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## Press Release on Northern Region Economic Conditions in January 2008

In January 2008, northern region economy grew at a slower pace from the previous month. **On the supply side**, farm income increased as production of major crops expanded. Meanwhile, manufacturing production expanded well though decelerated from the previous month, and the service sector was at a sound level. **On the demand side**, private consumption declined from the same month last year in which consumer spending was high in light of the event of the International Horticultural Exposition for His Majesty the King (the Royal Flora Ratchaphruek 2006). Meanwhile, private investment improved, and government spending accelerated, particularly capital spending. In addition, the Headline Consumer Price Index accelerated. At end-December 2007, commercial bank deposit and credit expanded slightly.

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

**1. Agriculture.** Farm income continued to expand but at a decelerate rate of 0.4 percent. As for agricultural production, the major crop production index was up by 2.5 percent, boosted by increases in production of industrial sugar cane, cassava, and garlic, which increased by 8.3 percent, five percent, and 13.9 percent, respectively, in light of expansion of plant areas encouraged by last year's favorable prices. Nonetheless, production of maize, and peanut, dropped by 4.2 percent, and 0.7 percent, respectively, as farmers switched to plant cassava and industrial sugar cane. As for agricultural price, the major crop price index was down by 2.1 percent due to declines in prices of several crops. The price of industrial sugar cane declined by 14.2 percent in line with a decrease in the initial sugar cane price, while the price of glutinous rice dropped by 17.9 percent as a result of risen supply and inferior quality. In addition, prices of onion, and garlic, were down significantly by 66.7 percent, and 54.6 percent, respectively, in light of greater supply. On the contrary, prices of major rice rose by 10.6 percent driven by export demand, and prices of cassava, and maize, increased by 102.4 percent, and 14.2 percent, respectively, boosted by domestic and foreign demands.

**2. Manufacturing.** Manufacturing Production Index (MPI) expanded satisfactorily by 7.2 percent, though slowed down from 12.2 percent in the previous month. Production of electronic products increased by 4.5 percent, in light of increased production of diodes and electronic components. Whereas production of motors and components of hard disk drives, continued to decline. Production of processed agricultural products expanded, as reflected by increases in exports of frozen and dried fruits and vegetables, as well as canned sweet corn. In addition, production of ceramics, and textile, continued to rise, boosted by demand from European market. However, production of beverages was down as a result of intense competition and shortage of beverage bottles.

**3. Service.** The services sector was at sound level, though declining from the same month last year in which tourism activity was exceptionally high as the Royal Flora Ratchaphruek 2006 took place in Chiang Mai province. This year, tourism activity of Thai tourists was pulled down by cautious spending, whereas high-purchasing-power foreign tourists continued to increase due in part to premium hotels' introduction of integrated accommodation packages that included hotels in northern provinces, and southern areas of Thailand, such as Phuket, and Samui Island. Development of key services sector is as follow. The amount of VAT collected from hotels and restaurants, and the number of air passengers, decreased by 5.4 percent, and 9.4 percent, respectively, while the average of hotel occupancy rate declined to 76.4 percent. In addition, the average of hotel room rate was virtually flat, increasing slightly by 0.5 percent.

**4. Private Consumption.** Private consumption declined from the same month last year in which consumer spending was boosted by the event of the Royal Flora Ratchaphruek 2006. Development of key private consumption indicators is as follows. The amount of VAT collected from all types of businesses

declined by 3.4 percent, noting a slight increase in the VAT collected from wholesale and retail business of 0.8 percent in spite of sales promotions. The number of registered cars, consisting of passenger car and commercial car, dropped by 6.2 percent, due primarily to cautious consumer spending. Meanwhile, the number of motorcycles continued to decline, falling by 18.8 percent, but improved from a fall of 21.3 percent in the previous month largely as a result of sales promotions.

**5. Private Investment.** Private investment improved, with most of construction investment indicators improving. Sales of construction-related materials improved though remained in the negative territory. The number of square meters of construction areas permitted in municipal zones, a sign for construction investment, expanded by 14.9 percent, with categories of residential, commercial, and services, increasing, particularly in provinces of Chiang Rai, Nakhon Sawan, and Lamphun. In addition, the amount of land transaction fees continued to expand, rising by 17.1 percent, mostly in provinces of Chiang Mai, Chiang Rai, and Lamphun. Nonetheless, the value of BOI's approved projects, a sign for capital investment, decreased by 78.1 percent to 571.1 million Baht.

**6. Government Spending.** Budgetary spending through provincial treasury offices in the northern region more than doubled from last year, totaling 18,871.1 million Baht, as capital spending more than doubled, accelerating from 4.7 percent in the previous month. The significant increase in the capital spending, in turns, was due to disbursement made by local administrative organizations, particularly in a category of subsidies, and a category of contingent subsidies, which rose by more than six folds, and more than 13 folds, respectively. Risen expenses for land and buildings, which rose by more than two folds, also added to the increase in the capital spending.

**7. Foreign Trade.** Foreign trade passed through customs houses in the northern region declined by 1.2 percent to 338.7 million US dollars. Exports grew by 2.3 percent to 210.3 million US dollars, decelerating from 11 percent in the previous month. Contributed to export expansion were export of agricultural products, which grew by 36.7 percent, due primarily to exports of rubber smoked sheets, and exports of petroleum products. However, export of manufacturing products declined by 34.3 percent, pulled down by decreases in exports of apparatus for making and breaking electrical circuits, and hard disk drive components. The border export increased by 35.9 to 71.8 million US dollars, with exports to Myanmar, and Lao PDR, rising by 55.4 percent, and 20.3 percent, respectively. On the contrary, the borders export to southern China dropped by 25.7 percent.

Imports decreased by 6.3 percent to 128.4 million US dollars, noting a fall in capital imports of 19.6 percent. The capital import, though remaining in the negative territory, improved from a fall of 29.2 percent in the previous month due to an increase in imports of electrical machinery component used in electronics industry. The import of raw materials and intermediate goods, on the other hand, expanded by 6.5 percent, because of increased imports of glasses and precious stones. The border import was up slightly by one percent to 10.5 million US dollars, with imports from Lao PDR, and southern China, rising by 55.9 percent, and 50 percent, respectively. The border import from Myanmar, however, dropped by 32.3 percent. The trade balance posted a surplus of 81.9 million US dollars, improving from a surplus of 68.5 million dollars in January 2007, but softening from a surplus of 111.3 million US dollars in December 2007.

**8. Prices.** The Headline Consumer Price Index (Headline CPI) was up by 4.7 percent, accelerating from 3.5 percent in the previous month as a result of a risen price in a category of energy, as well as a risen price in a category of tobacco, and alcoholic beverages, due to risen excise tax rate. The Core Consumer Price Index (Core CPI), excluding prices of raw food, and energy, increased by 0.9 percent, equaling last year's and accelerating from 0.6 percent last month.

**9. Labor.** According to the Labor Force Survey by the National Statistical Office, northern labor force totaled 6.72 million at end-December 2007. Of these, 6.65 million were employed and accounted for 99 percent of the labor force, improving from 98.5 percent at end-December 2006. During the harvesting period, the agricultural employment grew by 2.4 percent as there was greater quantity of major crops. The non agricultural employment dropped by 2.6 percent as hiring by sectors of wholesale and retail trade, construction, and manufacturing, declined by 11.9 percent, 2.9 percent, and 2.9 percent, respectively. However, hiring by a sector of hotels and restaurants increased by 2.9 percent, responding to demand from hotel businesses. The number of unemployed persons totaled 0.05 million and accounted for 0.8 of the labor force, compared with 1.2 percent at end-December 2006, and one percent at end-November 2007. In

January 2008, the number of insured person was 0.6 million, increasing from January 2007 by 2.1 percent, and decreasing from January 2008 by 0.8 percent.

**10. Banking.** At-end December 2007, the commercial bank deposit outstanding increased by 3.4 percent to 339,895 million Baht, accelerating from 2.5 percent at-end November 2007 due in part to deposits made by teachers' savings cooperatives. However, there were official authorities' withdrawals, as well as investors' withdrawing funds to invest in mutual funds that generate higher returns. As for lending, the commercial bank credit outstanding expanded by 5.8 percent to 290,454 million Baht at end-December 2007, accelerating from 4.9 percent at-end November 2007. The increase in credit was driven by credit demand from crop traders in provinces of Nakhon Sawan, Phitsanulok, Phetchabun, and Kamphaeng Phet; credit demand from automobile dealers in provinces of Chiang Mai, and Chiang Rai; and credit demand from teachers' savings cooperatives in provinces of Phichit, Lampang, Nan, and Tak. The ratio of credit to deposit was at 85.5 percent, improving from 83.5 percent at-end December 2006.

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