

ECONOMY WATCH — EXTERNAL ENVIRONMENT

Even though US and Japanese economic growth slowed down, most Asian economies still grew faster in the second quarter than in the previous quarter. However, a sharp increase in crude oil prices and prices of other commodities has raised concerns about inflation in most countries.

World Economic Growth

According to economic indicators compiled by the Bureau of Economic Analysis, the US economy decelerated to a 4.7 percent annual growth rate in the second quarter of 2004 compared to 5.0 percent in the first quarter. This largely reflects a drop in personal and government consumption expenditures, and was partly offset by an increase in exports and in residential fixed investment. In the second quarter of 2004, personal consumption expenditures slowed to year-on-year growth of 3.4 percent, compared to 4.2 percent in the first quarter. The slowdown resulted mainly from weakened demand for motor vehicles and lower energy consumption, which in turn were affected by energy (oil) prices.

During the same period, growth in government consumption expenditures dropped to 3.8 percent from 12.1 percent in the previous quarter. Despite the fact that the US economy decelerated in the second quarter, the Federal Reserve retained its optimism, as demonstrated by an increase in benchmark interest rates from 1 percent to 1.25 percent in June, and 1.5 percent in August 2004. If the price of crude oil keeps rising, however, this will obviously adversely affect the growth prospects in the third and fourth quarters of the year.

The euro area's GDP grew more quickly at 2.2 percent in the second quarter of 2004, compared with 1.5 percent in the first quarter, strongly supported by both domestic and external demand. According to a press release of the European Commission, domestic demand rose by 1.3 percent in the second quarter, 0.2 percentage points faster than in the first quarter. During the same period, exports rose by 8.1 percent over the previous year (and by 3.5 percent compared to the preceding quarter). Due to slow economic growth in some countries in the euro area (i.e. Italy, Greece, Spain), the European Central Bank decided to leave its monetary policy unchanged, keeping its main refinancing rate at the six-decade low of 2 percent.

Japan's economy expanded by 4.2 percent year-on-year in the first quarter of 2004, 1.4 percentage points lower than in the previous quarter—arising largely from a fall in private sector inventories and government spending. According to Bloomberg News, private inventories were reduced in the face of a slowdown in demand in the US and Chinese economies, which are crucial markets for the Japanese. Lower economic growth in these two countries combined with oil price increases does not bode well for the Japanese economy.

As a result of tightening macroeconomic policies, China's economy decelerated slightly, to 9.6 percent annual growth in the second quarter, compared to 9.7 percent in the first quarter. For 2004 as a whole, the growth rate may decelerate further due to higher oil

prices, higher inflation and lower demand. According to Channel News Asia, growth may slow to 9.0 percent this year, compared to the predicted rate of 9.8 percent.

Compared to the second quarter of 2003, when the SARS outbreak spread to the whole region, the Singaporean economy experienced stronger growth, at an annual rate of 12.5 percent, in the second quarter of 2004, up from 7.5 percent in the first three months of the year. The Ministry of Trade and Industry of Singapore reported that external demand rose significantly (by 26.3 percent) over the year and remained the main engine of growth. During the same period, exports of both goods and services rose significantly (by 25.7 percent). According to the latest quarterly survey of the Monetary Authority of Singapore, GDP is expected to grow at an annual rate of 7.7 percent in the third quarter and 8.4 percent for 2004 as a whole. The Malaysian economy grew at an annual rate of 8.0 percent in the second quarter of 2004, the biggest gain since the second quarter of 2000, when the figure was 8.1 percent. According to the Central Bank of Malaysia, growth was led by the manufacturing and services sectors, which recorded annual growth rates of 12.1 percent and 7.4 percent. However, growth is expected to slow later in the year as higher oil prices take their toll and semiconductor exports fall. Similarly, the Hong Kong economy expanded at a rate of 12.1 percent in the second quarter of 2004, compared to 6.8 percent in the preceding quarter. The main reason would appear to lie in a rise in domestic consumption, helped by lower unemployment and increased tourism. The Hong Kong economy is also expected to weaken during the second half of the year in the face of a Chinese economic slowdown and US interest rate hikes.

Unlike other ASEAN countries, the Thai economy decelerated from an annual rate of 6.6 percent growth in the first quarter to 6.3 percent in the second quarter. The slowdown was due mainly to avian influenza and the rise in oil prices, according to the National Economic and Social Development Board. As a result of the epidemic and drought, the agricultural sector contracted further in the first quarter of 2004.

World Inflation and Exchange Rates

Higher crude oil prices caused the inflation rate in many countries to come under pressure. In the second quarter, consumer prices in the US surged by 2.9 percent over the previous year, 1.2 percentage points higher than in the first quarter. During the same period, consumer prices in the euro area rose at an annual rate of 2.1 percent, compared with 1.6 percent in the previous quarter. In contrast, consumer prices in Japan continued to fall in the second quarter. To deal with this persistent deflation, the Bank of Japan in its July meeting decided to maintain its expansionary policy. In Hong Kong, however, deflationary pressures continued to ease, as consumer price declines slowed. On a year-on-year basis, consumer prices in Singapore rose by 1.8 percent in the second quarter of 2004, largely reflecting a rise in the price

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of consumer goods and services.

In the second quarter of 2004, the value of the US dollar strengthened by 2.3 percent and 5 percent over the previous quarter, relative to the Japanese yen and the euro respectively. Despite coming under pressure in June (weakening against both the yen and the euro) in the face of the record deficit in the US current account, the US dollar was kept relatively firm over the quarter as a whole by the Fed's announcement of raised interest rates and the lack of confidence in a quick Japanese economic recovery. During the same period, the US dollar gained 3 percent and 0.6 percent respectively against the Thai baht and the Singapore dollar.

Commodity Prices in World Markets

Most commodity prices were higher in the second quar-

ter of 2004 than in the first quarter. The price of first quality rice in the Bangkok international market rose for the second consecutive quarter, reaching \$235.80/tonne, an increase of 8.7 percent over the first quarter. The price of rubber in the Malaysian international market rose by 7 percent, to \$1,333.40/tonne, in the second quarter, from \$1,246.40/tonne in the previous quarter. During the same period, the price of soybeans continued to rise for the second consecutive quarter, reaching \$249.70/tonne; compared to the same quarter last year, soybean prices increased by only 1.6 percent. The price of crude oil increased sharply in the second quarter—by 13.6 percent over the previous quarter, reaching an average daily price of \$33.30/barrel over the three months.

Prepared by Tong Kimsun

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Towards Understanding...

prolonged civil war and state failure across three decades. The fact that the formal sector is small while the demand for social support is acute leads to reliance more on external assistance and informal safety nets than on national resources for social protection.

Formal insurance is still in its infancy in Cambodia. Few people generate adequate income to be voluntarily insured. However, steps have been taken to pass insurance laws and draft sub-decrees in order to create an appropriate regulatory framework. Policies have also been considered to move towards sustainable insurance providers and pension schemes. Success of these initiatives will critically depend on other related factors, mainly good governance and in particular an appropriate salary and incentive system (civil service reform). These are political economy considerations constrained by history and social pressures (patron-client relations and informal networks).

As part of the external assistance that has filled in a number of the gaps left by the government, quite large donor and NGO funds have been channelled to programmes providing social protection. In a loose definition, almost half of the total \$500 million disbursed in 2002 by donors and NGOs could be considered as related to social protection, including overhead and delivery costs. This is far larger than the \$38 million disbursed by the government. NGOs seem to be effective in reaching the poorest and those most in need of social protection. However, the fact that donors and NGOs in many ways fill the role of government permits the government to reallocate its funds to other uses, not always in the most productive manner.

Social protection in Cambodia currently plays a major role in poverty reduction, a goal which dominates both the global and national agenda. There is plenty of room for intervention in social protection. However, from an efficiency point of view, there is a need for further practical research to compare the cost effectiveness

of different ways and approaches for providing social protection programmes.

Endnotes

1. This article is adapted from a report entitled "Cambodia: Expenditure Analysis and Stocktaking of Social Protection Efforts" presented on 19-20 July 2004 at a "Dialogue on Social Protection Issues in Cambodia" hosted by the World Bank in Phnom Penh. The report was commissioned in order to contribute to the World Bank's preparation of a forthcoming *Cambodia Social Protection Strategy Note*. The findings, interpretations and conclusions expressed in this article are entirely those of the authors and should not be attributed in any manner to the World Bank, its affiliated organisations or members of its Board of Executive Directors or the countries they represent. The authors are grateful to government and NGO representatives for the excellent co-operation they extended to us during our research. Dena Ringold, Maryam Salim and Minna Hahn provided excellent comments on earlier versions of the main report. M.S. Shivakumar provided unwavering support throughout the process. Any remaining errors or omissions are the authors' responsibility.
2. Recently, these have been reshuffled into three ministries: the Ministry of Social and Veterans' Affairs, the Ministry of Labour and Vocational Training and the Ministry of Women's Affairs.
3. Gift-giving in Cambodia is the focus of a forthcoming study by Caroline Hughes in which she argues that the practice has evolved from a symbolic "tradition" into one containing elements of threat and coercion.
4. According to a survey of 800 firms in Cambodia, 5.2 percent of total revenues go to unofficial payments (see World Bank, *Seizing the Global Opportunity: Investment Climate Assessment and Reform Strategy for Cambodia*, Report No. 27925-KH, 12 August 2004).

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Table 1. Real GDP Growth of Selected Trading Partners, 2000–2004 (percentage increase over the previous year)

	2000	2001	2002	2003				2004		2003
			Q4	Q1	Q2	Q3	Q4	Q1	Q2	
Selected ASEAN countries										
Cambodia	7.3	6.7	-	-	-	-	-	-	-	5.0
Indonesia	4.4	3.8	3.8	3.4	3.8	3.9	4.3	4.5	4.3	4.1
Malaysia	8.7	0.5	5.4	4.0	4.4	3.5	6.4	7.6	8.0	5.3
Singapore	9.5	-2.3	3.0	1.6	-4.2	1.7	3.7	7.5	12.5	1.1
Thailand	4.4	1.9	6.0	6.7	5.8	6.6	7.8	6.5	6.3	6.7
Vietnam		6.0	-	-	6.9	-	-	-	-	7.0
Selected other Asian countries										
China	8.0	7.5	8.1	9.9	6.7	9.1	9.9	9.7	9.6	9.1
Hong Kong	10.2	0.5	4.8	4.4	-0.6	4.0	4.9	6.8	12.1	3.2
South Korea	9.1	3.0	6.8	3.7	1.9	2.3	3.9	5.3	5.5	3.1
Taiwan	5.8	-2.2	4.2	3.2	-0.4	4.2	5.4	6.3	7.7	3.2
Selected industrial countries										
Euro-12	3.5	1.4	1.3	0.8	0.2	0.3	0.6	1.5	2.2	0.6
Japan	2.8	0.4	1.7	2.7	2.1	1.9	3.1	5.6	4.4	2.5
United States	5.0	1.2	2.8	2.1	2.4	3.6	4.3	5.0	4.7	3.1

Source: The Economist, Far Eastern Economic Review and countries' national statistics offices and central banks

Table 2. Inflation Rate of Selected Trading Partners, 2000–2004 (percentage increase over the previous year – period average)

	2000	2001	2002	2003				2004		2003
			Q4	Q1	Q2	Q3	Q4	Q1	Q2	
Selected ASEAN countries										
Cambodia	-0.3	-0.4	3.0	1.8	1.6	0.7	0.5	0.8	2.2	1.5
Indonesia	3.7	11.3	10.3	7.7	6.5	5.6	3.7	4.8	6.7	5.8
Malaysia	1.5	1.4	1.9	1.3	0.9	1.0	1.1	0.9	1.2	1.0
Singapore	1.4	1.0	0.1	0.7	0.1	0.5	0.7	1.4	1.8	0.5
Thailand	1.6	1.8	1.4	2.0	1.7	1.8	1.5	1.9	2.7	1.8
Vietnam	-1.7	0.0	3.7	2.2	2.3	3.5	2.2	-	-	3.1
Selected other Asian countries										
China	0.3	1.0	-0.6	0.5	0.6	0.8	2.7	2.8	-	1.2
Hong Kong	-3.7	-1.5	-2.9	-2.0	-2.5	-3.7	-2.5	-1.2	-0.7	-2.5
South Korea	2.3	4.3	3.2	4.1	3.3	3.1	3.5	3.2	3.3	3.5
Taiwan	1.3	-0.01	-0.5	0.3	-0.1	-	-	-	-	-0.3
Selected industrial countries										
Euro-12	2.3	2.6	2.3	2.4	2.0	2.0	1.9	1.6	2.1	2.1
Japan	-0.6	-0.5	-0.5	-0.3	-0.2	-0.3	0	-0.1	-0.3	-0.2
United States	3.4	2.9	2.2	2.9	2.1	2.2	1.9	1.7	2.8	2.3

Source: The International Monetary Fund, the Economist and the National Institute of Statistics

Table 3. Exchange Rates of Selected Trading Partners Against the US Dollar, 2000–2004 (period averages)

	2000	2001	2002	2003				2004		2003
			Q4	Q1	Q2	Q3	Q4	Q1	Q2	
Selected ASEAN countries										
Cambodia (riel)	3,871	3,935	3,948	3,948	4,008	4,015	3,999	3,991	4,016	3,992
Indonesia (rupiah)	8,421	10,261	9,054	8,905	8,479	8,441	8,482	8,469	9,001	8,577
Malaysia (ringgit)	3.80	3.80	3.80	3.80	3.80	3.80	3.80	3.80	3.80	3.80
Singapore (\$)	1.72	1.79	1.77	1.74	1.75	1.75	1.72	1.69	1.7	1.74
Thailand (baht)	40.1	44.4	43.4	42.7	42.2	41.3	39.7	39.1	40.3	41.5
Vietnam (dong)	14,168	14,725	15,376	15,426	15,472	15,522	15,618	16,208.6	15,733	15,510
Selected other Asian countries										
China (yuan)	8.28	8.28	8.28	8.27	8.28	8.28	8.28	8.28	8.28	8.28
Hong Kong (HK\$)	7.80	7.80	7.80	7.80	7.80	7.79	7.75	7.77	7.80	7.78
South Korea (won)	1,131	1,291	1,219	1,202	1,207	1,174	1,182	1,171	1,163	1,192
Taiwan (NT\$)	31.8	34.1	34.8	34.7	35.0	34.2	34.0	33.4	33.3	34.5
Selected industrial countries										
Euro-12 (euro)	1.08	1.12	1.00	0.93	0.88	0.88	0.84	0.79	0.83	0.88
Japan (yen)	108	122	123.0	118.8	118.4	117.6	108.9	107.2	109.7	115.9

Source: The International Monetary Fund, the Economist and National Bank of Cambodia

Table 4. Selected Commodity Prices on the World Market, 2000–2004 (period averages)

	2000	2001	2002	2003				2004		2003
			Q4	Q1	Q2	Q3	Q4	Q1	Q2	
Hardwood (logs) – Malaysia (\$/m³)	190.1	160.1	181.2	186.3	182.1	183.0	197	197.7	195	187.1
Hardwood (sawn) – Malaysia (\$/m³)	599.2	488.3	565.4	550.4	552.4	552.0	545.5	547.8	576.9	550.2
Rubber – Malaysia (\$/tonne)	720.8	602.0	834.1	945.5	975.8	1,017.4	1,261.4	1,246.4	1,333.4	1,050
Rice – Bangkok (\$/tonne)	203.7	172.6	189.6	198.3	197.5	199.6	196	215.3	235.8	197.8
Soybeans – USA (\$/tonne)	211.3	195.6	239.0	243.3	245.7	244.3	219.7	238.5	249.7	238.3
Crude oil – Dubai (\$/barrel)	26.1	22.8	26.2	29.3	24.5	26.5	27	29.3	33.3	26.8
Gold – London (\$/troy ounce)	279.0	279.0	317.8	352.1	346.7	363.3	391.9	408.5	393.1	363.5

Source: The International Monetary Fund and Far Eastern Economic Review

ECONOMY WATCH—DOMESTIC PERFORMANCE

Main Economic Activities

In general, the major economic activities declined between the first and second quarters of 2004. The value of construction activities diminished, while tourism remained steady. Likewise, the overall trade deficit recorded a rise over this period. The slowdown in these activities overshadowed an increase in private investment.

The total number of visitors to Cambodia remained almost unchanged during the second quarter (including both international and domestic visitors). The number of foreign visitors declined by 24 percent to 193,802 persons, but there was a huge increase in the number of domestic tourists (by 69.4 percent, to 149,984 persons). According to the Ministry of Tourism, domestic tourists have gradually begun to account for a higher share of Cambodia's tourism sector—a trend that became evident from early 2004. Domestic tourists accounted for 44 percent in the second quarter. Domestic tourists using land and boat routes rose by 72 percent to 146,853 persons, from 85,402 persons, while tourists by air remained at around 3,130 persons.

International visitor arrivals to Cambodia usually decline in the second quarter. They dropped to 193,802 persons in the second quarter of 2004, down from 254,437 persons in the preceding quarter. Compared to the second quarter 2003, however, the number of international visitors rose by 89 percent.

Construction also fell in the second quarter, compared to the first. According to the Department of Cadastre and Geography of the municipality of Phnom Penh, the total value of construction approvals in Phnom Penh dropped by 33.4 percent to \$48.5 million between the first and second quarter, although the number of project approvals rose to 237 from 229. There was a decline of 41 percent and 34 percent in the value of apartment and "other construction" projects, respectively. On the other hand, there was a 15 percent increase in the value of mansion construction projects. Compared to the second quarter one year earlier, the value of construction project approvals fell by 43.2 percent from \$85.5 million.

Cambodia's trade deficit increased to \$112.2 million in the second quarter of 2004, compared with \$59.3 million in the first quarter. Exports grew to \$494.7 million, an increase of 23.8 percent. Garment exports alone accounted for \$479.4 million, a 25 percent increase. Exports of agricultural products declined by 4.4 percent to \$15.3 million. In comparison to a year ago, total exports rose 21 percent from \$408.5 million.

Total imports reached \$606.9 million, private sector imports amounting to \$231.8 million and public sector imports being valued at \$375 million. Compared to the first quarter, total imports soared by 32.3 percent, from \$458.9 million. Among the major imports, steel rose the most, by 98.4 percent, followed by a rise of 45.5 percent in cigarettes and an increase of 21 percent in gasoline. Moreover, compared to the second quarter one year earlier, total imports rose by 19.6 percent.

Compared to the second quarter of 2003, total private investment approvals more than doubled, with sharp increases in three main sectors: tourism, industry and agriculture. In terms of employment, industry planned to hire 11,510 employees (9,938 for garments) during the second quarter. Employment effects on services and agriculture were expected to be small (1,397 and 225 persons respectively).

The Council for the Development of Cambodia approved 19 private investment projects in the second quarter, valued at \$113.3 million, 79 percent more than in the first quarter. This increase was associated with an increase of approved investments in the service sector and the existence of approved investments in agriculture. Investment approvals for the service sector rose from \$9.5 million to \$76 million, of which 52 percent (\$39.2 million) were in tourism. In the meantime, investment in agriculture increased from zero to \$9.4 million, while in industry there was a fall to \$28 million (a 48 percent decrease). In the garments sub-sector, there was a dramatic 80 percent drop in investment in the second quarter, to the meagre level of \$10.1 million.

Public Finance

In the second quarter, the budget deficit reached 180.2 billion riels, higher than in the first quarter, when it was 123.2 billion riels, according to the Ministry of Economy and Finance. There was a drop of 6.7 percent in total budget revenues (to 488.6 billion riels) and an increase of 3.6 percent in total budget expenditures (to 668.7 billion riels).

Tax collection, which is the largest source of revenue, was 15 percent lower in the second quarter than in the preceding quarter. Similarly, revenues from customs and excise duties dropped despite an increase in the total value of exports and imports during this time. Compared to the second quarter of last year, total revenues increased 29 percent from 379 billion riels, led by an increase in non-tax revenues such as visa fees and tourism income. For the first six months of 2004, total revenues are estimated at 1,012.5 billion riels, 48 percent of the target set by the budget law for 2004.

From the first to the second quarter, total budget expenditures, including expenditure adjustment, rose to 668.7 billion riels from 645.3 billion riels. Current expenditure increased by 6.2 percent and capital expenditure increased slightly, by 0.5 percent. Current expenditure consists of three main elements: defence and security, civil administration and interest on loans. Thus, the increase in current expenditure was associated with a rise in expenditure on civil administration (by 6 percent) and interest payments (by 99 percent).

Inflation and Foreign Exchange rates

On a quarter-to-quarter basis, consumer prices in Phnom Penh rose by 1.5 percent in the second quarter, compared to a 0.46 percent increase in the first quarter, according to the National Institute of Statistics. The in-

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crease in consumer prices during the second quarter reflects a rise in the costs of transportation and communication (3.6 percent) and of food (3 percent). Clothing and footwear prices declined by 1.4 percent. Compared to the second quarter of 2003, consumer prices in Phnom Penh were 2.2 percent higher in the second quarter of 2004.

After appreciating by 0.2 percent against the US dollar in the first quarter, the riel depreciated by 0.6 percent in the second quarter. However, the riel gained marginally against the Thai baht, trading at 100.5 riels per baht in the second quarter, compared to 101.9 riels in the preceding quarter. Meanwhile, the exchange rate between the riel and Vietnamese dong remained almost stable for the fourth consecutive quarter, trading at around 24.7 riels per 100 Vietnamese dong.

Monetary Development

At the end of the second quarter, Cambodia's total liquidity (M2) expanded to 3,844 billion riels, 5 percent higher than in the first quarter, according to the National Bank of Cambodia. This was mainly led by a 4.7 percent rise in foreign currency deposits, with riel expansion estimated at 4 percent.

Foreign currency deposits, which make up about 70 percent of total liquidity, jumped to \$672.4 million in the second quarter, up from \$642.5 million in the first quarter (an increase of 4.7 percent). The riel component rose to 1,138 billion riels in the second quarter, from 1,095 billion riels in the preceding quarter (rising by 3.9 percent). Twelve percent consisted of riels deposited in banks while the remaining 88 percent was in the form of riels circulating outside the banking system.

Poverty Situation—Earnings of Vulnerable Workers

A CDRI survey of vulnerable workers conducted 2–20 August 2004 showed a decline in the daily earnings of cyclo drivers, rice field workers, garment workers, moto taxi drivers and unskilled workers compared to the same period last year. Moto taxi drivers and unskilled workers were the biggest losers, followed by cyclo drivers.

The daily earnings of garment workers fell slightly in nominal terms, by 1.3 percent to 11,163 riels in August 2004, down from 11,300 riels in August 2003. Two-thirds of garment workers interviewed claimed that factory activities had decreased, while one-third took the opposite view. Their daily earnings, however, recorded a rise of 4.3 percent compared to the previous survey, in May 2004.

Around 48 percent of garment workers were found to be single and female, their ages ranging from 20 to 25. The majority (65 percent) of respondents were permanent residents of Kompong Cham, Kandal, Prey Veng and Svay Rieng. More than half reported at least a secondary education. Garment workers spent an average of 2,124 riels (20 percent of daily earnings) per day for meals.

Higher gasoline prices have clearly affected the earnings of taxi drivers. The daily earnings of moto taxi drivers fell in August 2004 by 11 percent from a year ago, to 9,700 riels. Moreover, an increase in the number of moto taxi drivers has also served to lower their earnings through stiffer competition. Around 60 percent of moto taxi drivers were from another province, 42 percent living in rented accommodation. Almost all moto taxi drivers reported that they primarily depended on their daily earnings to support their families, and more than half reported finishing secondary school.

The daily earnings of unskilled workers and cyclo drivers declined by 11.8 percent and 10.3 percent, respectively, compared to August 2003. Their daily earnings declined slightly compared to the previous survey in May 2004. A majority of unskilled workers claimed that there were more of them in the current reporting period compared to the last. Similarly, most cyclo drivers claimed that their numbers have swelled in recent months. Most unskilled workers and cyclo drivers were from the provinces of Prey Veng and Svay Rieng. Even though more than 80 percent of unskilled workers and cyclo drivers reported owning land of more than one hectare, they had to leave their farms because of drought. Cyclo drivers reported spending around 3,545 riels per day for food, while unskilled workers spent 3,057 riels. Around two-thirds of cyclo drivers and unskilled workers reported completing primary school. The daily earnings of rice field workers registered the least fall among our selected groups—a decline of 4.8 percent compared to the same period last year.

The daily earnings of skilled construction workers have increased gradually since the beginning of the year. They rose by 17.5 percent from a year earlier, and 20 percent from the previous survey in May 2004. This is mainly attributable to a rise in construction activities. Surprisingly, only 30 percent of the sample respondents admitted that their daily earnings increased, with 52 percent claiming that they remained unchanged. More than half of the skilled workers completed secondary school.

Among the remaining groups, the daily earnings of porters increased slightly, by 1 percent, in August 2004 relative to the same period of 2003. The daily earnings of waitresses, small traders and scavengers showed increases of 12, 7.2 and 7 percent, respectively. Most waitresses (75 percent) reported graduating from secondary school, while around 50 percent of scavengers and vegetable traders reported completion of primary school. A rise in the daily earnings of scavengers may reflect increased assistance from their children, who were on school vacation at the time. It should be noted that each child could earn from 1,000 to 2,000 riels per day, twice as much as five years ago.

*Prepared by Ms. Pon Dorina
and Ms. Ouch Chandarany*

ECONOMY WATCH—INDICATORS

Table 1. Private Investment Projects Approved, 1996–2004

	1996	1997	1998	1999	2000	2001	2002	2003		2004		
								Q2	Q3	Q4	Q1	Q2
	Number of investment projects*											
Total	300	136	140	96	96	188	37	14	17	15	15	19
Garment	144	48	84	44	52	76	15	7	12	6	11	9
	Registered capital (millions of dollars)											
Total	391.2	278	416.4	246.8	102.4	129.2	48.9	10.4	4.0	15.4	11.9	10.0
Garment	156.8	34.4	91.6	55.6	25.6	60	12.6	4.1	1.0	5.8	8.4	1.0
	Fixed assets (millions of dollars)											
Total	746.8	761.6	849.2	474	266.4	217.2	239.6	48.3	95.1	62.1	63.3	113.3
Garment	158.4	38.8	120.8	79.6	76.8	100	18.0	10.5	43.3	14.5	49.9	10.1

Source: Cambodian Investment Board (1995–2003) *Including investment expansion projects

Table 2. Construction Projects Approved in Phnom Penh (1996–2004)

	1996	1997	1998	1999	2000	2001	2002	2003				2004
								Q2	Q3	Q4	Q1	Q2
Mansion	205	179	143	136	111	108	159	39	25	48	52	47
Apartment	537	528	678	864	520	499	535	104	148	116	157	161
Other	116	117	132	74	64	57	75	23	17	22	20	29
Total	858	824	953	1074	695	664	769	166	190	186	229	237

Source: Department of Cadastre and Geography of the Municipality of Phnom Penh

Table 3. Exports and Imports, 1996–2004

	1996	1997	1998	1999	2000	2001	2002	2003			2004	
								Q2	Q3	Q4	Q1	Q2
	Millions of dollars											
Total exports	387.1	493.4	784.4	941.1	1055.5	1267.0	1453.7	408.5	492.3	475.7	399.5	494.7
Of which: Garments	78.8	227.2	378	554	962.1	1201.0	1356.2	389.9	475.2	448.5	383.6	479.4
. To US	0.4	107.2	74.1	486	714.1	840.9	943.8	267.8	303.2	298.2	255.8	306.3
. To rest of the world	78.4	120	82	68	248.0	360.1	412.4	122.1	172.0	150.3	127.8	173.1
- Agriculture	-	-	-	-	90.5	66.0	97.5	18.7	17.0	27.2	16.0	15.3
. Rubber	-	-	-	-	29.6	25.9	29.7	6.7	10.0	12.1	8.0	6.6
. Wood	-	-	-	-	32.5	22.3	16.0	2.8	2.1	2.4	1.8	2.8
. Fish	-	-	-	-	5.4	6.0	4.3	0.7	0.6	0.7	0.8	1.2
. Other	-	-	-	-	26.0	11.8	47.5	8.5	4.3	12.0	5.4	4.8
Total Imports	1114.4	1094.5	1112.2	1237.4	1417.7	1501.4	1707.8	507.3	436.2	487.6	458.8	606.9
Of which: - Gasoline	-	-	-	-	-	-	25.9	8.0	5.8	9.0	7.1	8.6
- Diesel	-	-	-	-	-	-	100.8	34	25.7	24.5	30.4	27.7
- Construction materials	-	-	-	-	-	-	12.9	4.8	3.9	4.4	4.0	6.3
- Others	-	-	-	-	-	-	1568.2	460.6	400.9	449.6	417.4	564.3
Trade Balance	-727.3	-601.2	-327.8	-296.3	-362.2	-234.0	-254.1	-98.8	56.1	-11.9	-59.3	-112.2
	Percentage change over previous year											
Garment Exports	198	188	66	47	74	24.8	12.9	34.7	10.1	16.4	21.9	22.9
Total Exports	2.1	27.5	58.9	12.4	19.7	20	14.7	30.0	9.0	15.2	20.5	21.1
Total Imports	1.2	-1.8	1.6	11.3	14.5	5.9	13.7	7.8	-10.0	19.6	16.5	19.6

Source: Ministry of Commerce, Department of Trade Preferences Systems and Customs and Excise Department including tax exemption

Table 4. Visitor Arrivals in Cambodia, 1996–2004

	1996	1997	1998	1999	2000	2001	2002	2003			2004	
								Q2	Q3	Q4	Q1	Q2
	Thousands of passengers											
Tourist visas	194.4	163.0	141.9	199.6	209.6	335.4	447.4	83.8	132.0	209.1	230.7	165.3
by air	194.4	163.0	141.9	199.6	209.6	335.4	447.4	44.4	76.2	131.3	139.6	99.6
land and boat	-	-	-	-	-	-	-	39.4	55.8	77.7	91.1	65.8
Business visas	58.4	48.6	37.6	55.4	46.9	62.4	58.3	14.7	20.3	15.5	15.8	20.8
by air	58.4	48.6	37.6	55.4	46.9	62.4	58.3	11.2	16.3	15.5	11.5	16.9
land and boat	-	-	-	-	-	-	-	3.5	4.0	-	4.3	3.9
Official visas	7.6	7.2	6.8	7.9	95.2	10.6	17.3	4.6	5.9	6.1	7.9	7.6
by air	7.6	7.2	6.8	7.9	95.2	10.6	17.3	4.0	5.1	6.1	6.8	6.3
land and boat	-	-	-	-	-	-	-	0.6	0.8	-	1.1	1.3
Total by air			186.3	262.9	351.7	408.4	523.0	59.6	97.6	152.9	157.9	122.8
Total Land and boat	-	-	100.2	104.8	114.7	196.5	263.5	43.5	60.6	77.7	96.5	71.0
Grand total	260.4	218.8	286.5	367.7	466.4	604.9	786.5	103.1	158.2	230.6	254.4	193.8
	Percentage change over previous year											
Grand total	18.5	-15.9	30.9	28.3	26.8	29.7	30	-37.4	-8.9	-14.2	21.8	87.9

Sources: Ministry of Tourism

ECONOMY WATCH—INDICATORS

Table 5. Consumer Price Index (CPI), Exchange Rates and Gold Prices, 1996-2004 (period averages)

	1996	1997	1998	1999	2000	2001	2002	2003		2004		
								Q2	Q3	Q4	Q1	Q2
	Consumer price index (percentage change over previous year)											
Provinces	-	6.1	16.3	6.2	5.4	0.9	0.3	5.9	-1.9	1.8	4.6	11.5
Phnom Penh - All items	7.1	8.0	14.8	4.0	-0.8	-0.6	3.3	1.6	0.8	0.5	0.8	2.2
- Food	7.6	6.7	14.1	7.6	-3.3	-2.8	1.8	2.3	1.5	-0.04	0.6	3.4
- Energy	20.7	20.0	15.1	3.5	6.6	-1.1	0.3	5.2	5.1	5.1	4.8	8.1
	Exchange rates, gold and oil prices (Phnom Penh market rates)											
Riel per US dollar	2,666	3,029	3824	3832	3,879	3,935	3,926	4008	4015	3999	3991	4016.5
Riel per Thai baht	105	98	88	101	96.3	88	91.3	94.9	96.9	100.5	101.9	100.5
Riel per 100 Vietnamese dong	24.0	25.6	28.6	27.8	27.4	26.6	25.7	25.9	24.9	24.8	24.6	24.7
Gold prices (US dollar per chi)	46.3	40.4	36.0	34.0	33.3	32.7	36.8	40.0	41.5	44.4	46.0	46.0
Price of diesel (riels/litre)	779	883	1,065	1,105	1,329	1,521	1,508	1,683	1,683	1,700	1,867	1,983
Price of gasoline (riels/litre)	1,118	1,378	1,613	1,760	2,113	2,084	2,150	2,383	2,367	2,400	2,567	2,767

Sources: CDRI, IMF, NIS, Ministry of Planning, Ministry of Economy and Finance

Table 6. Monetary Survey, 1996-2004 (end of period)*

	1996	1997	1998	1999	2000	2001	2002	2003			2004	
								Q2	Q3	Q4	Q1	Q2
	Billions of riels											
Net foreign assets	881	1,177	1,726	2,019	2,589	3,080	3737	3,594	3624	4027	4265	4337
Net domestic assets	31	-114	-496	-576	-759	-876	-849	-641	-617	-698	-606	-493
Net claims on government	128	54	178	103	3	-75	-119	-19	18	-128	-133	-130
Credit to private sector	435	637	655	763	898	936	1059	1,224	1287	1337	1389	1499
Total liquidity	912	1,063	1,230	1,443	1,831	2204	2888	2,953	3007	3328	3659	3844
Money	329	385	543	531	540	609	813	871	886	937	1007	1040
Quasi-money	583	678	687	911	1,291	1,594	2075	2,082	2121	2391	2652	2804
	Percentage change from previous year											
Total liquidity	40.3	16.6	15.7	17.3	26.9	20.4	31.0	11.5	9.3	15.2	21.8	30.2
Money	18.3	17	41	-2.2	1.7	12.8	33.5	16.4	14.9	15.3	21.5	17.4
Quasi-money	57.1	16.3	1.3	32.6	41.7	23.5	30.2	9.5	7.1	15.2	21.9	36.7

Source: National Bank of Cambodia. * Q4 2003 revised.

Table 7. National Budget Operations on Cash Basis, 1996-2004 (billion riels)*

	1996	1997	1998	1999	2000	2001	2002	2003				2004
								Q2	Q3	Q4	Q1	Q2
Total revenue	748	880	920	1326	1528	1529	1744	379	401	557	523.9	488.6
Current revenue	-	-	-	-	-	1521	1728	377	399	557	523.3	475.6
Tax revenue	536	596	676	956	1096	1096	1227	287	273	387	409.3	348.4
Customs duties	344	348	376	432	376	376	424	94	92	117	137	108.4
Non-tax revenue	176	272	204	348	424	424	501	90	126	170	113.9	127.1
Forest exploitation	28	36	20	36	28	29	15	1	4	1	0.9	0.3
Posts & Telecommunications	64	84	88	108	124	122	123	18	33	50	16.1	23.1
Capital revenue	40	12	36	12	8	9	16	2	1	0	0.6	13.0
Total expenditure	1440	1260	1296	1792	2332	2332	2948	688	683	746	647.1	668.7
Capital expenditure	628	452	368	624	976	977	1388	299	301	306	295.6	295.4
Current expenditure	812	808	980	1164	1356	1355	1560	388	382	440	351.5	373.3
Education and Health	124	128	132	280	344	343	454	88	122	227	31.4	80.6
Defense and security	408	420	448	464	404	405	438	119	75	147	67.6	66.0
Other ministries	284	260	332	412	636	637	668	182	184	65	252.6	226.7
Overall deficit	-692	-380	-380	-476	-804	-803	-1204	-309	-282	-189	-123.2	-180.2
Foreign financing	680	444	268	416	768	766	1249	228	251	295	-223	195.4
Domestic financing	12	-64	112	60	36	37	-45	81	31	-106	99.8	-15.2

Source: Ministry of Economy and Finance. * 2002, Q2, Q3, Q4, 2003, revised, and Q2 2004 provisional.

Table 8. Average Daily Earnings of Vulnerable Workers, 1997-2004

	Daily earnings (riels)									Change from last year (%)		
	1997	2002	2003	2004						2004		
	Pre-Jul	Nov	Feb	May	Aug	Nov	Feb-04	May-04	Aug	Feb	May	Aug
Cyclo drivers	12,250	8,878	9,200	7,000	9,380	9,817	9,500	8,425	8,420	3.26	20.36	-10.25
Porters	9,675	6,312	7,600	6,225	7,240	6,500	8,700	7,847	7,310	14.47	26.06	0.91
Small vegetable sellers	7,050	7,158	7,250	6,162	6,860	6,700	7,400	7,625	7,337	2.07	23.74	6.95
Scavengers	4,155	4,012	3,875	3,605	4,900	3,900	4,800	4,600	5,262	23.87	27.60	7.17
Waitresses*	-	4,000	4,600	4,380	4,520	4,435	4,900	4,500	5,065	6.52	2.74	12.01
Rice-field workers	-	4,219	4,180	3,712	4,600	4,450	4,700	4,300	4,380	12.44	15.84	-4.78
Garment workers	-	10,000	10,127	9,123	10,300	10,000	9,675	9,740	10,163	-4.46	6.76	-1.33
Motorcycle-taxi drivers	-	12,075	11,400	9,372	10,900	10,000	11,200	9,000	9,700	-1.75	-3.97	-11.01
Unskilled construction workers	-	5,850	6,162	7,100	7,600	6,200	7,200	6,900	6,725	16.85	-3.16	-11.73
Skilled construction workers	-	13,350	12,500	12,050	12,700	16,900	13,800	12,450	14,925	10.40	3.32	17.52

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

GLOSSARY

TERMS USED IN THIS ISSUE

Market Comparator

This refers to standards or features that can be used to compare different items offered for sale in markets. In this issue, the term is used in regard to labour markets.

Output Approach

A method of implementing programmes that emphasises obtaining desired results, and which selects the particular methods used based on their ability to contribute to those results.

Process Approach

A method of implementing programmes that emphasises particular procedures because they are considered desirable in themselves, rather than because they are likely to produce a desired result.

Safety Net

Specific measures or programmes designed to protect vulnerable people who might otherwise be injured by some larger programme or by a dangerous situation.

Social Intervention

Spending or other measures by the government designed to assist particular sections of the population who are defined by their social role or position—for example, students, disabled people, single parents.

Taxpayer Compliance

This refers to citizens' payment of taxes in full, as required by law. It may suggest voluntary payment, because citizens understand the importance of tax revenue for society, rather than payment because of fear of punishment.

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