

Socio-Economic Trends, July 2016

Executive summary

1. In May 2016, CPI rose 0.4% from previous month and rose 3.1% compared with 12 months before. Price indices of product groups that rose considerably from previous month are: (1) price index of housing, water, electricity, gas and other fuels rose 1.2%, in which gas prices rose 9.8%; (2) price index of transportation rose 1.7%, in which price level of fuel and fat rose 4.8%, regular gasoline rose 5.0%, diesel rose 3.1%, mainly due to increase of crude oil price on international market. The price indices of other product groups decreased slightly or remained stable due to decline in demand after the Khmer New Year season.
2. As of May 2016, broad money M2 was KHR 53,314 Billion, up 18.9% compared to 12 months before, in which Riel currency increased remarkably, but foreign currencies still remain as largest share of the money supply with proportion of 84.3%.

Through observation, requirement of money supply in economy continues to grow. For instance, lending to non-financial institutions stood at KHR 44,963 billion, increased 28% compared to 12 months before, in which proportion of lending to construction sector 9.4%, service sector 68.1%, agriculture sector 13.0% and industry sector 9.5%. The lending provided to the financial sector was KHR 1,375 billion, increased 67.3% compared to 12 months before, despite a slight decrease from last month.

The increasing demand for money supply has driven interest rates in Cambodia, although Cambodia's banking sector has been growing rapidly. For instance, interest rate in Cambodia is higher than other countries in the region, partially reflects that Cambodia has economic potential to grow and in need of capital, but at the same time also requires attention on managing capital inflow and more efficient operation.

3. Import-Export: In 6 months of 2016, total import had increased compared with the same period of 2015, despite slight decrease in June, with construction equipment decline 27%, textile product decline 7%, machinery product decline 5%, and fuel increase 16%. For export, monthly export continues increasing from month to month in full first semester of 2016;

export in June worth US\$946 million, increased 27% from last month, with significant increase in textile and footwear products with value up to US\$ 686 million.

4. Execution of revenue: In June 2016, national level administration executed revenue of KHR 1,172.62 billion, increased 22.4% compared to June 2015, but decreased from last month due to the continuous decline of tax on profit as period of mandate tax declaration for enterprise ended, decrease of tourism activities, revenue from post and telecommunication, and other non-tax revenues, especially obligation revenue from casinos. However, domestic revenue in first 6 months of 2016 is good, having executed more than annual planning 4.53%.

Execution of expenditure: In June 2016, national level administration executed expenditure of KHR 1,349.26 million, increased 22.8% compared to June 2015, and increased 38.1% from last month, with remarkable increases in salary expenditure, non-salary expenditure, especially on social benefits which reflects more government activities for the public care, and also with increase in investment spending in June. As a result, current account balance of June 2016 had surplus of KHR 385.84 million and budget deficit of KHR 105.60 million.

5. During six months of 2016, investment proposals authorized by CDC worth total US\$ 1,782 million, decreased 43% compared with the same period last year, with significant decline in the agricultural sector and the services sector. In March 2015, there were several huge investment proposals worth up to US\$ 2,686 million, including two projects of establishing sugar-cane processing factories worth US\$ 210 million, cassava processing factories worth US\$ 35 million, Beung Kok lake development worth US\$ 2,171 million and telecommunication network construction worth US\$ 270 million. However, despite decrease in total investment during the first 6 months of this year, there are still high increases in investments on industrial sector (increased 3 times) and tourism sector (increased nearly 10 times).
6. During first five months of 2016, total number of international tourist arrivals increased 2.4% compared with the same period last year, in which number of American and European tourists increased 7.6% and 11% respectively, and number South Asian visitors rose 28.1%. However, in May 2016, the total number of monthly international arrival decreased from

previous month, for May is in low season of international arrivals due to the weather condition, and will periodically increase a little in coming July and August.

7. For first half year of 2016, number of construction proposals totaled to 1,183 projects, in construction area 10,512 thousand square meters, with significant increase compared to the same period of 2015, especially construction of commercial building (increased 10 times), residential housing, industrial building and tourism. But in June 2016, total construction proposals decline compared to the previous month, with declining in construction area of residential housing, trade and tourism.
8. Crude Oil Price: Crude oil price realize little change in June 2016; but by monthly average, the price of 1FM Crude Future increased 3.8% (up from US\$45.94/barrel to US\$47.69/barrel), in which Brent rose 2.9% and WTI rose 4.3%. The growth is due to factors of USD depreciation, decrease of US oil stockpile, oil workers strike plan in Norway, and also environmental crisis of oil industry in Venezuela.

Rice Price: as of June 2016: (1) *Cambodian Rice*, export rice (broken 5%) price was US\$460 per ton, increased 2.2% from previous month and increased 5.7% from 12 months before. The growth is partly due to increasing demand while harvesting of some rice-producing countries have decreased due to drought. (2) *Thai rice*, rice export (broken 5%) price was US\$441 per ton, increased 1.8% compared with previous month and increased 17.3% compared to 12 months before, because of growth in both domestic and international market demand, such as trade order by China of one million tonnes for August, and rice importers such as the Philippines and Indonesia demanded more rice as well due to decreased rice yield in India and Vietnam by drought. (3) *Vietnamese rice*, rice export (broken 5%) price was US\$372.46 per ton, down 1.3% compared to previous month, but rose by 6.7% compared to 12 months before. The decline in price was mainly due to market competition with Thailand.

Rubber price: in June 2016, the rubber price declined during first half month, but rised in the later half. As monthly average, Rubber TSR20 price was US\$1,278.50 per ton, down 6.5% compared to previous month and down 19.6% compared to June 2015. Rubber SGP/MYS

price was US\$1,580.60 per ton, down 5.6% from last month and down 13.6% from 12 months ago. The price decline from last month was due to increasing supply as recent month is harvesting season of rubber producing countries in the ASEAN, and also in Hainan Province of China.

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