CONTENTS

NATIONAL BANK OF CAMBODIA
ECONOMIC RESEARCH & STATISTICS DEPARTMENT
P.O. BOX 25, 22-24 Preah Noromdom Blvd.
Phnom Penh
Tel: No. + 855 23 722221-1074

Introduction

In January 2005, the consumer price index (CPI) started to increase slightly after having downward trend during the consecutive three months ended 2004. This increase was mainly due to a rise in price of clothing and rental per month. During the same period, the exchange rate of the riel against the US dollar remained stable while the money supply grew modestly compared to the previous month.

Consumer Price Index

In January 2005, the consumer price index for all items (CPI) went up slightly after having declined in consecutive three months at the end of 2004. The CPI went up from a level of 110.76 at the end of December 2004 to 111.24 at the end of January 2005, consequently, the monthly inflation rate was 0.43% compared with a decline of -0.23% in the previous month. The year on year basis, the inflation rate for the month under review was 5.76% ..

The upward movement of the CPI in the month under review was a result of a combination of four increase sub-indices while the two sub-indices decreased and the other two did not change. The clothing and footwear sub-index had a major increase in the month under review of 1.49% due to an increase in price of fabrics, clothing and footwear for men, women and children. The growth of 0.95% in housing and utility sub-index resulted from an rise in rental value per month in which the rental value of free house and the rental value of owner housing went up by 1.55% and 1.17% respectively; whereas, the food, beverage & tobacco and the recreation & education sub-indices went up slightly by 0.18% and 0:01 % respectively.

Exchange Rate

In January 2005, the riel against the US dollar showed an optimal stable path when compared with a slight depreciation registered at the end of December 2004. In fact, the end-period exchange rate (market buying rate) of both months of January 2005 and December 2004 was recorded at the same level as 4,035 riels to a US dollar, illustrating that the exchange rate of the riel against the US dollar did not change in January 2005. If compared to the exchange rate in the same period of last year, the riel depreciated by 2.3% against the US dollar.

Taking a closer look at the movement of the daily exchange rate (market-buying rate) in January 2005 (chart 3), we can see that the riel against the US dollar remained stable over the whole month, although the trend of exchange rate had a slight different level during the first half and the second half in the month. In fact, during the first 11 days of the month the market-buying rate was at level between 4,041 and 4,042 riels per US dollar; whereas, the last 20 days of the month the market-buying rate was largely stable and lower level than that of the first half of the month, led to be trade at 4,035 riels to a US dollar at the end of January.

Money Supply

As shown in table 9, money supply (M2) continued to rise in the month under review. It rose by 86.4 billion riels or 2% compared with 39 billion riels or 0.9% increase in the previous month. All components of money supply increased: currency outside banks increased by 20.9 billion riels or 1.9%, demand deposits by 0.6 billion riels or 1.5%, time and saving deposits by 7.9 billion riels or 8.1 %, and foreign currency deposits by 57.1 billion riels or 1.9% ..

Assets of the Banking Sector

The net domestic assets of the banking sector in January 2005 increased by 42.6 billion riels or 9.1 % following a drop of 118.9 billion riels or 35.4%. and 11.9 billion riels or 2.6% in the previous two months. This growth was due to a rise in domestic credit of 48.6 billion riels or 3% while other items net decreased by 6 billion riels or 0.3%. The growth of domestic credit was mainly due to an increase in credit to non-government of 48 billion riels Of 2.6% and net claims on government of 0.6 billion riels or 0.3%.

Net Foreign Assets of the Banking Sector

The net foreign assets of the banking sector continued to move in a positive direction for consecutive ten months. This item went up by 43.8 billion riels or 0.9% in the month under review following an increase of 50.9 billion riels or 1.1 % a month earlier. The foreign assets increased by 47.3 billion riels or 0.9% while foreign liabilities increased by 3.5 billion riels or 0.5%. The net foreign assets of monetary authority accounted for 85% of the total and the remaining 15% were those of deposits money banks.

Deposits Money Banks' Operation

The operation of deposits money banks including provincial branches of the National Bank of Cambodia had been increased in January 2005. Total assets of deposits money banks rose by 109.7 billion riels or 2.3%, from 4,706.2 billion riels in December 2004 to 4,815.9 billion riels in January 2005. All asset components increased modestly during the month in which Loan and advances to residents of 48.1 billion riels or 2.5%; foreign assets of 35.4 billion riels or 3.6%; and fixed and other domestic assets of 16.7 billion riels or 6.5%.

On the liability side, deposits by residents, the major source of funds for deposits money banks, increased by 66.5 billion riels or 2.1 % due mainly to an increase in foreign currency deposits by 57.1 billion riels or 1.9%. Other domestic liabilities, capital and reserve and foreign liabilities increased by 21.7 billion riels or 7.7%, 11.2 billion riels or 1.2% and 10.3 billion riels or 3.5% respectively.

In the month under review, the total credit granted to the economy by deposits money banks excluding central bank's branches, continued to increase by 48.4 billion riels or 2.5% after having increased by 41,5 billion riels or 2,2% in the previous month. The figure on monthly changes indicated that seven sectors of credit increased, in which import sector showed the largest increase. In fact, the credit to that sector grew by 31.2 billion riels or 45.4% followed by a rise in services sector of 16.9 billion riels or 2.5% and the remaining sectors such as personal
. consumption rose by 9.7 billion riels or 9.4%, agriculture sector of 9 billion riels or13.8%, real estate and public utilities sector of 7.2 billion riels or 14.3%, wholesale and retail sector of 2.3 billion riels or 0;6% and finance sector of 0.1 billion riels or 0.1 %. During the same period, credit to export sector illustrated the largest decrease of 13.7 billion riels or 1.4%, followed by manufacturing sector of 12.6 billion riels or 4.8% and construction sector of 1.4 billion riels or 1.4% (see table 12).

Table 14 showed deposit activities of deposits money banks. Total deposits with deposits money banks excluding central bank's branches increased by 77.2 billion riels or 2.3%, from 3.328 billion riels in December 2004 to 3.405 billion riels in January 2005. The increase in total deposits was due to a growth in both foreign and domestic currency denominations. In fact, deposits in foreign currency rose by 70 billion riels or 2.2%. This was mainly due to an increase in saving deposits and fixed deposits of 43.6 billion reils or 2.9% and 35.9 billion riels or 4.1 % respectively. Deposits in domestic currency rose by 7.1 billion riels or 5.5%. This was primarily due to an increase in fixed deposits of 5.2 billion riels or 13%.

***For more information pleas contact the address above**