



Press Release on Northern Region Economic Conditions in February 2006

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Northern region's economy in February 2006 expanded at a decelerated rate. On the demand side, private consumption and private investment decelerated from the previous month, while exports accelerated in response to foreign demand. On the supply side, farm income increased as a result of a rise in major crops price, but production of major crops declined. Manufacturing production expanded, while services sector decelerated. Headline Consumer Price Index decelerated from last month. Commercial bank deposits and credits continued to expand.

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

1. Agriculture. Farm income expanded from a year ago by 12.3 percent, accelerating from a month earlier and a year earlier, largely as a result of a 17.5 percent increase in price of major crops. The price of industrial sugarcane grew by 18.8 percent from a year ago on account of an increase in world-market sugar prices. Meanwhile, consumption demand, both domestic and international, drove the price of shallot up from a year ago by 83.8 percent. As for agricultural production, production of major crops declined by 5.2 percent from a year ago, as industrial sugarcane production dropped by 13.6 percent since sugarcane planters, facing droughts during planting season, switched to plant other crops for better return. In addition, the production of garlic fell from a year ago by 4.1 percent in light of reduction of garlic planting areas, encouraged by the government policy.

2. Manufacturing. Manufacturing production expanded. Export-oriented manufacturing production accelerated, reflected by export value of Northern Region Industrial Estate recording at Lamphun Customs House that increased by 22 percent from a year earlier to 144.1 million US dollars, accelerating from 16.2 percent last month. Export products being strong sellers were apparatus for making and breaking electrical circuit, prepared unrecorded media, optical equipment, transformers, and jewelry. Nonetheless, production of sugar in production year 2005/2006 dropped from production year 2004/2005 by 17 percent since supply of sugarcane was affected by drought during planting season. In addition, production of construction-related material decreased from a year earlier by 11.1 percent.

3. Services. Services sector decelerated seasonally. However, tourism condition began to resume normal activities following last year's tsunami effect. In addition, meeting and seminar activity, particularly by public authorities, helped boosting activities in the sectors. Development of key services indicators were as follows. The Value Added Tax (VAT) collected from hotels and restaurants, and the number of air passenger, grew from a year ago by 31.1 percent and 2.6 percent, respectively, particularly for Chiang Mai province. In addition, the hotel occupancy rate was 2 percentages higher than a year ago to average at 69.4 percent, while the average hotel room rate increased by 3.6 percent to 998.7 Baht per room night.

4. Private Consumption. Private consumption decelerated from last month. Development of key private consumption indicators were as follows. The Value Added Tax (VAT) collected from all types of businesses increased by 17.3 percent from a year earlier, decelerating from 26.3 percent last month. In addition, the number of registered motorcycle fell from a year earlier by 7.5 percent, compared with an increase of 0.5 percent a month earlier and a rise of 6.6 percent a year earlier. However, the number of registered cars improved and accelerated, recording a growth rate of 12.2 percent, compared with 3.2 percent a month earlier and 1.7 percent a year earlier, due largely to expansion of registered commercial cars.

5. Private Investment. Private investment decelerated. As for capital investment, signs for capital investment improved as seen by investment value of BOI's approved projects that grew by 20.1 percent from a year earlier, but capital investment activity weakened as reflected by a 26.5 percent decrease in import value of non electrical machine and parts. Meanwhile, construction investment declined, with sales of construction-related materials and

construction areas permitted in municipal zone, a sign of investment in construction, dropped by 6.9 percent and 20.9 percent from a year ago, respectively.

6. Foreign Trade. Export value registering at customs houses in the northern region grew from a year ago by 21 percent to 217.4 million US dollars, accelerating from 10.8 percent a month ago and 5.7 percent a year ago. *Export value recording at Lamphun Customs House* expanded by 22 percent to 144.1 million US dollars, due mainly to exports of apparatus for making and breaking electrical circuit, prepared unrecorded media, optical equipment, transformers, and jewelry to Japan, Singapore, and Hong Kong. Meanwhile, *export value recording at Chiang Mai Airport Customs House* rose markedly from a year ago by 68.2 percent to 17.5 million US dollars, largely as a result of exports of electrical wires used for automobile's distributors to the US and Japan, frozen food and fruits, and tobacco leaf. In addition, *border-trade export value* increased from a year ago by 9.2 percent to 55.8 million US dollars as exports to every neighboring country expanded – Myanmar by 0.8 percent, Lao PDR by 43.3 percent, and southern China by 61.9 percent.

Import value registering at customs houses in northern region grew from a year ago by 31.3 percent to 128.4 million US dollars, accelerating from 23.7 percent last month and a fall of 11.8 percent a year ago. *Import value recording at Lamphun Customs House* increased by 24.5 percent from a year ago to 113.5 million US dollars due to imports of electrical machinery and parts, electrical circuit, and precious stones. In addition, *import value recording at Chiang Mai Airport Customs House* grew significantly from a year ago by more than three folds owing primarily to imports of electrical machinery and parts. Meanwhile, *border-trade import value* rose notably by 58.8 percent from a year ago as imports from every neighboring country increased – Myanmar by 48.8 percent, Lao PDR by 77.8 percent, and southern China by 78 percent, with main import items being pulp, vegetable and fruits, and wooden products.

The trade balance recorded a surplus of 89 million US dollars, improving from a surplus of 81.1 million dollars in February 2005.

7. Prices. The Headline Consumer Price Index increased a year ago by 5.7 percent, decelerating from 6.4 percent last month, since both food prices and non-food prices decelerated and increased by 5 percent and 6.1 percent, respectively. The Core Consumer Price Index grew from a year ago by 2.4 percent.

8. Labor. According to January 2006 Labor Force Survey by National Statistical Office, northern region's labor force totaled 6.7 million. Of these, 6.5 million were employed and accounted for 96.7 percent of the labor force, improving from 95.2 percent a year earlier as agricultural employment increased by 6.2 percent during the period of major crops season of the region. Nonetheless, a decline in hiring in construction sector led to a 2.7 percent drop in non-agricultural employment. The unemployment rate was at 2.8 percent, 0.9 percentages lower than that of a year earlier. In February 2006, the number of insured persons was 573,249 persons, increasing from a month earlier by 0.5 percent and from a year earlier by 5.4 percent.

9. Banking. At-end January 2006, the deposit outstanding of commercial banks amounted to 314,104 million baht, increasing from a year earlier by 3.9 percent, as a result of deposit mobilization and increases in deposit rates. Provinces posting significant deposit gains included Chiang Mai, Chiang Rai, Kamphaeng Phet, and Nakhon Sawan. As for lending, the credit outstanding of commercial banks totaled 250,345 million baht, expanding from a year earlier by 15.6 percent, noting gains in loans to sugar refinery industry, sugarcane planters, as well as hire purchase loans. Substantial credit expansion was observed in provinces of Kamphaeng Phet and Phitsanulok. Ratio of deposit to credit was at 79.7 percent, improving from 71.6 percent a year earlier. Excluding deposits and credits of newly established commercial banks (Tisco Bank, Thanachart Bank, and Kiatnakin Bank), the commercial bank deposits and credits would expand from a year earlier by 3.6 percent and 10.2 percent, respectively.

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