



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

- Cambodia’s banking sector performing well in 2019
- Thailand's currency grows stronger, threatening economy
- U.S. Federal Reserve cuts rates in “mid-cycle adjustment”

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

Banking sector performing well in 2019

According to a [press release](#) from the Assembly on the First Semester’s Achievements of the National Bank of Cambodia, the banking and financial sector have grown steadily over the first half of the year and have been active in promoting economic growth.

Banking and financial assets rose 19.2% compared to the first half of 2018, reaching 166% of GDP. Loan performance has continued to be reasonable, with a non-performing loan ratio of 2.3% for banks and 1.1% for microfinance institutions.

In order to maintain financial stability, the National Bank of Cambodia continues to strengthen its monitoring of risks and improve its framework for managing Cambodia’s economic outlook, introducing macro and micro measures, consumer protection measures, and promoting financial literacy.

Table of the week: National budget expenditure

This week’s table shows the growth in total budget expenditure at the national level in June and in the second quarter of 2019, compared to the same time last year.

Budget expenditure in June and 2nd Quarter 2019

Billion riels	June			2nd Quarter		
	2018	2019	Growth	2018	2019	Growth
Total Expenditure	1,657	1,576	-5%	4,706	4,931	5%
Current Expenditure	1,102	1,270	15%	3,188	3,724	17%
Wage Expenditure	694	655	-6%	1,911	1,963	3%
Non-wage Expenditure	408	615	51%	1,277	1,761	38%
Capital Expenditure	555	306	-45%	1,518	1,207	-21%
Domestic Financing	144	159	10%	484	414	-15%
External Financing	411	147	-64%	1,033	793	-23%

Source: [ToFE](#), MoEF

Actual national expenditure in June 2019 declined 5% year-over-year to 1,576 billion riels, from 1,657 billion riels in June 2018. The decrease of expenditure is attributable to a fall in capital expenditure from external financing of 64% and a fall in wage expenditure of 6%.

However, overall expenditure for the second quarter rose 5% to 4,931 billion riels, compared to 4,706 billion riels in the same quarter last year. This was driven mostly by an increase in non-wage expenditure of 38%.

ASEAN and other trading partners news and data

Thailand's currency grows stronger, threatening economy

The Thai baht has grown considerably stronger against the U.S. dollar in 2019, more so than other emerging market currencies. Since the beginning of this year, the baht has appreciated 5% against the dollar. On a year-over-year basis, it sits at 8% higher.

Policymakers, analysts and exporters expressed concern that the surge in the currency will negatively affect the economy's competitiveness at a time when it is already weakening, according to [CNBC](#). A study by the Bank of Thailand shows that for every 1% rise in the baht against the dollar, export prices increase by 0.3%. Exports have already been declining in the face of the appreciation for three straight months and in May fell 5.8% compared to May 2018. Analysts were anticipating only a 3.6% drop.

Global economy

Fed cuts rates in "mid-cycle adjustment"

On Wednesday the Federal Open Market Committee voted to lower the benchmark lending rate from 2.5% to 2%, the first cut since 2008. During the subsequent [news conference](#), Chairman Jerome Powell said that the rate cut "was an ongoing move to support the economy and boost inflation, and this was just a mid-

cycle adjustment to policy". He further added that there is no guarantee of future cuts.

The week ahead

Next week's highlights include interest rate decisions in Thailand and the Philippines, and GDP estimates from Indonesia, the Philippines, and Japan.

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

Monday, 05 August 2019

- Indonesia GDP for 2019Q2
- South Korea foreign exchange reserves for July
- Singapore Markit PMI for July
- U.S. Markit composite PMI final for July
- U.S. Markit services PMI final for July

Tuesday, 06 August 2019

- U.S. total vehicle sales for July
- South Korea current account for June
- Japan household spending for June
- Indonesia consumer confidence for July
- Philippines inflation rate for July
- Thailand unemployment rate for July
- U.S. JOLTs job openings for June

Wednesday, 07 August 2019

- Bank of Japan summary of opinions
- Philippines balance of trade for June
- Thailand interest rate decision
- Singapore foreign exchange reserves for July
- Philippines foreign exchange reserves for July

Thursday, 08 August 2019

- Japan current account for June
- Philippines GDP for 2019Q2
- China balance of trade for July
- Thailand consumer confidence for July
- Singapore retail sales for June
- Philippines interest rate decision
- Indonesia retail sales for June

Friday, 09 August 2019

- Japan GDP preliminary estimate for 2019Q2
- China inflation rate for July
- Thailand foreign exchange reserves for July
- Malaysia industrial production for June
- Malaysia unemployment for June