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Press Release on Northern Region Economic Conditions in January 2007

In January 2007 northern region economy continued to expand from the previous month. **On the supply side**, farm income accelerated largely as a result of an increase in major crop production. Manufacturing production increased, both for domestic consumption and export, while the service sector grew at the rate near last month's. **On the demand side**, private consumption and private investment increased. Exports resumed an expansion, while imports accelerated from last month. The headline inflation continued to decelerate. Commercial bank deposits grew at a slower pace, while credits increased at the rate near November 2006's.

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

1. Agriculture. Farm income rose by 14 percent, accelerating from last month due to a rise in major crop production; the major crop production index grew at an accelerated rate of 10.3 percent as production of the industrial sugar cane, and cassava, expanded well by 20.4 percent and 15.3 percent, respectively, due to higher yields as well as increased planting areas following last year's attractive prices. Major rice, and maize production, nonetheless, declined by 3.9 percent and 4.6 percent, respectively. The major crop price index grew at a slower pace of 3.7 percent, noting declines in prices for major rice, and cassava, by 2 percent and 23.4 percent, respectively. Prices for glutinous rice, and maize, on the other hand, posted hefty increases by 69.8 percent and 36.9 percent, respectively, given strong demand, both domestic and foreign market. Despite greater supply, the industrial sugar cane price increased by 2.7 percent due to finer cane quality and improved sweetness as measured by increased average Commercial Cane Sugar (CCS).

2. Manufacturing. Manufacturing production expanded from the previous month. Export-oriented production improved, as indicated by an accelerated growth of export value of Northern Region Industrial Estate (NRIE) at Lamphun Customs House, from 0.9 percent last month to 1.9 percent, boosted by exports of semiconductor and jewellery products. Production for domestic consumption was generally positive, with weakness reported for construction-related production. Sugar production was up by 15.8 percent, totaling 582.1 thousand metric ton, due to a combination of greater cane supply and superior cane quality that generated sugar yield at an average of 108.8 kg/ton cane, up from 103 kg/ton cane a year earlier. Production of construction-related materials remained weak, recording a negative growth of 15 percent.

3. Services. The service sector continued to expand, posting growth near last month's. This was attributable to the event of the International Horticultural Exposition for His Majesty the King (the Royal Flora Ratchaphruek 2006) that attracted 1,404,406 visitors in January 2007. The visitors, however, dropped slightly by 2.9 percent from last month, which had more long holidays, bringing down the average occupancy rate and average room rate of hotels. But on year-on-year basis, all key services indicators registered an expansion. The average occupancy rate of hotels stood at 76.9 percent, increasing by 5.5 percent. The average room rate of hotels increased by 2.9 percent to 1,137 Baht per room night. The number of air passengers rose by 17.5 percent, while the Value Added Tax (VAT) collected from hotel and restaurant business was up markedly by 50.2 percent, particularly in provinces of Chiang Mai, Lampang, and Chiang Rai.

4. Private Consumption. January 2007 saw an expansion of private consumption, reflected by improvement in most of private consumption indicators. The VAT collected from all types of business posted an increase of 10.4 percent, though slowing from a month earlier. The number of registered cars was up by 7 percent, improving from a fall of 39.7 percent last month, and the number of registered motorcycle declined by only 0.3 percent, improving from a decrease of 21.2 percent a month earlier.

5. Private Investment. Overall private investment expanded, noting improved interest in construction investment. Development of key private investment indicators are as follows. Construction

areas permitted in municipal zones, a sign of construction investment, increased by 25.2 percent, improving from a negative growth of 16.2 percent last month. Mainly, this was attributable to increases in areas permitted to construct residential and commercial buildings. Sales of construction-related materials, however, declined by 0.4 percent, compared with an increase of 9.5 percent last month. Meanwhile, land transaction fees decreased by 2.4 percent, compared with a 4.3 percent increase in the previous month. As for capital investment, the investment value of BOI's approved projects, a sign for capital investment, rose significantly, mostly reflecting investing in capacity expansion of existing projects.

6. Foreign Trade. Exports passed through all customs houses in the northern region expanded by 5.3 percent to 205.6 million US dollars. Contributed primarily to the expansion were exports of semiconductors and jewellery products to Japan, Singapore, and China, reported at Lamphun Customs House. Nonetheless, glass magnetic disks and optical lens exported through this customs house declines. As a result, exports passed through *Lamphun Customs House* increased at a moderate pace of 1.9 percent, with export value totaling 142.5 million US dollars. *Chiang Mai Airport Customs House* reported export value totaling 10.2 million US dollars, increasing by 4.7 percent. Frozen beans, Liquid Crystal Displays (LCD), and machinery components, accounted for most of the expansion. *Border customs houses* reported export value of 52.9 million US dollars, up by 15.7 percent as exports to every neighboring country rose.

Imports passed through all customs houses in the northern region grew by 8.9 percent to 137.1 million US dollars, accelerating from 3.5 percent last month. This was due largely to imports of electrical appliances, glasses, and glass products, reported at *Chiang Mai Airport Customs House*. The custom house therefore reported a 253 percent increase in imports to total 8.6 million US dollars. *Lamphun Customs House* reported a slight increase in imports by 0.4 percent to 118 million US dollars. Most of which represented imports of raw materials for export-oriented products, such as precious stones, glasses, printed circuit boards, and computer components. Imports at *border customs houses* reported a hefty gain of 75.1 percent to 10.4 million US dollars, accelerating from the previous month, as border trade imports from every neighboring country increased, especially from Myanmar. The trade balance posted a surplus of 68.5 million US dollars, declining from a surplus of 69.4 million US dollars in January 2006 but improving from a surplus of 64.2 million US dollars in December 2006.

7. Prices. The Headline Consumer Price Index increased by 2.9 percent, slowing down from 3.7 percent last month. Continued rise in prices for vegetables, glutinous rice, and fruits, boosted the food price index up by 7.2 percent, close to last month's. The non-food price index posted a slight growth of 0.5 percent, slowing from 1.5 percent last month, as the fuel price dropped by 4.4 percent. Despite the drop in the fuel price, the price for public transportation was up by 11.1 percent due to increased bus fare rates by the Transport Co., Ltd., bringing the rates up to pre-December 2006's levels. The price for electricity was also up by 8.3 percent. Aside from this, The Core Consumer Price Index (Core CPI), excluding food and energy, increased by 0.9 percent, compared to a fall of 0.8 percent last month.

8. Labor. In December 2006, northern region's labor force totaled 6.74 million. During this harvesting season for northern major crops, December 2006 saw an increase in agricultural employment by 4.5 percent. Employment by non agricultural sectors, however, declined by 4.4 percent, as hiring by sectors of construction, hotel and restaurant, and manufacturing, dropped significantly, despite expanded hiring by wholesale and retail trade. The unemployment was near December 2005's at 1.2 percent.

9. Banking. At end-December 2006, the deposit outstanding of commercial banks increased by 5.2 percent to 328,705 million Baht, slowing down from 9.9 percent in November 2006 as parts of funds were withdrawn and invest in debt instruments and mutual funds. Adding to the slowdown was government agencies' deposit withdrawals. As for commercial bank lending, the credit outstanding totaled 274,502 million Baht, expanding by 9.7 percent, the rate near November 2006's. Most of the credits were extended to businesses of rice mill, resort, and car dealer, export-oriented agricultural processed manufacturers, and teacher's savings cooperatives. Significant credit increases were seen in provinces of Chiang Mai, Chiang Rai, and Nakhon Sawan. The ratio of credit to deposit was at 83.5 percent, improving from 80.1 percent in December 2005.

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