



Highlights from this week's economic and fiscal developments in ASEAN member states and abroad:

- Cambodia's central bank stops paying interest on reserves
- China's money driving Asia's property boom
- China's trade outlook falling, with 2019 GDP growth likely to suffer

FACT Sheet is a weekly newsletter that tracks the latest economic and fiscal developments in Cambodia and its trading partners. It is produced by the Fiscal Analysis Capacity Training (FACT) department of the Parliamentary Institute of Cambodia to practice research and drafting skills. Every effort is made to ensure that the analysis and insight is of high quality; however, readers should treat it as a training exercise. We cannot guarantee that it is free from error or omission.

Cambodia news and data

Cambodia's central bank stops paying interest on reserves

The National Bank of Cambodia stopped paying interest on funds it holds as reserve requirements for private banks. The NBC requires private banks to maintain reserves of 12.5 percent for foreign currency and 8 percent for Cambodia's national currency the Riel. Until this new policy decision, the NBC paid 4.5 percent annual interest for foreign currency reserves but no interest for Riel reserves.

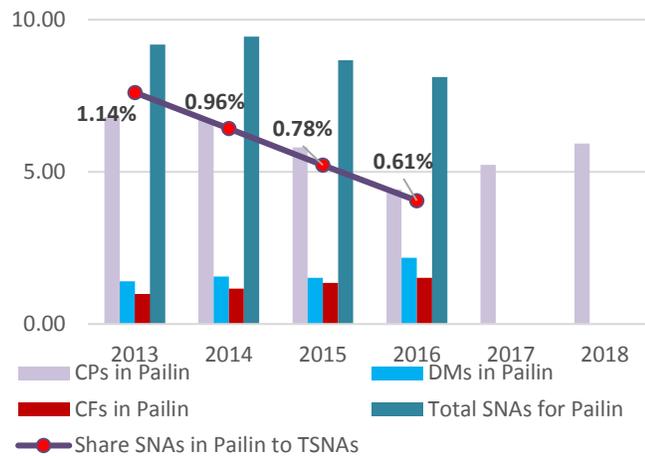
Several industry representatives such as the President and managing director of Aceda Bank and the Chairman of the Cambodia Microfinance Association said in interviews with the [Phnom Penh Post](#) that this move will not significantly hurt profitability, as interest on reserves was a small part of their operating revenues.

Chart of the week: Subnational budget of Pailin province, 2013-2018

This week's chart shows the components of the budget of the sub-national administration (SNA) of Pailin province. Pailin province received about 9 billion riels in 2013, accounting for 1.14 percent of total sub-national budgets. However, this share declined to 0.61% in 2016.

The decline is related to a shift of funding from the provincial administration (CPs) to the district/municipalities (DMs), and commune/Sangkat Funds (CFs). The C/S fund of Pailin increased from 980 million riels in 2013 to 1,520 million riels in 2016, representing 11% and 19% of the total SNA budget of Pailin, respectively.

Subnational budget of Pailin province (billion riel)



Source: National Budget 2013-2018

ASEAN and other trading partners news and data

China's money driving Asia's property boom

Phnom Penh may be in the midst of one of the [world's hottest property markets](#), thanks in part to 200 investors that Chinese President Xi Jinping introduced to the city in 2016 to expand the Belt and Road initiative. The average price of condominiums in Phnom Penh has increase by 60 percent from 2013. The supply of condos is expected to double this year to over 20,000 units. Foreign direct investment has doubled in recent years, with China leading the way.

Phnom Penh is only one example of a real estate boom across Asia, as wealthy Chinese developers and speculators travel the New Silk Road searching for prime land in which to invest.

U.S. economy and Federal Reserve

China's trade outlook falling, with 2019 GDP growth likely to suffer

On Friday last week, U.S. President Donald Trump doubled down on his threats to put tariffs on Chinese imports, saying he's ready to tax everything.

Chinese trade statistics released this week (and reported by [Bloomberg](#)) showed that while China's trade surplus with the U.S. continued to grow during

August, export growth slowed to their slowest pace since March.

Economists expect that Chinese exporters will eventually suffer significantly from U.S. action and China's GDP growth rate in 2019 is likely to take a hit.

The week ahead

Next week's data highlights include inflation in Malaysia and Japan, the Bank of Thailand's interest rate decision, and balance of trade data for Indonesia, Singapore, Japan, and Thailand.

Below is the complete calendar of data releases and developments that the FACT team will be following next week.

Monday, 17 September

- Indonesia balance of trade for August
- Singapore balance of trade for August
- Indonesia care and motorbike sales for August
- Euro area inflation for August

Tuesday, 18 September

- Australia house price index

Wednesday, 19 September

- Japan interest rate
- Japan balance of trade for August
- Malaysia inflation for August
- Thailand interest rate decision
- U.S. housing starts for August

Thursday, 20 September

- Taiwan export orders for August
- U.S. jobless claims for 15/September
- U.S. existing home sales for July and August

Friday, 21 September

- South Korea producer price index for August
- Japan inflation for August
- Japan stock investment by foreigners for September
- Thailand balance of trade for August