



## Press Release on Northern Region Economic Conditions in July 2005

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

**In July 2005, northern region's economy decelerated.** As for the demand side, private consumption and private investment activity slowed down due to cautious spending of consumers and investors. Exports and imports decelerated from last month and from July 2004. As for the supply side, farm income increased slightly because of a rise in major crop production, particularly longan, while services sector expanded at a decelerated rate. Nonetheless, manufacturing production, especially export-oriented, declined in light of weakening foreign demand. Consumer Price Index accelerated owing to persistent rise in oil prices. Commercial bank deposits increased as a result of deposits by public authorities, while credits continued to expand.

Details of economic conditions in July 2005 are as follows:

**1. Agricultural Production.** Major crop production increased by 3.5 percent year-on-year as longan output rose due to expansion of planting areas prompted by favorable prices in a few years earlier. Major crop price declined by 1.3 year-on-year with longan price falling as its output increased. Price of second crop rice, however, continued to increase. As a result, farm income rose by 2.2 percent year-on-year, compared with a drop of 6.6 percent last month.

**2. Manufacturing Production.** Production of export-oriented industries located at Northern Region Industrial Estate (NRIE) in Lumphun province dropped, with its export-value falling by 4.2 percent year-on-year. Export production recorded significant declines included electrical apparatus for making and breaking electrical circuit, transformers, generators, and motors. Meanwhile, zinc output declined by 1.3 percent year-on-year, while production of construction materials rose by 34.1 percent year-on-year.

**3. Services.** Tourism activity seasonally improved from the previous month, especially in provinces of Mae Hong Son, Chiang Rai, Phetchabun, and Sukhothai, mainly because of long-stay tourism promotion aiming at Asian senior tourists such as Singaporean and Japanese. However, tourism activity decelerated compared with July 2004 as Thai tourists were cautious about spending in light of higher oil prices, whereas majority of foreign tourists were adversely affected by news on the earthquake and unrest in three southernmost provinces of Thailand. Development of key services indicators were as follows. Air passenger grew moderately by 2.0 percent year-on-year, while value added tax collected from hotels and restaurants increased by 2.7 percent. Hotel occupancy rate fell by 1.7 percent year-on-year to average at 51.8 percent, but hotel average room rate increased by 5.3 percent due largely to business expansion of premium hotels in key tourism provinces.

**4. Private Consumption.** Private consumption decelerated from last month and from July 2004 as consumers was cautious about spending. Development of private consumption indicators were as follows. Registered cars slightly grew by 0.4 percent year-on-year, slowing down from 2.1 percent last month and 27.1 percent in July 2004. Meanwhile, registered motorcycle declined by 11.1 percent year-on-year, compared with a fall of 3.9 percent last year and a rise of 0.9 percent in the same month last year. Value added tax collected from wholesale, and retail businesses increased by 20.3 percent year-on-year, decelerated from 27.7 percent a month earlier but improved from 12.6 percent in July 2004.

**5. Private Investment.** Construction investment decelerated from last month, with construction investment sign such as construction areas permitted in municipal zone decreasing by 24.8 percent year-on-year as a result of declining interests in residential construction, dormitories, and hotels. Signs for capital investment also weakened compared with last month and July 2004, with investment

value of BOI approved projects falling by 56.3 percent year-on-year to 800 million baht. Most of BOI approved projects involving producing electronic products and parts, and agricultural products.

**6. Foreign Trade.** Export value registering at customs houses in northern region increased slightly by 0.8 percent to 202.9 million US dollars, decelerating considerably from last month and from July 2004.

*Export value recorded at Chiang Mai Airport Customs House* expanded due mainly to exports of jewelry products to Europe, Australia, and the U.S.

*Export value by industries located at NRIE in Lumphun province* declined as exports of electrical apparatus for making and breaking electrical circuit, transformers, generators, and motors, fell.

*Border-trade export value* decelerated because exports to Myanmar declined, whereas exports to Lao PDR and southern China continued to rise significantly.

Import value registering at customs houses in northern region grew by 18.5 percent year-on-year to 135.6 million US dollars, decelerating from last month and from the same month last year.

*Import value recorded at Chiang Mai Airport Customs House* increased owing to imports of basic metal products, plastic resin and products used in producing motorcycle parts.

*Import value by industries located at NRIE in Lumphun province* expanded as a result of imports of machinery and mechanical appliance, as well as pearls, and precious stones used as raw materials for export production.

*Border- trade import value* increased slightly due primarily to rises in imports from Lao PDR Myanmar and Southern China, while imports from Myanmar declined.

Trade balance posted a surplus of 67.3 million US dollars, lower than that of July 2004

**7. Prices.** Consumer Price Index increased by 5.3 percent year-on-year, accelerating from 3.8 percent last month and from 3.1 percent in July 2004, as a result of a 6.0 percent rise in non-food prices and a 4.5 percent increase in food prices. Of these, energy prices recorded a significant rise, followed by vegetables and fruits, meats, poultry, and fish. Core Consumer Price Index grew by 1.6 percent year-on-year, accelerating from 1.0 percent in the previous month.

**8. Labor.** According to June 2005 Labor Force Survey by National Statistical Office; northern region's labor force stood at 6.6 million. Of this, 6.5 million were employed and accounted for 98.2 percent of labor force, improving from 96.7 percent in June 2004 as a result of a 4.1 percent increase in non-agricultural employment. Nonetheless, agricultural employment declined by 6.9 percent from the same period last year. Unemployment rate stood at 1.3 percent of labor force, improving from 3.1 percent in June 2004.

Insured persons in July 2005 totaled 532,467 persons, increasing from 0.9 percent last month and from 5.3 percent in July 2004.

**9. Banking.** At-end June 2005, deposit outstanding of commercial bank branches amounted to 304,834 million Baht, increasing by 4.5 percent year-on-year largely as a result of deposits by public authorities, particularly in provinces of Chiang Mai and Lampang. Credit outstanding of commercial bank branches totaled 227,325 million Baht, increasing by 10.0 percent year-on-year and decelerating slightly from last month due in part to transferring loan accounts to asset management companies and repayments of loans as a result of debt restructuring. A ratio of credits to deposits was at 74.6 percent, improving from 70.8 percent in June 2004.

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September 1, 2005

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