

Socio-Economic Trends, August 2016

Executive summary

1. In August 2016, CPI rose 0.2% from previous month and rose 2.9% compared to 12 months before. Price indices of product groups that rose considerably from previous month are of food and non-alcoholic beverages; alcoholic beverages and tobacco; furnishing and household maintenance; and, recreation and culture. However, the price index of clothing and footwear declined remarkably.
2. As of June 2016, broad money M2 reached KHR 54,473 billion, up 2.2% from previous month and up 18.0% from twelve months before. The proportion of Riel currency (M1 and Riel deposits) is still very small, only 15.8% over broad money M2, and the growth is lower than foreign currency. On 15 July 2016, NBC officialy launched Fast Payment system for Riel settlement, which will further promote the use of Riel, and therefore narrow M1 is likely increasing in the coming months, especially current Riel deposits for inter-bank domestic settlement.

Balance of loans granted by commercial banks began declining in this month of June 2016, partially due to implementation of new requirement of liquidity coverage ratio (LCR). Loans to non-finacial institutions decreased by 0.6% and loans to financial institutions decreased 5.3% compared with previous month of May, while loans to individuals and others continue increasing 2.2%.

3. Import-Export: Monthly import for August 2016 slightly decreased to USD 1.0 billion after continous increase in previous months, with significant decrease in imports of construction equipment and other goods. For eight months of 2016, imports totaled to USD 8.18 billion, increased 6.0% from the same period last year. Major import partners are: Thailand, China, Vietnam, Hong Kong and Singapore.

Monthly export also slightly decrease in August 2016, to USD 940 million after increase in previous months, with remarkable decrease in export of textile and footwear products. Exports of rubber increased considerably, but rice exports decreased a litle compared to last month. The export of rice is expected rise in next years, after obtaining 100 thousands tonnes

more quotas for export to China mainland. The main export destinations of Cambodia are: United States, United Kingdom, Germany, Japan, Canada, China, Vietnam and Thailand.

4. Execution of revenue: In August 2016, national administration executed revenue of KHR 1,105.19 million, slightly decreased from previous month, but higher than August last year. During eight months of 2016, total revenue reached KHR 9,663.70 billion rose 22.2% from the same period last year (exceeding planning budget of 2016 4.7%). The structure of total revenue is: tax revenue 88.4%, non-tax revenue 10.9%, capital revenue 0.7%.

Execution of expenditure: In August 2016, national administration executed expenditure of KHR 998.38 million, decreasing 11.7% from last month and decreased 25.5% compared with August 2015. During eight months of 2016, total expenditure reached KHR 7,887.27 billion, up 8.3% compared to the same period last year, but the progress is 20.1% lower than budget for 2016. The structure of total expenditure is: salary expenditure 44.0%, non-salary expenditure 27.5%, and capital expenditures 28.5%.

In eight months of 2016, the execution of revenue increased faster than the execution of expenditure in comparison to the same period of last year. As a result, current account accumulated surplus to KHR 3,816.09 billion, and balance of budget surplus reached KHR 1,629.71 billion riel, which reflects the efforts of Ministry of Economy and Finance in mobilizing revenue and reforming public finance to ensure efficiency in both revenue and expenditure executions.

5. During seven months of 2016, 76 investment projects were authorized by CDC (down 7 projects compared to last year), worth total USD 2,616 million, decreased by 21.7% compared to same period last year, where in March 2015 there were large investment projects in agro-industries and services. However, investment in industrial sector increased two times (mainly investment in cement factories), investment in tourism sector also increased 20 times, with large investment projects of creating tourist center, natural tourist site development, and five-star hotels.
6. In July 2016, number of international tourist arrivals reached 396 thousand, increased 19.9% compared with last month, with proportion of arrivals by air 53.8% and arrivals by land and water 46.2%. The growth of visitors in July is part of periodic cycle due to weather conditions

in Cambodia; namely, the number of international tourist arrivals slightly fluctuates from May to October, with significant rise in July and August for containing the short dry season, and will continue to increase from October to early months of subsequent year.

During seven months of 2016, number of international arrivals totaled to 2,757 thousands, increased 3.4% from the same period last year, in which number of European and American visitors rose 8.6%, South Asian (especially India) increased 26.6%, while number of visitors from ASEAN region decreased slightly.

7. In July 2016, number of construction proposals totaled to 317 projects (increased 124 projects compared with previous month), with construction area of 636 thousand square meters, increased 8.4% from previous month, and with amount of USD 275 million, up 14.2% from previous month. The increase is seen in construction of trade and tourism buildings, while residential construction, in construction area, is lowest in the last six month.
8. In August 2016, the price of 1FM crude future increased 2.2% over the previous month. The price increase is mainly driven by investor expectation on the coming meeting on 26-28 September 2016 in Algeria, between OPEC and non-OPEC oil producing countries, which might lead to achieving an agreement in freezing oil production yield.

Rice Price as of August 2016: (1) Cambodian rice: price of export rice (broken 5%) was USD435/ton, down 2.2% compared to the previous month, due to competition from other countries in the region, and the price is still higher than competitors. (2) Thai Rice: price of export rice (broken 5%) was USD415/ton, down 6.1% from last month. (3) Vietnam rice: price of export rice (broken 5%) was USD347/ton, also decreased 3.9% from last month. The decrease of rice price is mainly caused by fierce competition among rice producers, in the region and the world.

Rubber price: in August 2016, in overall the rubber price decline slightly in August compared to the previous month. The decrease in price was due mainly to lowering increase in supply of natural rubber from key producing countries in ASEAN region, while raw materials of production of natural rubber in Thailand also decreased; and at the same time, in August, Hainan and Yunnan provinces in China also started to harvest natural rubber.

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