



## Press Release on Northern Region Economic Conditions in January 2006

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In January 2006, northern region's economy expanded. On the demand side, private consumption continued to expand from the previous month, while private investment, exports, and imports increased at a decelerated rate. On the supply side, services sector expanded well, benefiting from inflow of foreign and Thai visitors, particularly those with a purpose to attend meetings and seminars. In addition, farm income from major crops increased satisfactorily, whereas manufacturing production decelerated. As for price level, the Headline Consumer Price Index accelerated largely as a result of increases in energy prices. For banking sector, deposits and credits of commercial banks continued to expand.

Details of each economic sector in January 2006 are as follows:

**1. Agriculture.** Farm income from major crops grew by 6.1 percent from a year earlier since the price of major crops accelerated and increased by 11 percent. The price of industrial sugarcane, in particular, rose by as much as 17.5 percent from a year earlier, responding to an initial sugarcane price and world market sugar price. In addition, the price of major rice increased by 12.6 percent from a year earlier, benefiting from the government's rice pledging scheme, whereas the price of cassava was up by 2.9 percent, driven by domestic and foreign demand. As for agricultural production, production of major crops declined by 4.9 percent from a year earlier. Production of sugarcane, in particular, dropped by as much as 13.6 percent from a year earlier as a result of drought conditions during planting season. Production of major rice, by contrast, rose by 2.7 percent from a year earlier, encouraged by its favorable price, while production of cassava grew by 8.4 percent on account of an expansion of planting areas and a higher yield per Rai.

**2. Manufacturing.** Manufacturing production decelerated. Export-oriented production expanded at a slower pace, reflected by a slowdown in export value of Lamphun Customs House that increased from a year earlier by 16.2 percent, compared with 26.3 percent a year earlier. Of the export-oriented production, production of electrical appliances, lens, apparatus for making and breaking electrical circuit, and jewellery, appeared to expand well as seen by their corresponding export value. Meanwhile, production of construction-related materials grew by 3 percent from a year earlier, but production of sugar declined by 9.5 percent to 502.7 thousand metric ton as drought condition lessened sugarcane supply for the crushing season.

**3. Services.** Services sector expanded well since there was no adverse effect of a disastrous tsunami as in last year. Moreover, the sector also benefited from meeting and seminar activity held by overseas groups from Singapore and Hong Kong, seminar activity held by local administrative organizations in Chiang Mai province, the official opening of Chiang Mai Night Safari Zoo, and the Chinese New Year tourism promotions. Development of key services indicators were as follows. The number of air passenger increased by 5.6 percent from a year earlier. In addition, the hotel occupancy rate was 3.3 percentages higher than a year ago, to average at 72.6 percent, while the average hotel room rate and the Value Added Tax (VAT) collected from hotels and restaurants increased from a year earlier by 1.4 percent and 6.3 percent, respectively.

**4. Private Consumption.** Private consumption continued to expand. Development of key private consumption indicators were as follows. The Value Added Tax (VAT) collected from all types of businesses and the number of registered motorcycle increased from a year earlier by 25 percent and 1 percent, respectively, accelerating from an increase of 14.2 percent and a decline by 9 percent last month, respectively. Nonetheless, the number of registered cars decelerated and increased from a year ago by 1.3 percent, compared with 7.5 percent last month. Noticeably, a rise in the number of registered cars and motorcycle was reported in the upper north, while the lower north posted a decline.

**5. Private Investment.** Private investment continued to decelerate as high oil prices affected purchasing power and production costs, causing delayed investment and scaled down investment projects. As for construction investment, sales of construction-related materials

declined by 28.1 percent from a year ago, but construction areas permitted in municipal zone, a sign of investment in construction, improved and increased by 4.5 percent. As for capital investment, import value of non electrical machine and parts increased by 11.7 percent from a year earlier.

**6. Foreign Trade.** Export value registering at customs houses in the northern region increased from a year earlier by 10.8 percent to 195.3 million US dollars, decelerating from 21.9 percent in the previous month. *Export value recording at Lamphun Customs House* increased by 16.2 percent to 139.8 million US dollars, largely as a result of exports of electrical appliances, lens, and apparatus for making and breaking electrical circuit, to Japan, Singapore, and Hong Kong. In addition, *export value recording at Chiang Mai Airport Customs House* rose from a year earlier by 20.1 percent to 9.8 million US dollars, owing mainly to exports of burley tobacco leaf, ceramic products, and wood carving products. However, *border-trade export value* fell from a year earlier by 4.5 percent to 45.7 million US dollars as exports to every neighboring country dropped.

Import value registering at customs houses in northern region increased from a year earlier by 23.7 percent to 125.9 million US dollars, decelerating from 30 percent in the previous month. *Import value recording at Lamphun Customs House* rose by 26.6 percent from a year ago to 117.5 million US dollars due to imports of apparatus for making and breaking electrical circuit, and computer equipment. In addition, *import value recording at Chiang Mai Airport Customs House* grew considerably from a year ago by 74.6 percent to 2.4 million US dollars, mainly as a result of imports of electrical appliances, machinery, and precious stones. Nonetheless, *border-trade import value* declined by 21.3 percent from a year ago to 5.9 million US dollars, albeit an increase in imports from Lao PDR, as imports from Myanmar and southern China declined.

The trade balance posted a surplus of 69.4 million US dollars, compared with a surplus of 74.5 million dollars in the same month last year.

**7. Prices.** The Headline Consumer Price Index grew from a year ago by 6.4 percent, accelerating from 5.9 percent a month ago and 2.5 percent a year ago, as non-food prices rose by 6.2 percent as a result of increases in energy prices. In addition, food prices grew by 6.4 percent from a year earlier, decelerating from 7.3 percent last month. The Core Consumer Price Index increased from a year ago by 2.3 percent.

**8. Labor.** According to December 2005 Labor Force Survey by National Statistical Office, northern region's labor force totaled 6.7 million. The employment rate was at 98.7 percent, improving from 98.3 percent a year ago because of an increase in the agricultural sector's employment by 0.5 percent. Meanwhile, declines in hiring in manufacturing, and wholesale and retail trade sectors led to a by 2.1 percent fall in non-agricultural employment. The unemployment rate was at 1.2 percent, improving from 1.3 percent a year earlier. In January 2006, the number of insured persons was 570,495 persons, increasing from a month earlier by 0.4 percent and from a year earlier by 5.5 percent.

**9. Banking.** At-end December 2005, the deposit outstanding of commercial banks amounted to 312,509 million baht, increasing from a year earlier by 5 percent, attributing to deposits by official authorities. Provinces posting significant deposit gains included Chiang Mai, Chiang Rai, Phitsanulok, and Nakhon Sawan. As for lending, the credit outstanding of commercial banks expanded by 16.5 percent from a year earlier to 250,244 million baht, noting gains in loans to savings cooperatives, field crop merchants, and processed animal feed industry, as well as loans for purchasing automobiles. The lower northern area was reported substantial credit expansion, particularly in provinces of Nakhon Sawan, Phitsanulok, and Sukhothai. Ratio of deposit to credit was at 80.1 percent, improving from 72.2 percent a year earlier. Excluding deposits and credits of new commercial banks established in the second half of 2005 (Tisco Bank, Thanachart Bank, and Kiatnakin Bank), the commercial bank credits and deposits would expand by 4 percent and 10.7 percent from a year earlier, respectively.

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