



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

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**In October 2005**, northern region's economy expanded from the previous month. For the demand side, private consumption continued to expand from the previous month and exports accelerated in response to foreign demand, while private investment decelerated. For the supply side, farm income from major crops expanded from increases both in price and production. Manufacturing production expanded, while services sector decelerated. Headline Consumer Price Index accelerated due primarily to rising gasoline prices. Commercial bank deposits and credits expanded well.

Details of each economic sector in October 2005 are as follows:

**1. Agricultural Production.** Farm income from major crops expanded contributed by increases both in production and price. Major crop production increased by 0.5 percent year-on-year, rising for the first month after having declined continuously since the end of last year, as drought condition abated. Production of major crop rice increased as its high price encouraged farmers to produce greater rice output. Meanwhile, maize production declined as farmers switched to plant other crops. Major crop price rose by 7.7 percent year-on-year, with sticky rice price increasing in line with pledging rice prices and world market prices, and maize price rising considerably in response to strong demand and less supply. As a result, farm income from major crops increased by 8.2 percent year-on-year.

**2. Manufacturing Production.** Manufacturing production expanded, with export value recorded at Northern Region Industrial Estate Customs House in Lamphun province grew by 9.4 percent year-on-year, with main products including magnetic memory disks, camera lens, and electronic products. Production of processed food increased, particularly for dried longan, frozen fruits, and canned corn. Meanwhile, zinc production fell by 19.1 percent year-on-year in line with contracted future prices, and construction material production increased from the previous month but fell slightly from the same period last year by 2.4 percent.

**3. Services.** Services sector seasonally improved from last month but decelerated from the same month last year. Although benefited from meeting-and-seminar activities and tourism promotions in some provinces, tourism activities moderated as parts of tourist inflows were affected or delayed because parts of tourists were affected by higher traveling expense that stemmed from rising gasoline prices, concerns over unrest in three southernmost provinces, and recent flood in the northern areas. Development of key services indicators were as follows. Air passenger fell by 5.5 percent year-on-year. Average hotel occupancy rate fell by 1.9 percent from October 2004 where as average hotel room rate increased by 5.7 percent from the same month last year due to operation of premium-price hotels.

**4. Private Consumption.** Private spending for motor vehicles continued to expand. Registered cars and registered motorcycles increased from the same period last year by 13.5 percent and 6.4 percent, respectively, expanding both in the upper north and the lower north.

**5. Private Investment.** Private investment decelerated from last month and from the same month last year as higher oil prices affected purchasing power and costs of production. Construction materials sold declined by 4.3 percent year-on-year. Construction permitted in municipal zone declined by 26 percent year-on-year, with commercial construction area falling significantly and residential construction area dropping moderately. Sign for capital investment improved from the previous month but decelerated from the same month last year as seen by

investment value of BOI approved projects which grew by 68.4 percent year-on-year, consisting investment to produce agricultural products. In addition, capital investment to produce export products improved, reflected by accelerated import value of machinery by export-oriented industries.

**6. Foreign Trade.** Export value registering at customs houses in northern region grew by 18.0 percent year-on-year to 216 million US dollars, accelerating from last month. *Export value by industries located at Northern Region Industrial Estate (NRIE) in Lamphun province* expanded, with key export items including magnetic memory disks, camera lens, and electronic products. *Export value recorded at Chiang Mai Airport Customs House* increased significantly due to exports of motorcycle carburetors, and Burley tobacco leaves. In addition, *border-trade export value* expanded considerably as exports to every neighboring countries rose.

Import value registering at customs houses in northern region increased by 19.6 percent year-on-year to 130 million US dollars, accelerating from the previous month, attributed largely to an increase in *import value by industries located at NRIE in Lamphun province*, consisting of machinery and electrical appliances. *Import value recorded at Chiang Mai Airport Customs House* increased markedly and accelerated from last month owing to machinery imports. However, *border-trade import value* declined as imports from southern China and Myanmar dropped, while imports from Laos PDR increased at a decelerated rate.

Trade balance registered a surplus of 85.9 million US dollars, improving from a surplus of 74.4 million US dollars in October 2004.

**7. Prices.** Headline Consumer Price Index rose by 6.2 percent year-on-year, compared with 6.1 percent and 3.7 percent last month and in October 2004, attributed to an 8.1 percent increase in food prices, especially for vegetable and fruits. Non-food prices rose by 5.2 percent year-on-year prompted by rises in oil prices. Core Consumer Price Index increased by 1.9 percent year-on-year, accelerating from 1.7 percent last month and 0.5 percent in October 2004.

**8. Labor.** According to September 2005 Labor Force Survey by National Statistical Office, northern region's labor force totaled 6.7 million. Of these, 6.6 million were employed, decreasing by 2.3 percent year-on-year. Agricultural employment fell slightly from the same month last year by 0.2 percent, while non-agricultural employment declined by 4.4 percent due to decreases in employment by sectors of manufacturing, construction, and wholesale and retail. Unemployment rate stood at 1.2 percent, compared with 2.4 percent in the same month last year. In October 2005, the number of insured persons totaled 563,890 persons, increasing from the same month last year by 4.4 percent.

**9. Banking.** At-end September 2005, deposit outstanding of commercial bank branches totaled 308,853 million baht, increasing by 4.6 percent year-on-year. Deposits expanded significantly in the upper northern provinces of Chiang Mai and Chiang Rai and the lower northern provinces of Phetchabun and Phitsanulok. Commercial bank credit outstanding at end-September increased by 12.2 percent year-on-year, growing at a slower pace from the previous month, to 236,107 million baht owing to credits extended to rice mill businesses in the lower northern provinces of Kam Phaeng Phet, Phichit, and Phitsanulok. Ratio of deposit to credit was at 76.4 percent, improving from 71.2 percent in the same period last year.

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