



**ក្រសួងសេដ្ឋកិច្ច និង ហិរញ្ញវត្ថុ**  
**Ministry of Economy and Finance**

**ធានានូវកំណើន និង អភិវឌ្ឍន៍ប្រកបដោយចីរភាព**  
**Ensure Sustainable Growth and Development**



# **Cambodia's Macroeconomic Progress**

## **A Journey of 25 Years**

**October 05<sup>th</sup>, 2016**

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## 2. Sectoral Performance



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## 5. Global and Domestic Challenges



## 6. Ways Forward

# Key Development Highlights

**1993**

- Economic Status: Low Income
- Economic structure: agriculture-based
- Nominal GDP: \$2.5 Billion
- GDP per capita: \$229
- Total trade volume: \$769 million
- Export: \$283 million
- Domestic Revenue: 290 Billion Riels

**2004**

- Economic Status: Low Income
- Economic structure: agriculture-based
- Nominal GDP: \$5.3 Billion
- GDP per capita: \$417
- Poverty rate: 53.2%
- Gini Coefficient: 0.38%
- Unemployment rate: 1%
- Total trade volume: \$5,857 million
- Export: \$2,588 million
- Domestic Revenue: 2,220 Billion Riels
- Asian financial crisis led to weaker economic growth in 1998.

**2016**

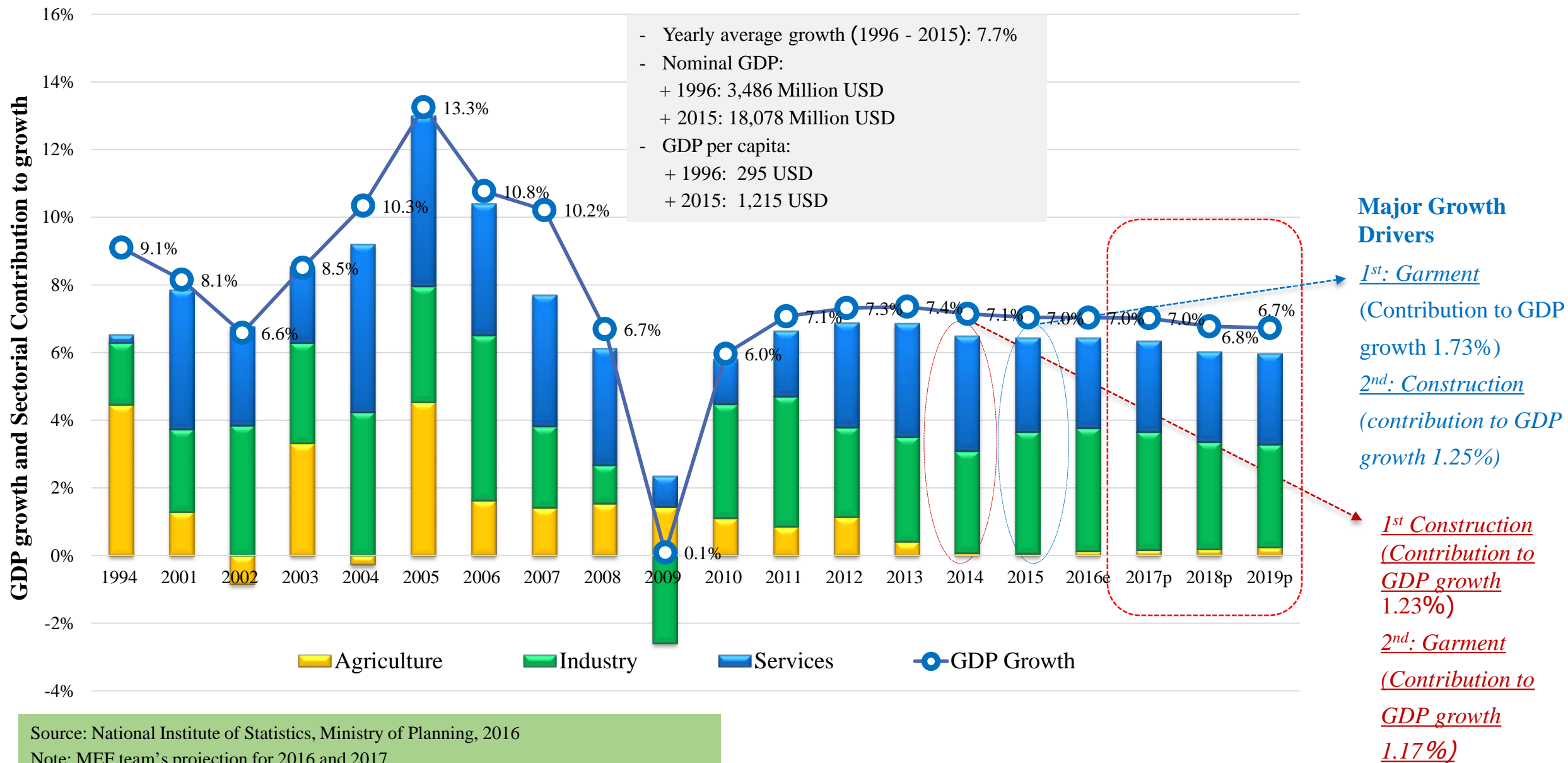
- Economic Status: Lower Middle Income
- Economic structure: Less agriculture dependent
- Nominal GDP: \$19.8 Billion
- GDP per capita: \$1,300
- Poverty rate: 13.5% (2014)
- Gini Coefficient: 0.29 (2014)
- Unemployment rate: 0.1% (2014)
- Total trade volume: \$22,035 million
- Export: \$9,231 million
- Domestic Revenue: 14,359 billion Riels
- Financial sector: Rapid-growing yet stable
- Internal and external balance

**Going forward**

- IDP: skill-driven industry by 2025
- Vision 2030: Upper middle income economy
- Vision 2050: High income

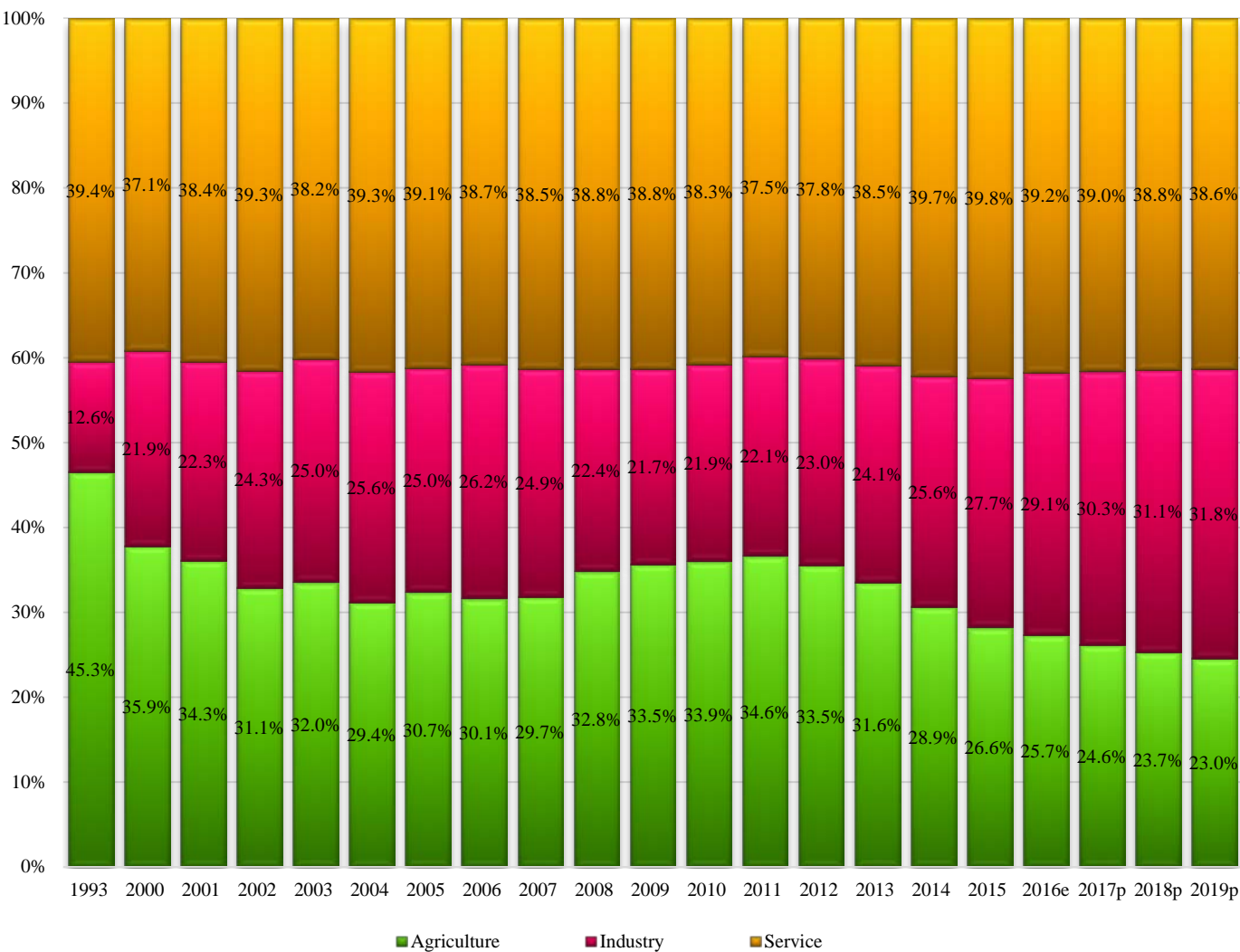
# **1. GDP Performance**

# Cambodia's economic prospect remains robust, yet vulnerable to both internal and external risks...



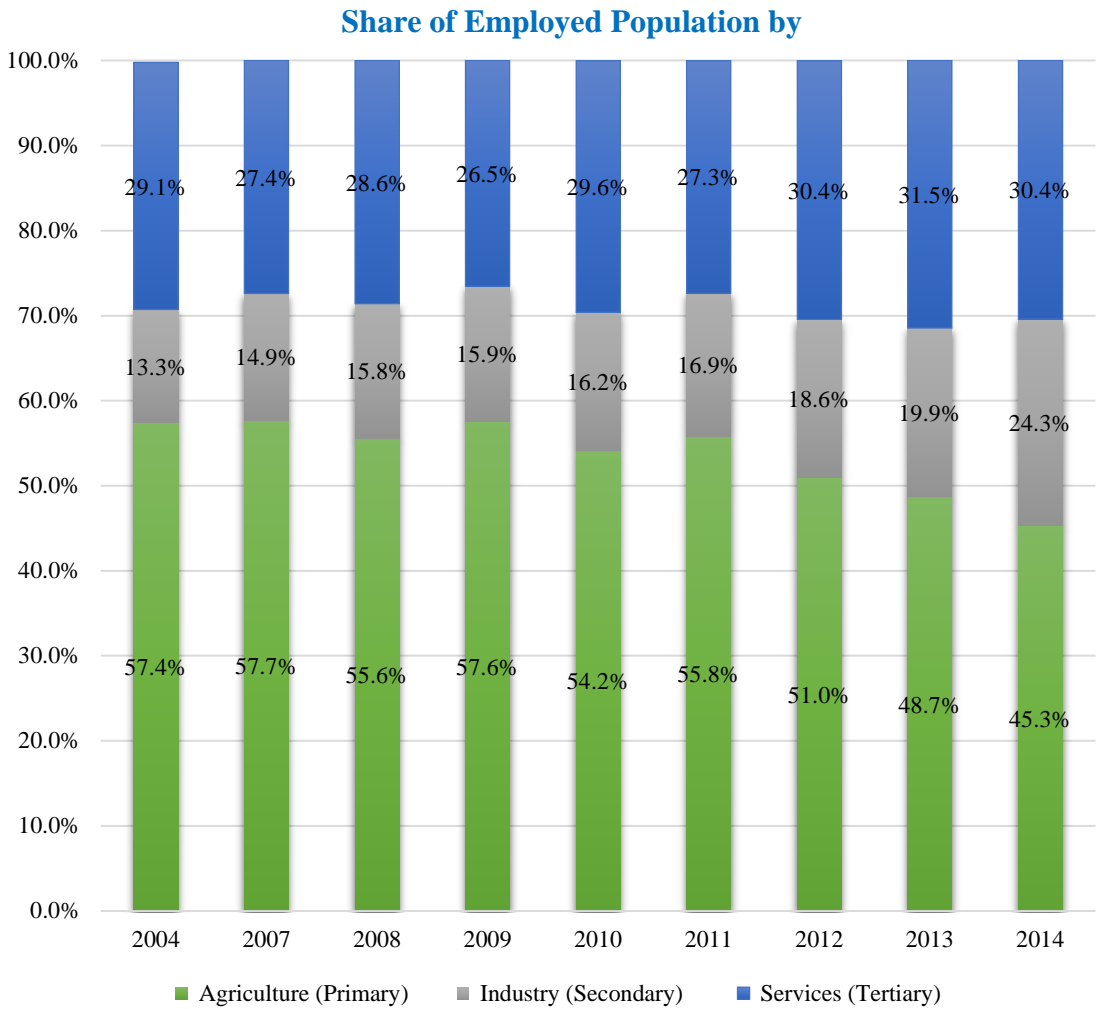
# Cambodia is gradually transforming into an industrialized economy...

Share of industry continues expanding while that of agriculture is shrinking...



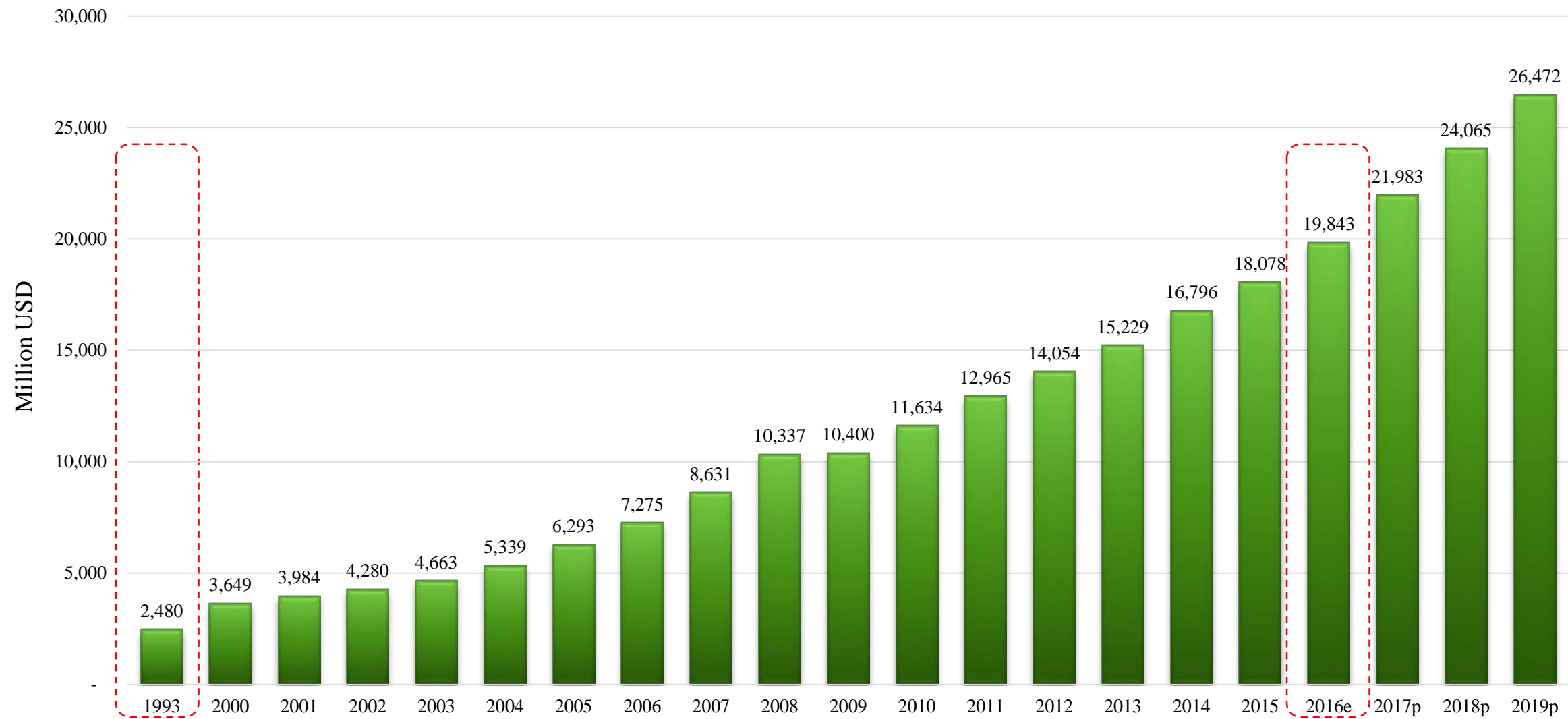
Source: National Institute of Statistics, Ministry of Planning, 2016  
Note: MEF team's projection for 2016-2019

Increasing labor share in industry....



Source: Ministry of Planning, 2015

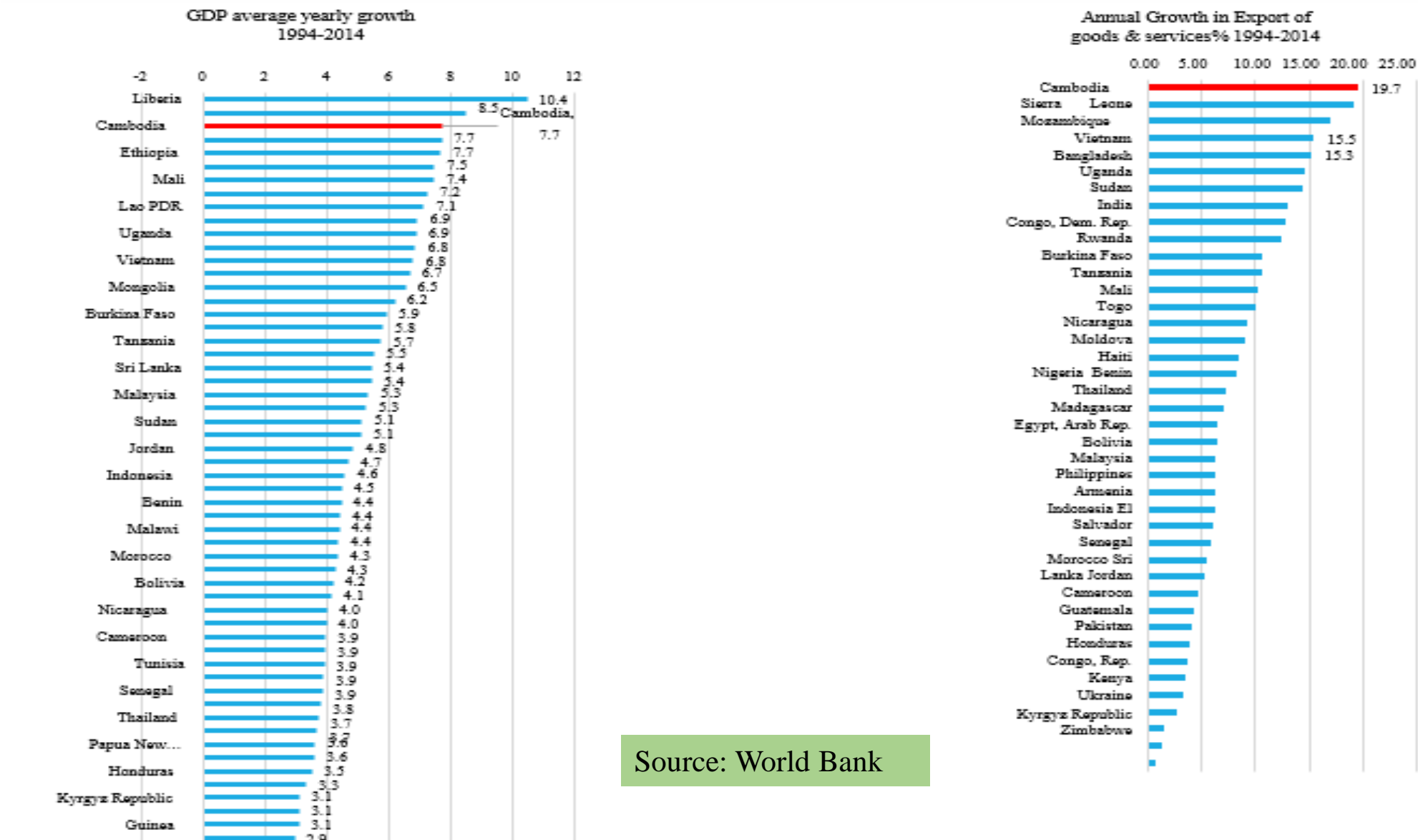
# Nominal GDP increased 8 folds from 1993 to 2016...



Source: National Institute of Statistics, Ministry of Planning, 2016

Note: MEF team's projection for 2016 - 2019

Given its robust growth rate of 7.7% for the last 2 decades, Cambodia has become one of the 8<sup>th</sup> Olympians of growth, making it the sixth faster growing country in the world over that period...

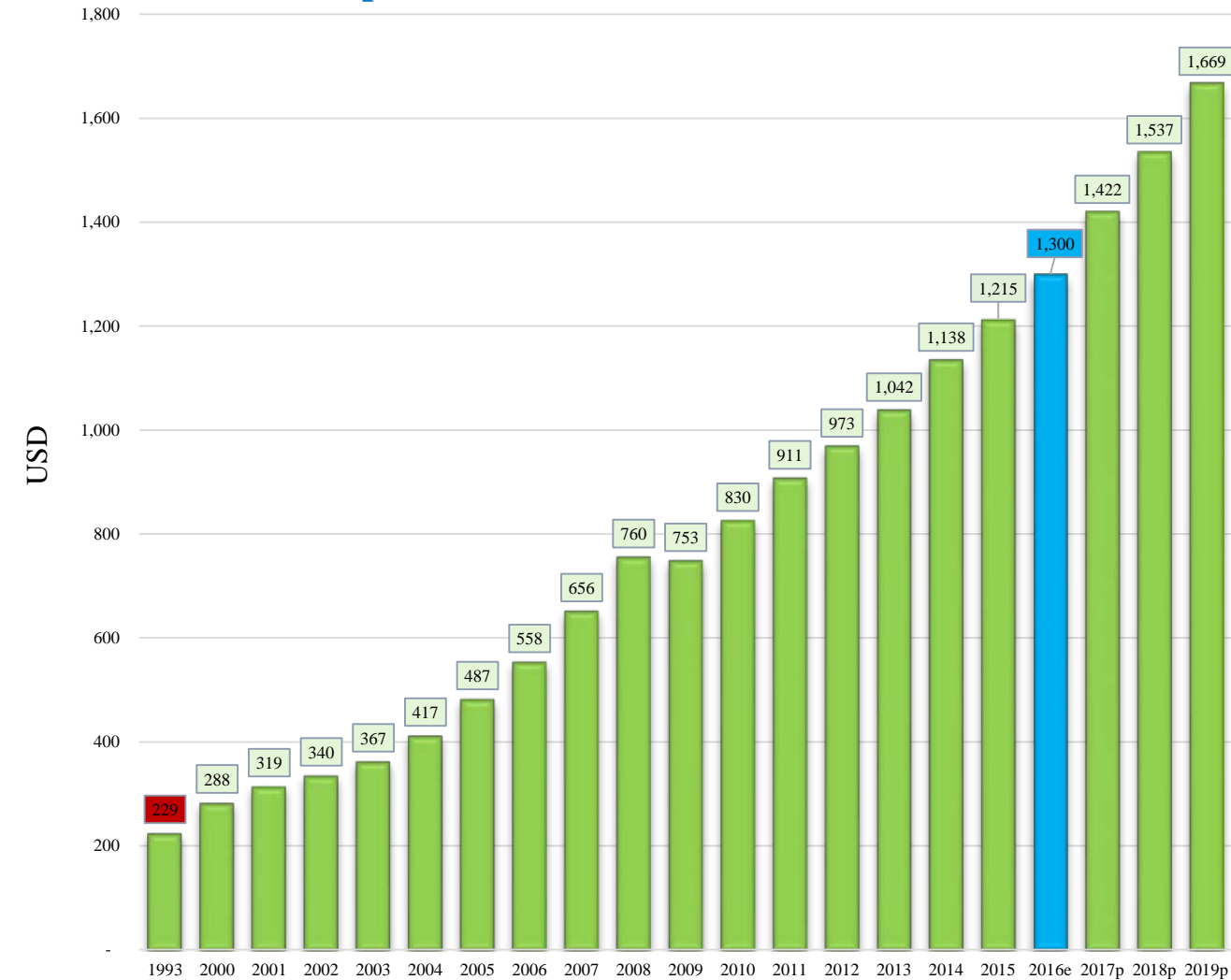






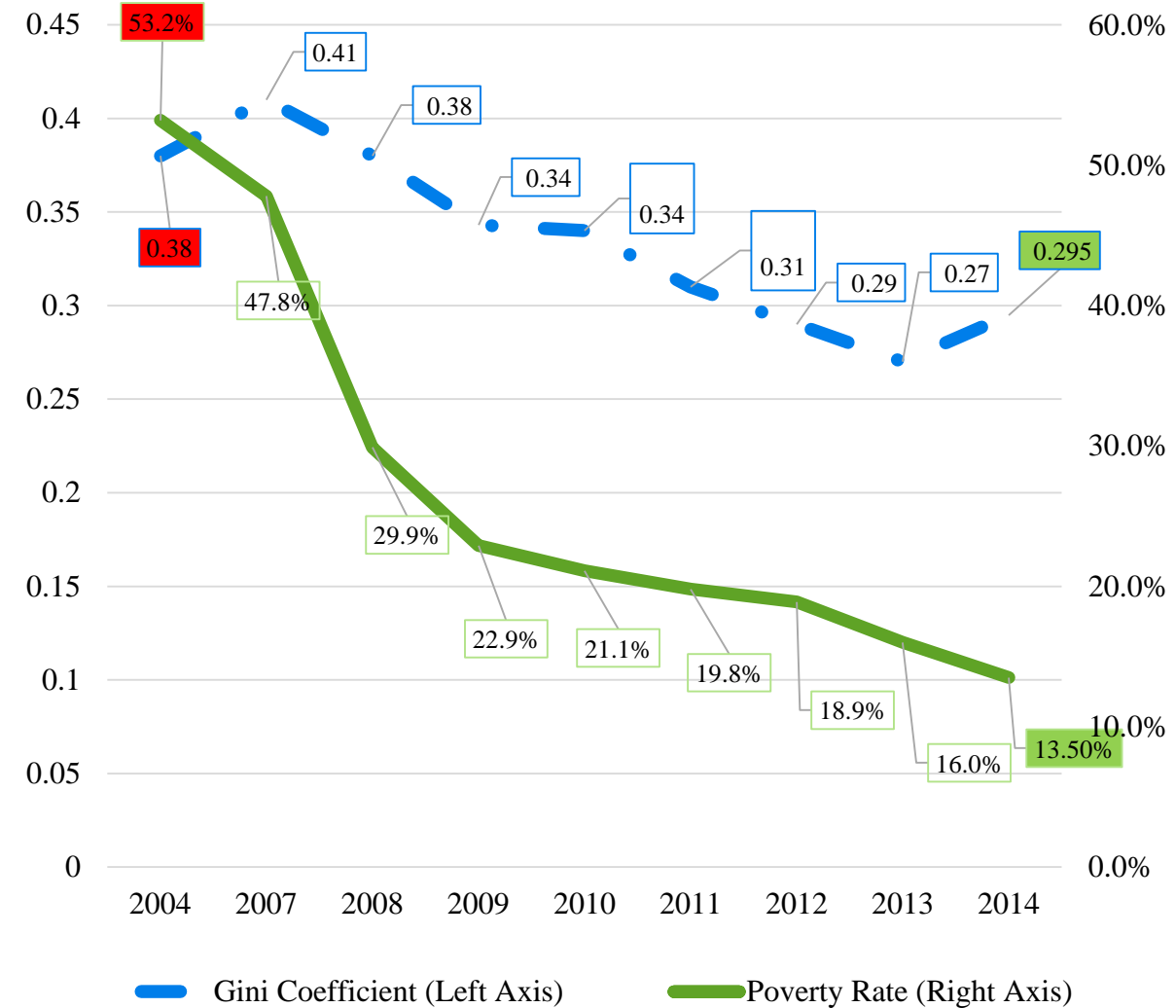
# Lower middle-income economy with inclusive growth.....

## GDP Per Capita increased 5.6 times from 1993 to 2016...



Source: National Institute of Statistics, Ministry of Planning, 2016  
Note: MEF team's projection for 2016 – 2019

## Cambodia has been world leader in poverty reduction...



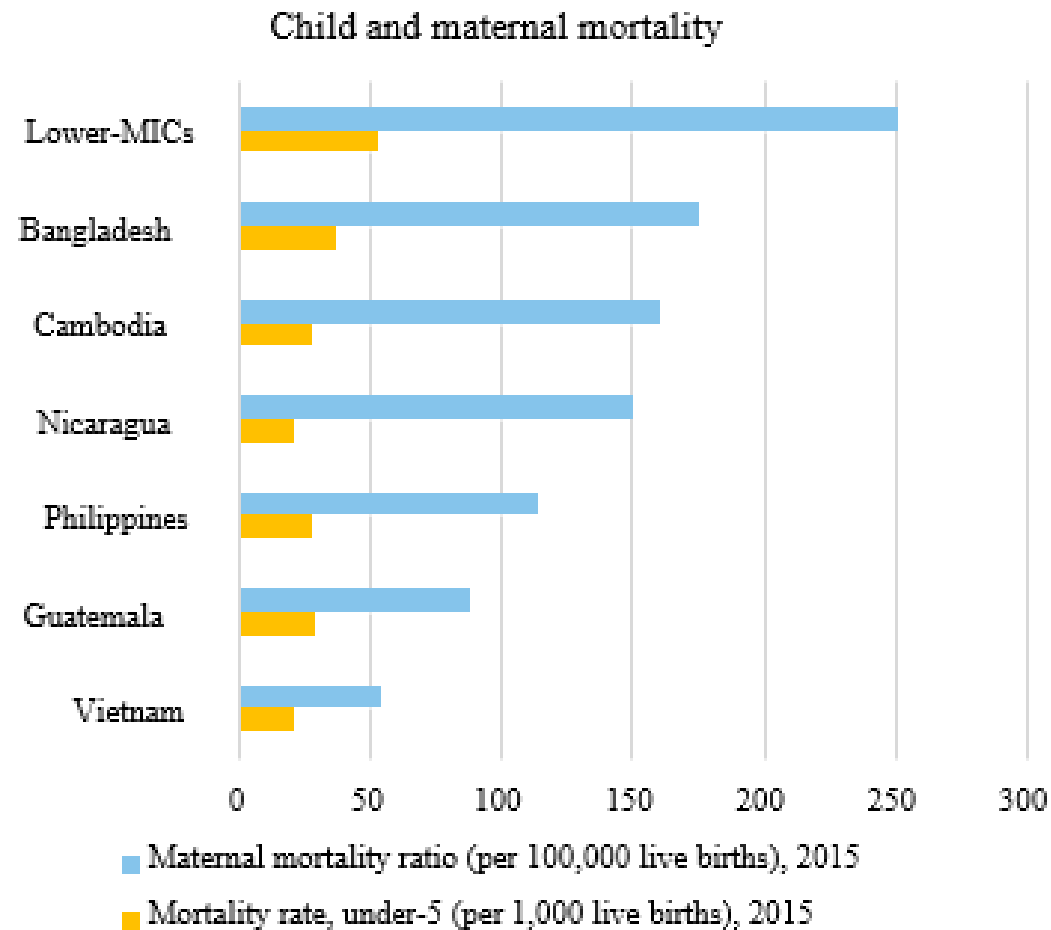
Source: Ministry of Planning (for poverty rate and Gini coefficient from 2007 to 2014)  
World Bank (for poverty rate in 2004)

# Gini Coefficient and Poverty Rate in Asia

Gini Coefficient	2004	2005	2006	2007	2008	2009	2010	2011	2012
Thailand	0.43	n/a	0.42	0.40	0.40	0.40	0.39	0.37	0.39
Vietnam	0.37	n/a	0.37	n/a	0.38	n/a	0.43	n/a	0.39
Lao PDR	n/a	n/a	n/a	0.37	n/a	n/a	n/a	n/a	0.38
Philippines	n/a	n/a	0.44	n/a	n/a	0.43	n/a	n/a	0.43
Indonesia	n/a	0.34	n/a	n/a	0.34	n/a	0.36	n/a	n/a

Poverty rate (%)	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Thailand	26.8	..	21.9	20.0	20.4	17.9	16.4	13.2	12.6	10.9	10.5
Vietnam	..	..	..	..	..	..	20.7	..	17.2	..	13.5
Lao PDR	..	..	..	27.6	..	..	..	..	23.2	..	..
Philippines	..	..	26.6	..	..	26.3	..	..	25.2	..	..
Myanmar	..	..	..	..	..	..	..	..	..	..	..
Indonesia	16.7	16.0	17.8	16.6	15.4	14.2	13.3	12.5	12.0	11.4	11.3
Malaysia	5.7	..	..	3.6	..	3.8	..	..	1.7	..	0.6

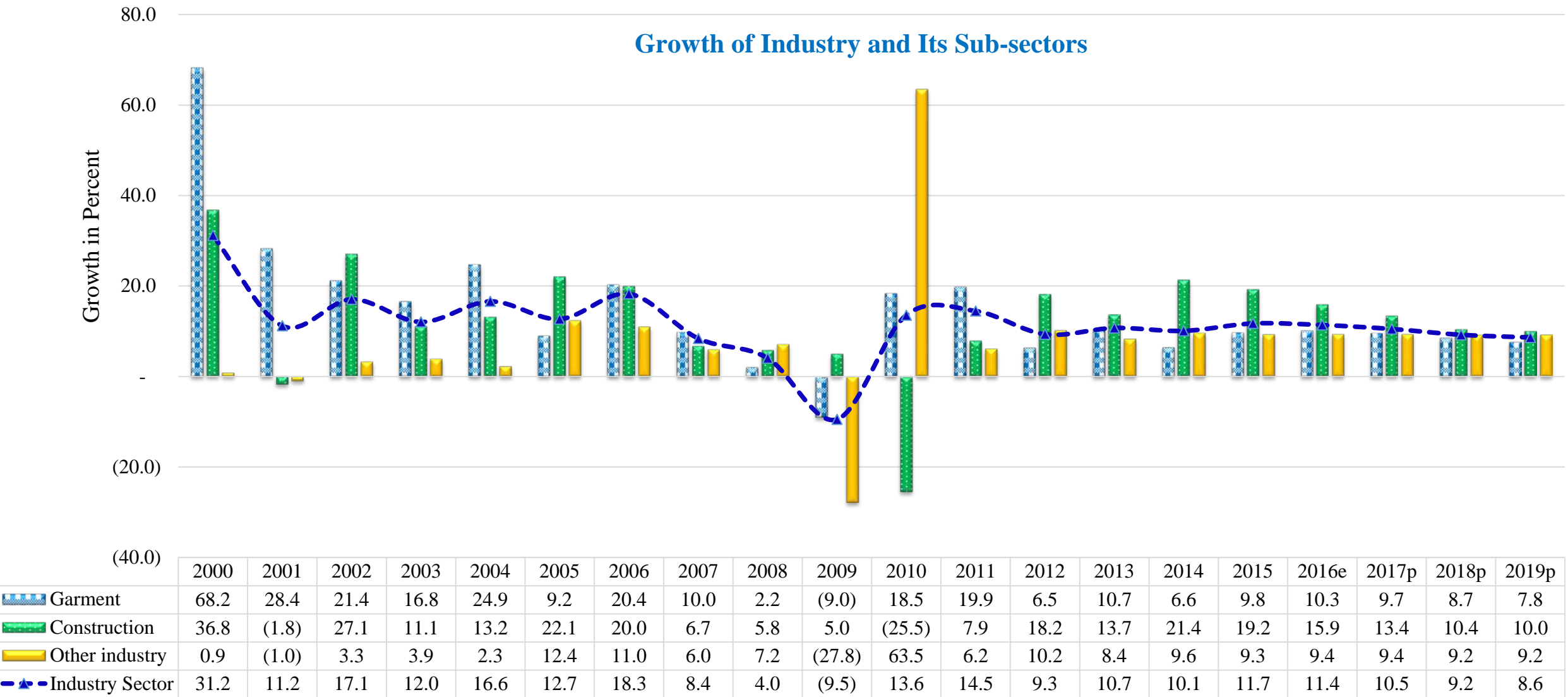
# Cambodia Has Been One of The “MDG Trailblazers”, Although Still Lags Behind in Some Human Development Dimensions



Source: World Development Indicators and World Health Organization.

## **2. Sectoral Performance**

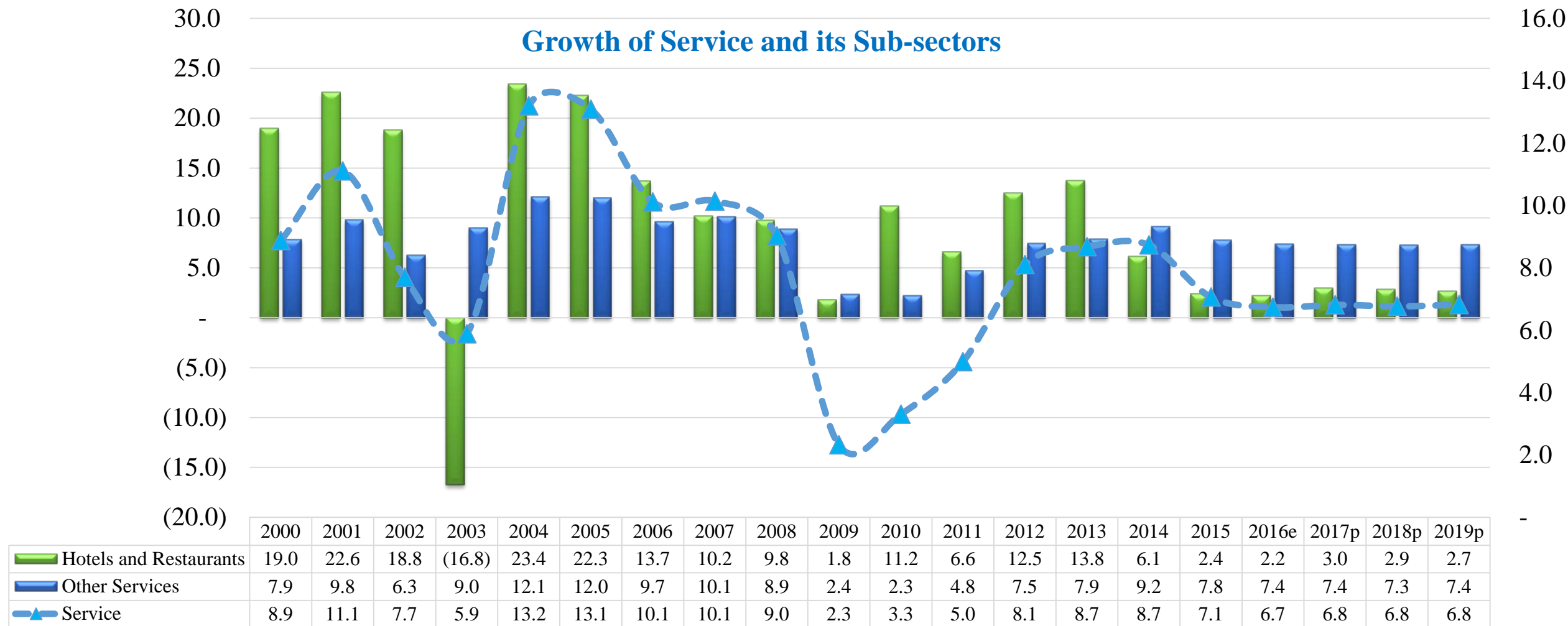
Industry sector remains driven by garment sector, however, increased domestic production has been observed in other sectors, i.e. food and beverages, light manufacturing industry...



Source: National Institute of Statistics, Ministry of Planning, 2016  
Note: MEF team’s projection for 2016 - 2019

# Service sector growth remains subdued, mainly driven by the slowdown of tourism and real estate sector...

The slowdown of tourism sector is offset by growth of domestic trade, coupled with transport and communication...

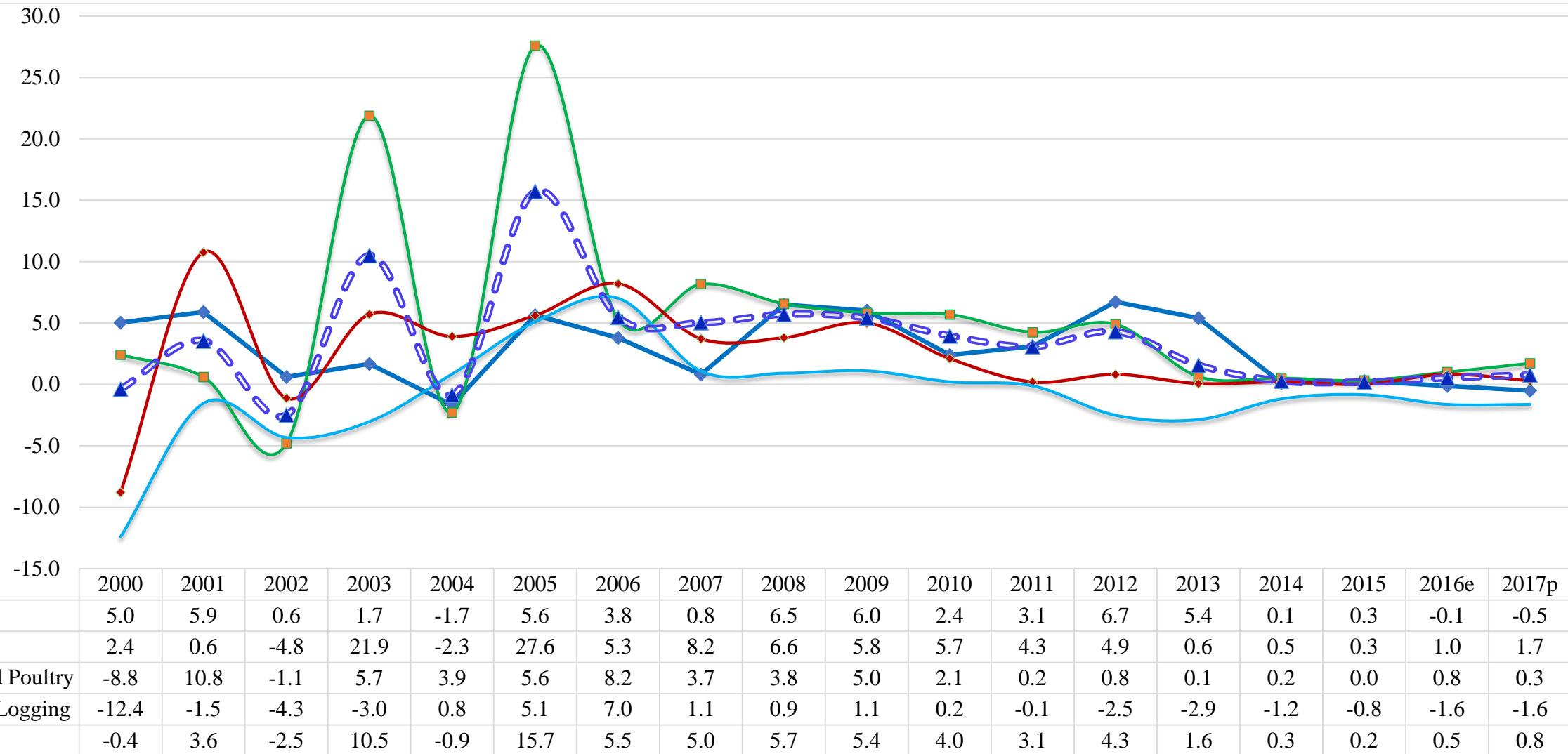


Source: National Institute of Statistics, Ministry of Planning, 2016

Note: MEF team’s projection for 2016 - 2019

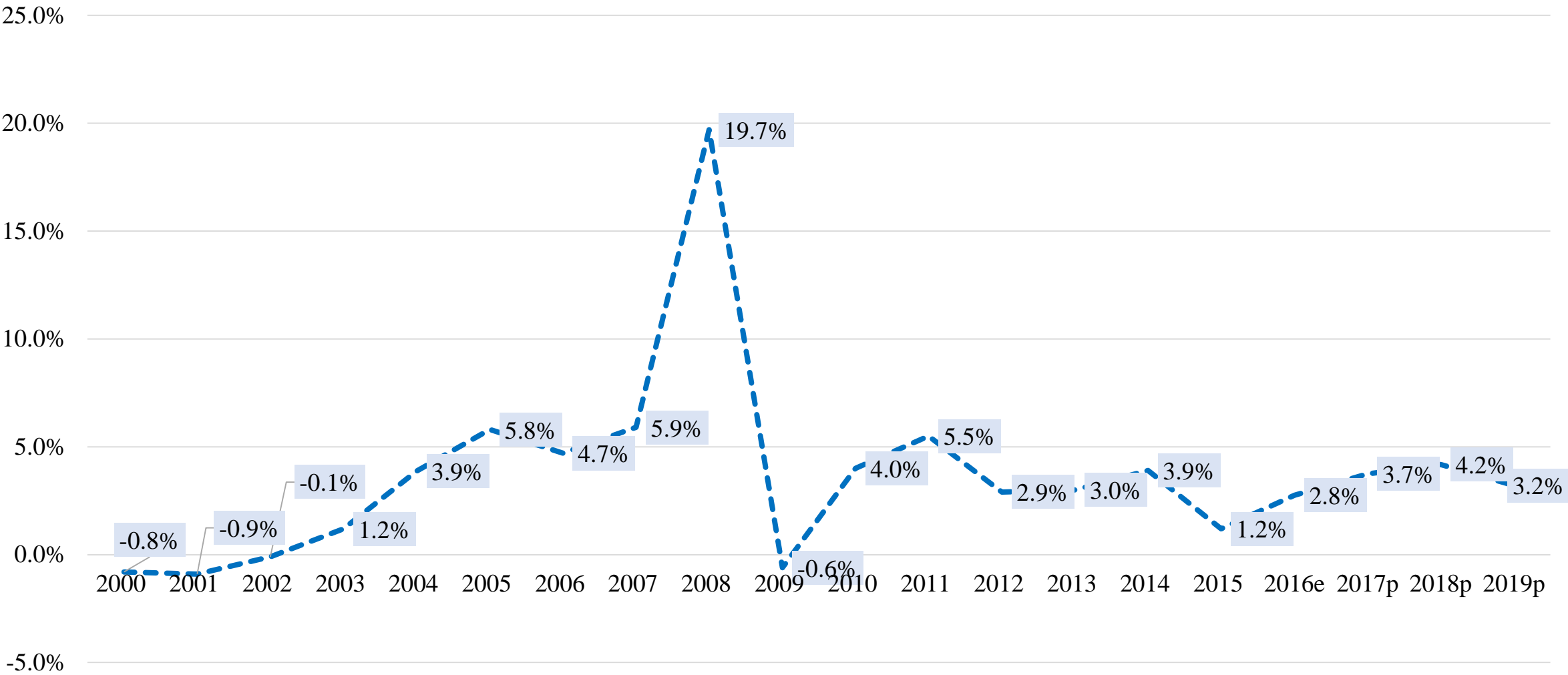


# Despite slight recovery, growth of agriculture remains slow due to sluggish commodity prices and delay in implementing supporting policies...



# Inflation remains favorably low under 5% due to the low level of oil and commodity price...

Inflation in Riel (% increase, year average)



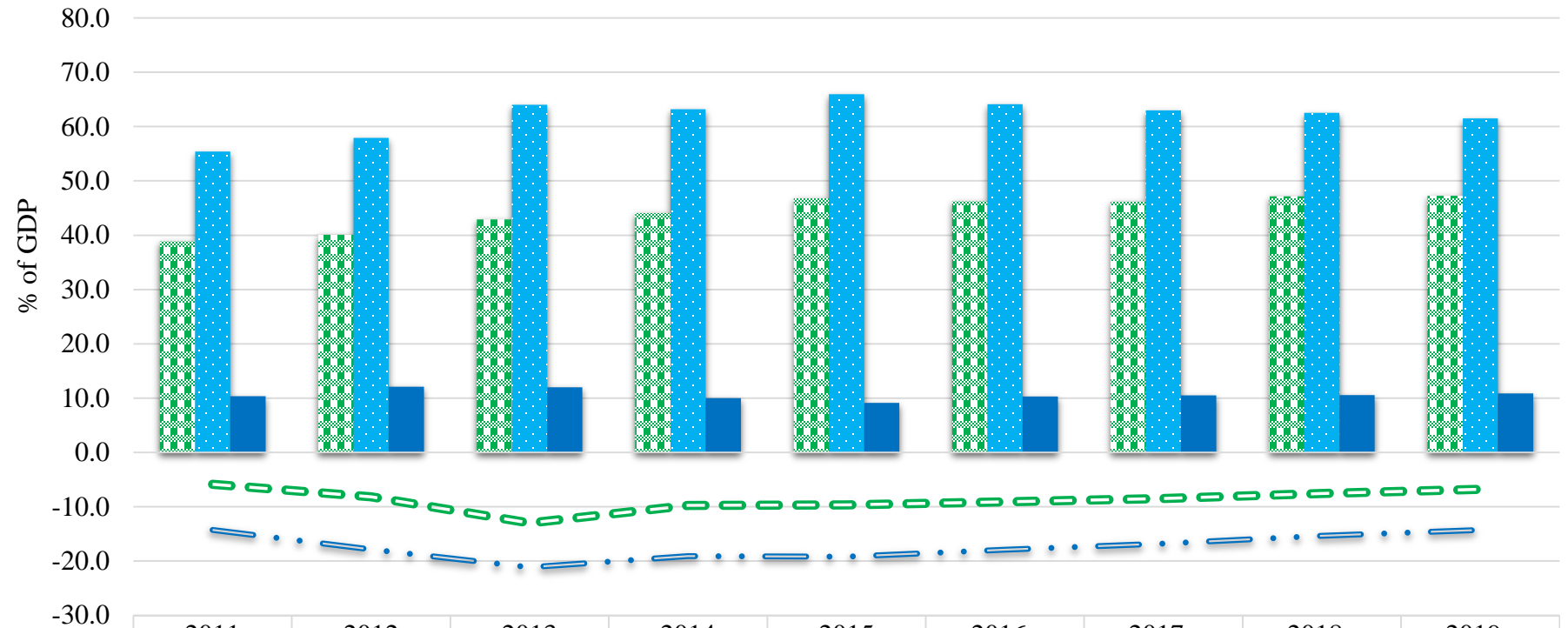
Source: National Institute of Statistics, Ministry of Planning, 2016

Note: MEF team's projection for 2016 and 2017



# Cambodia's overall balance of payment remains stable, with continued compression of trade and current account deficits, thanks to the increased domestic production...

Balance of Payment



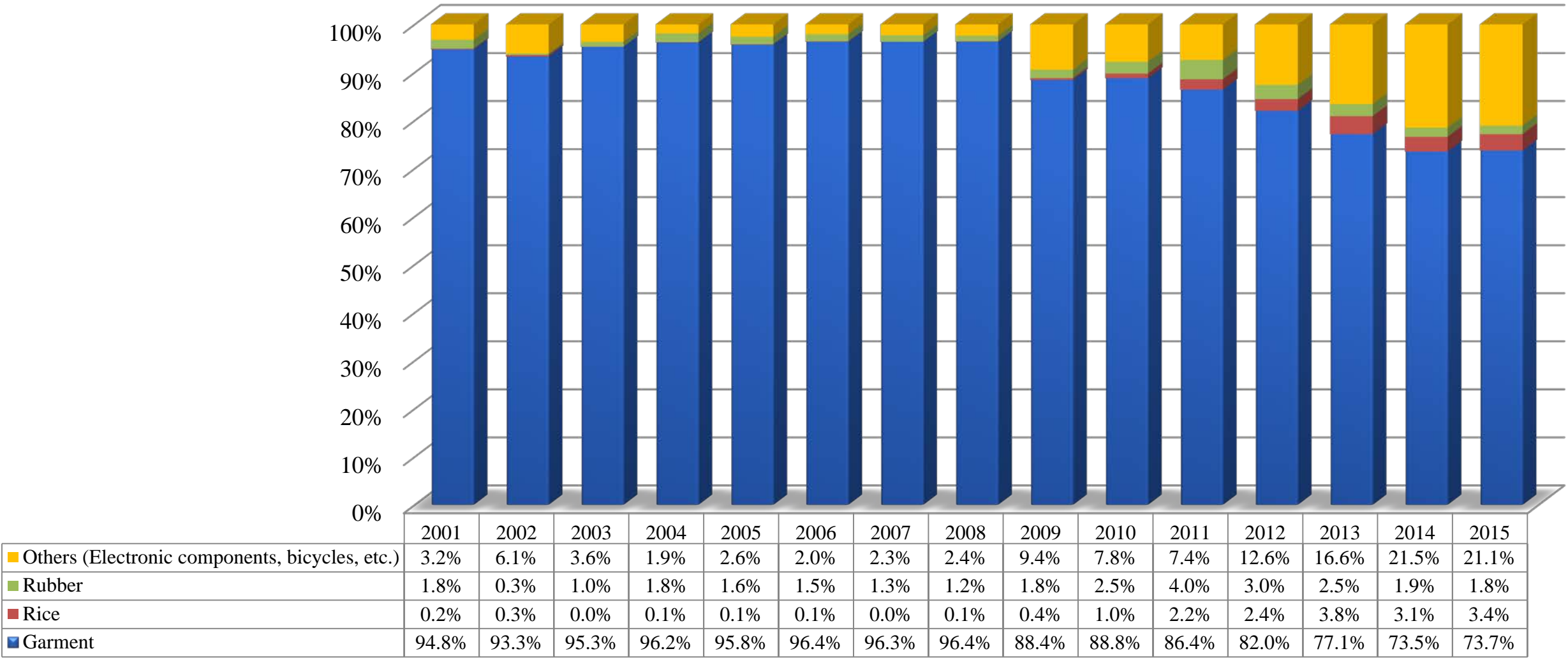
Export	2011	2012	2013	2014	2015	2016e	2017p	2018p	2019p
Import	38.9	40.1	42.9	44.1	46.8	46.2	46.2	47.2	47.2
FDI	55.4	57.9	64.0	63.2	66.0	64.1	63.0	62.5	61.5
Trade Balance	10.4	12.1	12.0	10.0	9.1	10.3	10.5	10.6	10.9
Current Account Balance (including official transfer)	-14.3	-17.8	-21.1	-19.1	-19.2	-17.9	-16.8	-15.4	-14.3
	-5.9	-8.2	-13.0	-9.8	-9.6	-9.1	-8.5	-7.5	-6.8

Source: National Bank of Cambodia, 2016

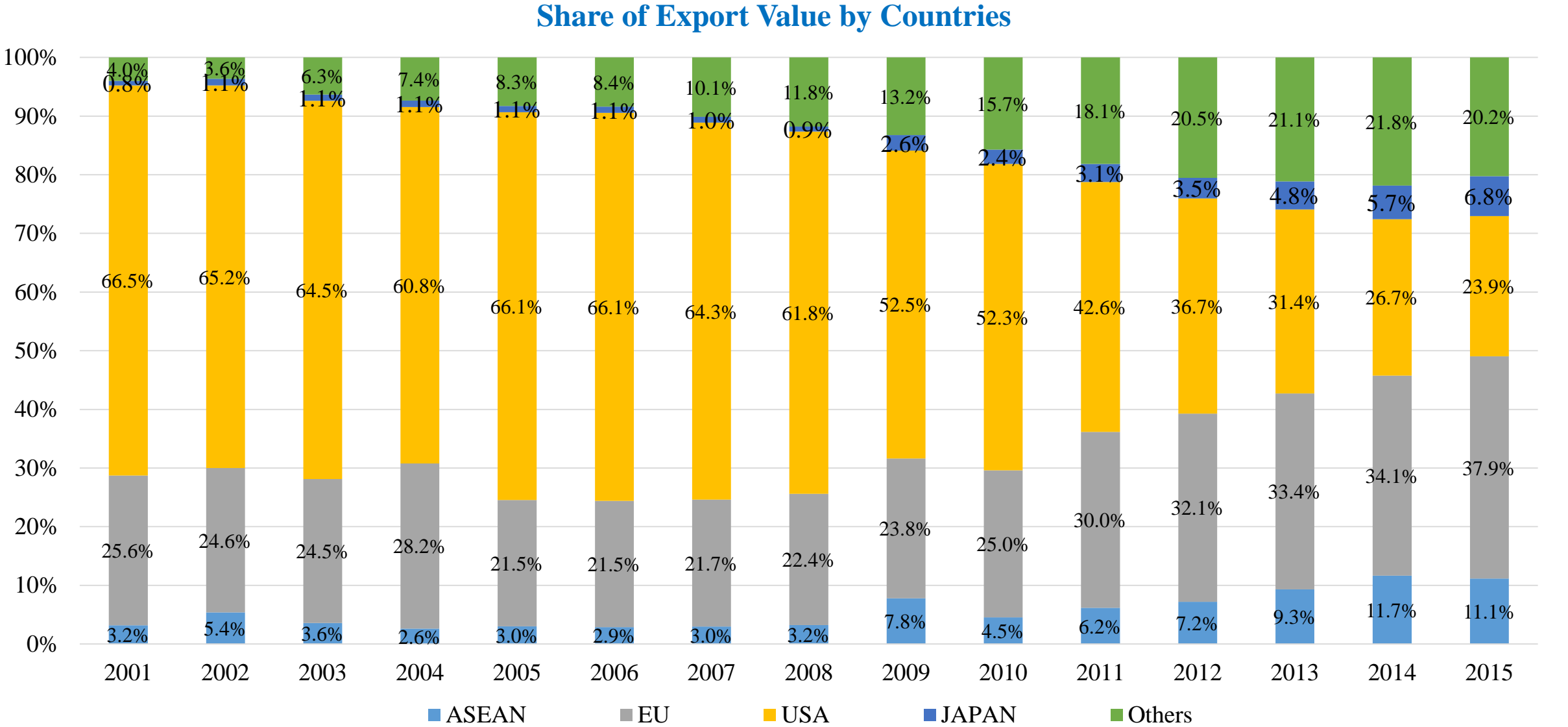
Note: MEF team's projection for 2016 - 2019

# Export Product Diversification: From garment export to rice and others (electronic components, bikes...)

Export by Products



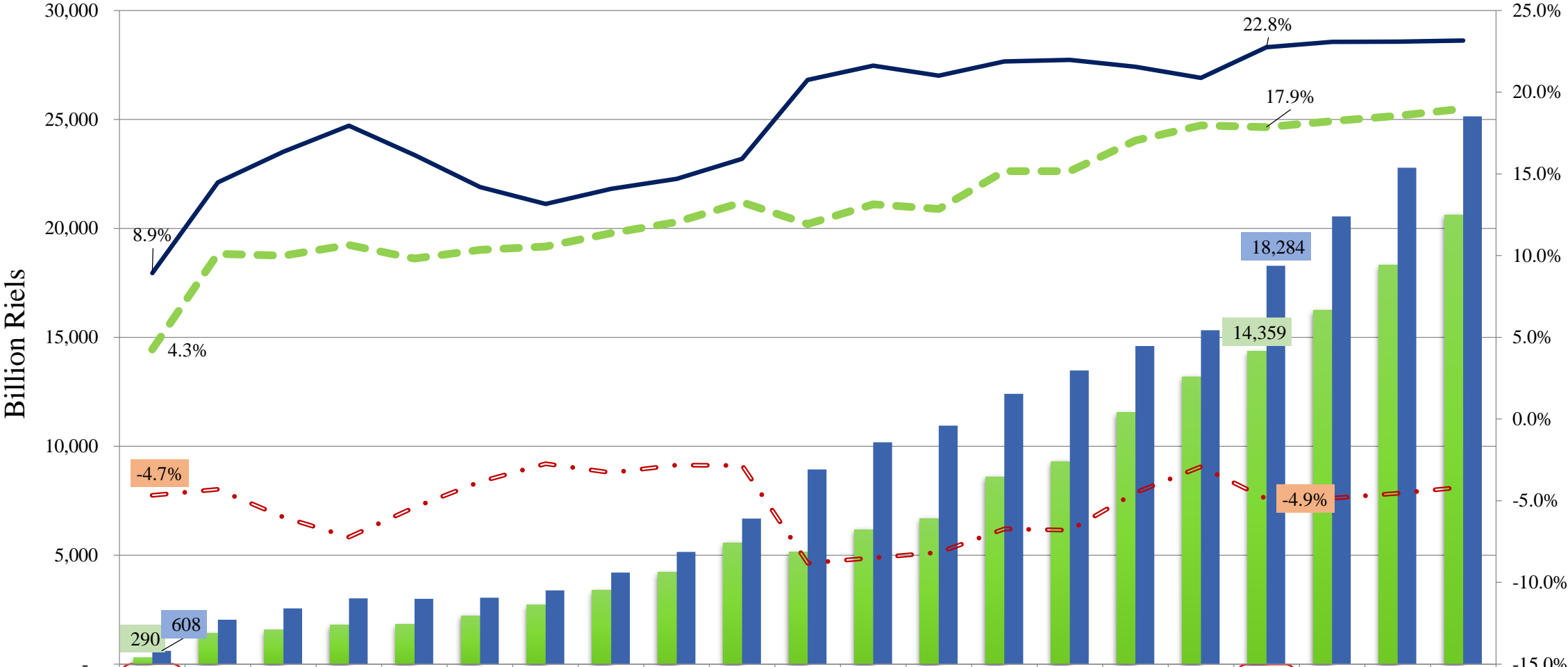
# Export Market Diversification: From export to the US to export to EU, Japan,...



Source: Ministry of Economy and Finance, 2016

### **3. Fiscal Performance**

The recent success in revenues mobilization has been attributed to strengthening of tax and non-tax administration, increasing taxpayers' compliance and robust economic growth...



	1993	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015e	2016B L	2017p	2018p	2019p
Domestic Revenue (Left Axis)	290	1,423	1,564	1,786	1,821	2,220	2,719	3,394	4,223	5,567	5,137	6,182	6,693	8,594	9,300	11,549	13,190	14,359	16,232	18,302	20,619
Expenditure (Left Axis)	608	2,040	2,558	3,013	2,995	3,043	3,389	4,203	5,151	6,681	8,938	10,176	10,943	12,406	13,476	14,598	15,328	18,284	20,546	22,787	25,143
Domestic Revenue % of GDP	4.3%	10.1%	10.0%	10.6%	9.8%	10.4%	10.6%	11.4%	12.1%	13.3%	11.9%	13.1%	12.9%	15.2%	15.2%	17.0%	18.0%	17.9%	18.2%	18.5%	19.0%
Expenditure as % of GDP	8.9%	14.5%	16.4%	18.0%	16.2%	14.2%	13.2%	14.1%	14.7%	15.9%	20.8%	21.6%	21.0%	21.9%	22.0%	21.6%	20.9%	22.8%	23.1%	23.1%	23.2%
Overall Deficit as % of GDP	-4.7%	-4.3%	-6.0%	-7.2%	-5.4%	-3.8%	-2.7%	-3.3%	-2.8%	-2.9%	-8.8%	-8.5%	-8.2%	-6.7%	-6.8%	-4.5%	-2.9%	-4.9%	-4.8%	-4.5%	-4.2%

Source: Ministry of Economy and Finance, 2016

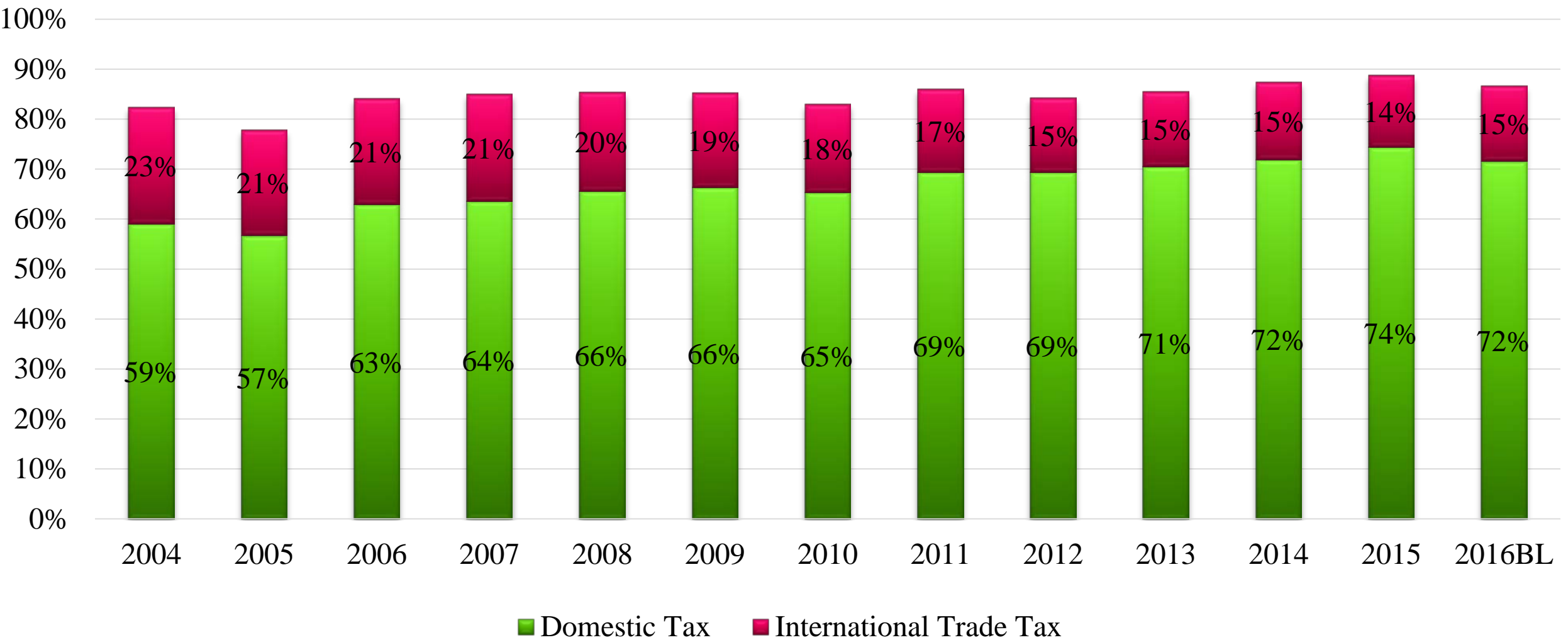
## Revenue as a Share of GDP of Cambodia's ASEAN Peers

	Tax revenue (% of GDP)		
	2013	2014	2015
Bangladesh	8.5	8.1	8.0
Indonesia	12.5	12.1	11.9
Lao	15.0	15.5	15.0
Malaysia	N/A	N/A	N/A
Philippines	14.5	14.8	14.8
Thailand	18.7	17.2	17.8
China	18.7	18.6	18.3
Sri Lanka	N/A	N/A	N/A
Vietnam	19.1	18.2	17.9
Singapore	13.5	14.0	13.9
India	16.8	16.7	17.4

Source: World Economic Outlook Database, 2016

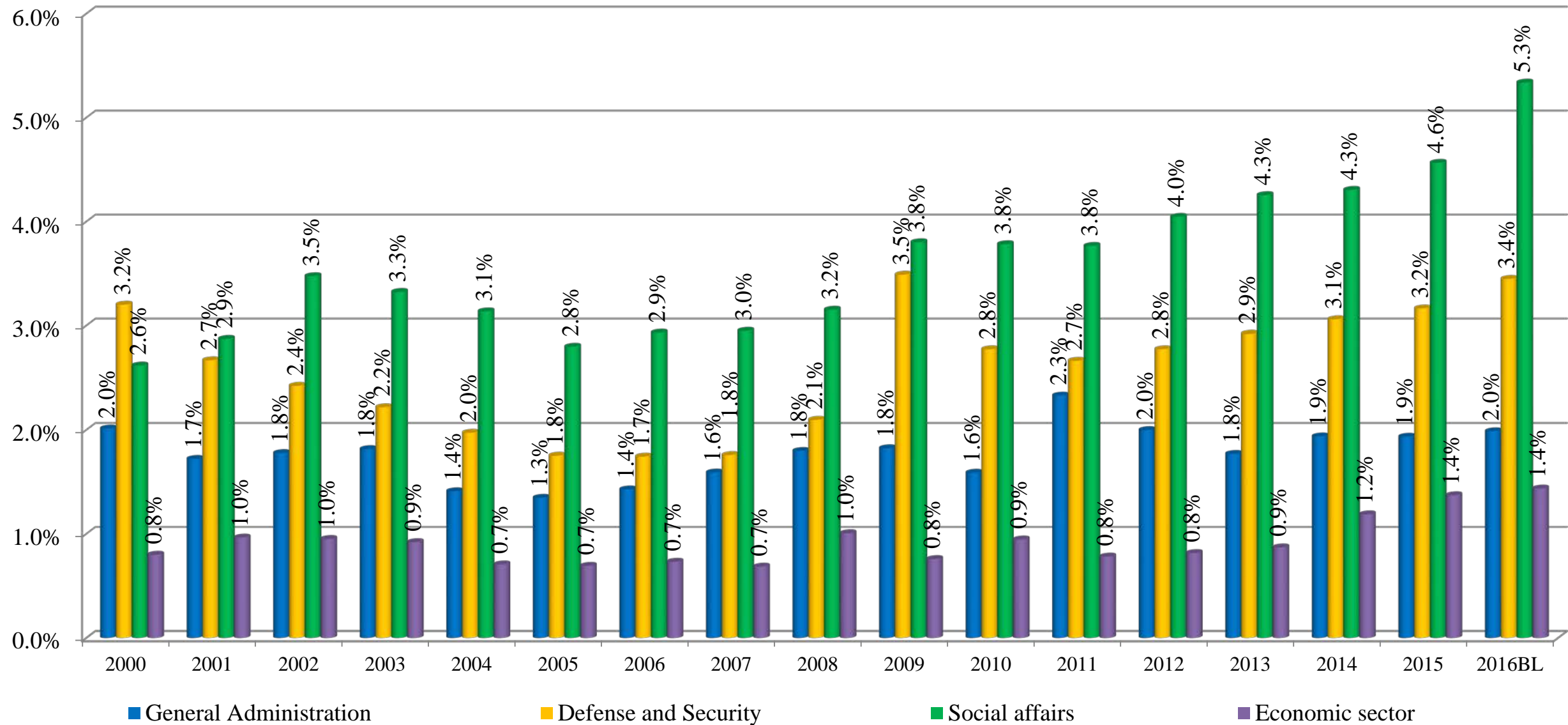
# Less reliance on international trade tax while expanding domestic base.....

Share of Current Revenue



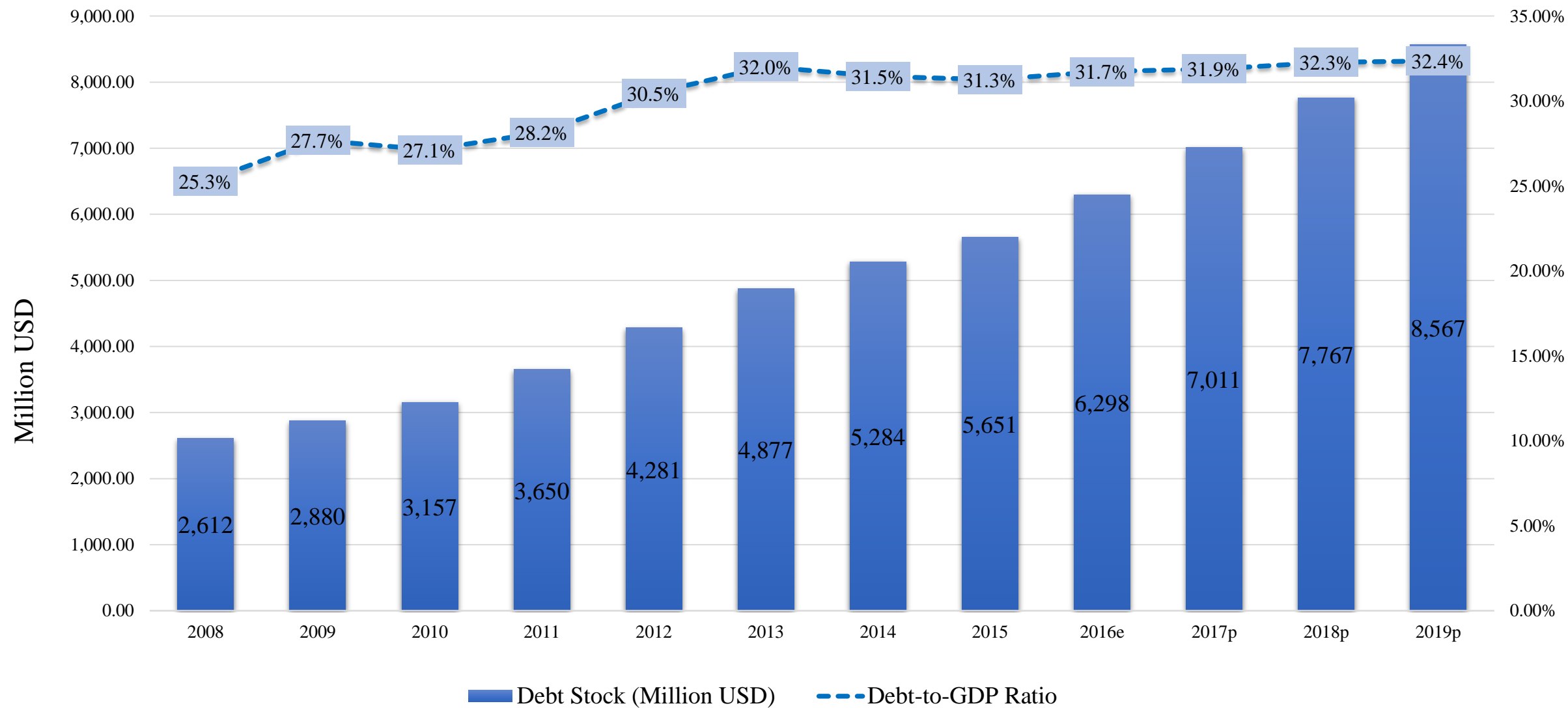
Source: Ministry of Economy and Finance, 2016

# More attention towards social affairs...





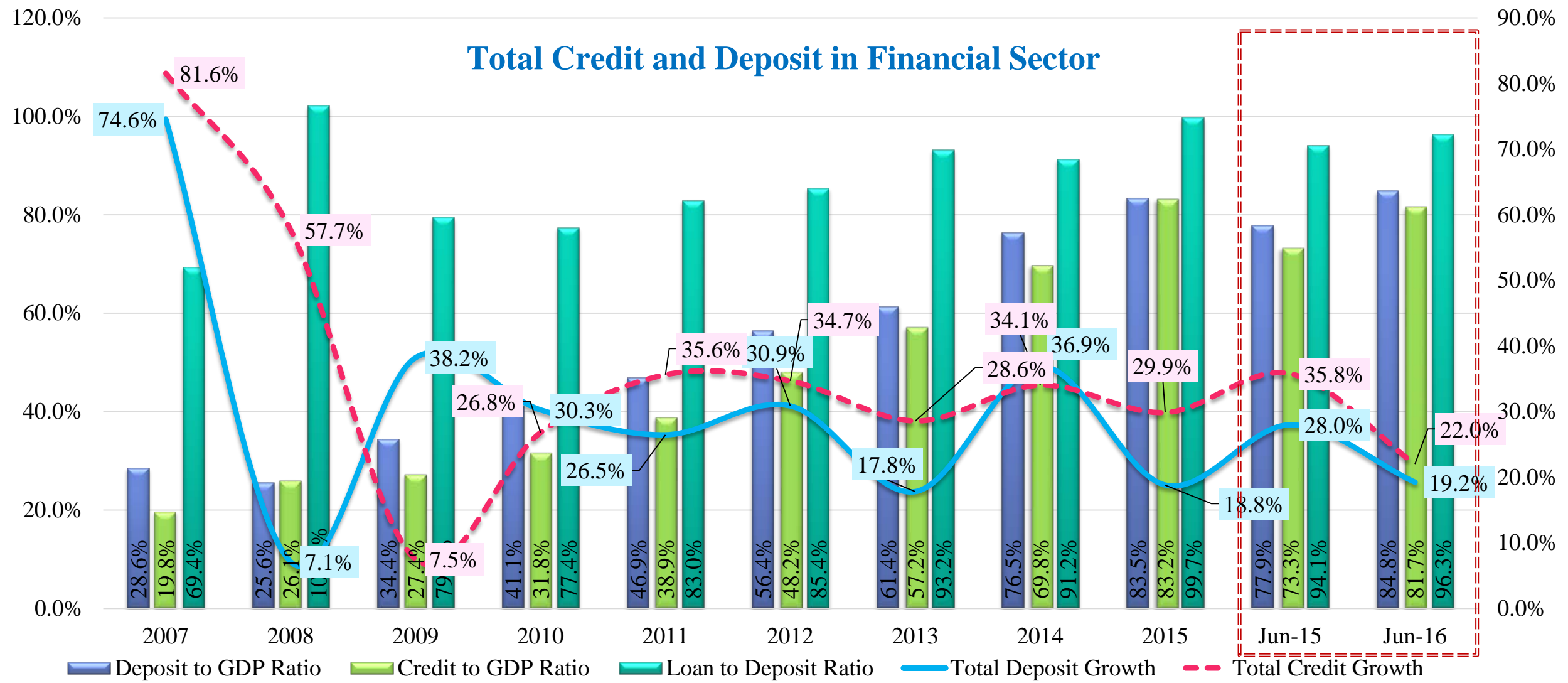
# Cambodia's debt distress rating remains low....



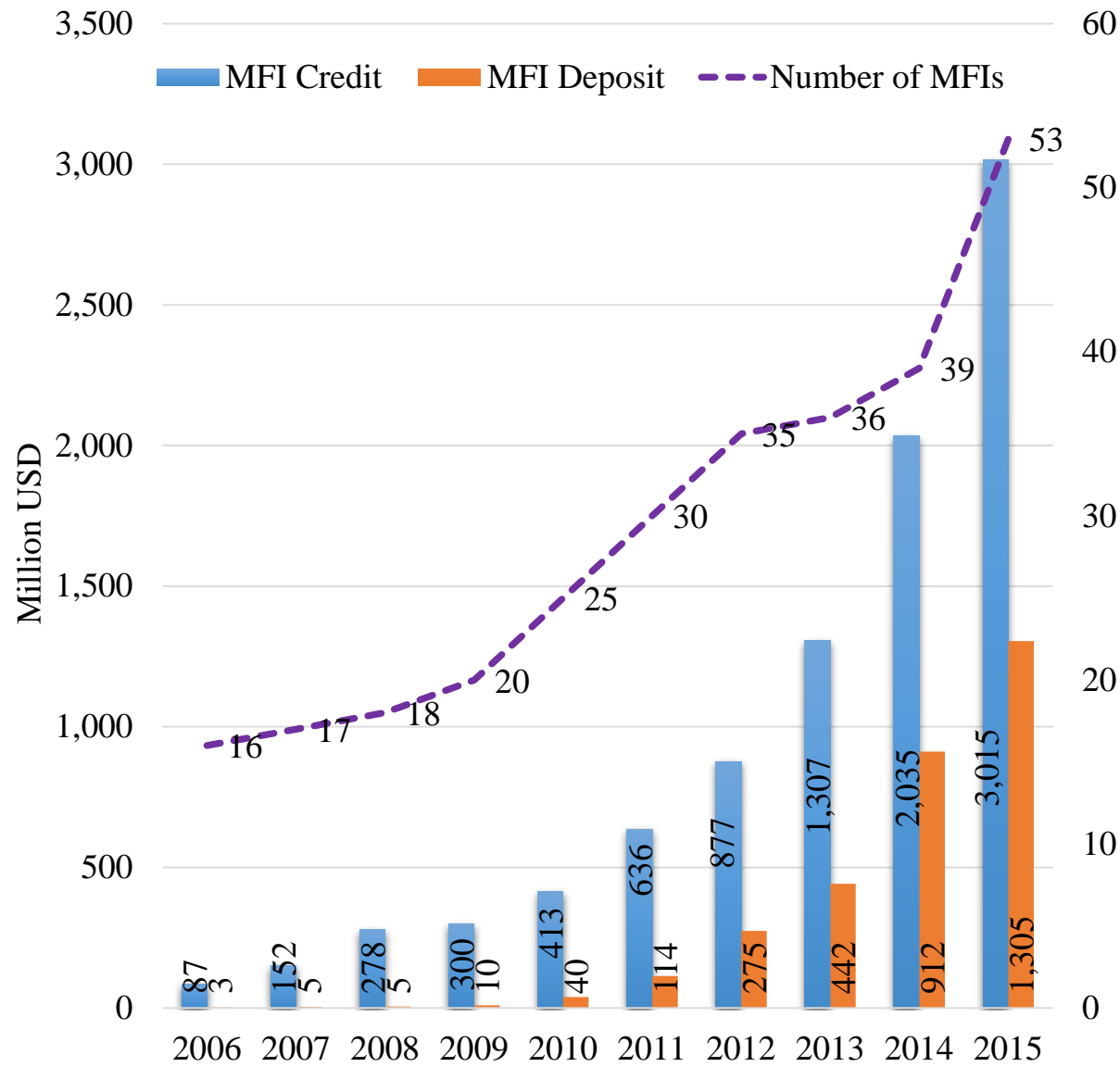
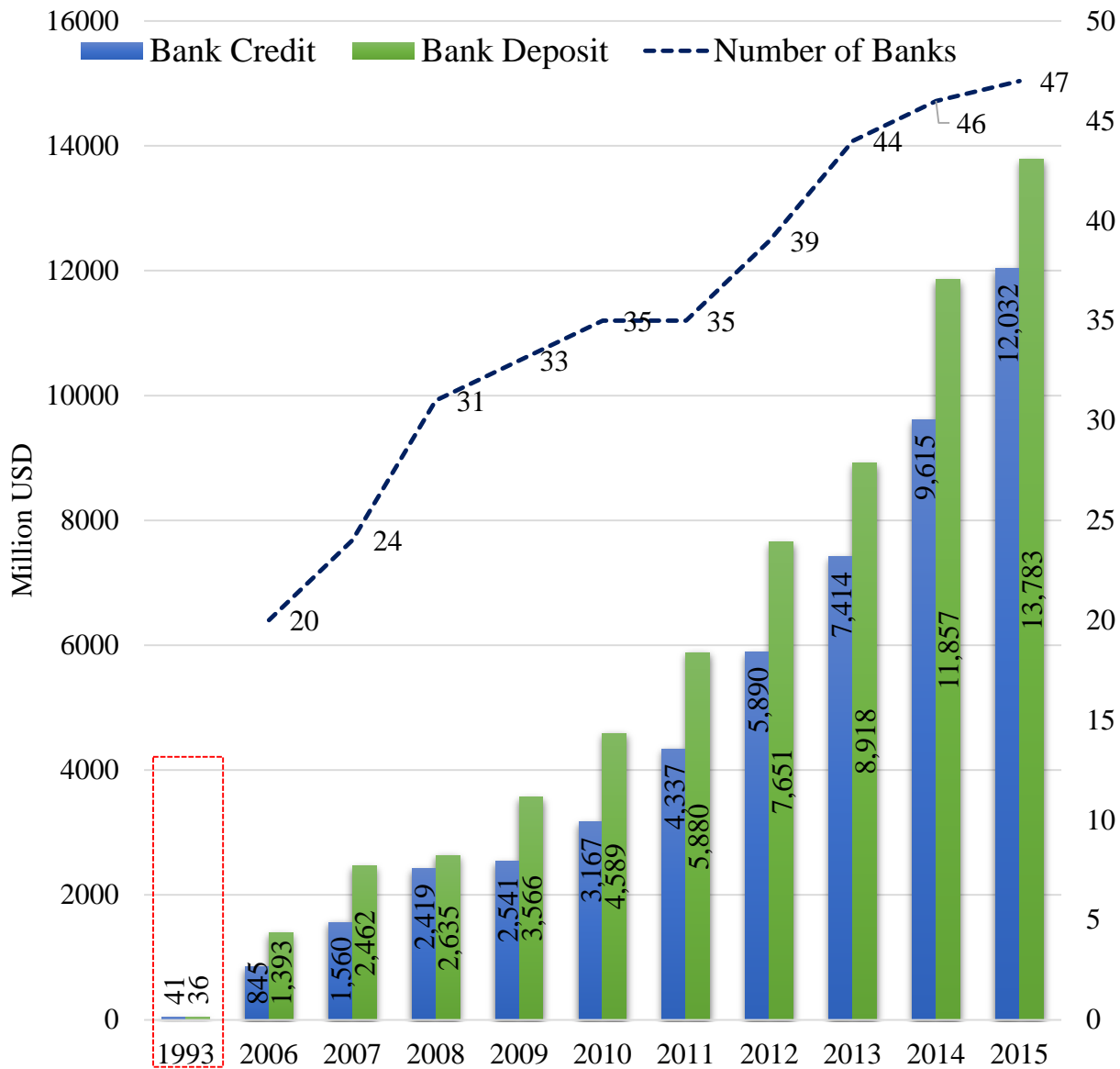
Source: Ministry of Economy and Finance, 2016

## **4. Financial Sector Performance**

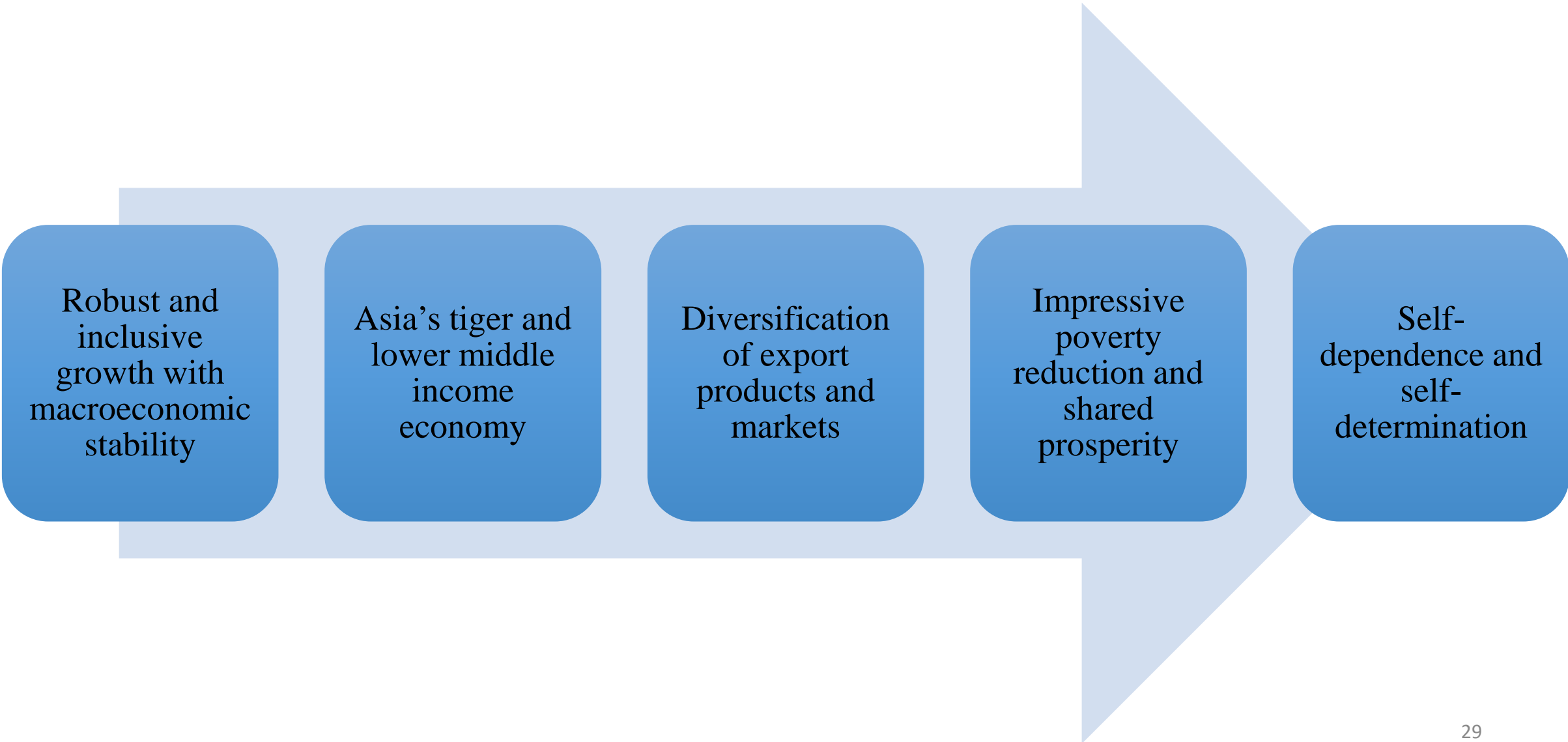
Despite the moderation in credit growth, the loan-deposit ratio of the financial system still remains high, requiring effective monitoring and supervision of financial institutions...



# Financial sector continues expanding....



# Major Achievements over 25 Years



Robust and  
inclusive  
growth with  
macroeconomic  
stability

Asia's tiger and  
lower middle  
income  
economy

Diversification  
of export  
products and  
markets

Impressive  
poverty  
reduction and  
shared  
prosperity

Self-  
dependence and  
self-  
determination

## **5. Global and Domestic Challenges**

Global Risks	Global Opportunities
1. Brexit: causing uncertainty in global recovery	Regional integration policies in concert with open and favorable policies for investment in all sectors
2. Weak key fundamental strength (growth rate, inflation, unemployment...)	Strategic location for connecting with ASEAN and Greater Mekong Sub-region in developing infrastructure and strengthening production clusters for regional and international markets
3. Direction of monetary policy	Factory relocation from China
4. New forms of trade barriers	China's transitioning from domestic investment led economy to consumption-led economy
5. New international agreements, such as TPP, etc.	Growing middle class, especially in China

Major Domestic Challenges	Major Domestic Opportunities
Sustaining high economic growth and inclusiveness	Fast growing middle class
Slow structural reforms and economic diversification, and weak competitiveness	Regional integration policies in concert with open and favorable policies for investment in all sectors
Rapid expansion of financial sector	Strategic location for connecting with ASEAN and Greater Mekong Sub-region in developing infrastructure and strengthening production clusters for regional and international markets
Slow growth of labor productivity/TFP	Demographic dividend
Climate change	
Fiscal sustainability and fiscal space	
Low complete rate of secondary education and lack of skills	
Logistics and transportation system	



## **6. Ways forward**

# Ways forward for upper middle income economy by 2030 and high income economy by 2050

- **Continue implementing macro-prudential policy**
- **Strengthening economic competitiveness and diversification**
  - Skill development
  - Improving logistic and transport system
  - Trade facilitation
  - Reducing cost of doing businesses
  - Effective and timely implementation of IDP 2015 - 2025
- **Strengthening education system and research and development**
- **Reviving agriculture: New agriculture strategy?**

# Ways forward for upper middle income economy by 2030 and high income economy by 2050

## ➤ **Financial resource management**

- Improve tax system
- Fiscal sustainability and fiscal space
- Building budget linkage to policy and accountability
- Ensuring efficiency at both levels
  - allocative
  - operational
- Strengthening financial stability and resiliency
- Development of capital market

## ➤ **Development and promotion of Public Private Partnership**

## ➤ **Promoting social inclusion and protection**

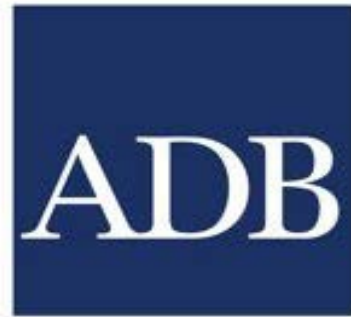
## ➤ **Urbanization and city planning**

## ➤ **Environmental protection:**

- Climate resilience
- Climate change adaptation

## ➤ **Strengthening governance, institution and public sector reforms: civil service, judiciary, etc....**

*Congratulations !!!*



THANK YOU!  
**Q&A**

