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## **Press Release on Northern Region Economic Conditions in April 2007**

**In April 2007**, northern region economy continued to decelerate. **On the supply side**, manufacturing production grew at a slower pace as production for exports declined, while production of beverages recorded an accelerated growth. The services sector activity seasonally improved from the previous month. In the agricultural sector, farm income grew at a slower pace as a result of deceleration in the agricultural price. **On the demand side**, private consumption improved from last month, prompted by seasonal consumer's spending related to Songkran festival as well as sales promotions. Meanwhile, private investment remained in negative territory but showed improvement over the previous month. Activity in foreign trade generally declined, both exports and imports. As for price level, the Headline Consumer Price Index continued to decelerate. At end-March 2007, the deposit and credit outstanding of commercial banks remained in expansion.

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

**1. Agriculture.** Farm income grew at a decelerated rate of 5.3 percent. The major crop price index increased at a slower rate of 2.6 percent. Crops posting price increases included industrial sugar cane, garlic, maize, soybeans, and mungbeans. Improved sweetness, as measured by increased average Commercial Cane Sugar (CCS), was still the main factor that lifted the cane price up by 2.3 percent, while significantly lessened supply of garlic, and maize caused its prices to rise by 37.3 percent and 35.9 percent, respectively. In addition, prices for soybeans, and mungbeans, rose by 6.1 percent and 8.6 percent, respectively, driven by stronger demand. In contrast, prices for second rice, shallot, and cassava, dropped by 7.3 percent and 74.8 percent and 1.7 percent, respectively. As for agricultural production, the major crop production index increased by 2.7 percent, noted increases primarily in production of the industrial sugar cane, cassava, mungbeans, and soybeans. The industrial sugar cane output was up by 20.4 percent, encouraged by last year's high price. The cassava production increased by 18.1 percent as some farmers planted more cassava to replace maize, while production of mungbeans, and soybeans, grew by 2.5 percent and 2.4 percent, respectively. Production of garlic, shallot, and maize, in contrast, were down by 8.7 percent, 7.4 percent, and 2.6 percent, respectively.

**2. Manufacturing.** Manufacturing production remained slow overall, with production for exports declining and production for domestic consumption varied across industries. Export-oriented production decreased, as indicated by a negative growth rate of 6.9 percent of export value of firms located at Northern Region Industrial Estate (NRIE) in Lamphun province, with export value totaling 135.8 million US dollars. Contributed primarily to the decrease was a consecutive decline in production of glass magnetic disk, which posted a fall of 25.7 percent in its export value. However, export production of camera lens, and cut precious stones, rose, with its export value rising by 7.6 percent, and 51.2 percent, respectively. As for production for domestic consumption, beverage production increased at an accelerated rate of 9.9 percent, compared with 4.3 percent last month, while sugar production was at relatively high level of 148.6 thousand ton, compared with 6 thousand ton a year earlier, in light of greater sugar cane output. In addition, the Value Added Tax (VAT) collected from manufacturers recorded an accelerated growth rate of 36.4 percent, totaling 302.7 million Baht, noted increases particularly in lower northern region such as provinces of Kamphaeng Phet, and Nakorn Sawan.

**3. Services.** The services sector activity seasonally improved from the previous month as a result of the Songkran festival but overall visitor number was down from last year's April, as vacation Thai tourists preferred seaside destinations in Thailand's southern provinces to northern destinations which had already been main choices in the beginning of this year when there was the International Horticultural Exposition for His Majesty the King (the Royal Flora Ratchaphruek 2006) in Chiang Mai province. Added to the decline were vacation Thai tourists' delaying plans to travel as they became more cautious about spending. Therefore, most of Thais' visiting the north during this Songkran festival was more of homecoming

than pleasure vacation. Meanwhile, foreign visitor number dropped by 30 percent, as the number of foreigners who used to visit the northern region during the Songkran festival, especially the Chinese, the Malay, and the Singaporean, declined as a result of safety concerns. Development of key services indicators are as follows. The number of air passengers was down by 4.3 percent, compared with a decline of 9.6 percent last month. The average of hotel occupancy rate was at 44.8 percent, down from 45.8 percent in last year's April, while the average of hotel room rate declined by one percent to 989 Baht per room night. However, the VAT collected from hotel and restaurant business was up from last year's April by 22.5 percent, but down from last month by 6.1 percent.

**4. Private Consumption.** Private consumption improved from the previous month, prompted by seasonal consumer's spending related to the Songkran festival as well as sales promotions. As a result, every key private consumption indicators improved from last month. The VAT collected from all types of businesses expanded at an accelerated rate of 18.1 percent, improving from 5.1 percent a month earlier. Increases in the VAT collected from manufacturing business, and wholesale and retail business, contributed largely to the overall VAT increase. Consumer spending to purchase motor vehicles improved from last month but still remained in weakness. The number of registered cars declined by 4.5 percent but improved from a negative growth rate of 17.6 percent in the previous month. Both passenger car, and commercial car registered numbers, improved from last month but were still not above the levels from the previous year, recording negative growth rates of 9.9 percent and 0.3 percent, respectively. Motorcycle number also had similar development, with the number of registered motorcycle declined by 3.4 percent, improving from a negative growth rate of 32.8 percent last month.

**5. Private Investment.** Private investment remained in negative territory but improved from the previous month, with investment interests being observed in construction investment in the areas of residential, and commercial, construction in provinces of Chiang Mai, Chiang Rai, and Nakorn Sawan. Development of key private investment indicators are as follows. The number of square meterage of construction areas permitted in municipal zone, a sign for construction investment, remained below last year's level, with a negative growth rate of 5.6 percent, but improved from the previous month that recorded a decline of 40.6 percent. In addition, sales of construction-related materials dropped by 19.4 percent and the amount of land transaction fees decreased by 8.3 percent. As for capital investment, the investment value of BOI's approved projects, a sign for capital investment, more than doubled. Most of the projects involved capacity expansion in manufacturing lens products in Lamphun province, and in producing and developing software in Chiang Mai province.

**6. Foreign Trade.** Exports passed through all customs houses in the northern region dropped by 10.2 percent to 180.4 million US dollars due mainly to changing port of entry made by exporters of cable wire and electrical wire sets – from ports or customs houses in the northern region to ports outside the north. Added to the export decline were decreases in certain export goods, i.e., apparatus for making and breaking electrical circuits, glass magnetic disks, and electricity transformers. Such export goods were down by 38.6 percent, 21.8 percent, and 18 percent, respectively, as exporting to every major market declined, including Japan, Singapore, the U.S., and Hong Kong. In contrast, exports of camera lens, and cut precious stones, expanded by 7.6 percent and 51.2 percent, respectively, responding to higher demand from China and Israel. As for border trade, border exports grew by 22.8 percent to 46.4 million US dollars, improving from a fall of four percent last month, as export of vegetable oil more than tripled, and export of processed foods expanded well. As a result, border exports to Myanmar, Lao PDR, and southern China, increased by 12.2 percent, 21.7 percent, and 150 percent, respectively.

Imports passed through all customs houses in the northern region declined by 10.6 percent to 114.8 million US dollars, improving from a decrease of 14.6 percent last month. Contributed to the decline was a 5.4 percentage fall of electronic product component exports, mainly from the U.S. which dropped significantly by 40.7 percent. Import of electrical machinery and parts, mainly from Japan, Hong Kong, and the U.S., was also down, falling by 25.9 percent. Nonetheless, imports of certain products were in expansion: chemical, and plastic products, rose by 46 percent; and glass products increased by 44 percent. As for border trade, border import dropped by 9.9 percent to six million US dollars. Imports from Myanmar, and southern China fell by 16 percent and 19 percent, respectively. The first was due to a decline in imports of meat products, while the latter was due to a fall in imports of fruits and vegetables. Border imports from Lao PDR, however, grew by 48.3 percent to 1.9 million US dollars. The trade balance recorded a surplus of 65.6 million US dollars, compared with a surplus of 72.6 million US dollars in April 2006, and a surplus of 105.1 million US dollars in March 2007.

**7. Prices.** The Headline Consumer price Index (Headline CPI) continued to slowdown, increasing modestly by 1.4 percent, compared with 1.6 percent last month. The food price index grew at a slower pace of 2.5 percent as a result of a slowdown in the price for fruits and vegetables and an 11.2 percentage decline in the meat price that resulted from falling pork prices. The non-food price index increased at an accelerate growth rate of 0.7 percent due to higher public transportation price, and electricity price. The Core Consumer Price Index (Core CPI), excluding food and energy, grew by 0.7 percent, slightly slowing down from the previous month.

**8. Labor.** At-end March 2007, northern region's labor force totaled 6.53 million. Of these, 6.41 million were employed and accounted for 98.1 percent of the labor force, improving from 97.7 percent in the same month last year. Non agricultural employment rose by 1.9 percent. Increases in hiring by sectors of hotel and restaurant (20.4 percent), and wholesale and retail trade (8.7 percent), accounted mostly for the rise in non agricultural employment. Agricultural employment was generally steady, declining slightly by 0.8 percent. The number of unemployed person totaled 0.10 million, representing the unemployment rate of 1.4 percent, compared with 1.2 percent in March 2006 and 1.5 percent in February 2007. In April 2007, the number of insured persons stood at 0.59 million, increasing from April 2006 by 2.8 percent but declining from March 2007 by 0.1 percent.

**9. Banking.** At end-March 2007, the commercial bank deposit outstanding increased at a slower pace of six percent, amounting to 339,941 million Baht. The deposit slowdown was due mostly to significant decline in deposit outstanding in provinces of Chiang Mai, Chiang Rai, Lampang, and Phetchabun, caused by deposit withdrawals by government agencies, and local administrative organizations, to fund projects. However, there were increases in deposits made by export-oriented industries. As for lending, the commercial bank credit outstanding totaled 277,196 million Baht, expanding by 8.5 percent. Provinces of Nakorn Sawan, and Chiang Mai, reported significant credit increases but most were existing credits that were transferred from finance companies. Increases in credit outstanding in Provinces of Kamphaeng Phet, and Phitsanulok, on the other hand, were due to demand for credit from agricultural-related businesses. The ratio of credit to deposit was at 81.5 percent, improving from 79.6 percent at end-March 2006.

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