

## CONTENTS

	Page
Commentary - Introduction	1
- Consumer Price Index	1
- Exchange Rate	1
- Money Supply	1
- Net Domestic Assets of the Banking Sector	1
- Net Foreign Assets of the Banking Sector	2
- Deposit Money Banks' Operations	2
Table 1 : Consumer Price Index	3
Table 2 : Consumer Items Showing Price decreases in March 2005	4
Chart 1 : Consumer Price Index	5
Chart 2 : Weight of All Sub-Indices in Consumer Basket	5
Table 3 : Daily Exchange Rate in March 2005	6
Chart 3 : Trend of Daily Exchange Rate in March 2005	6
Table 4 : Monthly Exchange Rate	7
Chart 4 : Trend of Monthly Exchange Rate	7
Table 5 : The Value of Riel Against Other Currencies	8
Table 6 : Deposit Money Banks' Interest Rate on Deposits and Loans	9
Table 7 : Monetary Survey	10
Table 8 : Monetary Survey (Monthly Percentage Change)	11
Chart 5 : Monetary Survey	12
Chart 6 : Composition of Money Supply	12
Table 9 : Liquidity	13
Table 10: Deposit Money Banks' Balance Sheet	14
Table 11: National Bank of Cambodia's Balance Sheet	15
Table 12: Credit Granted by Deposit Money Banks Classified by Type of Business	16
Chart 7 : Credit Granted by Deposit Money Banks Classified by Type of Business (% of total credit)	16
Table 13: Credit Granted by Deposit Money Banks Classified by Type of Business (Monthly % Change)	17
Table 14: Deposits with Deposit Money Banks	18
Chart 8 : Deposits with Deposit Money Banks Classified by Currency, March 2005 (% of total dep.)	18
Table 15: Deposits with Deposit Money Banks (Monthly % change)	19
Chart 9 : Deposit in Riel Classified by Type, as of March 2005	20
Chart 10: Deposit in Foreign Currency Classified by Type, as of March 2005	20
Table 16: Credit Granted by Specilized Banks, Micro-Finance Institutions, and Non-Government Organizations	21
Table 17: Riel-Denominated Checks Clearing through Clearing House	22
Table 18: USD-Denominated Checks Clearing through Clearing House	23
Table 19: Visitor Arrivals to Cambodia	24
Table 20: Cambodia's Imports and Exports	25

## **Introduction**

In March 2005, an increase in fuel prices was the main source of increase in consumer price index (CPI) while the exchange rate of riel against the US dollar depreciated slightly compared to the previous month. Money supply rose faster than in the previous month reflecting acceleration in the rate of expansion of both, currency outside banks and foreign currency deposits.

## **Consumer Price Index**

In March 2005, the Consumer Price Index continued to go up at a slightly faster pace than what has been observed in the previous month. The CPI expanded from a level of 111.30 in February to 111.52 in March. Therefore, the monthly inflation rate reached 0.20% compared with a 0.05% increase in a month earlier. On a year on year basis, the inflation rate for the month under review was 5.36%.

The faster upward movement of the CPI in the month under review mirrored increases in most of the sub-indices of the overall CPI, with the exception for medical care sub-index, which decreased insignificantly, whereas house furnishings & household operations sub-index remained unchanged. The largest increase in the month under review was recorded for transportation & communication sub-index at 1.19% followed by a rise of 0.80% of personal care & effects sub-index, while the remaining sub-indices increased in a range from 0.03% to 0.26%. The rise in transportation and communication sub-index in the month under consideration was mainly due to acceleration in fuel prices as price of gasoline and diesel increased by 3.28% and 2.13%, respectively. Meanwhile, increases in prices of imported products were observed to be the main causes of rising personal care & effects sub-index.

## **Exchange Rate**

In March 2005, the exchange rate of the riel against the US dollar depreciated slightly compared to the previous month. The exchange rate was 4,034 riel per US dollar in March compared to 4,032 riel per US dollar in February 2005, a depreciation of 2 riel (0.05%) only. If compared to the exchange rate in the same period of last year, the riel depreciated by 1 % against the US dollar.

Taking a closer look at the development in the daily exchange rate in March 2005, chart 3 indicated that the exchange rate movements during the first half and the second half of the month showed a different trend. Over the first 16 days of the month, the market-buying rate of the riel dropped from 4,032 riel to 4,020 riel per US dollar, then it went up gradually from the 17<sup>th</sup> toward the end of the month, reaching a peak for the month at 4,038 riel per US dollar on the 26<sup>th</sup> and 27<sup>th</sup>. The riel gained then back some strength and traded at 4,034 riel per US dollar at the end of March..

## **Money Supply**

In March 2005, broad money M2 of the banking sector continued its increasing trend, but at a much faster speed as growth rate in the reviewed month was 3 times the growth rate in the previous month. Broad money expanded from 4,436.8 billion riel in February 2005 to 4,501.4 billion riel in March 2005, with an increase of 64.6 billion riel (1.5%) compared with an increase of 21.1 billion of riel (0.5%) a month earlier. A rise in broad money resulted from an increase in both, narrow money (M1) of 24.7 billion riel (2.1%) and quasi-money of 39.9 billion riel (1.2%). The increase in narrow money was mainly due to a growth in currency outside bank of 30.8 billion riel (2.7%). The rise in quasi-money was reflected in growth in foreign currency deposits of 38.1 billion riel (1.2%), and time and saving deposits of 1.8 billion riel (1.7%).

## **Net domestic Assets of the Banking Sector**

The net domestic assets of the banking sector in March 2005 rose by 82.6 billion riel (17.8%) after having decreased by 39.6 billion riel (9.3%) in the previous month. A rise in net domestic assets resulted mainly from an increase in domestic credit of 68.2 billion riel (4.2%) while other items net rose by 14.4 billion riel (0.7%). The increase in domestic credit was due to an increase in credit to the private sector of 78.4 billion riel (4.1 %) while net claim on government declined by 10.3 billion riel (4.2%). The growth in other items net was partly caused by a decline of capital and reserves of the banking sector by 3.8 billion riel (0.2%) in which capital and reserves of NBC decreased by 12.8 billion riel (1 %). This decline was in fact an effect of a valuation adjustment for reserve assets made by NBC. Meanwhile, capital and reserves of deposit money banks increased by 9 billion riel (0.9%), which was entirely due to an increase in banks provisions for loan losses. The decrease in net claim on

government was due to an increase in deposits of the government by 10.4 billion riel (1.7%) while claim on government went up slightly by 0.1 billion riel (0.03%).

### **Net Foreign Assets of the Banking Sector**

In March 2005, net foreign assets of the banking system shrank by 18 billion riel (0.4%) from 4,901.1 billion riel in February to 4,883.1 billion riel in the reviewed month. This was a result of a large reduction in foreign assets which was more than a drop in foreign liabilities. In fact, foreign assets fell by 45.8 billion riel (0.8%), whereas foreign liabilities recorded a reduction of 27.8 billion riel (4%). Foreign assets of deposit money banks declined by 43.8 billion riel (4.3%), which was reflected in a reduction in foreign exchange holdings by 48.3 billion riel (11.8%) and a decline in account with foreign banks by 6.4 billion riel (1 %) while foreign bills rose by 11 billion riel (427%). Meanwhile, foreign assets of the central bank declined by 2 billion riel (0.04%), which was mainly due to the adverse change in monetary gold price of 15.6 billion riel (2.2%), while at the same time other credit to nonresidents declined by 19.5 billion riel (1.1 %) and foreign exchange holdings and account with foreign bank and non-bank institutions rose by 15.8 billion riel (12.8%) and 10 billion riel (0.5%), respectively. Foreign liabilities of NBC, on the other hand, declined by 22.4 billion riel (5.8%), which reflected a reduction of the country obligations to the International Monetary Fund by 22.4 billion riel or 5.8%.

### **Deposit Money Banks' Operation**

As shown in Table 10, total operations of deposit money banks including provincial branches of National Bank of Cambodia increased in three consecutive months of the first quarter of 2005. In fact, total assets of deposit money banks continued to show an increasing path, up by 24.3 billion riel (0.5%), from 4,859.8 billion riel in February to 4,884.1 billion riel in March 2005. This was due to an increase in loan and advances to residents by 78.6 billion riel (3.9%) while foreign assets, cash and deposit with central bank and fixed assets and other domestic assets decreased by 43.8 billion riel (4.3%), 3.6 billion riel (0.2%) and 6.9 billion riel (2.4%), respectively.

On the liability side, deposits by residents, a major source of funds of deposit money banks, rose by 33.1 billion riel (1 %) mainly mirrored an increase in foreign currency deposits of 38.1 billion riel (1.2%). In the meantime, Capital and reserves increased by 9 billion riel (0.9%). This was mainly due to an increase of provisions for profit and losses of 9.2 billions riel (10.3%), while foreign liabilities and other domestic liabilities decreased by 5.4 billions riel (1.8%) and 12.4 billions riel (4%), respectively.

Table 12 showed that total credit provided to the economy by all deposit money banks excluding central bank's branches, recorded a relatively large increase of 78.6 billions riel (3.9%) in March compared to an increase of 39.2 billions riel (2%) a month earlier. Figures on monthly changes indicated that six sectors registered an increase in credit. Sector that showed the largest increase in credit absorption in the month under review was service sector of 64.5 billion riel (9.4%). This was followed by increases in credit to wholesale and retail, construction, and agriculture of 16.5 billion riel (4.4%), 10.6 billion riel (10.7%), and 7.8 billion riel (11.6%), respectively. During the period under consideration, some sectors paid off part of their debt, which included export sector with a reduction of claims of 13.4 billion riel (22.7%), manufacturing sector of 7.2 billion riel (2.8%), import sector of 5.8 billion riel (3.6%), and real estate and public utilities sector of 0.6 billion riel (0.6%).

Table 14 showed that total deposits by residents and non-residents with deposit money banks excluding central bank's branches rose by 29.5 billion riel (0.9%) after having increased by 17.8 billion riel (0.5%) in the previous month. A rise in total deposits in the month under review was due to an increase in foreign currency deposits of 34.2 billion riel (1%) while riel deposits declined by 4.7 billion riel (3.2%). Looking at the maturity breakdown of the foreign currency deposits, one can see increases in fixed deposits and demand deposits of 87.8 billion riel (9.4%) and 17.5 billion riel (2.2%), respectively and a reduction in saving deposits of 69 billion riel (4.6%) and that of other deposits by 2.1 billion riel (4.2%). The declined in riel deposits was a result of decreases in all types of deposits classified by maturities, except fixed deposits which increased by 2.7 billion riel (5.9%).

**\*For more information please contact the address above**