



Press Release on Northern Region Economic Conditions in the Year 2005

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In 2005, northern region's economy continued to expand albeit a slowdown in demand in the first half of the year following higher oil prices, natural disasters, tsunami, and unrest in Thailand's southern region. Nonetheless foreign demand, particularly for electronic products and agricultural processed products, and improving tourism condition since the end of the third quarter continued to support the expansion of northern economy. As for price level, Headline Consumer Price Index accelerated, fueled primarily by increases in fuel prices. In addition, commercial bank deposits and credits expanded well.

Details of each economic sector in the year 2005 are as follows:

1. Agriculture. Farm income from major crops grew from a year earlier by 11.0 percent, accelerating from 2004, attributed to an 11.2 percent increase in the price of major crops. The price of rice rose, benefiting from the government's rice pledging scheme, while the price of industrial sugarcane grew by 42.1 percent in light of the raising of sugarcane's final price. Meanwhile, the price of maize grew from a year earlier by 6.2 percent as its supply lessened and demand rose, and the price of cassava increased by 61.8 percent responded to export demand. In addition, the price of lychee increased from the prior year by 6.9 percent, whereas the price of longan declined by 19.4 percent as its supply rose significantly. As for agricultural output, major crop production fell by 0.2 percent from a year earlier because drought conditions lessened key crops outputs, including sugarcane which dropped by 18.4 percent, second crop rice by 3.9 percent, cassava by 7.9 percent, and lychee by 9.5 percent. In addition, production of maize, mungbean, and shallot fell from a year ago by 5.3 percent, 2.4 percent, and 9.2 percent, respectively, since farmers switched to plant other crops. Nevertheless, production of major crop rice and soybean increased from the previous year by 2.7 percent and 1.6 percent, respectively, as last year's favorable prices encouraged more planting of rice and soybean. In addition, production of longan rose as a result of techniques for increasing yield of longan and expansion of planting areas in a few years earlier.

2. Manufacturing Production. Manufacturing production expanded at a decelerated rate from the previous year. Export-oriented production grew at a slower pace as seen by export value by Northern Region Industrial Estate recording at Lamphun Customs House which increased from a year earlier by 8.5 percent to 1,724.5 million US dollars, decelerating from 25.5 percent in 2004 because of a decline in electronic production in the first quarter. Nonetheless, the export-oriented production picked up throughout the remaining of the year, with export value of magnetic memory disks, machinery, and jewelry, expanding well from a year ago by 26.1 percent, 96.2 percent, and 11 percent, respectively. Meanwhile, production of construction-related materials was boosted by expansion of private construction in the first quarter and active public construction activities. By contrast, production of sugar declined by 33.9 percent from a year ago to 1.2 million metric ton in light of less sugar cane supply, caused by drought conditions during planting season.

3. Services. Tourism activity expanded at a decelerated rate from the previous year as certain groups of foreign tourists delayed their traveling schedule in light of tsunami and unrest in southern region of the country, while Thai tourists became more conscious about travel and tourism spending following higher gasoline prices. Meeting and seminar activities dropped. In addition, major northern tourism provinces suffered from triple floods. However, northern tourism appeared to benefit from the south's clouded situations as some of foreign and Thai tourists shifted their destinations to the north especially in the fourth quarter when several festivals were held, by private and public sectors, in many provinces in an effort to promote tourism condition. Moreover, tourism campaigns to promote the Giant Panda Show at Chiang Mai Zoo and the opening of Chiang Mai Night Safari Zoo also helped drawing more visitors. Development of key services indicators were as follows. The average hotel room rate increased by 5.2 percent from a year earlier. The number of air passenger and the Value Added Tax (VAT) collected from hotels and restaurants increased by 4.9 percent and 7.3 percent from the prior year, respectively. Nonetheless, the average hotel occupancy rate was 2.2 percentages lower than a year ago and declined to 54.3 percent.

4. Private Consumption. Private consumption activity expanded well in 2005, but slowed down in the second half of the year as consumers became more cautious about spending in

light of increases in oil prices. Development of key private consumption indicators were as follows. The VAT collected from all types of businesses grew from a year earlier by 29.4 percent, accelerating from 11.9 percent in 2004, with expansion reporting in most of northern provinces. Meanwhile, the number of registered cars and the number of registered motorcycle rose from the previous year by 12.4 percent and 0.6 percent, respectively, decelerating from 28.1 percent and 6 percent in 2004, respectively.

5. Private Investment. Private investment expanded from a year earlier largely because of acceleration in construction investment activity at the beginning of the year. Sales of construction-related materials increased from the previous year by 17.8 percent, and construction areas permitted in municipal zone grew by 3.2 percent, accelerating from a decline of 4.4 percent in 2004. As for signs for capital investment, investment value of BOI approved projects declined by 26.3 percent from the prior year to 9,802.3 million baht, with 56 projects being approved.

6. Foreign Trade. Export value registering at customs houses in northern region increased from the prior year by 14.8 percent to 2,481.8 million US dollars, decelerating from 28.8 percent in 2004. *Export value recording at Lamphun Customs House* increased by 8.5 percent from the previous year to 1,724.5 million US dollars, with magnetic memory disks, jewellery, and other manufacturing products, posting significant expansion of 26.1 percent, 11 percent, and 34.6 percent, respectively, and key export market being Japan, Singapore, Hong Kong, and China. *Export value recording at Chiang Mai Airport Customs House* expanded from a year earlier by 37.2 percent to 195.1 million US dollars, accelerating markedly in the second half of the year from exports of burley tobacco leaf, jewellery, and carburetors. In addition, *border-trade export value* increased from a year earlier by 30.4 percent to 562.1 million US dollars as exports to every neighboring country increased, particularly for Lao PDR.

Import value registering at customs houses in northern region increased from last year by 13.4 percent to 1,534.7 million US dollars, decelerating from 21.3 percent in 2004, with significant growth in the second half of the year. *Import value recording at Lamphun Customs House* grew from a year earlier by 14.4 percent to 1,431.3 million US dollars, mainly as a result of imports of raw materials and capital goods, including electrical circuit boards and printed circuit boards from Japan, the USA, and Singapore. *Import value recording at Chiang Mai Airport Customs House* increased from the previous year by 49.7 percent to 25.8 million US dollars from imports of electrical apparatus for making and breaking electrical circuit, machinery parts, and jewellery. Albeit an increase in imports from Lao PDR, *border-trade import value* declined by 8.5 percent to 77.6 million US dollars as imports from Myanmar and southern China declined.

Trade balance posted a surplus of 947.1 million US dollars, improving from a surplus of 809.5 million dollars in 2004.

7. Prices. Headline Consumer Price Index increased by 4.6 percent from a year ago, accelerating from 2.8 percent last year, as a result of a 5.4 percent increase of food prices, especially those for vegetable and fruits as supplies diminished in the third quarter due to floods. Non-food prices increased from a year earlier by 4.2 percent, accelerating from 2004, since fuel prices increased and prices of tobacco and alcoholic beverages rose following an increase in excise tax rate for cigarettes at the end of the year. In addition, Core Consumer Price Index rose from a year earlier by 1.3 percent, accelerating from 0.1 percent in 2004.

8. Labor. According to November 2005 Labor Force Survey by National Statistical Office, northern region's labor force totaled 6.6 million. Of these, 6.5 million were employed and accounted for 98.4 percent of labor force, improving from 98.1 percent a year ago. Non-agricultural employment increased by 0.3 percent from a year earlier because employment by construction sector grew by 6.8 percent and manufacturing sector by 5 percent, nonetheless, agricultural employment fell by 3.3 percent. Unemployment rate was at 1.5 percent, improving from a year earlier. In addition, the number of insured persons in December 2005 was 568,411 persons, increasing from a month earlier by 0.3 percent and from a year earlier by 4.9 percent.

9. Banking. At-end November 2005, commercial bank deposit outstanding amounted to 305,260 million baht, increasing from a year earlier by 3.1 percent. Deposits increased

in every northern provinces except Lampang province, particularly those in provinces of Chiang Mai, Nakhon Sawan, Tak, Lamphun, and Sukhothai, as a result of deposit mobilization by small commercial banks. As for lending, commercial bank credit outstanding amounted to 247,636 million baht, increasing from a year earlier by 14.8 percent. Credit outstanding expanded markedly in lower northern region, especially for provinces of Nakhon Sawan, Phetchabun, Phitsanulok, and Kam Phaeng Phet. Nonetheless Lamphun province posted a considerable decline in credits as a result of loan repayments by firms located in Northern Region Industrial Estate. Ratio of deposit to credit was at 81.1 percent, improving from 72.8 percent a year earlier. However, had deposits and credits extended by newly established commercial banks including Tisco Bank, Thanachart Bank, and Kiatnakin Bank not included, the commercial bank deposit and credit outstandings would have expanded by 2.1 percent and 9.5 percent from a year earlier, respectively.

Northern Region Office, Bank of Thailand
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Contact person: Rawisprapa Ruckphaopunt Tel: +66 (0) 5393-1156
e-mail: rawispr@bot.or.th