Cambodia’s Macroeconomic Progress

A Journey of 25 Years

October 05th, 2016
### 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

Asian financial crisis led to weaker economic growth in 1998.

**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

**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

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

**2 Decades ago**
- Economic Status: Low Income
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Asian financial crisis led to weaker economic growth in 1998.
1. GDP Performance
Cambodia’s economic prospect remains robust, yet vulnerable to both internal and external risks…

- Yearly average growth (1996 - 2015): 7.7%
- Nominal GDP:
  + 1996: 3,486 Million USD
  + 2015: 18,078 Million USD
- GDP per capita:
  + 1996: 295 USD
  + 2015: 1,215 USD


Note: MEF team’s projection for 2016 and 2017

GDP growth and Sectorial Contribution to growth

1st: Garment (Contribution to GDP growth 1.73%)
2nd: Construction (contribution to GDP growth 1.25%)

1st Construction (Contribution to GDP growth 1.23%)
2nd: Garment (Contribution to GDP growth 1.17%)
Cambodia is gradually transforming into an industrialized economy...

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

Increasing labor share in industry....

Note: MEF team’s projection for 2016-2019
Nominal GDP increased 8 folds from 1993 to 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 8th Olympians of growth, making it the sixth faster growing country in the world over that period…

Source: World Bank
Lower middle-income economy with inclusive growth.....

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)

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

Note: MEF team’s projection for 2016 – 2019
## Gini Coefficient and Poverty Rate in Asia

<table>
<thead>
<tr>
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<tbody>
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<td>0.42</td>
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<tr>
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<td>n/a</td>
<td>0.43</td>
<td>n/a</td>
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<tr>
<td>Lao PDR</td>
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<td>n/a</td>
<td>0.37</td>
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<td>n/a</td>
<td>n/a</td>
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<td>0.44</td>
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<tr>
<td>Indonesia</td>
<td>n/a</td>
<td>0.34</td>
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<td>n/a</td>
<td>0.34</td>
<td>n/a</td>
<td>0.36</td>
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<td>Malaysia</td>
<td>5.7</td>
<td>..</td>
<td>3.6</td>
<td>..</td>
<td>3.8</td>
<td>..</td>
<td>1.7</td>
<td>..</td>
<td>0.6</td>
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<table>
<thead>
<tr>
<th>Poverty rate (%)</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
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<tbody>
<tr>
<td>Thailand</td>
<td>26.8</td>
<td>..</td>
<td>21.9</td>
<td>20.0</td>
<td>20.4</td>
<td>17.9</td>
<td>16.4</td>
<td>13.2</td>
<td>12.6</td>
<td>10.9</td>
<td>10.5</td>
</tr>
<tr>
<td>Vietnam</td>
<td>..</td>
<td>..</td>
<td>..</td>
<td>..</td>
<td>..</td>
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<td>..</td>
<td>..</td>
<td>23.2</td>
<td>..</td>
<td>..</td>
<td>..</td>
<td>..</td>
</tr>
<tr>
<td>Philippines</td>
<td>..</td>
<td>26.6</td>
<td>..</td>
<td>26.3</td>
<td>..</td>
<td>25.2</td>
<td>..</td>
<td>..</td>
<td>..</td>
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<td>..</td>
</tr>
<tr>
<td>Myanmar</td>
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<td>..</td>
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<td>11.3</td>
</tr>
</tbody>
</table>

Source: WDI, World Bank, 2016
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…

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...

Growth of Service and its Sub-sectors

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…

Note: MEF team’s projection for 2016 - 2019
Inflation remains favorably low under 5% due to the low level of oil and commodity price...

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…

Note: MEF team’s projection for 2016 - 2019
Export Product Diversification: From garment export to rice and others (electronic components, bikes...)

Export by Products

<table>
<thead>
<tr>
<th>Year</th>
<th>Garment</th>
<th>Rice</th>
<th>Rubber</th>
<th>Others (Electronic components, bicycles, etc.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>94.8%</td>
<td>0.2%</td>
<td>0.3%</td>
<td>3.2%</td>
</tr>
<tr>
<td>2002</td>
<td>93.3%</td>
<td>0.1%</td>
<td>0.3%</td>
<td>6.1%</td>
</tr>
<tr>
<td>2003</td>
<td>95.3%</td>
<td>0.1%</td>
<td>1.0%</td>
<td>3.6%</td>
</tr>
<tr>
<td>2004</td>
<td>96.2%</td>
<td>0.1%</td>
<td>1.8%</td>
<td>1.9%</td>
</tr>
<tr>
<td>2005</td>
<td>95.8%</td>
<td>0.1%</td>
<td>1.6%</td>
<td>2.6%</td>
</tr>
<tr>
<td>2006</td>
<td>96.4%</td>
<td>0.1%</td>
<td>1.5%</td>
<td>2.3%</td>
</tr>
<tr>
<td>2007</td>
<td>96.3%</td>
<td>0.0%</td>
<td>1.3%</td>
<td>2.3%</td>
</tr>
<tr>
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<td>21.1%</td>
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</tbody>
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Source: Ministry of Economy and Finance, 2016
Export Market Diversification: From export to the US to export to EU, Japan,...

Share of Export Value by Countries

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...

Source: Ministry of Economy and Finance, 2016
## Revenue as a Share of GDP of Cambodia’s ASEAN Peers

<table>
<thead>
<tr>
<th>Country</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bangladesh</td>
<td>8.5</td>
<td>8.1</td>
<td>8.0</td>
</tr>
<tr>
<td>Indonesia</td>
<td>12.5</td>
<td>12.1</td>
<td>11.9</td>
</tr>
<tr>
<td>Lao</td>
<td>15.0</td>
<td>15.5</td>
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<td>18.6</td>
<td>18.3</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
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<td>19.1</td>
<td>18.2</td>
<td>17.9</td>
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<td>13.5</td>
<td>14.0</td>
<td>13.9</td>
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<tr>
<td>India</td>
<td>16.8</td>
<td>16.7</td>
<td>17.4</td>
</tr>
</tbody>
</table>

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…

Source: Ministry of Economy and Finance, 2016
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…

![Total Credit and Deposit in Financial Sector](chart.png)
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
<table>
<thead>
<tr>
<th>Global Risks</th>
<th>Global Opportunities</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Brexit: causing uncertainty in global recovery</td>
<td>Regional integration policies in concert with open and favorable policies for investment in all sectors</td>
</tr>
<tr>
<td>2. Weak key fundamental strength (growth rate, inflation, unemployment...)</td>
<td>Strategic location for connecting with ASEAN and Greater Mekong Sub-region in developing infrastructure and strengthening production clusters for regional and international markets</td>
</tr>
<tr>
<td>3. Direction of monetary policy</td>
<td>Factory relocation from China</td>
</tr>
<tr>
<td>4. New forms of trade barriers</td>
<td>China’s transitioning from domestic investment led economy to consumption-led economy</td>
</tr>
<tr>
<td>5. New international agreements, such as TPP, etc.</td>
<td>Growing middle class, especially in China</td>
</tr>
<tr>
<td>Major Domestic Challenges</td>
<td>Major Domestic Opportunities</td>
</tr>
<tr>
<td>------------------------------------------------</td>
<td>---------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Sustaining high economic growth and inclusiveness</td>
<td>Fast growing middle class</td>
</tr>
<tr>
<td>Slow structural reforms and economic diversification, and weak competitiveness</td>
<td>Regional integration policies in concert with open and favorable policies for investment in all sectors</td>
</tr>
<tr>
<td>Rapid expansion of financial sector</td>
<td>Strategic location for connecting with ASEAN and Greater Mekong Sub-region in developing infrastructure and strengthening production clusters for regional and international markets</td>
</tr>
<tr>
<td>Slow growth of labor productivity/TFP</td>
<td>Demographic dividend</td>
</tr>
<tr>
<td>Climate change</td>
<td></td>
</tr>
<tr>
<td>Fiscal sustainability and fiscal space</td>
<td></td>
</tr>
<tr>
<td>Low complete rate of secondary education and lack of skills</td>
<td></td>
</tr>
<tr>
<td>Logistics and transportation system</td>
<td></td>
</tr>
</tbody>
</table>
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 !!!