



Press Release on Northern Region Economic Conditions in April 2006

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In April 2006, northern region's overall economy decelerated from the previous month. For the demand side, private consumption slowed down but remained at a sound level. Private investment declined in line with weakened performance of construction sector, while export value and import value decreased. As for the supply side, farm income from major crops expanded well as a result of acceleration in crop production. Meanwhile, manufacturing production grew at a slower pace and services sector improved. The Headline Consumer Price Index accelerated, due primarily to increases in oil prices. Deposits and credits of commercial banks continued to expand.

The development of the economic conditions in detail is as follows:

1. Agriculture. In April 2006, farm income from major crops expanded well, increasing from a year earlier by 10.8 percent but slowing down from 17.3 percent in the previous month. As for agricultural production, output of major crops increased from a year earlier by 5.6 percent, accelerating from March 2006 and April 2005, as production of second rice and cassava rose by 7.7 percent and 16.3 percent, respectively, as a result of last year's encouraging price and favorable weather conditions. Meanwhile, production of soybean grew by 2.6 percent from a year earlier, responding to demand from a cattle industry, but production of garlic dropped by 13.1 percent in light of the government's policy to reduce plantation area for garlic. As for the agricultural price, the price of major crops rose by 5.2 percent from a year earlier owing mainly to increases in prices of several major crops: the price of the industrial sugar cane grew by 19.8 percent as world market price of sugar and the initial price of cane rose, the price of garlic increased by 26.8 percent as its production declined, and the price of shallot expanded by more than one fold in response to domestic and foreign demand. Meanwhile, the price of second rice was closed to that of a year earlier.

2. Manufacturing. In April 2006, manufacturing production expanded at a decelerated rate. Production of export-oriented manufacturing slightly declined as reflected by a 2.2 percent fall of export value by Northern Region Industrial Estate (NRIE) at Lamphun Customs House. This resulted mainly from decreases in production and exports of apparatus for making and breaking electrical circuit, and machinery and parts. However, there were significant increases in production and exports transformers and motors, prepared unrecorded media, and jewelry. Besides, production of construction-related materials expanded from a year earlier by 11 percent, accelerating from a decline of 11.3 percent in the previous month, as buyers, expecting the price increases, rushed to place advance orders. In addition, production of sugar increased from a year earlier by more than four folds to 6 thousand metric ton as crushing season in this year ended later than that of last year, however, overall sugar output for the current production year dropped by 1.1 percent to 1,420 thousand metric ton, compared with a decline of 21.6 percent in the previous production year.

3. Services. In April 2006, services sector seasonally improved from the previous month, benefiting from the Songkran festival. The development of key services indicators was as follows. The number of air passengers increased from a year earlier by 1.7 percent to 335,800 persons, decelerating from 13.7 percent in April 2005 due in part to a reduction in flights to provinces of Mae Hong Son, and Phitsanulok. In addition, hotel occupancy rate averaged at 45.8 percent, improving slightly from 45.1 percent a year earlier, while the average hotel room rate grew slightly by 1 percent from a year earlier to 981.5 Baht per room night. However, there were foreign tourists' delaying trips to Thailand as a result of the country's recent political climate, while Thai tourists became more cautious about spending on account of persistent rises in oil prices.

4. Private Consumption. In April 2006, private consumption grew at a slower pace from the previous month. The development of key private consumption indicators was as follows. The Value Added Tax (VAT) collected from all types of businesses slowed down from the previous month, expanding by 15 percent from a year earlier as the VAT collected from wholesale and retail trade businesses, and manufacturing increased. Meanwhile, spending for vehicle purchase declined as oil prices continued to rise and consumers became more cautious about

spending. As a result, the number of registered cars and motorcycles dropped from a year earlier by 8.2 percent and 7.9 percent, respectively.

5. Private Investment. In April 2006, private investment declined from a year earlier and a month earlier, as investors concerned over higher costs caused by rises in prices of construction materials, and Thailand's recent political conditions. As a result, construction investment continued to fall from the previous month. Construction areas permitted in municipal zone, a sign of construction investment activity, dropped from a year earlier by 34.1 percent, compared with a decline of 18.5 percent last month, while the amount of land registration fees fell by 16.6 percent, compared with a decline of 7.9 percent last month. In addition, capital investment also weakened, as reflected by a fall of 43 percent from a year earlier of import value of non-electrical machinery and parts. However, investment value of BOI's approved projects, a sign of capital investment, improved significantly from a year earlier, but most of it highlighted investing for expansion of an existing project rather than investing in a new one.

6. Foreign Trade. In April 2006, export value registering at customs houses in the northern region declined from a year earlier by 2.6 percent to 200.9 million US dollars, as *Export value recording at Lamphun Customs House* dropped by 2.2 percent to 145.9 million US dollars. Key export items posting a fall included electrical circuit boards, unrecorded disks, and digital circuits, whereas exports of jewelry, transformers and motors increased. Meanwhile, *export value recording at Chiang Mai Airport Customs House* decelerated from the previous month and expanded from a year earlier by 17.7 percent to 17.3 million US dollars as exports of electrical wires used for an automobile's distributors, marinated eggplants, and silver accessories, increased. In addition, *border-trade export value* fell from a year earlier by 11 percent to 37.7 million US dollars as exports to Myanmar and southern China declined.

Import value registering at customs houses in northern region declined slightly from a year earlier by 0.7 percent to 128.3 million US dollars. *Import value recording at Lamphun Customs House* decreased from a year earlier by 5.8 percent to 115.2 million US dollars as raw materials imports such as electrical machinery and parts, and parts for electrical circuit boards fell by 11.6 percent and 14.1 percent, respectively. Imports of precious stones, on the other hand, grew by 38.5 percent, corresponding to strong export demand for jewelry products. Meanwhile, *import value recording at Chiang Mai Airport Customs House* grew by more than two folds to 6.5 million US dollars, decelerating from the previous month, with key import items being electrical machinery and parts, jewelry, and household products. In addition, *border-trade import value* increased by 28.9 percent to 6.6 million US dollars as imports from every neighboring country rose. The trade balance posting a surplus of 72.6 million US dollars, declining from surpluses of 90 million US dollars and 76.9 million US dollars in March 2006 and in April 2005, respectively.

7. Prices. In April 2006, the Headline Consumer Price Index increased from a year earlier by 6 percent, accelerating from 5.8 in the previous month as food prices rose by 7.2 percent due to increases in prices of fresh vegetable and fruits, poultry, sugar, and processed foods. Meanwhile, non-food prices grew from a year earlier by 5.2 percent, with the price of public transportation rising by 24.3 percent in light of a 25.6 percent rise in the fuel price, and the price of electricity increasing by 9.5 percent. In addition, the Core Consumer Price Index grew from a year earlier by 2.6 percent, accelerating from 2.4 percent in March 2006 and 0.7 percent in April 2005.

8. Labor. According to March 2006 Labor Force Survey by National Statistical Office, northern region's labor force totaled 6.5 million. The unemployment rate stood at 1.2 percent, improving from 2 percent in March 2005. Agricultural employment increased from a year earlier by 5.6 percent as there was no drought conditions during harvesting season as in last year, while non-agricultural employment declined by 5.3 percent owing to decreases in hiring by hotel and restaurant sector, manufacturing sector, and wholesale and retail trade sector.

9. Banking. At-end March 2006, deposit outstanding of commercial banks amounted to 320,860 million Baht, increasing from a year earlier by 6.1 percent compared with 5.4 percent in the previous month. This was due primarily to an increase in deposits by government authorities, and rises in interest rates by commercial banks. Provinces posting the strong gain in deposits included Chiang Mai, Lampang, Kam Phaeng Phet, and Phetchabun. At end-March 2006, credit outstanding of commercial banks totaled 255,412 million Baht, expanding from a year earlier

by 13.5 percent, with the majority of credits being hire purchase loans, credits to projects of residential real estate, apartments, resorts and spas, agricultural manufacturing, credits to Teacher Savings Cooperatives, rice mills, and credits to dormitory construction in provinces of Chiang Mai, Nakhon Sawan, Phitsanulok, and Phichit. The ratio of credits to deposits was at 79.6 percent, improving from 74.5 percent in March 2005. Excluding deposits and credits by newly established commercial banks (Tisco Bank, Thanachart Bank, and Kiatnakin Bank), the commercial bank deposits and credits would expand from a year earlier by 4.8 percent and 6.9 percent, respectively.

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