

Economy Watch—External Environment

World Economic Growth

During the second quarter of 2005, global economic developments were mixed. While the US and many east Asian countries experienced economic growth, economic activity in the euro area and Japan remained moderate.

US real GDP grew 3.3 percent in the year to the second quarter. The major contributors to growth in the second quarter were personal consumption expenditure, exports, equipment and software, residential fixed investment and government spending. The rate of annual growth declined from 3.5 percent in the previous quarter, primarily due to a deceleration in private inventory investment that was partly offset by a downturn in imports and acceleration in exports.

Real GDP of the euro zone in the second quarter was 1.2 percent higher than a year earlier and 0.3 percent higher than in the previous quarter. This moderate growth was due to weak growth in private consumption and investment. Household final consumption expenditure grew by 0.1 percent and investment by 0.5 percent. Japanese real GDP grew by 1.4 percent in the year to second quarter 2005 and by 0.8 percent from the previous quarter.

China's GDP in second quarter 2005 was up 9.5 percent for the 12 months. This high growth was primarily driven by industrial production, exports, investment and domestic consumption demand. The real GDP of South Korea grew 3.3 percent in the year to second quarter 2005, compared with 2.7 percent growth in the 12 months to first quarter 2005. The higher growth was due to positive growth in all industries. The real GDP of Hong Kong grew 6.8 percent in the year to second quarter 2005, compared with 6 percent growth in the year to first quarter 2005.

The real GDP of Malaysia in the year to second quarter 2005 grew 4.1 percent compared to 5.7 percent to first quarter 2005. The agriculture, manufacturing and service sectors recorded moderate growth, while expen-

diture was driven primarily by private consumption, which increased by 7.4 percent in the 12 months. The real GDP of Singapore and Thailand in the year to second quarter 2005 increased 5.2 percent and 4.4 percent respectively, an acceleration from 2.5 and 3.3 percent in the year to first quarter 2005. In Thailand, while domestic demand continued expanding in both consumption and investment, external demand plummeted further from the previous quarter.

World Inflation and Exchange Rates in International Markets

In the second quarter of 2005, consumer inflation was contained in most high-income economies. In the US, it eased to 2.9 percent year-on-year, from 3.0 percent a quarter earlier, as energy costs and grocery prices declined. In Japan, it edged up to -0.1 percent from -0.2 percent in the first quarter, reflecting the improvement of the labour market as well as a drop in prices of fresh food. In the euro area, annual consumer inflation remained unchanged from the previous quarter, at 2.1 percent. During the same period, inflation was also basically unchanged in Asian economies.

The US dollar gained strength in the second quarter, after having depreciated against most major currencies in the previous quarter. Against the Japanese yen, it traded at 107.4, a 2.6 percent appreciation from the last quarter. Against the euro, it stood at 0.79, 3.9 percent above the level of the first quarter. Some other Asian currencies also experienced a slight depreciation against the dollar. The dollar appreciation was likely to be linked with a smaller than expected trade deficit, higher US interest rates and weaker growth prospects in other countries.

Commodity Prices in World Markets

Prices of selected major commodities in international markets in the second quarter moved differently. The price of white rice, Thai 100 percent B second grade, in the Bangkok market was \$295.70/ton, almost the same

Table 1. Real GDP Growth of Selected Trading Partners, 2000–2005 (percentage increase over previous year)

	2000	2001	2002	2003	2004	2005	2005	2005	2005	2004
					Q2	Q3	Q4	Q1	Q2	
Selected ASEAN countries										
Cambodia	7.3	6.7	4.8	7	-	-	-	-	-	7.7
Indonesia	4.4	3.8	3.8	4.9	4.3	5.0	6.6	6.4	5.5	5.1
Malaysia	8.7	0.5	5.6	5.4	8.0	6.8	5.6	5.7	4.1	7
Singapore	9.5	-2.3	2.6	1.4	12.5	7.5	6.5	2.5	5.2	8.5
Thailand	4.4	1.9	6.1	6.9	6.3	6.0	5.0	3.3	4.4	6
Vietnam		6.0	6.7	7	-	-	-	-	-	7.5
Other selected Asian countries										
China	8.0	7.5	8.1	9.9	9.6	9.1	9.5	9.5	9.5	9.5
Hong Kong	10.2	0.5	5.0	3.2	12.1	7.2	7.1	2.7	6.8	8.3
South Korea	9.1	3.0	6.1	3	5.5	4.6	3.3	6	3.3	4.7
Taiwan	5.8	-2.2	4.2	3.1	7.7	5.3	3.3	2.7	-	5.7
Selected industrial countries										
Euro-12	3.5	1.4	0.7	0.5	2.2	1.9	1.6	1.3	1.2	1.8
Japan	2.8	0.4	0.4	2.6	4.4	2.6	0.8	1.3	1.4	3.4
United States	5.0	1.2	2.4	3.1	4.7	3.9	3.8	3.5	3.3	4.4

Sources: *Economist*, countries' national statistics offices and central banks, ADB's Asia Regional Information Centre

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as in the previous quarter. The price of maize fell slightly to \$96.50/ ton, from \$97.00/ton in the previous quarter, but declined around 25 percent from the same quarter last year. Soybeans sold at \$270.70/ton, a 26 percent increase from the first quarter, but an 18 percent decline from the second quarter last year. The prices of

crude oil and gasoline increased significantly, 12 percent and 15 percent respectively, from first quarter 2005. In the second quarter, crude oil sold at \$47.70/ barrel and gasoline at 39.7 cents/ litre.

by Hing Vutha and Phim Runsinarith

Table 2. Inflation Rate of Selected Trading Partners, 2000–2005 (percentage increase over the previous year— period average)

	2000	2001	2002	2003	2004			2005		2004
					Q2	Q3	Q4	Q1	Q2	
Selected ASEAN countries										
Cambodia	-0.8	-0.6	3.2	1.2	2.2	6.5	6.1	5.8		4.0
Indonesia	3.6	11.5	13.2	8.3	8.8	9.2	8.6	10.7	-	8.3
Malaysia	1.5	1.4	1.8	1.1	1.2	1.5	2.4	2.5	3.0	1.6
Singapore	1.4	1.0	-0.4	0.5	1.9	1.7	1.7	0.4	0.1	1.7
Thailand	1.5	1.7	0.6	1.8	2.6	3.3	3.1	2.8	5.3	2.7
Vietnam	-1.7	-0.4	3.8	3.2	7.6	10.3	10.7	-	-	8.3
Other selected Asian countries										
China	0.3	0.9	-0.7	1.2	4.4	5.2	3.2	2.8	1.7	3.9
Hong Kong	-3.6	-1.3	-3.0	-2.6	-0.8	0.8	0.2	0.4	0.8	-0.4
South Korea	2.3	4.4	2.7	3.5	3.3	4.4	3.4	3.2	3.2	3.5
Taiwan	1.3	-0.01	-0.2	-0.3	1.2	2.9	1.9	1.6	2.1	1.6
Selected industrial countries										
Euro-12	2.3	2.6	2.2	2.1	2.3	2.3	2.3	2.1	2.1	2.2
Japan	-0.7	-0.6	-0.9	-0.3	-0.3	-0.1	0.5	-0.2	-0.1	Nil
United States	3.3	2.8	1.6	2.3	2.9	2.7	3.3	3.0	2.9	2.7

Sources: International Monetary Fund, the Economist and national institutes of statistics

Table 3. Exchange Rates of Selected Trading Partners against US Dollar, 2000–2005 (period averages)

	2000	2001	2002	2003	2004			2005		2004
					Q2	Q3	Q4	Q1	Q2	
Selected ASEAN countries										
Cambodia (riel)	3,840.8	3,916.3	3,912.1	3,973	4,005.3	4,034.7	4,034.7	4,027.0	4,054.3	4,016.3
Indonesia (rupiah)	8,421	10,261	9,311	8,577	9,001	9,156	9,128	9,274	-	8,938
Malaysia (ringgit)	3.80	3.80	3.80	3.80	3.80	3.80	3.80	3.80	-	3.80
Singapore (S\$)	1.72	1.79	1.79	1.74	1.70	1.70	1.65	1.63	1.66	1.69
Thailand (baht)	40.1	44.4	42.9	41.5	40.2	41.3	40.3	38.6	40.1	40.2
Vietnam (dong)	14,168	14,725	15,280	15,510	15,735	16,262	-	-	-	-
Other selected Asian countries										
China (yuan)	8.28	8.28	8.28	8.28	8.28	8.28	8.28	8.28	-	8.28
Hong Kong (HK\$)	7.80	7.80	7.80	7.78	7.80	7.80	7.78	7.80	7.79	7.79
South Korea (won)	1,131	1,291	1,251	1,192	1,162	1,155	1,093	1,022	1,008	1,145
Taiwan (NT\$)	31.2	33.8	34.5	34.4	33.3	33.9	32.9	31.5	-	33.6
Selected industrial countries										
Euro-12 (euro)	1.09	1.12	1.06	0.89	0.83	0.82	0.77	0.76	0.79	0.80
Japan (yen)	107.8	121.5	125.4	115.9	109.7	109.9	105.9	104.7	107.4	108.2

Sources: International Monetary Fund, the Economist and National Bank of Cambodia

Table 4. Selected Commodity Prices on World Market, 2000–2005 (period averages)

	2000	2001	2002	2003	2004			2005		2004
					Q2	Q3	Q4	Q1	Q2	
Maize (US No.2)—US (\$/ton)	88.4	89.5	99.21	105.2	128.8	102.3	94.4	97	96.5	122
Palm oil—north-west Europe (\$/ton)	310.2	285.7	390.2	443.25	497	432.3	429	413.3	421.7	471.3
Rubber—Malaysia (\$/ton)	720.8	602.0	768.3	1050	1,333.4	1,190.6	1238.2	-	-	1252.2
Rice (Thai 100% B)—Bangkok (\$/ton)	206.7	177.3	196.9	200.9	240.7	240.5	264.9	295.6	295.7	244.4
Soybeans (US No.1)—USA (\$/ton)	193	180.7	201.3	241.3	356.4	251.1	216.5	229.9	290.7	288.9
Crude oil—Dubai (\$/barrel)	26.1	22.8	23.9	26.8	33.3	36.09	35.5	42.6	47.7	33.5
Gasoline—US Gulf Coast (cents/litre)	21.1	19.5	19.1	23	32.1	32.1	31.8	34.4	39.7	30.9

Source: Food and Agriculture Organisation (FAO) and US Energy Information Administration

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Main Economic Activities

The main Cambodian economic activities, including investment, tourism, construction and external commodity trade, slowed in the second quarter of 2005, compared to the first quarter.

Private investment approvals amounted to \$96.1 million in value of registered fixed assets in the second quarter, according to provisional data from the CDC. Of this, about 44 percent was domestic investment, 27 percent was Chinese, and 18 percent was Thai. Investment in the industrial sector amounted to \$62.1 million in the second quarter, composed of garments (\$23.2 million), plastics (\$19.1 million), motorcycle and bicycle manufacture (\$6.5 million), tobacco and brewing (\$7.9 million), mining (\$3.7 million) and pharmaceuticals (\$1.7 million). The services sector received \$30 million investment in construction, while about \$4 million was invested in agro-industry. Total investment declined sharply from the preceding quarter, by about 80 percent, led by a decline in industrial investment. Compared to the second quarter of 2004, the fixed assets value of private investment approvals dropped by 15 percent. This was mainly due to slower investment in services and agriculture, while investment in industry increased.

The Ministry of Industry, Mines and Energy approved the new or continued operation of 127 small and medium enterprises in second quarter 2005, compared to 124 enterprises in the preceding quarter and 106 in second quarter 2004. Still, SMEs, especially in rural areas, face some constraints. In the World Bank report *Cambodia Rural Sector Strategy Note: Towards a Strategy for Rural Growth and Poverty Reduction* (June 2005), governance issues, weak marketing systems, including transport infrastructure and transportation services, and a large unmet demand for credit for productive purposes, particularly in villages, are identified as severe constraints on formal SME business in rural parts of the country. Economic policy uncertainty and anti-competitive or unfair practices are also mentioned as critical constraints. Marketing systems in rural areas are characterised by low levels of integration, and competition in specific sectors is often fragmented, with a risk of local monopolies. Land issues are also a major concern for both local and foreign investors.

Following a seasonal trend since 1994, the number of foreign visitors to Cambodia declined in the second quarter. In second quarter 2005, 293,761 visitors arrived in Cambodia, representing 86,838 (22.8 percent) fewer arrivals than in the preceding quarter. Of this, foreign arrivals visiting Siem Reap province at some time during their visit to Cambodia in the second quarter accounted for about 42 percent, a decrease of 43 percent from the first quarter. The number of visitors who came to Cambodia from Asia and Oceania, Europe, the Americas, and the Middle East and Africa declined moderately during this period, except for those from ASEAN countries. Visitors from Asia and Oceania, which had the highest number of total arrivals to Cambodia, declined by 23 percent. Visitors from Europe, the

Americas, and the Middle East and Africa decreased by 38.7 percent, 23.4 percent and 17.4 percent respectively. Visitors from ASEAN countries, however, rose by about 8 percent. However, compared to the second quarter of 2004, the total number of foreign visitors increased sharply, by 51.6 percent.

Cambodian visitors also made a major contribution to the Cambodia's tourism sector. A total of 93,030 Cambodians visited Siem Reap province in the second quarter, 30 percent more than in the first quarter. Of total domestic visitors in the second quarter, arrivals by land amounted to 93.4 percent, by boat 4.3 percent and by air 2.3 percent. Compared to the second quarter last year, Cambodian visitors to Siem Reap province declined by 38 percent.

Construction activities in Phnom Penh in the second quarter of 2005 declined slightly. Construction project approvals were valued at \$104.4 million, a 1.6 percent decrease compared to the first quarter. There was a sharp decrease in villa and house and other construction, offsetting a significant increase in flat construction. However, the value of construction project approvals doubled from the second quarter of 2004. Flat and other construction more than doubled, while villa and house construction decreased about 30 percent. Commercial banks had loans of around \$36.4 million to construction businesses at the end of June 2005, representing about 7 percent of total credit to all types of business and 33 percent more than at the end of March. Loans to this sector at the end of June 2005 were more than twice the figure at the end of June 2004, while the total value of construction project approvals during that period also doubled.

Cambodia's external trade deficit increased in the second quarter, rising to \$152 million, compared with \$58 million in the first quarter. Imports generally grew rapidly, although exports also increased from the first quarter. Cambodia's total exports increased by 11.2 percent, to \$515 million, in contrast to a decrease of about 15 percent in the first quarter. Among major export products, garments made a significant contribution with an 11.8 percent surge—from \$445 million to \$497.6 million, while exports of rubber fell by 15 percent to \$6.2 million, of wood by 12 percent to \$2.9 million and of fish by 26.7 percent to \$1.1 million. Compared to the second quarter 2004, Cambodia's total exports recorded an increase of 4.1 percent from \$494.7 million.

Total imports rose by 28 percent to \$667 million in the second quarter, from \$520.9 million in the first quarter. The most substantial rise was in textiles, apparel and footwear products (by 60 percent to \$240.1 million), followed by food, beverages and tobacco products (by 23.4 percent to \$45.5 million). Imports of construction materials also showed an increase, by 14.8 percent to \$37.1 million. Total imports increased by nearly 10 percent from \$607 million in the second quarter a year ago.

Public Finance

Fiscal performance seemed to improve in the second quarter. The overall budget exhibited a surplus on a cash

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basis of 17.7 billion riels, the first surplus recorded since the first quarter of 1995, and in contrast to a deficit of 95 billion riels in the first quarter and 222 billion riels in second quarter 2004.

In the April-June quarter, total budget revenues reached 711.4 billion riels, rising by 29 percent from the January-March quarter. This mostly reflected an increase in capital revenue, from 0.3 billion riels to slightly under 100 billion riels. According to the Ministry of Economy and Finance, the increase in capital revenue during the second quarter was primarily due to an increase in revenue from privatisation. Compared to the second quarter of 2004, total domestic revenues increased sharply, by 45.6 percent. Besides the big increase in capital revenue, current revenue also revealed an increase of 28.6 percent (to 611.5 billion riels) between second quarters in 2004 and 2005. Tax revenue increased by about 34 percent (to about 466 billion riels), thanks to a surge of 68 percent (to 147.6 billion riels) in revenue from domestic tax, and a 22.2 percent rise (to 318.4 billion riels) in revenue from import and export taxes. Revenue from profit tax contributed significantly to the increase in domestic tax at nearly 51 billion riels, more than double the figure in second quarter 2004. Non-tax revenue increased by 14.5 percent to 145.5 billion riels, primarily because of an increase in revenue from civil aviation, which rose from 0.3 billion to 14.4 billion riels.

Total budget expenditure on a cash basis amounted to 693.7 billion riels in the second quarter, 7.3 percent more than in the first quarter, but 2.4 percent lower than in the same quarter of 2004. The decrease since the same quarter last year was due to a drop in capital expenditure (by 21.3 percent to 265.3 billion riels); current expenditure increased by 14.7 percent to 428.4 billion riels.

Inflation and Foreign Exchange Rates

The increase in transportation costs slowed in the second quarter, prices being 11.1 percent higher than a year earlier, while in the first quarter prices were 12.3 percent higher than in the first quarter of 2004. Food prices were 9.8 percent higher than a year earlier, compared to 7.9 percent higher in the first quarter. Overall consumer prices in Phnom Penh continued to rise, the year-on-year increase in the second quarter being 6.4 percent, compared to 5.6 percent in the first quarter.

In the second quarter, the riel lost value against the US dollar, trading at 4,054.3 riels/dollar, down from 4,027 in the first quarter. The riel depreciation can be attributed to the recovery of the US dollar against other currencies. Compared to the second quarter last year, the riel was down against the US dollar by 1.2 percent, from 4,005.3. Against the Vietnamese dong in the second quarter, the riel lost 0.8 percent, from 25.1 riels per 100 dong to 25.3. However, the riel gained about 3 percent against the Thai baht, going from 104.4 riels/baht to 101.3. A year ago, the exchange rate between the riel and the dong was almost the same, while against the baht the riel was 1.7 percent higher, at 99.6 riels/baht.

Monetary Developments

According to the National Bank of Cambodia, the money supply in second quarter 2005 continued to rise, albeit more slowly than in the first quarter. It expanded by 3 percent to 4,629 billion riels at the end of the quarter, compared with a 4 percent increase in the first quarter. The increases in riel and foreign currency deposits slowed simultaneously, a 2 percent and 1.4 percent increase respectively in the second quarter, compared to a 4.6 percent and 3.6 percent rise in the first. Compared to the second quarter last year, the money supply had grown by 20.4 percent.

Poverty Situation—Real Daily Earnings of Vulnerable Workers (Survey 1—20 August 2005)

A regular survey conducted by the Cambodia Development Resource Institute (CDRI) produced mixed trends for the daily earnings of vulnerable workers in August. The survey revealed that real daily earnings of six vulnerable groups including garment workers, small vegetable traders, porters, unskilled construction workers, skilled construction workers and scavengers declined in the year to August 2005. This was mainly due to the increasing numbers of workers in these groups. During the same period the real daily earnings of cyclo-drivers and moto-taxi drivers rose thanks to a rise in the number of tourists.

Despite the increase in garment exports, the real average daily earnings of garment workers, who have contributed significantly to rural poverty reduction, declined by 4.9 percent to 8,750 riels in August from 9,211 riels in the same month last year. This was attributable to an increase in the number of job-hunters in this sector, which provided an opportunity for employers to hire additional workers at lower wages. According to the survey, the majority of the interviewed garment workers perceived an increase in the number of workers over the last three months and said that the new entrants were mostly temporary and received lower wages than permanent workers. The survey revealed that their average monthly spending increased from \$20–25 to \$26–30 due to an increase in commodity prices.

The real earnings of scavengers averaged 4,335 riels per day, a 9 percent slide from a year earlier and a 15 percent drop from May. The declining income of this very impoverished group was apparently related to the increasing number of rubbish collectors, mostly children during their school holiday from August to September. More children were found employed in scavenging because they need money to purchase school supplies for the coming year and their parents earn enough only to live from hand to mouth. In general, these children now spend the whole day scavenging and earn around 4,000 riels, twice as much as in the previous quarter.

The income of small vegetable traders also decreased in the August survey. Their real daily earnings dropped to about 6,000 riels, 11 percent less than a year earlier and their lowest earnings since August 2003. This downward trend can be accounted for by higher trans-

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portation costs resulting from the rise of gasoline prices, combined with an increase in the number of traders. During the survey, most of the small vegetable traders complained that consumers are sensitive to price changes, reducing the amounts they buy when vegetable prices rise. Although this argument seems to contradict the demand theory that basic goods like vegetables are price-inelastic, it is what really happens in a poor country like Cambodia. The traders also found that their businesses became less and less profitable as more new traders entered the market.

The average skilled construction worker earned 10,273 riels per day in August, a 24 percent decline from last year. The drop in real daily earnings of all the skilled construction workers interviewed largely reflected the fact that the number of skilled workers had increased while construction activity had decreased in the rainy season. According to the survey, skilled construction workers can be divided into new workers and veterans. In general, the former earn 8,000–10,000 riels per day, 30 to 40 percent less than the latter, even though they all work eight hours a day, 26 days a month.

The real daily earnings of unskilled construction workers edged down slightly, to 6,069 riels from 6,095 a year earlier. Sixty percent of the unskilled construction workers interviewed stated that their number has increased in the last three months, and that the newcomers were mostly from the provinces. Despite the relatively small decline in their daily earnings, most of them complained that their unstable employment generates only a small amount of income, which can not support their families.

During the same period, porters' average daily earnings were around 6,000 riels, about 10 per cent lower than last year. Similarly, this can be explained by an increase in the number of porters over the last year, which was revealed by the survey. Most of the newcomers were fresh school drop-outs from poor families and aged between 15 and 20. Porters are usually temporary workers, so their earning were not enough to support their families.

The survey found that the earnings of cyclo drivers increased slightly, by 3 per cent to 7,900 riels, from 7,600 riels a year earlier. Some cyclo drivers said that their earnings increased during this period because they had permanent clients (traders in the markets). The daily spending of cyclo drivers was about 4,300 riels in August, 23 percent more than a year earlier. Most cyclo drivers migrate from rural areas and generally spend six to eight months per year in Phnom Penh.

The real daily earnings of motorcycle-taxi drivers increased, rising by 7 percent to 9,400 riels per day in August from 8,800s riel a year earlier. The survey revealed that moto-taxi drivers worked longer than in the previous year—10–14 hours per day in August 2005, compared to 8–10 hours in August 2004. However, this was not the only reason for higher earnings. The drivers also benefited from the increased numbers of foreign tourists. Recent data from the Ministry of Tourism indicate that tourist arrivals in second quarter are around 51 percent higher compared to the same quarter last year. Despite their higher income, most moto-taxi drivers are unsatisfied and complained that inflation had made their difficult lives more miserable.

by Ouch Chandarany and Pon Dorina

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Economy Watch—Indicators

Table 1. Private Investment Projects Approved, 1997–2005

	1997*	1998	1999	2000	2001	2002	2003	2004	Q3	Q4	2005	Q2*
								Q2			Q1	
	Fixed Assets (millions of dollars)											
Agriculture	65.6	51.6	63.9	9.8	5.6	38.9	3.7	9.4	2.9	0.0	3.2	4.0
Industry	512.4	650.5	162.6	109.4	99.8	57.4	142.6	28.0	72.7	16.4	418.8	62.1
. Garment	97.0	126.5	67.7	35.2	23.0	18.0	74.8	10.1	44.0	12.7	44.9	23.2
Services	166.5	154.7	222.6	150.0	111.4	143.3	167.7	75.9	6.4	0.0	53.3	30.0
. Hotels and tourism	41.5	112.0	171.8	79.8	71.9	45.1	118.6	49.5	6.4	0.0	46.4	0.0
Total	744.5	856.8	449.1	269.2	216.8	239.6	314.1	113.3	82.0	16.4	475.3	96.1
Total	-	-	-	-	-	-	-	-	-27.6	-80.0	2,798.2	-79.8
Total	-	15.0	-47.6	-40.0	-19.5	10.5	31.1	134.6	-13.8	-73.6	650.8	-15.2

Source: Cambodian Investment Board. *Excluding expansion project approvals.

Table 2. Value of Construction Project Approvals in Phnom Penh, 1997–2005

	1997	1998	1999	2000	2001	2002	2003	2004	Q3	Q4	2005	Q2
								Q2			Q1	
	Millions of dollars											
Villas and houses	17.2	21.2	20.0	16.4	15.9	23.4	20.0	9.3	7.5	5.5	14.3	6.6
Flats	19.3	227.3	290.5	174.8	167.8	179.9	91.6	28.5	44.3	46.3	48.6	69.1
Other	221.2	27.0	16.4	14.2	12.6	16.6	87.3	10.8	26.1	12.4	43.1	28.6
Total	257.7	275.4	326.8	205.4	196.2	219.8	198.9	48.6	77.9	64.1	106.1	104.4
Total	-	-	-	-	-	-	-	-33.4	60.3	-17.7	65.5	-1.6
Total	-	6.9	18.7	-37.2	-4.5	12.0	-9.5	-23.4	56.4	28.6	45.5	114.8

Source: Department of Cadastre and Geography of Phnom Penh municipality

Table 3. Exports and Imports, 1997–2005

	1997	1998	1999	2000	2001	2002	2003	2004	Q3	Q4	2005	Q2
								Q2			Q1	
	Millions of dollars											
Total exports	493.4	784.4	941.1	1,056.2	1,268.2	1,453.2	1,708.1	494.7	668.8	545.1	463.0	515.0
Of which: Garment	227.2	378.0	554.0	962.1	1,202.2	1,355.8	1,628.4	479.4	643.7	520.3	444.9	497.6
To U S	107.2	74.1	486.0	714.1	840.9	943.4	1,099.8	306.3	387.6	321.2	312.5	335.9
To EU	-	-	-	228.1	323.3	356.3	414.7	135.7	200.9	159.1	89.2	106.0
To rest of the world	120.0	82.0	68.0	19.9	38.0	56.1	113.8	37.3	55.2	40.0	43.1	55.7
Agriculture	-	-	-	94.2	66.0	97.3	79.7	15.3	25.1	24.8	18.1	17.3
Rubber	-	-	-	29.6	25.9	29.7	35.1	6.6	11.6	12.0	7.3	6.2
Wood	-	-	-	32.9	22.3	16.0	10.2	2.8	4.2	2.4	3.3	2.9
Fish	-	-	-	5.4	6.0	4.3	2.8	1.2	4.3	4.4	1.5	1.1
Other	-	-	-	26.2	11.8	47.4	31.6	4.8	5.0	6.0	6.0	7.1
Total imports	1,094.5	1,112.2	1,237.4	1,417.7	1,501.4	1,674.1	1,824.9	607.0	528.2	548.5	520.9	667.0
Of which: Gasoline	-	-	-	-	-	26.0	33.2	8.6	6.6	7.8	10.3	9.3
Diesel	-	-	-	-	-	102.0	109.6	27.7	27.4	23.6	21.6	25.8
Construction materials	-	-	-	-	-	97.4	80.8	27.0	21.3	26.5	32.3	37.1
Other	-	-	-	-	-	1,448.7	1,601.3	543.6	472.9	490.6	456.7	594.8
Trade balance	-601.2	-327.8	-296.3	-361.5	-233.2	-220.9	-116.8	-112.3	140.6	-3.4	-58.0	-152.0
Total garment exports	-	-	-	-	-	-	-	25.0	34.3	-19.2	-14.5	11.8
Total exports	-	-	-	-	-	-	-	23.8	35.2	-18.5	-15.1	11.2
Total imports	-	-	-	-	-	-	-	32.3	-13.0	3.8	-5.0	28.0
Total garment exports	188.0	66.4	47.0	74.0	24.9	12.8	20.1	22.9	35.4	16.0	16.0	3.8
Total exports	27.5	59.0	20.0	12.2	20.1	14.6	17.5	21.1	35.9	14.6	15.9	4.1
Total imports	-1.8	1.6	11.3	14.6	5.9	11.5	9.0	19.6	21.1	12.5	13.5	9.9

Sources: Department of Trade Preferences Systems, MOC and Customs and Excise Department, MEF. Import data include tax exemption imports.

Table 4. Foreign Visitor Arrivals in Cambodia, 1997–2005

	1997	1998	1999	2000	2001	2002	2003	2004	Q3	Q4	2005	Q2
								Q2			Q1	
	Thousands of passengers											
Total by air	-	186.3	262.9	351.7	408.4	523.0	456.0	122.8	143.9	201.5	231.7	169.8
Total by land and boat	-	100.2	104.8	114.7	196.5	263.5	245.0	71.0	84.2	177.3	148.9	124.0
Grand total	218.8	286.5	367.7	466.4	604.9	786.5	701.0	193.8	228.1	378.8	380.6	293.8
Grand total	-	-	-	-	-	-	-	-23.8	17.7	66.1	0.5	-22.8
Grand total	-16.0	30.9	28.3	26.8	29.7	30.0	-10.9	74.5	44.0	70.1	49.6	51.6

Source: Ministry of Tourism

Table 5. Consumer Price Index (CPI), Exchange Rates and Gold Prices, 1997–2005 (period averages)

	1997	1998	1999	2000	2001	2002	2003	2004	2005			
								Q2	Q3	Q4	Q1	Q2
	Consumer price index (percentage change over previous year)											
Provinces*	-	-	5.8	5.4	-0.1	0.9	4.4	7.9	22.1	23.0	20.7	21.5
Phnom Penh - All Items	8.0	14.8	4.0	-0.8	-0.6	3.3	1.2	2.2	6.7	5.8	5.6	6.4
- Foods	6.7	14.1	7.6	-3.3	-2.8	1.8	1.5	3.4	12.2	9.1	7.9	9.8
- Transportation	20.0	15.1	3.5	6.6	-1.1	0.3	4.9	8.1	11.5	14.5	12.3	11.1
	Exchange rates, gold and oil prices (Phnom Penh market rates)											
Riels per US dollar*	-	-	-	3,840.8	3,916.3	3,912.1	3,973.3	4,005.3	4,034.7	4,034.7	4,027	4054.3
Riels per Thai baht*	-	-	-	95.8	88.2	91.1	95.8	99.6	97.7	100.1	104.4	101.3
Riels per 100 Vietnamese dong*	-	-	-	27.1	26.6	25.6	25.6	25.4	24.8	25.3	25.1	25.3
Gold prices (US dollars per chi)	46.3	40.4	36.0	34.0	33.3	32.7	36.8	46.0	46.0	46.3	47.0	52.5
Price of diesel (riels/litre)	779	883	1,065	1,105	1,329	1,521	1,508	1,867	1,983	2,150	2,350	2,500
Price of gasoline (riels/litre)	1,118	1,378	1,613	1,760	2,113	2,084	2,150	2,567	2,767	2,950	3,050	3,300

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

Table 6. Monetary Survey, 1997–2005 (end of period)

	1997	1998	1999	2000	2001	2002	2003	2004	2005			
								Q2	Q3	Q4	Q1	Q2
	Billions of riels											
Net foreign assets	1,177	1,726	2,019	2,589	3,080	3,737	4,027	4,337	4,524	4,797	4,883	5,084
Net domestic assets	-114	-496	-576	-759	-876	-849	-698	-493	-354	-467	-385	-455
Net claims on government	54	178	103	3	-75	-119	-128	-130	-96	-209	-252	-343
Credit to private sector	637	655	763	898	936	1,059	1,337	1,499	1,673	1,817	1,983	2,166
Total liquidity	1,063	1,230	1,443	1,831	2,204	2,888	3,328	3,844	4,169	4,329	4,498	4,629
Money	385	543	531	540	609	813	937	1,040	1,078	1,153	1,198	1,215
Quasi-money	678	687	911	1,291	1,594	2,075	2,391	2,804	3,091	3,176	3,300	3,414
	Percentage change over previous year											
Total liquidity	16.6	15.7	17.3	26.9	20.4	31.0	15.2	30.2	38.7	30.0	22.9	20.4
Money	17	41	-2.2	1.7	12.8	33.5	15.3	17.4	21.7	23.0	19.0	16.8
Quasi-money	16.3	1.3	32.6	41.7	23.5	30.2	15.2	36.7	45.8	32.8	20.3	21.7

Source: National Bank of Cambodia.

Table 7. National Budget Operations on Cash Basis, 1997–2005 (billions of riels)

	1997	1998	1999	2000	2001	2002	2003	2004	2005			
								Q2	Q3	Q4	Q1	Q2
Total revenue	880	920	1,326	1,528	1,529	1,744	1,765	488.5	452.1	662.2	551.6	711.4
Current revenue	-	-	-	-	1,521	1,728	1,733	475.5	450.8	657.7	551.3	611.5
Tax revenue	596	676	956	1,096	1,096	1,227	1,220	348.4	334.1	485.7	455.1	466.0
Customs duties	348	376	432	376	376	424	395	108.4	99.9	168.0	129.4	129.7
Non-tax revenue	272	204	348	424	424	501	513	127.1	116.7	172.1	96.2	145.5
Forest exploitation	36	20	36	28	29	15	7.0	0.3	0.2	0.5	1.3	1.5
Post & telecommunications	84	88	108	124	122	123	120	23.1	28.8	26.3	21.9	32.0
Capital revenue	12	36	12	8	9	16	31	13.0	1.3	4.5	0.3	99.9
Total expenditure (on cash basis)	1,260	1,296	1,792	2,332	2,332	2,948	2,757	710.6	703.4	909.3	646.6	693.7
Capital expenditure	452	368	624	976	977	1,388	1,171	337.1	277.3	293.5	250.7	265.3
Current expenditure (on cash basis)	808	980	1,164	1,356	1,355	1,560	1,586	373.4	426.0	615.8	395.8	428.4
Education and Health	128	132	280	344	343	454	473	80.6	116.0	290.0	52.5	92.3
Defence and Security	420	448	464	404	405	438	411	66.0	91.5	197.8	74.9	73.8
Other ministries	260	332	412	636	637	668	702	226.8	218.6	130.6	150.4	200.0
Overall deficit	-380	-380	-476	-804	-803	-1,204	-992	-222.0	-251.2	-247.1	-95.0	17.7
Foreign financing	444	268	416	768	766	1,249	886	238.5	216.6	238.7	190.7	202.7
Domestic financing	-64	112	60	36	37	-45	106	-16.5	34.6	8.4	-95.7	-220.4

Source: Ministry of Economy and Finance. Q1–Q4 2004 revised. Provisional for Q1–Q4 2004 and Q1–Q2 2005.

Table 8. Real Terms of Daily Average Earnings of Vulnerable Workers (constant November 2000 prices)

	Daily earnings (riels)									Percentage change over previous year		
	2000			2003			2004			2005		
	Nov	Nov	Feb	May	Aug	Nov	Feb	May	Aug	Feb	May	Aug
Cyclo drivers	7,594	9,494	9,153	8,000	7,631	5,670	8,529	7,726	7,857	-6.8	-3.4	3.0
Porters	6,233	6,286	8,383	7,451	6,625	5,121	6,933	7,056	6,000	-17.3	-5.3	-9.4
Small vegetable sellers	5,256	6,480	7,130	7,240	6,650	6,767	6,385	8,574	5,938	-10.4	18.4	-10.7
Scavengers	2,718	3,772	4,625	4,368	4,769	4,024	5,382	5,270	4,335	16.4	20.6	-9.1
Waitresses*	2,111	4,289	4,721	4,273	4,591	4,207	4,470	4,287	4,648	-5.3	0.3	1.2
Rice-field workers	4,198	4,947	5,190	4,038	3,628	3,788	3,997	3,822	4,009	-7.3	-5.3	10.5
Garment workers	6,701	9,671	9,322	9,249	9,211	9,328	9,213	7,235	8,756	-1.2	-21.8	-4.9
Motorcycle-taxi drivers	8,610	9,671	10,791	8,546	8,791	8,688	11,767	11,130	9,406	9.0	33.8	7.0
Unskilled construction workers	5,399	5,996	6,937	6,552	6,095	5,944	5,747	8,130	6,069	-17.2	24.1	-0.4
Skilled construction workers	13,127	16,344	13,297	11,822	13,527	12,071	14,367	12,320	10,273	8.0	4.3	-24.1

Note: The 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.

CDRI Update

Management

The final quarter of 2005 saw an intensive process of consultation and drafting of CDRI's new 2006-10 Strategic Plan and an associated Institutional Model to guide CDRI's development for the next five years and beyond. These directions will be considered by CDRI's Board at its annual meeting on 9-10 December 2005. In early November CDRI held a three day management-staff retreat in Sihanoukville to promote understanding and ownership of the draft new Strategic Plan, and team-building and trust-building within CDRI as it moves forward. The new Strategic Plan will be finalised and published on CDRI's website in early 2006.

In November 2005 CDRI participated in a mid-term review of its core funding support from the Swedish International Development Agency (Sida). The findings of this review, which will assist CDRI in enhancing its future effectiveness, will also be considered by CDRI's Board at its December meeting. An Annual Financial Audit by PriceWaterhouse-Coopers was also commenced in December 2005 and will be completed during January 2006.

A proposal for the establishment of a Learning Resource Centre for the Tonle Sap Initiative, to be housed at the CDRI Library, was submitted to the ADB. Work on the establishment of this multi-faceted centre is expected to commence in January 2006.

Discussions were held between CDRI and the Department of Industrial Standards of the Ministry of Industry, Mines and Energy with a view to planning for CDRI's accreditation and certification by the International Standards Organization at ISO level 9000. A final decision on this will be taken by the CDRI Board in December 2005.

Research

CDRI has begun fieldwork on the Urban Phase of the Baseline Survey Project for Land Titling in Phnom Penh, Siem Reap, and Banteay Mean Chey under the auspices of the Ministry of Land Management, Urban Planning, and Construction (MLMUPC). CDRI is also collaborating with the National Institute of Statistics (NIS) and ADB in a study to assess the poverty impact of regional economic integration in the greater Mekong sub-region (RETA). With support from Oxfam America, CDRI is also undertaking a study to assess the impact of agricultural trade between China and Cambodia on Cambodian producers within the context of the Early Harvest Programme (EHP) component of the China-ASEAN Free Trade Agreement.

Two of CDRI's largest research projects completed fieldwork during the second half of the year. The Moving Out of Poverty Study (MOPS) team is now processing qualitative and quantitative data from 9 villages and preparing a final report. The Tonle Sap Participatory Poverty Assessment (PPA) team is now preparing to analyze qualitative data from 24 villages, and will begin writing the final report soon. CDRI's Natural Resource and Environment (NRE) programme is developing a research project concerning Water Resource Management in collaboration with the University of Sydney and the Royal University of Phnom Penh. CDRI's Governance and Decentralization programme has also commenced fieldwork on two ambitious new research initiatives. One study focuses on public sector accountability at the provincial level, while the other concerns public sector responsiveness. Ms. Jenny Knowles has begun working as a technical advisor for capacity building for the governance and decentralization team at CDRI.

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