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## Press Release on Northern Region Economic Conditions in August 2007

In August 2007, northern region economy continued to expand a decelerated rate. **On the supply side**, farm income increased as the major crops price rose. Meanwhile, the service sector improved, boosted by meeting and seminar activities organized by public authorities. Nonetheless, manufacturing production declined from the previous month. **On the demand side**, budgetary disbursement of the public sector rose in light of increased disbursement from a category of land and construction in the capital budget. As for private spending, private consumption slowed down from the previous month, while private investment decreased. In addition, exports and imports continued to decline. As for price level, the headline Consumer Price Index slowed down. At end-July 2007, the deposit outstanding and credit outstanding of commercial bank both expanded at decelerated rates.

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

**1. Agriculture.** Farm income grew at a slightly slower pace of 4.8 percent. As for agricultural price, the major crop price index was up by 4.1 percent due primarily to increases in prices of maize, and soybeans – by 17.6 percent, and 15.9 percent, respectively, boosted by world market prices as well as the fact that domestic demand for both products was greater than supply. Meanwhile, the prices for second rice, and longan, dropped by 6.2 percent, and 13.8 percent, respectively, in light of greater production. As for agricultural production, the major crop production index grew slightly by 0.7 percent. This was due mainly to an increase in longan production of 6.8 percent, resulting from favorable weather conditions; couple with a rise in second rice production following an expansion of plant areas. However, production of maize, and soybeans, were down by 4.4 percent, and two percent, respectively, as farmers' switching to plant other crops such as cassava, and industrial sugarcane.

**2. Manufacturing.** Manufacturing production declined at the rate near that of the previous month. The export-oriented production decreased as reflected by a negative growth rate of export value by firms located at Northern Region Industrial Estate (NRIE) in Lamphun province. Such export value was down by 8.1 percent to 151.8 million US dollars. Of this, production of hard disk drives declined, with its export value dropping by 27.7 percent as a result of smaller market share. Production of electric transformers, and motors, also decreased as seen by a 25.2 percent decline in its export value. However, production of computer components, camera lens, and jewellery were up by 51.7 percent, 1.7 percent, and 97.8 percent, respectively. As for production for domestic consumption, beverages production level was near that of last month but was lower than that of a year earlier as domestic consumption slowed down. In addition, production of construction-related materials declined as private investment decelerated. Nonetheless, the Value Added Tax (VAT) collected from manufacturing industry was up by 16.1 percent to 241.7 million Baht, accelerating from 3.6 percent in the previous month as beverages sales increased.

**3. Service.** The service sector improved slightly from the previous month and from a year earlier, as meeting and seminar activity organized by public authorities led to increased number of Thai tourists. Overall service activity expanded, particularly in provinces of Chiang Mai, and Chiang Rai. The development of key services indicators is as follows. The VAT collected from hotels and restaurants rose by 20.3 percent, while the number of air passengers increased from a month earlier by 3.6 percent and from a year earlier by 10.7 percent. The average of hotel occupancy rate was at 53 percent, compared with 44.2 percent in the previous month. In addition, the average of hotel room rate was up by 2.2 percent to 863.5 Baht per room night.

**4. Private Consumption.** Private consumption decelerated from the previous month, as seen by a slowdown in the VAT collected from all types of businesses, posting a growth rate of 2.5 percent, slowing

down from 5.5 percent in the previous month. The development of other key private consumption indicators is as follows. The number of registered cars, comprising passenger cars and commercial cars, rose by 4.8 percent, accelerating from 2.9 percent last month as a result of increased number of passenger cars. The number of registered commercial cars, however, continued to decline. The number of registered motorcycles remained in the negative territory, declining by 27.2 percent, compared with a fall of 17.6 percent in the previous month.

**5. Private Investment.** Private investment declined, as reflected by softening in all private investment indicators. Sales of construction-related materials dropped by 6.1 percent compared with an increase of 9.7 percent last month. The amount of land transaction fees decreased by 18.8 percent, closed to that of the previous month. Meanwhile, the meterage of construction areas permitted in municipal zones, a sign for construction investment, dropped by 23 percent, almost equaling a fall of 23.2 percent in the previous month. As for capital investment, investment value of BOI's approved projects, a sign for capital investment, was down by 88.3 percent to 82.4 million Baht. This month's approved projects involved recycled plastic pellet manufacturing, and artificial leather manufacturing, and rehabilitation center for the disable.

**6. Government Spending.** The budgetary disbursement, recorded at provincial treasuries in the northern region, increased by 2.8 percent to 11,821.4 million Baht. The capital spending, i.e., the disbursement from the capital budget, expanded by 15.3 percent to 3,249.4 million Baht, compared with 18.7 percent in the previous month, as a result of increased spending in the category of land and construction by the Royal Irrigation Department, and Department of Highways, particularly in provinces of Phitsanulok, Sukhothai, Tak, Chiang Rai, Chiang Mai, and Phayao. The current expenditure, i.e. the disbursement from the current budget, dropped by 1.2 percent to 8,572 million Baht, compared with an increase of 5.5 percent in the previous month.

**7. Foreign Trade.** The trade passed through customs houses in the northern region decreased, with trade value dropping by 2.8 percent to 355.5 million US dollars but improving from a decrease of 14 percent in the previous month. Exports passed through all customs houses in the northern region decreased, with export value falling by 1.1 percent to 218.4 million US dollars. The development of export conditions classified by customs houses is as follows. Exports passed through *Lamphun Customs House*, totaling 151.2 million US dollars, declined by 8.4 percent but showed improvement from the previous month though remained in the negative territory. Meanwhile, *Chiang Mai Airport Custom House* recorded a decline in export value of 36.9 percent to 8.2 million US dollars, noting a fall in exports of crop products and wooden products. On the contrary, exports passed through *border customs houses* expanded, posting an increase of 37.5 percent to 59 million US dollars, with exports to Myanmar, Southern China, and Lao PDR, rising by 20.9 percent, 63.8 percent, and 92.1 percent, respectively.

Imports passed through all customs houses in the northern region declined, with import value falling by 5.4 percent to 137.1 million US dollars but improving from a fall of 12.6 percent in the previous month. The development of import conditions classified by customs houses is as follows. *Lamphun Customs House* reported a decrease in import value by 7.2 percent to 126.3 million US dollars but improved from a drop of 18.6 percent in the previous month. Major items imported through this customs house included uncut diamonds, integrated circuits, and bare printed circuit boards. *Border customs houses* also recorded a fall in import of 4.2 percent as border imports from Myanmar, and southern China, dropped by 27 percent, and 15.1 percent, respectively. Major items imported from the two border countries were wooden furniture, fresh vegetables, crabs, and foreign liquors. Border imports from Lao PDR, in contrast, rose significantly, with import value increasing by more than one fold. Also, *Chiang Mai Airport Customs House* reported a more-than-one-fold increase in imports as raw material imports for producing carburetors was up by 56.4 percent, and imports of glasses for industrial usage expanded by several folds. The trade balance recorded a surplus of 81.3 million US dollars, increasing from a surplus of 76 million US dollars in the same month last year, and a surplus of 54.5 million US dollars in the previous month.

**8. Prices.** The Headline Consumer Price Index (Headline CPI) increased by 1.6 percent, decelerating from 2.2 percent in the previous month. The food price index rose by six percent, largely as a result of increases in prices of rice, vegetables, fruits, and chicken. The non-food price index, on the contrary, continued to decline, dropping by 0.9 percent in light of falling fuel prices, and energy prices. The Core Consumer Price Index (Core CPI) was up by 0.3 percent, compared with 0.4 percent in the previous month.

**9. Labor.** At end-July 2007, northern labor force totaled 6.81 million. Of this, 6.72 million were employed and accounted for 98.7 percent of the labor force, which was slightly down from 99 percent at end-July 2006 as agricultural employment fell by 4.9 percent. Non agricultural employment, in contrast, was up by 6.6 percent as hiring from sectors of wholesale and retail trade, hotels and restaurants, and construction, expanded by 10.9 percent, 8.9 percent, and 7.9 percent, respectively. Hiring from manufacturing sector, however, was down by three percent. Unemployed person totaled 0.09 million and accounted for 1.3 percent of the labor force, compared with 0.9 percent at end-July 2006, and 1.1 percent at end-June 2007. In August 2007, the number of insured person was 0.6 million, increasing from August 2006 by 2.2 percent, and from July 2007 by 0.4 percent.

**10. Banking.** At end-July 2007, the deposit outstanding of commercial banks was 343,604 million Baht, posting a growth rate of 4.7 percent, slowing down from 5.8 percent at end-June 2007. The slowdown was due primarily to deposit funds withdrawn by public authorities, noting marked declines in deposits in provinces of Phetchabun, Kamphaeng Phet, Phichit, Chiang Rai, and Chiang Mai. However, Phitsanulok province posted a rise in deposits as there were funds deposited by academic institutions, and short-term funds deposited by open-end mutual funds investors. As for lending, the commercial bank credit outstanding expanded by 6.9 percent to 277,172 million Baht, slowing down from 8.3 percent at end-June 2007. The slowdown in credits was due to loan paying off made by organizations, and businesses in several provinces. Provinces of Sukhothai, Phetchabun, Phichit, and Chiang Rai, reported paying off promissory notes by savings cooperative groups, while paying off promissory notes in provinces of Chiang Mai, and Nakhon Sawan, were made by electrical appliances retailers, and packaging businesses, respectively. In addition, July 2007 also had seen hotel businesses, used to borrow funds from commercial banks in Chiang Mai, shifted to use loan facilities from commercial banks in Chiang Rai province instead. Lamphun province, on the contrary, recorded a rise in credits as a result of credit demand from manufacturers of wooden furniture, and producers of dried longans. The ratio of credit to deposit was at 80.7 percent, improving from 79 percent at end-July 2006.

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