



Press Release on Northern Region Economic Conditions in August 2005

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

In August 2005, northern region's economy decelerated. For the demand side, private consumption and private investment activities grew at a slower pace. For the supply side, export-oriented manufacturing production accelerated as exports expanded satisfactorily. Services improved from last month, but fell from the same month last year. Farm income declined in light of decreases both in production and price of major crops. Pressures on headline inflation and core inflation increased significantly. Commercial bank deposits decelerated, while credits expanded due to loans transferred by a new bank that converted from a finance company.

Details of economic conditions in August 2005 are as follows:

1. Agricultural Production. Major crop production fell by 0.3 percent year-on-year due to decreases in outputs of maize and mung beans as farmers switched to planting cassava. But cassava output declined as a result of drought and shallot output dropped following last year's unfavorable price. Longan output, on the other hand, increased. Major crop price dropped by 3.6 percent year-on-year mainly owing primarily to a decreased in longan price. Farm income, thus, declined by 3.9 percent year-on-year.

2. Manufacturing Production. Production of export-oriented industries located at Northern Region Industrial Estate (NRIE) in Lamphun province expanded, with its export value growing by 14.9 percent year-on-year improving from decreases in the last two months. Export items posting significant growth included electronic recording media, and jewelry. Production of construction materials expanded at a decelerated rate. Zinc production dropped by 6.2 percent year-on-year, with its price escalating.

3. Services. Services seasonally improved from last month, but declined from the same month last year as foreign tourist confidence weakened in light of recent unrest in three southern most provinces of Thailand and earthquakes. Thai tourists were adversely affected by increasing expenses, and recent flooding in main economic and tourism areas, particularly in Chiang Mai province. These resulted in a slowdown in business and tourist travel. Development of key services indicators were as follows. Air passenger dropped by 2.6 percent year-on-year, recording the first decline in 20 months. Value added tax collected from hotels and restaurants fell by 3.0 percent year-on-year. Hotel occupancy rate averaged at 51.9 percent, compared with 54.6 in August 2004.

4. Private Consumption. Private consumption expanded at a slower pace as consumers became more cautious on spending in light of rising oil prices and the declined farm income. Development of key private consumption indicators were as follows. Value added tax collected from wholesale, and retail businesses increased moderately by 3.6 percent year-on-year, compared with a 22.2 percent increase last month, with the VAT of both the upper north and the lower north decelerating. Registered cars and registered motorcycle rose by 23.5 percent and 4.6 percent year-on-year, respectively, accelerating from a fall of 0.8 percent and a drop of 10.3 percent in the previous month, respectively, owing to business promotion and successive delivery of cars to consumers.

5. Private Investment. Construction investment decelerated from the same month last year. Signs for construction investment continued to decelerate, with construction area permitted in municipal zone decreasing by 7.5 percent year-on-year on account of a decrease in services category such as dormitories and hotels. Commercial and residential categories, on the other hand, expanded. Also, signs for capital investment weakened, with investment value of BOI approved projects falling by 56.3 percent year-on-year to 453.7 million baht. Most of the approved projects represented investment interest in producing agricultural products, electronic parts, metal products, machinery and equipment.

6. Foreign Trade. Export value registering at customs houses in northern region grew by 22.0 percent year-on-year to 227.2 million US dollars, accelerating from 0.8 percent last month.

Export value recorded at Chiang Mai Airport Customs House expanded considerably, with tobacco products, jewelry, and motorcycle parts being strong sellers. Key export destinations included France, Japan, the U.S., and Indonesia.

Export value by industries located at NRIE in Lamphun province increased. Increasing export-items were electronic recording media, and jewelry, shipped out to Japan, Singapore, and Israel.

Border-trade export value declined slightly as exports to Myanmar and Lao PDR dropped, while exports to southern China rose remarkably.

Import value registering at customs houses in northern region increased from the same month last year by 15.0 percent to 124.6 million US dollars, decelerating from 18.5 percent last month.

Import value recorded at Chiang Mai Airport Customs House grew at a slower pace. Main import-items, imported from Japan and India, were apparatus for making and breaking electrical circuit and textile products.

Import value by industries located at NRIE in Lamphun province increased at a decelerated rate from the previous month. Key import products included machinery and mechanical appliance, and jewelry.

Border-trade import value declined moderately as imports from Myanmar and southern China fell, while imports from Lao PDR rose markedly.

Trade balance posted a surplus of 102.7 million US dollars, improving from a surplus of 78 million US dollars in August 2004.

7. Prices. Consumer Price Index rose by 6.3 percent year-on-year, accelerating for the fifth consecutive month, as both food prices and non-food prices rose by 7.5 percent and 5.5 percent, respectively. Vegetable and fruits group recorded the highest increase, as some planting areas were affected by flood, followed by transportation group, and meat, poultry, and fish group. Core Consumer Price Index grew by 2.0 percent year-on-year, accelerating from the previous month and from August 2004.

8. Labor. According to July 2005 Labor Force Survey by National Statistical Office, labor force of northern region was 6.8 million, of this, 6.7 million were employed. Employment rate was 98.4 percent of the labor force, lower than 98.8 percent posting in July 2004, as agricultural employment dropped by 3.9 percent year-on-year. Non-agricultural employment increased by 4.7 percent year-on-year. Unemployment rate was at 1.4 percent of labor force, slightly increasing from that of July 2004.

In August 2005, insured persons totaled 563,752 persons, rising from the same month last year by 5.1 percent and increasing from the previous month by 0.6 percent.

9. Banking. At-end July 2005, deposit outstanding of commercial bank branches totaled 302,044 million baht, increasing from the same month last year by 2.9 percent and decelerating from June 2005. The increase was due to acceleration of budgetary disbursement by many provinces such as Chiang Rai, Phetchabun, Lampang, Nakhon Sawan, and Chiang Mai. Credit outstanding of commercial bank branches at-end July 2005 was 232,429 million baht, increasing by 12.0 percent year-on-year and recording the highest expansion in two years, due primarily to loans transferred from a new bank converting from a finance company.

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October 4, 2005

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