



Press Release on Northern Region Economic Conditions in May 2005

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In May 2005, northern region's economy decelerated from last month, with private consumption and private investment expanded at a slower pace. As for the supply side, major crop production declined significantly from the same month last year due to drought condition, as a result, farm income from major crop fell for the first time in this year. Manufacturing production and services decelerated from last month. Meanwhile, price pressure increased as Consumer Price Index rose attributed mainly to rises in oil prices. Commercial bank credits and deposits accelerated from public sector's activity.

Details of economic conditions in May 2005 are as follows:

1. Agricultural Production. Major crop production declined by 13.9 percent year-on-year, with second crop rice and lychee outputs decreasing by 21.1 percent and 3.7 percent, respectively. Major crop price continued to expand, increasing by 11.6 percent year-on-year, with price of second crop rice rising in light of a decrease in world rice supply. Lychee price grew as distribution channel management for the delivery of products allowed lychee outputs to be delivered from producers to consumers efficiently. As the decline in major crop production outpaced the rise in major crop price, farm income fell by 2.3 percent year-on-year, posting the first decline in 2005

2. Manufacturing Production. Overall manufacturing output increased at a decelerated rate. Production of export-oriented industries located at Northern Region Industrial Estate (NRIE) in Lumphun province grew at a decelerated rate compared with last month, with its export-value increasing by 10.0 percent year-on-year. Production of construction materials accelerated from last month in response to demand from public and private sectors' construction projects, especially construction of infrastructure and hotels in major provinces.

3. Services. Services decelerated and signaled a weakening trend. Tourism conditions, previously benefited from inflows of Thai and foreign tourists switching their destinations to northern region as a result of unrest in three southernmost provinces, was affected by persistently rises in oil prices. Hotel occupancy rate averaged at 40.9 percent, declining from 45.2 percent in the same month last year, while hotel room rate, remaining virtually unchanged from year-earlier levels, averaged at 870.9 Baht per room night hotel room rate was at Baht per room night. Nonetheless, air passenger expanded at a decelerated rate, recording a 7.4 percent growth year-on-year.

4. Private Consumption. Private consumption activity expanded at a decelerated rate. Value added tax collected from wholesale, and retail businesses increased by 18.9 percent year-on-year, decelerated from a month earlier. Registered cars, consisting of passenger and commercial cars, grew by 13.8 percent year-on-year, decelerating from 22.4 percent in April 2005 and 30.0 percent in May 2004, respectively, as both passenger and commercial car slowed down. Meanwhile registered motorcycle continued to weaken and declined by 3.1 percent year-on-year, with the lower north posting a fall of 12.4 percent and the upper north registered a moderate growth of 4.1 percent.

5. Private Investment. Private investment activity expanded at a slower pace. Private construction seasonally improved from the previous month, but decelerated from the first quarter 2005 when construction was sped up. Construction areas permitted in municipal zone fell by 1.8 percent year-on-year, improving from a fall of 14.3 percent last month as there was construction of commercial buildings, particularly in the lower north. Land transaction fee rose by 3.6 percent year-on-year. Capital investment weakened: there were only five BOI approved projects, reflecting investment

interest in producing agriculture and agricultural products, electronic industry and electrical appliances, with investment value declined by 95.3 percent year-on-year.

6. Foreign Trade. Export value registering at customs houses in northern region increased by 13.6 percent year-on-year to 203 million US dollars. *Export value by industries located at NRIE in Lumphun province* grew by 10.0 percent year-on-year with apparatus for making and breaking electrical circuit being a strong seller. *Export value recorded at Chiang Mai Airport Custom House* rose by 24.3 percent year-on-year. *Border-trade export value* increased by 22.3 percent year-on-year, decelerated from a month earlier due mainly to a slowdown in export to Myanmar, while export to Lao PDR and southern China rose significantly.

Import value registering at customs houses in northern region grew by 7.5 percent year-on-year to 127.0 million US dollars, decelerated from last month. *Import value by industries located at NRIE in Lumphun province* was up by 7.2 percent year-on-year, while *border-trade import value* increased by 9.8 percent owing primarily to rises in imports from Myanmar and Lao PDR. Border-trade import from Southern China, however, declined. Trade balance posted a surplus of 76 million US dollars, improving from a surplus of 25.6 million US dollars in May 2004.

7. Prices. Consumer Price Index accelerated from last month, increasing by 3.7 percent year-on-year, compared with 3.4 percent and 2.1 percent in the previous month and the same month last year, respectively. Food prices grew by 3.6 percent year-on-year as vegetable and fruit prices increased. Non-food prices rose by 3.9 percent year-on-year in light of persistent increases in oil prices. Core Consumer Price Index accelerated from the previous month, rising by 1.0 percent in year-on-year terms.

8. Labor. According to April 2005 Labor Force Survey by National Statistical Office; northern region's labor force stood at 6.7 million. Of this, 6.5 million were employed and accounted for 97 percent of labor force, compared with 95.5 percent in April 2004. Agricultural employment increased by 5.0 percent year-on-year. Non-agricultural employment unchanged from the same period last year, with employment in wholesale and retail sector rising by 3.8 percent but employment in sectors of construction, hotels and restaurants, and manufacturing, declined. Unemployment rate stood at 2.3 percent of labor force, compared with 3.0 percent in the same month last year. Insured persons in May 2005 totaled 548,779 persons, increasing from the same period last year by 1.8 percent.

9. Banking. At-end April 2005, deposit outstanding of commercial bank branches amounted to 302,604 million Baht, increasing by 6.0 percent year-on-year. Most of the deposits were from public authorities, particularly in the lower north provinces such as Sukhothai, Phetchabun, Kamphaeng Phet, and Uttaradit. Deposits in Chiang Mai province also expanded well due to deposits arising from selling of mutual fund units. Credit outstanding of commercial bank branches totaled 226,729 million Baht, increasing by 10.6 percent year-on-year and accelerating from last month due to loan demand from saving co-operatives, and agricultural product processing industry, particularly in provinces of Phitsanulok, Uttaradit, Nakhon Sawan, and Sukhothai. Credits in Chiang Mai province also expanded owing to credit extended to key auto dealers and construction businesses. A ratio of credits to deposits was at 74.4 percent, improving from 71.3 percent in April 2004.

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