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Press Release on Northern Region Economic Conditions in November 2006

In November 2006, northern region economy expanded compared with the previous month. For the supply side, farm income expanded at a slightly slower pace, while manufacturing production grew due to acceleration in export-oriented production. During seasonal highs, the service sector accelerated, prompted by the event of International Horticultural Exposition for His Majesty the King (the Royal Flora Ratchaphruek 2006). For the demand side, private consumption expanded, benefiting from tourist spending, but private investment continued to fall, owing to softening construction investment. On the external front, exports continued to increase in light of foreign demand for electronics goods, while imports declined. In addition, the Headline Consumer Price Index accelerated, partly as a result of flood condition. As for banking, the commercial bank deposit continued to accelerate, while the credit grew at a slower pace.

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

1. Agriculture. Farm income grew by 7.1 percent due to a rise in major crops price that increased by 10.4 percent. The increase in major crops price, in turns, was contributed by the soaring price of sticky price that rose by 60.1 percent, largely as a result of sound demand from China. In addition, the price of maize also increased by 14.2 percent, whereas the price of major rice dropped by 14 percent as there was market concern over the possibility of the government's releasing rice stock which previously bought under the government's rice pledging scheme, as a result the private sector released rice stock in to the market. Production of major crops production declined by 3.3 percent, as the plant areas were stricken by flood, thereby, reducing production of major rice by 3.9 percent. In addition, production of maize also declined, falling by 4.6 percent, due to farmers' switching to plant other crops such as cassava.

2. Manufacturing. Manufacturing production expanded, contributed by export-oriented production. The increase in export-oriented manufacturing was reflected by a rise in export value of Northern Region Industrial Estate (NRIE) at Lamphun Customs House that reported an increase by 15.3 percent to 174.6 million US dollars, accelerating from 9.6 percent last month. Of these, production of electronics and electrical appliances, particularly semiconductors and integrated circuits, expanded well, reporting a 22.3 percent increase in terms of export value, while production of glass magnetic disk expanded at a slower pace. Moreover, manufacturing of accessories also increased, with its export value rising by 13.7 percent, driven by demand from European markets. In addition, production of beverage increased favorably as New Year festival approached.

3. Services. The service sector accelerated, boosted by the event of International Horticultural Exposition for His Majesty the King in Chiang Mai, attracting as many as 999,900 visitors and tourists in November 2006. This led to greater activity in hotel business and tourism in Chiang Mai and nearby northern provinces. As a result, every key services indicator reported an expansion. The hotel average occupancy rate was at 78.3 percent, improving from 67.9 percent in November 2005, while the hotel average room rate grew by 5.9 percent to 1,121.2 Baht per room night, noting upward price adjustment for mid-size hotels. Large-size hotels, having prices fixed in advance with tour operators, were very unlikely able to charge higher room rates. Furthermore, the number of air passenger increased by 15 percent to 435,251 persons, resulting from flight increase, both domestic and international. Whereas, the VAT collected from hotel and restaurant business soar by 25.3 percent, increase dramatically in tourism province such as Chiangmai, Chiangrai, and Mae Hong Son.

4. Private Consumption. Private consumption expanded well, benefiting primarily from tourist spending, particularly on tourism-related services, as reflected by the VAT collected from all types of

business that grew by 18.7, compared with 15.5 percent in the previous month. While, spending for vehicle, by contrast, continued to decline as seen by a 19.3 percent fall in the number of registered cars, and an 11 percent decrease in the number of registered motorcycle.

5. Private Investment. Private investment continued to decline, despite slight improvement over last month, as construction investment dropped due to a softened real estate conditions. Sales of construction-related materials fell by 1.4 percent, compared with a decline by 6.6 percent last month. In addition, construction areas permitted in municipal zones, a sign of construction investment, decreased by 32.2 percent, with significant declines being reported in permits for constructing commercial building, and service and transportation building. Aside from this, investment value of BOI's approved projects, a sign for capital investment, decreased by nearly one fold.

6. Foreign Trade. Value of exported goods passed through customs houses in northern region increased by 8.9 percent to 228.5 million US dollars, accelerating from 1.5 percent last month. Details of exports classified by customs houses are as follows. *Lamphun Customs House* reported an increase in export value by 15.3 percent to 174.6 million US dollars, in light of rises in exports by electronics, and electrical appliances industries, which expanded by 16 percent and 46.9 percent, respectively. *Chiang Mai Airport Customs House*, however, posted a decline by 24.3 percent to 8.6 million US dollar, because tobacco exporters switched to do export procedures in Bangkok. A decrease in jewellery export also added to the decline in Chiang Mai Airport Customs House as well. Aside from this, *border customs houses* also reported a decline in export by 3.8 percent to 45.3 million US dollars, as border trade export to Myanmar and Lao PDR dropped.

Value of imported goods passed through customs houses in northern region decreased by 8.9 percent to 137.5 million US dollar, compared with an increase by 15.1 percent last month. This was due to high base effect of last year's November, which had seen marked rise of raw material imports such as electronic parts, integrated circuits, and capacitors, at Lamphun Customs House. Details of imports classified by customs houses are follows. *Lamphun Customs House* posted a decline in import value by 12.2 percent to 121.4 million US dollars. Meanwhile, *Chiang Mai Airport Customs House* reported an increase in import by 15.1 percent to 5 million US dollars, owing to a rise in import of the components of automobile's engine. In addition, as import from every neighboring country increased, *border customs houses* posted an import rise by 31.1 percent to 11.1 million US dollars. The trade balance, thereby, posted a surplus of 91 million US dollars, improving from surpluses of 59 million US dollars in November 2005, and 69.5 million US dollars in October 2006, respectively.

7. Prices. The Headline Consumer Price Index increased by 3.8 percent, compared with 2.7 percent last month. Food prices accelerated, rising by 7.8 percent, as a result of flood effect and foreign demand, which prompted increases in prices of fresh vegetable, fruits, and sticky rice. Moreover, non-food prices also accelerated, rising by 1.3 percent, owing partly to a 10.7 percent increase in the price of transportation. Besides, the Core Consumer Price Index was up by 1.2 percent, closed to that of the last month.

8. Labor. According to the October 2006 Labor Force Survey by National Statistical Office, northern region's labor force totaled to 6.53 million. Of these, 6.43 were employed and accounted for 98.5 percent of the labor force, improving from 96.9 percent in October 2005. During major crops' harvesting season, employment by agricultural sector increased by 1.9 percent to 3.07 million, as the problem of flood-stricken plant areas was relieved. However, non agricultural employment fell by 3 percent to 3.36 millions, because hiring from sectors of wholesale and retail trade, construction, and hotel and restaurant, declined. As a result, the number of unemployed person totaled 0.08 million and accounted for 1.3 percent of the labor force, improving from 3 percent in November 2005. In November 2006, the number of insured person totaled 0.59 million, increasing from November 2005 by 3.6 percent and from October 2006 by 0.1 percent.

9. Banking. At end-October 2006, the deposit outstanding of commercial banks totaled 332,759 million Baht, expanding by 9.9 percent due to increases in deposits made by out-of-town business persons, and construction contractors in provinces of Chiang Mai and Lampang. Meanwhile, the credit outstanding of commercial banks slowed down from the previous month, expanding by 9.9 percent to 267,484 million Baht. Demands for credits were seen in rice mill businesses, farm plant traders, and processed-wood industry, particularly in provinces of Nakhon Sawan, Kam Phaeng Phet, and Phitsanulok.

Aside from this, credit outstanding for leasing and private hospital businesses declined due to loan paid ups. The ratio of credit to deposit was at 80.38 percent.

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