

## Economy Watch—External Performance

### World Economic Growth

During the first Quarter of 2006, US real GDP grew at an annual rate of 5.6 percent compared to 1.1 percent increase in the fourth quarter 2005. The acceleration in real GDP growth in the first quarter primarily reflected an increase in personal consumption expenditure (PCE), private domestic investment, and federal government spending.

The real GDP of the Euro Zone in the first quarter 2006 grew by 2.0 percent on an annual basis and by 0.6 percent compared to the previous quarter. Japanese real GDP grew by 3.0 percent on an annual basis and by 0.5 percent compared to the previous quarter.

China maintained high economic growth in the first quarter 2006 with real GDP growth at 10.9 percent, a 1.0 percent point increase from the previous quarter.

Secondary industry registered the highest growth at 13.2 percent, while tertiary and primary industry registered more modest growth at 9.4 percent and 5.1 percent, respectively. The real GDP of South Korea in the first quarter 2006 grew at an annual rate of 6.1 percent compared with 5.2 percent growth in the fourth quarter 2005. The real GDP

of Hong Kong and Taiwan in the first quarter 2006 grew at an annual rate of 8.2 and 4.9 percent, respectively.

The Malaysian economy expanded by 5.3 percent in the first quarter of 2006, compared to the 5.2 percent growth in the previous quarter. On the production side, a relatively high growth rate of 8 percent was recorded in the manufacturing sector. On the expenditure side, growth was led by private expenditure, which grew by 7.5 percent. The Singapore economy in the first quarter 2006 continued to record robust growth, increasing by 10.7 percent. Manufacturing grew by 20.2 percent, while the service sector grew by 7 percent. Thai real GDP in the first quarter 2006 grew at 6.0 percent, up from 4.7 percent in the previous quarter. The agriculture sector registered impressive positive growth at 7.1 percent as compared to a 0.2 percent fall in the fourth quarter 2005. The non-agricultural sector grew by 5.9 percent compared to 5.3 percent in the previous quarter.

### World Inflation and Exchange Rates in International Markets

In the first quarter of 2006, consumer prices in the US rose at a 3.7 percent annual rate, reflecting largely the higher cost of energy and food. Meanwhile, in the Euro

Zone, the inflation rate eased somewhat to 2.3 percent, compared with 2.4 percent in the fourth quarter of 2005. This resulted mainly from an easing of energy price inflation and the decline in the annual growth rate of unprocessed food prices. During the same period, the year-on-year change in Japan's consumer prices was a 0.4 percent increase, compared to a 0.5 percent decline in the previous quarter with petroleum products being the main source of the price rise. Inflation was relatively stable in other Asian economies. For example, in South Korea and Singapore, inflation ran at 2.4 percent and 1.1 percent, respectively, in the first quarter of 2006.

In the exchange rate market, the US dollar weakened vis-à-vis most major currencies in the first quarter of 2006, following a period of appreciation in the fourth quarter of 2005. Against the Japanese yen and the euro,

*The US dollar weakened vis-à-vis most major currencies in the first quarter of 2006, following a period of appreciation in the fourth quarter of 2005. Against the Japanese yen and the euro, the dollar traded at 114.5 JPY/USD and 0.80 EUR/USD depreciated from 117.2 JPY/USD and 0.84 EUR/USD respectively from the fourth quarter of 2005.*

the dollar traded at 114.5 JPY/USD and 0.80 EUR/USD, a depreciation from 117.2 JPY/USD and 0.84 EUR/USD, respectively, from the fourth quarter of 2005. Against the South Korean won and Chinese yuan, it exchanged at 976 KRW/USD and 8.05 CNY/USD, dropping from 1036 KRW/USD and 8.08 CNY/USD,

respectively, in the quarter earlier. The weakening of dollar was seemingly influenced by market expectations about the course of monetary policy in the United States and a record high US current account deficit in 2005.

### Commodity Prices in World Markets

In the first quarter 2006, the prices of rice, maize, palm oil, and crude oil rose, while the price of gasoline went down. The price of white rice, Thai 100% B second grade, in the Bangkok market in the first quarter of 2006 was at USD275.12/tonne, up from USD259.40/tonne in the fourth quarter 2005. Palm oil was sold at USD395.77/tonne in the first quarter 2006, a 1 percent increase from the previous quarter. The price of maize was stable at USD95.33/tonne, a 5 percent increase from the fourth quarter 2005. The price of soybean in the first quarter 2006 was stable as in the previous quarter at USD210.96/tonne. The price of crude oil in the first quarter 2006 increased by 9 percent, while the price of gasoline decreased by 3 percent from the fourth quarter 2005. In the first quarter 2006, crude oil sold at USD 57.89/ barrel and gasoline sold at US 41.18 cent/ liter.

*Prepared by Hing Vutha and Phim Runsinarith*

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

	2001	2002	2003	2004	2005				2006 Q1	2005
					Q1	Q2	Q3	Q4		
Selected ASEAN countries										
Cambodia	6.7	4.8	7	7.7	-	-	-	-	-	13.4
Indonesia	3.8	3.8	4.9	5.1	6.4	5.5	5.3	4.9	4.6	5.6
Malaysia	0.5	5.6	5.4	7	5.7	4.4	5.3	5.2	5.3	5.2
Singapore	-2.3	2.6	1.4	8.5	2.5	5.4	7	7.7	10.7	5.7
Thailand	1.9	6.1	6.9	6	3.3	4.6	5.3	4.7	6.0	4.5
Vietnam	6.0	6.7	7	7.5	-	-	-	-	-	8.4
Selected other Asian countries										
China	7.5	8.1	9.9	9.5	9.5	9.5	9.4	9.9	10.9	9.6
Hong Kong	0.5	5.0	3.2	8.3	2.7	7.3	8.2	7.6	8.2	6.5
South Korea	3.0	6.1	3	4.7	6	3.3	4.4	5.2	6.1	4.7
Taiwan	-2.2	4.2	3.1	5.7	2.7	-	-	6.0	4.9	-
Selected industrial countries										
Euro-12	1.4	0.7	0.5	1.8	1.3	1.2	1.5	1.8	2.0	1.5
Japan	0.4	0.4	2.6	3.4	1.3	1.4	2.9	4.5	3.0	2.5
United States	1.2	2.4	3.1	4.4	3.5	3.3	4.1	1.1	5.6	3.0

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

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

	2001	2002	2003	2004	2005				2006 Q1	2005
					Q1	Q2	Q3	Q4		
Selected ASEAN countries										
Cambodia	-0.6	3.2	1.2	4.0	5.6	6.4	4.6	6.6	5.9	5.8
Indonesia	11.5	13.2	8.3	8.3	10.7	10.8	12	17.3	-	10.5
Malaysia	1.4	1.8	1.1	1.6	2.5	3.0	3.4	3.4	3.9	3.1
Singapore	1.0	-0.4	0.5	1.7	0.4	0.1	0.5	1.1	1.1	0.5
Thailand	1.7	0.6	1.8	2.7	2.8	3.7	5.6	6.0	5.7	4.5
Vietnam	-0.4	3.8	3.2	8.3	9.0	8.0	7.5	-	-	-
Selected other Asian countries										
China	0.9	-0.7	1.2	3.9	2.8	1.7	1.3	1.4	1.2	1.8
Hong Kong	-1.3	-3.0	-2.6	-0.4	0.4	0.8	1.4	1.8	2.0	1.1
South Korea	4.4	2.7	3.5	3.5	3.2	3.0	2.4	2.5	2.4	2.8
Taiwan	-0.01	-0.2	-0.3	1.6	1.6	2.1	-	2.4	-	-
Selected industrial countries										
Euro-12	2.6	2.2	2.1	2.2	2.1	2.1	2.3	2.4	2.3	2.2
Japan	-0.6	-0.9	-0.3	Nil	-0.2	-0.1	-0.3	-0.5	0.4	-0.3
United States	2.8	1.6	2.3	2.7	3.0	2.9	3.8	3.7	3.7	3.4

Sources: International Monetary Fund, *Economist* and National Institute of Statistics

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

	2001	2002	2003	2004	2005				2006 Q1	2005
					Q1	Q2	Q3	Q4		
Selected ASEAN countries										
Cambodia (riel)	3,916.3	3,912.1	3,973	4,016.3	4,027.0	4,054.3	4,134.3	4,154.3	-	4,092.5
Indonesia (rupiah)	10,261	9,311	8,577	8,938	9,274	9,550	9,994	9,999	-	9,705
Malaysia (ringgit)	3.80	3.80	3.80	3.80	3.80	3.80	3.77	3.78	3.73	3.79
Singapore (S\$)	1.79	1.79	1.74	1.69	1.63	1.66	1.68	1.69	1.63	1.66
Thailand (baht)	44.4	42.9	41.5	40.2	38.6	40.1	41.3	41.02	39.3	40.2
Vietnam (dong)	14,725	15,280	15,510	-	15,809	15,842	15,878	-	-	-
Selected other Asian countries										
China (yuan)	8.28	8.28	8.28	8.28	8.28	8.28	8.14	8.08	8.05	8.19
Hong Kong (HK\$)	7.80	7.80	7.78	7.79	7.80	7.79	7.77	7.75	7.76	7.78
South Korea (won)	1,291	1,251	1,192	1,145	1,022	1,008	1,029	1,036	976	1,024
Taiwan (NT\$)	33.8	34.5	34.4	33.6	31.5	31.4	32.3	33.4	32.3	32.1
Selected industrial countries										
Euro-12 (euro)	1.12	1.06	0.89	0.80	0.76	0.79	0.81	0.84	0.80	0.80
Japan (yen)	121.5	125.4	115.9	108.2	104.7	107.4	111.2	117.2	114.5	110.2

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

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

	2001	2002	2003	2004	2005				2006 Q1	2005
					Q1	Q2	Q3	Q4		
Maize (IUSNo.2)—USA (\$/tonne)	81.18	89.98	95.42	110.65	87.98	87.53	90.61	90.64	95.37	89.19
Palm oil—north-west Europe (\$/tonne)	259.13	353.91	402.03	427.47	374.86	382.48	376.41	391.52	395.75	381.32
Rubber—Malaysia (\$/tonne)	602.0	768.3	1050	1252.2	-	-	-	-	-	-
Rice (Thai 100% B)—Bangkok (\$/tonne)	160.81	178.59	182.22	221.67	268.11	268.20	255.77	259.40	275.12	262.88
Soybeans (US No.1)—USA (\$/tonne)	163.89	182.58	218.86	262.03	208.52	263.66	214.37	210.42	210.96	224.25
Crude oil—Dubai (\$/barrel)	22.8	23.9	26.8	33.5	42.6	47.7	57.27	52.99	57.89	50.14
Gasoline—US Gulf Coast (cents/litre)	19.5	19.1	23	30.9	34.4	39.7	52.37	42.29	41.18	42.19

Sources: Food and Agriculture Organisation and US Energy Information Administration.

Note: All prices have been converted from US\$/ton to US\$/tonne, which 1 ton = 0.907 tonne.

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### Introduction

The World Bank has classified Cambodia as a lower income country in the East Asia and Pacific region, as a result of its recent economic performance. The average real GDP growth rate during the period of 2001–2005 was 11.2 percent, and per capita growth was 9.3 percent.<sup>1</sup> This was a stronger economic performance compared with the 3.0 percent average real growth during the period 1997–2001.

### Main Economic Activities

In the first quarter of 2006, private investment and tourism made a higher contribution to the Cambodian economy, while the construction sector and external trade contribution declined, compared with the previous quarter.

Total private investment expanded during the quarter due to project expansion following the higher growth of GDP in 2005 (19.9 percent nominal and 13.4 percent real), which attracted more investors. However, this investment expansion is not expected to continue in the longer term. Approvals of private investment in fixed assets rose by 91 percent to USD227.3 m in the first quarter. According to data from the Council for the Development of Cambodia, registered fixed asset agricultural investment approvals were USD126.5 m in the quarter, an increase of almost 13 times compared to the previous quarter. Investment in the service sector doubled to USD60.7 m, while industrial investment declined by 51 percent from USD82.0 m to USD40.1 m. Moreover, the total value of fixed asset private investment approvals in the first quarter 2006, including expansion projects, dropped by 52 percent from USD475.3 m in the same period in 2005 (when growth was due to investment in industry). However, increased private investment has benefited the Cambodian economy this quarter.

In the past several years, tourism growth has continued as foreign tourists are being attracted to Cambodia in greater numbers. This is because Siem Reap (Angkor) is becoming better known, there is a stable security situation and the tourism infrastructure in the country is better. In the first quarter of 2006, a total of 457,300 visitors arrived in Cambodia, 9.9 percent more than in the previous quarter and 20 percent more than in the same quarter of 2005. Of the total, 88 percent (400,417 persons) were on holiday and 5.6 percent (25,386 persons) were officials and business people. Phnom Penh International Airport received 103,203 international passengers in the first quarter (compared to 117,516 in the preceding quarter), while visitors arriving at Siem Reap International Airport increased by 29 percent from 133,984 persons in fourth quarter 2005 to 172,188. Visitors by land and water rose by 11 percent to 181,900, of whom 93 percent arrived

in Cambodia by land (compared with 95 percent in the previous quarter). Korea was the largest source of arrivals, accounting for 100,187 persons, or 22 percent of total visitors, followed by Japan (43,617 persons) and the United States (33,404 persons).

People migrating from elsewhere, including foreign countries, have increased the population of Phnom Penh. The population growth, plus high economic growth, has led to increased construction in Phnom Penh over the past several years. However, construction in Phnom Penh in the first quarter continued a decline that began in the second quarter of 2005. It seems that the previous construction approvals are coming to completion, but the expansion momentum has not been subsequently maintained. According to data from the Municipal Department of Cadastre and Geography, construction project approvals amounted to USD67.3 m, a decrease of 6.3 percent from USD71.8 m in the previous quarter and a much larger drop from USD106.1 m in the same quarter of 2005. Flat approvals accounted for USD39.9 m, 12 percent less than in the preceding quarter, and other construction approvals were down 18 percent to USD17.4 m, while villa and house approvals almost doubled, from USD5.4 m to USD10.1 m. However, construction activities in Phnom Penh increased for the year 2005 by 36 percent to USD358.8 m, compared with USD263.4 m in 2004. This increase was led by flat construction valued at USD204.2 m, which continued to dominate during this period.

In this period, construction project approvals in Phnom Penh declined while private investment and tourism increased. Moreover, Cambodia's external trade deficit increased to USD87.5 m, compared with USD46.3 m in the previous quarter, after a surplus of USD97.7 m in third quarter 2005. In the first quarter, although imports fell, total exports also dropped by 6.5 percent to USD603.2 m, in contrast to an increase of 30 percent in the same quarter last year. Of the major export products, garment exports decreased by 5.4 percent, from USD601.0 m to USD568.5 m. Garment exports to the United States and EU dropped by 1.4 percent and 24 percent, respectively. Rubber exports declined by 42 percent to USD7.8 m and fish exports by 71 percent to USD1.9 m, while exports of wood and other products increased by 5.0 percent and 4.6 percent, respectively. Expanding exports can provide more income to Cambodia, but in the first quarter, exports usually drop because of seasonal factors (i.e, a large part of garment production goes to the northern hemisphere and their chief buying period is usually the third and the fourth quarters). Garment exports typically drive export performance. The seasonal factor also drives agriculture exports and another possible cause of the decline is a diversion of exports into 'unofficial' trade (border farms' products traded directly to neighbouring country traders,

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and sometimes people can gain more value for their products by doing that).

The value of total imports reported by the Customs and Excise Department was almost unchanged at USD690.7 m in first quarter 2006, compared to USD691.1 m in the last quarter of 2005. Food and fabric imports declined by 1.0 percent to USD10.0 m and 9.0 percent to USD2.0 m respectively, while gasoline imports rose by 1.9 percent to USD10.9 m and diesel by 54 percent to USD32.5 m. The volumes of gasoline and diesel imports were 34,755 tonnes and 115,820 tonnes in the first quarter 2006, compared to 34,456 tonnes and 76,645 tonnes, respectively, in the preceding quarter in 2005. Imports of construction materials rose by 41 percent to USD37.0 m, compared with USD26.2 m in the preceding quarter.

### Public Finance

The overall government deficit worsened during first quarter 2006. According to revised data from the Ministry of Economy and Finance, the overall budget deficit expanded to KHR259.8 bn, compared to KHR171.0 bn in the previous quarter and KHR154.7 bn in the same quarter of 2005. Both government expenditure and budget revenue shrank, but the decline of budget expenditures was not sufficient to improve the government's budget balance. Since second quarter 2005, government revenue and expenditure had increased, but in this quarter both fell.

Import and export values fell, causing tax collections from import and export taxes to also decrease. Total revenue, consisting of tax, non-tax and capital revenues, dropped by 28 percent to KHR595.9 bn in the first quarter, compared with KHR827.8 bn in the preceding quarter. Tax revenue declined by 13 percent to KHR484.7 bn, led by a fall of VAT, excise duties and customs duties. In addition, postal and telecommunications revenue fell by 70 percent from KHR38.0 bn to KHR11.4 bn, and revenue from civil aviation fell by 95 percent to KHR0.4 bn. Domestic capital revenues, made up from privatisation and other sources, fell sharply from KHR126.3 bn in the previous quarter to KHR2.7 bn. From January to March 2006, total budget revenue reached 21 percent of the 2006 budget law target (KHR2812.7 bn), compared with 24 percent in the same period of 2005 (KHR2298.6 bn). Total revenue in 2005 (for 12 months) was 114 percent of the target of KHR2625.3 bn. Revenue is necessary to repay government debt and for public expenditure. In this case, revenues declined, therefore, the ability to repay debt and to fund public spending decreased.

In this period, expenditures on education and health declined, while defense and security spending rose slightly. Government spending, including expenditure adjustment, in first quarter 2006 was 14 percent less than in the previous quarter at KHR855.6 bn. There was

a decrease of 9.2 percent to KHR588.8 bn in current expenditure on a cash basis and of 24 percent in capital expenditure. There was a sharp decline of 65 percent of expenditure on education and health, while spending on defence and security increased by 9.4 percent, compared to the preceding quarter. Other current public service expenditure also increased. Compared to the same quarter of 2005, total budget spending increased by 21 percent from KHR706.3 bn. Reduced foreign financing (a 32 percent fall) was reflected in a decline in capital expenditure.

### Inflation and Foreign Exchange Rates

According to monthly data published by the National Institute of Statistics, the overall consumer price index in Phnom Penh in first quarter 2006 was up by 6.1 percent from a year earlier. In the preceding quarter, the annual increase was 6.6 percent. Compared to the last quarter of 2005, the all-items consumer price index fell by 0.2 percent and food prices decreased by 1.0 percent, while the prices of other main consumer items, including transportation and communication, medical care, personal care products, education and entertainment, material for household operation and clothing and footwear, increased very little. Food prices rose by 11 percent, compared with the same quarter of 2005, equal to the increase in the previous quarter and higher than the rise in the first quarter last year (7.9 percent). Transportation rose by 9.7 percent from 2005, less than an increase of 10 percent in the previous quarter. In this quarter, the higher prices of key consumer goods have tended to make the lives of the poor harder. Therefore, higher inflation has particularly affected the livelihood of the poor and those with low incomes.

The riel appreciated 1.5 percent against US dollar, trading at 4094.8, compared to the previous quarter. The riel improved by 2.7 percent against the Vietnamese dong, trading at 25.4 riels per 100 dong, while it lost against the Thai baht, trading at 103.5 riels/baht, down from 101.4 riels/baht in the preceding quarter.

### Monetary Development

According to the monetary survey of the National Bank of Cambodia, liquidity (M2) at the end of the first quarter 2006 grew by 14 percent from the previous quarter to KHR5711.0 bn (USD1392.9 m). This resulted from an increase of foreign currency deposits of 16 percent to KHR4146.0 bn (USD1011.0 m) and a rise of 9.5 percent in riels outside banks to KHR1403.5 bn (USD342.3 m). At the same time, riels in bank deposits, including demand deposits and time and saving deposits, rose by 5.1 percent to KHR161.0 bn (USD39.3 m).

Over the 12-month period, total liquidity rose by 72

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percent from KHR3329.0 bn (USD812.0 m). The riel component increased by 54 percent, of which riels outside banks rose by 55 percent. At the same time, foreign currency deposits increased by 80 percent. The risk from a higher money supply is higher inflation, because of the surplus of money over the demand for goods in the market. On the other hand, the rise of foreign currency deposits indicates more confidence in banking sector and the economic policies of Cambodia's government.

US dollar loan interest rates have been steady. Currently they are 16.4 percent per annum and they were 16.7 percent in 2004. US dollar deposit rates were also stable at around 3.9 percent. In this first quarter, private sector credit increased by 16 percent to KHR 2778.0 bn, while net claims on government declined to KHR 456.0 bn (49 percent decline) compared to the last quarter of 2005. This was due to a rise in government deposits in the banking system. No doubt the expansion in private sector credit is due to the robust economic growth and a stable interest rate environment. The bank interest margin (i.e., the difference between lending and deposit rates) remains high at about 12.5 percent. A lower interest margin would encourage more lending and ultimately greater private sector economic activity.

### Poverty Situation—Real Daily Earnings of Vulnerable Workers

According to the vulnerable workers survey covering 10 groups, conducted by CDRI in May, the overall average real daily earnings declined by 9.6 percent compared to the same period in 2005. Earnings of small traders, scavengers, waitresses, motorcycle taxi drivers, unskilled workers and skilled construction workers fell, while the earnings of the other four groups—cyclo drivers, porters, rice field workers and garment workers—increased.

Real daily earnings of motorcycle taxi drivers fell by 23.1 percent from 11,400 riels in May 2005 to 8800 riels, but were similar to the survey in February of this year. In this survey, 68 percent of motorcycle taxi drivers reported a fall in their earnings, 18 percent reported no change and 15 percent an earnings increase. The survey reflected the increased price of gasoline, 4100 riels a litre in May, a 19 percent increase from the same time last year. Motorcycle taxi drivers spent about 24 days per month and around 10 hours per day at work, and they spent an average of 4200 riels per day on food. Sixty-three percent of motorcycle taxi drivers needed rental accommodation because they were migrants from the provinces looking for jobs in Phnom Penh.

The average real daily earnings of skilled construction workers decreased by 20.2 percent to 9800 riels in May 2006, compared to 12,300 riels in the same period in 2005. These were the lowest reported earnings for skilled

construction workers since the surveys started in 2000. It was not clear why earnings declined, because the survey design makes it difficult to find the same workers to re-interview. However, 78 percent of skilled construction workers indicated that the number of workers had increased. This applies especially to unskilled workers becoming skilled after they have worked closely with skilled construction workers for a long time. Thirty-five percent of construction interviewees in this survey were single, and most of them were aged less than 25 years. Most skilled workers were temporary migrants from rural areas.

For unskilled workers in May 2006, real daily earnings declined by 21 percent compared to the same period in 2005. However, there was a 7 percent increase since the last survey in February. Most unskilled workers complained that their earnings are not stable; therefore they could not save much to send home. Generally, they worked around 15 days in May 2006 for around seven hours per day. Half of unskilled workers were aged less than 25 years old, and 75 percent of them had attended primary school, while 20 percent had attended secondary school and 5 percent were without schooling.

In May, real daily earnings of small traders fell by 24.3 percent from 8600 riels in the same period of 2005 to 6500 riels. Earnings declined due to the unstable prices of vegetables and an increase in the number of small traders. About 82 percent of traders interviewed reported that the number of traders had increased, especially because of itinerant traders from Kandal and Kompong Speu moving to Phnom Penh due to difficult conditions at home. Most small vegetable traders spent a great deal of time in the market, including getting up at 3 a.m. to buy goods to sell. Eighty-five percent of small traders said that with their earnings they could not save enough to expand their businesses. The survey also revealed that many girls aged 10 to 15 carry fruit and vegetables in small baskets for selling. Informal interviews with the young girls found that they earned 1500–2000 riels per day, but some of them spent half a day and some the full day helping their families. Some girl traders said that normally they work after school, while others leave their home towns with their families early each day, and therefore have to quit school.

Real daily earnings of scavengers dropped by 14.4 percent in May from 5,300 riel to 4500 riels in the same month of 2005. Since early in 2006, the daily earnings of scavengers have continued to decrease. In May, 92 percent of respondents stated that their earnings had declined and the other 8 percent that they had stayed the same. The decrease in earnings was due to low prices for rubbish compared to the last three months, according to the respondents. Sixty-five percent of scavengers

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interviewed were migrants from the countryside, and the other 35 percent are normally resident near the rubbish dumps. Most of the migrants come with their families and most rent accommodation in villages near the dump. It was reported that 58 percent of migrants were landless and another 31 percent had less than one hectare. The scavengers interviewed complained that their daily earnings were not stable and that they lived hand to mouth.

The average real daily earnings of garment workers were 7860 riels in May, an increase of 8.6 percent compared to the same month in 2005. However, their earnings declined by 14.4 percent compared to the last survey in February. Garment workers spending averaged USD36 (148,000 riel), including spending on food, in May. Only 17.5 percent said that could save anything from their earnings. About 60 percent of the workers sent money home to their families. The survey revealed that 75 percent of garment workers had no skills before they went to work in the factories; 21 percent said that they had trained with a private training company and the other

4 percent trained at home. According to the survey, 10 percent of garment workers were temporary workers and 90 percent were permanent.

The average real daily earnings of cyclo drivers and porters rose by 10.6 percent and 4.5 percent, respectively, in May 2006, compared to the same survey in 2005. However, half of cyclo drivers and porters revealed that their earnings were just a small part of what was needed to support their families. Normally, cyclo drivers spent 4400 riels and porters 3700 riels per day for food. Compared to the survey at the same period last year, food expenditure rose by 16 percent and 9 percent, respectively. Both cyclo drivers and porters were migrants from the rural areas. They worked 25 days in May and worked approximately seven months per year.

### Endnotes

1. Source: Calculated from NIS data

*Prepared by: Pon Dorina and Phann Dalis*



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## Economy Watch—Indicators

**Table 1. Private Investment Projects Approved, 1998–2006**

	1998	1999	2000*	2001*	2002*	2003*	2004*	2005				2006
								Q1	Q2	Q3	Q4	Q1
	Fixed Assets (USD m)											
Agriculture	51.6	63.9	9.8	0.4	40.3	3.7	12.3	3.2	4.0	10.4	9.1	126.5
Industry	650.5	162.6	109.4	105.2	67.7	137.2	189.2	418.8	62.1	349.7	82.0	40.1
Garments	126.5	67.7	81.5	26.5	27.2	68.1	133.9	44.9	23.2	56.5	27.3	30.5
Services	154.7	222.6	150.1	118.4	145.3	168.4	92.0	53.3	30.0	44.1	28.1	60.7
Hotels and tourism	112.0	171.8	79.8	73.8	47.1	124.1	55.9	46.4	0.0	33.6	22.6	0.0
Total	856.8	449.1	269.2	224.0	253.3	309.3	293.5	475.3	96.1	404.2	119.2	227.3
Total	-	-	-	-	-	-	-	2798.2	79.8	320.6	70.5	90.7
Total	15.0	47.6	40.0	19.5	10.5	31.1	12.4	650.8	15.2	392.9	628.1	52.2

\* revised and including expansion project approvals. Source: Cambodian Investment Board.

**Table 2. Value of Construction Project Approvals in Phnom Penh, 1998–2006**

	1998	1999	2000	2001	2002	2003	2004	2005				2006
								Q1	Q2	Q3	Q4	Q1
	USD m											
Villas and houses	21.2	20.0	16.4	15.9	23.4	20.0	30.3	14.3	6.6	19.2	5.4	10.1
Flats	227.3	290.5	174.8	167.8	179.9	91.6	167.6	48.6	69.1	41.3	45.1	39.9
Other	27.0	16.4	14.2	12.6	16.6	87.3	65.6	43.1	28.6	16.0	21.3	17.4
Total	275.4	326.8	205.4	196.2	219.8	198.9	263.4	106.1	104.4	76.5	71.8	67.3
Total	-	-	-	-	-	-	-	65.5	-1.6	-26.7	-6.1	-6.2
Total	6.9	18.7	-37.2	-4.5	12.0	-9.5	32.5	45.5	114.8	-1.8	12.0	-36.5

Source: Department of Cadastre and Geography of Phnom Penh municipality

**Table 3. Exports and Imports, 1998–2006**

	1998	1999	2000	2001	2002	2003	2004	2005				2006
								Q1	Q2	Q3	Q4	Q1
	USD m											
Total exports	784.4	941.1	1056.2	1268.2	1453.2	1708.1	2108.1	463.0	515.0	730.0	644.8	603.2
Of which: Garments	378.0	554.0	962.1	1202.2	1355.8	1628.4	2027.0	444.9	497.6	709.8	601.0	568.5
To US	74.1	486.0	714.1	840.9	943.4	1099.8	1270.9	312.5	335.9	489.5	408.1	402.5
To EU	-	-	228.1	323.3	356.3	414.7	590.8	89.2	106.0	162.5	145.3	110.6
To rest of world	82.0	68.0	19.9	38.0	56.1	113.8	165.3	43.1	55.7	57.8	47.5	55.3
Agriculture	-	-	94.2	66.0	97.3	79.7	81.2	18.1	17.3	20.2	43.8	34.7
Rubber	-	-	29.6	25.9	29.7	35.1	38.3	7.3	6.2	9.8	13.4	7.8
Wood	-	-	32.9	22.3	16.0	10.2	11.1	3.3	2.9	2.1	2.0	2.1
Fish	-	-	5.4	6.0	4.3	2.8	10.6	1.5	1.1	0.8	6.6	1.9
Other	-	-	26.2	11.8	47.4	31.6	21.3	6.0	7.1	7.5	21.9	22.9
Total imports	1112.2	1237.4	1417.7	1501.4	1707.8*	1824.9	2149.0	520.7	666.4	632.3	691.1	690.7
Of which: Gasoline	-	-	-	-	25.9	33.2	30.2	10.3	9.3	9.9	10.7	10.9
Diesel	-	-	-	-	100.8	109.6	109.4	21.6	25.8	24.6	21.1	32.5
Construction materials	-	-	-	-	12.9	80.8	95.3	32.3	37.1	38.7	26.2	37.0
Other	-	-	-	-	1568.2	1601.3	1914.0	456.5	594.2	559.1	633.1	610.3
Trade balance	-327.8	-296.3	-361.5	-233.2	-254.6	-116.8	-40.9	-57.7	-151.4	97.7	-46.3	-87.5
Total garment exports	-	-	-	-	-	-	-	-14.5	11.8	42.6	-15.3	-5.4
Total exports	-	-	-	-	-	-	-	-15.1	11.2	41.7	-11.7	-6.4
Total imports	-	-	-	-	-	-	-	-5.0	28.0	-5.1	9.3	-0.03
Total garment exports	66.4	47.0	74.0	24.9	12.8	20.1	24.5	16.0	3.8	10.3	15.5	27.8
Total exports	59.0	20.0	12.2	20.1	14.6	17.5	23.4	15.9	4.1	9.2	18.3	30.3
Total imports	1.6	11.3	14.6	5.9	13.7	6.9	17.8	13.7	9.9	20.5	26.1	32.6

Imports include tax-exempt imports. Sources: Department of Trade Preferences Systems, MOC and Customs and Excise Department, MEF

**Table 4. Foreign Visitor Arrivals in Cambodia, 1998–2006**

	1998	1999	2000	2001	2002	2003	2004	2005				2006
								Q1	Q2	Q3	Q4	Q1
	Thousands of passengers											
by air	186.3	262.9	351.7	408.4	523.0	456.0	626.1	231.7	169.8	202.8	251.5	275.4
by land and water	100.2	104.8	114.7	196.5	263.5	245.0	428.9	148.9	124.0	120.4	164.5	181.9
Total	286.5	367.7	466.4	604.9	786.5	701.1	1055.0	380.6	293.8	323.2	416.0	457.3
Total	-	-	-	-	-	-	-	0.5	-22.8	10.0	28.7	9.9
Total	30.9	28.3	26.8	29.7	30.0	-10.9	50.5	49.6	51.6	41.8	9.8	20.2

Source: Ministry of Tourism

## Economy Watch—Indicators

**Table 5. National Budget Operations on Cash Basis, 1998–2006 (Billions of riels)**

	1998	1999	2000	2001	2002	2003	2004	2005				2006
								Q1	Q2	Q3	Q4	Q1
Total revenue	920	1326	1528	1529	1744	1765	2127	551.6	621.9	624.0	827.8	595.9
Current revenue	-	-	-	1521	1728	1733	2107	551.3	611.5	609.5	701.6	593.2
Tax revenue	676	956	1096	1096	1227	1220	1577	455.1	466.0	436.2	553.8	484.7
Customs duties	376	432	376	376	424	395	513	129.4	129.7	123.7	189.8	135.5
Non-tax revenue	204	348	424	424	501	513	530	96.2	145.5	173.2	147.8	108.5
Forest exploitation	20	36	28	29	15	7	2	1.3	1.5	0.3	0.1	0.5
Posts & telecommunications	88	108	124	122	123	120	94	21.9	32.0	30.9	38.0	11.4
Capital revenue	36	12	8	9	16	31	19	0.3	10.4	14.6	126.3	2.7
Total expenditure	1296	1792	2332	2332	2948	2757	2932	706.3	713.7	912.9	998.9	855.6
Capital expenditure	368	624	976	977	1388	1171	1163	326.3	315.9	335.4	350.3	266.9
Current expenditure	980	1164	1356	1355	1560	1586	1769	380.0	397.8	577.0	648.6	588.8
Education and Health	132	280	344	343	454	473	518	52.5	92.3	202.1	228.4	80.3
Defence and Security	448	464	404	405	438	411	423	74.9	73.9	116.7	71.4	78.1
Other ministries	332	412	636	637	668	702	828	252.6	231.7	258.2	348.8	430.4
Overall deficit	-380	-476	-804	-803	-1204	-992	-805	-154.7	-91.9	-288.3	-171.0	-259.8
Foreign financing	268	416	768	766	1249	886	864	266.7	255.7	335.8	269.0	184.0
Domestic financing	112	60	36	37	-45	106	148	-111.9	-163.9	-47.5	-97.9	75.8

Provisional for 2004, 2005 and Q1 2006. Source: Ministry of Economy and Finance

**Table 6. Consumer Price Index, Exchange Rates and Gold Prices (period averages), 1998–2005**

	1998	1999	2000	2001*	2002	2003	2004	2005				2006
								Q1	Q2	Q3	Q4	Q1
	Consumer price index (percentage change over previous year)											
Provinces	-	5.8	5.4	-0.1	0.9	4.4	14.4	20.7	21.5	14.5	16.6	15.8
Phnom Penh - All Items	14.8	4.0	-0.8	0.2	3.3	1.1	3.9	5.6	6.4	4.6	6.6	6.1
- Foods	14.1	7.6	-3.4	-2.5	1.8	1.5	6.4	7.9	9.8	6.0	10.6	10.6
- Transportation	15.1	3.5	6.6	-4.2	0.3	4.9	9.7	12.3	11.1	11.9	10.2	9.7
	Exchange rates, gold and oil prices (Phnom Penh market rates)											
Riels per US dollar	-	-	3840.8	3916.3	3912.1	3973.3	4016.3	4027.0	4054.3	4134.3	4154.3	4094.8
Riels per Thai baht	-	-	95.8	88.2	91.1	95.8	99.9	104.4	101.3	100.2	101.4	103.5
Riels per 100 Vietnamese dong	-	-	27.1	26.6	25.6	25.6	25.5	25.1	25.3	25.9	26.1	25.4
Gold prices (US dollars per chi)	40.4	36.0	33.3	32.8	36.8	41.4	46.3	52.6	52.5	55.4	57.0	64.2
Diesel (riels/litre)	883	1065	1105	1329	1521	1508	3442	2350	2500	2767	2921	2867
Gasoline (riels/litre)	1378	1613	1760	2113	2084	2150	2633	3050	3300	3633	3750	3767

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

**Table 7. Monetary Survey, 1998–2005 (end of period)**

	1998	1999	2000	2001	2002	2003	2004	2005				2006
								Q1	Q2	Q3	Q4	Q1
	Billions of riels											
Net foreign assets	1726	2019	2589	3080	3737	4027	4797	4883	5084	5391	5475	6410
Net domestic assets	-496	-576	-759	-876	-849	-698	-467	-385	-455	-397	-450	-699
Net claims on government	178	103	3	-75	-119	-128	-209	-252	-343	-404	-421	-755
Credit to private sector	655	763	898	936	1059	1337	1817	1983	2166	2386	2394	2778
Total liquidity	1230	1443	1831	2204	2888	3328	4329	4498	4629	4994	5025	5711
Money	543	531	540	609	813	937	1153	1198	1215	1279	1323	1449
Quasi-money	687	911	1291	1594	2075	2391	3176	3300	3414	3715	3702	4262
	Percentage change over previous year											
Total liquidity	15.7	17.3	26.9	20.4	31.0	15.2	30.0	22.9	20.4	19.8	16.1	27.0
Money	41	-2.2	1.7	12.8	33.5	15.3	23.0	19.0	16.8	18.6	14.7	20.9
Quasi-money	1.3	32.6	41.7	23.5	30.2	15.2	32.8	20.3	21.7	20.2	16.6	33.6

Source: National Bank of Cambodia.

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

	Daily earnings (riels)								Percentage change over previous year			
	2000	2002	2003	2004	2005	2006	2006					
	Nov				May	Aug	Nov	Feb	May			
Cyclo drivers	7594	8975	8572	7614	7726	7857	7768	7873	8546	4.7	-7.7	10.6
Porters	6233	7044	6676	6895	7056	6000	6473	6519	7375	-4.0	-6.0	4.5
Small vegetable sellers	5256	6566	6532	6947	8574	5938	8385	6186	6492	5.4	-3.1	-24.3
Scavengers	2718	3685	3944	4446	5270	4335	4801	4984	4512	11.3	-7.4	-14.4
Waitresses*	2111	4365	4932	4448	4287	4648	3893	4670	4243	-2.8	4.5	-1.0
Rice-field workers	4198	4304	4177	4139	3822	4009	4224	4127	4541	-3.0	3.3	18.8
Garment workers	6701	8904	9577	9277	7235	8756	8659	9184	7860	-8.7	-0.3	8.6
Motorcycle-taxi drivers	8,610	12,184	10,092	9204	11,130	9406	9645	8884	8790	14.8	-24.5	-23.1
Unskilled construction workers	5399	6453	6558	6382	8130	6069	6691	5974	6407	4.3	3.9	-21.2
Skilled construction workers	13,127	12,605	13,111	12,679	12,320	10,273	11,253	11,750	9833	-4.9	-18.2	-20.2

Notes: 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.