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

In October 2006, northern region economy expanded from the previous month. For the supply side, farm income expanded and production of export-oriented manufacturing increased, while the service sector improved during seasonal highs. For the demand side, private consumption increased virtually at the same rate as those of the previous month, while exports, and imports, grew at a slower pace from the previous month, whereas private investment declined as construction investment softened. The headline inflation accelerated from last month. As for banking, deposit and credit of commercial banks continued to expand.

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

**1. Agriculture.** Farm income increased by 8.7 percent, with the price of major crops rising by 12.3 percent. Primarily, this was contributed by the price of sticky rice that rose by 41.9 percent responding to export demand, and the price of maize that grew by 12.9 percent driven by higher world market prices. Production of major crops, on the contrary, declined by 3.6 percent due to flood situations in northern areas that prompted major rice, and maize production to fall by 3.9 percent and 4.6 percent, respectively.

**2. Manufacturing.** Overall manufacturing production expanded. Export-oriented production increased as reflected by a rise in export value of Northern Region Industrial Estate (NRIE) at Lamphun Customs House, which grew by 9.6 percent to 163.2 million US dollars, noting a deceleration from 16.6 percent in the previous month due to decelerated of electrical circuit and optical appliances and instruments. Whereas, exports of semiconductors, glass magnetic disks expanded by 6.7 percent and 15.7 percent, respectively. In addition, jewellery reported a substantial increase by nearly one fold, attributed by increased demand from Israel and Japan markets. Aside from this, beverage production, though decelerated from last month, remained at a sound level. In addition, the Value Added Tax (VAT) collected from manufacturing firms posted an increase by 64.6 percent to 198.3 million Baht, accelerated from the previous month, owing to greater sales of beverage industry in provinces of Kam Phaeng Phet and Nakhon Sawan. Production of construction-related materials, however, continued to decline, reporting a fall of 9.7 percent.

**3. Services.** The service sector adjusted upward, with a growth rate comparable to that of October 2005. The development of service indicators was as follows. The VAT collected from hotel and restaurant business grew by 9.1 percent, while the hotel average occupancy rate was up by 1 percent to 49.2 percent and the hotel average room rose by 2 percent to 782.3 Baht per room night. The number of air passenger, nonetheless, slightly declined from a year earlier by 0.9 percent, but improved from a month earlier by 25.4 percent during seasonal highs.

**4. Private Consumption.** Private consumption expanded virtually at the same rate as those of the previous month, as reflected by the VAT collected from all types of businesses that grew by 14.4 percent, compared with 13.4 percent in the previous month. Most of the VAT increase was contributed by the VAT collected from businesses of manufacturing, construction, and hotel and restaurant. But the VAT collected from wholesale and retail trade, by contrast, continued to fall for the second straight month, prompted by declines in sales of electrical appliances, automobiles, and motorcycles. Spending for vehicles also softened, with the numbers of registered cars, and registered motorcycle declining by 7.4 percent and 18.8 percent, respectively, compared with decreases of 11.7 percent and 10.0 percent last month, respectively.

**5. Private Investment.** Private investment declined, as indicated by decreases in all of private investment indicators, particularly for construction investment. Construction areas permitted in municipal zones, a sign for construction investment, decreased by 18.2 percent, compared with a drop of 10.7 percent last month, while land transaction fees also fell by 22.4 percent, compared with a decline of 13.2 month in the previous month. Apart from this, investment amount of BOI's approved project, a sign for capital spending, was down by 90.3 percent, compared with a rise of 55.7 percent last month.

**6. Foreign Trade.** Value of exported goods passed through customs houses in northern region increased by 1.5 percent to 219.2 million US dollars, slowing down from the previous month. Details of exports classified by customs houses were as follows. *Lamphun Customs House* reported an increase in export value by 9.6 percent to 163.2 million US dollars, decelerating from 16.6 percent last month because of declines in exports of electrical apparatus for electrical circuit, and optical appliances and instruments, to Singapore and Hong Kong. *Chiang Mai Airport Customs House*, however, reported a decrease in export value by 39.2 percent to 10.7 million US dollars, following a fall of 46.4 percent last month, as some exporters switched to do export procedures in Bangkok. Aside from this, *border trade* export to every neighboring country declined, resulting in a fall of border-trade export value by 8.6 percent to 45.3 million US dollars.

Value of imported goods passed through customs houses in northern region expanded by 15.1 percent to 149.7 million US dollars, decelerating from 24.7 percent last month. Details of imports classified by customs houses were as follows. *Lamphun Customs House* reported an increase of import value by 8.9 percent to 132.6 million US dollars, decelerating from last month because of a slowdown in import of raw materials by electronic industry, particularly from Japan and the U.S. Meanwhile, *Chiang Mai Airport Customs House* reported significant gain in import, expanding by more than triple to 7.6 million US dollars in light of increases in imports of integrated circuits, electronic parts, non-electrical machinery parts, and bonded import goods consisting mainly of live plants. In addition, *border-trade* import value rose by 45.2 percent to 9.4 million US dollars, accelerating from last month, as import from every neighboring country increased, particularly, from Lao PDR. The trade balance reported a surplus of 69.5 million US dollars, declining from a surplus of 73.1 million US dollars and 85.9 million US dollars in previous month and October 2005, respectively.

**7. Prices.** The Headline Consumer Price Index increased by 2.7 percent, accelerating from 2.5 percent in the previous month. Food prices grew by 6.4 percent, compared with 3.8 percent last month, driven by higher price of fresh vegetables and fruits that increased by 24.2 percent as planted areas were stricken by flood. Meanwhile, non-food prices increased by only 0.5 percent, slowing down from 1.7 percent last month, because of continued reduction in fuel prices. The price of public transportation, however, continued to rise, despite declines in oil prices. Aside from this, the fuel tariff rate charged for electricity consumption, applicable to the period of October 2006 – January 2007, was cut from 0.8544 Baht per unit to 0.7842 Baht per unit. The Core Consumer Price Index increased by 1.3 percent, slowing down from 1.5 percent last month.

**8. Labor.** According to the September 2006 Labor Force Survey by National Statistical Office, northern region's labor force totaled 6.5 million. Of these, 6.42 million were employed and accounted for 98.8 percent of the labor force, compared with 98.6 percent in September 2005. Agricultural employment declined by 7.1 percent to 3.15 million as parts of plant areas were adversely affected by flood. Non agricultural employment, on the other hand, grew by 3 percent to 3.27 million due to increases in hiring by sectors of wholesale and retail trade, and hotel and restaurant. As a result, unemployment rate was at 1 percent, improving from 1.1 percent in August 2006 and 1.2 percent in September 2005. In October 2006, the number of insured persons increased by 4 percent to 0.59 million.

**9. Banking.** At end-September 2006, the deposit outstanding of commercial banks totaled 333,969 million Baht, reporting growth rate of 8.1 percent equaled to that of August 2006. The increase in deposit outstanding was due to temporary deposit funds by firms at Northern Region Industrial Estate, and public authorities. The rise in the deposits was seen in provinces of Chiang Mai, Lamphun, Nakhon Sawan, and Uttaradit. Meanwhile, the credit outstanding of commercial banks increased by 12 percent to 264,533 million Baht, compared with 11.2 percent in August 2006. In the lower north, provinces reporting high credit growths included Nakhon Sawan, Phitsanulok, Phichit, and Kam Phaeng Phet, with the credits being extended to rice mill businesses, farm plant traders, construction of rice-transported river ports, and hospitals. Whereas in the upper north, high credit growths were observed in provinces of Chiang Mai and Chiang Rai, due to credit demand from export-oriented agribusinesses, wholesale and retail trade businesses. As a result, the ratio of credit to deposit was at 79.21 percent, improving from 76.45 percent in September 2005.

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