Flash Report on the Cambodian Economy

វិចចិក ២០១៣ / November 2013

ជាការបញ្ចូល / Roth Vathana
រ៉ូតន វឌ្យន៍ / Pon Dorina

បរិការការសម្រាប់ លេម ប៉ូជើង និង លេម ប៉ូសិង

បច្ចេកវិទាដូក្រាលរឹងមក / Phnom Penh, Cambodia

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Office address: #56, Street 315, Tuol Kork, Phnom Penh, Cambodia; postal address: CDRI, PO Box 622 Phnom Penh, Cambodia; tel: (855-23) 881-384/881-701/881-916/883-603; fax: (855-23) 880-734; email: pubs@cdri.org.kh; website: http://www.cdri.org.kh
This report highlights a number of economic indicators of Cambodia and its partners. It compares recent figures with those of earlier periods.

In the third quarter, total fixed asset investments in agriculture approved by the Council for the Development of Cambodia increased to USD133.1 m from USD57.1 m a quarter earlier, but declined by 26.5 percent from a year earlier. Significant year on year fluctuations in agricultural investment partly indicate that more need to be done, especially by the government, to gain investors’ confidence in this sector.

Political deadlock since the July national election and the occasional demonstrations organised by the opposition party have not significantly impacted tourist arrivals. Although the number of foreign visitors in September dropped from the preceding month, total foreign visitor arrivals increased by 17 percent year on year, holiday arrivals by 21 percent and business arrivals by 6 percent. “Other” arrivals went down 66 percent year on year.

The total value of construction approvals in August dropped to USD75.5 m (73 percent) from a peak of USD279.7 m a month earlier, but increased by 16 percent year on year. The value of villas and houses rose by 16 percent from the previous month to USD25.8 m and of flats by 66 percent to USD31.4 m.

In September, the consumer price index (all items) rose 0.7 percent from the preceding month (3.8 percent year on year). The price of food and non-alcoholic beverages went up 1.2 percent (5.3 percent year on year). Clothing and footwear remained unchanged from a month earlier, but increased by 5.4 percent from a year earlier. Overall prices have risen this year, having macro-economic implications for variables such as wages and interest rates. Living standards of the poor and those near the poverty line will also be affected. However, the ADB’s 2013 outlook for Cambodia forecasts 2.5 percent inflation in 2013 and 3.5 percent in 2014. One factor the government needs to be cautious about is growth of the money supply that exceeds growth of real goods and services produced.

In October, the price of diesel fuel declined by 0.8 percent from a month earlier (4.9 percent year on year) to KHR4900/litre and of gasoline by 0.8 percent (4.2 percent year on year) to KHR5100/litre. In November, the riel appreciated 1.4 percent from a month earlier against the US dollar, but depreciated 0.1 percent year on year. The riel appreciated 2.6 percent (2.1 percent year on year) against the Thai baht and by 1.3 percent (0.4 percent year on year) against the Vietnamese dong.

In September, imports of construction equipment went down 12.0 percent from a month earlier to USD6.6 m, but rose by 10.5 percent on year. Imports of cement dropped 14.3 percent from the preceding month (14.2 percent year on year) to USD7 m and of steel decreased by 36.2 percent (56.4 percent year on year) to USD5.2 m. Despite the monthly drop, the year on year increase in imports of construction materials partly signified gradual recovery in this sub-sector. In the same month, exports of clothing (all kinds) declined by 25.6 percent from a month earlier (11.0 percent rise year on year) to USD42.6 m, of shoes dropped by 20.2 (18.6 percent rise year on year) to USD26.3 m and of other textile products by 10.4 percent (34.1 percent increase year on year) to USD7.5 m. Again, despite monthly fluctuations, Cambodia’s exports of garments and textile products continued to be buoyed by the gradual recovery in the US and EU markets.

In September, imports of gasoline rose by 2.9 percent from a month earlier (3.1 percent decline year on year) to USD25.4 m and of diesel dropped by 30.5 percent (8.7 percent year on year) to USD40.4 m. There were no imports of fuel oil in September.

In July, total government current revenue went down 10.7 percent from the previous month (7.7 percent year on year) to KHR568.4 bn. Revenue from domestic taxes dropped by 14.4 percent (9.4 percent year on year) to KHR402.8 bn and from import and export taxes declined 7.2 percent (6.5 percent rise year on year) to
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In the same month, current expenditure rose by 54.8 percent from the preceding month to KHR706.2 bn, but declined by 11.5 percent year on year. Expenditure on wages increased by 178 percent (32.9 percent year on year) to KHR393.4 bn and on subsidies and social assistance decreased by 45.5 percent (65.2 percent year on year) to KHR103.4 bn. In July, the government budget deficit was KHR137.8 bn. The year on year drop in current expenditure indicated that the government is continuing to curb unnecessary spending to bring down deficits. The decrease was attributable mainly to the drop in expenditure on subsidies and social assistance and other civil services. The increase in wage expenditure for civil servants is a good sign given the relatively low salaries. Since the election, the government has also announced a commitment to raise salaries of civil servants.

In September, the price of Thai rice dropped by 8.7 percent from a month earlier (14.5 percent year on year) to USD630.8/tonne, of rubber by 0.8 percent (13.8 percent year on year) to USD2161/tonne and of tapioca by 1.9 percent (0.2 percent year on year) to USD322.4/tonne. In the same month, the price of Vietnamese rice increased by 2.2 percent (0.7 percent decrease year on year) to USD446.9/tonne and of rubber by 3.6 percent (10.3 percent drop year on year) to USD2245.8/tonne. The price of cashew nuts declined by 5.4 percent (2.9 percent year on year) to USD6260.9/tonne.

Exports of Thai rice in September went down 12.4 percent from the preceding month to USD3316.5 m, but rose 8.7 percent year on year. Exports of natural rubber and similar natural gums increased by 7.2 percent (4.1 percent drop year on year) to USD615.9 m. Exports of tapioca went up 2.9 percent (55.6 percent year on year) to USD1877.7 m. In the same month, exports of Vietnamese rice declined by 28.5 percent from a month earlier (32.0 percent year on year) to USD206 m. Exports of rubber increased by 14.2 percent (2.9 percent drop year on year) to USD265 m.

In September, US exports declined 0.2 percent from a month earlier (1.4 percent year on year) to USD1312.1 bn. Exports of the euro zone went up 0.8 percent from the preceding month (4.1 percent year on year) to USD2111.4 bn. Japanese exports went up 2.9 percent to USD604.0 bn, but declined by 11.5 percent year on year. Despite improvement in the employment situation in the US, economic recovery is still uncertain and fragile. Political issues in Washington DC have complicated the situation. In Japan, although some of the components of the “Abenomics” programme have had a positive impact on the economy—for instance, the weaker yen has given exporters a price advantage—Japan’s recovery is not yet out of the woods.

In September, Malaysian exports increased by 1.4 percent from a month earlier to USD19.5 bn, but dropped by 0.5 percent year on year. Imports decreased 1.4 percent (3.7 percent year on year) to USD16.8 bn, causing the trade surplus to increase by 22.9 percent from a month earlier or 25.7 percent year on year.

In October, the price of USA 2/4 grade fell 0.6 percent (5.6 percent year on year) to USD512.7/tonne. The year-on-year decline in total expenditure was attributable mainly to the drop in expenditure on subsidies and social assistance. The increase in current expenditure might reflect two things: a rate reduction on certain tax categories or a loosening in tax collection. There has been an announcement of a possible increase in tariffs even though it is not yet clear how the government will go about achieving that.

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Main Economic Activities and Consumer Prices in Cambodia

Fixed Asset Investment Approvals by CDC*
Agriculture
2010 Q3–2013 Q3

Foreign Visitor Arrivals
September 2012–September 2013

*Including expansion projects.
Source: Council for the Development of Cambodia

Source: Ministry of Tourism

Phnom Penh: Value of Construction Approvals
August 2012–August 2013

Consumer Price Index
(December 2006=100)
March 2012–September 2013

Source: Municipality of Phnom Penh

Source: National Institute of Statistics

Phnom Penh: Gasoline & Diesel Prices
October 2012–October 2013

Interest Rates on 12-Month Bank Loans
July 2012–July 2013

Source: CDRI

Source: Economic & Monetary Statistics, NBC

*Including expansion projects.
Source: Council for the Development of Cambodia

Source: Ministry of Tourism

Source: Municipality of Phnom Penh

Source: National Institute of Statistics

Source: CDRI

Source: Economic & Monetary Statistics, NBC
Exchange Rates, Money and Credit

**Riels per US Dollar**

*September 2012–November 2013*

- Market rate
- Official rate

Source: National Bank of Cambodia

**Riels per THB & VND**

*September 2012–November 2013*

- Thai baht (left)
- Vietnamese dong (right)

Source: National Bank of Cambodia

**Monetary Survey (%)**

*July 2012–July 2013*

- Annualised growth rate (M2)
- Annualised growth rate (M1)
- Growth over the previous 12 months (M2)

Source: National Bank of Cambodia

**Domestic Credit (%)**

*July 2012–July 2013*

- Annualised change in domestic credit
- Annualised change in private sector credit
- Previous 12 months' growth in domestic credit

Source: National Bank of Cambodia

**External Development Assistance Disbursement**

*Education 2001–2011*

- Source: The Cambodia Development Effectiveness Report 2011, CDC
External Trade and National Budget Operations

Cambodian Imports
September 2012–September 2013

Source: Economic & Monetary Statistics, NBC

Cambodian Exports
September 2012–September 2013

Source: Economic & Monetary Statistics, NBC

Imports: Energy
September 2012–September 2013

Source: Economic & Monetary Statistics, NBC

Current Budget Revenue
July 2012–July 2013

Source: MEF Bulletin

Current Budget Expenditure
July 2012–July 2013

Source: MEF Bulletin

Current Budget Balance
July 2012–July 2013

Source: MEF Bulletin
Food Prices in Siem Reap Province
August 2012–October 2013

Food Prices in Battambang Province
August 2012–October 2013

Food Prices in Kompong Cham Province
August 2012–October 2013

Food Prices in Kampot Province
August 2012–October 2013

Food Prices in Svay Rieng Province
August 2012–October 2013

Food Prices in Kompong Speu Province
August 2012–October 2013

Source: CDRI
Provincial Goods Prices in Cambodia

Cambodia: Rice Prices in Three Provinces

Cambodia: Fish Prices in Three Provinces

Cambodia: Pork Prices in Three Provinces

Source: CDRI
Goods Prices, Exports and International Tourist Arrivals to Partners of Cambodia

**Thailand: Prices of Rubber, Rice and Tapioca**
September 2012–September 2013

![Graph of Rubber, Rice, and Tapioca Prices](image)

Source: Bank of Thailand, Foreign Trade and Balance of Payments

**Vietnam: Prices of Rubber, Rice and Cashew Nuts**
September 2012–September 2013

![Graph of Rubber, Rice, and Cashew Nuts Prices](image)

Source: General Statistics Office of Vietnam

**Thailand: Exports**
September 2012–September 2013

![Graph of Exports](image)

Source: Customs Department of Thailand

**Vietnam: Exports**
September 2012–September 2013

![Graph of Exports](image)

Source: General Statistics Office of Vietnam

**Thailand: International Arrivals**
August 2012–August 2013

![Graph of International Arrivals](image)

Source: Thailand Office of Tourism Development

**Vietnam: International Arrivals**
October 2012–October 2013

![Graph of International Arrivals](image)

Source: Estimates by General Statistics Office of Vietnam
Economic Activity and Inflation Rates of Selected Economic Partners of Cambodia

**Year-on-Year Growth of Main Exports: Japan**
September 2012–September 2013

- Manufactured goods
- Machinery
- Electrical machinery
- Transport equipment
- Total

Source: Japanese Trade and Investment Statistics

**Goods Exports: US, Euro Zone & Japan**
September 2012–September 2013

Source: BEA, Eurostat and OECD

**External Trade: Malaysia**
September 2012–September 2013

Source: Ministry of International Trade and Industry, Malaysia

**Inflation Rates: US, Euro Zone & Japan**
(percent price change from a year earlier)
September 2012–September 2013

Sources: IMF and Economist (9 November 2013)

**Inflation Rates: China, Hong Kong & South Korea**
(percent price change from a year earlier)
September 2012–September 2013

Sources: IMF and Economist (9 November 2013)

**Inflation Rates: Selected ASEAN Countries**
(percent price change from a year earlier)
September 2012–September 2013

Sources: IMF and Economist (9 November 2013)
Exchange Rates and Commodity Prices in World Markets

**KRW & HKD per USD**
October 2012–October 2013

Source: Federal Reserve Bank of New York

**EUR & JPY per USD**
October 2012–October 2013

Source: Federal Reserve Bank of New York

**THB & SGD per USD**
October 2012–October 2013

Source: Federal Reserve Bank of New York

**International Rice Price Index & Export Prices**
October 2012–October 2013

Sources: FAO

**Prices: Soybeans, Maize, Rubber & Palm Oil**
October 2012–October 2013

Source: Food and Agriculture Organisation

**Prices: Gasoline & Diesel Fuel**
October 2012–October 2013

Source: US Energy Information Administration
### Economic News

#### Cambodia exports 254,281 tonnes of rice and 52,341 tonnes of rubber in first nine months of year

Cambodia exported 254,281 tonnes of milled rice, worth USD180 m, in the first nine months of 2013, an 84.6 percent increase from a year earlier. In the same period, exports of rubber went up 20.4 percent to 52,341 tonnes. However, the value of exported rubber dropped by 6.8 percent year on year to USD124 m because of a 20.2 percent decrease in the world rubber price. The price of rubber (SMR 5) in October declined to USD2405.1/tonne, from USD3015.4 a year earlier.

68.7 percent of rice exports (by quantity) were to the EU, followed by ASEAN members (13.9 percent) and the US (0.4 percent). No exports were made to Japan on account of that country’s stringent quality standards and the highly protected agriculture sector. Rubber was mainly exported to ASEAN countries, which accounted for 97.7 percent of the total quantity.

The ADB’s 2013 economic outlook for Cambodia is optimistic, forecasting an annual growth rate of 7.2 percent this year because of the strong exports of garments and footwear to the US and EU. Gradual recovery, although uncertain, in these main markets has contributed significantly to Cambodia’s growth.

### Links to other economic news

1. “ASEAN businesses see integration as opportunity, not threat: survey”

2. “IMF chief: Cambodia needs to invest more in education, infrastructure”
   (http://news.xinhuanet.com/english/business/2013-12/03/c_132938560.htm)

3. “Vietnam's trade deficit reduces to 96 mln USD in 11 months”