

## ECONOMY WATCH – EXTERNAL ENVIRONMENT

### World Economic Growth

The world economy remained in stagnation during the early months of 2003, mainly due to fears about the coming war in Iraq, weakened investor confidence and the threat of rising oil prices. With the end of the war, signs of recovery began to emerge, as leading economies around the world appeared to be bouncing back.

Global economic growth picked up significantly by the latter half of 2003, ending the year with a much rosier outlook. The IMF estimates world GDP in 2003 at 3.2 percent and forecasts growth for 2004 at 4.1 percent. The rebound seems to be led by the U.S. economy as well as that of Japan, with India and China helping out by retaining their 'normally' high growth rates.

The **U.S.** which accounts for 20 percent of the world economy experienced a whopping 8.2 percent growth in the third quarter of 2003 – the fastest in 20 years. Although fourth quarter growth dropped to 4.1 percent, it still remained substantially above historical trends, yielding an overall growth rate of 2.6 percent for the year as a whole. The IMF estimates a growth rate of 4 percent for the US in 2004 – painting an optimistic picture for the year.

The main factors behind the more positive performance in 2003 include a surge in investment in equipment and software and an expectation of falling oil prices. The deceleration of GDP in the last quarter, 2003 reflects a deceleration in per-capita expenditures and in residential fixed investments, as well as acceleration in imports.

The **Euro area** performance for 2003 as a whole remained depressed. For EU15, growth fell from 1.0 percent to 0.7 percent while for the Euro zone together, it fell from 0.9 percent to 0.4 percent. Last quarter performance for 2003 remained roughly the same as in the preceding quarter.

### Recent EU Growth Rates

	Q4-03	Q3-03	'03	'02
Euro Zone	0.3	0.4	0.4	0.9
EU 15	0.4	0.4	0.7	1.0

Source: Eurostat, 4 March, 2003

These trends underline a relatively faster expansion in investment and imports compared to private consumption and exports. Generally, industrial performance improved but the trade, transport and communications sectors fell back.

**Japan's** economy grew by 1.6 percent in real terms in fourth quarter 2003 over the preceding quarter, implying an annualised growth rate of 6.4 percent. Even this was below the expected growth of 7.0 percent. It may be pointed out that this was significantly stronger than that registered by the US economy over the same period.

The Japanese balance of payments data underscore the strength in export growth that was instrumental in fuelling recovery. Capital spending went up by 6.3 percent. A rapidly rising trade surplus exerted pressure on

the yen leading to strong market interventions to prevent a sharp rise in the currency, especially against the US dollar. However, the yen depreciated against the Euro by almost 11 percent since 2002, helping to boost exports to Europe. Apart from buoyant exports, domestic demand also picked up as consumer confidence returned.

**China's** economy rose by 9.9 percent in the fourth quarter of 2003, leading to an expansion of 9.1 percent in 2003, as a whole – the fastest rate since 1997. The growth in 2003 was fuelled by a substantial rise in investment and a surge in external demand, according to a report released by Channel News Asia. Exports of electronic products (which accounts for a third of capital exports) increased by a massive 50 percent over the year. Industrial output expanded from 13 percent in 2002 to 17 percent in 2003.

In the **ASEAN** countries, there were further signs of recovery. The growth rate in 2003 was only 1.1 percent, well below the 1.5 percent realised in 2002. Economic activity picked up during the latter half of 2003 so that last quarter growth was 3.7 percent, compared to the same period in 2002 – riding on increased demand for electronics and pharmaceuticals (according to Channel News Asia).

The Ministry of Trade and Industry (MTI) has revised upwards its forecast for **Singapore's** economic growth in 2004, after a surprisingly strong 11 per cent annualised expansion in the last quarter of 2003. In the wake of the 2003 economic results MTI said that it was now forecasting economic growth of 3.5 to 5.5 per cent, up from 3 to 5 per cent, in 2004.

Growth in the fourth quarter had topped the Government's advance estimate of a 7.9 per cent seasonally adjusted annual rate. Likewise, the year-on-year figures also outperformed the Government's advance estimate of 3.7 per cent, turning in a growth of 4.9 per cent. The gross domestic product (GDP) growth in the last quarter had slowed, however, from the third quarter's 16.1 per cent, the highest quarterly growth since 1997, as Singapore rebounded from the Sars outbreak. Together, the two healthy quarters pushed up growth for the whole of 2003 to 1.1 per cent, which exceeded MTI's January estimate of 0.8 per cent. Last year's GDP growth was very much boosted by external demand, which rose 9.5 per cent, as more electronics and chemical products were exported.

**Thailand's** GDP grew by 7.8 percent in fourth quarter 2003 compared to the same period in 2002 – the fastest increase in seven years. In 2004, the Thai economy is projected to grow by 7.7-8.1 percent, compared to the previous forecast of 7.5 percent (according to the Government Fiscal policy Office). The 2004 GDP growth would benefit from Thailand's major trading partners' improved economies and the supplementary budget of 135.5 billion baht. However, the growth will be crowded out by the negative impact of Avian influenza together

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with the Baht appreciation. Internal and external stability is expected to be well maintained. The current account balance is projected to continue to be in a surplus of 1.7 percent of GDP, slightly lower than that of last year, due to an increase in imports following an expansion in domestic demand. The inflation rate is expected to remain low at 2.4 percent.

According to the 2004 Economic Outlook for East Asia released by the Institute of Developing Economies (IDE) of the Japan External Trade Organisation (Jetro), the Philippines' GDP will grow at 4.7 percent in 2004, 0.3 percentage point higher than last year's GDP growth. IDE-Jetro's forecast is lower than the Philippine government's 4.9 percent minimum to 5.8 maximum GDP growth forecast.

Indonesia is forecast to have the slowest GDP growth at 4.5 percent among the Asean countries. IDE said the East Asian economy, excluding Japan, will grow at a steady rate of 6.7 percent this year, up by 0.8 points from last year.

The Asean countries Indonesia, Thailand, Malaysia, Philippines and Vietnam together will grow 5.6 percent, up 0.6 points in 2004.

### World Inflation and Exchange Rates

Consumer prices in the US rose at a slower pace at 1.9 percent in fourth quarter 2003, compared to 2.2 percent in the preceding quarter, amidst a strong economic recovery. For 2003 as a whole, US consumer prices rose by 2.3 percent, 0.7 percent higher than in the previous year. In the Euro area, consumer prices remained stable at 2.0 percent in 2003 compared to 2.1 percent in 2002. Higher energy prices were off set by a stronger Euro.

In Japan deflationary pressures eased off by the fourth quarter 2004 with no change in the price index although for the year as a whole, consumer prices declined by 0.3 percent – a smaller decline compared to 2002 when it fell by almost 1 percent.

The value of the US dollar eroded rapidly, reaching the lowest point over 18 succeeding quarters, to 0.84 Euro/US dollar in fourth quarter 2003. It also continued to weaken against the Japanese currency for the third consecutive quarter reaching 109 Yen per US dollar.

By Tong Kimsun

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### Law Harmonisation...

Finally, due to the current capacity of the Commune Councils, the RGC must be careful to not place too many responsibilities on this level of government which is already having some difficulties in digesting what administrative burdens it already has.

Another issue will be ensuring that the Organic Law on provincial and district governance will mesh well with the current legislation supporting decentralisation. Enactment of this law could require amendments to the LAMC and supporting legislation, so it will be critical that any necessary amendments are identified early on so that the lengthy process for passage or amendment of a Law can be taken into account. In a more general sense, careful attention must be paid to any amendments that are called for to the existing legislation.

There is a serious question as to the mandate of the NCSC, which is to end prior to the next mandate of the Commune Councils according to the language in the LAMC. Will the mandate of the NCSC be extended, and if not, what entity will pick up its responsibilities? What changes or amendments in the exiting body of rules and regulations will be required under either of these scenarios?

Finally, there needs to be a comprehensive systematic review of the financial/budgetary system if Commune Councils are to start generating actual tax revenue

instead of just fees, as is envisioned in the LAMC. There needs to be a clear system in terms of what revenue is gathered by the national treasury, the province and the commune in order to avoid issues of over taxation or double taxation of the citizenry.

### Endnotes

<sup>1</sup> The English term “commune” is used to cover the Khmer terms “*khum*” and “*sangkat*,” the English term “district” is used to cover the Khmer terms “*srok*” and “*khan*,” and the term “provincial” is used to cover both provincial and municipal government entities.

<sup>2</sup> After promulgation, laws may also be reviewed for constitutionality by the Constitutional Council, but only upon request of the King, President of the Senate or National Assembly, the Prime Minister, ¼ of members of the Senate, 1/10 of the members of the National Assembly or the Courts. The Constitutional Council has no authority to review laws on non-constitutional issues, nor does it have authority to review other legal instruments such as Sub-Decrees or Prakas.

<sup>3</sup> Constitution, Article 21

<sup>4</sup> The rules and regulations that have been passed are consistent with the quality of drafting usually found within Cambodia.

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**Table 1. Real GDP Growth of Selected Trading Partners, 2000–2003 (percentage increase over the previous year)**

	2000	2001	2002			2003				2002
			Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Selected ASEAN countries										
Cambodia	7.3	6.7	-	-	-	-	-	-	-	4.2
Indonesia	4.4	3.8	3.5	3.9	3.8	3.4	3.8	3.9	4.3	3.8
Malaysia	8.7	0.5	3.8	5.6	5.4	4.0	4.4	3.5	6.4	5.6
Singapore	9.5	-2.3	3.9	3.7	3.0	1.6	-4.2	1.7	3.7	2.6
Thailand	4.4	1.9	5.1	5.8	5.6	6.7	5.8	6.5	7.8	6.1
Vietnam		6.0	-	-	-	-	6.9	-	-	6.7
Selected other Asian countries										
China	8.0	7.5	8.0	8.1	8.1	9.9	6.7	9.1	9.9	8.1
Hong Kong	10.6	0.3	0.5	3.3	5.0	4.5	-0.5	4.0	-	5.0
South Korea	9.1	3.0	6.3	5.8	6.8	3.7	1.9	2.3	-	6.1
Taiwan	6.0	-2.1	3.0	4.8	4.2	3.2	-0.4	4.2	5.4	4.2
Selected industrial countries										
Euro-11	3.5	1.4	0.7	0.8	1.3	0.8	0.2	0.3	0.6	0.7
Japan	1.6	-1.3	-0.7	1.3	2.8	2.6	3.0	1.8	3.6	0.5
United States	5.0	1.2	2.1	3.2	2.9	2.1	2.5	8.2%	4.3	2.4

Source: The Economist and Country's National Statistics offices and Central Banks

**Table 2. Inflation Rate of Selected Trading Partners, 2000–2003 (percentage increase over the previous year – period average)**

	2000	2001	2002			2003				2002
			Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Selected ASEAN countries										
Cambodia	-0.3	-0.4	3.3	3.5	3.0	1.8	1.6	0.7	0.5	3.3
Indonesia	3.7	11.3	12.6	10.2	10.3	7.7	6.5	5.6	3.7	11.9
Malaysia	1.5	1.4	1.9	2.1	1.9	1.3	0.9	1.0	1.1	1.9
Singapore	1.4	1.0	-0.4	-0.4	0.1	0.7	0.1	3.2	0.5	-0.4
Thailand	1.6	1.8	0.2	0.3	1.4	2.0	1.7	1.8	1.5	0.6
Vietnam	-1.7	0.0	2.7	2.9	3.7	2.2	2.3	3.5	2.2	2.8
Selected other Asian countries										
China	0.3	1.0	-0.7	-0.8	-0.6	0.5	0.6	0.8	-	-0.7
Hong Kong	-3.7	-1.5	-3.1	-3.5	-2.9	-2.0	-2.5	-3.7	-2.5	-3.1
South Korea	2.3	4.3	2.7	2.5	3.2	4.1	3.3	3.1	3.5	2.7
Taiwan	1.4	0.5	-0.1	-0.3	-0.5	0.3	-0.1	-	-	-0.3
Selected industrial countries										
Euro-11	2.3	2.6	2.0	2.0	2.3	2.4	2.0	2.0	1.9	2.2
Japan	-0.6	-0.5	-0.9	-0.8	-0.5	-0.3	-0.2	-0.3	0	-0.9
United States	3.4	2.9	1.3	1.6	2.2	2.9	2.1	2.2	1.9	1.6

Source: The International Monetary Fund and the Economist

**Table 3. Exchange Rates of Selected Trading Partners Against the US Dollar, 2000–2003 (period averages)**

	2000	2001	2002			2003				2002
			Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Selected ASEAN countries										
Cambodia (riel)	3,871	3,935	3,916	3,935	3,948	3,948	4,008	4,015	3,999	3,927
Indonesia (rupiah)	8,421	10,236	9,077	8,940	9,027	8,884	8,428	8,482	8,484	9,280
Malaysia (ringgit)	3.80	3.80	3.80	3.8	3.8	3.8	3.8	3.8	3.8	3.80
Singapore (S\$)	1.72	1.79	1.81	1.76	1.77	1.74	1.75	1.75	1.71	1.79
Thailand (baht)	40.1	44.4	42.78	42.09	43.4	42.7	42.2	41.5	39.8	43.0
Vietnam (dong)	14,083	14,827	15,231	15,314	15,297	15,427	15,470	15,693	16,151	15,246
Selected other Asian countries										
China (yuan)	8.28	8.28	8.28	8.28	8.28	8.27	8.28	8.28	8.28	8.28
Hong Kong (HK\$)	7.80	7.80	7.80	7.80	7.80	7.80	7.80	7.79	7.75	7.80
South Korea (won)	1,131	1,291	1,273	1,197	1,214	1,199	1,206	1,184	1,183	1,251
Taiwan (NT\$)	31.8	34.1	33.8	33.8	34.8	34.7	35.0	34.2	34.0	34.4
Selected industrial countries										
Euro-11 (euro)	1.08	1.12	1.09	1.02	1.00	0.93	0.88	0.88	0.84	1.07
Japan (yen)	108	122	127.6	119.6	123.0	118	119.1	117.7	109.1	126

Source: The International Monetary Fund and The Economist and National Bank of Cambodia

**Table 4. Selected Commodity Prices on the World Market, 2000–2003 (period averages)**

	2000	2001	2002			2003				2002
			Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Hardwood (logs) – Malaysia (\$/m3)	190.1	160.1	153.0	178.7	181.2	186.3	182.1	183.0	197	162.5
Hardwood (sawn) –Malaysia (\$/m3)	599.2	488.3	493.0	536	565.4	550.4	552.4	552.0	545.5	518.5
Rubber – Malaysia (\$/ton)	720.8	602.0	754.0	863	834.1	945.5	975.8	1017.4	1261.4	768.4
Rice - Bangkok (\$/ton)	203.7	172.6	196.6	192.6	189.6	198.3	197.5	199.6	196	193.1
Soybeans – USA (\$/ton)	211.3	195.6	189.8	219.3	239.0	243.3	245.7	244.3	219.7	202.3
Crude oil – Dubai (\$/barrel)	26.1	22.8	24.3	25.4	26.2	29.3	24.5	26.5	27	24.0
Gold - London (\$/troy ounce)	279.0	279.0	280.9	313.7	317.8	352.1	346.7	363.3	384.4	298.3

Source: The International Monetary Fund and The Economist

## ECONOMY WATCH—DOMESTIC PERFORMANCE

### Main Economic Activities

In the last quarter of 2003, the Cambodian economy experienced a mixed trend in main economic activities, compared to the third quarter. The rise in the tourism and construction sectors was offset by a slowdown in private investments and external trade.

Cambodia's tourism sector flourished in the fourth quarter 2003. The total number of international visitors by 'all means of transport' rose by 45.6 percent to 230,600 persons, compared to the third quarter. Arrivals by air grew by 56.4 percent to 153,000 persons, mainly due to a substantial increase at Siem Reap airport, where arrivals rose to 73,000 persons from 31,000 in the third quarter. Although in past years the number of visitors has increased between the third and fourth quarter, both at Phnom Penh airport and Siem Reap airport, this year's sharp increase at Siem Reap airport can be partly attributed to new direct flights, e.g. from Vietnam. During the fourth quarter 2003, the number of visitors from Vietnam reached 36,484 persons, jumping from 14,148 persons in the preceding quarter.

In addition to the higher number of foreign visitors, domestic tourists increased their contribution to the tourism sector. In the fourth quarter 2003, 37,780 Cambodians visited Siem Reap, 50.4 percent more than the third quarter. Also, compared to the same quarter 2002, the number of domestic visitors to Siem Reap rose by 18.7 percent. The growing contribution of domestic tourism is likely related to improvements in infrastructure. During the period 1992-2001, multi-lateral and bilateral donors as well as NGOs disbursed loans and grants of US\$ 1,049 millions to the sector "Rural development" and "Transport". According to the Council for the Development of Cambodia, the Royal Government of Cambodia planned to invest US\$ 168.7 million into roads for the period 2002-2004. This could stimulate more domestic tourism in the years to come.

The second major contributor to the Cambodian economy in the fourth quarter 2003 was the construction sector. The Department of Cadastre and Geography of the Municipality of Phnom Penh approved construction projects worth US\$ 54.7 millions in the fourth quarter, 24 percent more than the preceding quarter. Approved construction for commercial buildings in Phnom Penh more than doubled to US\$ 35.6 million. In terms of construction area, projects approved during the last quarter 2003 reached 290,206 m<sup>2</sup>, compared with 259,058 m<sup>2</sup> in the third quarter. Of this, construction for commercial building accounted for 61.4 percent, covering an area of 178,197 m<sup>2</sup>, compared with just 73,536 m<sup>2</sup> in the preceding quarter and with 30,954 m<sup>2</sup> in the fourth quarter 2002.

An increase in bank loans for construction also indicates greater activity in the sector. In the fourth quarter 2003, commercial banks provided credit worth US\$ 20.8 million for construction activities in Phnom Penh, 3.7 percent more than in the preceding quarter. Compared to the same period in 2002, however, credit for construction rose by 36.6 percent.

Growth in the tourism and construction sectors, however, was counterbalanced by contraction in private investments and external trade. Private investment projects approved by the Council for the Development of Cambodia (CDC) in the fourth quarter 2003 were worth US\$ 62.1 million, 34.7 percent less than in the third quarter. Of this, approved investments in the garment sector dropped markedly to US\$ 14.5 million, from US\$ 43.3 million in the third quarter 2003. According to past trends, however, the number of project approvals by the CDC generally decreases between the third and fourth quarter each year.

As forecasted, Cambodia's external trade experienced a deficit of US\$ 48.7 million in the last quarter of 2003, in contrast to the third quarter surplus of US\$ 56.1 million. This reflects the dual effect of falling exports and rising imports. Total exports fell by 3.4 percent to US\$ 475.7 million in the fourth quarter, from US\$ 492.3 million in the third quarter. Garment exports, which make up 95 percent of Cambodia's total exports, dropped by 5.6 percent, but were still 16.4 percent higher than during the same period a year ago. Data on garment exports over a number of years indicate that exports are lowest during the first quarter of the year and peak during the third quarter. Following this trend, Cambodia can expect to see a drop in garment exports in the first quarter 2004.

The value of total imports surged by 14 percent to US\$ 497 million in the fourth quarter 2003, from US\$ 436.2 million in the third quarter. Cigarette imports played an important role in the increase, rising by 44.4 percent to US\$ 21.2 million. In addition, the value of motorcycle imports doubled to US\$ 8 million, kerosene imports likewise doubled to US\$ 8 million, and gasoline imports climbed by 60.7 percent to US\$ 9 million. According to the Ministry of Commerce, Cambodia's total imports rose by 13.3 percent in the fourth quarter 2003 compared to the same quarter 2002.

### Public Finance

Fiscal discipline in Cambodia appeared to improve in the fourth quarter 2003. Compared to the third quarter, budget expenditures dropped by 12 percent to 582 billion riels in the fourth quarter 2003, while budget revenue surged by 26.3 percent to 506 billion riels. Consequently, the overall deficit narrowed to 76.5 billion riels in the fourth quarter, from 261 billion riels in the preceding quarter.

The decline of public expenditures in the fourth quarter was closely linked to a sharp fall in capital expenditures (by 27 percent) to 205 billion riels, from 279.6 billion riels in the third quarter. Compared to the same quarter one year earlier, public investments shrank considerably by 40 percent. For 2003 as whole, the implementation of capital expenditure reached 96.5 percent of the target set by the budget law. This was achieved despite a shortage of domestic financing (just 87 percent of commitment) because external assistance exceeded the targeted amount (104 percent).

## ECONOMY WATCH—DOMESTIC PERFORMANCE

Improvement in budget revenue collection reflects a significant increase in current revenues (by 26 percent) to 506 billion riels in the fourth quarter, from 399 billion riels in the third quarter. Tax revenue, which accounts for the largest share (70 percent) of current revenue, rose by 29 percent to 349 billion riels, of which customs duties contributed 117 billion riels. Also, non-tax revenue increased between the third and fourth quarter by 24.6 percent to 157 billion riels.

### Inflation and Foreign Exchange Rates

Consumer prices in Phnom Penh were little changed in the fourth quarter 2003, just a slight increase of 0.05 percent over the third quarter. This reflects counterbalancing trends in the prices of different consumption goods and services. Between the third and fourth quarter 2003, the cost of transportation and communication rose by 1.2 percent, mainly due to a 1.4 percent rise in the gasoline price to 2,400 riels/litre and 1 percent rise in the diesel price to 1,700 riels/litre. This price increase, however, was partly offset by falling prices of other goods. The price of clothing and footwear declined by 0.5 percent between the third and fourth quarter 2003. Also, prices decreased slightly for categories including food and beverages, "housing and utilities", "house furniture and household operation" as well as "medical care". Based on a 12-month period comparison, the inflation rate continued to decline for the fifth consecutive quarter, to 0.5 percent in the fourth quarter 2003, down from 0.8 percent in the third quarter. The slower increase in prices resulted from falling medical care prices (by 2.5 percent), which decelerated the rising cost of transportation and communication (by 5.1 percent).

In the fourth quarter 2003, the Cambodian riel gained some value against the US dollar, trading at 3,999 riels/dollar, compared with 4,015 riels/dollar in the preceding quarter. This can mainly be attributed to the general weakness of the US dollar in the world market and significant improvement in Cambodia's fiscal discipline in the fourth quarter.

Against the Thai baht, however, the Cambodian riel fell by 3.7 percent to 100.5 riels/baht in the fourth quarter, from 96.9 riels/baht in the preceding quarter. This is mainly due to the remarkable appreciation of the baht against the US dollar (by 4.9 percent). Against the Vietnamese dong, the riel remained little changed at 24.8 riels/100 dongs in the fourth quarter 2003, compared with 24.9 riels/100 dongs in the third quarter.

### Monetary Development

By the end of last quarter 2003, money supply for the Cambodian economy reached 3,319 billion riels, 10.4 percent more than at the end of the third quarter. The riel and US dollar accounted for 28 percent and 72 percent of money supply, respectively. Compared to the end of 2002, total liquidity grew markedly by 14.9 percent by the end of 2003. This was mainly driven by a tremendous expansion of domestic credit (by 29.4 percent). By the end of 2003, outstanding credit to the pri-

vate sector reached 1,347 billion riels (or US\$ 338.4 million), 27.2 percent more than one year earlier. At the same time, banks provided loans to government worth 91 billion riels (or US\$ 23 million), 122 percent more than one year earlier. However, government deposits with the monetary authorities rose significantly, by 7.4 percent to 128 billion riels (or US\$ 32 million) by the end of 2003, up from 119 billion riels (or US\$ 30 million) in 2002. This helped curb monetary expansion and served to offset the price pressure generated by increased lending by private banks.

### Poverty Situation - Earnings of Vulnerable Workers

CDRI survey of vulnerable workers in February 2004 found that eight out of ten worker groups experienced an increase in their *nominal income* compared to the same month last year. Only two groups (garment workers and motorcycle-taxi drivers) experienced a decline in nominal income.

Due in some measure to increased activity during the Chinese New Year, *cyclo drivers'* income increased by 3.3 percent to 9,500 Riels/day in February 2004 compared to one year ago, and *porters* saw their income increase by 14 percent. Meanwhile, income of *scavengers* rose by 24 percent, reaching its highest level in the last two years, and income of *unskilled workers* increased by 17 percent. The daily income of *waitresses* increased by an average of 6.5 percent in the 12-month period ending in February 2004, but only 45 percent of waitresses reported an increase, while the others indicated that their income had remained the same or declined.

*Skilled construction workers in Phnom Penh*, the group with the highest income in comparison with other groups, earned 10 percent more than one year ago, though 18 percent less than in November 2003. Moreover, they earned 48 percent more than skilled construction workers in Kompong Cham province. On average, construction workers in Kompong Cham were paid 8,000 Riels per day, whereas construction workers in Phnom Penh earn an average of 13,800 Riels per day. In addition to information on income, it is noteworthy that 80 percent of construction workers in Phnom Penh migrated from provinces, with 42 percent of them having agricultural land of less than 1 ha, and 13 percent having no agricultural land. Most (70 percent) of construction workers in Phnom Penh indicate that they have witnessed more construction activities in Phnom Penh over the past year.

The income of *rice-field workers* rose by 7 percent in the 12-month period ending in February 2004. Although their income level is relatively low, it represents the major source of income for most (92 percent) of this group, according to interviews. However, most young rice-field workers would like to find work in the garment sector.

In contrast to the groups above, motorcycle-taxi drivers saw their income decline (by 2 percent) in February 2004, compared to the same period last year. Most motor taxi drivers (77 percent) attribute this decline to in-

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## ECONOMY WATCH—INDICATORS

**Table 1. Private Investment Projects Approved, 1996–2003**

	1996	1997	1998	1999	2000	2001	2002		2003			
							Q3	Q4	Q1	Q2	Q3	Q4
	Number of investment projects											
Total	300	136	140	96	96	188	11	8	20	14	17	15
Garment	144	48	84	44	52	76	5	2	6	7	12	6
	Registered capital (millions of dollars)											
Total	391.2	278	416.4	246.8	102.4	129.2	12.1	20.3	41.6	10.4	4.0	15.4
Garment	156.8	34.4	91.6	55.6	25.6	60	5	1	5	4.1	1.0	5.8
	Fixed assets (millions of dollars)											
Total	746.8	761.6	849.2	474	266.4	217.2	127.6	60.9	108.5	48.3	95.1	62.1
Garment	158.4	38.8	120.8	79.6	76.8	100	5.5	1.7	6.5	10.5	43.3	14.5

Source: Cambodian Investment Board (1995-2003) \* Including existing investment expansion projects

**Table 2. Construction Projects Approved in Phnom Penh (1996-2003)**

	1996	1997	1998	1999	2000	2001	2002		2003			
							Q3	Q4	Q1	Q2	Q3	Q4
Mansion	205	179	143	136	111	108	36	40	29	39	25	48
Apartment	537	528	678	864	520	499	154	123	125	104	148	116
Other	116	117	132	74	64	57	22	14	21	23	17	22
Total	858	824	953	1074	695	664	212	177	175	166	190	186

Source: Department of Cadastre and Geography of the Municipality of Phnom Penh

**Table 3. Exports and Imports, 1996-2003**

	1996	1997	1998	1999	2000	2001	2002		2003			
							Q3	Q4	Q1	Q2	Q3	Q4
	Millions of dollars											
Total exports	387.1	493.4	784.4	941.1	1055.5	1267.0	451.7	412.9	331.5	408.5	492.3	475.7
Of which: - Garment	78.8	227.2	378	554	962.1	1201.0	431.7	385.4	314.7	389.9	475.2	448.5
. To U S	0.4	107.2	74.1	486	714.1	840.9	295.2	269.2	230.6	267.8	303.2	298.2
. To Rest of the world	78.4	120	82	68	248.0	360.1	136.5	116.2	84.1	122.1	172.0	150.3
- Agriculture	-	-	-	-	90.5	66.0	20.1	27.4	16.8	18.7	17.0	27.2
. Rubber	-	-	-	-	29.6	25.9	9.2	9.1	6.3	6.7	10.0	12.1
. Wood	-	-	-	-	32.5	22.3	4.1	3.3	2.8	2.8	2.1	2.4
. Fisheries	-	-	-	-	5.4	6.0	1.0	0.5	0.8	0.7	0.6	0.7
. Other	-	-	-	-	26.0	11.8	5.8	14.5	6.9	8.5	4.3	12.0
Total Imports	1114.4	1094.5	1112.2	1237.4	1417.7	1501.4	484.4	438.7	393.8	507.3	436.2	497
Of which: - Gasoline	-	-	-	-	-	-	5.9	7.6	10.4	8.0	5.6	9.0
- Diesel	-	-	-	-	-	-	31.3	23.3	25.0	33.4	25.1	24.4
- Construction material	-	-	-	-	-	-	3.7	2.9	2.8	3.4	2.4	3.5
- Others	-	-	-	-	-	-	443.5	404.9	355.6	462.5	403.1	460
Trade Balance	-727.3	-601.2	-327.8	-296.3	-362.2	-234.0	-32.7	-25.8	-62.3	-98.8	56.1	-21.3
	Percentage change over previous year											
Total Exports Garment	198	188	66	47	74	24.8	27.5	33.2	26.3	34.7	10.1	16.4
Total Exports	2.1	27.5	58.9	12.4	19.7	20	28.0	35.3	20.7	30.0	9.0	15.2
Total Imports	1.2	-1.8	1.6	11.3	14.5	5.9	59	27	22	7.8	-10.0	19.6

Source: Ministry of Commerce, Department of Trade Preferences Systems and Customs and Excise Department including tax exemption

**Table 4. Visitor Arrivals in Cambodia, 1996-2003**

	1996	1997	1998	1999	2000	2001	2002		2003			
							Q3	Q4	Q1	Q2	Q3	Q4
	Thousands of passengers											
Tourist visas	194.4	163.0	141.9	199.6	209.6	335.4	46.9	58.7	183.7	83.8	132.0	209.1
by Air	194.4	163.0	141.9	199.6	209.6	335.4	46.9	58.7	124.6	44.4	76.2	131.3
land and boat	-	-	-	-	-	-	-	-	59.1	39.4	55.8	77.7
Business visas	58.4	48.6	37.6	55.4	46.9	62.4	15.6	16.1	20.4	14.7	20.3	15.5
by Air	58.4	48.6	37.6	55.4	46.9	62.4	15.6	16.1	17.2	11.2	16.3	15.5
land and boat	-	-	-	-	-	-	-	-	3.2	3.5	4.0	-
Official visas	7.6	7.2	6.8	7.9	95.2	10.6	52.0	92.9	4.7	4.6	5.9	6.1
by Air	7.6	7.2	6.8	7.9	95.2	10.6	52.0	92.9	4.0	4.0	5.1	6.1
land and boat	-	-	-	-	-	-	-	-	0.7	0.6	0.8	-
Total by Air	-	-	186.3	262.9	351.7	408.4	114.5	167.7	145.8	59.6	97.6	152.9
Total Land and boat	-	-	100.2	104.8	114.7	196.5	59.3	69.6	63	43.5	60.6	77.7
Grand total	260.4	218.8	286.5	367.7	466.4	604.9	173.8	237.3	208.8	103.1	158.2	230.6
	Percentage change over previous year											
Grand total	18.5	-15.9	30.9	28.3	26.8	29.7	24.7	41.3	-0.9	-37.4	-8.9	-14.2

Sources: Ministry of Tourism

## ECONOMY WATCH—INDICATORS

**Table 5. Consumer Price Index (CPI), Exchange Rates and Gold Prices, 1996-2003 (period averages)**

	1996	1997	1998	1999	2000	2001	2002		2003			
							Q3	Q4	Q1	Q2	Q3	Q4
	Consumer price index (percentage change over previous year)											
Provinces	-	6.1	16.3	6.2	5.4	0.9	2.0	-0.3	7.4	5.9	-1.9	1.8
Phnom Penh - All Items	7.1	8.0	14.8	4.0	-0.8	-0.6	3.5	3.04	1.8	1.6	0.8	0.5
- Foods	7.6	6.7	14.1	7.6	-3.3	-2.8	2.0	2.00	3.20	2.3	1.5	-0.04
- Energy	20.7	20.0	15.1	3.5	6.6	-1.1	0.9	2.25	4.75	5.2	5.1	5.1
	Exchange rates, Gold and Oil prices (Phnom Penh market rates)											
Riel per US dollar	2,666	3,029	3824	3832	3,879	3,935	3,935	3,948	3948	4008	4015	3999
Riel per Thai baht	105	98	88	101	96.3	88	93.5	90.9	92.4	94.9	96.9	100.5
Riel per 100 Vietnamese dong	24.0	25.6	28.6	27.8	27.4	26.6	25.7	25.8	25.6	25.9	24.9	24.8
Gold prices (US dollar per chi)	46.3	40.4	36.0	34.0	33.3	32.7	38.0	38.5	39.8	40.0	41.5	44.4
Price of Diesel (Riels/litre)	779	883	1,065	1,105	1,329	1,521	1,550	1550	1697	1683	1683	1700
Price of Gasoline (Riels/litre)	1,118	1,378	1,613	1,760	2,113	2,084	2,200	2200	2433	2383	2367	2400

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

**Table 6. Monetary Survey, 1996-2003 (end of period)**

	1996	1997	1998	1999	2000	2001	2002		2003			
							Q3	Q4	Q1	Q2	Q3	Q4
	Billions of riels											
Net foreign assets	881	1,177	1,726	2,019	2,589	3,080	3,693	3,737	3,741	3,594	3627	4010
Net domestic assets	31	-114	-496	-576	-759	-876	-943	-849	-737	-641	-621	-691
Net claims on government	128	54	178	103	3	-75	-106	-119	-72	-19	18	-128
Credit to private sector	435	637	655	763	898	936	971	1,059	1,125	1,224	1287	1347
Total liquidity	912	1,063	1,230	1,443	1,831	2204	2,751	2,888	3,004	2,953	3007	3319
Money	329	385	543	531	540	609	771	813	829	871	886	936
Quasi-money	583	678	687	911	1,291	1,594	1,979	2,075	2,175	2,082	2120	2383
	Percentage change from previous year											
Total liquidity	40.3	16.6	15.7	17.3	26.9	20.4	29.5	24.1	24.6	11.5	9.3	14.9
Money	18.3	17	41	-2.2	1.7	12.8	35.5	33.4	22.6	16.4	14.9	15.1
Quasi-money	57.1	16.3	1.3	32.6	41.7	23.5	27.3	30.2	25.7	9.5	7.1	14.8

Source: National Bank of Cambodia.

**Table 7. National Budget Operations on Cash Basis, 1996-2003 (billion riels)**

	1996	1997	1998	1999	2000	2001	2002		2003			
							Q3	Q4	Q1	Q2	Q3	Q4
Total revenue	748	880	920	1326	1528	1529	457	481	400	379	400.5	506
Current revenue	-	-	-	-	-	1521	456	481	400	377	399.2	506
Tax revenue	536	596	676	956	1096	1096	323	339	273	287	273.1	349.1
Customs duties	344	348	376	432	376	376	116	122	92	94	91.6	117.4
Non-tax revenue	176	272	204	348	424	424	133	142	127	90	126.2	156.8
Forest exploitation	28	36	20	36	28	29	9	5	1	1	4.5	0.5
Post & Telecommunications	64	84	88	108	124	122	30.7	44	19	18	33.5	44.3
Capital revenue	40	12	36	12	8	9	1	0	0	2	1.3	0.0
Total expenditure	1440	1260	1296	1792	2332	2332	704	668	660	660	661.6	582.4
Capital expenditure	628	452	368	624	976	977	303	343	276	271	279.6	205.1
Current expenditure	812	808	980	1164	1356	1355	401	325	384	388	381.9	377.3
Education and Health	124	128	132	280	344	343	85	96	36	88	122.4	128.4
Defense and Security	408	420	448	464	404	405	105	110	70	119	75.4	110.1
Other Ministries	284	260	332	412	636	637	212	120	279	182	214	138.8
Overall deficit	-692	-380	-380	-476	-804	-803	-248	-187	-260	-281	-261	-76.5
Foreign financing	680	444	268	416	768	766	273	287	176	201	230	244.8
Domestic financing	12	-64	112	60	36	37	-25	-100	84	80	31	-168.3

Source: Ministry of Economy and Finance. Q4 2003 provisional

**Table 8. Average Daily Earnings of Vulnerable Workers, 1997-2003**

	Daily earnings (riels)									Change from last year (%)		
	1997		2001		2002		2003		2004	2003		2004
	Pre-Jul	Nov	Aug	Nov	Feb	May	Aug	Nov	Feb-04	Aug	Nov	Feb
Cyclo drivers	12,250	6,262	8,900	8,878	9,200	9,572	9,380	9,817	9,500	5.4	10.58	3.26
Porters	9,675	5,000	7,600	6,312	7,600	7,955	7,240	6,500	8,700	-4.7	2.98	14.47
Small vegetable sellers	7,050	5,096	6,862	7,158	7,250	6,674	6,860	6,700	7,400	-0.3	-6.40	2.07
Scavengers	4,155	3,393	3,440	4,012	3,875	3,605	4,900	3,900	4,800	42.7	-2.79	23.87
Waitresses*	-	2,358	4,225	4,000	4,600	4,341	4,520	4,435	4,900	7.0	10.88	6.52
Rice-field workers	-	3,618	3,833	4,219	4,180	3,712	4,600	4,450	4,700	20.0	5.48	12.44
Garment workers	-	8,968	9,800	10,000	10,127	9,123	10,300	10,000	9,675	5.1	0.0	-4.46
Motorcycle-taxi drivers	-	9,791	11,300	12,075	11,400	9372	10,900	10,000	11,200	16.7	-17.18	-1.75
Unskilled construction workers	-	4,841	6,525	5,850	6,162	7,100	7,600	6,200	7,200	-3.5	5.98	16.85
Skilled construction workers	-	9,866	12,695	13,350	12,500	12,050	12,700	16,900	13,800	0.0	26.59	10.40

Notes: The su 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.

**GLOSSARY – TERMS USED IN THIS ISSUE**

**Elite grabbing**

The term 'elite grabbing' means that development benefits meant for all are being 'grabbed' by the social, economic or political elite (powerful people).

**Amalgamation**

In the context of the communes, the word amalgamation is used to signify that a number of communes are being joined into bigger units. This is often done to reduce the number of communes and enhance capacity development.

**Horizontal peer learning**

This means that learning takes place amongst peers at the horizontal level. For example, peer learning takes

place if commune clerks assist and learn from one another. It is *horizontal* peer learning because the learning is shared between people at the same level of government.

**Social capital**

Social networks, trust and cooperation between people are often termed social capital. Social capital is increasingly seen as important for development. We talk about *bonding social capital* (within a small group in a community), *bridging social capital* (extra community networks and trust between different groups and actors within the larger community) and *linking social capital* (the aspect of social capital that enables communities to get access to resources outside the community itself).

(Continued from page 16)

**Domestic Performance**

creasing gasoline prices and to the rising number of motor taxi drivers. Income of garment workers also dropped slightly to 9,700 Riels/day in February 2004, compared with 10,127 riels/day reported in the preceding survey. On average, garment workers earned US\$ 63 per month, which includes overtime wage and bonus. Of this, workers spend an average of \$27 to meet living

expenses, and send part of the remainder to support their families at home.

46 percent of the workers signaled that they would prefer to change jobs, especially because of the need to work over-time at short notice. Around half of the respondents reported a desire to set up an independent small/micro business but felt that it would not be possible to save enough money for the purpose.

By Dr. Kang Chandarot, Ms. Pon Dorina, and Ms. Ouch Chandarany

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