

Introduction

The monthly inflation rate as measured by the consumer price index for all items reversed its course for the first time in November 2005 after having increased continuously in the previous months since the beginning of 2005. The negative inflation rate in the review month was a result of a decline in prices of some major food items, combined with stagnant local fuel prices. Meanwhile, the riel exchange rate tended to move in line with the inflation movement and strengthened somewhat against the US dollar. The money supply picked up again following a decline in the previous month.

Consumer Price Index

The consumer price index (CPI) for all items, which consists of eight sub-indices, posted a decline for the first time in November 2005 after having recorded continuous increases since the beginning of the year.

The CPI went down from 118.42 in October to 118.14 in November thus the monthly inflation rate of November 2005 was -0.10% compared with 0.04% in the month before. This change was mainly resulted from the contributive decrease of three important sub-indices: sub-index of food, beverage & tobacco, sub-index of clothing & footwear and sub-index of transportation & communication, while the other four sub-indices increased slightly and one did not change. It should be noted that the sub-indices of food, beverage & tobacco accounted for by more than 42% of all goods and services making up in the Cambodian consumer basket. Food, beverage and tobacco sub-index dropped by 0.18%, due to a fall in prices of some foods items especially beef and fish. The sub-index of transportation and communication decreased by 0.85%, due to a drop in prices of petroleum specially gasoline and diesel fuel.

The decline in prices of foods item was mainly due to a notable increase in supply of fishery production in the domestic market. This was partially a result of the lift of fishery ban in the fishery season. the rainy season in this year offered a good condition for growth in fishery and other agricultural products.

Exchange Rates

In November 2005, the exchange rate of the riel continued to appreciate further against the US dollar. The market-buying rate decreased from 4,202 riels at the end of October to 4,178 riels at the end of November 2005. an appreciation of 24 riels or 0.48% per US dollar. If compared to the exchange rate in the same period of last year, the riel depreciated by 148 riels or 3.67% per US dollar.

Taking a closer look at the trend of daily market-buying rate in November 2005 (chart 3) showed that from the 1st to the 8th of November the exchange rate went down from 4,202 riels to 4,153 riels per US dollar and from the 8th to the 10th the exchange rate increased slightly from 4.153 to 4,174 riels per US dollar. Toward the end of the month, the exchange rate of the riel was modestly stable it fluctuated between 4,170 and 4,178 riels per US dollar.

Money Supply

In November 2005, the money supply of the banking system increased slightly compared to the previous month. The money supply went up from 4,965 to 5.033 billion riels, an increase of 68.2 billion riels or 1.37% after havina declined by 0.57% in the month earlier.

decreased by 3.96%. A money supply's component that recorded the highest growth in the month under review was foreign currency deposits, which increased by 60.8 billion riels or 1.70% following a decline in October of 9.2 billion riels or 0.26%.

Net Domestic Assets of the Banking Sector

The net domestic assets of the banking sector decreased by 67.5 billion riels or 15.27%. The drop in net domestic assets reflected a slight increase in domestic credit of 27.6 billion riels, which was offset by a rise in negative figure of other item of -95 billion riels.

Net Foreign Assets of the Banking Sector

The net foreign assets of the banking sector went up from 5,407 billion riels in October to 5,543 billion riels in November 2005, a growth of 135.6 billion riels or 2.51%. This rise was due to an increase in foreign assets of 120.5 billion riels or 1.99%, while foreign liabilities dropped by 15.1 billion riels or 2.29%.

Commercial Banks' Operations

In November 2005, the total assets of the commercial banks continued to rise slightly. The total assets expanded from 5,524 to 5,652 billion riels, representing an increase of 127.4 billion riels or 2.3% compared to a rise of 30.9 billion riels or 0.6% in October. This expansion was due to an increase in foreign assets of 129.3 billion riels or 9.8%, loans & advances to residents of 25.5 billion riels or 1 % and fixed & other domestic assets of 18.4 billion riels or 5.7% while cash and deposits with central bank dropped by 45.7 billion riels or 3.3%.

On the liabilities side, all important fund sources of commercial bank was on an increase except foreign liabilities, demand deposits and term & saving deposits that declined by 8.3 billion riels or 2.6%, 0.1 billion riels or 0.4% and 4.4 billion riels or 4% respectively. The fund source that having the largest increase in the month under review was foreign currency deposits which expended by 60.8 billion riels or 1.7%, following by other domestic liabilities and capital & reserves, that grew by 43.6 billion riels or 12.9% and 35.8 billion riels or 3.2%.

In November 2005, the credit provided to the economy by all commercial banks recorded a negative change following an increase in two preceding months. This decline was due to a contributive decrease of six sectors while the remaining three sectors increased slightly. The largest sector that recorded a decrease in credit in the month was real estate and public utilities, which fell by 13.8 billion riels or 8.5% and the credit to others sectors decreased slightly in the range between 2 and 8,905 million riels.

Deposits by residents and non-residents with commercial banks continued to rise slightly by 76.5 billion riels or 2%. The increase in total deposits reflected an expansion in both riel and foreign currency deposits. The riel deposits rose by 5 billion riels or 3.4% compared to a decline of 10.0 billion riels or 6.3% in the previous month. This expansion was attributable mainly to a rise in other deposits item of 11.2 billion riels after having recorded a decrease of 4.3 billion riels in the previous month. The foreign currency deposits grew by 71.5 billion riels or 1.9%, this increase mirrored a rise of 46.9 billion riels or 5.1 % in demand deposits and 36.1 billion riels or 3.5% in fixed deposits.

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