ECONOMY AND FINANCE

NEWS DIGEST - WEEKLY

By: VANNAK Setheavin Date: 27.09.2023 Issue 2023/No.43

Content:

August core inflation, excluding food and energy, rose 0.3%, hotter than expected

Inflation reached its highest monthly increase this year in August, with the consumer price index rising 0.6% and up 3.7% from a year ago. The core CPI increased 0.3% and 4.3%, respectively, excluding volatile food and energy. Energy prices contributed the most to the gain, rising 5.6% on the month. Food prices rose 0.2%, while shelter costs climbed 0.3%. Other inflation-related factors included airfares jumping 4.9% but still down 13.3% from a year ago, used vehicle prices declining 1.2% and transportation services rising 2%. Stock market futures initially fell, but rebounded. The jump in headline inflation hit worker paychecks, with real average hourly earnings declining 0.5% for the month. The Federal Reserve is considering a longer-term approach to solving the inflation problem, with officials indicating a more cautious approach. Markets expect the Fed to hold interest rates unchanged at next week's meeting, with traders predicting a final increase in November.

Source: CNBC

China leaves benchmark lending rates unchanged in September

China's banks have maintained their benchmark loan rates unchanged for September, following signs of stabilisation in the world's second-largest economy following recent policy support. The People's Bank of China kept its one-year loan prime rate at 3.45%, while the five-year benchmark loan rate was held at 4.2%. This announcement aligns with economists' expectations, following a second cut in reserve requirement ratio requirements for all banks. China's August retail sales and industrial production data beat expectations, and other data points released in the last three weeks also showed nascent signs of improvement in the economy.

Source: CNBC

Cambodia continues selling US dollars to stabilise exchange rates

The National Bank of Cambodia (NBC) has announced its plans to hold two US dollar auctions on September 20 and 22, each worth 10 million USD, to sustain the purchasing power of the Cambodian riel and support economic recovery following the COVID-19 pandemic. Due to seasonal factors and upward pressure on the US dollar in the global market, the value of the Cambodian riel in relation to the US dollar has fallen to a level that is consistent with market conditions.

Source: Khmer Times

ADB revised down Cambodia's GDP to 5.3 percent for 2023

The Asian Development Bank (ADB) revised Cambodia's GDP forecast from 5.5% in the ODA April 2023 to 5.3% in the Asian Development Outlook (ADO) September 2023. According to the report, exports of Cambodian apparel, footwear, and travel goods decreased by 18.6% in the first half of the year compared to the same period last year. This decline was partially offset by a 22.9% increase in exports of manufactured goods other than apparel, including furniture, solar panels, and vehicle parts. Construction material imports decreased by 6.3%, which was a sign of the industry's sluggish recovery. The industry output growth forecast for 2023 has been reduced from 5.8% to 4.8%. With milled rice exports increasing 12.4% in the first half of 2023, the service sector is the main driver of growth. The report also mentions that 6.5% is projected to be the service sector's growth rate in 2024. However, a slight decline in overall merchandise exports has occurred as a result of a threefold increase in gold exports during the first half of 2023.

Source: Khmer Times

Energy tariffs cut for industrial, agri sectors

The Ministry of Mines and Energy in Cambodia has announced a reduction in electricity tariffs for industrial and agricultural sectors in which it will take effect from October to December 2023. In response to the current economic downturn, Prime Minister Hun Manet urged the ministry to reduce power costs for the manufacturing sector. The updated tariff plan provides discounts beyond the 10% monthly average energy consumption discount. State institutions, commercial entities, and housing users are excluded as they already receive subsidies from the Electricity of Cambodia (EDC).

Source: Phnom Penh Post

Construction projects worth $3B approved in 7 months

The Ministry of Land Management, Urban Planning, and Construction in Cambodia has issued permits for 2,036 investment projects covering eight million square meters between January and July this year. The construction sector is on a recovery path from the COVID-19 pandemic, with 63,903 projects covering 181 million square meters and an investment of $72.37 billion. Since 2000, approval has been given to 2,609 high-risers, and 18,440 housing construction projects have been sanctioned. One of the four economic pillars of the Kingdom is the construction industry, which is supported by foreign investment and rising imports of construction goods and tools.

Source: Khmer Times

Credit card losses are rising at the fastest pace since the Great Financial Crisis

Credit card companies are experiencing the fastest pace of losses in almost 30 years, outside of the Great Financial Crisis, according to Goldman Sachs. Losses bottomed in September 2021 and have been rapidly rising since the first quarter of 2022, a rate only seen during the 2008 recession. Goldman predicts losses will rise to 4.93% by late 2024/early 2025, as Americans owe more than $1 trillion on credit cards. The losses are unusual as they are accelerating outside of an economic downturn.

Source: CNBC

UK recession risk grows as higher interest rates weigh on firms

Britain's economy is at risk of recession, with industry figures showing the sharpest monthly fall in private sector activity, outside of the Covid pandemic, since the financial crisis. According to the most recent snapshot from S&P Global and the Chartered Institute of Procurement and Supply (Cips), the dominant service sector and manufacturing output in the UK both experienced a significant decline in September. The purchasing managers' index (PMI) recently experienced its steepest decline since March 2009. In response to mounting economic worries, the Bank of England stopped its most aggressive round of interest rate increases in decades. For the third consecutive month, the total amount of new work in the private sector decreased. Firms warned that the pressures on cost of living, higher borrowing costs, and job cuts in the real estate and construction sectors were weighing on activity.

Source: The Guardian

Centre for Governance Innovation and Democracy, AVI

Address: #24, Street 566, Boeung Kok 2, Toul Kok, Phnom Penh, Cambodia

• **Email**: cgid.avi@gmail.com • **Tel:** 086 727 657 / 092 964 141

• **Facebook**: Asian Vision Institute • **Twitter**: Asian Vision Institute • **Telegram**: AVI