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The Economy After the Election

Chan Sophal, Long Vou Piseth, Pon Dorina, Tia Savora and So Sovannarith review the state of the economy after the election on the basis of countrywide interviews and surveys, and find few signs of recovery amid the continuing political deadlock.

The Cambodian economy has not yet returned to normal following the 26 July election, and hopes of an early recovery have been dashed, due mainly to continued political uncertainty. As usual, those who are suffering the most are those who have least.

The findings of this article are based on: a survey of 130 market vendors in Phnom Penh from 17 to 20 August (the fifth such survey since July 1997); interviews with managers in 33 relatively large enterprises in the garment, wood-processing, beer, plastics, cement, tourism, hotel and transport sectors in various parts of the country; a survey of 120 vulnerable workers (cyclo drivers, porters, small vegetable traders and scavengers) in Phnom Penh from 17 to 19 August; and informal interviews with traders, government officials and workers in Battambang, Siem Reap, Sihanoukville and Svay Rieng.

Consumer Confidence Languishing

Consumer spending in Phnom Penh continued to be depressed following the election. Vendors reported that their average sales in August 1998 were 48 percent below the "normal" levels achieved before the fighting of July 1997, and were only slightly higher than sales during the previous survey undertaken in May 1998 (see Table 1 overleaf). Sales of non-food items, particularly of luxury goods, fell more than food sales, but even food sales were down as much as 41 percent. Almost all vendors reported lower sales than before July 1997, and a large proportion were not earning enough to cover their daily expenses.

Of the wholesalers interviewed, 62 percent reported that their provincial retailer customers had reduced both their number of visits and purchases of



Prices of basic foodstuffs have soared in the last three months—by August, the price of rice was almost 30 percent higher in Phnom Penh than it had been one year ago.

products compared with May, reflecting lower sales in provincial markets. The majority of wholesalers still took the risk of extending credit to such customers, after screening out those who had previously failed to pay for goods on time. The fact that provincial sales were low was confirmed by researchers' field trips. In Sihanoukville and Siem Reap, for instance, food sales

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were less affected than in the capital, but sales of non-food items had been affected even more badly than in Phnom Penh.

The year-on-year inflation rate continued to be high, at around 13 percent in Phnom Penh markets, about the same as in May (Table 2). Prices of basic foodstuffs (such as rice, meat, fish, eggs, bananas and brown sugar) have jumped remarkably in the last three months; prices of vegetables have declined significantly, though, and prices of imports have either declined or remained steady. The continued upsurge in rice prices is particularly worrying. In August, prices were as much as 27 percent higher than they had been a year earlier in the capital, and the rate of increase was even higher in the provincial markets surveyed.

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hotels in Siem Reap and Phnom Penh, faced with a 50-percent drop in the number of tourists and occupancy rates of between 10 and 20 percent, have also reduced salaries and staff (one medium-sized hotel cut both its workforce and the number of days worked per month by as much as 50 percent).

The main exception to these gloomy trends has been the garment industry. In the first six months of 1998, garment exports, at \$140.5 million, were 63 percent higher than they had been one year earlier, and the atmosphere in the sector has continued to be dynamic, though some factories closed during the election period. Several factories reported increased sales, and one has taken on extra workers (Figures 1 and 2).

Vulnerable Workers Still

Business Outlook Bleak

Reports from enterprise managers are generally consistent with these market trends. Wood processing factories, operating at a fraction of capacity, have been cutting their workforce and wage rates. In the cement industry, a boom starting from the first quarter of 1998 has so far been maintained. Tour operators and

Struggling

The generally miserable state of the economy is reflected in the reports given to researchers by members of the four groups of vulnerable workers interviewed about their average daily net earnings. Only small vegetable traders, thanks mainly to seasonal factors, are doing better than they were at the time of the last survey in May, and all four categories of workers are still earning far less than they were before the fighting in July 1997 (see Table 3 on page 4).

Cyclo drivers and porters worked fewer days per month in the period covered by the August survey, but small traders and scavengers continued to work every day. Demand for cyclo rides continues to fall, while at the same time the supply of drivers has increased, with the result (according to cyclo owners) that many drivers cannot earn enough to cover the cost of renting their cyclos and leave them by the side of the road. Competition among porters has also increased, and an influx of children into scavenging, along with a fall in the amount and the price of saleable rubbish, has reduced average net daily earnings in that trade to less than 3,000 riels.

Porters report continued harassment, with ferry porters still having to pay 50 percent of their earnings to the captain of workers,

Table 1. Prices of Essential Items, Consumer Price Index and Inflation in Five Major Markets, Phnom Penh, July 1997 - August 1998

Items	Unit	Jul 15-17	Sep 1-3	Dec 1-3	Feb 2-4	May 11-13	Aug 17-19
CPI (July-September 1994 = 100)		135.0	134.5	132.0	134.4	144.3	156.2
Inflation from previous survey			-0.3	-1.9	1.8	7.4	8.2
Year-on-year inflation		16.0	12.2	3.9	9.2	13.0	12.8
(1) Rice (#1 quality)	kg	1,172	1,172	1,205	1,210	1,420	1,493
(2) Pork (without fat)	kg	7,830	7,440	7,000	7,300	7,430	8,395
(3) Beef (# 1 quality)	kg	8,075	7,975	8,000	7,825	8,475	8,861
(4) Mud fish (large)	kg	5,214	5,773	4,654	4,714	5,214	7,857
(5) Chicken egg	egg	172	173	162	186	200	223
(6) Duck egg	egg	256	245	224	268	284	321
(7) Trakuon	kg	816	1,161	1,195	870	1,150	971
(8) Cabbage	kg	1,185	1,420	1,335	1,860	1,700	1,170
(9) Cucumbers	kg	810	1,055	1,190	1,025	1,010	906
(10) Bananas (med)	bunch	818	905	805	772	1,194	1,414
(11) Brown sugar	kg	1,242	1,339	1,615	1,175	1,379	1,550
(12) MSG (Thai)	0.5 kg pack	3,220	2,720	2,785	2,945	3,040	2,847
(13) Soy sauce	bottle	1,270	1,105	1,105	1,100	1,100	1,141
(14) Fish sauce	bottle	1,415	1,325	1,365	1,355	1,350	1,288
(15) Sarong (Thai)	piece	6,603	6,700	7,045	7,015	8,750	7,643
(16) Kerosene	litre	950	1,040	1,150	1,150	1,150	1,000
(17) Charcoal	kg	413	480	410	388	440	500
(18) Gasoline	litre	1,480	1,429	1,592	1,600	1,700	1,567
(19) Motorcycle fare ^a	passenger	1,500	1,310	1,261	1,388	1,228	1,300
(20) "Lux" bath soap	cake	1,105	940	850	830	1,005	1,000

^a between Phsar Thmei and Phsar Chbar Ampeu

Table 2: The Amount of Sales and Earnings of Vendors in Five Major Markets in Phnom Penh
1-3 September 1997, 1-3 December 1997, 2-4 February 1998, 11-13 May 1998, 17-20 August 1998

Questions to vendors

Q1. Is the amount of your sales [more than, the same as, less than] that before 5-6 July 1997?

Q2. If less, what percentage are current sales relative to those before 5-6 July?

Q3. Are you earning enough money to cover your daily expenses?

Type of products	Q1: Percentage of vendors who reported selling less					Q2: Average amount of sales as a percentage of those before 5-6 July 1997					Q3: Percentage of vendors who reported earning enough				
	II	III	IV	V	VI	II	III	IV	V	VI	II	III	IV	V	VI
All items	95	90	87	98	93	40	47	54	48	52	23	52	68	58	57
Non-food items	100	95	92	99	92	34	40	48	45	47	16	44	60	49	47
Durable items	100	96	95	100	93	33	38	46	43	46	6	43	53	45	44
Luxury Items ^a	100	100	100	100	100	24	30	36	45	40	0	30	29	47	38
Household and utility items ^b	100	94	82	100	91	40	43	54	44	53	21	53	75	60	54
Clothing, shoes, bags	100	95	100	100	93	32	40	46	42	45	0	43	57	37	44
Non-durable items and services	87	91	91	93	88	36	46	56	54	48	44	36	81	67	59
Food items	92	81	80	98	94	44	59	61	54	59	33	67	80	76	73

II indicates the second market survey (1-3 September); III the third survey (1-3 December), IV the fourth survey (2-4 February); V the fifth survey (11-13 May); and VI the sixth survey (17-19 August); a Luxury items include precious stones, gems, gold, jewellery, televisions, cassette players, watches, video tapes, gifts, etc; b Household and utility items include kitchenware, plastic containers, blankets, mosquito nets, construction materials, electrical appliances, motorcycle spare parts, etc

and market porters targeted by police when sleeping on the side of the road. Small traders and cyclo drivers, on the other hand, report reduced harassment from the authorities.

Causes of the Current Economic Difficulties

There are several reasons for the depressed state of the economy. One is worsening rural poverty, due mainly to the drought this year which has damaged wet season crops—vegetables and cash crops as well as rice—to the detriment of real household incomes. Farmers commonly have to sell rice in order to repay loans, and leave themselves with insufficient rice for their own consumption needs. The pro-

In Battambang, if rains are normal, the next harvest is expected to be better than last year's, but in Banteay Meanchey and Svay Rieng there are fears of rice deficits.

longed hot weather and late rains have also pushed rural residents towards urban areas in search of work. Eighty-nine percent of the cyclo drivers, 80 percent of the porters and 27 percent of the female vegetable traders

interviewed in Phnom Penh normally reside in rural areas. Agricultural prospects now depend on the weather. In Battambang, if rains are normal for the rest of the wet season, the next harvest is expected to be better than last year's, but in Banteay Meanchey and Svay Rieng there are now fears of rice deficits because of the drought.

A second reason for the economic downturn is the Asian financial crisis. This has had a severe effect on wood processing factories: the fall in demand and cur-

Figure 1. Volume of Wood Related Products Exported by Semester, 1997-98

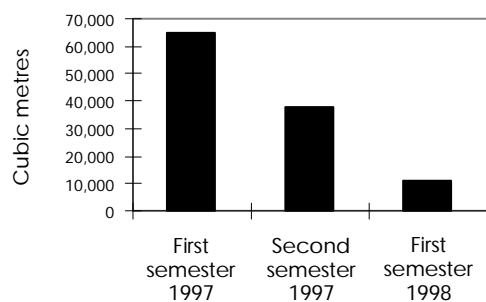


Figure 2. Exports of Garments, 1997-98

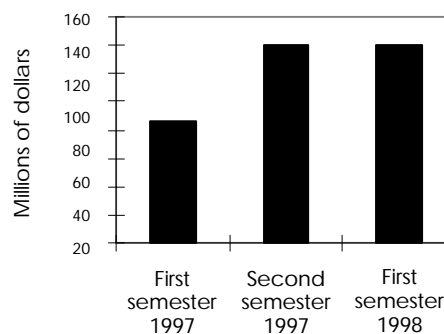


Table 3. Average Net Daily Earnings of Four Groups of Vulnerable Workers, July 1997, January 1998, May 1998, August 1998

Occupation	Net daily earnings (riels)				Percentage change			
	Jul 1997	Jan 1998	May 1998	Aug 1998	Jan 98/ Jul 97	May 98/ Jan 98	Aug 98/ May 98	Aug 98/ Jul 97
Cyclo drivers	12,250	9,100	6,975	6,167	-26	-23	-12	-50
Porters	9,675	6,905	5,415	4,720	-29	-22	-13	-51
Small traders	7,050	5,150	3,400	4,767	-27	-34	40	-32
Scavengers	4,155	3,415	3,040	2,610	-18	-11	-14	-37

rency devaluations in competitor countries have combined to cut sales in Cambodia and forced some companies to cut prices by up to 50 percent in the first half of 1998 compared with a year earlier. The slump in tourism is also attributed to the fall in incomes in Asian countries and to the depreciation of other currencies, particularly the Thai baht, which leaves Cambodian hotel and other costs relatively high (hotels in Cambodia are now about twice as expensive as those in Thailand for comparable accommodation). The reduction in the number of Asian tourists has hit mid-range hotels particularly hard. Even in the garment sector, operations have been affected by financial problems in head-office countries, and realisation of approved investment projects is expected to be affected by difficulties in borrowing money.

The law-and-order situation was cited by several managers as an important disincentive to investors. The spate of kidnappings before the election was mentioned as a particular concern. However, at the time of the interviews, the atmosphere was felt to have improved in this respect.

By far the most important negative influence on the economy is continuing political uncertainty. Our surveys were conducted about three weeks after the election and about one week before opposition parties launched their demonstrations. Although market vendors felt that their business began to return to normal about a week after the election, they reported significantly low sales.

Having predicted in earlier surveys that things would improve after the election, and having enjoyed a mini-boom immediately prior to the election when fearful consumers stocked up on food and political parties bought sarongs and *kramas* to distribute to voters, vendors were unexpectedly sombre in their assessment

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Prospects for Recovery

Trade between Cambodia and Thailand, which slowed drastically in the two weeks before the election (falling by about 60 percent

below normal levels), had still not revived by the time of our interviews with the provincial border authorities at the Poipet crossing in late August. Officials reported that some import companies were still waiting for the political climate in Cambodia to settle before bringing in more goods.

Owners of garment factories commented that concerns about political stability were another reason for hesitation on the part of investors: most of those whose projects have been approved, even if they can obtain finance, will wait and see how the situation develops

before committing themselves. Appeals by opposition parties for the withdrawal of most-favoured nation (MFN) and GSP status from Cambodia, along with warnings that contracts with the post-July 1997 government may not be honoured by a new government, do little to inspire investor confidence.

A revival of tourism depends partly on sensible policy measures (such as, processing of visas at Cambodian airports rather than embassies, restraint in increasing airport tax, improvement in infrastructure, protection of the environment, etc.) but also on a return to stability. Transport companies reported that travel by residents as well as tourists is sensitive to the political situation in Phnom Penh. Speedboat bookings, for instance, increased significantly immediately after the election. Long-haul tourists are particularly sensitive to negative (and often inaccurate) reports about the security situation.

A final influence on purchasing power that is obviously affected by politics is the inflow of external assistance. In particular, identification and appraisal of new projects, which have been to a large extent on hold since July 1997, will not resume until the current uncertainties are resolved.

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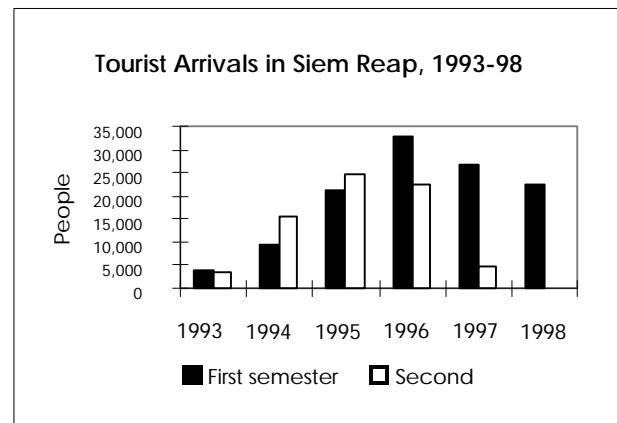
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Tourism in Siem Reap

The total number of tourists to Cambodia through Pochentong and Siem Reap airports fell more than 30 percent in the first semester of 1998 compared to the same period last year. The decline at Pochentong was around 36 percent, but in Siem Reap the reduction was much less, only around 15 percent. Despite this, the number of tourists arriving in the first semester of 1998 was much higher compared to those arriving in the second half of 1997, especially arrivals in Siem Reap, which saw a four-fold increase.

Many tour operators said that the direct flights which began in December 1997 had been good for Siem Reap, though some hotels and other services in Phnom Penh had been adversely affected. However, the number of tourists who came to Siem Reap in the first six months of 1998 was not significant compared to the total number of tourists arriving in Cambodia. Only 20 percent of Siem Reap arrivals came to Siem Reap on the direct flights.

Almost all hotels surveyed in Siem Reap have been seriously affected by the political crisis in Cambodia and the economic slowdown in the region since July 1997. Occupancy rates in the first semester of 1998 for hotels in Siem Reap were considerably lower than those in the first half of 1997.



In Siem Reap, a representative of one large hotel said that the occupancy rate in the first half of 1997 was 70 percent, and it reached 100 percent just before the fighting in Phnom Penh in July. However, in July and August 1997 it was forced to close because of the absence of tourists. The manager of a medium-sized hotel said that the decline of occupancy rates had been dramatic. In the first semester of 1997, the rate was around 70 percent, but in the first semester of 1998 occupancy had plunged to less than 10 percent.

Tia Savora

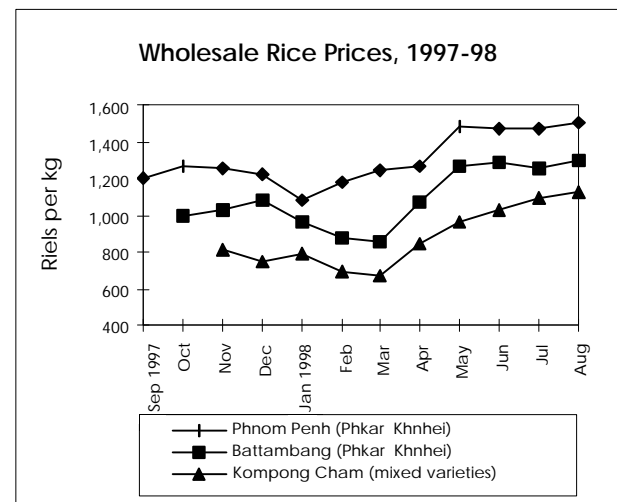
Rice Production in Battambang

Some areas are short of rice despite the significant surplus Cambodia produced in the 1997/98 season. The Ministry of Agriculture, Forestry and Fisheries has estimated that Cambodia needs 250,000 tons of rice this year, and the government has appealed to the international community to meet this target.

Rice is a major concern in Cambodia, since rice consumption accounts for 80 percent of protein intake and up to 50 percent of household food expenditure in rural areas. The price of rice rose gradually during the survey period, having been stable for the previous two months. Rice wholesalers in Phnom Penh reported insufficient rice stocks in the provinces and predicted that prices were likely to rise until the end of 1998.

A large amount of rice consumed in Phnom Penh is imported from Battambang, but Phnom Penh wholesalers asserted that this rice stock was decreasing fast, which has been forcing up prices. Research in Battambang confirmed this. Rice mill owners reported that their stock will last only two weeks, and noted that the next harvest is not until December.

To meet domestic demand, large quantities of Thai rice were imported, according to wholesalers in Phnom Penh and rice traders in Battambang. They asserted that the large inflow of Thai rice helped to offset the



rice deficiency this year. Otherwise, Cambodia could have faced a serious rice shortage.

Despite this year's late rains, rice planting in Battambang was achieved as planned, according to provincial agronomists and rice traders. However, the next harvest now depends on rainfall in the next two months. If rains are normal, the next harvest will be better than last year and will produce a surplus.

Chan Sophal

The Demographic Imperative

Following the recent publication of data from the 1998 census, Toshiyasu Kato of CDRI and Per Ronnas of the Stockholm School of Economics assess the impact of Cambodia's population structure and rate of growth on its economic development.¹

Introduction

Cambodia's total population in March 1998 was 11.4 million, according to the recently published provisional results of the 1998 census (NIS 1998). It would be going too far to claim that the prospects for the Cambodian economy are demographically determined, but looking ahead, the influence of population structures and trends cannot be ignored. This article explores the "demographic imperative" facing Cambodia's economy and the policies needed to meet this challenge.

Demographic Characteristics

tics

The age structure of Cambodia's population has some distinctive features as a consequence of the country's violent past. One of the most striking characteristics is a large population of children who were born after 1980 and who are currently aged 18 or under. This is a result of the "baby boom" which followed the fall of the

Khmer Rouge. Cambodia has one of the youngest populations in the world, with about 45 percent of the total population under the age of 15 in 1995 (Table 1). This skewed age structure will prevail for the next two decades. According to a recent study, the proportion of children under the age of 15 will account for 36 percent of the total population in 2020 (Huguet 1997).

The high proportion of children in the population implies fast population growth in the coming decades. Despite recent falls in fertility rates, Cambodia's total population grew by an average 3.5 percent per year from 9 million in 1990 to 11 million in 1995 (Table 1). This rate far exceeded the 1.7-percent average annual growth rate of other low-income economies during the same period.² In the coming two decades, population growth rates in Cambodia are expected to remain high, about 2.1 percent per year between 2015 and 2020. The

The labour force will increase at an unprecedented rate in the coming decades because the large age cohort born since 1980 will enter the market.

high proportion of children in the population also implies that each economically active person has to support a high number of dependants. For instance, the child dependency ratio (the percentage of children aged under 15 relative to the working-age population aged 15 to 64) was 88 percent in 1995. This is extremely

high relative to the rest of the world, though it is expected to decline to 60 percent by 2020.

Due to the youthfulness of the population, the labour force in Cambodia will increase at an unprecedented rate in the coming decades. This is because the large age cohort that was born since 1980 will enter the labour market, while few people will leave it. This process has already begun. Our recent study on the labour force projected that the labour force aged 15 to 64 will increase by an annual average of 3.3 percent,

from 4.7 million in 1997 to 5.6 million in 2002 (Chan *et al.* 1998; Table 4.2). The growth rate of the labour force will be higher than the annual growth rate of the total population during the same period. The large inflow of young people into the labour force is likely to continue beyond 2002, because the proportion of children in the total population will decline gradually.

Economic Effects of the Demographic Structure

The age structure of the population and the labour force has a strong bearing on the economy as a whole and on the standard of living of the Cambodian people.

Persistent high population growth rates

Table 1. Population Characteristics in Cambodia, 1980-2020

	1980	1985	1990	1995	2000	2005	2010	2015	2020
Population (millions)									
Total	6.5	7.8	9.1	10.9	12.2	13.8	15.5	17.4	19.3
Male	3.0	3.7	4.4	5.2	5.9	6.6	7.5	8.5	9.4
Female	3.5	4.1	4.8	5.6	6.3	7.1	8.0	8.9	9.9
Total population growth (annual percentage change) ^a									
	-	3.6	3.2	3.5	2.4	2.4	2.4	2.3	2.1
Sex ratio (number of males per 100 females)									
	87	90	92	93	93	94	94	95	96
Population under the age of 15 in total population (percentage)									
	42.2	44.1	46.0	45.4	41.7	39.1	38.1	37.3	36.0
Dependency ratios (percentage) ^b									
Total	84.2	90.2	97.2	95.0	82.0	74.1	71.3	69.8	67.0
Child	77.7	83.8	90.7	88.4	75.8	68.1	65.3	63.3	60.1
Elderly	6.5	6.4	6.5	6.6	6.2	6.0	6.0	6.5	6.9

a Average annual rate in the previous five years; *b* Child dependency ratio is the ratio of the population under the age of 15 to the population aged 15-64; elderly dependency ratio is the ratio of population aged over 64 to the population aged 15-64; total dependency ratio is the sum of child and elderly dependency ratios
Source: Huguet (1997)

Fast population growth due to the young age structure of the population will place enormous pressure on the economy to generate productive employment opportunities, because large numbers of young people will enter the labour market in the coming decades.

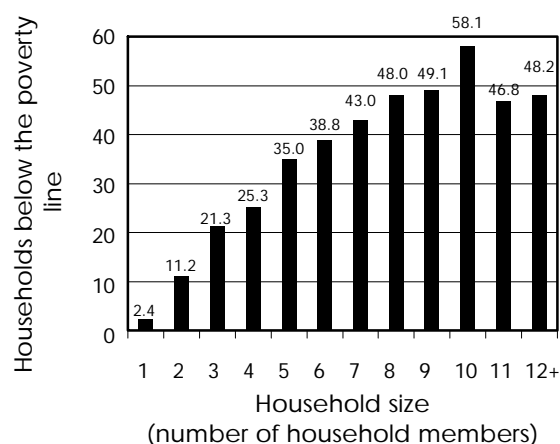
The trend of labour productivity over the last few years already seems to indicate the high population pressure on the economy. Table 2 summarises labour productivity, which was measured by real GDP (or output) per employed person in 1993–94 and 1996. According to the *Socio-Economic Surveys of Cambodia* (NIS 1995; NIS 1997), labour productivity in the overall economy declined by 5 percent between 1993–94 and 1996, despite reasonably high output growth of around 5 percent during the same period. More detailed studies on productivity over an extended period of time are needed to fully assess this, but the decline of labour productivity shows that the increase in output did not keep pace with the rapid expansion of the labour force. This decline raises serious concerns, because the level of labour productivity is closely associated with the living standard of the people, particularly with real wages and earnings.

The sectoral patterns of labour productivity highlight the variation of population pressures by sector (Table 2). The productivity decline in the agricultural sector was the largest, around 16 percent between 1993–94 and 1996. By contrast, productivity in the service sector increased by around 20 percent between 1993–94 and 1996, reflecting the high output growth in this sector during that period. Despite rapid growth of the non-agricultural sectors in the past few years, their share in total employment actually declined from 25 percent in 1993–94 to 22 percent in 1996. Agriculture has therefore been forced to serve as an employment “sponge,” absorbing a disproportionate share of the increase in the labour force. As a result, productivity in agriculture has fallen sharply, which in turn has led to an overall decline in labour productivity.

High but declining dependency ratio

The high proportion of children in the population implies a high dependency ratio. In other words, each income earner has to support a high number of dependants. A high number of dependants has a depressing effect on income per head, and is closely associated with the incidence of poverty (Figure 1). According to the

Figure 1. Distribution of Poverty by Household Size, 1997



Second Socio-Economic Survey 1996, only 11.2 percent of two-person households are below the poverty line, while the incidence of poverty is much higher in larger households, reaching a high of 58 percent in 10-person households. Clearly it is not the large size of households as such that is the cause of poverty, but the higher proportion of dependants per economically active person in these households.

Although the dependency ratio is extremely high at present, the skewed age structure of the Cambodian population implies that it will fall in the coming decades. This decline in the dependency ratio will relieve pressure on the economy and on individual income earners. This is because even if labour productivity does not rise, income per head will increase due to a gradual fall in the number of dependants of each income earner.

Two development scenarios

The two demographic trends described above create both a challenge and an opportunity in the coming decades. The challenge is to create employment opportunities for the rapidly increasing labour force without causing a fall in labour productivity. In other words, the additional employment opportunities created must be at a level of productivity that is at least as high as that of already existing jobs. The opportunity lies in the falling dependency ratio over the long term. If the challenge to create productive employment opportunities is success-

Table 2. Labour Productivity by Sector, 1993-94 and 1996

	Employed people (number)				Real GDP ^a (billions of riels)		Real GDP per employed person (riels/person)		Index of labour productivity (1993-94 = 100)	
	1993-94	%	1996	%	1993-94	1996	1993-94	1996	1993-94	1996
Total economy	3,939,845	100.0	4,858,769	100.0	297.90	347.90	75,612	71,602	100	95
o/w agriculture	2,956,746	75.0	3,797,283	78.2	137.10	148.50	46,369	39,107	100	84
industry	175,991	4.5	230,143	4.7	53.65	69.20	304,845	300,683	100	99
services	807,110	20.5	821,683	16.9	107.15	130.20	132,758	158,455	100	119

^a GDP at 1989 constant prices, 1993-94 GDP is the average of figures in 1993 and 1994. Sources: NIS (1995), NIS (1997), World Bank (1997)

fully met, the improved dependency ratio will add to growth momentum through automatic improvement in per capita income. This will increase savings that can be turned into productive investment.

The demographic trend suggests that Cambodia faces alternative scenarios—dismal and bright. A dismal scenario assumes that the economy fails to generate productive employment opportunities at the pace required, as has been the case in the past few years. In this situation, the growth of the labour force will take place at the expense of labour productivity, with falling returns on labour and income as a result. As income falls, so will the ability to generate savings and investment. Consequently, the economy will get caught in a vicious circle of falling productivity and income from which it will be increasingly difficult to escape. Such a development is also likely to result in widening income gaps.

By contrast, a bright scenario assumes successful expansion of employment without any fall in labour productivity. Because of the fall in the dependency ratio, this will translate into improved personal income, reduced poverty, and an increase in the ability and propensity of people to save. This in turn will permit productive investment in agriculture and elsewhere, resulting in increased production, improved productivity, and more employment opportunities. Hence, a virtuous circle could lead to sustained and broad-based growth.

Policy issues

Which of these two scenarios will Cambodia follow? This depends on various factors, but government policies can influence the path that Cambodia will take. To increase the likelihood of bringing about the bright scenario described above, at least three policy issues need to be addressed: 1) agricultural development; 2) access to land and other productive assets; and 3) human resource development.

Agricultural development

Whether or not Cambodia will successfully face up to the demographic imperative depends critically on the development of the agricultural sector. Because 75 to 80 percent of the population derive their living from agriculture, the burden of employment creation will inevitably fall on the agricultural sector. Agricultural production will have to increase on a sustained basis to keep pace with the increase in the labour force, at a rate of at least 4 to 5 percent per year in real terms over an extended period. This is not to disregard the importance of the non-agricultural sectors. Indeed, there is a strong need for diversification of the rural economy through the development of these sectors. However, such a diversification can take place only if agricultural production

increases beyond subsistence levels.

There are some encouraging signs in agricultural production, though the long-term trend has been poor since 1980 (Chan *et al.* 1998). The most important of these signs is perhaps the steady increase in irrigated dry season rice cultivation. The intensification and commercialisation of agriculture needs to be supported and promoted as the cornerstone for a strategy of sustainable development. There are indications that an intensification of rice production is beginning, but this should be seen in light of the low starting point and of the formidable obstacles still facing agriculture. For instance, the poor physical infrastructure for agricultural production results in high transport costs and poor access to markets. Furthermore, the positive development

of rice production in the past few years has not been matched by similar development in other fields such as animal husbandry and inland fishing.

Access to land and productive assets

The increase in the population will reduce the availability of land per capita in the long term, because the expansion of cultivable land will at some point reach physical limits.

This will put pressure on the economy, even though Cambodia is at present relatively abundant in terms of cultivable land among the regional economies. This implies that the productivity of the land (yields) will have to increase at a similar pace to population growth in order to prevent an overall fall in income per capita. Improving access to other productive assets such as credit and irrigation will be essential to mitigate the adverse impact of population pressure on productivity.

There are indications of rapidly increasing landlessness and pauperisation in rural areas in recent years (Murshid 1998; McAndrew 1998). This is alarming and needs to be taken seriously. Issues of land tenure and access to land have been conspicuously absent from virtually all discussions on rural development in Cambodia in the past decade. There seems to have been an implicit assumption that land reform in 1989 solved the problems of land distribution and access to land. It is true that universal and reasonably equitable access to land in the wake of land reform has been a major development advantage to Cambodia. If Cambodia loses this advantage, however, an increasing proportion of the rural population will be left with no productive assets other than their own labour. They will benefit little from any upswing in agriculture, and risk being left outside the mainstream of economic development. Hence, the issue of access to land deserves a high place on the policy agenda for rural development and poverty alleviation.

Equally important is the establishment of the rule

There are indications of increasing landlessness and pauperisation in rural areas in recent years, but issues of land tenure and access to land have been absent from virtually all discussions on rural development in the past decade.

of law and the protection of property rights. This will not only lay foundations for the market economy in general, but will also be likely to enhance incentives for farmers to invest in land improvement and other productive assets and to produce for the market, since the risks involved in such pursuits would decrease.

Human resource development

The young generation entering the labour force should have the skills and capacity to take up productive employment opportunities needed for the development of the economy. To be productive, they have to be healthy, educated and skilled. Human resource development, particularly in terms of education, health and nutrition, is one of the key policies to meet the challenge of the demographic imperative. Human resource development will increase labour productivity, real incomes and subsequently the living standards of the young generation of the labour force. In other words, successful development of human resources will help create a virtuous circle and bring about the bright scenario described above.

However, health care and education remain extremely under-funded, despite policy declarations that this situation should be remedied. It is unfortunate that the official policy of free education and health care provision contrasts sharply with the actual situation on the ground. The costs of both education and health care at present are primarily born by the individual. Apart from their negative effect on living conditions in general, the poor state of education and health are one of the main obstacles to economic development and to poverty alleviation.

The exorbitant cost of medical care in cases of illness appears to be a serious problem for the poor. Available evidence suggests that illness-related expenditures are often a main factor behind indebtedness and subsequent loss or sale of land (Murshid 1998). In other words, unexpected but inevitable medical expenses tend to deprive households of their productive assets and drive them into poverty.

The private cost of education also imposes a heavy burden, not least on the poor. As these costs are spread over a longer period of time, their primary effect is to perpetuate poverty from one generation to the next by depriving the children of poor households of the opportunity for adequate education. The importance of accessible and affordable health care and education extends beyond the intrinsic value of these services. It must be seen as part of any strategy for economic development and poverty alleviation, and should be given commensurate importance by the government and donors alike.

Conclusion

The demographic imperative generates both challenges and opportunities. The challenges ahead derive from the large number of young people who will enter the labour market in the coming decades. The opportunities, on the other hand, arise from the increasing proportion of the working-age population relative to the number of dependants of income earners. The key to meeting the challenges is to create opportunities for generating productive employment without a decline in labour productivity. To do so, agricultural development, access to land and productive assets, and human resource development are the key issues that need to be addressed, and should

without doubt be top priorities on the development agenda in post-election Cambodia.

Human resource development is one of the key policies to meet the challenge of the demographic imperative. It will increase labour productivity, real incomes and the living standards of the young.

Endnotes

- ¹ This article draws on chapters one and four in Chan *et al.* (1998).
- ² Data for low-income countries comes from World Bank (1997).

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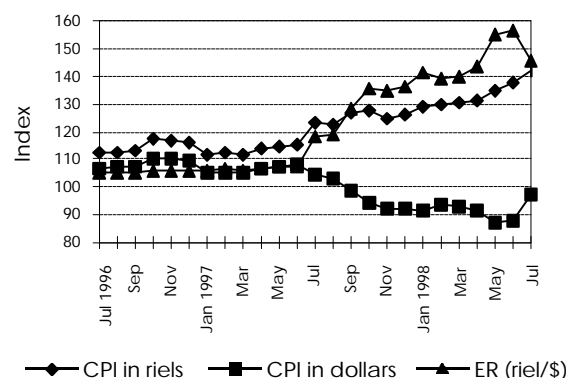
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1. Inflation and Foreign Exchange Rates

Consumer prices in Phnom Penh increased at a high rate from May to July, after a stable period from February to April 1998 (Figure 1). Monthly inflation rates measured by the consumer price index (CPI) were well below 1 percent between February and April. They increased to 2 to 3 percent per month from May to July, according to data from the National Institute of Statistics (Table 1). Year-on-year inflation rates have been at two digits since January 1998, and reached 19 percent in June, the highest annual inflation rate in the last two years (Table 1).

The high inflation from May to July was caused primarily by three factors: the depreciation of the riel, drought, and stockpiling before the July election. First, the riel depreciated against the dollar by 2.5 percent and 8 percent in April and May respectively (Table 1). In June, the market exchange rates depreciated further to more than 4,000 riels per dollar—the lowest level since they fell to about 5,000 riels to the dollar for a short period before the UNTAC-sponsored election in 1993 (see *Economic Indicators* on page 14). The large depreciation of the riel pushed up the price of imported products denominated in riels, which led to the acceleration of inflation during this period. Second, it became clear by June that the shortage of rain would cause drought and damage agricultural production in many areas of Cambodia. Various food items, particularly

Figure 1. CPI and Foreign Exchange Rate Index (Base: July-September 1994 = 100)



rice, experienced inflation from May to July, reflecting the shortage of supply in Phnom Penh. Finally, the elections appear to have motivated people in the capital to stockpile food. Our latest market survey in August found that Phnom Penh markets enjoyed a windfall profit from this right before the election (see *The Economy After the Election*, pages 1 to 5).

The large depreciation of the riel against the dollar in May and June led the National Bank of Cambodia (NBC) to intervene in the foreign exchange market. This intervention took the form of dollar auctions aimed at keeping the exchange rate below 4,000 riels to the dollar. The intervention appears to have achieved its

Table 1. CPI in Riels and Dollars, July 1996 - July 1998

		Index			Percentage change from previous month			Percentage change from previous year			
		CPI		NER ^a	CPI		NER ^a	CPI		NER ^a	
		Riels	Dollars	Riel/\$	Riels	Dollars	Riel/\$	Riels	Dollars	Riel/\$	
1996	July	112	107	105	4.0	2.5	1.5	7.6	-3.9	12.0	
	August	113	107	105	0.6	0.5	0.0	7.1	-2.2	9.5	
	September	113	107	105	0.5	-0.1	0.6	5.9	-2.1	8.2	
	October	117	111	106	3.7	3.0	0.7	8.3	0.5	7.8	
	November	117	110	106	-0.7	-0.3	-0.4	8.7	1.3	7.3	
	December	116	110	106	-0.7	-0.5	-0.1	10.0	3.3	6.6	
	1997	January	112	105	106	-3.5	-4.0	0.5	6.5	-0.2	6.7
		February	112	106	106	0.4	0.2	0.2	4.6	-1.6	6.3
		March	112	105	106	-0.6	-0.2	-0.3	5.6	-0.1	5.7
		April	114	107	107	2.2	1.6	0.6	6.3	0.7	5.6
		May	115	107	107	0.7	0.3	0.3	6.6	0.9	5.6
		June	116	108	107	0.6	0.5	0.2	7.3	3.4	3.8
July		124	105	118	6.8	-2.9	10.0	10.2	-2.0	12.5	
August		122	103	119	-0.9	-1.6	0.7	8.6	-4.1	13.3	
September		127	99	128	3.4	-4.2	8.0	11.8	-8.1	21.6	
October		128	95	135	1.0	-4.2	5.4	8.9	-14.5	27.4	
November		125	92	135	-2.6	-2.2	-0.4	6.7	-16.2	27.3	
December		126	92	136	1.2	-0.1	1.2	8.7	-15.8	29.0	
1998	January	129	91	141	2.4	-1.0	3.5	15.2	-13.2	32.8	
	February	130	93	139	0.8	2.1	-1.3	15.7	-11.5	30.7	
	March	130	93	140	0.3	-0.3	0.6	16.7	-11.5	31.9	
	April	131	91	143	0.7	-1.8	2.5	14.9	-14.5	34.4	
	May	135	87	155	2.7	-4.9	8.0	17.2	-19.0	44.6	
	June	137	88	157	2.1	0.9	1.2	18.9	-18.6	46.2	
	July	142	98	145	3.2	11.2	-7.3	14.8	-6.8	23.2	

^a NER = nominal exchange rates. Source: NIS, *Consumer Price Index* (various issues); NBC, *Economic and Monetary Statistics Review* (various issues)

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objective, as the exchange rate bounced back in July, and has since remained at about 3,700 riels per dollar.

2. Measuring the Cost of Living

CPI is frequently used as an indicator of the cost of living, since it reflects the price of a basket of consumer goods and services. Adjustment of wages is often made based on changes of CPI.

The relevance of its use becomes less clear when an economy is dollarised, since CPI is typically measured in the national currency. CPI denominated in the riel does not reflect well the cost of living of people whose income is in riels. In a dollarised economy, however, a high proportion of transactions, including payment of wages, occurs in dollars. The cost of living of people who earn dollars therefore needs to be measured in dollars, as the change in foreign exchange rates affects the purchasing power of their earnings.

Figure 1 illustrates the recent change of CPI measured in dollars and CPI in riels.¹ CPIs in riels and dollars showed a similar trend until June 1997, but diverged after July 1997. Indeed, the CPI in dollars declined by 19 percent from June 1997 to June 1998.

The cost of living measured in dollars thus actually declined after July 1997, because the depreciation of the riel was greater than the increase in prices denominated in riels.

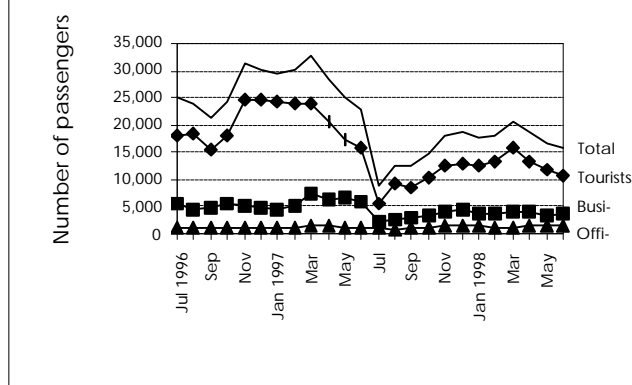
3. Tourism

Table 2. Number of Passengers Arriving at Pochentong International Airport, June 1996 - June 1998

	Arrivals			Total	Percentage change ^a
	Tourists	Business	Officials		
June 1996	14,421	4,844	1,138	20,403	35.0
July	18,173	5,699	1,258	25,130	32.4
August	18,359	4,553	1,053	23,965	22.1
September	15,592	4,813	1,044	21,449	19.0
October	17,873	5,436	1,157	24,466	23.8
November	24,700	5,293	1,231	31,224	37.4
December	24,590	4,655	1,099	30,344	23.4
January 1997	24,266	4,328	948	29,542	24.2
February	24,125	5,084	1,171	30,380	30.9
March	23,849	7,532	1,582	32,963	22.4
April	20,607	6,337	1,519	28,463	12.8
May	17,348	6,673	991	25,012	18.8
June	16,012	5,811	1,188	23,011	12.8
July	5,650	2,212	950	8,812	-64.9
August	9,081	2,724	901	12,706	-47.0
September	8,371	3,106	1,216	12,693	-40.8
October	10,482	3,248	1,025	14,755	-39.7
November	12,531	4,141	1,293	17,965	-42.5
December	13,012	4,401	1,409	18,822	-38.0
January 1998	12,682	3,681	1,389	17,752	-39.9
February	13,147	3,833	1,046	18,026	-40.7
March	15,763	3,899	1,027	20,689	-37.2
April	13,245	3,966	1,644	18,855	-33.8
May	11,838	3,404	1,334	16,576	-33.7
June	10,542	3,657	1,561	15,760	-31.5

a Percentage change from previous year. Source: MEF, *Monthly Bulletin of Statistics* (various issues)

Figure 2. Passenger Arrivals at Pochentong Airport, July 1996 - June 1998



The fighting in July 1997 adversely affected the development of the tourism sector. This is indicated by a sharp decline in the number of tourists arriving in Cambodia since July last year (Figure 2). The March issue of *Economy Watch* noted that there were signs of a slight recovery in the tourism sector towards the end of 1997. Given the importance that the tourism sector holds in terms of foreign currency earnings and employment generation, it is worth examining whether this trend has continued in 1998.

The height of the tourist season in Cambodia is from November to March. The number of tourists arriving at Pochentong Airport reaches its peak during this period. The number of tourist arrivals has increased gradually since July 1997, and reached a peak of around 16,000 in March 1998 (Table 2; Figure 2). This recovery was a favourable development, but the level of arrivals in March this year was 34 percent lower than March last year (Table 2).

Concerns have been raised about whether direct flights between Bangkok and Siem Reap have adversely affect tourism in Phnom Penh. More detailed studies are needed to answer this question, but indications suggest that the impact of direct flights on tourism in Phnom Penh have so far been minimal. For instance, the number of passengers arriving in Siem Reap from Bangkok was 4,700 in the first two quarters of 1998, according to tourism authorities in Siem Reap. This accounted for only 4 percent of total arrivals at Pochentong during the same period.

4. Investment

Concerns have been raised about the extent to which foreign investment in Cambodia has been affected by the fi-

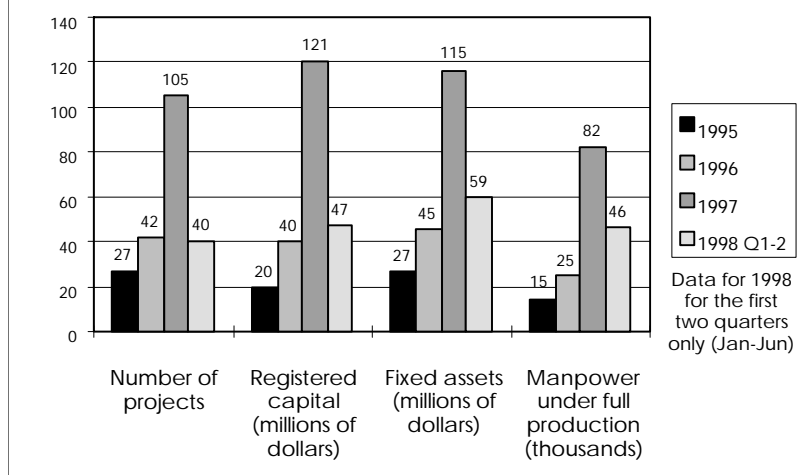
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financial crisis in Asia, whose impact has been spreading beyond the ASEAN region since last July.

Table 3 summarises investment projects by sector approved by the Cambodia Investment Board (CIB). The CIB data should be read with caution, because the investment projects listed may not have been implemented after being approved by the CIB. According to the CIB data, total registered capital and fixed assets of investment declined by around 10 percent and 5 percent respectively in 1997, relative to their levels in 1996. The number of projects approved increased slightly, however. The decline of approved investment was particularly significant in the agricultural and the service sectors during this period. The decline seems to have continued from January to July 1998, during which time the number and registered capital of approved projects was less than half of the total for 1997.

The overall slowdown of investment in the agricultural and the service sectors was to some extent mitigated by the expansion of investment in the industrial sector. Investment in the garment sector has certainly been the impetus for recent development. The number of approved garment factory projects increased from 27 in 1995 to 42 in 1996, and to 105 in 1997 (Figure 3). Registered capital, fixed assets and manpower under

Figure 3. Investment Projects Approved in the Garment Sector



full production also expanded rapidly during this period. The sharp increase in the garment sector reflects the benefits of the granting of GSP status by the European Union.

The slowdown of economic growth in Asia due to the financial crisis appears to have adversely affected foreign investment in Cambodia. However, the extent of the decline has so far not been as substantial as was anticipated. Table 4 summarises foreign investment projects in Cambodia by source area in three consecutive periods: July 1995 to June 1996, July 1996 to June

1997, and July 1997 to June 1998. The total number of investment projects declined by 7.8 percent, from 206 projects in the second period to 190 in the third. During the same period, registered capital declined by 36 percent and fixed assets by 16 percent.

However, the extent of the decline from ASEAN (Indonesia, Malaysia, Singapore, Thailand and Vietnam) was smaller than that of total foreign investment discussed above. The larger slowdown was observed in total foreign investment from other Asian and Pacific Rim countries, such as Hong Kong, Taiwan and South Korea. The decline has not, however, changed the dominance of ASEAN and China, Hong Kong, Taiwan and South Korea, in foreign investment in Cambodia since 1995.

Table 3. Investment Projects Approved in Cambodia, August 1994 - July 1998

						Total	Sectoral
	1994 ^a	1995	1996	1997	1998 ^b	between 1994-98	share (%) 1994-98
Number of investment projects							
Agriculture	7	32	33	27	4	103	15
Industry	27	91	135	170	71	494	72
o/w garment	12	27	42	105	49	235	34
Service	5	40	24	9	9	87	13
Total	39	163	192	206	84	684	100
Registered capital (millions of dollars)							
Agriculture	119	70	82	93	10	375	11
Industry	97	357	332	306	136	1,229	37
o/w garment	76	20	40	103	58	295	9
Service	7	1,574	76	22	32	1,711	52
Total	223	2,001	489	421	179	3,314	100
Fixed assets (millions of dollars)							
Agriculture	60	70	96	30	19	275	5
Industry	487	593	551	642	270	2,541	49
o/w garment	29	27	45	110	74	285	6
Service	50	1,859	171	113	156	2,350	45
Total	597	2,521	818	784	445	5,166	100
Manpower (under full production)							
Agriculture	1,709	8,775	8,523	4,187	1,946	25,140	8
Industry	17,222	32,669	57,219	123,545	39,272	269,927	86
o/w garment	12,828	14,557	25,326	82,565	29,553	164,829	53
Service	2,883	6,271	5,769	1,171	2,100	18,194	6
Total	21,814	47,715	71,511	128,903	43,318	313,261	100

^a August to December 1994; ^b January to July 1998. Source: CDRI calculation based on data from the CIB

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Table 4. Foreign Investment Approved in Cambodia by Source Country/Area

Area	Period 1	Period 2	Period 3
	July 1995 - June 1996	July 1996 - June 1997	July 1997 - June 1998
	Number of investment projects		
ASEAN	56	48	46
Indonesia	3	4	5
Malaysia	24	18	16
Singapore	16	18	19
Thailand	12	8	5
Vietnam	1	-	1
Other Asia-Pacific	97	129	117
China	27	31	34
Hong Kong	23	27	25
Taiwan	28	50	29
South Korea	7	10	7
Others	12	11	22
Europe	22	17	18
North America	7	12	8
Middle East	0	0	1
Total	182	206	190
Percentage change from previous year		13.2	-7.8
	Registered capital (millions of dollars)		
ASEAN	75	101	83
Indonesia	2	1	3
Malaysia	38	54	61
Singapore	20	36	17
Thailand	15	10	2
Vietnam	-	-	-
Other Asia-Pacific	111	223	155
China	23	21	72
Hong Kong	10	15	17
Taiwan	67	83	32
South Korea	5	66	9
Others	5	38	26
Europe	53	48	15
North America	4	26	2
Middle East	0	0	1
Total	243	398	255
Percentage change from previous year		63.7	-35.8
	Fixed assets (millions of dollars)		
ASEAN	217	255	259
Indonesia	13	1	3
Malaysia	126	187	181
Singapore	47	38	55
Thailand	30	29	21
Vietnam	0	0	0
Other Asia-Pacific	145	416	240
China	33	22	100
Hong Kong	25	71	58
Taiwan	74	115	27
South Korea	4	172	20
Others	9	37	35
Europe	204	39	25
North America	4	15	87
Middle East	0	0	0
Total	570	725	611
Percentage change from previous year		27.3	-15.8

Source: CDRI calculation based on data from the CIB

¹ CPI in dollars is defined as $CPIR/NER \times 100$, where CPIR is CPI measured in riel and NER is the nominal exchange rate index of the riel against the dollar. Both indices were adjusted to the same base year,

July–September 1994.

*Economy Watch was prepared by
Long Vou Piseth and Toshiyasu Kato.*

Economic Indicators

1. Consumer Price Index (CPI) in Phnom Penh and the Provinces, August 1997 – July 1998

	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
	Monthly CPI											
Phnom Penh	122	127	128	128	127	132	130	130	131	135	137	142
Provinces	141	147	148	146	145	144	140	143	146	154	161	158
	Monthly CPI (seasonally adjusted)											
Phnom Penh	122	124	124	125	126	135	132	134	134	138	141	136
Provinces	137	143	140	142	147	145	144	150	149	160	166	152
	Inflation based on seasonally adjusted monthly CPI (month to month)											
Phnom Penh	0.1	2.3	-0.5	0.6	1.2	7.1	-2.3	2.0	-0.5	2.8	2.6	-3.9
Provinces	-2.2	3.9	-2.0	1.5	3.3	-1.1	-0.6	3.7	-0.7	7.3	3.7	-8.5
	Inflation based on seasonally adjusted monthly CPI (year on year)											
Phnom Penh	8.6	11.8	8.9	9.3	9.2	18.1	15.7	16.7	14.9	17.2	18.9	11.8
Provinces	5.7	12.5	6.6	7.4	10.9	10.0	9.6	13.2	11.0	15.4	20.9	13.0

CPI for Phnom Penh is taken from the *Monthly Bulletin of Consumer Price Index* (National Institute of Statistics at the Ministry of Planning); CPI for the provinces is constructed by CDRI based on the prices of 12 essential items gathered in 11 provinces. (Base year of indices: July–September 1994 = 100)

2. Foreign Exchange Rate and Gold Prices, August 1997– July 1998

	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
Market and official exchange rates (riels per dollar)												
Value (1) market rate	3,068	3,313	3,492	3,477	3,519	3,638	3,593	3,613	3,703	3,998	4,047	3,753
(2) official rate	3,000	3,192	3,409	3,402	3,452	3,590	3,555	3,580	3,655	4,015	3,995	3,770
(3) (1) as a % of (2)	102	104	102	102	102	101	101	101	101	100	101	100
Index (1) market	119	128	135	135	136	141	139	140	143	155	157	145
(2) official	116	124	132	132	134	139	138	139	142	155	155	146
Gold price (riels per chi)												
Value	106,963	108,964	120,518	120,304	112,425	117,341	120,610	119,193	126,066	128,809	130,619	130,772
Index	93	94	105	104	98	102	105	103	109	112	113	113

Source: National Bank of Cambodia and the Cambodia Daily (Base year of indices: July–September 1994 = 100)

3. Money Supply, June 1997- May 1998

	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May
	Billions of riels											
Broad money (M2)	902.1	856.1	883.4	902.3	945.4	1,034.3	1,062.9	1,107.0	1,096.6	1,076.3	1,102.1	1,140.1
Money (M1)	330.6	338.7	341.8	348.7	366.4	381.8	384.8	385.2	382.8	419.6	435.5	437.5
Currency outside banks	304.5	308.3	311.3	318.2	334.5	350.2	356.1	356.8	353.0	388.9	399.1	402.2
Demand deposits	26.1	30.4	30.4	30.6	31.9	31.6	28.7	28.4	29.8	30.7	36.4	35.3
Quasi-money	571.5	517.4	541.7	553.5	579.0	652.6	678.1	721.8	713.8	656.7	666.6	702.6
Time and saving deposits	10.9	10.9	10.8	10.3	10.9	12.5	13.2	14.1	11.5	11.1	11.7	13.1
Foreign currency deposits	560.6	506.4	530.9	543.2	568.2	640.1	664.9	707.7	702.2	645.6	654.9	689.6
	Percentage change from previous year											
Broad money (M2)	15.8	7.0	10.3	9.5	15.9	22.3	16.6	16.9	12.2	10.0	22.8	26.8
Money (M1)	6.2	5.4	6.3	10.6	14.7	18.8	17.0	14.0	17.0	26.0	30.7	31.7
Quasi-money	22.1	8.1	13.0	8.8	16.7	24.5	16.4	18.5	9.8	1.7	18.2	23.9

Source: National Bank of Cambodia

4. National Budget Operations, April 1997- March 1998

	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
	Billions of riels											
Total revenue	69.6	71.4	63.1	52.6	67.6	57.0	68.1	94.8	144.2	60.8	63.7	91.7
Tax revenue	49.4	52.6	48.2	33.2	54.9	42.5	48.6	50.3	76.7	48.0	43.5	65.9
o/w customs duties	27.3	28.6	28.1	18.5	31.0	25.1	28.5	27.9	42.7	27.6	22.7	37.2
Non-tax revenue	19.2	18.6	14.8	14.2	12.6	14.5	19.2	44.3	67.2	11.8	13.6	25.7
o/w forest exploitation	3.6	5.8	4.7	0.6	2.5	3.3	4.5	2.1	4.5	0.5	1.3	1.1
telecommunications	9.0	5.0	3.6	6.2	3.6	7.9	10.4	5.5	15.1	5.7	5.7	9.0
royalties	0.1	0.4	0.3	0.0	0.1	0.5	0.1	30.8	0.1	0.4	0.1	0.2
Capital revenue	1.0	0.2	0.1	5.2	0.1	0.0	0.3	0.2	0.3	1.0	6.6	0.1
	Billions of riels											
Total expenditure	94.3	95.5	111.7	81.1	105.5	115.3	118.4	130.2	199.9	81.0	100.0	149.4
Capital expenditure	32.1	35.1	41.7	36.7	38.0	51.1	54.7	40.7	79.2	42	50.9	37.6
Current expenditure	62.2	60.4	70.0	44.4	67.5	64.2	63.7	89.5	120.7	39	49.1	111.8
o/w defence	32.5	23.9	28.7	18.6	36.8	41.9	30.0	52.8	79.3	7.6	18.0	66.1
o/w civil administration	29.7	36.5	41.3	25.8	30.7	22.3	33.7	36.7	41.4	31.4	31.1	45.7
Overall deficit	-24.7	-24.1	-48.6	-28.5	-37.9	-58.3	-50.3	-35.4	-55.7	-20.2	-36.3	-57.7
	Percentage change from previous year											
Total revenue	10.0	23.1	5.9	-9.6	-14.5	-1.7	46.5	51.0	74.6	-11.5	19.3	30.1
Total expenditure	-8.7	-7.1	21.5	-36.0	-2.5	42.3	41.6	45.6	17.4	-6.8	21.4	52.0

Source: Ministry of Economy and Finance

glossary

Demographic Terms

Age Cohort (ក្រុមមនុស្សដែលមានអាយុស្របគ្នា)

A group of people who are in the same age range.

Age Structure (រចនាសម្ព័ន្ធអាយុ)

A classification of population by age group. Each age group consists of a five-year interval. For example, one group will be composed of people aged from 5 to 9 years, another of people aged from 10 to 14.

Baby Boom (បន្ទុះកុមារ-

ការកើនឡើងយ៉ាងលឿននៃចំនួនកុមារ)

A period of time in which the number of newly born babies increases rapidly. A baby boom tends to occur after conflicts, such as the Khmer Rouge period, in which a large number of people lost their lives.

Dependency Ratio (អត្រាពឹងផ្អែក)

Child dependency ratio is the ratio of the population under the age of 15 to the population aged 15 to 64. Elderly dependency ratio is the ratio of population over the age of 64 to the population aged 15 to 64. Total dependency ratio, or sometimes simply dependency ratio, is the sum of child and elderly dependency ratios.

Labour Force (កំលាំងពលកម្ម)

The labour force, or sometimes workforce, is the number of people who are working, plus the number of those who are unemployed but who are ready and able to work.

Labour Productivity (ផលិតភាពពលកម្ម)

Productivity measures the amount of output that is produced with given amounts of factor inputs, such as land, labour and capital. Labour productivity is usually defined as either output per worker (i.e. the total value added divided by total employment), or as output per person hour (i.e. the total value added divided by the total number of hours worked).

Working-Age Population (ប្រជាជនក្នុងអាយុពលកម្ម)

The population in the age groups in which the majority of people are working and generate income. The working-age population is typically defined as age groups between 15 and 64 years old. This definition may not necessarily be appropriate in developing countries, where child labour performed by children aged below 14 years is prevalent, and where average life expectancy is relatively short.



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CDRI UPDATE

Research

During June, research staff collaborated with visitors from the Stockholm School of Economics in the preparation of a report on the Cambodian economy entitled *Cambodia: The Challenge of Productive Employment Creation*, which will be published by SIDA. A seventh case study in the *Learning from Rural Development Programmes* series (on the UNICEF Community Action for Social Development project) was also completed, again with participation from the Ministry of Rural Development. In addition to monitoring activities and the initial stages of a major research project on *Technical Assistance and Development of Cambodian Capacity*, researchers gave a seminar on the regional financial crisis for senior officials of the National Bank of Cambodia on September 14.

English Language Programme

CDRI staff helped to organise a workshop on *Reflective Practice: Methods, Materials and Means* for Cambodian EFL teachers from institutes of higher education from 9 to 12 September. A communication skills course for officials from the Ministry of Planning concluded in August. A short course on the language of multi-cultural meetings was held in August for government officials dealing with ASEAN. Courses for officials from the Department of Public Works and Transport continued. CDRI is running a TOEFL preparation course and an ASEAN-related report writing course in October.

Library

The CDRI Library holds more than 4,950 titles on economic and social development. The Library is open to

the public during office hours (Monday to Friday from 7:30am to 12 noon and 2pm to 5:30pm).

Cambodian Centre for Conflict Resolution

The second volume of *Mindful Mediation* was published in June and is now available from CDRI for 1,500 riels. Volume four in the series will be available from the end of September, with volume three to follow towards the end of the year. CCCR staff conducted four regional workshops on conflict management for staff of provincial election committees before the election.

Publications

Publication of the six case studies from the Learning from Rural Development Programmes project was completed in August. Complete sets of case studies are available for \$12.00 (English editions) or 15,000 riels (Khmer editions). The English edition of *Regional Economic Integration for Sustainable Development in Cambodia* (Working Paper No. 5) was published in September, along with a volume of Cambodia-specific conference papers on the same topic. The working paper is available for \$6.00, and the conference papers for \$8.00. Khmer editions of both the working paper and conference papers will follow in November. Forthcoming working papers on *Food Security in Cambodia* and *Interdependence in Household Livelihood Strategies* will be published in November–December.

Correction: An incorrect address was given for the CDRI website in the June issue of the *Cambodia Development Review*. The correct address for CDRI-Online is <http://www.cdri.org.kh>.

Cambodia Development Review is also available in Khmer

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Cambodia Development Review welcomes correspondence and submissions. Letters must be signed and verifiable and must include a return address and telephone number. Prospective authors are advised to contact CDRI before submitting articles, though unsolicited material will be considered. All submissions are subject to editing. CDRI reserves the right to refuse publication without explanation.

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