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Press Release on Northern Region Economy in March 2008 and in the First Quarter of 2008

In March 2008, northern region economy expanded well from the previous month and from the same month last year. **On the supply side**, farm income from major crops accelerated due to significant rise in major crops price. In addition, the Manufacturing Production Index increased markedly, driven by foreign market demand, while the services sector expanded because tourism was not affected by the heavy haze as in March 2007. **On the demand side**, private consumption and private investment were flat, but showed signs of improvement, particularly consumption for durable goods. Government spending declined slightly after capital expenditures had been accelerated in the beginning of 2008 fiscal year. On the external front, exports decelerated while imports slightly declined. The Headline Consumer Price Index accelerated, mainly because of increased food prices and persistent rises in oil prices. At end-February 2008, the commercial bank deposits and credits continued to expand.

In the first quarter of 2008, northern region economy continued to expand. **On the supply side**, farm income accelerated due primarily to increased major crops price. Manufacturing Production Index rose as production of most categories increased except beverages production. Furthermore, the services sector expanded as a result of promotional activities and campaigns made by public and private sectors. **On the demand side**, the private consumption slowed down but showed signs of improvement as reflected by the numbers of registered cars and registered motorcycles. Meanwhile the private investment began to improve as seen by increases in construction areas permitted in municipal zones and land transaction fees. Government spending declined slightly after the capital expenditures had been accelerated in the beginning of 2008 fiscal year. On the external front, exports and imports improved. The Headline Consumer Price Index accelerated. At end-February 2008, the commercial bank deposits and credits expanded well.

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

1. Agriculture. In March 2008, farm income grew at an accelerated rate of 22.4 percent due mainly to continued increase in major crops price. The major crop price index was up by 22.3 percent, as the price of second rice paddy increased significantly by 53.4 percent and the price of cassava rose markedly by 88.5 percent, driven by continued domestic and foreign demands. Nonetheless, the price of industrial sugar cane declined by 4.4 percent as the initial cane price dropped in line with world market sugar price, and the Commercial Cane Sugar (CCS) was lower than that of last year. On the production side, the major crops production index increased slightly by 0.1 percent because production of second rice paddy declined in light of lower yield, affected by cold weather that lingered longer than usual. Nonetheless, production of industrial sugar cane and cassava increased by 8.3 percent and 5 percent, respectively, as last year's high price encouraged farmers to expand plant areas and improve maintenance.

In the first quarter of 2008, farm income increased by 17.5 percent, compared with 10.3 percent in the same period last year, mainly as a result of increased major crops price. The major crops price index was up by 13.7 percent, largely as a result of increases in prices of second rice paddy (53.4 percent), cassava (95.2 percent), major rice paddy (28.4 percent), and maize (9.1 percent). However, the price of industrial sugarcane decreased by 4.4 percent, while the price of major rice paddy declined by 20.2 percent in light of greater supply. The major crops production index increased by 3.8 percent, with production of industrial sugar cane, cassava, major rice paddy, rising by 8.3 percent, 5 percent, and 2 percent, respectively, as last year's high prices encouraged farmers to produce more, and this year's favorable weather conditions helped generating higher yields. Nonetheless, production of maize and shallot declined by 4.2 percent, and 11.4 percent, respectively, as farmers switched to plant other crops. Meanwhile production of second rice paddy dropped in line with decreased yield, affected by longer-than-usual cold weather.

2. Manufacturing. In March 2008, manufacturing production continued to expand, with Manufacturing Production Index (MPI) increasing at last month rate of 10.5 percent due mainly to increased production of electronics industry and processed agricultural products industry. Production of electronics

industry rose by 9.6 percent due to increased production of electricity transformers and motors in response to demand from China and Japan. Furthermore, production of diodes, integrated circuits, and capacitors, also rose, driven by foreign demand, particularly new model capacitors. In addition, production of processed agricultural products grew by 17.5 percent in light of increased sugar production, canned baby and sweet corn. Nonetheless, production of construction-related materials continued to decline as investment conditions remained in deceleration.

In the first quarter of 2008, manufacturing production continued to expand from the previous quarter. The MPI increased 9.4 percent to 155.4, improving from 2.1 percent in the previous quarter, as production of all categories expanded. Production of processed agricultural products grew at an accelerated rate of 20.9 percent due to increased production of frozen fruits, frozen/dried fresh vegetables, and baby corn, as major foreign competitors were having product quality problem, while production of canned sweet corn also increased due to market expansion in Europe, including the U.K., German, and Italy. As for electronics industry, production increased by 5.4 percent, compared with a decline in the previous quarter, as a result of increased production of diodes, integrated circuit, and cathodes, due primarily to expansion of electrical appliances industry and electronics industry in China. Meanwhile, production of textile and ceramics increased by 1.2 percent, and 16.9 percent, respectively as demand from Europe rose.

3. Service. In March 2008, the services sector expanded from the same month last year in which tourism was affected by the heavy haze. Entrepreneurs' various sales promotion helped boosting the sector under unfavorable conditions of rising oil prices. Development of key services sector is as follows. The amount of Value Added Tax (VAT) collecting from hotels and restaurants rose by 15.7 percent, while the number of air passengers increased by 27.1 percent, particularly in provinces of Chiang Mai, Chiang Rai, and Mae Hong Son. The average of hotel room rate was up slightly by 0.4 percent, partly reflecting increased marketing costs, but the average of hotel occupancy rate was down slightly, as public sector's seminar activities slowed down at the beginning of the new government.

In the first quarter of 2008, the services sector continued to expand from the previous quarter, due to public and private sectors' promotional activities and campaigns. As a result the amount of VAT collecting from hotels and restaurants, and the number of air passengers increased at the same rate of 1.8 percent, where as the average of hotel occupancy rate declined to 63.7 percent and the average of hotel room rate decreased slightly by 0.1 percent to 1,049.2 Baht per room night.

4. Private Consumption. In March 2008, private consumption was at last year's level, with spending for durable goods, such as motorcycles and cars, increasing in light of higher farm income, new auto models, and entrepreneur's sales promotions. The amount of VAT collected from all types of businesses declined by 1.3 percent, but sales of wholesale retail trade and electrical appliances continued to expand. Meanwhile, household electrical usage decreased by 9.5 percent as the weather was colder than last year's.

In the first quarter of 2008, private consumption expanded at a slower pace. The number of registered cars, and household electrical consumption, increased by 7.6 percent, and 3.9 percent, respectively. Meanwhile, the amount of VAT collected from all types of business unchanged from the same period last year, compared with a growth rate of 5.5 percent in the fourth quarter 2007, and the number of registered motorcycle declined slightly by 1.7 percent.

5. Private Investment. In March 2008, private investment grew at a slower pace but showed signs of improvement, reflected primarily by a 28.4 percent increase in the number of square meters of construction areas permitted in municipal zone, caused by major investment group's interests, particularly in major provinces. Meanwhile, sales of construction related materials also improved from last month, though remained in the negative territory. The amount of land transaction fees declined by 8.1 percent to 37.7 million Baht, compared with 60.4 percent in the previous month, resulting from delayed transactions in anticipation of government's measures to reduce tax rates relating to purchasing residential properties, effective from March 29, 2008. The value of BOI's approved projects, a sign for capital investment, totaled 422.2 million Baht, declining from the same month last year by 31.2 percent.

In the first quarter of 2008, private investment decelerated but improved from the previous quarter as interests in construction investment increased, with the number of square meter of construction areas permitted in municipal zones, a sign of construction investment, increasing by 25.6 percent, and the amount of land transaction fees ring by 21.8 percent. Nonetheless, sales of construction related materials declined, and the value of BOI's approved projects dropped significantly by 72 percent, with projects in a category of agriculture and agricultural products decreasing markedly.

6. Government Spending. Budgetary disbursement through provincial treasury offices in the northern region amounted to 12,323.6 million Baht, declining by 3.6 percent as capital expenditures decreased by 25.1 percent after having been accelerated in the beginning of the 2008 fiscal year. Of the capital expenditures, land and building expenses declined by 6.4 percent. Meanwhile, current expenditures increased by 7 percent as salaries and wages expenses, and remuneration expenses, rose by 6.8 percent, and 6.2 percent, respectively. Provinces reporting an increase in budgetary disbursement were Mae Hong Son, Uthai Thani, and Phetchabun.

After having been accelerated in the beginning of the 2008 fiscal year, the budgetary disbursement through provincial treasury offices in the northern region in the first quarter of 2008 declined by 2 percent to 42,371.1 million Baht, compared with an increase of 22.9 percent in the same quarter last year in which the disbursement accelerated just after the delayed Expenditure Budget Act was promulgated in January 9, 2007. Therefore, in the first quarter of 2008, the capital, and current expenditures declined by 3.7 percent, and 0.9 percent, respectively.

7. Foreign Trade. In March 2008, export value grew by 1.3 percent to 245.9 million US dollars, decelerating from 17.9 percent in the previous month, partly as exports of jewelry and precious stones slowed down, while exports of hard disk drive components, and camera lens, dropped by 24.9 percent, and 8.6 percent, respectively, due to decreased demand from Japan and Singapore. Exports to bordered countries rose by 63.6 percent to 82.6 million US dollars, accelerating from the previous month as a result of increased exports of petroleum products, cooking vegetable oil, and vehicles and parts. Border exports to Myanmar, Lao PDR, and southern China, increased by 63.6 percent, 55.7 percent, and 34.3 percent, respectively.

Import value decreased by 6 percent to 129.4 million US dollars, compared with an increase of 15.7 percent in the previous month, as imports of raw materials and intermediate products declined, such as electronics components, precious stones, and plastic, which dropped by 19.7 percent. Meanwhile, imports of components and machinery parts for producing camera lens continued to expand due to export demand. This month, imports from major markets, including Japan, Israel, and Singapore, all posted a decline. Imports from bordered countries increased by 6.2 percent to 9.8 million US dollars, slowing down from 26.3 percent in the previous month, with imports from Myanmar decreasing by 20.6 percent to 4.2 million US dollars, and imports from Lao PDR and southern China increasing by 60.8 percent, and 3.3 percent, respectively. Major import goods were lignite, maize, vegetables, and fruits. The trade balance posted a surplus of 116.5 million US dollars, increasing from a surplus of 105.1 million US dollars in March 2007, and from a surplus of 103.2 million US dollars in February 2008.

In the first quarter of 2008, export value rose by 6.7 percent to 688.5 million US dollars, compared with 3.3 in the previous quarter, owing to a 10.7 percent increase in exports of manufacturing products, including integrated circuits, cut diamonds, and camera lens, to China, Israel, Malaysia, and the United Arab Emirates. Exports to bordered countries increased by 49.3 percent to 220.6 million US dollars, partly as a result of rises in exports of petroleum products, cooking vegetable oil, and smoked rubber sheet. Border exports to Myanmar, and Lao PDR, rose by 60 percent, and 43.1 percent, respectively, whereas border exports to southern China declined by 1.8 percent.

Import value increased slightly by 0.1 percent to 386.8 million US dollars, compared with a decline of 4.7 percent in the previous quarter. Of this, imports of raw materials and intermediate goods increased by 3.1 percent, noting particularly increase in February 2008 as a result of significant rise in imports of unworked or simply sawn, cleaved, or bruted diamonds. Meanwhile, imports of capital goods dropped by 26.9 percent from the same period last year in which imports of electrical machinery parts was at high level. Nonetheless, imports of optical equipments, such as camera lens, continued to expand well. Imports from bordered countries increased by 8.7 percent to 27.8 million US dollars, accelerating from the previous quarter, as imports from Lao PDR, and China, rose markedly by 74.3 percent, and 24.9 percent, respectively. Meanwhile imports from Myanmar dropped by 23.8 percent to 11.4 million US dollars owing to declined imports of wooden products and fishery products. The trade balance posted a surplus of 301.7 million US dollars, increasing from a surplus of 259 million US dollars in the first quarter of 2007, and from a surplus of 266.7 million US dollars in the fourth quarter of 2007.

8. Prices. In March 2008, the Headline Consumer Price Index (Headline CPI) increased at an accelerating rate of 6.3 percent. The food price index was up by 10.1 percent, largely as a result of rises in prices of meats, eggs, and rice. The non food price index increased by 4.1 percent due primarily to persistent rises in oil prices. The Core Consumer Price Index (Core CPI) increased by 1 percent, closed to March 2007's and February 2008's.

In the first quarter of 2008, the Headline CPI was in acceleration, increasing by 5.6 percent as the food price index rose by 8 percent due to increased prices of rice, eggs, and meats, especially pork. The non food price index grew by 4.2 percent owing mainly to rises in oil prices. The Core CPI increased by 0.9 percent, compared with 0.5 percent in the previous quarter.

9. Labor. According to the Labor Force Survey by the National Statistical Office, northern labor force totaled 6.51 million at end-February 2008. Of these, 6.3 million were employed and accounted for 96.8 percent of the labor force, compared with 98.1 percent at end-February 2007. This resulted from a 1.6 percent decline in agricultural employment as well as a 1.4 percent decrease in non agricultural employment caused by decreased hiring by construction sector (-10.1 percent), and manufacturing sector (-6.1 percent). Hiring by hotels and restaurants, and wholesale and retail trade, however, increased. The number of unemployed persons was 0.1 million and accounted for 1.5 percent of the labor force, equaling the unemployment rate at end-February 2007. In March 2008, the number of insured persons increased from March 2007 by 1.5 percent to 0.6 million.

10. Banking. At end-February 2008, the commercial bank deposit outstanding grew by 4 percent to 356,372 million Baht due to increased deposits of public authorities, and increased fixed special deposits that were moved from open-ended mutual funds, particularly in provinces of Chiang Mai, Chiang Rai, Nakhon Sawan, and Phitsanilok. As for lending, the commercial bank credit outstanding was 289,487 million Baht, increasing by 6.1 percent as personnel loans rose significantly in provinces of Chiang Mai, Phitsanulok, and Nakhon Sawan. However, overall credit outstanding in provinces of Nakhon Sawan, Lampang, and Phetchabun, declined as bills – one type of credits – were redeemed by rice mill businesses, fertilizer traders, and savings cooperatives. The ratio of credit to deposit was at 81.2 percent, improving slightly from 79.7 percent at end-February 2007.

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