



ក្រសួងសេដ្ឋកិច្ច និង ហិរញ្ញវត្ថុ
Ministry of Economy and Finance

ធានានូវកំណើន និង អភិវឌ្ឍន៍ប្រកបដោយចីរភាព
Ensure Sustainable Growth and Development

Cambodia's Macroeconomic Performance 2016 and Outlook 2017

December 5th, 2016

Contents



1. Real Sector



2. Fiscal Sector



3. External Sector



4. Financial Sector



5. Challenges and Opportunities



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

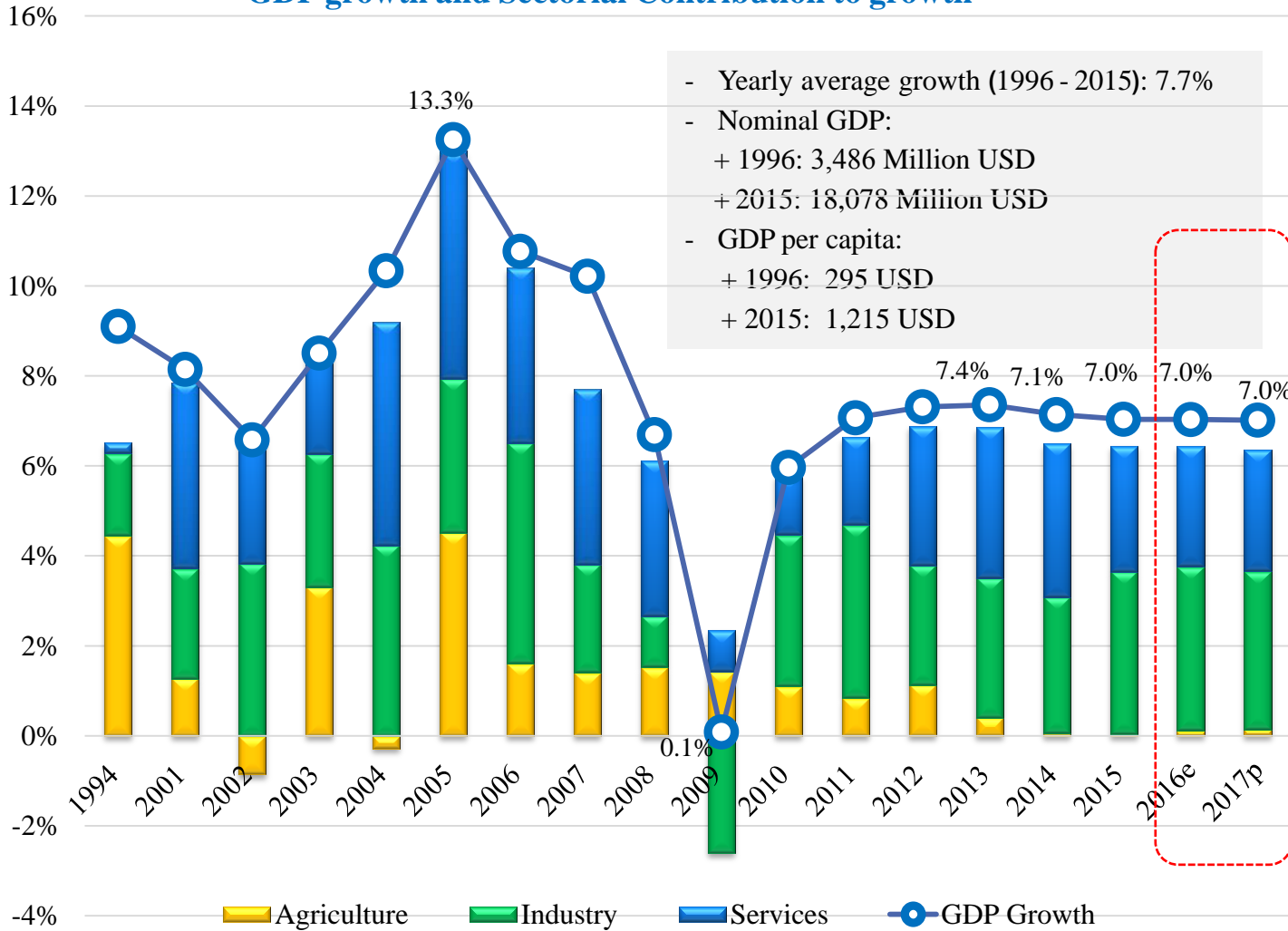
Going forward

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

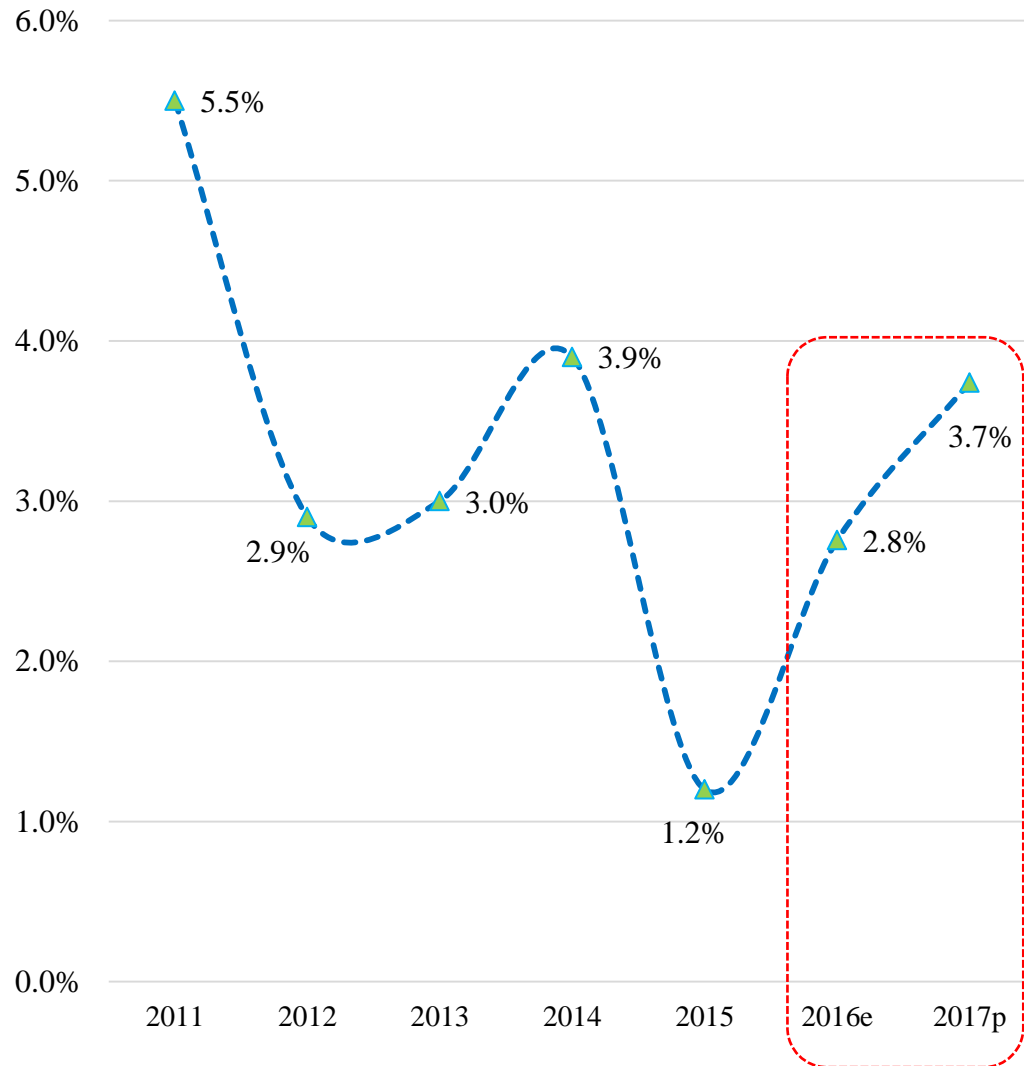
1. Real Sector

Continued robust economic growth with low inflation rate, favorable for investment.....

GDP growth and Sectorial Contribution to growth



Inflation Rate

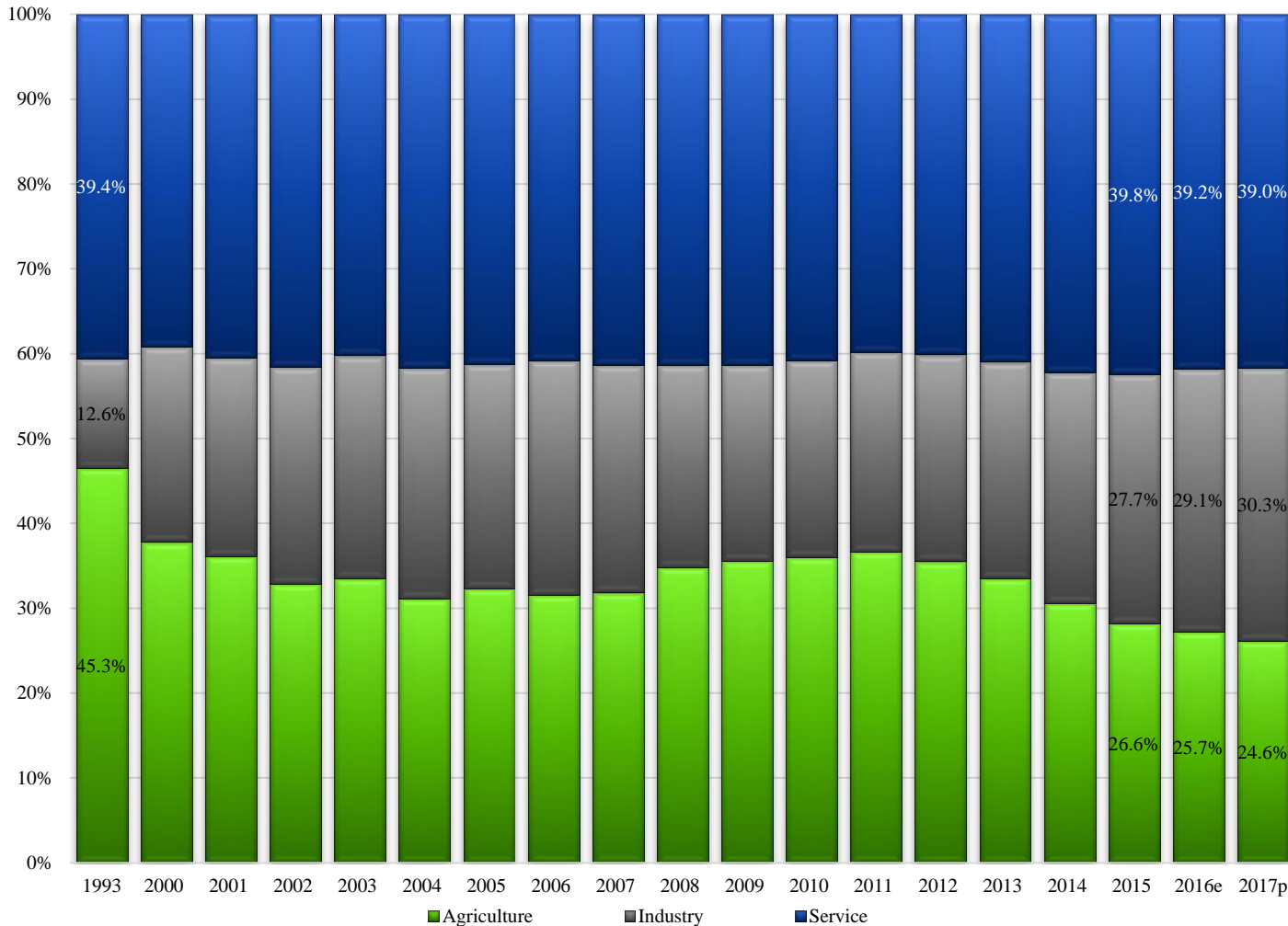


Source: National Institute of Statistics, Ministry of Planning, 2016
 Note: MEF team's projection for 2016 and 2017

Cambodia is gradually transforming into an industrialized economy...

Share of industry to GDP continues expanding while that of agriculture has been shrinking...

Share of GDP

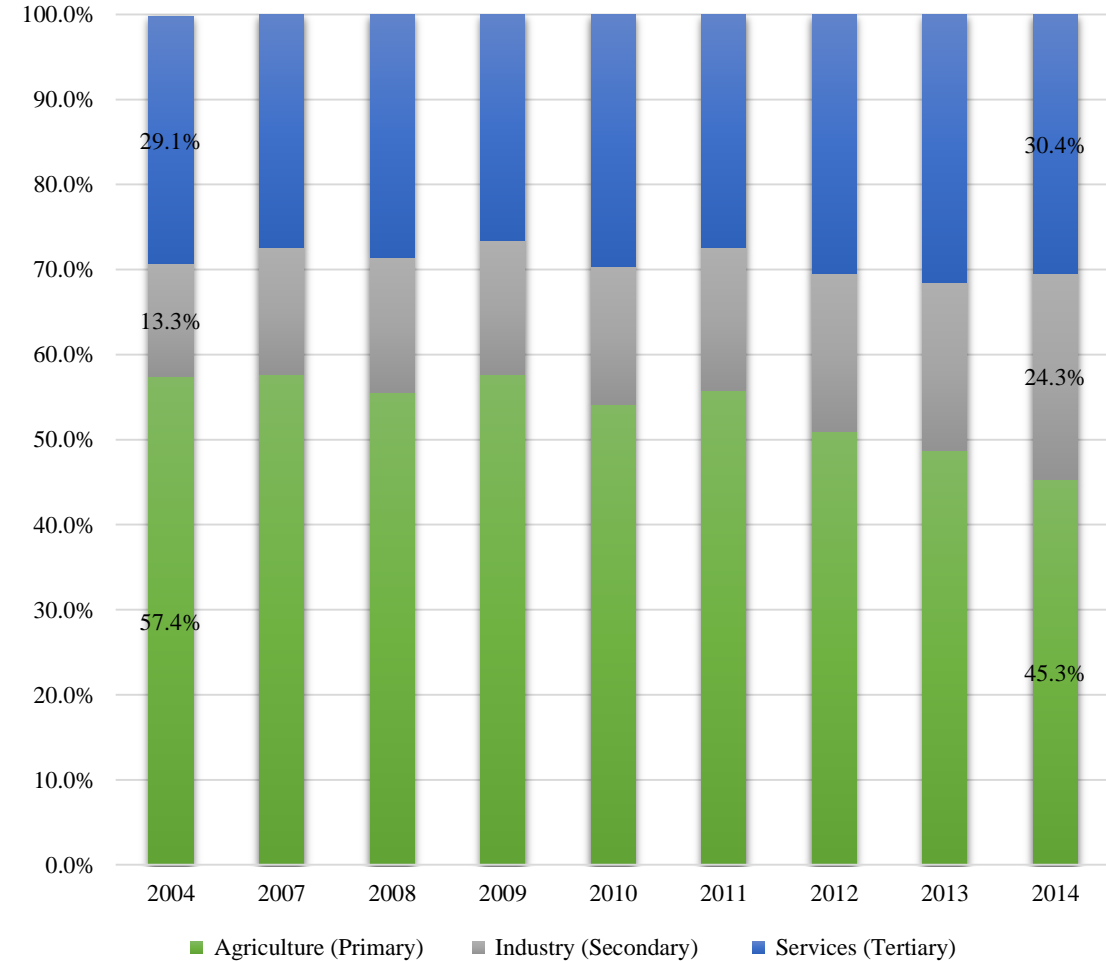


Source: National Institute of Statistics, Ministry of Planning, 2016

Note: MEF team's projection for 2016-2017

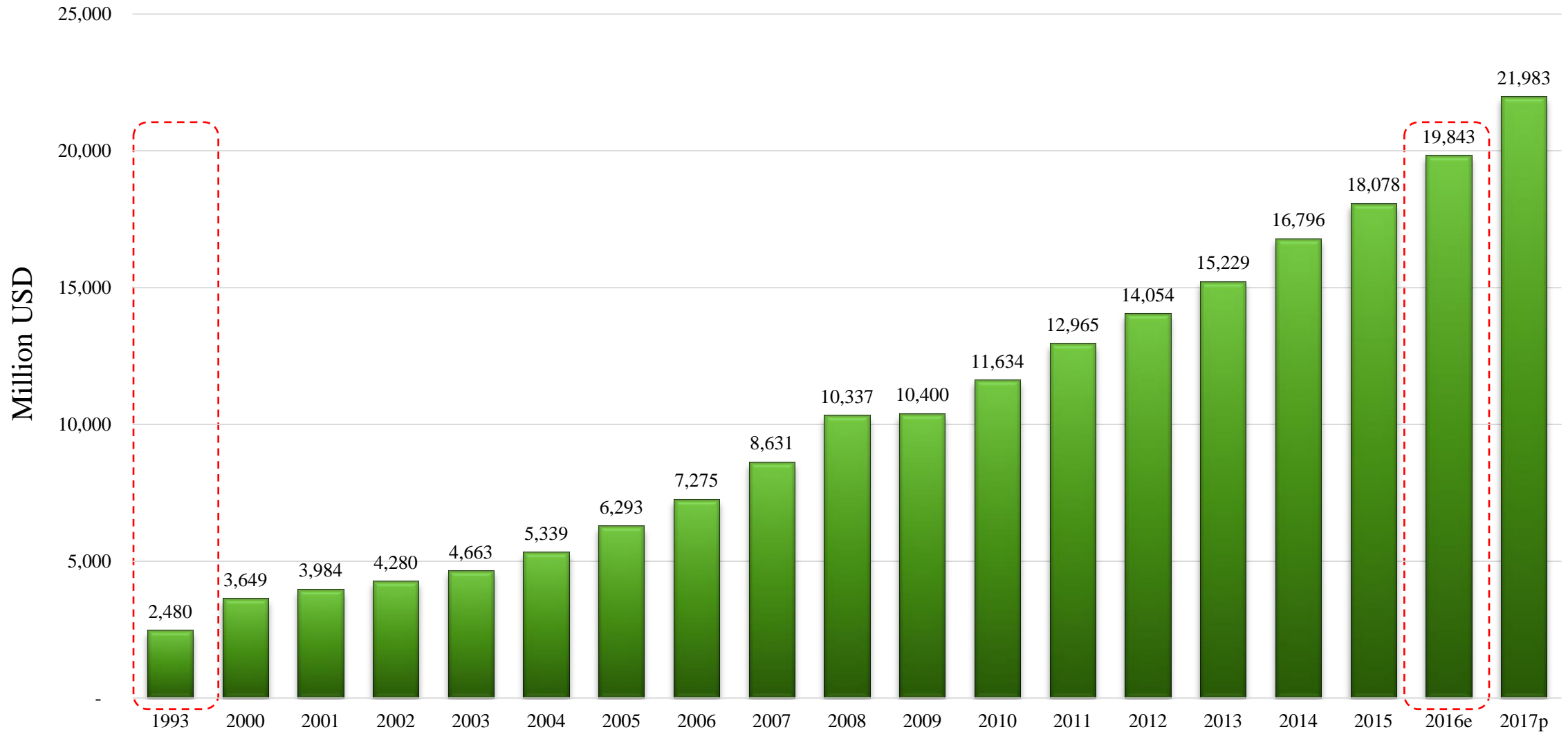
Increasing labor share in industry....

Share of Employed Population by Sectors



Source: Ministry of Planning, 2015

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

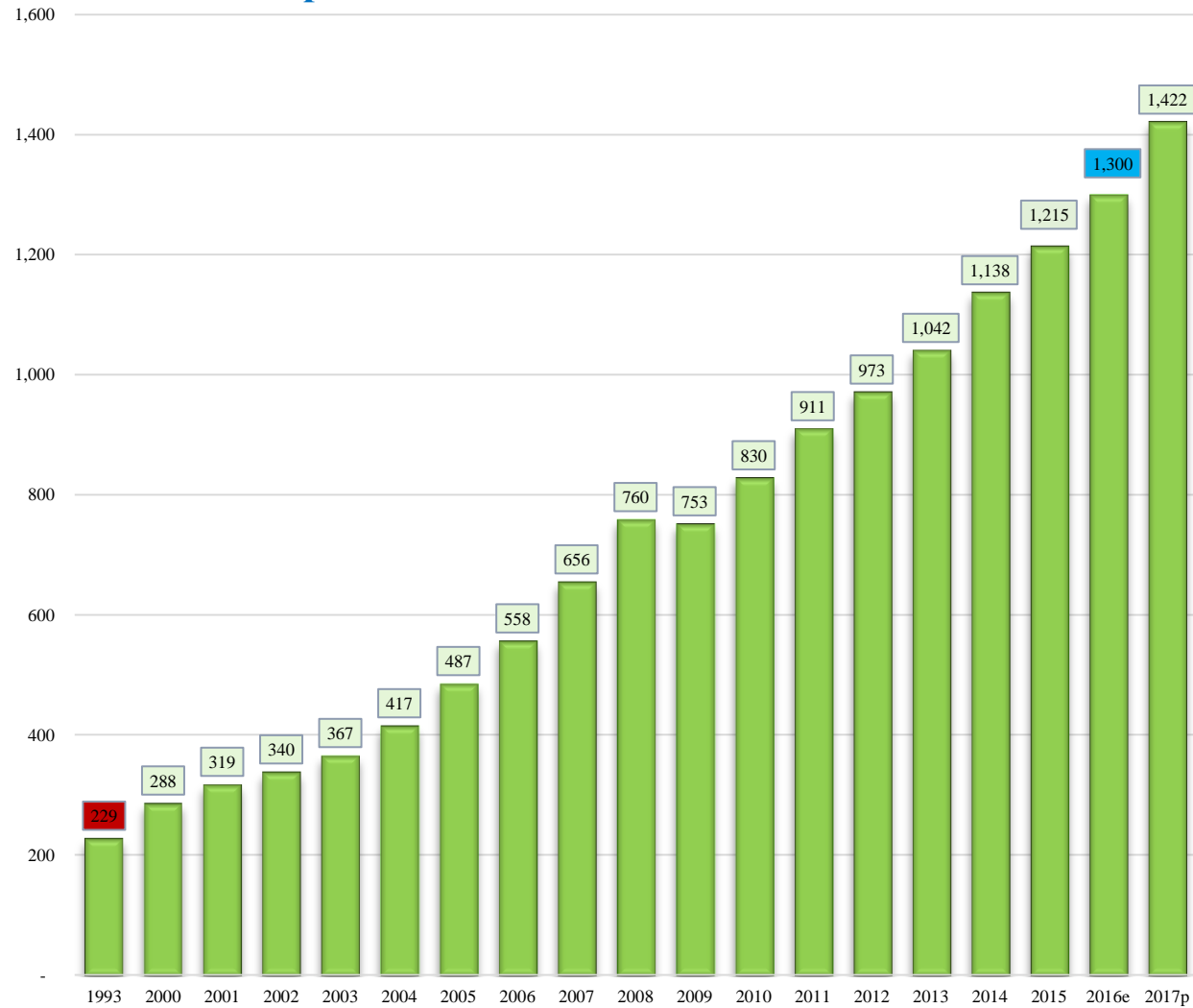


Source: National Institute of Statistics, Ministry of Planning, 2016

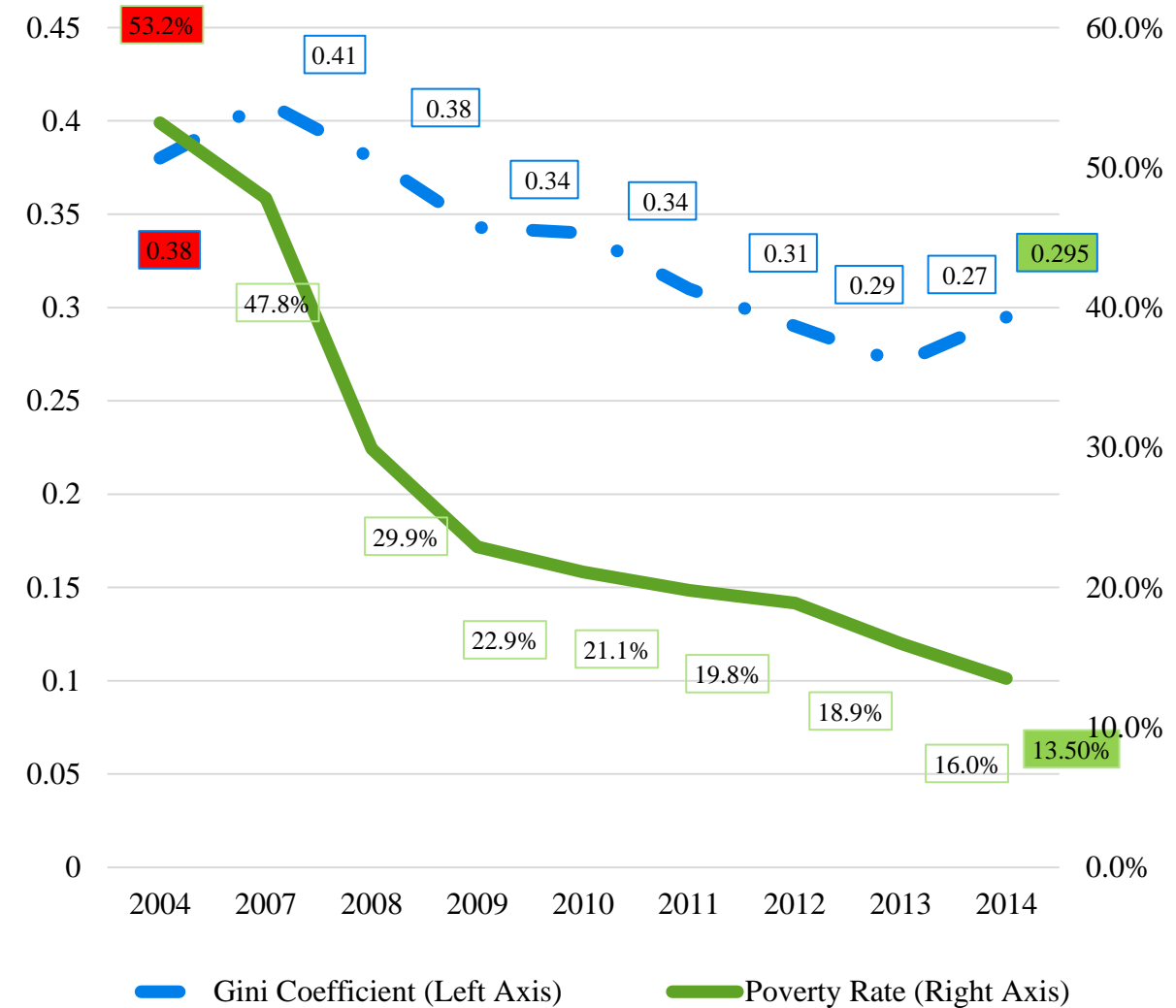
Note: MEF team's projection for 2016 - 2019

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

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



Cambodia has been world leader in poverty reduction...

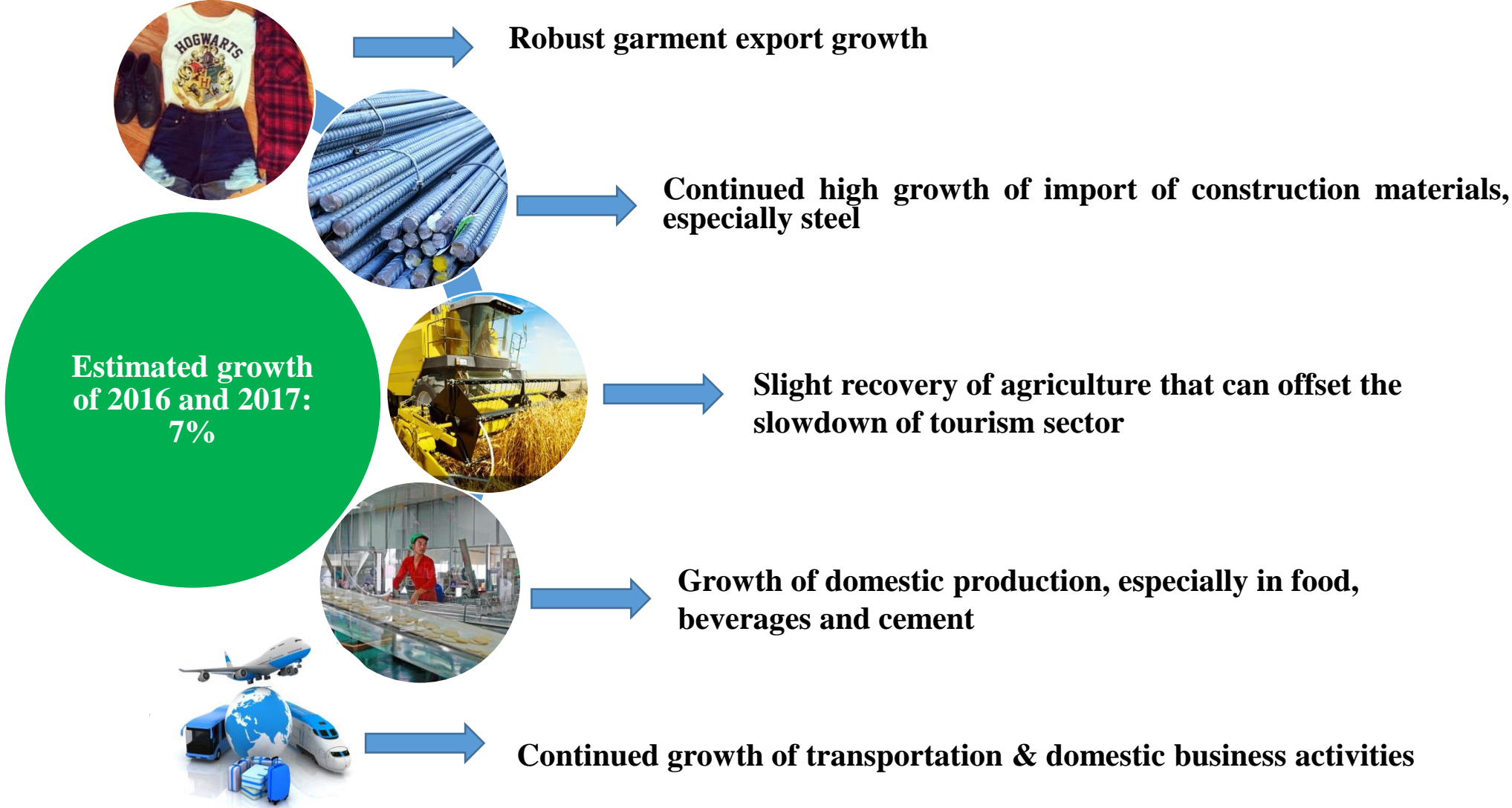


Source: National Institute of Statistics, Ministry of Planning, 2016
 Note: MEF team's projection for 2016 – 2017

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

Robust garment export, strong-yet-slower construction growth and slight recovery of agriculture lead to strong growth prospect...

According to actual data in the first half of 2016



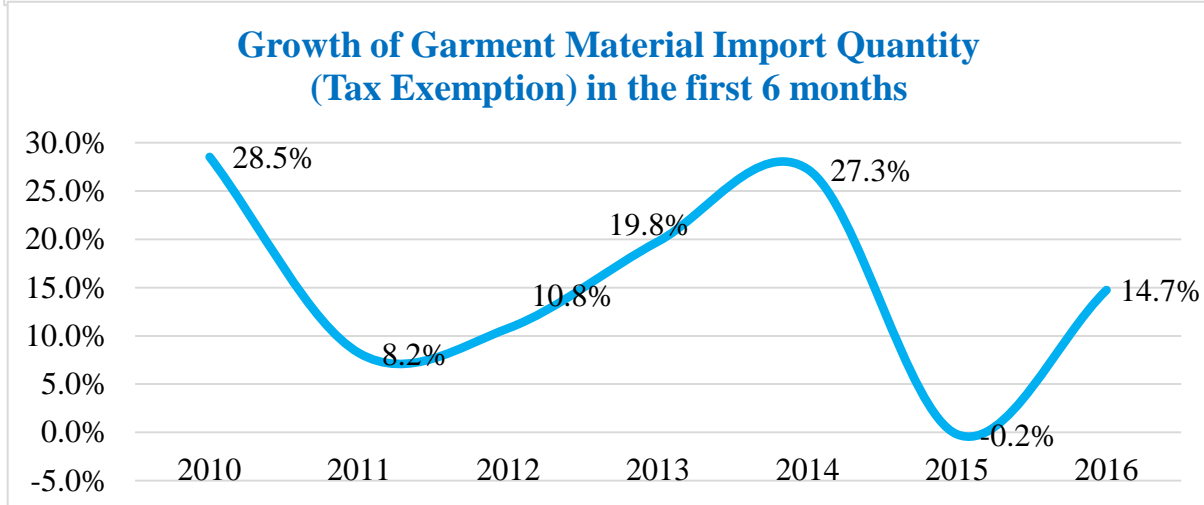
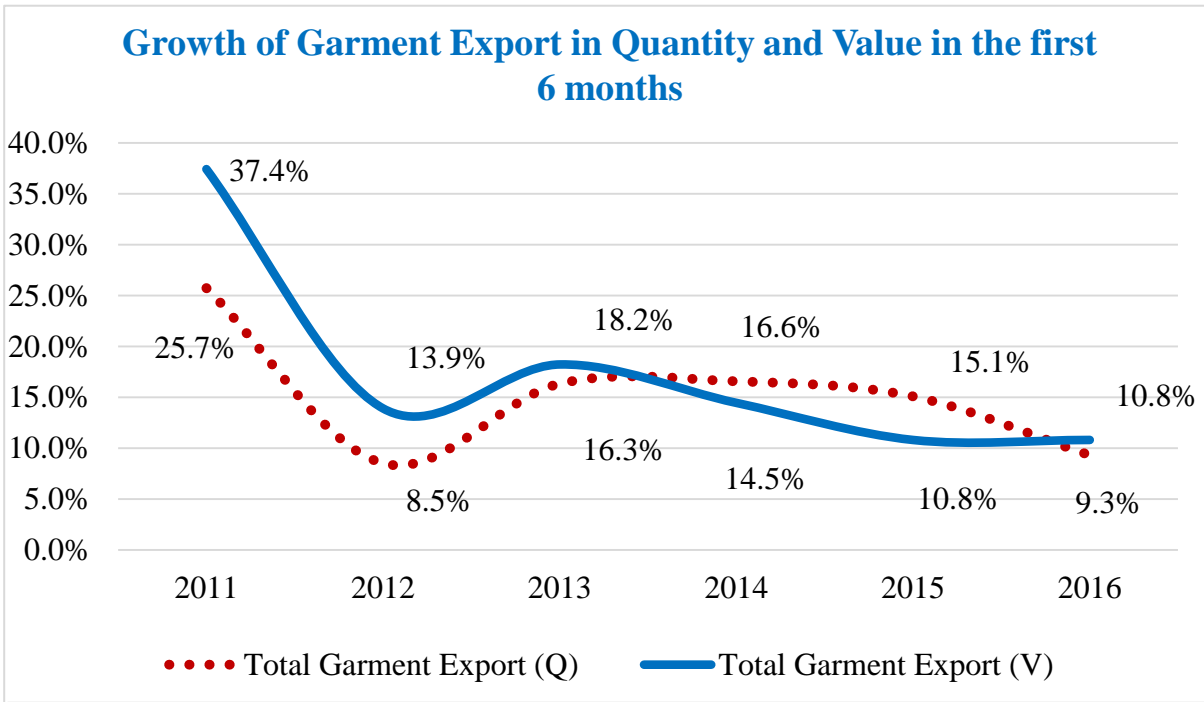
Industry sector remains driven by garment sector, however, increased domestic production has been observed in other sectors, i.e. food and beverages, light manufacturing industry...

Growth of Industry Sector

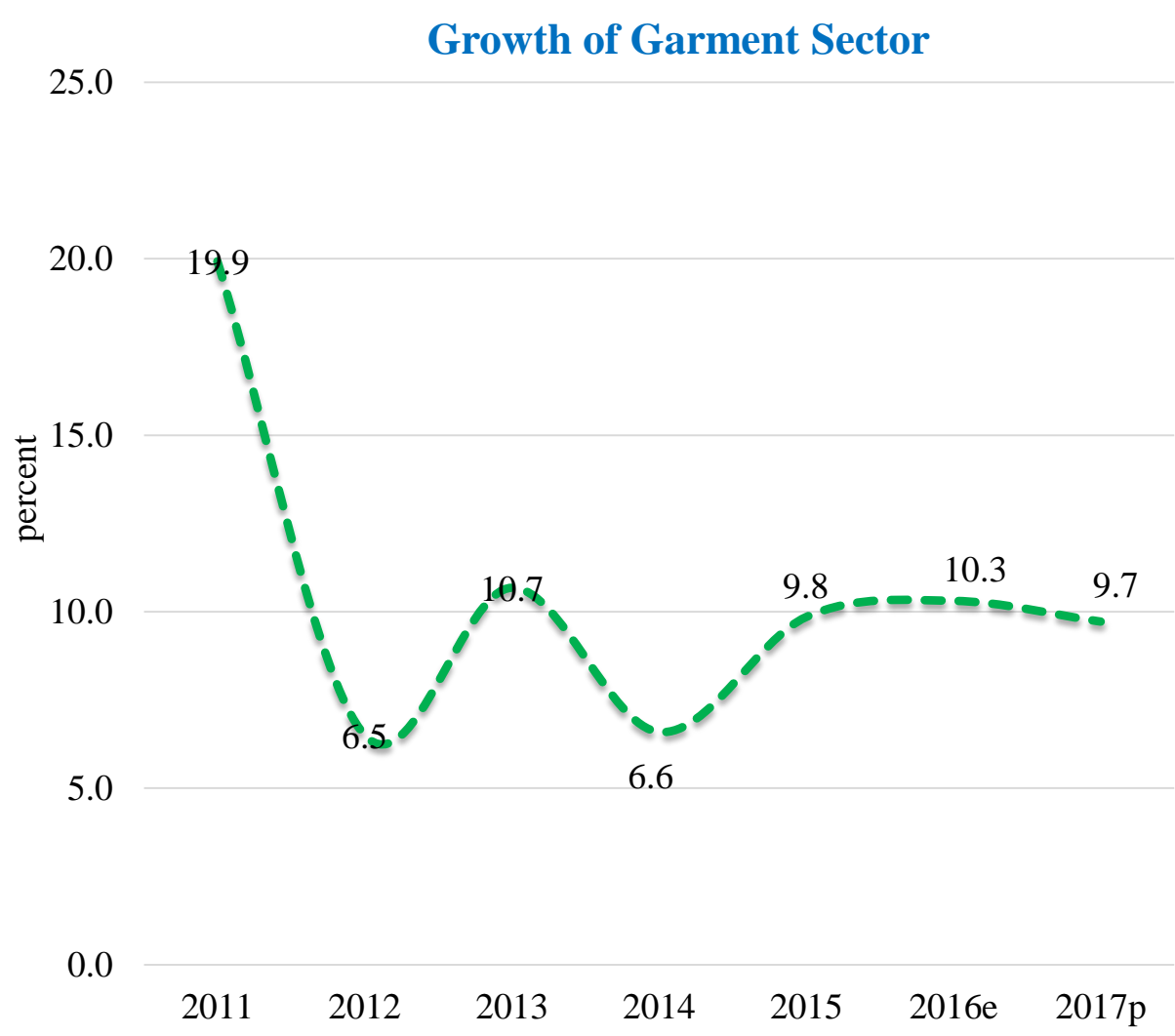


Source: National Institute of Statistics, Ministry of Planning, 2016
 Note: MEF team's projection for 2016 - 2017

Strong performance of garment sector reflected in high growth of garments exports and material imports...



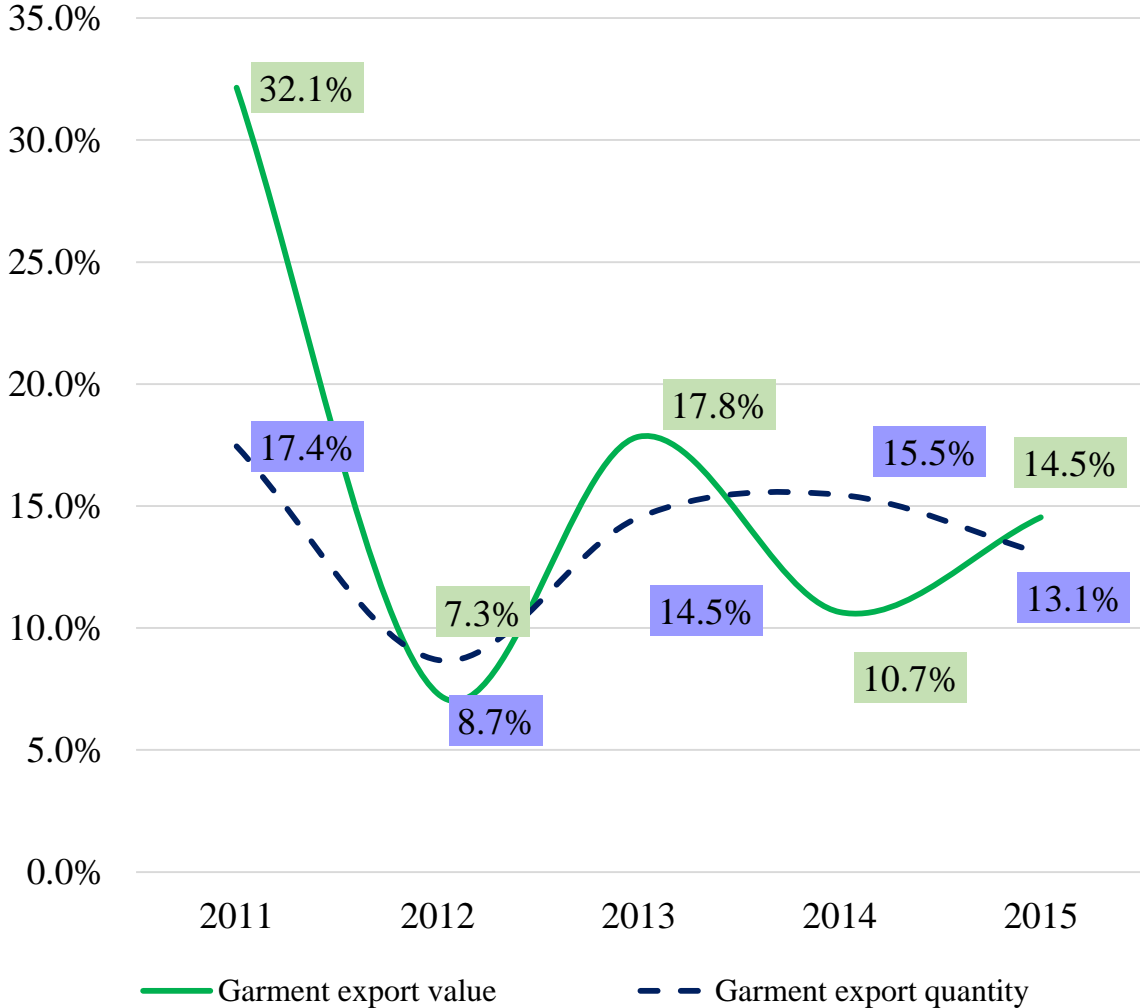
Source: Ministry of Economy and Finance, 2016



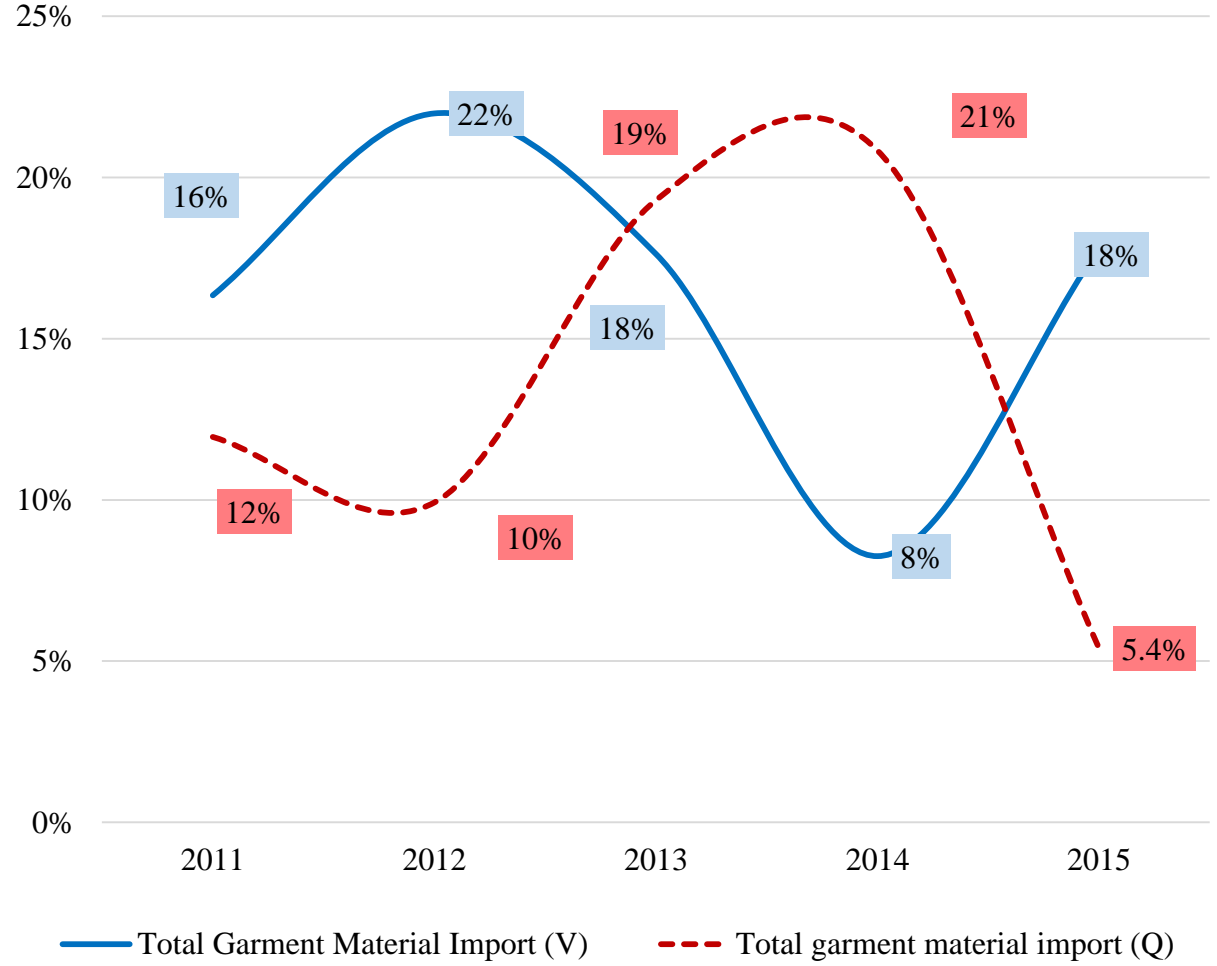
Source: National Institute of Statistics, Ministry of Planning, 2016
 Note: MEF team's projection for 2016 and 2017

Gradually moving away from low value-added to higher value-added segments, as indicated by the contrasting trends between the value and volume of garment exports...

Growth of Garment Export (Quantity and Value)



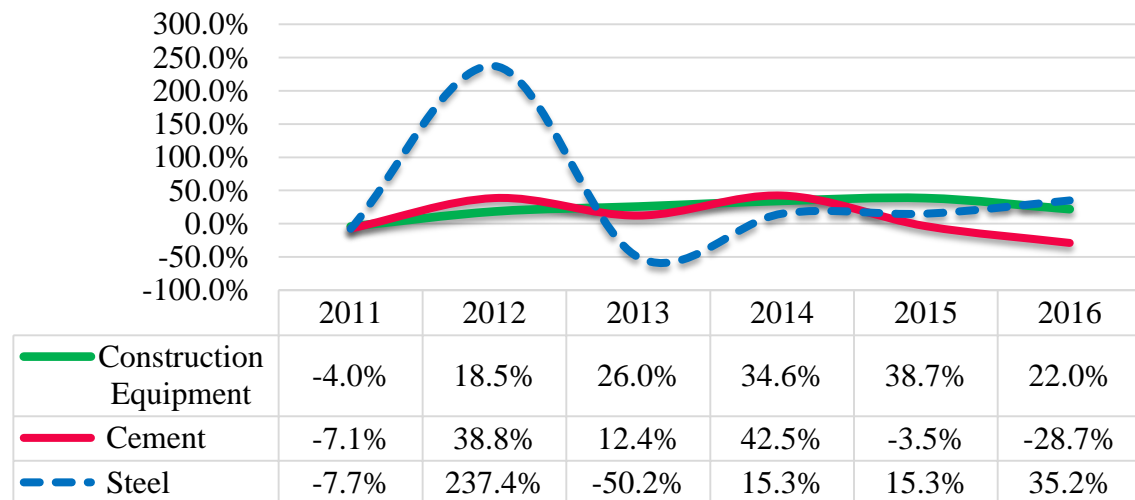
Growth of Garment Material Import (Value and Quantity)



Source: Ministry of Economy and Finance, 2016

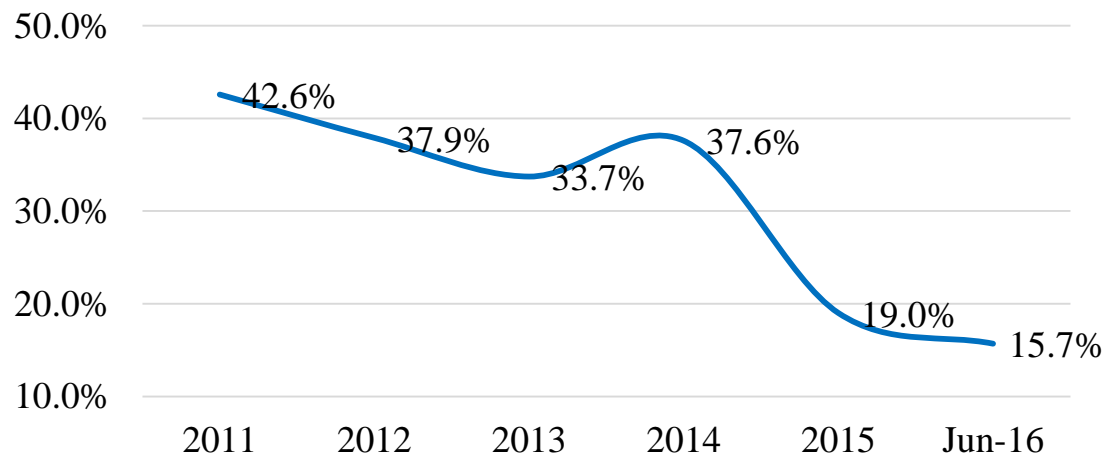
Continued high growth of import of construction materials with the decline of credit to the sector indicates a strong-yet-moderated growth of construction sector...

Growth of Construction Material Import in the First 6 Months



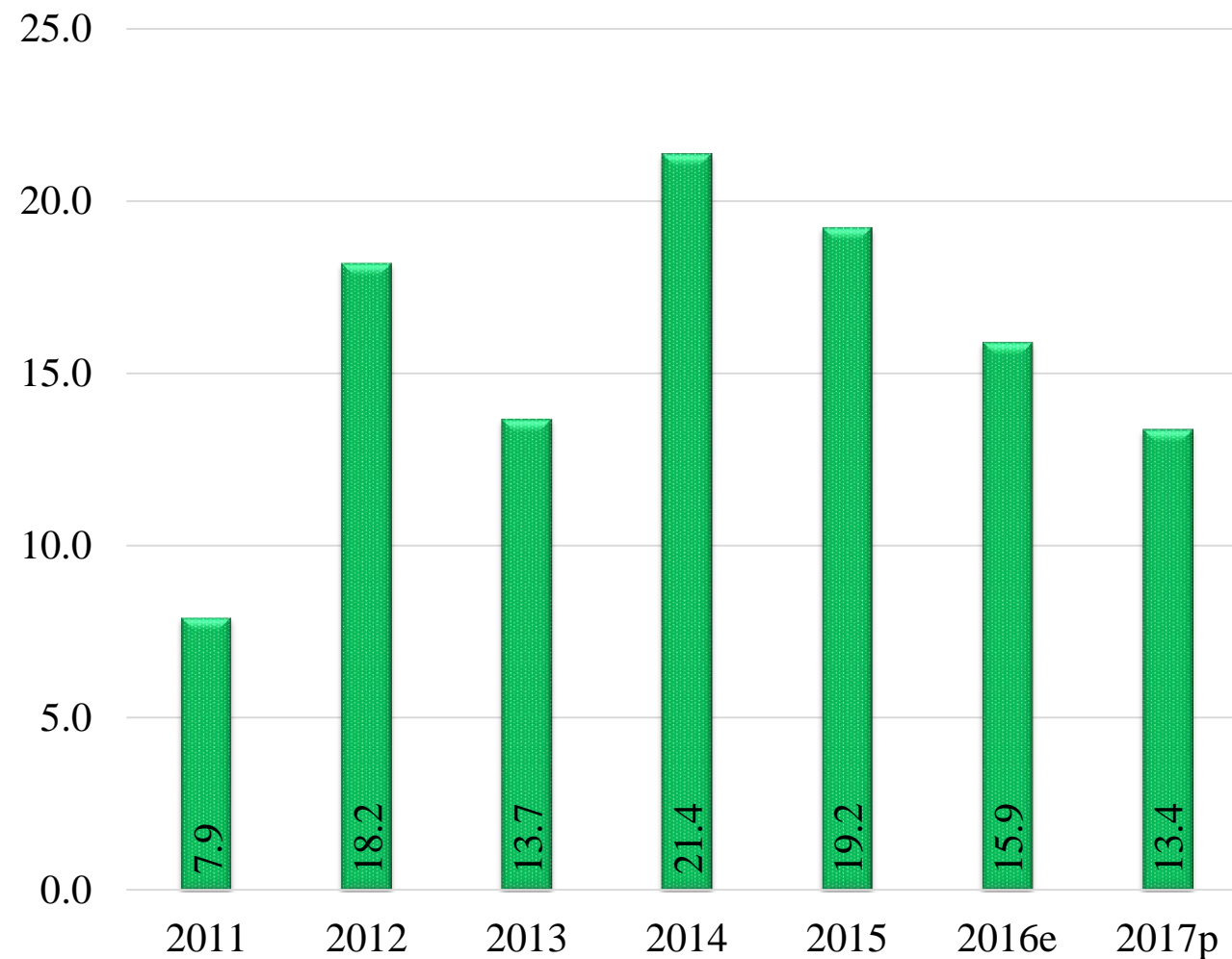
Source: Ministry of Economy and Finance, 2016

Credit to Construction Sector



Source: National Bank of Cambodia, 2016

Growth of Construction Sector

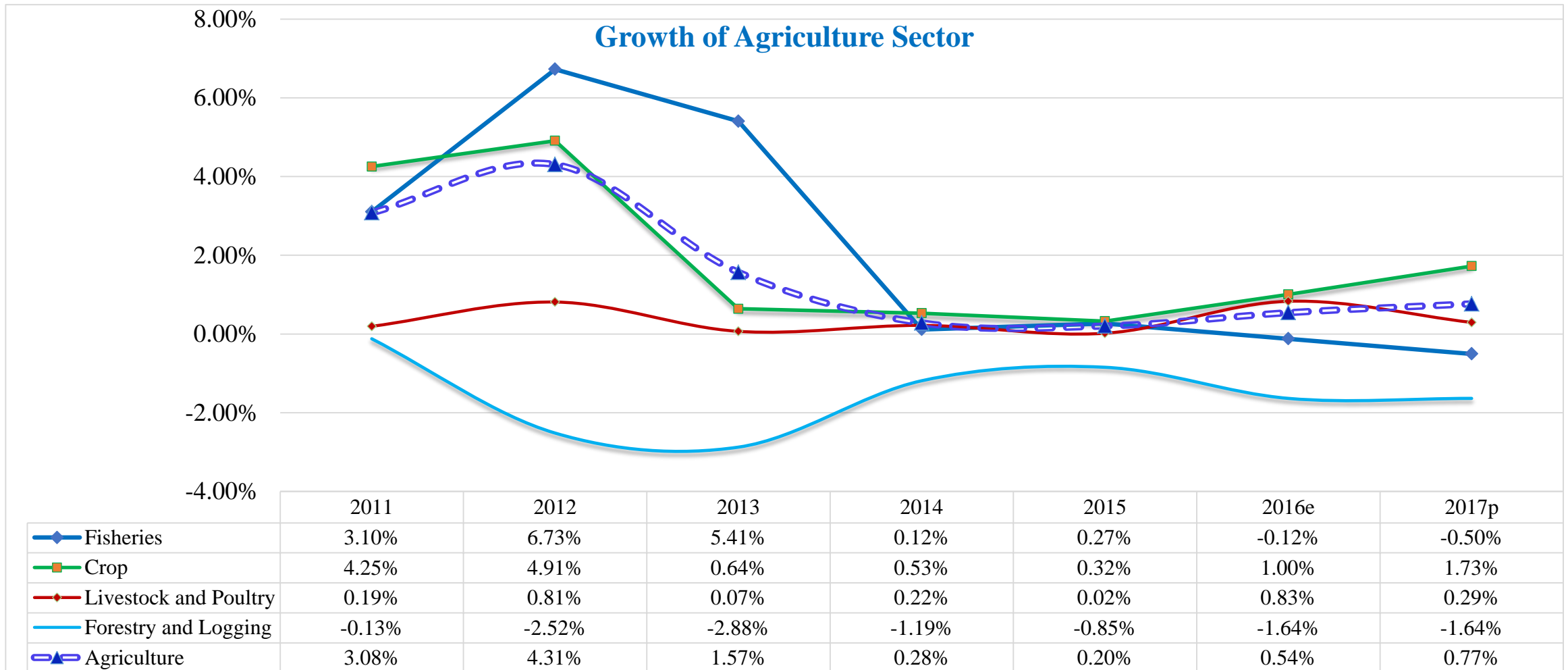


Source: National Institute of Statistics, Ministry of Planning, 2016

Note: MEF team's projection for 2016 and 2017

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

A continued decline in fisheries, drop in commodity price coupled with low growth of livestock and poultry remain challenges...

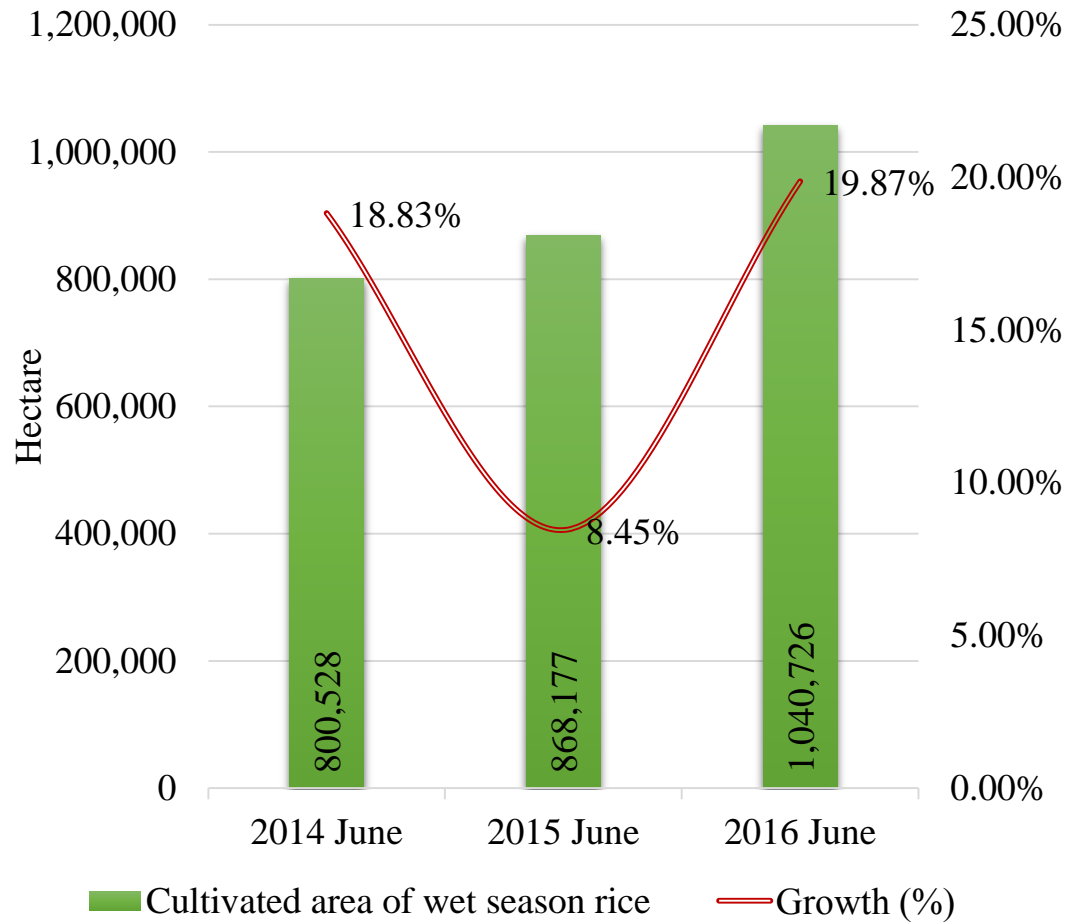


Source: National Institute of Statistics, Ministry of Planning, 2016

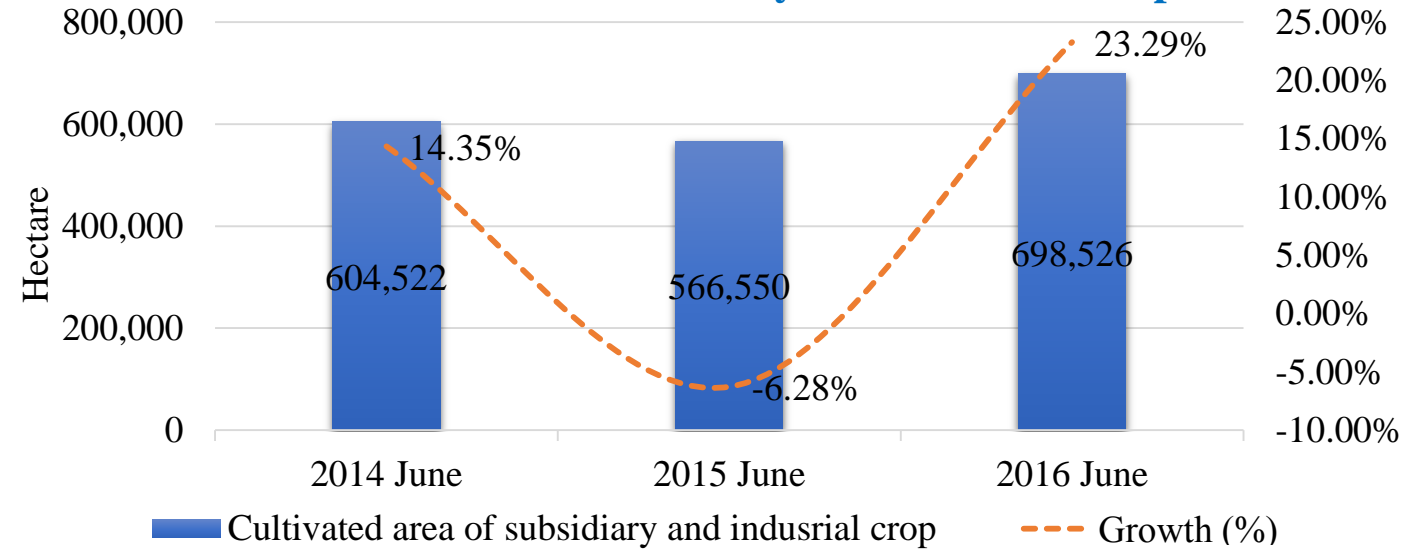
Note: MEF team's projection for 2016 and 2017

A recovery of agriculture sector is reflected in high growth of cultivated area, harvested area and rubber production, which helps offset the sluggish growth of tourism sector...

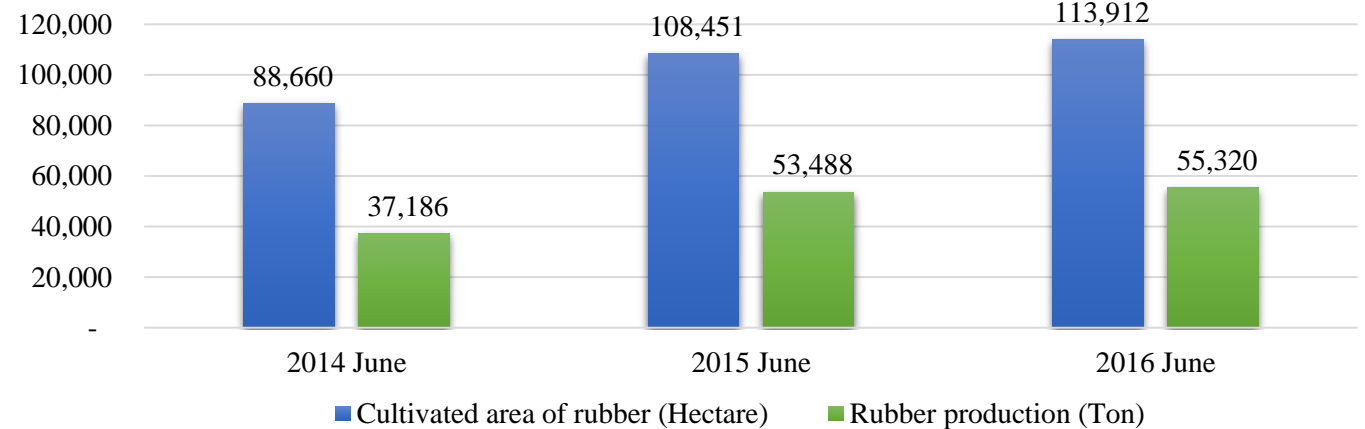
Cultivated Area of Wet Season Rice



Cultivated Area of Subsidiary and Industrial Crop

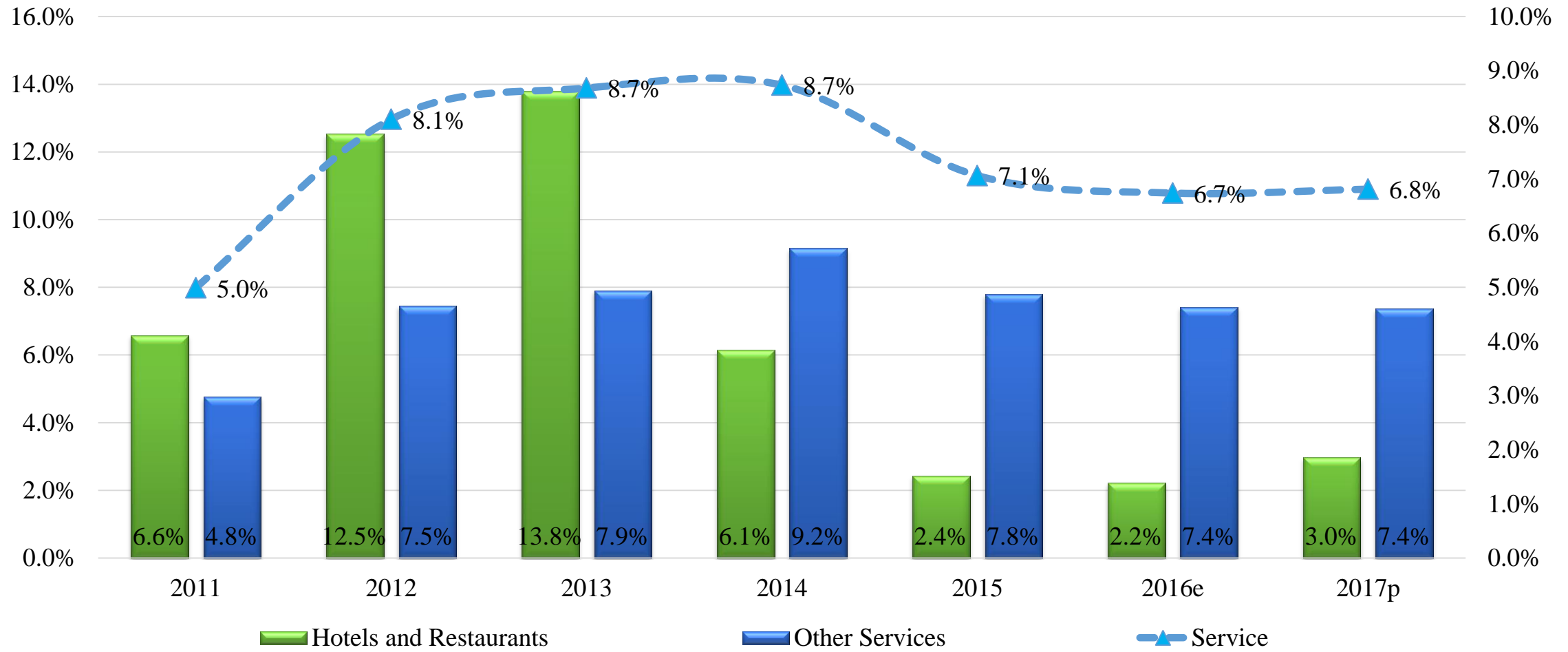


Rubber Cultivated Area and Production



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...

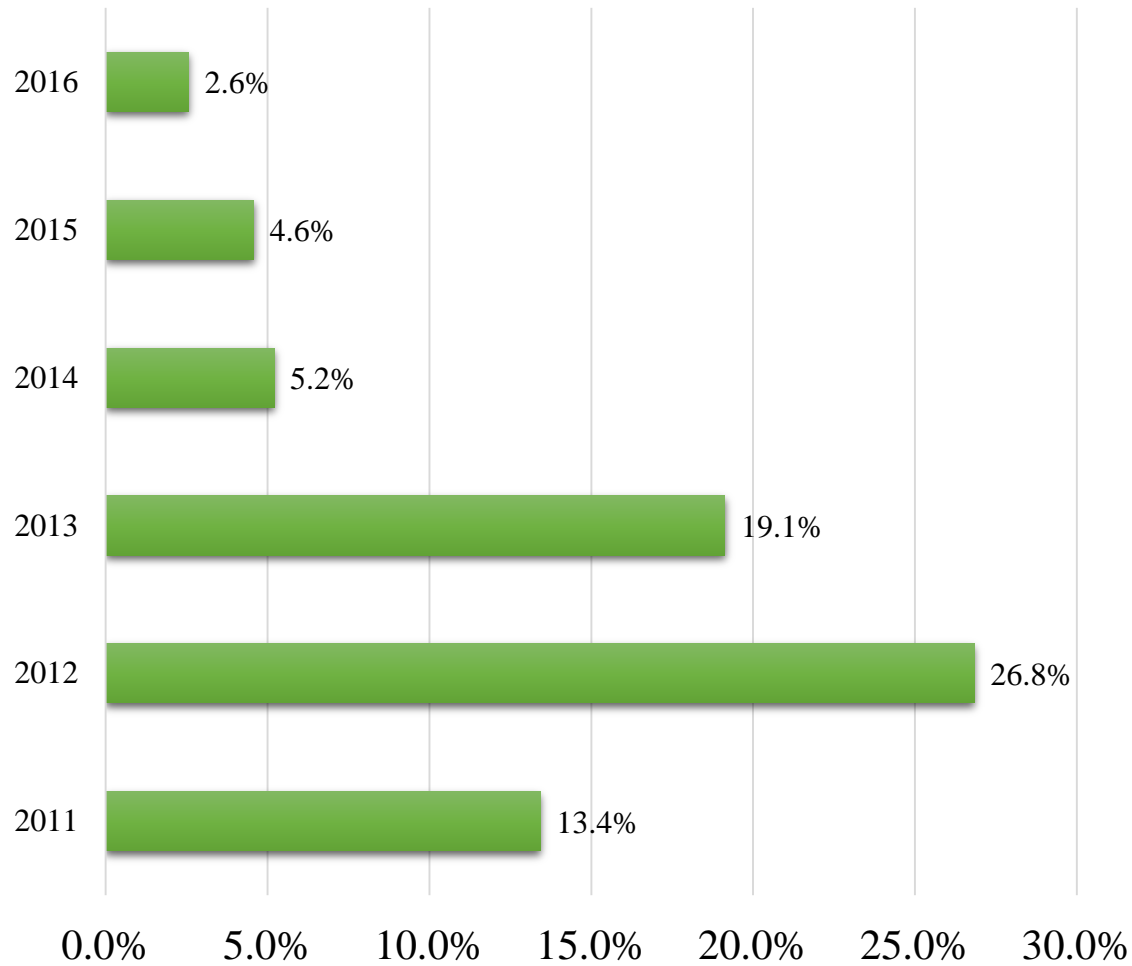


Source: National Institute of Statistics, Ministry of Planning, 2016

Note: MEF team's projection for 2016 - 2017

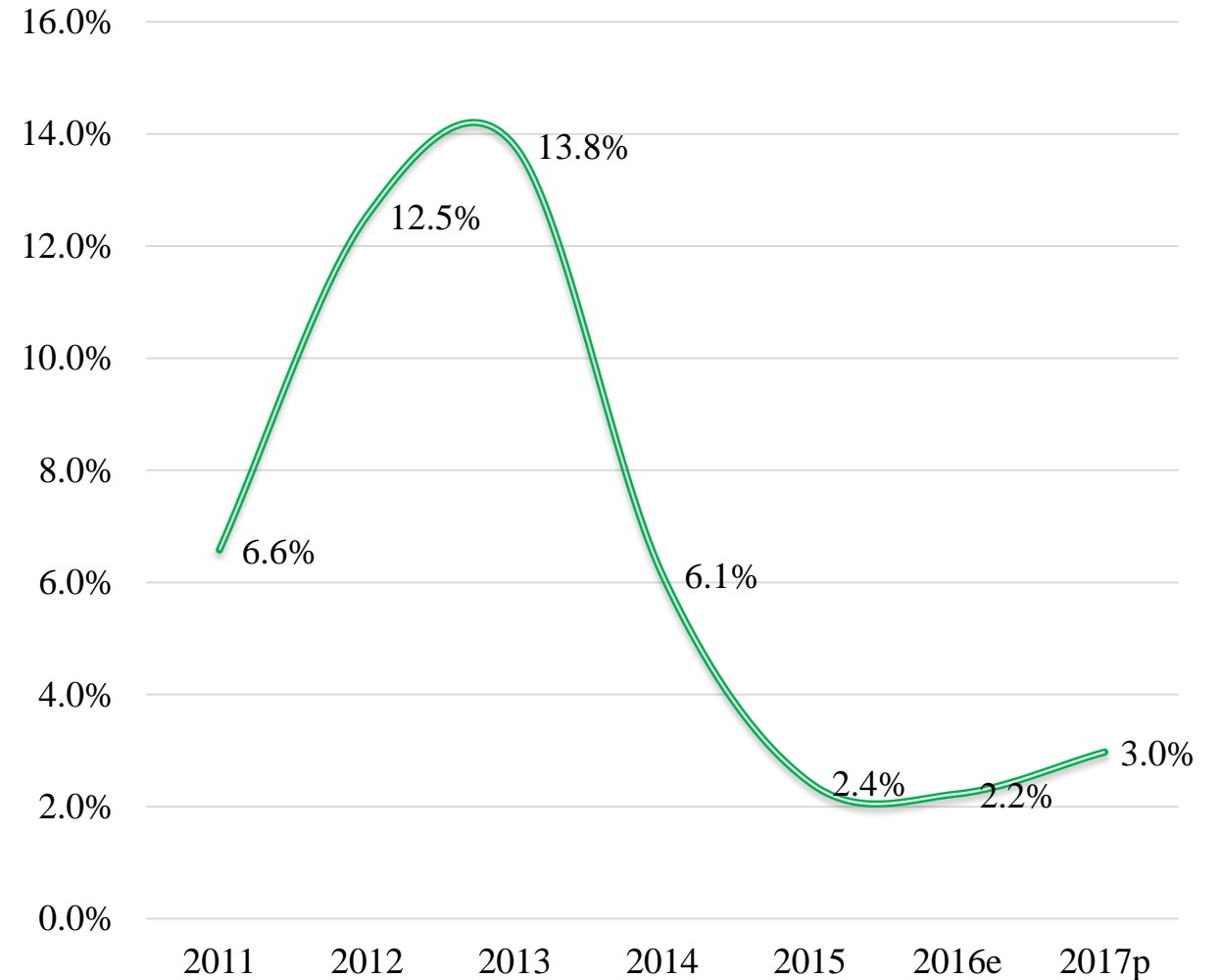
Growth of tourism sector is expected to be modest in 2016 due to softer growth of international arrivals in the first half of 2016....

Growth of Tourist Arrivals in the First 6 Months



Source: Ministry of Tourism, 2016

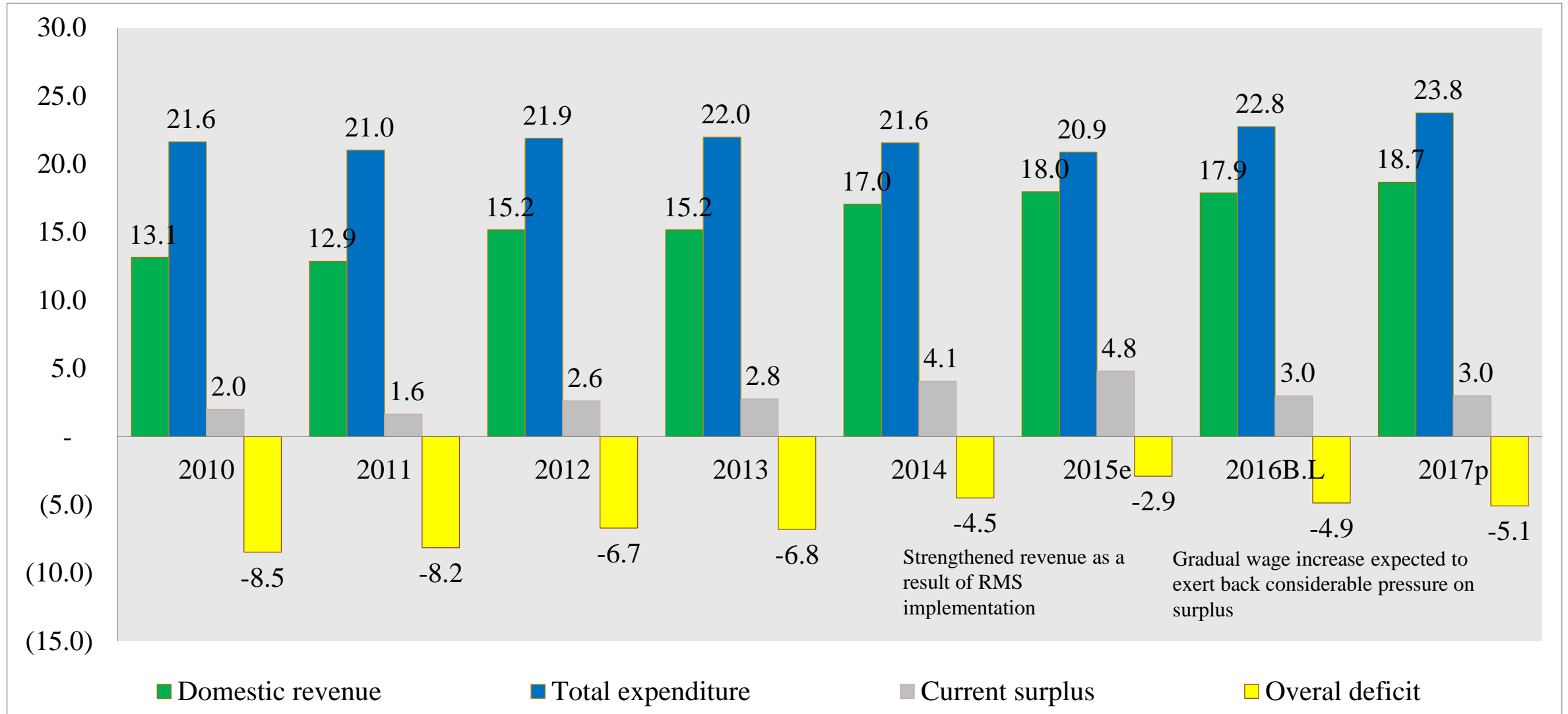
Growth of Tourism Sector



Source: National Institute of Statistics, Ministry of Planning, 2016
Note: MEF team's projection for 2016 and 2017

2. Fiscal Sector

The recent success in revenues mobilization has been attributed to strengthening of tax and non-tax administration, increasing taxpayers' awareness and more incentives provided to tax officials...

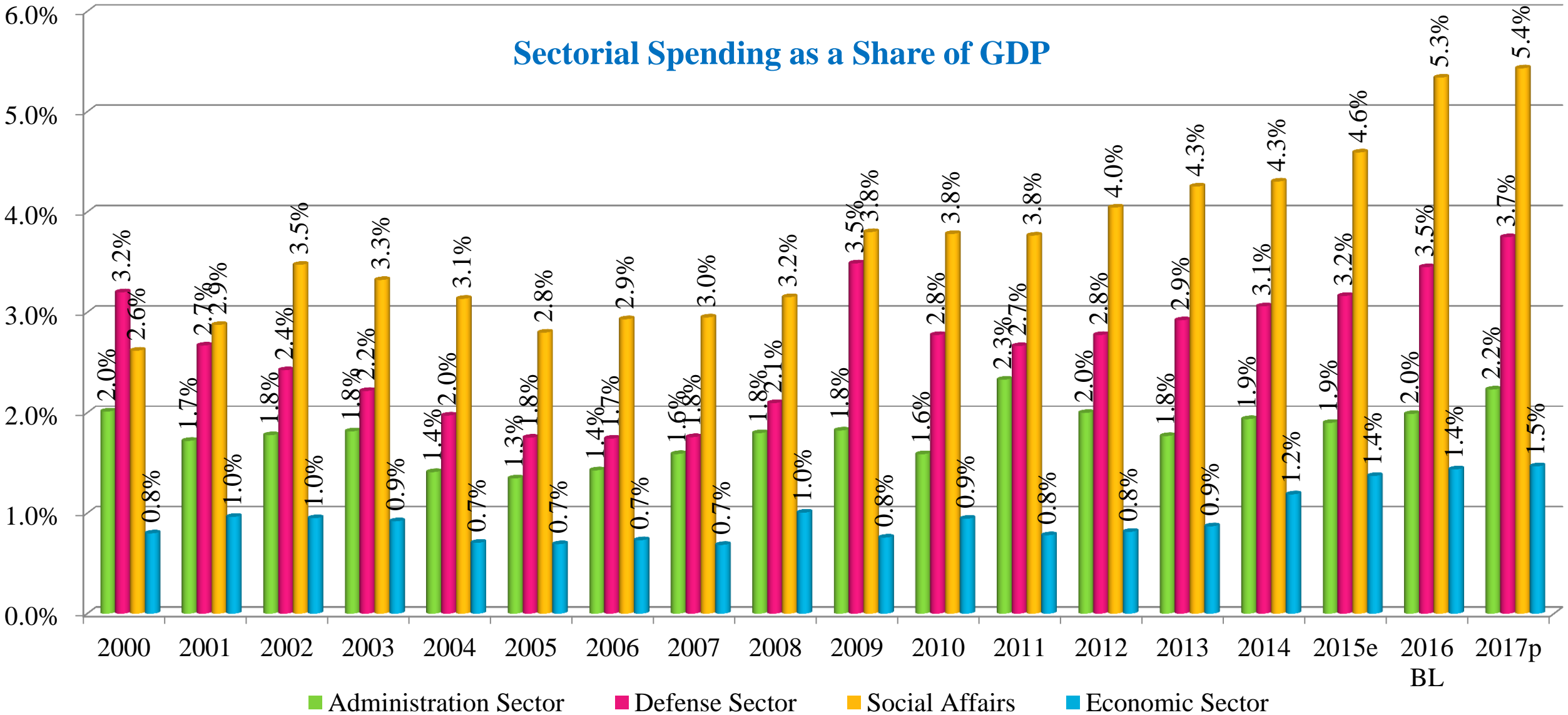


Revenue performance is likely to remain strong this year, thanks to continued robust economic growth, increased domestic production and greater revenue collection efforts...

First Half Revenue Collection	2016 Budget Law	6 month actual performance	% of Budget Law	Growth in the first half of 2016
Domestic Revenue	14,359 Billion Riels	7,629	53.1%	21.8%
Current revenue	14,229 Billion Riels	7,597	53.4%	27.3%
<i>GDCE</i>	6,648	3,551	53.4%	27.3%
<i>GDT</i>	5,685	3,302	58.1%	17.6%
<i>Others</i>	1,896	743	39.2%	18.6%

More attention towards social affairs...

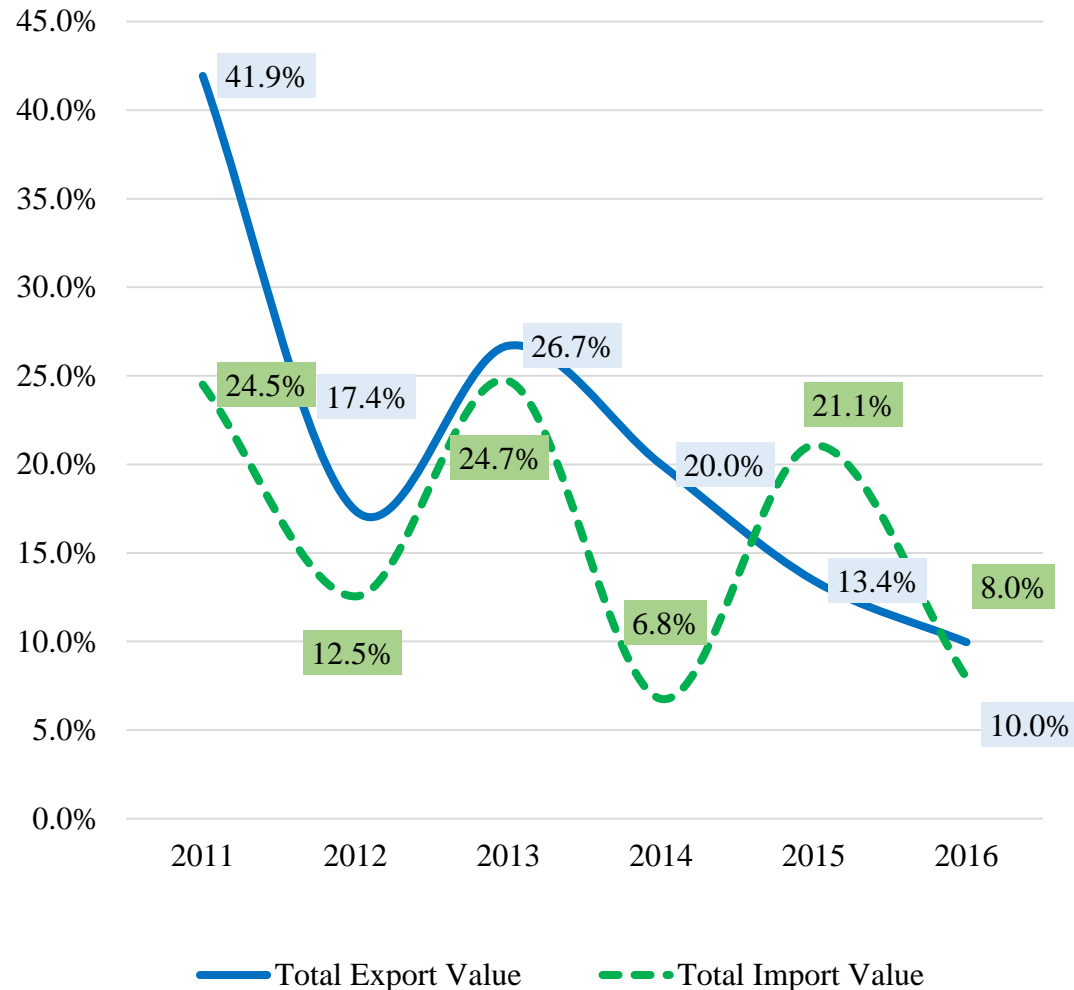
Sectorial Spending as a Share of GDP



3. External Sector

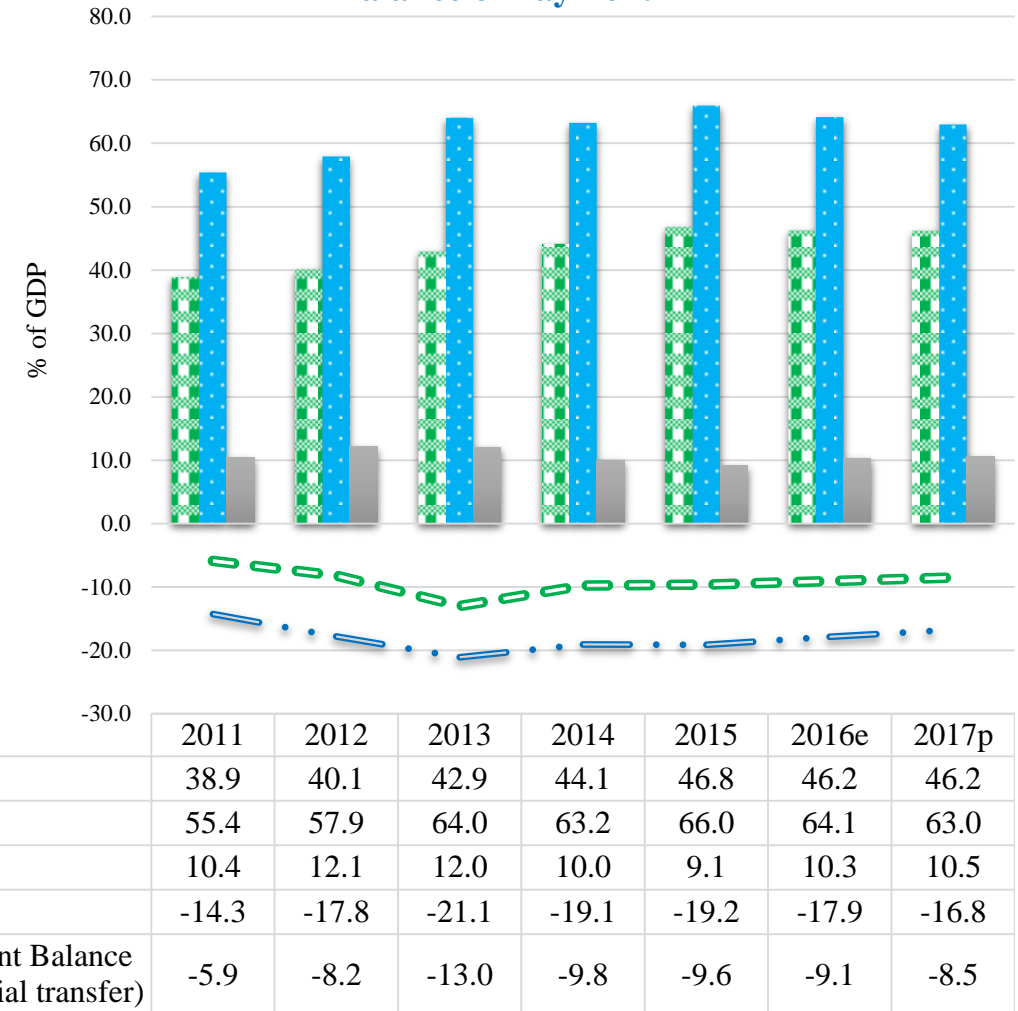
Cambodia's overall balance of payment remains stable, with continued compression of trade and current account deficits, thanks to the increased domestic production...

Growth of Import and Export Value in the First 6 Months



Source: Ministry of Economy and Finance, 2016

Balance of Payment

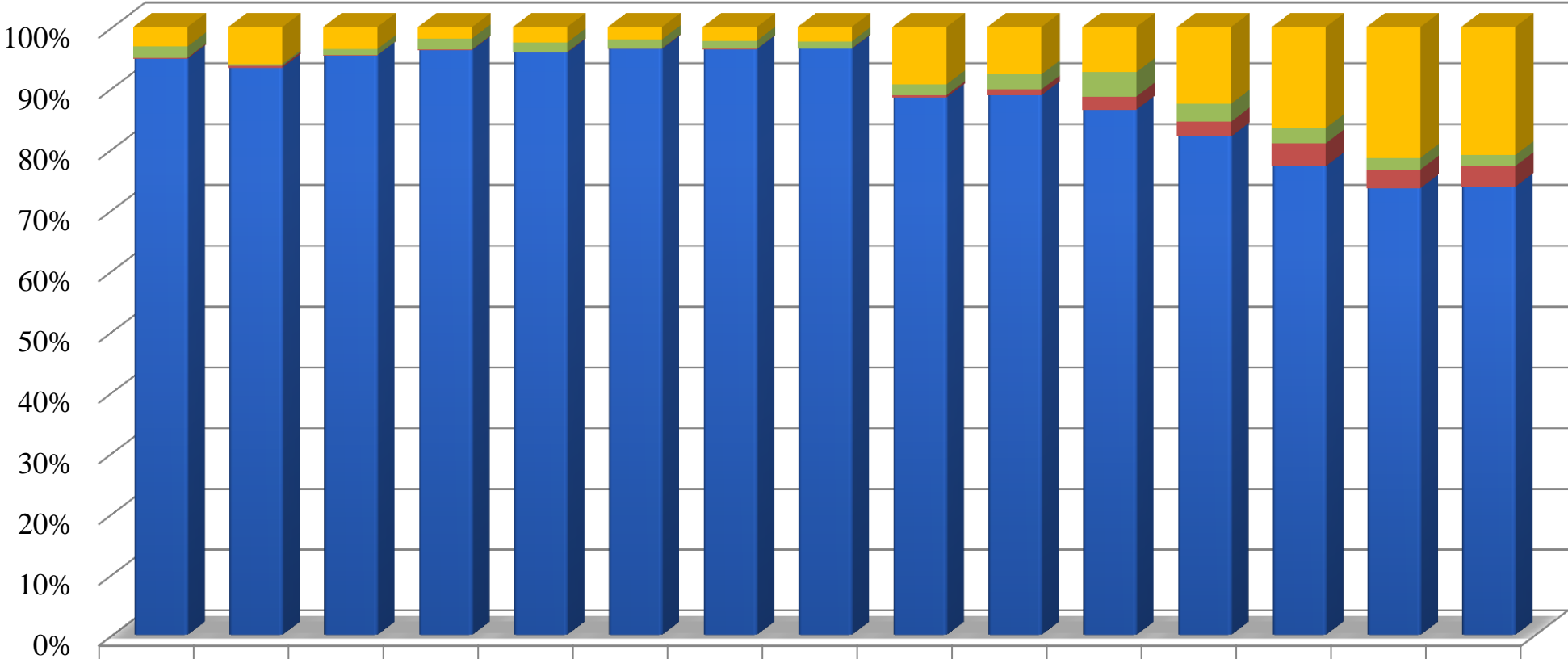


Source: National Bank of Cambodia, 2016

Note: MEF team's projection for 2016 and 2017

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

Export by Products

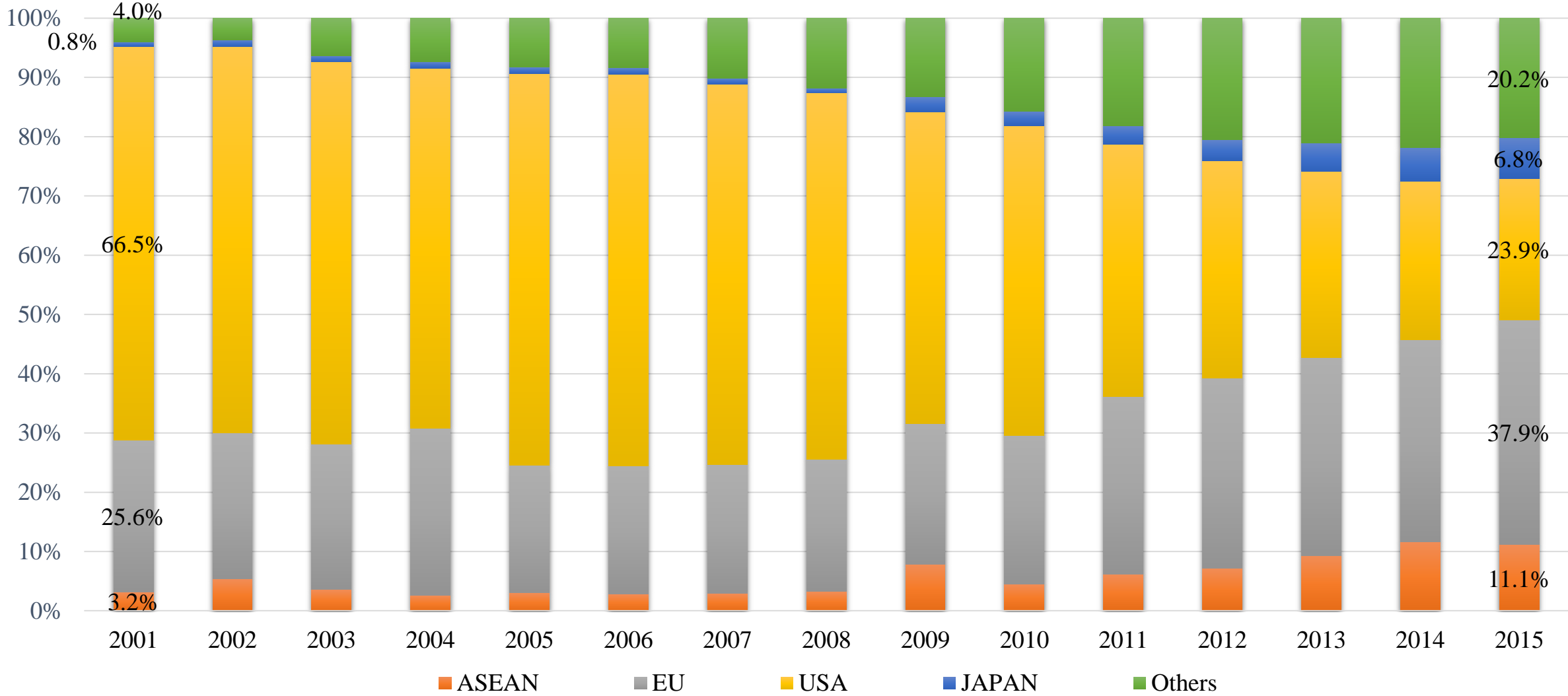


	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Others (Electronic components, bicycles, etc.)	3.2%	6.1%	3.6%	1.9%	2.6%	2.0%	2.3%	2.4%	9.4%	7.8%	7.4%	12.6%	16.6%	21.5%	21.1%
Rubber	1.8%	0.3%	1.0%	1.8%	1.6%	1.5%	1.3%	1.2%	1.8%	2.5%	4.0%	3.0%	2.5%	1.9%	1.8%
Rice	0.2%	0.3%	0.0%	0.1%	0.1%	0.1%	0.0%	0.1%	0.4%	1.0%	2.2%	2.4%	3.8%	3.1%	3.4%
Garment	94.8%	93.3%	95.3%	96.2%	95.8%	96.4%	96.3%	96.4%	88.4%	88.8%	86.4%	82.0%	77.1%	73.5%	73.7%

Source: Ministry of Economy and Finance, 2016

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

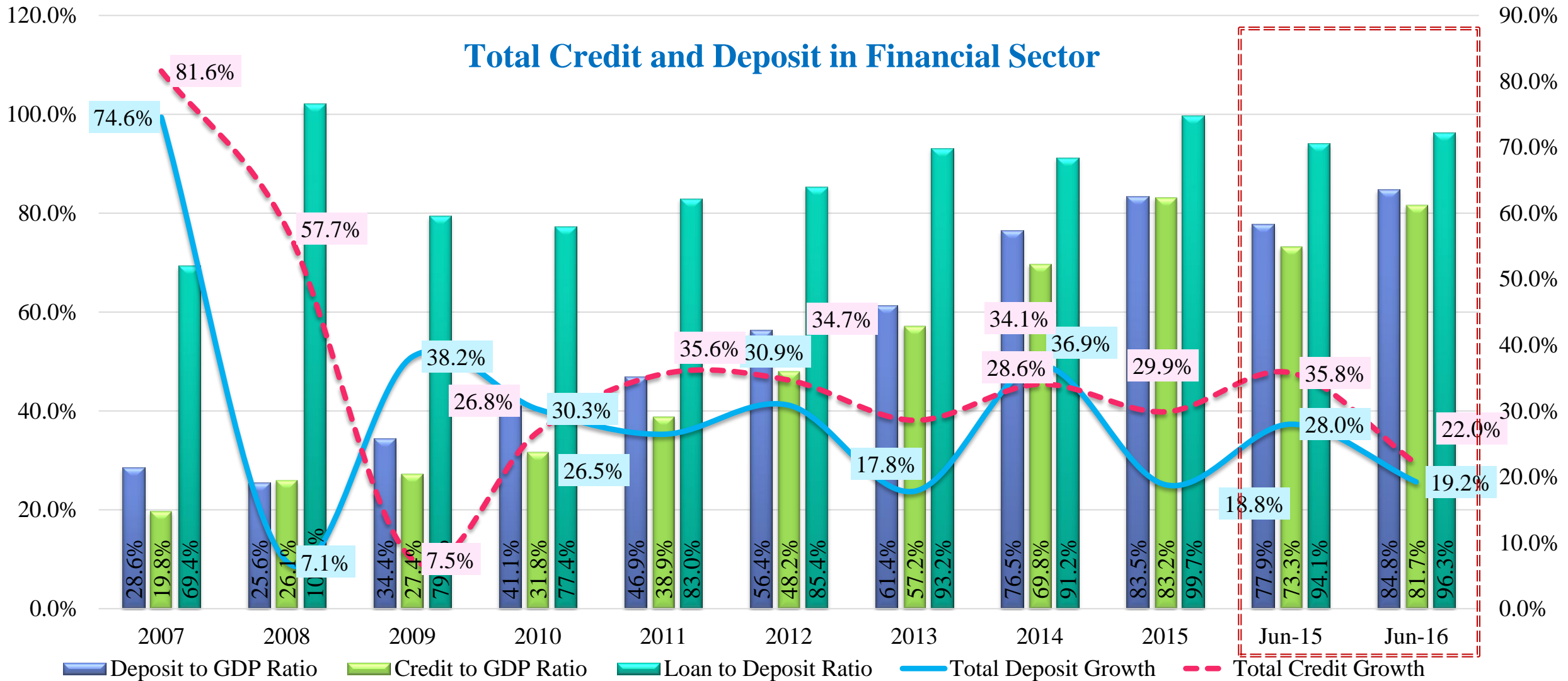
Share of Export Value by Countries



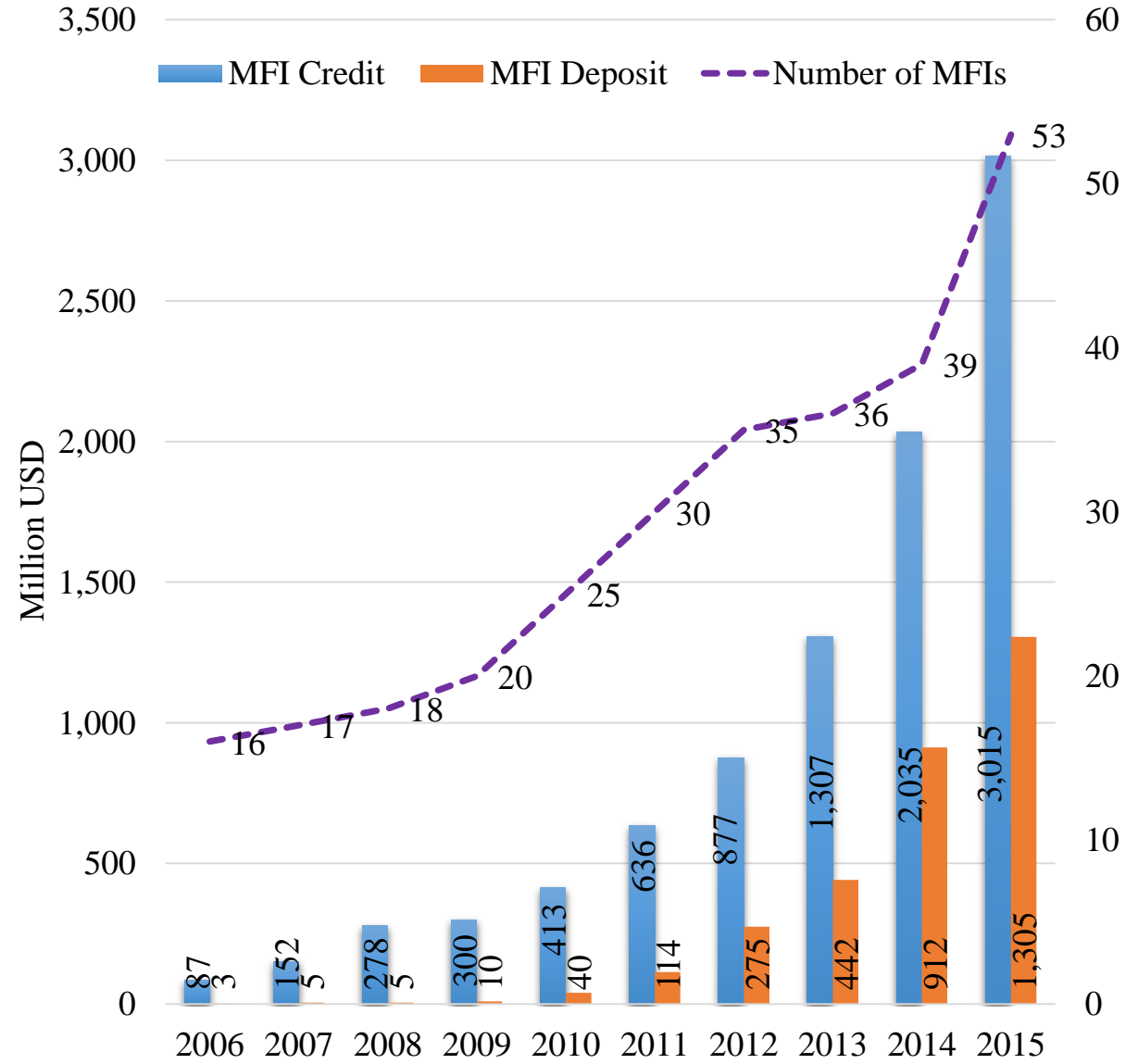
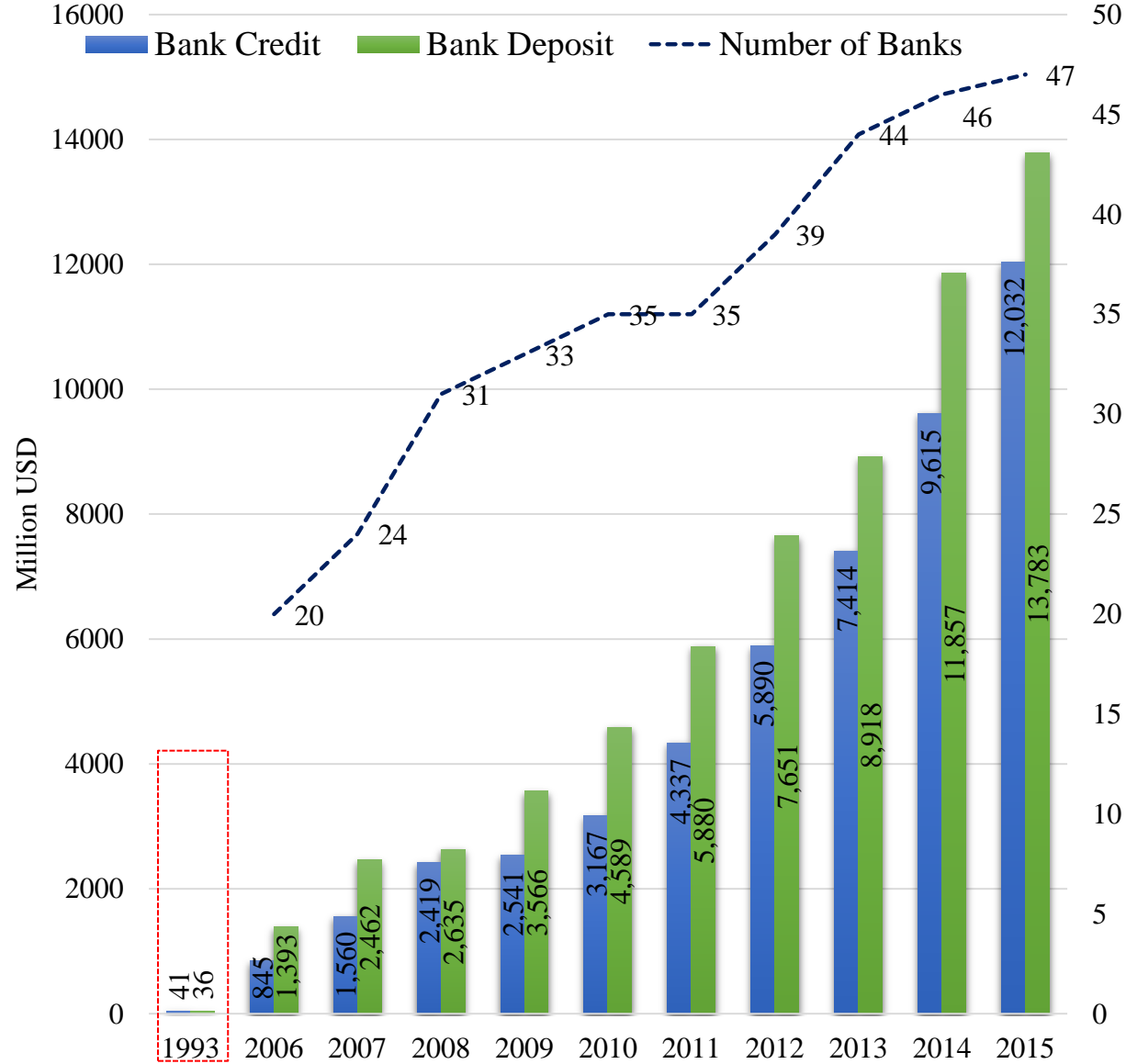
Source: Ministry of Economy and Finance, 2016

4. Financial Sector

Financial sector has been growing rapidly, reflecting the increased public confidence on the banking system, however, effective monitoring and supervision of financial institutions are required to ensure sustainability of the sector...



Financial sector continues expanding....



5. Challenges and Opportunities

Major Domestic Challenges

Slow structural reforms and economic diversification, and weak competitiveness

Rapid expansion of financial sector

Slow growth of labor productivity/TFP

Climate change

Low completion rate of secondary education and lack of skills

Logistics and transportation system

Major Domestic Opportunities

Fast growing middle class

Regional integration policies in concert with open and favorable policies for investment in all sectors

Strategic location for connecting with ASEAN and Greater Mekong Sub-region in developing infrastructure and strengthening production clusters for regional and international markets

Demographic dividend

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. China's rebalancing (slowdown)	Strategic location for connecting with ASEAN and Greater Mekong Sub-region in developing infrastructure and strengthening production clusters for regional and international markets
3. Gradual recovery of international oil prices	Factory relocation from China
	China's transitioning from domestic investment led economy to consumption-led economy
	Growing middle class, especially in China

6. Ways Forward

Ways Forward

- **Continue implementing macro-prudential policy**
- **Strengthening economic competitiveness and diversification**
 - Skill development
 - Improving logistic and transport system
 - Trade facilitation
 - Reducing cost of doing businesses
- **Further implementing the New Growth Strategy: IDP 2015-2025**
- **Strengthening education system and research and development**
- **Reviving agriculture:** continue investing in the sector, i.e. irrigation system, improving farmers' access to quality seeds, strengthen agricultural extension and improve farmers' awareness on agriculture techniques, etc.
- **Diversifying tourism products and develop tourism infrastructure**

Ways Forward

- **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 (PPP)**
- **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....**



Thank You!



Cambodia Industrial Development Policy (IDP) 2015-2025

“New Growth Strategy” that responds to the structural transformation of domestic economy and the changing regional and global economic architecture...

Vision

To transform and modernize Cambodia’s industrial structure from a labor-intensive industry to a skill-driven industry by 2025 through:

- Linking with regional and global value chain
- Integrating into regional production networks and developing interconnected production clusters along with the efforts to strengthen competitiveness and enhance productivity of domestic industries
- Moving towards developing a technology-driven and knowledge-based modern industry

3 Targets

1. to increase the GDP share of industrial sector to 30% by 2025 (24.1% of GDP in 2013) with the manufacturing sector growing from 15.5% in 2013 to 20% in 2025
2. to diversify the export of goods by increasing the export of non-textile to reach 15% of all exports by 2025 while still promoting the export of processed agricultural products to reach 12% of all exports by 2025
3. to encourage the formal registration of 80% of small enterprises and 95% of medium enterprises and to ensure that 50% of small enterprises and 70% medium enterprises to have proper accounts and balance sheets

4 Key Strategies

1. Mobilizing and attracting foreign investments as well as private domestic investments by focusing on large industries, expanding markets and enhancing more technology transfer
2. Developing and modernizing small and medium enterprises (SMEs)
3. Revisiting the regulatory environment so as to strengthen the country competitiveness
4. Coordinating supporting policies (development of human resource, technical training, improvement of industrial relations, development of support infrastructure and ICT)

Priority Investment Opportunities



New Industries

- Electronic assembly
- Natural resources processing
- High Valued Added Garment Products
- Industrial equipment assembly

Supporting Industry

- SMEs Supporting Industry
- Light Manufacturing
- Construction materials
- Food and Beverage
- Packaging equipment for export
- Transport and Logistic

Agro-Industrial

- For Export and Domestic Market

Other Sectors

- Tourism sector
- Human Resource Development
- Information technology and telecommunication
- Energy Development
- Furniture manufacturing
- Traditional Handicraft