

ECONOMIC AND MONETARY STATISTICS

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Introduction

In March 2006, the on going monetary tightening has continued to ease inflationary pressure. This policy coupled with a drop in food prices led to a marginal fall in the consumer price index (CPI). With the largest weight in the consumer basket, food prices had a significant impact on the overall consumer price index. During the same period, the value of the riel against the US dollar depreciated slightly, while money supply continued to grow, but at a slower pace than that of the previous month, due mainly to a somewhat slight growth in foreign currency deposits and demand deposits.

Consumer Price Index

The consumer price index continued to decline slightly from a level of 118.16 in February to 118.13 in March 2006, consequently, the reporting month saw a deflation rate of 0.03%, compared with deflation rate of 0.08% in the previous month.

In March 2006, one out of eight major group indexes recorded negative changes, as food, beverages and tobacco. A drop in major group index of food, beverages and tobacco with the largest share in consumer basket was the reason for the continuous decline in the monthly consumer price index but at a slower pace than that of the previous month. The food, beverages, and tobacco group index fell by 0.36%, due to a drop in the index for the food sub-group of 0.41%, while the index for the beverages and tobacco sub-group increased by 0.56% and 0.02% respectively. The drop in the index for the food sub-group reflected a fall in price of pork, fish and vegetables, which declined by 1.01%, 2.51% and 0.53% respectively.

At the same time, the major group index for transportation and communication increased by 0.19% following a decline of 0.12% in the previous month. This growth was due to an

increase in price of transport fee, especially bus fare, while the price of diesel fuel and gasoline did not change.

Exchange Rate

In March 2006 the value of the riel against the US dollar depreciated slightly after having appreciated over several months since November 2005. The market-buying rate went up from 4,088 riels at the end of February to 4,092 riels per US dollar at the end of March, an increase of 0.10% compared to the previous month.

Looking at the trend of daily exchange rate in March 2006 (Chart 3), we can see that the exchange rate of the riel against the US dollar has remained stable during the first week of March, and again in the fourth week. During the first five days of the month, the riel was traded at 4,090 riels per US dollar it fell down to the deepest level of the month at 4,084 riels per US dollar on the 12th. After that, the exchange rate fluctuated between 4,087 and 4,096 per US dollar from 13th to 21st, then it remained stable again at 4,097 riels per US dollar until the end of the month.

Money Supply

Broad money M2, which consists of currency outside banks and customer deposits with the banking system continued to move up by 201.9 billion riels (3.7%), from 5,509.0 billion riels in February to 5,710.8 billion riels in March 2006. The growth of broad money M2 in the month under review was caused by a rise in both quasi-money and narrow money M1, which rose by 181.4 billion riels (4.4%) and 20.5 billion riels (1.4%) respectively. The increase in quasi-money was due to the rise in foreign currency deposits of 173.8 billion riels (4.4%) and time and saving deposits by 7.6 billion riels (7.0%). The increase in narrow money M1 reflected an increase in currency outside banks of 20.4 billion riels (1.5%) and demand deposits of 0.1 billion riels (0.2%).

Net domestic Assets of the Banking Sector

The net domestic assets of the banking sector moved down by 28.5 billion riels (-4.3%) in March 2006, after a rise of 84.7 billion riels (11.2%) in the previous month. The

decline of net domestic assets of the banking sector was mainly due to a drop in domestic credit of 232.6 billion riels (-10.3%) while other items net rose by 204.1 billion riels (7.0%). The decline in domestic credit in the month under review reflected the drop in Net claims on government of 349.4 billion riels (85.9%) while credit to private sector increased by 116.8 billion riels (4.4%)

Net Foreign Assets of the Banking Sector

The net foreign assets of the banking sector went up by 230.4 billion riels (3.7%) in March 2006, following an increase of 158.5 billion riels (2.6%) in the previous month. This was due to a modest growth in total foreign assets of 246.1 billion riels (3.8%), which offset with a slight rise in total foreign liabilities of 15.7 billion riels (4.5%). The increase in total foreign assets reflected an increase in foreign assets of banks of 68.9 billion riels (4.3%) and in foreign assets of the National Bank of Cambodia (NBC) of 177.2 billion riels (3.6%). The rise in total foreign liabilities was due to an increase in foreign liabilities of banks of 15.7 billion riels (4.5%) while foreign liabilities of the NBC did not change. The increase in foreign assets of banks reflected an increase in accounts with foreign banks of 82.8 billion riels (7.1%) while foreign currency holdings and foreign bills dropped by 8.4 billion riels (1.9%) and 5.4 billion riels (63.7%), respectively. The increase in foreign assets of the NBC reflected an increase in monetary gold of 57.4 billion riels (6.3%) due to higher market price, and an increase in accounts with foreign banks and non-bank institutions of 108.8 billion riels (4.8%), while foreign exchange holdings declined by 36.6 billion riels (24.8%).

Deposit Money Banks' Operation

As show in Table 10, total operation of banks, which include both commercial banks and specialized banks, have expanded in the month under consideration. Total assets of all banks moved up by 234.1 billion riels (3.7%) form 6,258.9 billion riels in February to 6,493.0 billion riels in March 2006. This was due to an increase in credit to private sector by 116.8 billion riels (4.4%) combined with a rise in foreign assets of 68.9 billion riels (4.3%) and cash and deposits with NBC of 53.2 billion riels (3.5%) while fixed and other

domestic assets declined by 4.9 billion riels (1.0%) and claim on government remained unchanged.

On the liability side, all sources of funds for banks in the month under consideration moved up modestly except demand deposits, which declined slightly. Deposits by residents, the major source of funds for banks increased by 176.5 billion riels (4.3%), due mainly to a rise in foreign currency deposits of 173.8 billion riels (4.4%) combined with an increase in term and saving deposits of 7.6 billion riels (7.0%) while demand deposits declined by 4.9 billion riels (13.0%). At the same time, foreign liabilities increased by 15.7 billion riels (4.5%), capital and reserve rose by 2.9 billion riels (0.2%) and other domestic liabilities went up by 39.0 billion riels (6.8%).

As can be seen on Table 12, total credit provided to the economy by all banks, excluding the NBC's branches, continued to increase by 113.3 billion riels (4.4%) after having expanded by 60.6 billion riels (2.4%) in the previous month. Figures on monthly changes indicate that six sectors registered a rise in credit and four sectors declined. The sector with the largest increase in the month under review was credit to services, which went up by 68.9 billion riels (7.6%), followed by the growth of credit to wholesale and retail of 20.0 billion riels (3.5%) and manufacturing of 18.4 billion riels (5.9%). The other three sectors increased by around 6.3 billion riels. During the same period, the major decrease in credit was observed in import industry, which declined by 4.7 billion riels (2.7%), followed by a rise in real estate and public utilities by 4.4 billion riels (2.8%), whereas the remaining credits decreased between 0.4 and 3.3 billion riels.

Table 14 shows deposit activities of banks, excluding the NBC's branches. Total resident and non-resident deposits continued to increase by 186.9 billion (4.3%); this growth was slower than that of the previous month: 4,334.6 billion riels in February, and 4,512.5 billion riels in March 2006. The increase in total deposits in the month under review was due to improvement in both deposits in riels and in foreign currency. The deposits in foreign currency grew more than deposits in riel, with a rise of 183.4 billion riels (4.4%) and 3.6 billion riels (2.4%) respectively. With a share of more than 96% in the total banks

deposits, deposits in foreign currency continued to be seen as an important indicator of dollarization in Cambodia. The growth in foreign currency deposits mirrored increases in saving deposits of 72.7 billion riels (3.9%), fixed deposits of 129.8 billion riels (11.2%) and other deposits of 1.2 billion riels (2.6%) while demand deposits declined by 20.4 billion riels (1.8%). The growth in riel deposits was due to increases in saving deposits of 8.0 billion riels (12.9%) and fixed deposits of 0.2 billion riels (0.4%) while demand deposits and others deposits declined by 1.4 billion riels (9.3%) and by 0.5 billion riels (12.5%) respectively.

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