



Press Release on Northern Region Economic Conditions in November 2005

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

In November 2005, northern region's economy expanded from the previous month. For the supply side, farm income accelerated owing to an increase in price of major crops and a rise in production. Manufacturing production expanded and condition of services sector improved. As for the demand side, private consumption and investment decelerated continually from the previous month, as both consumers and investors were cautious about spending. Exports accelerated in response to foreign demand. Headline Consumer Price Index slightly decelerated from the previous month due to reductions in gasoline prices. Commercial bank deposits and credits still expanded well.

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

1. Agricultural Production. Farm income from major crops increased from the same month last year by 11.9 percent, accelerating from a month earlier due to increases both in price and production. Major crops production rose by 2.6 percent as major rice output increased, encouraged by high prices. However, maize output fell since farmers switched to plant other crops. As for agricultural price, major crops price grew by 9.3 percent from a year earlier because of an increase in prices of sticky rice prompted by pledging price and world market prices, and an increase in maize price in light of stronger demand and lower supply.

2. Manufacturing Production. Manufacturing production expanded continually from the previous month. Export-oriented production increased as seen by a 21.9 percent growth of export value recording at Northern Region Industrial Estate Customs House (NRIE) in Lamphun province. Main export products included magnetic memory disks, jewelry, machinery and processed food. Nonetheless, production of construction-related materials and ready-made clothes declined from a year earlier.

3. Services. Service sector condition improved continually from the previous month, due in part to seasonal factor and the north's increase in tourism attractions. Nonetheless, parts of Thai tourists remained cautious about traveling expense because of rising oil prices. Meanwhile, news on avian flu and unrest in three southern most provinces had a negative impact on foreign tourists, causing delay in traveling schedule. Development of key services indicators were as follows. The number of air passenger increased by 1.2 percent from a year earlier. Average hotel occupancy rate was 0.2 percentage lower than a year ago, while average hotel room rate was up by 4 percent from a year earlier due to the fact that there were more premium-priced hotels than last year. Trend of tourism condition is expected to improve in coming months, with cool weather and tourism promotions by public and private sectors being the principal reasons.

4. Private Consumption. Private consumption expanded at a decelerated rate owing to a slowdown in spending for motor vehicles. The number of registered cars and the number of registered motorcycle grew by 2.5 percent and 3.4 percent from a year earlier, decelerating from 13.5 percent and 6.4 percent last month, respectively. Meanwhile Value Added Tax (VAT) collected from wholesale and retail trade increased by 52 percent from a year earlier, with the VAT collections of the upper northern region provinces such as Chiang Mai, Chiang Rai, and Lamphun expanding significantly.

5. Private Investment. Private construction investment decelerated from the previous month as high oil prices had the adverse effect on purchasing power and production costs. Sales of construction-related materials increased by 0.9 from a year earlier, improving slightly from last month, while construction areas permitted in municipal zone grew by 60.1 percent but high growth rates were seen only in provinces of Chiang Mai, Phitsanulok, and Tak. Signs for capital investment improved continually from the previous month, with investment value of BOI approved projects expanding by more than six folds from a year earlier to 3,316.2 million baht. In addition, trend of import value of capital goods also improved.

6. Foreign Trade. Export value registering at customs houses in northern region increased by 22.2 percent from a year earlier to 209.9 million US dollars, accelerating from 18 percent in the previous month. *Export value recording at Northern Region Industrial Estate (NRIE) customs house in Lamphun province* expanded satisfactorily, with magnetic memory disks, jewelry, and machinery being the strong sellers. *Export value recording at Chiang Mai Airport Customs House* grew moderately from exports of motorcycle carburetors, woodcarving products, and ceramic products. In addition, *border-trade export value* grew well as exports to Myanmar and Lao PDR expanded. However, border-trade exports to Southern China fell, recording the first decline since January 2005.

Import value registering at customs houses in northern region rose by 33.7 percent from a year earlier to 150.9 million US dollars, accelerating from 19.6 percent last month, as *import value recording at NRIE customs house in Lamphun province* expanded well, with major import items being printed circuit boards, electrical circuit boards, precious stones, and machinery. *Import value recording at Chiang Mai Airport Customs House* increased markedly, largely as a result of Hong Kong's imports of electrical appliances. Although border-trade imports from Lao PDR expanded considerably, *border-trade import value* declined because of declines in imports from Southern China and Myanmar.

Trade balance posted a surplus of 59 million US dollars, closed to a surplus of 58.9 million US dollars a year earlier.

7. Prices. Headline Consumer Price Index increased from a year earlier by 5.7 percent, decelerating from 6.2 percent a month earlier due to reductions in gasoline prices, but accelerating from 3.3 percent a year earlier. Food prices and non-food prices grew by 8.2 percent and 4.4 percent from a year earlier, respectively. Core Consumer Price Index increased by 2 percent from a year earlier, accelerating from 1.9 percent a month earlier and 0.5 percent a year earlier.

8. Labor. According to October 2005 Labor Force Survey by National Statistical Office, northern region's labor force amounted to 6.7 million. Employed persons were 6.5 million, declining by 1.4 percent from a year earlier as agricultural employment fell by 5.1 percent and non-agricultural employment dropped by 2.1 percent as a result of lessening hiring in sectors of manufacturing, hotel and restaurant, and wholesale and retail. Unemployment rate was at 3 percent, compared with 1.7 percent a year earlier. In November 2005, the number of insured persons expanded by 4.5 percent from a year earlier to 566,634 persons.

9. Banking. At-end October 2005, commercial bank deposit outstanding increased by 3.1 percent from a year earlier to 302,661 million baht, decelerating from 4.6 percent a month earlier due in part to deposit withdrawals by government authorities in the upper northern areas. Commercial bank credit outstanding expanded by 14.7 percent from a year earlier to 243,488 million baht, accelerating from a month earlier. Had credits extended by newly established commercial banks been excluded, the commercial bank credit outstanding would have expanded by 9.7 percent from the year earlier. Ratio of deposit to credit was at 80.4 percent, improving from 72.3 percent a year earlier.

Northern Region Office, Bank of Thailand
January 3, 2006

Contact person: Rawisprapa Ruckphaopunt Tel: +66 (0) 5393-1156
e-mail: rawispr@bot.or.th