



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

- U.S. tariffs on China will shift bicycle production to Cambodia in 2019
- Internet economy job creation expected to triple in Southeast Asia over next seven years
- As recession chances heighten, Federal Reserve may deliver fewer hikes

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

U.S. tariffs on China will shift bicycle production to Cambodia in 2019

Cambodian production of bicycles and exports to the U.S. are anticipated to increase following recent tariffs levied by the U.S. on China. Tariffs were imposed at 10 percent and are set to climb to 25 percent in January 2019.

Two large companies have already [announced plans](#) to move production to Cambodia in 2019 to take advantage of the Kingdom’s lower or non-existent tariffs

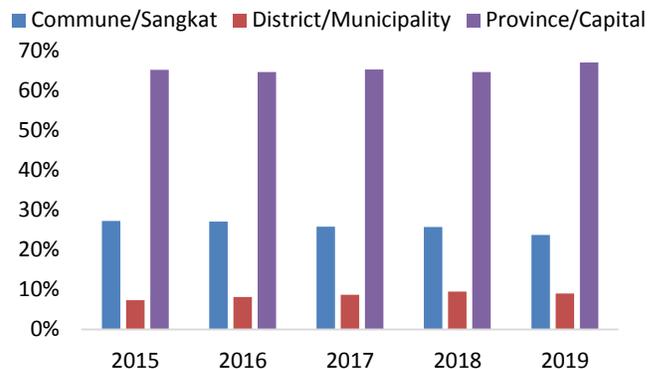
Cambodian bicycle exports to the U.S. accounted for \$24 million last year, third behind China (\$874 million) and Taiwan (\$390 million).

Chart of the week: Subnational revenues

Subnational revenues have increased from 1,372 billion riels in 2015 to a forecast of 2,200 billion riels in 2019—an annual growth rate of around 13.5 percent. Growth has exceeded the growth rate of GDP, and revenues have increased from 1.9 percent of GDP to 2.0 percent.

The share of subnational revenues at the province and capital level has remained roughly constant, at 65 percent on average over 2015 to 2019, but is expected to rise to over 67 percent in 2019. Subnational revenues at the communes and sangkats level have been around 26 percent of subnational revenues on average but are expected to fall to under 24 percent. Revenues at the districts and municipalities levels in 2019 is forecast to be roughly on-par with recent history, at 9 percent.

Regional breakdown of subnational revenues from 2015 to 2019



Source: Budget Implementation Law 2015-2017 and Budget Laws 2018-2019

ASEAN and other trading partners news and data

Internet economy job creation expected to triple in Southeast Asia over next seven years

According to a [new study](#) by Google and Temasek, the online economy will create 1.7 million full-time jobs in Southeast Asia in 2025—three times as many as in 2018. The job creation will be the result of rapid growth in sectors such as e-commerce, ride-hailing, online travel, online media, online food delivery, as well as subscription music and video on demand.

The job growth will bring the total number of employments in the sector from 4 million up to 12 million over the seven years. The survey projects that the value of the internet economy will reach \$240 billion by 2025.

The study covers only 6 Southeast Asian countries: Indonesia, Malaysia, Philippines, Singapore, Thailand and Vietnam.

U.S. economy and Federal Reserve

As recession chances heighten, Fed may deliver fewer hikes

According to a survey by [Reuters](#) this past week, economists still expect the Federal Reserve to increase interest rates again next month and three times next year. However, they have flagged significant risks that the pace will slow down, as the probability of recession in the U.S. over the next two years has risen (though remains low).

The probability of recession over the next two years has risen to 35 percent, from 30 percent. U.S. GDP growth is forecast to decline to a range of 2.0 to 2.5 percent in 2019 and then to 1.8 percent by mid-2020, around half the rate of recent growth.

The week ahead

Data highlights in the coming week include the Philippines budget balance, inflation in Vietnam, and unemployment in Thailand.

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

Monday, 26 November

- Philippines budget balance for October
- Singapore industrial production for October
- Hong Kong balance of trade for October

Tuesday, 27 November

- South Korea consumer confidence for November
- China industrial profits for October
- Thailand industrial production for October

Wednesday, 28 November

- South Korea business confidence for November
- Vietnam inflation for November
- Brunei balance of trade for September
- Vietnam foreign direct investment for November

Thursday, 29 November

- Japan retail sales for October
- Philippines producers' price index for October
- Vietnam balance of trade for November
- Vietnam industrial production for November
- Vietnam retail sales for November
- Singapore producers' price index for October

Friday, 30 November

- South Korea industrial production for October
- South Korea retail sales for October
- Japan unemployment for October
- Japan industrial production for October
- South Korea interest rate decision for
- Thailand unemployment for October
- Thailand retail sales for September
- Taiwan GDP for 2018Q3