



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

- Cambodia looks to new markets for Kampot pepper as yields increase
- Inflation in China hits seven-month high
- U.S. budget deficit widens following tax cuts

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 looks to new markets for Kampot pepper as yields increase

Production of Kampot pepper continues to expand yearly. In order to draw down stockpiles of excess supply, the Kampot Pepper Promotion Association (KPPA) is in discussions to expand to new markets in South Korea and Hong Kong, according to a [recent interview](#) with its president in the Phnom Penh Post.

Kampot pepper is the Kingdom of Cambodia's only product that has been granted official geographical indication status. The designated region consists of 250 hectares in Kampot and Kep provinces, in which up to 200 hectares have mature peppers plants that can be harvested.

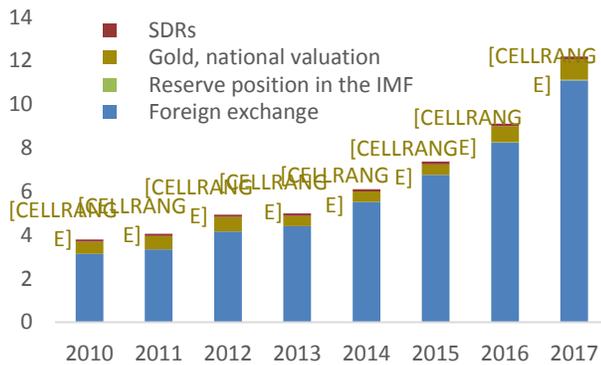
Currently, the major markets of Kampot pepper are the EU, U.S., Japan and Canada. The price of black pepper, red pepper, and white pepper are \$15, \$25, and \$28 per kg, respectively, with annual revenues of around \$1 million. The KPPA consists of 442 farmers partnered with 29 private companies to help export the product to international markets.

Chart of the week: Cambodia's international reserves growing

International reserve accounts are used for settling international accounts, acting as reserve assets, and conducting exchange rate and monetary policy (particularly important for regimes such as Cambodia that maintain a currency peg).

Cambodian International Reserve increased from \$4 billion in 2011 to \$12 billion in 2017, growing at an average annual rate of 18.6 percent, according to [Cambodia Key indicators 2018](#) from ASEAN Development Bank (ADB). The chart below shows this growth, as well as a shifting composition of reserves. Foreign-exchange reserves (currencies) accounted for around 90 percent of international reserves in 2017, up from 82% in 2011. Gold reserves have grown in absolute terms but have declined in importance in relative terms, decreasing from 15 percent in 2011 to 5 percent in 2017. The remaining components are IMF Special Drawing Rights (SDRs), which totaled between 1 percent to 3 percent over the period, and foreign reserve holdings at the IMF, which have been introduced in the last two years but are negligible, at 0.3 percent in 2017.

Cambodia's international reserves (\$billions)



Source: ASEAN Development Bank

ASEAN and other trading partners news and data

Inflation in China hits seven-month high

China's consumer price inflation rose by 2.5 percent year-over-year for September, compared to 1.6 percent in the same month last year, and a seven-month high, according to the [National Bureau of Statistics of China](#). The increase was driven by food prices, which increased by 3.6 percent. Price hikes were equally disbursed: prices in urban centers rose by 2.5 percent and in rural areas by 2.4 percent.

The increase is unlikely to spark concerns, as core inflation—excluding volatile series such as energy—was down to 1.7 percent from 2 percent last month.

U.S. economy and Federal Reserve

U.S. budget deficit widens following tax cuts

The U.S. budget deficit for the fiscal year ending in 2018 hit a six-year high of \$779 billion, reflecting the cost of significant tax cuts last year, according to [the Department of the Treasury's year-end report](#) announced on Monday. The figure is a 17 percent increase since the previous year.

While President Donald Trump expected the tax cuts to boost the economy, ultimately rendering the budget fiscally sustainable through increased growth, the prospects of this bearing out seem slim.

The costs to financing the U.S.'s growing debt burden are becoming increasingly high, and many economists are predicting that this could act as a drag on the economy.

The week ahead

Data highlights include U.S. GDP growth and inflation, as well as inflation, unemployment, trade balances and budget balance in several prominent ASEAN member states.

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

Monday, 22 October

- Philippines budget balance for September
- Thailand balance of trade for September
- Indonesia loan growth for September
- Japan all industry activity for August
- Taiwan unemployment rate for September

Tuesday, 23 October

- South Korea Producers' Price Index for September
- Singapore inflation rate for September
- Taiwan industrial production for September
- Taiwan retail sales for September
- Hong Kong inflation for September

Wednesday, 24 October

- US API crude oil stock change 19/Oct
- Malaysia inflation rate for September
- Japan coincident index for August
- Taiwan M2 money supply for September

Thursday, 25 October

- South Korea GDP growth rate for 2018 Q3
- Japan foreign bond and stock investment for 20/Oct
- Malaysia coincident index and leading index for August
- Hong Kong balance of trade for September
- U.S. goods trade balance for September

Friday, 26 October

- South Korea consumer confidence for October
- Japan Tokyo CPI for October
- Singapore unemployment rate for 2018Q3
- Singapore industrial production for September
- Indonesia property price index for 2018Q3
- U.S. GDP growth for 2018Q3
- India foreign exchange reserves for 19/Oct