



On the Cover:

As Cambodian industry and real estate falter, rising non-performing loan (NPL) rates are fuelling rumors that at least one of the kingdom's big banks will fold. But banks in Cambodia are now sitting on a veritable mountain of money—where is the risk? (page 8)

Editorial

The state of banking is seen by many as an indicator of the larger economy. When banks are no longer perceived as safe, and especially when they fail, a crisis of confidence can cause massive and long-lasting economic damage, just as the failure of banks involved in US mortgage lending prompted an economic crisis that caused the downturn now widely called the Great Recession.

While what little official data there is on Cambodia's banking sector seems positive, rumors of rising non-performing loan (NPL) rates and the possible failure of one or more of the kingdom's banks have been persistent. However, the sector does not currently lack liquidity, as predicted by some last year—far from it. A significant increase in bank liquidity seems to represent greater security for depositors, but in fact may conceal a deeper weakness.

With foreign funds difficult to come by, local banks have hiked the interest rates on offer to depositors to ensure adequate liquidity. However, this means loan interest rates must also be raised, making borrowing less attractive. Even worse, the banks keep their excess liquidity at the central bank, earning close to zero percent interest. But the banks must still pay out interest to depositors, meaning their profit margins are squeezed from both ends. Factor in the possibility of increasing NPLs, and banks could be in for a rough year.

*As ever, ETM welcomes readers' suggestions and comments.
Email: etm@etmcambodia.com, Website: www.etmcambodia.com*

In this Issue

Economy & Business

- 8 Banking on Recovery
- 13 ADB, Japan, Luxembourg to Assist Financial System
- 14 Q&A: Alex Ng Chet Teng, Angkor Capital Bank's general manager
- 18 Modernizing Banking
- 19 Weakest Links
- 21 Putting Aside Credit
- 24 Looming Laziness
- 25 New Book Details Investment, Productivity Constraints
- 26 Business in Brief
- 28 Economics Today Reporter Wins 2009 SEAMEO Australia Press Award
- 28 First Koh Kong Trade Fair

Politics & Society

- 33 War of Words over Preah Vihear

International News

- 34 Steel Industry Eyes 15-20% Growth: Infrastructure Projects to be Major Driver

- 34 Office Rents Could Fall
- 35 SET Past Peak for 2010, Says Tisco Research
- 35 Rice Pricing to be Revised: New Criteria for Private-Sector Sales
- 36 Industries Hard Hit by Workforce Shortage
- 36 Drought in Mekong Delta Affects over 1,300ha of Rice
- 37 Jeweller Told to Sell off Gold Reserves
- 37 MoIC Sets 14 Percent Growth Rate for IT Sector
- 38 China Says it Shut Down Online Academy for Hackers
- 39 No Change for its Monetary, Currency Policies, China Central Banker Tells Davos Meeting
- 40 Hawaii is Paradise for Green-Tech Entrepreneurs
- 41 World's Top Bankers, Policymakers still Uncertain about Global Bank Regulatory Push
- 42 Navigating a World Full of Worries

- 43 US Stocks Rally on Talk of Greek Bailout; Dow Retops 10,000

Culture & Tourism

- 44 Street Beat: "Num Kraeb"
- 46 Conservationist Honored with Order of Sahemetrei
- 48 Washington State's Hoh Rain Forest Revels in Wet, 'Wild Ballet'

Economic & Financial Indicators

- 50 Local Tobacco: Bullish Start in 2010
- 50 U.S. Dollar Index (USDIX)
- 51 Local Information
- 52 Rice, Inflation, Crude Oil, Exchange Rate, Gold Price, Stock Exchange
- 53 International Information
- 54 Emerging Markets Watch : Strong end to 2009 in Asia, but risks to outlook
- 54 Emerging Markets at a Glance

Modernizing Banking

The emerging Cambodian financial sector has grown both quantitatively and qualitatively, as reflected in the remarkable diversification of the financial products and increased public accessibility. But some procedures are still overly long and complex, turning simple transactions into a frustrating chore.



To facilitate Cambodia's drive towards integration into the global economic system and promote sustainable development through innovative customer solutions, improved operational efficiency and advanced risk management, the banking community in Cambodia gathered in Nagaworld, Phnom Penh Jan 26 to discuss the latest developments, ideas and technologies. (page 18)

Looming Laziness

Cambodia's Garment Productivity



Despite the recent decimation of the garment sector, resulting in the loss of tens of thousands of jobs and the closure of tens of factories, there could be more clouds on the horizon.

Cambodia's garment sector faces an uncertain 2010; lower international orders mean more competition, and Cambodia's poor competitiveness relative to other garment exporting countries, especially China, Vietnam and Bangladesh, is resulting in a loss of market share. (page 24)

War of Words over Preah Vihear

The tense military standoff around areas Thailand claims are disputed territory in early February erupted into a verbal exchange as fierce as the brief firefights that have periodically broken out since the beginning of the territorial spat in June 2008. (page 33)



Economics Today

Cambodia's Business Magazine

Publisher: Sao Sonita

Editor-in-Chief: Kim Natacha

Managing Editor: Sam Campbell

Reporters: An Sithav, Chhun Kosal, An Channthla, Leng Bunthea, Phen Raksmeay

Photographer: Kong Socheat

Thank you very much for your contribution:

Khin Pisey, Kheng Vantha, Hor Heng, Hor Dane

International news are provided by the Los Angeles Times - Washington Post News Service.

Production Manager:

Buth Sophea

Designers: Ouk Vibol, Sreng Veseth

Marketing:

Ourng Chansy (012) 431 194

Kim Nida (012/016 274 739)

Office: Room 234, Second Floor, Building A, Phnom Penh Center, Phnom Penh, Cambodia

Phone/Fax: (855-23) 987 943

etm@etmcambodia.com

Printer: Digital Advertising

Under the licence № 109 by the Ministry of Information

ETM's mission is to provide and inform readers about current news and local events so that they can make better decisions and take control of their own lives.

Readers can send their comments to: etm@etmcambodia.com

Copyright © 2010.

All rights reserved. No part of this publication may be reproduced, stored in a retrieval system or transmitted in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise, without written permission from Economics Today.