and motors, were below April 2004 levels. Furthermore, production of construction materials grew at a slower pace, following acceleration in the first quarter led by upbeat construction activity.

3. Services. Tourism activity increased but at a moderately decelerated rate as parts of foreign tourists was deterred by the early April bombing in Songkhla province. Nonetheless, northern tourism condition still benefited from Songkran festival, tourism promotions arranged by public sectors, and a shift to northern destinations by parts of Thai tourists. Value added tax collected from hotel, and restaurant businesses rose by 9.4 percent year-on-year, while air passenger grew by 13.7 percent year-on-year. Hotel room rate, remaining virtually unchanged from year-earlier levels, averaged at 956.5 Baht per room night.

4. Private Consumption. Private consumption activity expanded at a decelerated rate. Registered cars, consisting of passenger and commercial cars, increased by 22.4 percent year-on-year, compared with 22.7 percent in April 2004, with registered passenger car decelerating while registered commercial car expanding well. Meanwhile registered motorcycle fell by 8.5 percent year-on-year, with significant decline recording in the lower north. Value added tax collected from wholesale, and retail businesses rose by 25.5 percent year-on-year.

5. Private Investment. Private investment activity continued to increase but signaled a softening trend. As for construction investment, construction areas permitted in municipal zone dropped by 10.9 percent year-on-year as residential construction, service and transportation building,

decreased by 26.8 percent and 39.7 percent, respectively. In contrast, commercial building rose significantly by 66.9 percent compared with a year ago, particularly for the lower north such as provinces of Nakhon Sawan, and Phitsanulok. Land transaction fee also declined, falling by 5.1 percent year-on-year. Capital investment activity weakened: import value of non-electrical machinery and parts by industries located at NRIE in Lumphun province contracted by 8.5 percent in year-on-year terms, and investment value of BOI approved projects declined by 98.1 percent from April 2004.

6. Foreign Trade. Export value registering at customs houses in northern region grew by 27.3 percent to 218.0 million US dollars, accelerating from the previous month. *Export value by industries located at NRIE in Lumphun province* increased by 26.2 percent year-on-year, with apparatus for making and breaking electrical circuit, electrical appliances, and optical appliances, being strong sellers. *Border-trade export value* rose considerably by 40.1 percent year-on-year, as exports to every neighboring country reported satisfactory growth.

Import value registering at customs houses in northern region grew by 17.9 percent year-on-year to 129.3 million US dollars, accelerating from a month earlier, due mainly to a rise of 17.6 percent year-on-year in *import value by industries located at NRIE in Lumphun province*, with key import items being apparatus for making and breaking electrical circuit, plastic products and resin. *Border-trade import value* increased by 8.8 percent owing primarily to a rise in imports from Myanmar and Laos PDR. Trade balance recorded a surplus of 88.7 million US dollars, improving from a surplus of 61.6 million US dollars in April 2004.

7. Prices. Consumer Price Index increased by 3.4 percent year-on-year, accelerating slightly from 3.3 percent in a month earlier. Food prices grew by 2.8 percent year-on-year as vegetable and fruit prices continued to rise from last month. Meanwhile, persistent increases in oil prices contributed to a 4.0 percent year-on-year increase in non-food prices this month. Core Consumer Price Index remained at low level, increasing slightly by 0.7 percent in year-on-year terms.

8. Labor. According to March 2005 Labor Force Survey by National Statistical Office; northern region's employed persons totaled 6.5 million and accounted for 98.5 percent of labor force, compared with 98.7 percent in March 2004. Agricultural employment rose moderately by 2.7 percent year-on-year, while non-agricultural employment expanded by 4.8 percent year-on-year, especially for manufacturing, hotels and restaurants. Unemployment rate stood at 2.0 percent of labor force, compared with 1.6 percent in the same month last year.

Insured persons in April 2005 totaled 579,904 persons, increasing from March 2004 by 4.6 percent but slightly declined from February 2005 by 0.1 percent.

9. Banking. At-end March 2005, deposit outstanding of commercial bank branches slowed down from last month to 5.4 percent in year-on-year terms, and amounted to 302,318 million Baht. Deposits expanded in provinces of Lumphun, Phitsanulok, and Nakhon Sawan; but declined in provinces of Chiang Mai, Chiang Rai, Phayao, and Tak. Credit outstanding of commercial bank branches totaled 225,086 million Baht, increasing by 10.1 percent year-on-year, due mainly to credit extension to co-operatives in many provinces. Credits were also extended to rice mills, and industries of agricultural, and animal feed. Provinces reporting strong credit growth included Phitsanulok, Nakhon Sawan, Phetchabun, and Phichit. A ratio of credits to deposits was at 74.5 percent, improving from 70.9 percent in March 2004.

Northern Region Office, Bank of Thailand
June 2, 2005

Contact person: Rawisprapa Ruckphaopunt Tel: +66 (0) 5393-1156
e-mail: rawispr@bot.or.th