



This week's top economic and fiscal developments in ASEAN member states and abroad:

- ASEAN's largest credit rating agency keeps Cambodia's sovereign assessment unchanged
- Thailand and Vietnam economies heats up
- US Federal Reserve leaves key interest rate unchanged, but signals imminent increase

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

Rating agency leaves Cambodia's sovereign credit assessment unchanged

On Tuesday, Southeast Asia's largest credit rating agency, RAM Ratings, [announced](#) that it has held Cambodia's sovereign credit rating steady in its latest assessment. The rating ranks Cambodia's capacity to meet financial obligations in the short- and long-term as *weak*, but the agency had several positive things to say about Cambodia's recent economic performance.

The agency considers changes in economic conditions and/or operating environments to form its assessment. The agency cited several factors that are likely to benefit the country, including robust economic performance and strong capital inflows in the form of FDI and official aid, robust garment exports, and a strong tourism industry.

Challenges facing Cambodia include the phasing out of grants and aid in-line with Cambodia's economic progression to a lower middle-income country and rising political challenges.

The agency also cites several significant risks to Cambodia's economy, including the rapid growth of credit to the real-estate sector, rapidly increasing property prices, and risks of residential and commercial building

oversupply. The agency also flags the microfinance sector's rapid growth and impact on personal debt and connectedness to Cambodia's banks as a potential risk.

The rating is released every 6- to 24-months, depending on economic and political developments in the country (Cambodia has been assigned a 'stable' outlook, suggesting the rating is unlikely to be changed over the remainder of 2018).

Cambodia strengthens trade outreach effort in China

The Royal Government of Cambodia has announced plans to build a Cambodian cultural village in Beijing and additional trade centers in Chinese provinces, according to Facebook [posts](#) by the Ministry of Commerce and an [interview](#) with a senior advisor to the Supreme National Economic Council this week.

Cambodian exports to China are up nearly 20 per cent in the first 11 months of 2017 and China has spent a total of \$4.2 billion in development assistance in Cambodia as of early last year, according to the same interview.

ASEAN and other trading partners news and data

Thailand's economy beats expectations in 2017, forecasters raise 2018 outlook

The Bank of Thailand this week released several key economic indicators for December 2017 and the year as a whole (press release here: [PDF](#)). The Bank reported GDP has grown faster than expected, unemployment is falling, and businesses and consumers are optimistic about the future.

Particularly strong economic results came from merchandise trade exports, which grew 9.3 per cent in December, and tourism, which grew 15.5 per cent in December (mainly as a result of increased Chinese and Malaysian tourists).

Inflation has also decelerated with the slowing of energy and food price growth, providing a more stable price backdrop to the economy's strong performance.

Overall, economic growth in Thailand in 2017 is now estimated to be 4.0 per cent, compared to government forecasts of 3.8 per cent three months ago. In light of the new data, Thailand's Ministry of Finance has [revised its outlook](#) for 2018 from 3.8 per cent to 4.2 per cent.

Vietnam's industrial production surges in January

Vietnam's industrial production in January grew at nearly twice the rate as in December and significantly higher than forecast by economists, according to

the [General Statistics Office](#). The national index climbed 20.9 per cent, versus 11.2 per cent previously. The consensus forecast was 13.8 per cent.

Growth was driven by television sets (62.9 per cent), followed by powdered milk (51 per cent), shower gel and facial cleanser (34.1 per cent), synthetic cloth (33.8 per cent), cement (29.7 per cent), raw steel and iron (28.4 percent), and coal (27.1 percent).

U.S. economy and the Federal Reserve

Fed sees inflation picking up but holds interest rates steady at Yellen's last meeting as chair

In a highly anticipated [policy announcement](#), the US Federal Reserve's open-market committee left its target interest rate unchanged, but stated that policymakers see a tight labour market and inflation picking up in the near future. The Fed's language suggests future rate hikes are imminent, leading to a stronger U.S. dollar and a stronger Cambodian Riel (making Cambodia's exports less competitive).

The announcement also marked Janet Yellen's last appearance as chair of the committee, after President Trump elected not to extend her term, in favour of [his pick](#) Jerome Powell.

The week ahead

It is a significant week for monetary policy in the region, with interest rate announcements expected from both the Thailand and Philippines central banks on Thursday. Additionally, many ASEAN statistical departments will be releasing trade data for the month of December.

FACT also expects that Cambodia's Ministry of Economy and Finance will release its monthly government finance statistics (TOFE) for the month of December 2017 and the National Bank of Cambodia will release its monthly Economic and Monetary Statistics for November 2017 next week.

Other data releases and developments that the FACT team will be following next week include:

Monday, 05 February

- South Korea current account for December
- Japan Nikkei Services PMI
- Indonesia GDP growth rate for 2017Q4 and 2017 full-year
- Indonesia consumer confidence for January

Tuesday, 06 February

- Philippines inflation rate for January
- Indonesia retail sales for December

- Indonesia business confidence for January
- Taiwan inflation rate for January

Wednesday, 07 February

- Philippines producer price index for December
- Malaysia balance of trade, imports, and exports for December

Thursday, 08 February

- Japan current account for December
- China balance of trade, imports, and exports for January
- Thailand consumer confidence for January
- Thailand interest rate decision
- Philippines interest rate decision

Friday, 09 February

- Philippines balance of trade, imports, and exports for December
- Philippines industrial production for December
- China inflation rate for January
- Malaysia industrial production for December
- Bangladesh inflation rate for January