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

In November 2007, northern region economy grew at a slower pace from the previous month. **On the supply side**, farm income slightly decelerated from last month as the major crop price slowed down, whereas manufacturing production declined in light of softened export-oriented production. Meanwhile, the service sector seasonally expanded. **On the demand side**, private consumption increased at a decelerated rate, and private investment continued to decline as construction investment weakened. As for government spending, budgetary disbursement slowed down. On the external front, both exports and imports declined. At end-October 2007, commercial bank deposit outstanding accelerated, while credit outstanding grew nearly at last month's rate.

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

**1. Agriculture.** Farm income grew at a decelerated rate of 7.4 percent. The major crops production index was up by 1.5 percent, with production of major rice, mungbean, and cassava, increasing due to last year's encouraging prices, as well as favorable weather conditions. Meanwhile, production of maize, and soybean, declined owing in part to farmers' switching to plant cassava and industrial sugarcane. As for agricultural price, the major crops price index was up by 5.9 percent, slowing down from the previous month. The price of major rice increased by 6.3 percent responding to stronger export demand, coupled with competing countries' producing inadequate supply of major rice. Other crops posted an increase in price included maize, soybean, mungbean, and cassava, with its price rising by 31.2 percent, 40.2 percent, 9.6 percent, and 72.7 percent, respectively. The price of glutinous rice, on the contrary, dropped by 15 percent as a result of increased supply and softened orders from major import countries, including China, and Japan

**2. Manufacturing.** Manufacturing production declined due primarily to a fall in export-oriented production. The export value by firms located at Northern Region Industrial Estate (NRIE) in Lamphun province, an indicator for export-oriented production, fell by 8.6 percent to 159.6 million US dollars, noting declines in export of integrated circuits, electrical appliances, hard disk drive components, electrical transformers and motors. Meanwhile, export of camera lens was flat compared with the previous month. But jewelry exports posted a significant gain, with export value increasing by more than two folds, particularly for cut diamonds, in response to demand from the Middle East – a new, high-purchasing-power market. As for production for domestic consumption, beverages production declined, as beverage manufacturers in the northern region lost market shares to producers outside the region. Meanwhile, production of construction-related materials continued to fall. In addition, the amount of Value Added Tax (VAT) collected from manufacturing firms dropped by 10.2 percent to 226.5 million Baht, resulting largely from declined sales of a beverage industry.

**3. Service.** The service sector expanded well in light of the high tourism season, but slowed down compared with the same month last year when tourism activity was exceptionally high as the International Horticultural Exposition for His Majesty the King (the Royal Flora Ratchaphruek 2006) helped boosting the number of Thai tourists visiting Chiang Mai province as well as other provinces in the upper northern region. The development of key services indicators is as follows. The amount of VAT collected from hotels and restaurant increased by 8.2 percent, but the number of air passengers was down by 3.3 percent. Meanwhile, the average of hotel room rate rose by 3.2 percent, and the average of hotel occupancy rate improved from the previous month to 69.5 percent, but declined from 74.9 percent in the same month last year.

**4. Private Consumption.** Private consumption expanded at a decelerated rate. The amount of VAT collected from wholesale and retail businesses increase slightly by 0.3 percent, but the VAT collected from all types of businesses decreased by 3.6 percent, pulled down by a marked decline in the VAT

collected from manufacturing firms. The development of other key private consumption indicators is as follows. The number of registered cars, comprising passenger car and commercial car, rose by 4.2 percent, compared with a fall of 6.6 percent in the previous month, with passenger car increasing by 7.7 percent and commercial car turning positive after ten months of consecutive decline and posting a growth rate of 2.4 percent, partly as a result of sales promotions. Meanwhile, the number of motorcycles continued to decline, recording a negative growth rate of 17.1 percent, compared with a fall of 14.3 percent last month.

**5. Private Investment.** Private investment continued to decrease, as reflected by a consecutive decline in sales of construction-related materials. The development in key private investment indicators as follows. The square meter of construction areas permitted in municipal zones, a sign for construction investment, turned positive after posting a decline of 7.8 percent in the previous month and increased by 3.2 percent, as there were improved interests in constructing commercial buildings, and hotels and dormitories. In addition, the amount of land transaction fees grew slightly by 1.3 percent, compared with a 4.5 percent fall last month. As for capital investment, the investment value of BOI's approved projects increased by 29.8 percent to 258.5 million Baht, reflecting investors' interests in investing in projects to produce agriculture and agricultural products, mainly.

**6. Government Spending.** The amount of budgetary spending recorded at provincial treasuries in the northern region increased by 11.2 percent to 10,520.1 million Baht, slowing down from 67.2 percent in the previous month. The current spending (for recurring, day-to-day expenses) was up by 17.3 percent to 8,434.6 million Baht owing to increased disbursement in personnel, and operating expenses. The capital spending, on the contrary, fell by 8.2 percent to 2,085.5 million Baht, compared with a more-than-two-fold rise in the previous month. Accounted for the fall in the capital spending were a decline in expenses for equipments of 36 percent, and a decrease in expenses for land and buildings of 13.5 percent. Meanwhile, the disbursement in contingent subsidies, one category of capital spending, more than doubled. Provinces reporting marked increase in budgetary spending were Phayao, Chiang Rai, and Mae Hong Son.

**7. Foreign Trade.** The trade value passed through all customs houses in the northern region declined by 2.4 percent to 357.2 million Baht, with both exports and imports falling. Exports passed through all customs houses in the northern region decreased by 2.3 percent to 223.3 million US dollars, compared with an increase of 1.6 percent in the previous month. Accounted for the decrease was a fall in exports of manufacturing goods, and agricultural products, such as electronic components, rubber smoked sheets, and dried longan. Exports of jewelry, on the other hand, continued to rise and grew by more than two folds due primarily to demand from newly growing export market in the Middle East. Meanwhile, border exports to all neighboring countries rose by 26.3 percent to 57.2 million US dollars, as exports to Myanmar increased by 44.6 percent to 44.5 million US dollars, although exports to southern China, and Lao PDR, decreased by 9.7 percent, to 23.2 percent, respectively.

Import passed through all customs houses in the northern region also declined, with import value falling by 2.6 percent to 133.9 million US dollars, due primarily to decreased imports of capital goods, and consumer goods. Import value of capital goods fell by 16 percent in light of declined imports of machinery and parts, and computers and components, which dropped by 41.2 percent, and 73.8 percent, respectively. Also added to the import decline was a 29.7 percent fall in import of consumer products as household appliances imports decreased. On the contrary, raw materials, and intermediate goods, posted a rise in import of 8.4 percent, in light of risen jewelry imports, and increased imports of plastics for industrial usage. Meanwhile, border imports from all neighboring countries grew by 10.2 percent to 12.2 million US dollars, decelerating from 20.7 percent in the previous month. Border imports from Myanmar, and Lao PDR, rose by 20.6 percent, and 32.5 percent, respectively, whereas imports from southern China dropped by 14.1 percent.

The trade balance posted a surplus of 89.4 million US dollars, compared with a surplus of 91 million US dollars in November 2006, and a surplus of 66 million US dollars in October 2007.

**8. Prices.** The Headline Consumer Price Index (Headline CPI) rose by 3.5 percent, accelerating from 2.8 percent in the previous month, mainly as a result of increased non-food prices. The non food price index was up by 3.6 percent due to risen fuel prices that increased significantly by 22.9 percent. Rises in prices of tobacco product, and alcoholic beverage, by 5.3 percent, and 3.5 percent, respectively, following excise tax rate increase, also added to the rise in the non food price index. The food price index rose by 3.2 percent, nearly the same as last month's, noting rises in prices of sticky rice, duck

meats, chicken meats, eggs, and fresh fruits. As for core inflation, the Core Consumer Price Index (Core CPI), excluding prices of raw food, and energy, was up by 0.6 percent, compared with 0.5 percent in the previous month.

**9. Labor.** According to the Labor Force Survey by the National Statistical Office, northern labor force totaled 6.65 million at end-October 2007. The number of employed person was 6.55 million, increasing by 1.9 percent because non agricultural employment expanded by 5.2 percent as hotels and restaurants increased their hiring significantly by 22.9 percent. Agricultural employment, on the other hand, was down by 1.7 percent. Unemployment rate was at October 2006's level of 1.3 percent, but improved from 1.5 percent in September 2007. In November 2007, the number of insured person was 0.6 million, increasing from November 2006 by two percent, and from October 2007 by 0.1 percent.

**10. Banking.** At-end October 2007, the commercial bank deposit outstanding expanded at an accelerated rate of g by 4.8 percent to 348,641 million Baht. Contributed primarily to the deposit increase was deposits made by public authorities, particularly in provinces of Chiang Mai, Chiang Rai, Tak, and Sukhothai. As for lending, the commercial bank credit outstanding was 281,239 million Baht, increasing by 5.1 percent, closed to September 2007's. The increase in credits was due to demand for personal loans, as well as demand from crop traders in provinces of Phetchabun, and Nakhon Sawan. The ratio of credit to deposit was at 80.7 percent, improving from 80.4 percent at-end October 2006.

Bank of Thailand, Northern Region Office  
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Contact Person: Rawisrapa Ruckphaopunt  
Tel: +66 (0) 5393-1156  
e-mail: rawispr@bot.or.th