

ECONOMY WATCH – EXTERNAL ENVIRONMENT

According to recent data, the US, Europe, and East Asia show different paces of economic recovery. While GDP growth in the US and East Asia accelerated, GDP in the Euro Area remained sluggish. Consumer price inflation in the US and Euro Area stabilised around 2 percent, though Japan still suffered from deflation. Compared to the second quarter, the US dollar has weakened against the Euro and the Yen in the third quarter of 2002.

World Economic Growth

In the year to the third quarter of 2002, the US economy grew at an annual rate of 3.2 percent, faster than in the year to the second quarter (2.2 percent). The growth was mainly encouraged by two factors: higher consumer spending, and an increase in non-farm productivity. Consumer spending, especially on cars, motorcycles, and houses was boosted by zero-interest-rate financing. In the third quarter of 2002, non-farm productivity grew at a 4.0 percent annual rate, according to the US Department of Labour. In the 12-month period to November 2002, industrial production rose by 1.8 percent. The Fed's rate cut in November 2002 should encourage both business spending and consumer spending, giving additional steam to economic growth. Economists expect a GDP growth of 2.4 percent for the year 2002, better than a year ago with just 1.2 percent.

Economic recovery in the Euro Area continued to falter. In the year ending in the third quarter of 2002, GDP grew at an annual rate of 0.8. The growth was caused first by consumer spending, which rose before Christmas and New Year, and second by exports, especially to the US. Slumping European financial markets and falling business confidence have dimmed the weak engine of growth. Investor sentiment has deteriorated with the prospect of war with Iraq, which could hit oil prices. Moreover, sluggish productivity growth and rapid wage inflation have squeezed company profits. A stronger Euro has curbed European exports. The growing trade surplus, US\$ 95.6 billion in the 12-months to September 2002, does imply a weaker import, which strongly depends on domestic demand (*The Economist*).

At last, Japan's economy has begun to grow in terms of a 12-month period comparison. In the year ending in the third quarter of 2002, Japan's GDP rose by 1.3 percent, its first gain after the second quarter of last year. Industrial production grew by 3.36 percent. As before, the export sector has driven growth. While exports to the US slightly increased by 2.1 percent from a year earlier in October, exports to Asian countries jumped by 28 percent, as Asian customers bought more cars and computer chips (Bloomberg News). In the 12-month period to October 2002, Japan achieved a surplus trade balance worth US\$89.3 billion. The trend in Japan's recovery, however, shows poorer prospects. Quarterly comparisons indicate that the pace of Japan's recovery has slowed. In the third quarter, GDP grew by just 0.7 percent over the second quarter, lower than between the first and second quarter 2002 (1 percent). A slowing US economy and the stronger Yen are hurting Japan's ex-

porters, curbing economic recovery. To escape this situation, Japan's government will spend a further US\$24.6 billion, on public works projects and a 'safety net' (*Reuters*). Meanwhile, there have been Japanese official's comments on new efforts to restrain the Yen, fuelling export growth.

In other East Asian economies, e.g. China, South Korea, Singapore, Malaysia, and Thailand, economic output grew strongly in the year ending in the third quarter of 2002. China 8.1 percent, South Korea 5.8 percent, Singapore 3.7 percent, Malaysia 5.6 percent and Thailand 3.8 percent. In China, large public spending and increased exports since joining the WTO, last December, has induced faster growth. Two chief factors have pushed China's exports: inflows of foreign investors, and depreciation of the US dollar. Thanks to low costs, multinational investors moved to China to engage in the export business, which became easier after China's membership in the WTO. In the first nine months of 2002, foreign direct investment rose 22 percent to US\$41 billion. China's exports jumped by 32 percent in the year ending in October. Recent weaknesses of the US dollar have also helped China increase its exports, as the Chinese yuan is pegged to the dollar.

World Inflation and Exchange Rates in the International Markets

In the third quarter of 2002, consumer prices in the US rose at an annual rate of 1.6 percent, faster than in the second quarter (1.3 percent), which dimmed fears of deflation in the US. Price increase was encouraged by a big jump in the prices of energy and tobacco, and of dearer oil and cars. The interest rate cut by the Fed in November could fuel a further price increase in the US. In the Euro Area, the inflation rate remained at 2.0 percent, the ceiling target of the European Central Bank. In Japan, consumer prices in the third quarter were 0.8 percent lower than a year ago. For the fourth consecutive quarter, consumer prices in China continued to fall in the third quarter of 2002, by 0.8 percent. Two main factors assisted the prices in China: a low cost of production and reduction in import tariffs, which occurred after China's membership in the WTO.

The US dollar continued to weaken against the Euro and Japanese Yen, with 1.00 Euro/dollar and 121.75 Yen/dollar in November 2002. A main reason was high uncertainty about the sustainability of a US recovery, clouded by the Fed's rate cut and tension with Iraq.

Commodity Prices in the World Markets

In November 2002, the price of first quality rice in Bangkok was US\$189.25/tonne, down from US\$191.1/tonne in January 2002. In Malaysia, rubber increased from US\$820.72/tonne from US\$571.25/tonne in January. An increase in the price of rubber was mainly due to the 'El Nino' weather pattern, (*Bangkok Post*). Gasoline in the US rose to US\$18.25 cents/litre from 14.20 cents/litre in January.

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Table 1. Real GDP Growth of Selected Trading Partners, 2000–2002 (percentage increase over the previous year)

	2000	2001				2002			2001	2002*
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q1-Q4	Q1-Q4
Selected ASEAN countries										
Cambodia	-	-	-	-	-	-	-	-	5.3	4.6
Indonesia	5.2	4.0	3.5	3.5	4.1	2.5	3.5	3.9	3.8	3.3
Malaysia	6.6	3.2	0.5	-1.3	-0.5	1.1	3.8	5.6	0.5	3.5
Singapore	10.5	4.5	-0.9	-5.6	-7.0	-1.7	3.9	3.7	-2.3	2.0
Thailand	3.1	1.8	1.9	1.5	2.1	3.9	5.1	5.8	1.8	4.9
Vietnam	6.75	-	-	-	-	-	-	-	7.1/7.0	7.0
Selected other Asian countries										
China	7.3	8.1	7.8	7.0	6.6	7.6	8.0	8.1	7.5	7.9
Hong Kong	6.8	2.5	0.5	-0.3	-1.6	-0.9	0.5	3.3	0.3	1.0
South Korea	4.6	3.7	2.7	1.8	3.7	5.7	6.3	5.8	3.0	5.9
Taiwan	4.1	1.1	-2.4	-4.2	-2.7	0.9	3.0	4.8	-2.1	2.9
Selected industrial countries										
Euro-11	3.0	2.5	0.2	1.3	0.6	0.1	0.7	0.8	1.2	0.5
Japan	2.5	0.2	-2.9	-0.5	-1.9	-1.6	-0.7	1.3	-1.3	-0.3
United States	3.4	2.7	1.2	0.6	0.4	1.5	2.2	3.2	1.2	2.3

Source: The International Monetary Fund and The Economist. * CDRI estimate

Table 2. Inflation Rate of Selected Trading Partners, 2000–2002 (percentage increase over the previous year)

	2000	2001				2002			2001	2002*
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q1-Q4	Q1-Q4
Selected ASEAN countries										
Cambodia	0.5	-0.8	0.1	-0.4	-0.6	3.4	3.3	3.5	-0.4	3.4
Indonesia	8.8	9.1	11.1	12.1	12.7	14.5	12.6	10.2	11.3	12.4
Malaysia	1.7	1.5	1.6	1.4	1.2	1.5	1.9	2.1	1.4	1.9
Singapore	2.0	1.7	1.7	0.8	-0.2	-0.9	-0.4	-0.4	1.0	-0.5
Thailand	1.6	1.8	2.6	1.7	1.1	0.6	0.2	0.3	1.8	0.4
Vietnam	-0.4	-1.4	-0.8	-	-	-	-	-	0.0	0.0
Selected other Asian countries										
China	0.6	1.3	1.6	0.8	-0.1	-0.5	-0.7	-0.8	1.0	-0.7
Hong Kong	-2.2	-1.8	-1.3	-1.1	-1.3	-2.7	-3.1	-3.5	-1.5	-3.2
South Korea	2.9	4.3	5.3	4.3	3.4	2.5	2.7	2.5	4.3	2.6
Taiwan	2.0	-1.0	-0.0	-0.5	-0.6	-0.1	-0.1	-0.3	0.5	-0.6
Selected industrial countries										
Euro-11	2.7	2.5	3.1	2.7	2.2	2.5	2.0	2.0	2.6	2.2
Japan	-0.5	-0.1	-0.5	-0.8	-1.0	-1.4	-0.9	-0.8	-0.5	-1.0
United States	3.4	3.4	3.4	2.7	1.9	1.2	1.3	1.6	2.9	1.8

Source: the international Monetary Fund, The Economic, * CDRI Estimates based on the IMF, ADB and World Bank Projections. * CDRI estimate

Table 3. Exchange Rates of Selected Trading Partners Against the US Dollar, 2000–2002 (period averages)

	2000	2001				2002			2001	2002*
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q1-Q4	Q1-Q4
Selected ASEAN countries										
Cambodia (riel)	3,906	3,925	3,932	3,953	3,932	3,910	3,916	3,935	3,935	3,923
Indonesia (rupiah)	9,297	9,780	11,242	9,558	10,365	10,078	9,076.6	8,940	10,236	9,291
Malaysia (ringgit)	3.80	3.80	3.80	3.80	3.80	3.80	3.80	3.8	3.80	3.8
Singapore (\$)	1.74	1.75	1.81	1.77	1.83	1.83	1.81	1.76	1.79	1.79
Thailand (baht)	43.3	43.2	45.4	44.8	44.3	43.77	42.78	42.09	44.4	43.03
Vietnam (dong)	14,423	14,556	14,670	14,999	15,084	15,142	15,231	15,314	14,827	15,262
Selected other Asian countries										
China (yuan)	8.28	8.28	8.28	8.27	8.28	8.28	8.28	8.28	8.28	8.28
Hong Kong (HK\$)	7.79	7.80	7.80	7.79	7.80	7.80	7.80	7.80	7.80	7.80
South Korea (won)	1,167	1,272	1,306	1,295	1,290	1,319	1,273	1,197	1,291	1,253
Taiwan (NT\$)	32.1	32.4	34.6	34.6	34.7	35.1	33.8	33.8	34.1	34.55
Selected industrial countries										
Euro-11 (euro)	1.15	1.08	1.15	1.11	1.12	1.15	1.09	1.02	1.12	1.06
Japan (yen)	110	118	123	121	125.5	133.3	127.6	119.6	122	136

Source: The International Monetary Fund and The Economist. * CDRI estimate

Table 4. Selected Commodity Prices on the World Market, 2000–2002 (period averages)

	2000	2001				2002			2001	2002*
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q1-Q4	Q1-Q4
Hardwood (logs) - Malaysia (\$/m3)	186.0	171.0	163.8	159.4	146.2	137.6	153.0	178.7	160.1	156.4
Hardwood (sawn) -Malaysia (\$/m3)	529.8	507.0	492.2	482.0	471.8	479.7	493.0	536	488.3	502.7
Rubber - Malaysia (\$/ton)	696.6	632.0	628.9	597.7	549.4	622.3	754.0	863	602.0	766.5
Rice - Bangkok (\$/ton)	185.1	182.0	164.7	170.4	173.3	193.7	196.6	192.6	172.6	192.7
Soybeans - USA (\$/ton)	209.0	202.0	186.7	205.6	188.0	179.9	189.8	219.3	195.6	202.8
Crude oil - Dubai (\$/barrel)	27.5	24.0	25.1	23.9	18.2	19.9	24.3	25.4	22.8	23.6
Gold - London (\$/fine ounce)	269.2	264.0	267.7	274.7	278.4	281.0	280.9	313.7	279.0	291.9

Source: The International Monetary Fund and The Economist

ECONOMY WATCH—DOMESTIC PERFORMANCE

The most recent, main economic indicators suggest that the Cambodian economy achieved solid growth in the year 2002 (up to October). Garment exports, tourism, and construction continued to be triggers of growth, but private investments, especially in the garment industry, and agriculture declined, curbing the pace of economic growth. On this basis, Cambodia's GDP is expected to grow at a rate of between 4.5–4.7 percent, lower than earlier estimates. In the third quarter of 2002, consumer prices rose at an annual rate 3.47 percent, faster than in the second quarter. In the same period, the Cambodian riel has depreciated by 0.6 percent against the US dollar, and total liquidity (in riel) expanded by 2.8 percent over the second quarter of 2002. Data for November 2002 shows that while the poverty situation was better than the same period last year, it was worse than in the beginning of 2002. In the period January–October 2002, Cambodia's current budget operated with a surplus of 321 billion riels, 15 percent lower than a year ago.

Economic Activity

Within the export sector, the garment industry has gradually developed a dominant position expanding from 19–54 percent of GDP between 1991 and 2001. Similarly, it dramatically increased from just 0.8 percent of total exports in 1994 to 92.5 percent in 2001. Prosperity in Cambodia's garment industry, however, proved dependent on quotas granted by destination markets. US markets absorbed 72 percent of exports from Cambodia; the EU markets took 26 percent, with the remainder being shipped to other markets. Exports to the EU markets have continuously risen recently, while exports to US markets appear to have stagnated. During January–November 2002, Cambodia exported garment products worth US\$1,183 million, 12.3 percent more than a year ago, according to the Customs Department. The garment quota increase by the US, which, according to the Ministry of Commerce, will be effective January 1 2003, will increase Cambodia's garment exports. However, business confidence of investors from the garment industry seems low. They are pessimistic about the competitiveness of Cambodia's garment industry, when agreements on garment quotas expire in 2004, after Cambodia's possible membership in the WTO. New investments in the garment industry have shrunk significantly, by 30 percent from US\$ 23.3 million for the period January–September 2001 to US\$16.4 million for the same period in 2002.

Cambodia's tourism sector has gradually established a joint leading role in fuelling economic growth. After declining in 1998, due to the fighting of July 1997, the number of international tourists arriving by air has increased constantly at an average annual rate of 27 percent. During January–October 2002, Cambodia welcomed 418,801 international tourists with 279,620 arriving at Pochentong Airport and 139,181 arriving at Siem Reap Airport, (10 percent more than a year ago). The new policy of the Cambodian government aimed at

'ASEAN tourists' should encourage ASEAN nationals to visit Cambodia, especially with relation to the Visa issue. A forum on ASEAN tourists will be held in Phnom Penh at the end of January 2003. Presently, the US shares the largest portion of total international tourists by flight, 14 percent in 2001, and an estimated 12 percent in 2002. The high number of US visitors has been because many of these visitors are of Cambodian origin. The number of tourists from ASEAN countries arriving by air was 50,907 persons in the first nine months of 2002.

Cambodia's labor-intensive construction sector began to rebound in 2002. During January–November 2002, the Department of Cadastre and Geography of the Municipality of Phnom Penh approved 698 construction projects for the City of Phnom Penh, 5.4 percent more than for the whole of 2001. Of this, 483 projects were for apartment construction, 138 for mansion construction, and the remainder for other construction projects. According to CDRI surveys compared to last year, daily earnings of both skilled and unskilled construction workers improved, rising respectively by 35.3 percent and 20.8 percent. However, when compared to the beginning of 2002, skilled workers earnings increased, while the daily earnings of unskilled workers decreased. In November 2002, unskilled workers earned an average 5,850 riels per day, compared to 7,025 riels per day in February 2002, and skilled workers earned 13,350 riels per day, compared to 11,530 riels per day in February.

Inflation and Foreign Exchange Rates

Consumer prices in Phnom Penh rose at an annual rate of 3.47 percent by the third quarter of 2002, faster than the previous two quarters. The main thrust lies in a high increase in prices of 'prepared meals' (National Institute of Statistics) over that quarter, 24.35 percent higher than a year ago. The second factor for a rapid increase in consumer prices was a significant rise in prices of 'pork with fat', 19.26 percent in the year ending in the third quarter of 2002. In October and November 2002, however, consumer price inflation slowed to an average rate of 2.71 percent. According to data from the NIS, a drastic fall in prices of 'leafy vegetables' has reduced the increase in consumer prices. In Phnom Penh, prices of 'leafy vegetables' fell by 25.12 percent, especially that of 'lettuce and spinach' (44.58 percent in the year ending November 2002). Due to an increase in the prices of other food items, (the prices of 'dried fish' for example, increased at an annual rate 33.44 percent in November 2002 to 12,050 riels/kg) food prices in Phnom Penh were 2.07 percent higher than a year ago.

Since the second half of 2002, prices of gasoline and diesel generally remained unchanged, at 2,200 riels/litre and 1,550 riels/litre. However, the price of gasoline rose by 10 percent and that of diesel by 3.33 percent compared to the same period last year. This brought about a 2.39 percent increase in the price of 'transportation and communication' in November 2002.

ECONOMY WATCH—DOMESTIC PERFORMANCE

The Cambodian riel devalued quarterly against the US dollar and Thai baht over 2002. In the third quarter of 2002, the dollar was priced at 3,935 riels/dollar, 0.6 percent higher than in the second quarter. Against the baht, the Cambodian riel has depreciated by 2.3 percent to 93.5 riels/baht in the third quarter, from 91.4 riels/baht in the second quarter. Compared to the third quarter of last year, the riel has appreciated by 0.5 percent against the dollar, while the riel has lost its value by 6 percent against the Thai baht. The exchange rate between the riel and the Vietnamese dong has remained generally unchanged at 25.7 riels/100 dongs.

Poverty Situation – Earnings of Workers

According to the most recent data collected through a survey by CDRI in November 2002, daily earnings of vulnerable workers have improved compared to one year ago. ‘Cyclo drivers’ could earn an average 8,878 riels per day in November 2002, 41.78 percent more than last year. The increase was mainly related to more foreign tourists using cyclos, especially over the water festival period. This situation may not be sustainable, however, because of the growing number of cyclo drivers with more and more people from the provinces coming to drive cyclos. ‘Motorcycle-taxi drivers’ also improved their daily earnings. In November 2002, they earned an average 12,075 riels per day, 23.33 percent more than a year ago (9,791 riels). Compared to the beginning of 2002, however, the average daily earning of both cyclo drivers and motorcycle-taxi drivers worsened. In November 2002, cyclo drivers earned 6 percent less than in February, while motorcycle-taxi drivers 16 percent less. Fifty-eight percent of motorcycle-taxi drivers interviewed claimed that present daily earning could not meet family needs. According to interviews, 75 percent of all motorcycle-taxi drivers are temporary migrants from provinces to Phnom Penh.

Compared to the August 2002 survey, ‘porters’ suffered a decline in average daily earnings in November 2002, earning 17 percent less. Compared to November last year, however, there has been a 26 percent increase. In general, daily earnings of porters depend on the needs of market-sellers, and on the amount of goods to be transported. Of ‘Small vegetable sellers’, 60 percent have experienced an increase in daily earnings (November 2002), 40 percent more than last year and 18 percent more than in February 2002. More vegetable consumption fueled by cheaper prices of vegetables has buoyed their daily income.

‘Scavengers’, ‘waitresses’, and ‘rice-field workers’ have comparable daily earnings, around 4,000 riels. Among them, only waitresses have experienced a fall in daily income, compared to the August 2002 survey. However, waitresses benefit from free food in restaurants, while scavengers and rice-field workers have to pay for food, spending 1,100 riels/day per person. Although the average daily earning of scavengers and rice-field workers has increased in comparison with last

year, 25 percent of scavengers and 30 percent of rice-field workers interviewed stated they still live in debt.

The November 2002 survey indicated that ‘skilled construction workers’ achieved the highest average daily earning (13,350 riels/day), 35 percent more than November last year. 52.5 percent of skilled construction workers, however, asserted that this amount of daily income cannot meet family needs. According to interviews, 97.5 percent of skilled construction workers are migrants from the provinces.

All surveys undertaken by CDRI in 2002, on the daily earning of vulnerable workers, indicate that ‘garment workers’ have gradually improved their daily income. Between February and May 2002, their wages increased from 7,772–8,775 riels, and between August and November their wages increased from 9,800–10,000 riels. Including payments for overtime, the average monthly salary of garment workers in November reached US\$66.97: the minimum salary was US\$30 and the maximum salary was US\$120. At the same time, garment workers spent an average US\$25 per month, of which US\$19 was for food, US\$5 for house rent, and the remainder for personal care. Among 120 workers interviewed, 108 persons (90 percent) sent money home to support their families.

Past data from CDRI surveys indicates a high volatility in the earnings of vulnerable workers. Their daily earnings fluctuate from quarter to quarter, and in certain occupations, they drop below one dollar. Unless there is some kind of sustained labour market pressure, it is unlikely their earnings will stabilise.

Monetary Developments

In the third quarter of 2002, there was a clear sign of restrictive monetary policy from the National Bank of Cambodia (NBC). The amount of money (M1) is strongly under the influence of the NBC. Consequently, the amount of money (M1) which encompasses the riel outside banks and the riel on demand deposits at banks, rose slightly to 771 billion riels, up from 748 billion riels by the end of the second quarter. However, the pace of growth slowed, from a 10.8 percent increase between the first and the second quarter, to a 3.07 percent increase between the second and third quarter of 2002. In parallel, the increase of ‘quasi-money’, dominated by foreign currency deposits slowed, down from 9.8 percent growth between the first and second quarter, to 2.6 percent growth between the second and third quarter 2002. By the end of the third quarter, the amount of quasi-money rose to 1,952 billion riels. Trends in M1 and quasi-money determined levels of total liquidity (M2). Total liquidity expanded to 2,723 billion riels by the end of the third quarter, a 2.8 percent increase from the end of the second quarter, slower than the pace between the first and the second quarter (a 9.9 percent increase). The restrictive policy of money supply by the NBC was responding to weak trends of the riel against both the US dollar and the Thai baht during 2002.

ECONOMY WATCH—DOMESTIC PERFORMANCE

Public Finance

During the third quarter of 2002, Cambodia's current budget operated with a surplus of 64 billion riels, 50 percent more than a year ago. When comparing the periods January-September 2001 and 2002, the current budget surplus has fallen sharply by 30 percent, down from 381 billion riels to 293 billion riels. In this nine month period over 2002, current revenues worth 1,232 billion riels were collected, 69 percent of the target, while current expenditures amounted to 939 billion riels, 60 percent of the target. Of total current revenues of 1,232 billion riels, 576 billion riels were collected from domestic tax, 355 billion riels from non-tax, and 301 billion riels from customs duties. Among these three sources, non-tax revenues were the furthest from target at just 65 percent. The worst category among non-tax revenue was collection related to 'forest exploitation', just 22 percent of target. Of 939 billion riels expenditure, social administration accounted for 301 billion riels, defense and security 258 billion riels, general administration 218 billion riels, economic administration 102 billion riels, and other expenditure 60 billion riels. Compared to target expenditures, spending on the National Election Committee (NEC) and on the Ministry of Economy and Finance (MEF) exceeded the target, by 226.7 percent and 193.9 percent, respectively. During the first nine months of 2002 and according to the MEF, (in line with the 2002 budget law), 2.8 billion riels should have been devoted for the NEC, and 22.9 billion riels for the MEF. In implementation, however, 6.3 billion riels were spent on the NEC, and 44.4 billion riels on the MEF.

Private Investment and Employment

The value of private investments approved by the Council for the Development of Cambodia rose rapidly to US\$127.6 million in the third quarter of 2002, up from US\$23.3 million in the second quarter. During January-September 2002, total private investments reached US\$178.7 million, compared to US\$66.1 million in the same period last year. The main thrust was investment in the service sector, especially telecommunications, while investments in industry declined significantly by 15.4 percent. Investment in the garment industry declined by 29.6 percent. Private investments in the manufacturing sector from the ASEAN (+3) countries has constantly declined from US\$296.3 million in 1997, to US\$12.7 million in 2001.

Foreign Aid and External Debt

Foreign aid has played an essential role in financing Cambodia's development and public budgets. During 1992 to 2001, Cambodia received international financial aid worth US\$4,116.4 million, according to the Council for the Development of Cambodia. Of this total, US\$3,384.1 million was in grants, and US\$732.3 million in loans. Of the total grants allocated, 47 percent were devoted to free-standing technical cooperation, 25 percent to investment project assistance, 17 percent to food aid, emergency and relief assistance, 7 percent to investment related technical cooperation, and 4 percent to budgetary aid/balance of payments support.

By Dr. Kang Chandararot and Pon Dorina

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tourist markets. At the same time, both APSARA and the provincial government face certain constraints in implementing their policies effectively. Many people who live in Angkor Park appear to be unaware of the role and regulations of APSARA, and the provincial government is faced with a growing list of responsibilities associated with providing services and security in support of tourism without corresponding increases in their operating budgets.

The Royal Government of Cambodia, including APSARA and the provincial government of Siem Reap, and civil society organizations should work together to implement a 'Cambodia First' policy that directs a greater share of tourism benefits to people who live in Angkor Park and the areas surrounding Siem Reap. Government agencies, NGOs, and donors should:

- Help farmers produce more agricultural products of better quality, including vegetables and meat, to sell in the tourist sector (e.g. hotels and restaurants). This would require more studies concerning the markets for such products, as well extension services to provide farmers with knowledge and information about how to adopt more efficient and environmentally friendly ways of increasing rice and vegetable pro-

duction. The introduction of irrigation infrastructure, where feasible and appropriate, along with Sustainable Agriculture techniques can help in this regard.

- Provide vocational and literacy training, as well as job placement services for people seeking employment. This would require more studies concerning the labour markets in and around Siem Reap, especially the construction and service sectors.
- Make more low-cost credit available to help people start or maintain small business enterprises, as well as produce and market new or better agricultural and handicraft products.
- Stabilise population growth in Angkor Park. NGOs and the relevant government agencies should introduce family planning techniques to help reduce natural birth rates, and provide information about ways to prevent the spread of HIV/AIDS and STDs among people in the Siem Reap area.

Endnote

1. APSARA. The organisation established in 1994 to preserve and protect the Angkor Wat World Heritage Site. L'Authorité pour la Protection du Site et l'Aménagement de la Region d'Angkor.

ECONOMY WATCH—INDICATORS

Table 1. Cambodia: Main Macro-economic Indicators, 1994–2001

	1994	1995	1996	1997	1998	1999	2000	2001
GDP at current prices (billions of riels)	6,256	7,176	8,271	9,125	10,795	11,797	12,149	12,724
GDP at current prices (millions of dollars)	2,435	2,915	3,131	3,042	2,841	3,088	3,149	3,234
GDP per capita (dollars)	225	262	273	258	234	248	247	247
Growth rate of real GDP (1993 prices)	5.3	7.6	6.7	0.7	2.9	6.8	5.5	5.3
Agriculture	4.8	9.2	2.9	2.2	0.1	1.4	-2.4	0.7
Industry	7.3	11.8	19.5	0.6	16.8	12.6	16.7	11.2
Service	5.3	4.7	6.0	-0.6	0.1	9.4	7.5	6.1
Inflation (in riels, final quarter basis)	17.8	3.5	9.0	9.1	12.6	0.0	0.5	-1.3
Riel/dollar parity (annual average)	2,569	2,462	2,641	3,000	3,800	3,820	3,859	3,935
Budget revenue (percentage of GDP)	9.4	9.0	9.1	9.7	8.7	11.2	11.7	12.0
Budget expenditure (percentage of GDP)	16.1	16.7	17.4	13.8	14.4	16.4	17.3	18.4
Current public deficit (percentage of GDP)	-1.4	-0.8	-1.2	0.7	-0.2	1.6	1.6	1.3
Overall public deficit (percentage of GDP)	-6.7	-7.8	-8.4	-4.2	-5.7	-5.2	-5.6	-6.3
Exports of goods (percentage of GDP)	19.6	29.1	23.1	28.7	32.1	33.9	44.2	46.4
Imports of goods (percentage of GDP)	30.0	41.4	39.4	40.9	49.3	48.2	54.4	56.9
Trade balance (percentage of GDP)	-10.4	-12.3	-16.3	-12.2	-17.2	-14.3	-10.2	-10.5
Current account balance (percentage of GDP)	-9.1	-12.7	-15.3	-10.4	-15.5	-11.6	-7.2	-6.7
External contribution to the economy	16.5	20.9	20.4	13.8	17.5	15.6	14.5	13.2
Total savings (percentage of GDP)	18.2	21.6	26.7	21.6	25.3	22.8	19.3	18.3
Gross foreign reserves (months of imports)	1.5	1.7	2.1	2.4	3.2	3.8	4.7	5.5
Population (million)	10.8	11.1	11.5	11.8	12.1	12.5	12.8	13.1
Labour force (percentage of population)	41.1	41.2	41.4	41.6	41.9	42.2	42.5	43.0

Sources: CDRI, Compiled from Government data

Table 2. Destination of Garment Exports, 1994–2002

	1994	1995	1996	1997	1998	1999	2000	2001	2002			
	Q1-Q4	Q1-Q4	Q1-Q4	Q1-Q4	Q1-Q4	Q1-Q4	Q1-Q4	Q3	Q4	Q1	Q2	Q3
	Millions of dollars											
United States	0.0	0.02	0.1	26.8	74.1	121.5	187.5	198.0	212.9	158.7	201.7	307.4
Rest of the world	1.0	6.6	19.6	30.0	20.5	17.0	58.8	102.7	89.0	73.7	69.4	124.9
Total	1.0	6.6	19.7	56.8	94.5	138.5	246.3	300.7	301.9	232.4	271.1	432.3
	Percentage change over previous year											
Total	-	560	200	187	66	47	78	0.5	13.8	-7.8	3.6	44

Source: Ministry of Commerce, Department of Trade Preferences Systems [1994–2001 (Q1–Q4), quarterly average]

Table 3. Passenger Arrivals by International Flights at Pochentong and Siem Reap Airports, 1994–2002

	1994	1995	1996	1997	1998	1999	2000	2001	2002			
	Q1-Q4	Q1-Q4	Q1-Q4	Q1-Q4	Q1-Q4	Q1-Q4	Q1-Q4	Q3	Q4	Q1	Q2	Q3
	Thousands of passengers											
Tourist visas	27.9	38.7	55.3	46.3	38.1	44.9	57.4	53.5	58.1	67.3	59.7	55.1
Business visas	7.1	10.6	15.8	13.9	10.7	16.0	20.6	20.9	18.3	18.1	14.4	18.6
Official visas	3.3	3.9	3.2	3.6	4.4	8.8	4.8	4.6	5.9	5.7	6.1	6.9
Total Pochentong	38.3	53.2	74.3	63.8	53.2	69.7	82.7	79.0	82.3	91.1	80.2	80.6
Total Siem Reap	-	-	-	-	2.6	7.15	33.4	30.5	36.6	54.7	29.6	39.7
	Percentage change over previous year											
Total Pochentong	29.7	38.9	39.7	-14.1	-16.6	31.0	18.7	8.2	-4.6	3.1	-1.2	2.1
Total Siem Reap	-	-	-	-	-	175	367	52	13.7	30.5	25.4	30.0

Sources: Ministry of Economy and Finance and Ministry of Tourism [1994–2001 (Q1–Q4), quarterly average]

Table 4. Consumer Price Index (CPI), Exchange Rates and Gold Prices, 1994–2002 (period averages)

	1994	1995	1996	1997	1998	1999	2000	2001	2002			
	Q1-Q4	Q1-Q4	Q1-Q4	Q1-Q4	Q1-Q4	Q1-Q4	Q1-Q4	Q3	Q4	Q1	Q2	Q3
	Consumer price index (percentage change over previous year)											
Provinces	-	-	-	6.1	16.3	6.2	5.4	-1.1	-1.6	-3.4	0.0	2.0
Phnom Penh - All Items	-0.5	7.8	7.1	8.0	14.8	4.0	-0.8	-0.4	-1.3	3.4	3.3	3.5
- Foods	-13.4	4.9	7.6	6.7	14.1	7.6	-3.3	-2.4	-3.8	-0.6	2.7	3.71
- Energy	-1.2	19.4	20.7	20.0	15.1	3.5	6.6	-3.0	-3.4	-0.4	-0.9	0.3
	Exchange rates, Gold and Oil prices (Phnom Penh market rates)											
Riel per US dollar	2,582	2,479	2,666	3,029	3824	3832	3,879	3,953	3,932	3,910	3,913	3,935
Riel per Thai baht	102	99	105	98	88	101	96.3	88.2	88.7	89.3	91.4	93.5
Riel per 100 Vietnamese dong	23.5	22.3	24.0	25.6	28.6	27.8	27.4	26.4	26.1	25.8	25.7	25.7
Gold prices (US dollar per chi)	45.8	45.9	46.3	40.4	36.0	34.0	33.3	33.6	33.0	34.6	36.2	38.0
Price of Diesel (Riels/litre)	750	716	779	883	1,065	1,105	1,329	1,550	1,517	1,480	1,450	1,550
Price of Gasoline (Riels/litre)	698	847	1,118	1,378	1,613	1,760	2,113	2,100	2,033	2,100	2,167	2,200

Sources: CDRI, IMF, NIS, Ministry of Planning, Ministry of Economy and Finance

ECONOMY WATCH—INDICATORS

Table 5. Average Daily Earnings of Workers, 1997–2002

	Daily earnings (riels)									Change from last year (%)		
	1997		2000		2001		2002			2002		
	Pre-Jul	Nov	May	Aug	Nov	Feb	May	Aug	Nov	May	Aug	Nov
Cyclo drivers	12,250	8,398	9,568	9,057	6,262	9,450	9,375	8,900	8878	-2.0	-1.7	41.78
Porters	9,675	6,893	7,058	7,189	5,000	8,137	6,675	7,600	6312	-5.4	5.7	26.24
Small vegetable sellers	7,050	5,813	7,386	6,670	5,096	6,062	6,712	6,862	7158	-9.1	2.9	40.46
Scavengers	4,155	3,006	2,670	2,686	3,393	3,350	4,231	3,440	4012	58.5	28.1	18.25
Waitresses*	-	2,335	2,600	2,683	2,358	3,543	3,652	4,225	4000	40.5	57.5	69.64
Rice-field workers	-	4,184	3,613	4,500	3,618	3,916	5,167	3,833	4219	43.0	-14.8	16.63
Garment workers	-	7,410	7,500	9,165	8,968	7,772	8,775	9,800	10000	17.0	7.0	12.59
Motorcycle-taxi drivers	-	9,522	12,050	10,559	9,791	14,327	11,978	11,300	12075	-0.6	7.0	23.33
Unskilled construction workers	-	5,970	8,261	5,625	4,841	7,025	6,912	6,525	5850	-16.3	16.0	20.85
Skilled construction workers	-	14,517	10,306	12,375	9,866	11,530	13,850	12,695	13350	34.4	3.0	35.32

Notes: Surveys on the revenue of waitresses, rice-field workers, garment workers, unskilled workers, motorcycle taxi drivers and construction workers began in February 2000: * Waitresses earnings do not include meals and accommodation provided by shop owners. Source: CDRI.

Table 6. Monetary Survey, 1994-2002 (end of period)

	1994	1995	1996	1997	1998	1999	2000	2001	2002			
	Q1-Q4	Q1-Q4	Q1-Q4	Q1-Q4	Q1-Q4	Q1-Q4	Q1-Q4	Q3	Q4	Q1	Q2	Q3
	Billions of riels											
Net foreign assets	391	550	881	1,172	1,550	1,961	2,589	2,951	3,080	3,366	3,614	3646
Net domestic assets	59	99	31	-109	-435	-591	-759	-827	-877	-959	-965	-923
Net claims on government	143	148	128	54	141	111	3	-73	-75	-152	-165	-125
Credit to private sector	237	293	435	637	682	731	898	992	936	976	928	959
Total liquidity	450	650	912	1,063	1,116	1,370	1,831	2,124	2,204	2,408	2,648	2723
Money	200	279	329	385	466	515	540	569	610	676	748	771
Quasi-money	250	371	583	678	655	855	1,291	1,555	1,594	1,731	1,901	1952
	Percentage change from previous year											
Total liquidity	35.1	44.3	40.3	16.6	4.9	22.7	33.6	18.5	20.4	26.8	33.4	28.2
Money	-1.9	39.5	17.9	17	21	10.5	4.9	5.4	13.0	23.4	37.5	35.3
Quasi-money	93.2	48.1	57.2	16.4	-3.4	30.5	51.0	24.2	23.5	28.1	32.0	25.5

Source: National Bank of Cambodia.

Table 7. National Budget Operations on Cash Basis, 1994-2002 (billion riels)

	1994	1995	1996	1997	1998	1999	2000	2001	2002			
	Q1-Q4	Q1-Q4	Q1-Q4	Q1-Q4	Q1-Q4	Q1-Q4	Q1-Q4	Q3	Q4	Q1	Q2	Q3
Total revenue	148	161	187	220	230	329	356	360	403	423	369	457
Current revenue	-	-	-	-	-	-	-	358	401	407	369	456
Tax revenue	91	111	134	149	169	239	260	261	281	252	302	323
Customs duties	70	80	86	87	94	108	98	83	90	81	104	116
Non-tax revenue	56	47	44	68	51	87	89	97	120	156	66	133
Forest exploitation	22	13	7	9	5	9	11	8	2	1	1	9
Post & Telecommunications	15	14	16	21	22	27	23	30	41	34	13	30.7
Capital revenue	0	2	10	3	9	3	7	2	2	15	0	1
Total expenditure	252	300	360	315	324	448	515	578	735	486	702	699
Capital expenditure	84	128	157	113	92	156	220	253	268	195	260	297
Current expenditure	168	172	203	202	245	291	295	325	467	291	442	402
Education and Health	23	25	31	32	33	70	62	52	217	20	81	60
Defense and Security	98	106	102	105	110	116	111	89	165	36	117	105
Other Ministries	48	41	71	65	83	103	123	167	272	347	244	273
Overall deficit	-105	-139	-173	-95	-95	-119	-160	-218	-332	-64	-333	-242
Foreign financing	108	140	170	111	67	104	167	205	188	228	442	268
Domestic financing	-3	-1	3	-16	28	15	-7	13	144	176.4	110	-25

Source: Ministry of Economy and Finance: Quarterly average [1994-2001 (Q1-Q4), quarterly average]

Table 8. Investment Projects Approved, 1994-2002

	1994	1995	1996	1997	1998	1999	2000	2001	2002			
	Q1-Q4	Q1-Q4	Q1-Q4	Q1-Q4	Q1-Q4	Q1-Q4	Q1-Q4	Q3	Q4	Q1	Q2	Q3
	Number of investment projects											
Total	46	51	75	34	35	24	24	12	10	10	8	11
Garment	27	30	36	12	21	11	13	6	2	5	3	5
	Registered capital (millions of dollars)											
Total	116.0	89.0	97.8	69.5	104.1	61.7	25.6	15.2	93.8	11.4	4.5	12.11
Garment	26.8	28.0	39.2	8.6	22.9	13.9	6.4	8.8	1	5.6	1	5
	Fixed assets (millions of dollars)											
Total	303.0	76.2	186.7	190.4	212.3	118.5	66.6	16.5	150.6	27.8	23.3	127.6
Garment	25.1	25.4	39.6	9.7	30.2	19.9	19.2	10.0	2.0	20.3	2.8	5.5

Source: Cambodian Investment Board [1994-2001 (Q1-Q4), quarterly average]. * Including existing investment expansion projects