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Introduction

In April 2005, the Consumer Price Index (CPI) for all items continued to increase modestly compared to the previous month. The monthly inflation rate of 1,3% for April 2005 is the highest rate since the beginning of 2005, while the riel depreciated by 0.52% against the US dollar. Domestic credit has slightly risen since January 2005 and kept rising dramatically over the last two months. Meanwhile, money supply (M2) also moved up, reflecting acceleration in the rate of expansion of foreign currency deposits.

Consumer Price Index

In April 2005, the CPI for all items continued to increase remarkably, after having increased gradually over the last three months. During the period under consideration, overall CPI increased from 111.52 in March to 112.97 in April, mainly due to surges in a combination of two sub-indices, namely food, beverage & tobacco sub-index and Transportation & Communication sub-index. Meanwhile, there were slightly increases in the other four sub-indices, while the other two sub-indices, Medical Care and Recreation & Education, still held constant.

The increase in food, beverage and tobacco sub-index of 2.84% are due to an increase of prices in beef (17.13%), pork (12.61%) and fish (5.30%). The increase in Transportation and Communication sub-index of 1.03% could be traced back to rising prices in gasoline and diesel fuel of 3.18% and 2.08%, respectively. Whereas, the four sub-indices increased slightly in a range between 0.03% and 0.29, in which Clothing & Footwear, House Furnishings & Households Operations, Personal Care & Effects and Housing & Utilities ..

Considering the year on year basis, it should be noted that in this month, the inflation was 5.94%, which was the highest speed during the last six months.

Exchange Rate

In April 2005, the value of Riel continued to depreciate compared with the month earlier. The market-buying rate surged by 0.52% compared with 0.05% in March, up from 4,034 riels in March to 4,055 riels in April.

Considering the daily exchange rate, during the first 18 days of the month, the riel kept appreciating, from its departure of 4034 to 4020 per US dollar. However, the trend of exchange rate, which was always downward, turned out to be more increasingly upward during the last 12 days. The appreciation of riel in the early month under review could be interpreted by simultaneous demand of riel for the Khmer New Year, tax payment, and some provincial needs. Whereas, the depreciation, which occurred in the late month, was due to an inflow of riel from some provinces, and the demand of riel to pay tax was quiet as the tax maturity was over.

Money Supply

In April 2005, liquidity of the banking system continued to increase remarkably compared to March. In the month under review, liquidity as measured by (M2) rose by 88.5 billion riels (2%) following an increase of 61.5 billion riels (1.5%) in the previous month. Money (M1), a component of money (M2) increased by 7.4 billion riels (0.6%), from 1,198 billion riels in March to 1,205 billion riels in April 2005. The growth of money (M1) was mainly caused by increase in demand deposits of 4.3 billion riels (12.4%), while currency outside banks went up by 3.1 billion riels (0.3%). Quasi-money also increased by 81 billion riels (2.46%) over the month as a result of a significant expansion of foreign currency deposits of 77.4 billion riels (2.4%). Time and saving deposits increased by 3.7 billion riels (3.4%).

Net domestic Assets of the Banking Sector

In April 2005, net domestic assets of the banking sector continued to rise up by 9.1 billion riels (2%) on the level recorded in March. This represented a small rate of increase compared with the growth rate of 82.6 billion riels (17.8%) in the previous month. This development was a result of an increase of 64.7 billion riels (3.7%) in domestic credit, which was partly offset by contraction in other items net by 55.6 billion riels (2.6%). Meanwhile, net claim on government decreased by 29.1 billion riels (11.5%) following a decrease of 10.3 billion riels (4.2%) a month earlier. An increase in net claim on government was mainly due to an increase in deposits of

government by 28.9 billion riels (1.3%). Credit to private sector went up by 93.8 billion riels (4.7%).

Net Foreign Assets of the Banking Sector

The net foreign assets of the banking system move in the positive direction in month under review. This item went up largely by 79.4 billion riels (1.6%) after having a decrease of 18 billion riels (0.4%) a month earlier. This was mainly due to an increase in foreign assets of 78.8 billion riels (1.4%) and a slightly decrease in foreign liabilities of 0.5 billion riels (0.1 %). In the month under review, foreign assets of deposit money banks increased by 99.7 billion riels (10.2%), while foreign assets of NBC decreased by 20.9 billion riels (0.5%).

Deposit Money Banks' Operation

As shown in Table 10, total operations of deposit money banks including provincial branches of National Bank of Cambodia continued to expand strongly in April 2005. Total assets of deposit money banks rose by 100.7 billion riels (2.1 %) compared with an increase of 24.3 billion riels (0.5%) in the previous month. The component of the deposit money banks' assets that show the largest growth in the month was foreign assets that rose by 99.7 billion riels (10.2%), followed by credit to private sector that rose by 93.8 billion riels (4.7%), cash and deposits with central bank, fixed and other domestic assets, and credit to government decreased by 69.7 billion riels (4.5%), 18 billion riels (6.5%) and 4.9 billion riels (5.4%), respectively.

On the liability side, all components of the deposit money banks' liabilities registered a positive change. In fact, deposits by residents, a major source of funds of deposit money banks, rose by 86.2 billion riels (2.6%) mainly result from an increased in foreign currency deposits of 77.4 billion riels (2.4%). Capital and reserves, foreign liabilities, and other domestic liabilities increased by 12.1 billion riels (1.3%), 1.8 billion riels (0.6%) and 0.6 billion riels (0.2%), respectively. The increase in capital and reserves was mainly due to an increase of provisions for profit and losses of 9.1 billion riels (9.3%).

Table 12 showed that total credit provided to the economy by all deposit money banks excluding central bank's branches rose by 88.9 billion riels (4.3%) in April compared with an increase of 48.4 billion riels (2.5%) in a month earlier. Figures on monthly changes indicated that six sectors registered an increase in credit. Credit sector that showed a leading increase in the month under review was credit to real estate and public utilities sector of 34.4 billion riels (39.8%). After that, credit to services and other sector including personal consumption, wholesale & retail, export, and construction sector went up by 18.5 billion riels (2.5%), 15.2 billion riels (13.5%), 14.5 billion riels (3.7%), 9.1 billion riels (20.1 %) and 8.5 billion riels (7.7%), respectively. During the same time, there was a decrease in credit to finance sector of 4.9 billion riels (4.9%), agriculture sector of 4.1 billion riels (5.4%), import sector of 1.6 billion riels (1 %), and manufacturing sector of 0.8 billion riels (0.3%).

With regard to deposit operations of the deposit money banks excluding central bank's branches the total of residents and non-residents deposits expanded by 92.4 billion riels (2.7%) after having an increase of 29.5 billion riels (0.9%) in the previous month. A rise in total deposits in the month under review resulted from a growth both in riel deposits and foreign currency deposits, showing an increase of 7.4 billion riels (5.2%) and 85 billion riels (2.6%), respectively. The growth in riel deposits was due to an increase in saving deposits of 5 billion riels (9.5%), demand deposits of 2.2 billion riels (5.5%), and other deposits of 0.5 billion riels (24.8%) while fixed deposits declined by 0.3 billion riels (0.6%). The rise in foreign currency deposits caused by an increase in saving deposits and demand deposits of 78 billion riels (5.5%) and 23.9 billion riels (3%), respectively. Meanwhile, fixed deposits and other deposits declined by 15.9 billion riels (1.6%) and 0.9 billion riels (1.9%), respectively.

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