



Press Release on Northern Region Economic Conditions in September 2005 and in Nine Months of 2005

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In September 2005, northern region's economy decelerated. For the demand side, private consumption, private investment, and exports expanded at a decelerated rate compared with the previous month. For the supply side, farm income from major crops rose as a result of price increase, while production declined slightly. Manufacturing production decelerated from last month, while the number of tourists, a key indicator of services sector, declined. Headline and core inflations were at high levels. As for banking condition, commercial bank credits and deposits expanded favorably.

In nine months of 2005, northern region's economy expanded at a decelerated rate owing primarily to persistent rise in oil prices, drought conditions, flood conditions, and a slowdown in world economy. As result, private consumption, private investment, and exports, decelerated. However, in the third quarter the economic conditions improved since exports picked up well, particularly for new electronic products and agricultural processing products, and agricultural production began to recover. Headline inflation accelerated significantly due largely to higher oil prices. Banking conditions were at satisfactorily level as commercial bank credits and deposits expanded well.

Details of each economic sector in September 2005 and in nine months of 2005 are as follows:

1. Agricultural Production. In September 2005, farm income from major crops increased by 2.9 percent year-on-year as a result of price factor. Major crop price rose by 4.2 percent due to increases in prices of maize and main crop sticky rice. At the same time, major crop production began to recover as it decreased at a slower rate of only 1.3 percent year-on-year, supported by expansion of main crop rice output. Maize production, on the contrary, declined because of discontinuing rainfall during its planting season and the fact that some of maize growers switched to plant cassava. Unfortunately, cassava output also fell, affected by drought conditions.

In nine months of 2005, farm income from major crops increased by 8.2 percent year-on-year due largely to price increase. Major crop price grew by 11.3 percent year-on-year, as second crop rice price rose, benefiting from favorable world-market rice prices and the government measures, while prices of sugarcane, maize, and cassava increased in light of lesser supplies. Major crop production, on the other hand, declined by 3.1 percent year-on-year, affected by drought conditions in the first half of the year and flood conditions in the third quarter. Production of some crops, therefore, decreased, including industrial sugarcane, cassava, maize, and second rice. However, longan production increased in line with its harvested areas. In addition, production of main rice crop expanded in response to its higher price.

2. Manufacturing Production. In September 2005, manufacturing production decelerated. Production and export value by export-oriented industries located at Northern Region Industrial Estate (NRIE) in Lamphun province grew by 10.4 percent year-on-year, slightly decelerating from the previous month but exceeding 4.6 percent in the first half of the year. Export products registering expansion this month included electrical appliances, jewelry, and machinery; whereas optical appliances, and transformer and motors declined. Production of construction materials fell by 2.2 percent year-on-year, posting the first decline of the year, in light of lesser construction activity.

In nine months of 2005, manufacturing production expanded at a decelerated rate. Production and export value by export-oriented industries located at NRIE increased moderately by 5.3 percent year-on-year as exports in the first quarter fell, and then improved in the second and the third quarters in response to foreign demand for new-technology electrical appliances, and jewelry. Production of construction materials expanded 27.8 percent year-on-year, with high growth rate in first quarter, and then seasonally decelerating in the second and the third quarters as concerns over construction costs surfaced. Meanwhile, zinc production fell from the same period last year by 9.2 percent as domestic demand weakened, while its average selling price rose in light of an increase in world-market zinc prices.

3. Services. In September 2005, services sector declined from last month and from the same month last year as Thai tourists became more cautious about traveling expenses, leading to less traveling. At the same time, foreign tourists were adversely affected by news on earthquake and unrest in three southernmost provinces. Recent flood conditions in Chiang Mai and in nearby provinces also caused delayed traveling. Development of key services indicators were as follows. Air passenger dropped by 4.2 percent year-on-year. Average hotel occupancy rate declined to 40.5 percent, compared with 45.5 percent in September 2004, while average hotel room rate increased by 1.9 percent year-on-year.

In nine months of 2005, services sector decelerated. Foreign tourist confidence was adversely affected by news on earthquake and unrest in three southernmost provinces, while Thai tourists became more cautious about higher traveling spending caused by rising oil prices. Moreover, meetings and seminars regularly held by private and public sectors declined during the end of fiscal year. Development of key services indicators were as follows. Air passenger increased by 6.9 percent year-on-year. Average hotel occupancy rate declined to 50.6 percent, while average hotel room rate rose by 5.3 percent as a result of room renovation and the commencement of operation of premium-price hotels.

4. Private Consumption. In September 2005, private consumption continued to decelerate from last month. Development of key private consumption indicators were as follows. Registered cars grew by 13.1 percent, year-on-year, decelerating from 30.2 percent last month. Register motorcycle fell by 1.3 percent year-on-year, compared with an increase of 4.6 percent a month earlier.

In nine months of 2005, private consumption grew at slower pace as a result of persistent rise in oil prices. Register cars and registered motorcycle increased from the same period last year by 13.5 percent and 0.4 percent, lower than 26.7 percent and 5.0 percent in the same period last year, respectively.

5. Private Investment. In September 2005, private investment decelerated, particularly for construction investment. Construction area permitted in municipal zone grew by 13.9 percent year-on-year due to a rise in permitted commercial construction area in provinces of Nakhon Sawan, and Phetchabun. Permitted residential construction area, however, continued to fall. Meanwhile, sale of construction materials dropped slightly by 0.1 percent year-on-year. Signs for capital investments were less strong; with investment value of BOI approved projects falling by 54.1 percent year-on-year. Most of the approved projects represented investment interest in producing agricultural related products, and textile products.

In nine months of 2005, private investment expanded well as construction investment accelerated of in the first quarter. But investment activity in the second and the third quarters decelerated when high oil prices began to feed into production costs, leading to delayed investment decisions. Sale of construction materials expanded well at 27.3 percent year-on-year but signs of construction and capital investments decelerated reflected by a 1.7 percent fall of permitted construction areas and a 53.2 percent drop of investment value of BOI approved projects.

6. Foreign Trade. In September 2005, export value registering at customs houses in northern region rose by 14.1 percent to 209.2 million US dollars, decelerating from 22 percent in the previous month. *Export value by industries located at NRIE in Lamphun province* expanded, with exports of electrical appliances, machinery, and jewelry increasing and key export destinations being Japan, Singapore, Hong Kong, and Israel. Meanwhile, *export value recorded at Chiang Mai Airport Customs House* increased significantly from exports of tobacco products, accessories, and motorcycle carburetors. In addition, *border-trade export value* rose as exports to southern China increased remarkably and exports to Lao PDR increased satisfactorily, while exports to Myanmar declined.

Import value registering at customs houses in northern region increased by 3.2 percent year-on-year to 124.1 million US dollars as a result of an increase in *import value by industries located at NRIE in Lamphun province* which was attributed to imports of machinery and mechanical appliances, glasses and glassware, and precious jewelry. *Import value recorded at Chiang Mai Airport Customs House* accelerated from last month from imports of electrical appliances, machinery and mechanical appliances. On the contrary, *border-trade import value* declined moderately as imports from Myanmar fell, while imports from southern China increased and imports from Lao PDR rose markedly.

Trade balance posted a surplus of 85.1 million US dollars, improving from a surplus of 63 million US dollars in September 2004.

In nine months of 2005, export value registering at customs houses in northern region increased by 12.8 percent to 1,838.7 million US dollars. *Export value by industries located at NRIE in Lamphun province* rose as exports in the second and the third quarters improved, following a decline in the first quarter, in response to foreign demand for new electrical appliances and electronic products. In addition, *export value recorded at Chiang Mai Airport Customs House* accelerated markedly because exports of tobacco products expanded well as the exporters switched to do export clearance procedures at a customs houses in Chiang Mai, while exports of jewelry and accessories increased considerably, with key export markets being Japan, Singapore, Hong Kong, the US, and Europe. Meanwhile, *border-trade export value* increased at a decelerated rate as exports to Myanmar grew at a slower pace, while exports to Lao PDR and southern China expanded significantly.

Import value registering at customs houses in northern region increased by 8.8 percent year-on-year to 1,112.4 million US dollars. Most of an increase in imports was due to a rise in *import value by industries located at NRIE in Lamphun province*, consisting of electrical apparatus for making and breaking electrical circuit, machinery and mechanical appliances. *Import value recorded at Chiang Mai Airport Customs House* increased satisfactorily from imports of raw materials used for producing textile products, jewelry, base metal products, and other products. *Border-trade import value* grew at a slower pace as imports from Myanmar decelerated, while imports from southern China and Lao PDR rose.

Trade balance registered a surplus of 726.3 million US dollars, improving from a surplus of 606.8 million US dollars in January – September 2004.

7. Prices. In September 2005, headline Consumer Price Index increased by 6.1 percent year-on-year, compared with 3.5 percent in the same month last year, due to an increase in food prices, particularly prices of fruits and vegetables which their supplies were damaged by flood conditions. Non-food prices increased by 5.1 percent year-on-year due to high gasoline prices. Core Consumer Price Index grew by 1.7 percent year-on-year, accelerating from 0.5 percent in September 2004.

In nine months of 2005, headline Consumer Price Index increased by 4.1 percent year-on-year, accelerating from 2.6 percent in the same period last year, largely as a result of high gasoline prices. Food prices increased particularly for fruits and vegetables which their supplies in

the third quarter were damaged by flood. Core Consumer Price Index grew by 1.1 percent year-on-year, accelerating from a decline of 0.1 percent in the same period last year.

8. Labor. According to the August 2005 Labor Force Survey by National Statistical Office, northern labor force stood at 6.8 million. Of this 6.7 million were employed, declining from the same month last year by 1.3 percent year-on-year. Agricultural employment fell by 1.6 percent year-on-year. Non-agricultural employment dropped slightly by 0.8 percent year-on-year as employment in sectors of wholesale and retail, hotel and restaurant, decreased. Unemployment rate was at 1.2 percent, improving from 1.5 percent in the same month last year. In September 2005, the number of insured persons totaled 566,337 persons, increasing from the previous month and from September 2004 by 0.5 percent and 5 percent, respectively.

9. Banking. At-end August 2005, deposit outstanding of commercial bank branches totaled 305,277 million baht, increasing from the same month last year by 4.3 percent. The increase was due primarily to deposits by public authorities and academic institutions, particularly in provinces of Chiang Mai, Nakhon Sawan, Phichit, and Phetchabun. Credit outstanding of commercial bank branches at-end August 2005 was 235,255 million baht, increasing by 12.6 percent year-on-year, resulting partly from additional credits that came from a merger of financial institutions in the first quarter and a newly operated commercial bank. Credits expanded well in provinces of Nakhon Sawan, Kamphaeng Phet, and Phitsanulok. In the upper north, credit expanded in Provinces of Chiang Mai, and Lamphun. Ratio of deposit to credit was at 77.1 percent, improving from 71.4 percent in the same period last year.

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