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Press Release on Northern Region Economic Conditions in May 2006

In May 2006, northern region's overall economy improved from the previous month. **For the demand side**, export and import value significantly increased from a month earlier, private consumption improved from last month, whereas private investment continued to weaken. In addition, **For the supply side**, farm income from major crops grew at a decelerated rate, while manufacturing production expanded well and services sector seasonally decelerated. Meanwhile, the Headline Consumer Price Index accelerated mainly as a result of rising oil prices. As for banking, the deposit and the credit of commercial banks continued to expand.

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

1. Agriculture. In May 2006, farm income from major crops expanded from a year earlier by 8.1 percent, decelerating from 9.5 percent last month. The price of major crops grew by 4.8 percent, decelerating from last month's 6.5 percent, with maize and mungbeans, posting increases of 10.2 percent and 19.2 percent, respectively, and lychee registering an increase of 27.1 percent in light of lesser supply. However, the price of cassava declined by 20 percent, responding to greater supply and weaker market demand, while the price of second crop rice was closed to that of last year. As for agricultural production, major crops production rose from a year earlier by 3.3 percent as production of certain crops increased, encouraged by last year's favorable prices: second rice increased by 7.7 percent, cassava – by 16.3 percent, mungbeans – by 2 percent, and peanuts – by 2.4 percent. However, maize production fell by 0.8 percent due to farmers' switching to plant other crops, while early-and-heavy rainy season caused lychee production to drop by 7.1 percent.

2. Manufacturing. In May 2006, manufacturing production expanded well, with production of export-oriented manufacturing increasing as reflected by a 23.9 percent rise in export value by Northern Region Industrial Estate (NRIE) at Lamphun Customs House, compared with a 2.2 percent rise last month. This was due mainly to increases in exports of hard disk drives, apparatus for making and breaking electrical circuit, and camera lens, which rose by 31.8 percent, 11.3 percent, and 8.4 percent, respectively. Exports of transformers and motors, however, grew at a slower pace from last month. Furthermore, production of construction-related materials declined from a year earlier by 10.6 percent, compared with an increase of 11 percent last month.

3. Services. In May 2006, services sector slowed down seasonally, and was weakened further by Thailand's recent political climate that resulted in foreign tourists' delaying visits to Thailand, and the public authorities' reducing meeting and seminar activities. The development of key services indicators was as follows. The average hotel

occupancy rate was at 37.9 percent, declining from 46.5 percent last month, while the average hotel room rate declined by a year earlier by 2.2 percent to 779.2 Baht per room night. Meanwhile, the number of air passengers, and the Value Added Tax (VAT) collected from hotels and restaurants, increased from a year earlier by 3.8 percent, and 14 percent, respectively, compared with 1.7 percent, and 8.4 percent last month, respectively.

4. Private Consumption. In May 2006 private consumption improved 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 increased from a year earlier by 17.7 percent, equaling to that of last month. Meanwhile, spending for vehicles rose following last month's decline: the number of registered cars grew from a year earlier by 9.2 percent as greater number of cars were delivered to car buyers, while the number of registered motorcycle increased by 12.8 percent, as a result of stronger demand at the beginning of academic terms, and introduction of several new motorcycle models.

5. Private Investment. In May 2006, private investment continued to weaken. As a result, most of private investment indicators declined from a year earlier: sales of construction-related materials dropped by 9.5 percent, the amount of land registration fees – by 0.5 percent, import value of non-electrical machinery and parts – by 26.6 percent, and investment value of BOI's approved projects – by 50.4 percent. Nonetheless, construction areas permitted in municipal zone, a sign of construction investment activity, increased from a year earlier by 8.2 percent, compared with a decline of 20.7 percent last month, largely as a result of increases in permitted construction areas for dormitories and commercial buildings in provinces of Chiang Mai, Chiang Rai, Lamphun, and Nakhon Sawan.

6. Foreign Trade. In May 2006, export value registering at customs houses in the northern region expanded from a year earlier by 17.6 percent to 238.8 million US dollars. This was due mainly to a rise in *export value recording at Lamphun Customs House*, which increased from a year earlier by 23.9 percent to 175 million US dollars as a result of exporting hard disk drives, apparatus for making and breaking electrical circuit, to Japan, Singapore, and the US. *Export value recording at Chiang Mai Airport Customs House* increased from a year earlier by 30.5 percent to 21.5 million US dollars due mainly to an increase in exports of electrical wires and cables. In addition, exports of horticultural products rose by 62.4 percent, consisting mainly of frozen and dried vegetables, fresh fruits, and tobacco. *Border-trade export value* decreased by a year earlier by 6.7 percent to 42.3 million US dollars because exports to Myanmar and southern China declined.

Import value registering at customs houses in northern region increased from a year earlier by 18.4 percent to 150.4 million US dollars. *Import value recording at Lamphun Customs House* grew from a year earlier by 11.3 percent to 131.7 million US dollars, as import goods from Japan, the US, Singapore, and Israel, increased and resulted in a 2.1 percent rise in raw material imports, most of which being micro-assembly electronics products, and printed circuit boards. Meanwhile, imports of non-electrical machinery and parts to be used in manufacturing dropped from a year earlier by 29.8 percent to 5.4 million US dollars. *Import value recording at Chiang Mai Airport Customs House* grew by more than two folds to 7.1 million US dollars, on account of increases in imports of electrical wires, precious stones, and chemical products. *Border-trade import*

value increased from a year earlier by 79.1 percent to 11.5 million US dollars, as imports from every neighboring country increased, particularly Myanmar. The trade balance registered a surplus of 88.4 million US dollars, improving from surpluses of 72.6 million US dollars and 76 million US dollars in April 2006 and in May 2005, respectively.

7. Prices. In May 2006, the Headline Consumer Price Index accelerated, increasing from a year earlier by 6.2 percent, compared with 6 percent last month, largely as a result of a rise in non-food prices that increased by 5.7 percent, compared with 5.2 percent last month. This was due to a 30.2 percent rise in oil price, leading to increases in public transportation prices such as train tickets, bus and small bus tickets. A rise in electricity price also contributed to the increase in non-food prices. In addition, food prices increased from a year earlier by 6.8 percent, decelerating from 7.2 percent last month, with prices of fresh vegetable and fruits, seafood, sugar, and processed food, increasing. Moreover, the Core Consumer Price Index grew from a year earlier by 2.4 percent, slowing down from 2.6 percent last month.

8. Labor. According to April 2006 Labor Force Survey by National Statistical Office, northern region's labor force totaled 6.53 million. Of these 6.35 million were employed and accounted for 97.2 percent of the labor force, improving from 96 percent in April 2005. Agricultural employment amounted to 2.98 million, expanding by 9 percent from April 2005 in which agriculture was affected by drought. Non-agricultural employment totaled 3.37 million, declining from a year earlier by 9.5 percent, owing to decreases in hiring by hotel and restaurant sector, manufacturing sector, and wholesale and retail trade sector. The unemployment rate stood at 1.9 percent of the labor force, compared with 1.2 percent last month.

9. Banking. At end-April 2006, the deposit outstanding of commercial banks totaled 326,127 million Baht, increasing from a year earlier by 7.1 percent and continuing to increase from last month as a result of competitive deposit mobilization for business deposits, and public authority official deposits. Provinces posting the strong gain in deposits included Chiang Mai, Chiang Rai, Lampang, Phitsanulok, Nakhon Sawan, and Sukhothai. At end-April, the credit outstanding of commercial banks amounted to 256,328 million Baht, expanding from a year earlier by 13.1 percent. Most of the credits were hire purchase loans, credits to hotels, laundry businesses, rice mills, and teacher savings cooperatives. Provinces posting significant credit expansion included Chiang Mai, Chiang Rai, Phitsanulok, and Sukhothai. The ratio of credits to deposits was at 78.6 percent, improving from 74.4 percent in April 2005. Excluding deposits and credits by newly established commercial banks, the commercial bank deposits and credits would expand from a year earlier by 5.6 percent and 6.3 percent, respectively.

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