

Economy Watch—External Environment¹

This section describes economic indicators of major world economies and economies in east Asia.

World Economic Growth

Developing Asia and south-east and east Asian countries continue to lead the recovery while major industrialised countries still struggle to rebound from the worst economic recession since the Great Depression. Private consumption is sustaining economic growth, while fiscal and monetary interventions have largely been normalised. However, growth of world economies is generally slower than a year earlier.

In the first quarter of 2011, Indonesia's real GDP grew 6.5 percent year on year while Vietnam grew 5.4 percent. Malaysia, Singapore and Thailand experienced a decrease in real GDP growth. Malaysia's GDP was 4.6 percent while Singapore's was 8.3 percent. Growth in Thailand continued to slip to 3.0 percent, due mainly to persistent domestic political turmoil and border conflict with Cambodia. Albeit slower than a year earlier, China still performed well with GDP growth of 9.7 percent. Hong Kong's growth was 7.2 percent while South Korea grew 4.2 percent.

Although economies of major industrialised countries started to rebound, they still struggle to reach pre-crisis levels. In the first quarter of 2011, GDP growth rates of the euro-12 went up to 2.5 percent year on year while that of the United States was 2.3 percent. In the same period, recession loomed in Japan as a result of the devastating earthquake that struck the country in March, killing thousands of people and crippling a nuclear plant. The anxieties about radiation leakage have seriously damaged the country's domestic consumption and trade balance.

World Inflation and Exchange Rates

Albeit recovering, world economies still face a pressing issue: persistently high inflation. In the first quarter of this year, major world economies saw increased year-on-year inflation rate. Policy makers in developing Asia also need to take precautionary measures to curb inflation.

In the first quarter of this year, year on year inflation in Indonesia accelerated by 6.8 percent while that in Singapore by 5.2 percent. As a result of its expansionary fiscal policy, Vietnam continued to battle high inflation which stood at 12.8 percent. Cambodia and Thailand could maintain reasonable rates of inflation at 3.6 and 3.0 percent, respectively. The inflation rate in east Asian countries continued to rise in the first quarter of 2011 from a year earlier. China's inflation rate was up to 5.1 percent, Hong Kong to 4.0 percent and South Korea to 4.4 percent. In the same period, the euro-12 experienced increase in inflation to 2.5 percent while that of United States slightly decreased to 2.1 percent. Japan's inflation rate was null.

In the first quarter of 2011, the exchange rates of most south-east Asian countries, except Vietnam, appreciated against the US dollar year on year. The riel appreciated by 3.3 percent to KHR4041.9 against the US dollar, the Indonesian rupiah by 4.0 percent to 8902.02/USD, the Malaysian ringgit by 9.5 percent to 3.05/USD, the Singaporean dollar by 8.6 percent to 1.28/USD and the Thai baht by 7.1 percent to 30.56/USD. The Vietnamese dong depreciated by 7.6 percent to 20,273/USD. In the same period, the exchange rate of the euro was largely unchanged against the US dollar while the Japanese yen appreciated by 9.2 percent to 82.3/USD.

Commodity Prices in World Markets

Year-on-year prices of major world commodities continued to rise in the first quarter of this year. Tension in the Middle East and Japan's nuclear crisis have contributed to an expectation of higher oil prices. Prices of maize (USNo.2) increased by 72 percent to USD280.32/tonne, palm oil (north-west Europe) by 55 percent to USD1251/tonne and rubber (SMR 5) by 70 percent to USD5278.03/tonne. In the same period, the price of crude oil (OPEC spot) went up 33 percent to USD100.7/barrel; gasoline (US Gulf Coast) increased by 26 percent to USD0.68/litre and diesel (low sulphur No.2) by 35 percent to USD0.73/litre. The price of rice (Thai 100% B) dropped by 6.6 percent to USD528.25/tonne.

¹ Prepared by Roth Vathana, research associate at CDRI.

Economy Watch—External Environment

Table 1. Real GDP Growth of Selected Trading Partners, 2006–2011 (percentage increase over previous year)

	2006	2007	2008	2009				2010				2011
				Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Selected ASEAN countries												
Cambodia	10.6	10.2	6.8	-	-	-	-	-	-	-	-	-
Indonesia	5.4	6.3	6.1	4.4	3.9	4.2	5.4	5.7	6.2	5.8	6.9	6.5
Malaysia	5.9	6.3	4.6	-6.2	-3.9	-1.2	4.5	16.9	8.9	5.3	4.8	4.6
Singapore	7.7	7.7	1.1	-10.1	-3.5	0.8	4.0	17.4	18.7	10.5	12.0	8.3
Thailand	4.8	4.9	2.6	-7.1	-4.9	-2.8	5.8	12.0	9.2	6.7	3.8	3.0
Vietnam	8.1	8.5	6.2	-	-	-	-	5.8	6.4	7.2	7.3	5.4
Selected other Asian countries												
China	10.5	11.9	9.0	6.1	7.9	9.1	10.7	11.9	10.3	9.7	9.8	9.7
Hong Kong	6.6	6.4	2.4	-7.8	-3.8	-2.2	2.6	8.0	6.5	6.8	6.2	7.2
South Korea	5.0	4.9	2.2	-4.4	-2.2	0.4	6.1	8.1	7.1	4.5	4.8	4.2
Taiwan	4.6	5.2	0.1	-10.2	-7.5	-1.3	8.4	14.6	12.9	9.8	6.9	6.5
Selected industrial countries												
Euro-12	2.7	2.9	0.9	-2.5	-4.8	-4.7	0.1	0.6	1.7	1.9	2.0	2.5
Japan	2.1	2.0	-0.7	-9.1	0.6	-4.7	-1.4	5.5	3.5	5.0	2.2	-1.0
United States	3.3	2.2	1.1	-2.6	-3.9	-2.5	2.6	2.8	2.9	2.3	2.8	2.3

Sources: International Monetary Fund, *Economist* and countries' statistic offices
Table 2. Inflation Rate of Selected Trading Partners, 2006–2011 (percentage price increase over previous year—period averages)

	2006	2007	2008	2009				2010				2011
				Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Selected ASEAN countries												
Cambodia	4.7	10.5	19.7	4.3	-4.8	-3.0	1.7	7.0	4.1	1.8	3.3	3.6
Indonesia	13.4	6.4	10.1	8.5	5.6	2.78	2.6	3.6	4.4	6.2	6.3	6.8
Malaysia	3.7	2.0	5.3	3.7	1.3	-2.23	-0.2	1.3	1.6	1.9	2.1	2.8
Singapore	1.0	2.1	6.5	2.1	-0.5	-0.4	-0.3	0.9	3.1	3.4	4.0	5.2
Thailand	4.7	2.2	5.5	-0.2	-2.8	-2.1	1.9	3.7	3.3	3.3	2.0	3.0
Vietnam	7.7	8.3	23.3	15.1	6.2	2.6	4.6	7.5	9.0	8.4	10.9	12.8
Selected other Asian countries												
China	1.5	4.8	5.9	-0.6	1.5	-1.26	0.7	2.1	2.7	3.3	4.7	5.1
Hong Kong	2.2	2.0	4.3	1.7	-0.1	-0.9	1.3	1.9	2.6	2.3	2.9	4.0
South Korea	2.4	2.5	4.6	3.9	2.8	2.0	2.4	2.7	2.6	2.9	3.6	4.4
Taiwan	0.6	1.8	3.2	0.0	-0.8	-1.3	-1.3	1.3	1.1	0.4	1.1	1.3
Selected industrial countries												
Euro-12	2.1	2.1	3.3	1.0	0.9	-0.34	0.4	1.1	1.5	1.7	2.0	2.5
Japan	0.5	0.1	1.4	-0.1	-1.0	-2.2	-2.0	-1.2	-0.9	-0.9	0.1	0.0
United States	3.2	2.9	3.8	-0.2	-0.9	-1.6	1.4	2.3	1.8	1.2	1.3	2.1

Sources: International Monetary Fund, *Economist* and National Institute of Statistics
Table 3. Exchange Rates against US Dollar of Selected Trading Partners, 2006–2011 (period averages)

	2006	2007	2008	2009				2010				2011
				Q2	Q3	Q4	Q1	Q2	Q3	Q4		
Selected ASEAN countries												
Cambodia (riel)	4103.20	4062.70	4054.20	4128.60	4164.40	4163.10	4180.11	4209.02	4236.69	4122.58	4041.90	
Indonesia (rupiah)	9134.00	9419.00	9699.00	10,225.00	9887.00	9472.44	9266.93	9,132.00	8995.11	8965.70	8902.02	
Malaysia (ringgit)	3.70	3.30	3.30	3.50	3.50	3.40	3.37	3.24	3.15	3.11	3.05	
Singapore (S\$)	1.59	1.51	4.58	1.45	1.44	1.39	1.40	1.36	1.36	1.30	1.28	
Thailand (baht)	37.90	32.22	33.36	33.98	33.96	33.30	32.90	32.33	31.63	29.99	30.56	
Vietnam (dong)	15,994.00	16,030.00	16,382.00	17,801.00	17,841.00	18,472.00	18,825.67	18,993.00	19,485.00	19,499.48	20,273.83	
Selected other Asian countries												
China (yuan)	7.97	8.03	6.94	6.83	6.83	6.83	6.83	6.77	6.77	6.66	6.58	
Hong Kong (HK\$)	7.77	7.80	7.78	7.75	7.75	7.75	7.76	7.78	7.77	7.76	7.79	
South Korea (won)	955.00	929.04	1137.23	1273.90	1239.04	1167.77	1143.97	1166.04	1182.41	1132.85	1120.19	
Taiwan (NT\$)	32.50	32.85	31.54	33.10	32.77	32.29	31.93	31.90	31.90	30.36	29.30	
Selected industrial countries												
Euro-12 (euro)	0.80	0.70	0.84	0.71	0.70	0.68	0.72	0.79	0.77	0.74	0.73	
Japan (yen)	116.40	117.80	102.46	95.95	93.58	89.78	90.73	92.20	85.74	82.53	82.33	

Sources: International Monetary Fund, *Economist* and National Bank of Cambodia
Table 4. Selected Commodity Prices on World Market, 2006–2011 (period averages)

	2006	2007	2008	2009				2010				2011
				Q2	Q3	Q4	Q1	Q2	Q3	Q4		
Maize (USNo.2)—USA (USD/tonne)	111.04	149.08	218.15	171.16	146.85	168.13	162.88	157.41	176.13	238.81	280.32	
Palm oil—north-west Europe (USD/tonne)	433.85	707.68	912.23	719.35	659.16	732.33	807.67	813.00	874.67	1108.00	1251.00	
Rubber SMR 5	1996.30	2202.30	2586.30	1638.77	1924.80	2536.03	3105.90	3083.73	3175.97	4257.27	5278.03	
Rice (Thai 100% B)—Bangkok (USD/tonne)	282.00	305.36	615.32	499.45	307.31	569.00	565.67	461.33	468.33	531.00	528.25	
Soybeans (US No.1)—USA (USD/tonne)	213.88	294.59	460.41	420.10	411.18	390.43	372.68	370.95	406.88	480.24	537.24	
Crude oil—OPEC spot (USD/barrel)	61.58	69.25	95.44	57.46	68.32	73.86	75.73	77.00	74.91	84.17	100.70	
Gasoline—US Gulf Coast (cents/litre)	47.70	53.58	62.22	43.11	46.92	49.64	53.87	54.43	51.54	57.23	67.92	
Diesel (low sulphur No.2)—US Gulf Coast (cents/litre)	51.35	55.51	76.20	40.51	46.46	51.03	53.87	55.13	53.64	61.68	72.47	

Sources: Food and Agriculture Organisation and US Energy Information Administration

Economy Watch—Domestic Performance¹

Main Economic Activities

Services continue to be significant in Cambodia's economic recovery. In the first quarter of 2011, fixed asset investments in services approved by the Council for the Development of Cambodia increased 134 percent year on year to USD209.5 m. Fixed asset investments in hotels and tourism skyrocketed 2755 percent to USD107.9 m. Foreign visitor arrivals increased both by air (15 percent) and land and water (12 percent) in the same period. Investment in agriculture dropped by 98 percent to USD4.1 m while that in industry decreased by 73 percent to USD67.1 m. However, investment in the garment sector showed signs of recovery, increasing by 134 percent to USD57.1 m. Construction is still in a process of recovery, the value of flat construction rising by 45 percent to USD16.1 m; however, the value of villas and houses decreased by 20 percent to USD4.1 m, while "other" went down by 33 percent to USD43.8 m.

Total exports grew in the first quarter of this year by 41 percent compared to the same period last year, increasing to USD1017.7 m, of which garment exports accounted for 87 percent. The EU and USA were still the major destinations; however, the increase to the USA (22 percent) was smaller than to the EU (69 percent), ASEAN (73 percent), Japan (73 percent), and the rest of the world (70 percent). Exports of agricultural produce accelerated by 249 percent to USD74 m, while fish exports dropped by 25 percent to USD0.6 m.

In the same period, total imports went up by 44 percent to USD728.6 m, of which gasoline was about 8.5 percent and diesel 13 percent. There was a 115 percent increase in gasoline and 86 percent in diesel imports. Imports of construction materials went down by 14 percent to USD11.8 m because of the slow growth in the real estate sector. Cambodia's trade surplus for the quarter increased by 53 percent from a year earlier to USD289 m.

Public Finance

The government did well in revenue generation last year compared to a year earlier. In the fourth quarter of 2010, total revenue increased year on year by 24 percent to KHR1675 bn, of which current revenue represented about 94 percent, tax revenue 73 percent, and capital revenue 6.2 percent. However, the percentage increase in tax revenue (0.5 percent) was relatively low compared to current (17 percent)

and capital revenues (1144 percent). During the same period, total expenditure went up by 3.6 percent to KHR1945.4 bn. Capital expenditure increased by 6.4 percent to KHR675.6 bn. Current expenditure dropped by 4.6 percent to KHR1269.8 bn. In the fourth quarter of last year, wages accounted for 45 percent of current expenditure, while the share of subsidies and social assistance was 18 percent. Together, total revenue and expenditure in the fourth quarter made up a budget deficit of KHR207.3 bn, compared to a surplus of KHR90.2 bn a year earlier.

Inflation and Foreign Exchange Rates

In the first of quarter of 2011, prices of all items increased by 3.6 percent year on year. Prices of food and non-alcoholic beverages went up by 3.9 percent and of transportation by 5.0 percent. In the same period, the riel appreciated 3.3 percent to KHR4041.9 against the US dollar and by 11 percent against the Vietnamese dong. The price of gold increased by 26 percent to USD168.3/chi, diesel fuel by 23 percent to KHR4427.2/litre and gasoline by 14 percent to KHR4750.1/litre.

Monetary Developments

In 2010, total liquidity (M2) increased 18 percent year on year to KHR18,466 bn from KHR14,372 bn. In the fourth quarter, net foreign assets decreased by 1.2 percent to KHR16,698 bn while net domestic assets were up by 40 percent to KHR2779 bn. During the same period, money in circulation increased by 5.2 percent to KHR3221 bn, whereas quasi-money went up by 2.7 percent to KHR16,256 bn.

Poverty Situation

According to the CDRI vulnerable workers survey in May 2011, of nine non-garment-worker groups, only two experienced a decline in their earnings. Cyclo drivers suffered the most, as their real earnings shrank by 13 percent, followed by rice-field workers (4.0 percent). Skilled construction workers, vegetable traders, porters, motorcycle-taxi drivers, waiters/waitresses, scavengers and unskilled construction workers increased their real incomes.

As shown in Table 8, the daily earnings of scavengers increased by 18 percent over the same month of the previous year to KHR8661/day. In addition, their overall real daily spending declined by 5.0 percent to KHR4015/day. Of the scavengers interviewed, 83 percent said that the sources of rubbish decreased in comparison to the previous

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three months. However, 60 percent of them reported that the rubbish price went up. Ninety percent of scavengers migrated from the provinces, mainly Prey Veng, Takeo, Kandal, Svay Rieng and Siem Reap.

Waitresses' earnings rose 13 percent from the same month of 2010, reaching KHR6066/day. Their average daily working hours were 12, the longest among the 10 vulnerable workers. Forty people out of 40 told us that they came to work alone in Phnom Penh. Forty-five percent of waitresses interviewed had attended secondary school.

Small vegetable traders' earning expanded 6.7 percent to KHR8599/day in May 2011. All 40 small vegetable traders interviewed said that their earnings were just enough for their families. Their average capital was KHR50,000, 13 percent less than in February; 70 percent said that this is not enough for running their business.

Daily earning of porters rose by 5.6 percent from the same period in 2010 to KHR9861/day; their expenses shrank by 4.9 percent, from KHR5689/day to KHR5412/day. Seventy percent said that they rented their house, which held an average of seven people; 30 percent stayed on the road or in a pagoda. Seventy percent said their family's condition was better since they began this occupation; 23 percent said it was the same and 7 percent worse.

The daily income of garment workers jumped 6.1 percent from the same month in 2010 to KHR7950/

day. Their daily consumption decreased by 5.7 percent, from KHR4853/day to KHR4577/day. They had been working in the factory about three years, and 44 percent had changed factories. Forty percent said they had switched to other factories owing to the fact that they were sick, 2.0 percent had problem with supervisor, 34 percent had no job because of factories closed and 25 percent had other problems. If their factory closed, 53 percent would seek another job in Phnom Penh, 42 percent would return home and 5 percent didn't know.

In February rice-field workers' earnings decreased while the other nine groups enjoyed an increase. Their misfortune continued in May, when their real daily income slid to KHR5984/day, a 4.4 percent decrease. Fifty-seven percent of them own agricultural land of under a hectare, 37 percent no land, 3.0 percent a hectare and 3.0 percent over a hectare.

Cyclo drivers' daily income had never been above KHR 10,000/day since 2008; however, it reached KHR 10,633/day in February 2011. After a significant increase, the average real income of cyclo drivers declined 22 percent in May compared to the previous three months and 13 percent from the same period last year. Only 20 percent of cyclo drivers interviewed own their cyclo, while the rest rent. The proportion of cyclo drivers who live on the road or in a pagoda rose from 63 percent in February to 68 percent. The average period of being a cyclo driver was nine years.

Continued from page 14

Consolidating Gains, ...

centres. STVET plans to upgrade five provincial training centres to Regional Training Centres, each specialising in specific subjects that are of benefit to that region.

The NEA augments the STVET by facilitating better lines of communication between employers, the workforce and training providers. In particular they offer career guidance and counselling, and run job centres to support the rural labour force. The duality of STVET and the NEA means that training represents the needs of employers, and appropriate skills diffuse into the labour market.

There are significant challenges to TVET, however. Perhaps foremost is society's perception that TVET courses are for workers and not professionals. There is social and familial pressure for students to enrol in HEIs and engage in white collar professions where salaries are perceived as higher. This view markedly differs from the reality, which is that most graduates are over qualified for the positions they hold. To address this issue, it is necessary to "re-brand" TVET

to reflect the reality that it provides individuals with skills that will increase their employability. Mainstreaming and coordinating TVET programmes, as well as appropriate accreditation, would go a long way in changing these perceptions.

There is also a growing need for increased linkages between the private sector, policy makers and the labour force. This is particularly relevant at a time when Cambodia is seeking to diversify up the value chain, and the needs of employers may change quickly. Policy needs to be sensitive and dynamic to these changes, so that training programmes adapt quickly to represent changing economic realities and the labour force is quick to take advantage of nascent opportunities. A very current example is the urgent need for training to maximise opportunities emerging in SEZs. To identify these emerging labour market needs, in depth empirical research plays an important role in providing timely and relevant labour market information to policy makers.

Economy Watch—Domestic Performance

Table 1. Private Investment Projects Approved, 2005–11

	2005	2006	2007	2008	2009	2010				2011		
					Q1	Q3	Q4	Q1	Q2	Q3	Q4	Q1
	Fixed Assets (USD m)											
Agriculture	26.8	498.0	135.6	92	175.3	176.1	94.4	165.7	41.4	278.0	36.7	4.1
Industry	914.6	365.3	709.1	724.9	257.7	60.6	685.5	247.7	54.5	44.3	87.7	67.1
<i>. Garments</i>	174.4	89.4	170.7	142.8	16.4	21.9	14.2	13.1	21.3	29.3	50.0	57.1
Services	155.5	2939.1	1742.5	10,003.2	495.6	150.2	3475.8	89.5	121.6	0	1096.2	209.5
<i>. Hotels and tourism</i>	102.6	345.0	1048.3	8758.1	254.1	150.2	0.0	3.78	14.0	0	1087.4	107.9
Total	1096.9	3802.4	2587.2	10570.9	928.6	386.3	4255.7	502.9	217.5	322.3	1220.6	280.72
	Percentage change from previous quarter											
Total	-	-	-	-	-41.2	882.0	1001.7	-91.2	-56.8	48.2	278.8	-77.0
	Percentage change from previous year											
Total	275.6	246.6	-32.0	308.6	266.5	-91.5	169.3	-59.8	452.0	-16.6	-71.3	-44.2

Including expansion project approvals. Source: Cambodian Investment Board

Table 2. Value of Construction Project Approvals in Phnom Penh, 2005–11

	2005	2006	2007	2008	2009	2010				2011		
					Q1	Q3	Q4	Q1	Q2	Q3	Q4	Q1
	USD m											
Villas and houses	45.5	33.1	79.1	154.7	32.1	15.6	9.8	5.1	7.5	14.1	9.5	4.1
Flats	204.2	213.3	297.2	221.6	95.2	7.4	28.0	11.1	127.2	25.3	20.3	16.1
Other	109.1	76.8	259.6	740.9	53.7	68.4	29.0	35.2	67.4	38.9	76.2	23.6
Total	358.8	323.3	635.8	1117.0	181.1	91.4	66.8	51.4	202.1	78.4	106.0	43.8
	Percentage change from previous quarter											
Total	-	-	-	-	-48.5	46.6	-26.9	-23.1	293.2	-61.2	35.3	-58.7
	Percentage change from previous year											
Total	36.2	-9.9	96.7	75.7	31.9	-81.2	-81.0	-71.6	224.4	-14.2	58.7	-14.8

Source: Department of Cadastre and Geography of Phnom Penh municipality

Table 3. Foreign Visitor Arrivals, 2005–11

	2005	2006	2007	2008	2009	2010				2011		
					Q1	Q3	Q4	Q1	Q2	Q3	Q4	Q1
	Thousands											
By air	856.5	1029.0	1296.5	1239.4	335.2	247.2	308.1	371.5	260.9	288.3	383.7	427.4
By land and water	565.1	672.9	718.6	881.9	287.1	240.2	279.5	312.2	276.6	293.8	321.4	351.0
Total	1421.6	1701.9	2015.1	2121.3	622.3	487.4	587.6	683.7	537.5	582.0	705.1	778.4
	Percentage change from previous quarter											
Total	-	-	-	-	7.7	5.0	20.6	16.4	-21.4	8.3	21.2	10.4
	Percentage change from previous year											
Total	34.7	19.7	28.4	5.3	-3.4	9.4	1.7	9.9	15.8	19.4	20.0	13.9

Source: Ministry of Tourism

Table 4. Exports and Imports, 2005–11

	2005	2006	2007	2008	2009	2010				2011		
					Q1	Q3	Q4	Q1	Q2	Q3	Q4	Q1
	USD m											
Total exports	2352.8	2810.9	3050.3	3097.8	697.4	709.9	736.5	693.8	820.7	1045.3	1070.3	1017.7
Of which: Garments	2253.3	2698.8	2938.9	2986.2	667.1	601.4	660.7	625.5	716.8	938.3	942.7	880.5
. To US	1546.1	1847.2	1956.5	1908.3	387.6	372.9	388.5	380.5	416.7	531.9	524.7	464.5
. To EU	503.1	601.0	654.2	689.0	183.1	128.0	165.5	137.2	184.8	239.4	248.0	232.0
. To ASEAN	2.3	2.6	3.2	10.8	1.0	1.3	2.9	2.2	1.9	2.9	3.0	3.8
. To Japan	23.5	29.4	28.5	25.2	5.2	9.5	14.3	19.8	14.9	25.5	26.2	34.3
. To rest of the world	178.3	218.7	296.4	352.9	90.2	89.6	89.6	85.7	98.6	138.6	140.7	145.9
Agriculture	61.3	59.7	55.6	44.5	8.0	15.1	25.9	21.2	27.2	44.8	71.7	74.0
. Rubber	36.8	41.5	41.0	35.8	5.1	11.8	16.5	11.9	13.8	25.3	38.1	49.9
. Wood	10.3	8.6	8.7	3.4	0.7	0.6	1.8	2.7	4.5	8.8	18.1	6.2
. Fish	10.1	5.9	3.2	2.3	0.7	0.8	1.2	0.8	0.7	0.5	0.8	0.6
. Other	4.2	3.7	2.7	3.1	1.5	1.9	6.3	5.7	8.2	10.2	14.7	17.3
Others	38.3	52.3	55.8	67.1	22.3	93.4	50.0	47.1	76.7	62.2	55.9	63.2
Total imports	2513.0	512.2	554.8	1010.9	585.3	484.4	532.8	505.6	563.2	731.3	677.1	728.7
Of which: Gasoline	40.2	38.8	58.7	70.1	16.8	19.3	19.4	28.8	22.4	27.6	30.5	62.0
Diesel	93.1	113.0	122.8	113.5	34.2	46.0	43.1	49.8	55.4	48.0	50.5	92.5
Construction materials	134.7	56.5	69.0	77.8	13.8	15.7	13.3	13.7	13.2	16.7	13.8	11.8
Other	2245.0	303.9	304.3	749.5	520.5	403.4	457.0	413.3	472.2	638.9	582.3	562.4
Trade balance	-160.2	2298.7	2495.5	2086.9	112.1	225.5	203.7	188.2	257.5	314.0	393.2	289.0
	Percentage change from previous quarter											
Total garment exports	-	-	-	-	-9.9	23.0	-8.1	-5.3	14.6	30.9	0.5	-6.6
Total exports	-	-	-	-	1.8	23.4	-8.4	-5.8	18.3	27.4	2.4	-4.9
Total imports	-	-	-	-	2.8	-20.3	10.0	-5.1	11.4	29.8	-7.4	7.6
	Percentage change from previous year											
Total garment exports	11.2	19.8	8.9	1.6	-19.7	-16.5	-1.0	4.0	22.6	30.5	42.7	40.8
Total exports	11.6	19.5	8.5	1.6	-7.6	-10.2	5.6	-2.3	26.0	30.0	45.3	46.7
Total imports	189.6	-79.6	8.3	82.2	0.2	-8.4	13.7	-14.5	-7.4	51.0	27.1	44.1

Import data include tax-exempt imports. Sources: Department of Trade Preferences Systems, MOC and Customs and Excise Department, MEF (web site).

Table 5. National Budget Operations on Cash Basis, 2005–10 (billion riels)

	2005	2006	2007	2008	2009	2010						
					Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Total revenue	2625.0	3259.2	1146.1	5290.0	1101.7	1252.7	1184.7	1346.1	1536.8	1341.1	1436.0	1675.0
Current revenue	2474.0	2881.8	1141.6	5210.7	1097.7	1245.7	1174.9	1337.7	1526.4	1330.9	1431.2	1570.5
Tax revenue	1911.0	2270.9	965.2	4409.9	947.4	1096.5	999.5	1224.1	1094.1	1143.8	1225.5	1229.6
Domestic tax	-	-	661.8	3248.4	712.0	838.7	731.8	808.5	820.3	890.9	916.9	905.5
Taxes on international trade	-	-	303.5	1161.5	235.4	257.8	268.0	303.4	273.7	253.0	308.6	324.1
Non-tax revenue	563.0	610.9	176.4	800.8	150.3	149.2	176.1	225.7	432.4	187.1	205.7	340.9
Property income	-	-	13.6	78.0	13.1	9.7	27.5	14.3	237.0	20.2	19.5	14.5
Sale of goods and services	-	-	124.3	424.7	93.5	100.9	91.7	121.9	108.4	102.9	127.0	121.7
Other non-tax revenue	-	-	38.5	298.2	43.7	38.6	56.5	89.5	84.0	61.0	59.2	204.8
Capital revenue	152.0	377.4	4.5	79.3	4.0	7.0	9.8	8.4	10.4	10.2	4.8	104.5
Total expenditure	3295.0	4174.7	1689.7	6297.8	1650.6	1766.1	2089.5	1877.1	2129.4	2154.8	2390.3	1945.4
Capital expenditure	1328.0	1638.1	807.4	2574.4	693.6	607.1	759.2	634.9	-	913.0	887.0	675.6
Current expenditure	1967.0	2536.8	882.3	3809.0	752.4	1064.7	1290.4	1332.3	831.8	1168.1	1503.3	1269.8
Wages	711.0	822.0	362.6	1397.0	327.4	515.5	526.6	642.5	-	545.6	562.4	567.4
Subsidies and social assistance	-	-	194.2	927.1	217.3	185.9	272.6	195.6	213.3	253.2	401.5	231.4
Other current expenditure	-	-	325.5	1384.9	207.7	363.2	491.2	494.3	449.6	369.3	539.4	471.0
Overall balance	-706.0	-915.6	-543.6	-1007.8	-548.9	-513.4	-904.8	90.2	-592.6	-813.7	-954.2	-207.3
Foreign financing	1127.0	1360.7	741.5	2055.1	507.8	326.7	484.5	-531.0	270.8	746.0	409.1	419.3
Domestic financing	-396.0	-445.1	-185.8	-127	-310.3	236.5	316.4	406.4	422.8	194.1	343.3	-21.6

Source: MEF web site.

Table 6. Consumer Price Index, Exchange Rates and Gold Prices (period averages), 2005–11

	2005	2006	2007	2008	2009			2010				2011
					Q1	Q3	Q4	Q1	Q2	Q3	Q4	Q1
	Consumer price index (percentage change over previous year)											
Phnom P. - All Items	5.8	4.7	5.8	19.7	4.3	-3.0	1.7	7.0	4.1	1.8	3.3	3.6
- Food & non-alcoholic bev.	8.6	6.4	9.9	33.1	6.1	-2.7	1.8	7.8	3.6	1.9	4.1	3.9
- Transportation	11.4	9.1	5.8	19.4	-13.0	-13.8	2.4	12.9	8.7	3.2	3.1	5.0
	Exchange rates, gold and oil prices (Phnom Penh market rates)											
Riels per US dollar	4119.7	4119.0	4062.7	4058.2	4111.6	4164.4	4157.3	4180.1	4209.0	4236.7	4122.6	4041.9
Riels per Thai baht	102.6	108.7	122.8	123.5	116.6	122.9	126.0	127.0	129.9	138.3	137.3	132.7
Riels per 100 Vietnamese dong	25.8	25.1	25.0	24.8	23.6	23.5	23.0	22.3	22.1	21.4	21.1	19.9
Gold (US dollars per chi)	54.0	70.6	83.2	105.9	105.6	123.2	133.8	133.9	142.9	147.8	165.7	168.3
Diesel (riels/litre)	2633.0	3140.0	3262.3	4555.2	2873.7	3867.0	3381.9	3599.5	3835.1	3936.6	4066.1	4427.2
Gasoline (riels/litre)	3442.0	4004.0	4005.0	4750.8	3112.6	3371.1	3940.2	4163.0	4358.7	4415.5	4535.2	4750.1

Sources: NIS, NBC and CDRI

Table 7. Monetary Survey, 2005–10 (end of period)

	2005	2006	2007	2008	2009			2010				
					Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
	Billion riels											
Net foreign assets	5475.0	7224.0	10,735.0	10,345.0	11,222.0	12,611.0	13,869.0	14,655.0	15,514.6	12,610.9	16,903.0	16,697.9
Net domestic assets	-450.0	-282.0	576.0	1513.3	1266.0	1249.0	1042.0	1573.0	1720.0	1785.3	1984.8	2778.9
Net claims on government	-421.0	-953.0	-1816.0	-2987.0	-3048.0	-2889.0	-2463.0	-2252.0	-2484.8	-2362.7	-2,120.4	-2126.6
Credit to private sector	2394.0	3630.0	6386.0	9894.0	9814.0	10,129.0	10,127.0	10,532.0	11,146.7	11,859.1	12,479.8	13,331.2
Total liquidity	5025.0	6942.0	11,311.0	11,858.0	12,488.0	13,859.0	14,912.0	16,228.0	17,234.5	18,267.1	18,887.8	19,476.8
Money	1323.0	1658.0	2052.0	2399.0	2545.0	2695.0	2773.0	3120.0	3148.5	3115.1	3061.7	3220.9
Quasi-money	3702.0	5285.0	9259.0	9459.0	9942.0	11,164.0	12,139.0	13,108.0	14,086.0	15,152.0	15,826.1	16,255.9
	Percentage change from previous year											
Total liquidity	16.1	38.1	62.9	4.8	3.7	9.1	18.7	36.9	38.0	31.8	26.7	20.0
Money	14.7	25.3	23.8	16.9	6.5	9.2	18.7	30.1	23.7	15.6	10.4	3.2
Quasi-money	16.6	42.8	75.2	2.2	2.9	9.1	18.7	38.6	41.7	35.7	30.4	24.0

Source: National Bank of Cambodia

Table 8. Real Average Daily Earnings of Vulnerable Workers (base November 2000)

	Daily earnings (riels)									Percentage change from previous year		
	2006	2007	2008	2009	2010		2011		2010	2011		
					May	Aug	Nov	Feb	May	Nov	Feb	May
Cyclo drivers	7469	8075	12,628	8091	9570	8404	8759	10,633	8292	21.7	13.0	-13.4
Porters	6545	8588	9005	9549	9340	10,525	9965	11,184	9861	7.8	12.4	5.6
Small vegetable sellers	6390	8220	9926	8273	8062	8291	8821	9149	8599	19.4	16.9	6.7
Scavengers	4416	5422	4652	5857	7407	6461	6628	6931	8661	46.1	11.1	16.9
Waitresses*	4412	4482	4327	4646	5380	6427	5448	6154	6066	1.3	19.9	12.7
Rice-field workers	5306	5516	8697	6197	6260	6186	4912	4806	5984	1.6	-10.3	-4.4
Garment workers	7649	7568	6554	7085	7491	8470	7944	8312	7950	6.2	10.0	6.1
Motorcycle-taxi drivers	8201	10,634	15,691	10,685	10,274	10,558	10,278	11,444	10,630	9.7	1.3	3.5
Unskilled construction workers	5918	6155	8779	8343	9013	8744	9636	11,291	9415	22.6	46.7	4.5
Skilled construction workers	10,316	11,154	12,710	12,487	11,928	11,738	12,122	12,487	12,368	-3.6	4.7	3.7

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

Continued from page 24 **CDRI Update**

capacity; 2) *Decentralised Governance in Hybrid Polity: Localisation of D&D Reform in Cambodia* identifies the trend and future of D&D reforms in the context of Cambodia's hybrid state and seeks answers to whether D&D enhances democracy in the country; 3) *A Baseline Survey of Sub-national Governments: Towards a Better Understanding of Decentralisation and Deconcentration Reform in Cambodia* explores the perceptions and understanding of commune councillors towards district and provincial administration (councils and boards of governors); 4) *Catchment Governance and Cooperation Dilemmas: A Case Study from Cambodia* looks into the cooperation between players in the context of D&D reform; and, 5) *Decentralised Governance of Irrigation Water in Cambodia: Matching Principles to Local Realities* investigates the degree of match between the governance arrangements and requirements of the irrigation schemes. Policy briefs from both the catchment and water governance studies have been published.

Four studies are being conceptualised: *Impact of D&D on Poverty Reduction, the State Society Reciprocity, the District and Commune Relationship, and Sectoral Decentralisation: Case of the Education Sector*. The team is planning to hold an annual dissemination workshop in October this year.

Economy, Trade and Regional Cooperation

The *Vulnerable Worker* and *Provincial Price* surveys are progressing well. The projects *Different Streams, Different Needs and Impact: Managing International Labour Migration in ASEAN*, and *Analysis of International Investment in the Agricultural Sector of Cambodia* have been successfully completed. *Assessing China's Impact on Poverty Reduction in the Greater Mekong Sub-region: Case of Cambodia* has been published as a CDRI working paper.

The third component of ADB's *Poverty Network Project* is in good progress; the concept note has been shared with ADB and preliminary findings will be presented at the regional workshop in Indonesia in September. The first draft report of *Analysing Chronic Poverty in Rural Cambodia: Evidence from Panel Data* will be ready for comments by

September. *Growth Diagnostic Phase II* is on-going. The key findings of the *ASEAN 2030: Cambodia Background Paper* were presented at a consultative workshop in Indonesia in early July. The first draft report on *SME Support Policy* was submitted to the Korean Development Institute (KDI) and the findings presented at a Policy Seminar in early August.

In July, GMS-Development Development Analysis Network members convened a workshop hosted at CDRI to review lessons learnt from the GMS-DAN 8 research project focusing on processes for the choice and application of research methodologies, and to discuss on the programme and project coordination as well as issues for future research.

A survey on micro, small and medium enterprises was carried out in August as part of *Global Financial Crisis and Vulnerability in Cambodia*: a second round household survey will be done in mid-September.

The *Development Research Forum* is to hold its fourth Annual Symposium in Phnom Penh on 8-9 September. The proposal for Phase II has been submitted to the International Research Development Centre (IDRC) for review.

Natural Resources and Environment

Four main research projects are being carried out. The *Water Resources Management Research Capacity Development Programme* team organised the final national workshop to close the project and to disseminate programme outputs, including working papers, policy briefs and a video clip. The *Tropical Forest for Poverty Alleviation-From Household Data to Global Analysis* seeks to advance understanding on the role of tropical forests in reducing poverty; the working paper has been posted on the website and the results were presented at the national workshop in June 2011. The *Social Impact Monitoring and Vulnerability Assessment Baseline Survey* is to determine rural people's dependency on water resources along a 15 km stretch of the Mekong River to support the social impact and vulnerability assessment of the Mekong River Committee's (MRC) climate change and adaptation initiative; the report has been drafted and sent to the regional team for review. The *Agriculture and Climate Change* project, funded by USAID through IFPRI, is a joint research project with PARD that seeks to broadly

analyse agriculture and food security in the context of a changing climate by identifying constraints to improved yields and adaptation to climate change currently faced by farmers; the first report was drafted, the team attended the technical workshop in Dhaka, and the final report is to be presented at the national workshop in Siem Reap in August.

Poverty, Agriculture and Rural Development

Seven projects are ongoing. The team for the *Impact Assessment of Farmer Organisations on Food Security for Rural Poor* has completed the analysis of quantitative and qualitative data and is writing the report. National datasets have been analysed for the *Development of Impact Assessment Methodology for Mine Action Sector in Cambodia*; the team is now waiting to hear from UNDP and CMAA on the three-month project extension to field test the proposed impact assessment tool. The team is to attend the regional workshop in Laos on 22-24 August for the three year project on *Agricultural Policies for Rice-based Farming Systems in Cambodia and Laos*, funded by the Australian Centre for International Agricultural Research (ACIAR). The project on *Promoting Gender Equality for the Labour Market for more Inclusive Growth*, funded by ADB, is a 15 month project with two sub-projects: *Gender Equity and Labour Economics*; together with international consultants, the team visited NGOs and government ministries to gather secondary data and to network. The interim report for the project *Small and Medium Enterprises (SME) Supported Bank*, funded by KDI, was submitted and the team presented the final report at the KDI-hosted workshop at Le Royal Hotel, Phnom Penh, on 9 August. The proposal for the *Study to Quantify the Value of the Arbitration Council Services* is being revised.

Social Development

Three projects are underway. The first is a book: *Improving Health Sector Performance: Institutions, Motivations and Incentives – The Cambodia Dialogue*, funded by the University Research Co., LLC (URC) and published by the Institute of Southeast Asian Studies, Singapore, is expected to come out in late August. The book is a collection of major experiences and innovative solutions from inside and outside Cambodia to improve health sector performance, with particular focus on institutions, motivations and incentives.

The second is the *EQUITAP* project¹, coordinated by the Institute for Health Policy, Sri Lanka, and funded by AusAID/IDRC. The primary aim of the research project is to analyse available household survey data to estimate the impoverishing and catastrophic impacts, progressivity, differentials in healthcare utilisation and benefit incidence of government spending. The results of the analysis on the impoverishing and catastrophic impacts, and progressivity have been reviewed and accepted by the coordinators. The remaining task is to complete the analysis on differentials in healthcare use and benefit incidence of government spending.

The six-year research consortium on *Building Pro-Poor Health Systems during the Recovery from Conflict “REBUILD”* is in the inception phase. The project, funded by DFID-UK and led by the Liverpool School of Tropical Medicine and Queen Margaret University, Edinburgh, aims to produce high quality evidence that contributes to improving the health of the poorest in developing countries. Three research protocols are being developed: 1) Impact of Health Financing Policy Change on Pattern of Poor Rural Household Expenditure for Health Care in Cambodia: An Analysis of Households’ Health Expenditure; 2) Policies to Attract and Retain Health Workers in Rural Areas: A Review of Policy drivers, Implementation and Effectiveness in Post-Conflict Cambodia; and 3) Contracting Model and Performance Management in Cambodia. The team is preparing to present the three research protocols to the Technical Working Group for Health, Ministry of Health, on 8 September to receive feedback on the key research questions from all stakeholders.

Three new research projects are due to start in September: *Situation of Social Capital in Cambodia*, funded by Senshu University, Japan; *Pathways to Universal Coverage in Cambodia*, with the Nossal Institute for Global Health, University of Melbourne, Australia; and *All Good Things Do Not Go Together – Analysing Contradictions between Peace-building and Democratisation*, a project with Professor Joakim Öjendal, Gothenburg University, Sweden.

¹ EQUITAP stands for Equity in Asia-Pacific Health Systems and is the collaborative effort of more than fifteen research teams in Asia and Europe engaged in examining equity in national health systems in the Asia-Pacific region. The collaboration involves the development of methodological tools, and actual assessment of the performance of national health systems.