



No. 11/2007

Press Release on Northern Region Economic Conditions in July 2007

In July 2007, northern region economy continued to expand. On the supply side, farm income grew, though at a decelerated rate, as agricultural production rose, while manufacturing production improved from the previous month in light of increased production for exports. In addition, the service sector expanded, boosted by tourism promotion efforts. On the demand side, private consumption improved from last month and private investment continued to expand. However, the budgetary expenditures declined as current expenditure decreased. On the external front, exports and imports continued to decline. The headline Consumer Price Index increased at the rate equaling that of the previous month. As for banking, the deposit outstanding of commercial banks grew at a decelerated rate, while the credit outstanding continued to expand.

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

1. Agriculture. Farm income increased at a decelerated rate of 9.5 percent. As for agricultural production, the major crop production index grew by 10.8 percent due mainly to increased production of longan and second rice: longan production rose by 7.2 percent in light of favorable weather condition, while second rice production rose markedly following an expansion of plant areas. In addition, production of mungbean, and maize, grew by 1.4 percent, and 0.6 percent, respectively, encouraged by last year's prices. However, production of shallot, and pineapple, fell by 7.4 percent, and 5.8 percent, respectively. As for agricultural price, the major crop price index declined by 1.3 percent, compared with last month's increase of three percent, largely as a result of a drop in the second rice's price, which was down by 2.6 percent as its supply rose. Meanwhile, the price of longan was nearly the same as that of last year. However, the price of maize was up by 18.5 percent in response to demand from animal farming industry, and the price of pineapple rose by more than four folds as its supply lessened significantly.

2. Manufacturing. Manufacturing production improved from the previous month, though remained in the negative territory. The export-oriented production improved from last month as reflected by improved growth rate of export value by firms located at Northern Region Industrial Estate (NRIE) in Lamphun province. The export value declined by 6.3 percent to 151 million US dollars but improved from a fall of 11.2 percent in the previous month. Contributed to the decline was a drop in export value of hard disk drives, which was down by 26.7 percent as its export to Singapore decreased. By contrast, export value of precious stones rose by more than one fold, and camera lens posted a 15.5 percent in export value. The first was due to increased demand from Israel, while the latter was boosted by demand from China. Meanwhile, Production of construction-related materials increased slightly, though slowed down from the previous month. In addition, the Value Added Tax (VAT) collected from manufacturing firms was up by 3.4 percent to 234 million Baht, mainly as a result of an increase in sales made by manufacturing firms in provinces of Lampang, and Nakhon Sawan.

3. Service. The service sector improved seasonally from the previous month, with the number of tourists, particularly foreigners, increasing due to tourism promotion activities in provinces of Chiang Mai, and Chiang Rai. Development of key services indicators are as follows. The VAT collected from hotels and restaurants rose by 13.5 percent. The average of hotel occupancy rate was at 44.6 percent, improving from 36.8 percent last month, while the average of hotel room rate was up by two percent to 834.6 Baht per room night. In addition, the number of air passenger increased from last year by 9.6 percent and from last month by 24.2 percent.

4. Private Consumption. Private consumption improved from the previous month, as reflected by the growth rate of the VAT collected from all types of businesses. The VAT increased by 4.8 percent, compared with a decrease of 1.3 percent last month, as the VAT collected from the business of

wholesale and retail trade rose. Meanwhile, the number of registered cars grew by three percent, compared with a drop of 9.9 percent last month, with the number of registered passenger car continuing to increase and recording a growth rate of 15.7 percent. The number of registered commercial car, and the number of registered motorcycle, also improved from the previous month, though remained in the negative territory, posting a decline of 5.4 percent, and a fall of 15.7 percent, respectively.

5. Private Investment. Private investment continued to expand. Development of key private investment indicators are as follows. The sales of construction-related materials expanded, though at a slower pace from the previous month, while the amount of land transaction fees grew at a decelerated rate of 2.6 percent, compared with 7.8 percent last month. Nonetheless, interests in construction investment weakened, as reflected by a 37.2 percent drop in the number of square meterage of construction areas permitted in municipal zones, compared with a rise of 15.8 percent last month, as every type of construction areas declined. As for capital investment, the investment value of BOI's approved projects, a sign for capital investment, decreased by 37 percent. The BOI's approved projects this month were in the areas of garment manufacturing, diamond cutting or polishing, crop drying and silo facilities.

6. Government Spending. The budgetary disbursement, recorded at provincial treasuries in the northern region, declined by 5.1 percent to 10,612.5 million Baht. Of this, the current expenditure declined by 7.7 percent to 7,643.6 million Baht, compared with a decline of four percent last month. Meanwhile, the investment expenditure increased by 2.2 percent to 2,968.9 million Baht, decreasing from 66.8 percent in the previous month as disbursement made by provinces of Pichit, Phayao, and Tak, decreased.

7. Foreign Trade. The trade value passed through customs houses in the northern region continued to decline but improved from the previous month, with trade value decreasing by 14 percent to 299.5 million US dollars, compared with a fall of 18 percent last month. The decline was due to traders' on-going migration towards the Paperless Customs environment, and a decline in exports of certain electronic products. Export value passed through all customs houses in the northern region fell by 15 percent to 177 million US dollars, as exports to major markets including Japan, Singapore, and the US, dropped. Meanwhile, exports made by manufacturing industry fell by 11.6 percent due to a decline in export value of electronic product components such as components of hard disk drives, electric transformers and motors. However, export value passed through border customs houses grew at an accelerated rate of 44.9 percent to 52.5 million US dollars, as exports to Myanmar, southern China, and Lao PDR, increased by 41.4 percent, 67.4 percent, and two percent, respectively, with major export items including Para rubber, and crop products. Overall, agricultural products exported through border customs houses increased by 19.4 percent.

Import value passed through all customs houses in the northern region declined, with import value falling by 12.6 percent to 122.5 million US dollars, but improving from a decrease of 18.2 percent in the previous month. Of this import value of raw materials and intermediate goods declined by 10.7 percent as there were less imports of components of electronic products, and integrated circuits. In addition, import value of capital goods was down by 25.1 percent owing to declines in import of machinery and parts for manufacturing industry, and import of computer parts, which dropped by 5.7 percent, and 71.4 percent, respectively, as imports from Japan, the US, and Malaysia, declined. As for border trade, import value passed through border customs houses rose by 20.4 percent to 8.5 million US dollars, with imports from Myanmar, southern China, and Lao PDR, rising by 20.8 percent, 31.5 percent, and 3.6 percent, respectively. The trade balance posted a surplus of 54.5 million US dollars, declining from a surplus of 68 million US dollars in the same month last year, and a surplus of 67.4 million US dollars in the previous month.

8. Prices. The Headline Consumer Price Index (Headline CPI) grew by 2.2 percent, equaling that of last month. The food price index increased by 6.6 percent as prices of rice, vegetables and fruits, rose. The non-food price index by contrast, dropped by 0.4 percent, compared with a fall of 0.2 percent last month, due primarily to declines in prices of fuel, and electricity. The Core Consumer Price Index (Core CPI), excluding prices of food and energy, increased by 0.4 percent, the same rate as last month's.

9. Labor. At end-June 2007, northern labor force totaled 6.76 million. Of this, 6.65 million were employed and accounted for 98.5 percent of the labor force, which was nearly the same rate as that of end-June 2006's. Agricultural employment increased slightly by 0.2 percent, while non agricultural employment rose by 7.1 percent as hiring from sectors of manufacturing, construction, wholesale and retail trade, grew by 14.2 percent, 13.5 percent, and 3.5 percent, respectively. Unemployed person totaled 0.08 million and

accounted for 1.1 percent of the labor force, improving from 1.3 percent at end-June 2006 and from 1.9 percent at end-May 2007. Aside from this, seasonally inactive labor force was 0.03 million, increasing by nearly one fold. In July 2007, the number of insured person was 0.6 million, increasing from July 2006 by 2.1 percent, and from June 2007 by 0.1 percent.

10. Banking. At end-June 2007, the deposit outstanding of commercial banks increased by 5.8 percent to 346,380 million Baht, slowing down from 6.1 percent at end-May 2007. The deposit increase was due to deposits made by official authorities as well as deposits that resulted from redemption of debt instruments at maturities, particularly in provinces of Chiang Mai, Phayao, Phetchabun, Pichit, and Uttaradit. In addition, Lamphun province's deposit outstanding also rose owing to deposits made by firms at NRIE in the province. However, declines in deposits were seen in provinces of Nakhon Sawan, and Kam Phaeng Phet, as official authorities withdrew deposit funds. As for lending, the credit outstanding of commercial banks expanded by 8.3 percent to 280,054 million Baht, accelerating from 8.1 percent at end-May 2007, in response to credit demand from businesses of electrical appliances retailer, real estate, and agricultural related. Provinces of Chiang Mai, Phitsanulok, Phetchabun, and Chiang Rai posted significant gains in credit expansion. As a result, the ratio of credit to deposit was at 80.9 percent, improving from 79 percent at end-June 2006.

Bank of Thailand, Northern Region Office
September 4, 2007

Contact person: Rawisprapa Ruckphaopunt
Tel: +66 (0) 5393-1156
e-mail: rawispr@bot.or.th