

SOCIOECONOMIC PERFORMANCE OF CAMBODIA

1. **Economic performance**¹. Growth over the last ten years has been driven by an open economy and stable macroeconomic environment. These features are seen in the rapid increases in exports and Foreign Direct Investments (FDIs) and the relative stability of inflation which averaged 4.7% in the past decade. Stable macroeconomic management has been achieved with few policy instruments. With a largely dollarized economy, fiscal policy was the main instrument in the policy mix. Growth is narrowly based with only four leading sectors, garments, tourism, construction and agriculture, with very little diversification among them as garments comprise 88% of exports.

2. With the fourth year of consecutive economic growth in 2007, the country fell into a slowdown in 2008, with expected output growth of only 7.5%. Cambodia's two main supporting industries, garments and construction, are continuing the downward trend in 2008. External factors, such as fears of recession in the US and the anticipated end of safeguarding measures against Chinese exports, are adversely affecting the growth of Cambodia's garment industry. Residential construction growth is expected to slow down, given anticipated drops in prices for residential construction and land.

3. The number of foreign tourist arrivals in Cambodia still continues to increase steadily, although at a slower pace because of the global economic slowdown as well as the dispute along Thai and Cambodian border. The agricultural sector remains strong, with optimal weather conditions and an expanding market for agro-industry, although investments for this sector in 2008 remains slim. Sustainable growth potential could be harnessed with increased competitiveness and diversification, particularly in crop production. Cambodia has the potential to significantly increase yield in rice production which could provide a sizeable growth in the short term. Investments in irrigation, milling, warehousing and related infrastructure could further spur growth in the sector, with greater opportunities available for rice in the export market.

4. Despite an active agricultural sector and capacity production of crops, livestock and fish, food prices continue to increase significantly, starting 2004. This is attributed to the large amounts of local food products which are informally exported to neighboring countries, where they are subsequently sold for considerably higher prices. This caused shortages of local food supply which then caused importation from neighboring countries, particularly Thailand, but at higher prices than what was originally exported. This pushed prices of food commodities in Cambodia.

5. Foreign direct investments showed substantial growth in the past decade, with investments projects mostly in the garment and tourism sectors. Prospects are however slim for new investments due to the current global financial crisis and limited local skills and resources. The pending launch of the Cambodian Stock Market and oil and gas industry opportunities are likely to attract foreign investors and massive injections of foreign investments.

6. As a share of GDP, total government expenditure remained stable in the past 5 years, with civil administration (wages), defense and security getting most of the shares. Based on previous trends, total expenditures are expected to meet targets for 2008. To maintain living standards and achieve poverty reduction, spending on wages for civil administration remains to be a priority. Table A1.1 below shows various country economic indicators from 1998–2008.

¹ World Bank. *Sustaining Rapid Growth in a Challenging Environment*. Cambodia Economic Memorandum. World Bank. 2008

**Table A1.1 Macroeconomic Indicators
1998-2008**

Item	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
A. Income and Growth											
1. GDP, per capita (\$, current prices)	256.2	287.9	287.0	312.4	325.8	349.1	392.9	452.9	522.1	610.2	
2. GDP Growth (% , constant prices)	5.0	12.6	8.4	7.7	7.0	8.5	10.3	13.3	10.8	10.2	6.5 ^a
- Agriculture	5.1	3.7	-1.2	4.5	-3.5	10.5	-0.9	15.7	5.5	5.0	
- Industry	6.2	21.2	31.2	11.4	16.8	12.0	16.6	12.7	18.3	8.4	
- Services	5.0	14.6	8.9	8.7	10.0	5.9	13.2	13.1	10.1	10.1	
3. Sectoral Shares (% of GDP)											
- Agriculture	46.3	43.5	37.9	36.7	32.9	33.6	31.2	32.4	31.7	31.9	
- Industry	17.4	19.1	23.0	23.6	25.6	26.3	27.2	26.4	27.6	26.8	
- Services	36.3	37.5	39.1	39.7	41.5	40.1	41.7	41.2	40.8	41.3	
B. Savings and Investment (market prices)											
1. Gross Domestic Capital Formation (% of GDP)	11.8	16.7	16.9	18.5	18.1	20.1	16.2	18.5	20.6	20.8	
2. Gross National Savings (% of GDP) ^b	...	...	...	...	...	...	...	...	13.4	12.7	
C. Money and Inflation											
1. Consumer Price Index (annual % change)	14.8	4.0	-0.8	0.2	3.3	1.2	3.8	5.8	4.7	5.9	20.0 ^b
2. Money Supply (M2) (annual % change)	15.7	17.3	26.9	20.4	31.1	15.3	30.0	16.1	38.2	62.9	
D. Government Finance (% of GDP)											
1 Revenue and Grants	8.0	9.8	10.0	9.8	10.4	9.8	10.0	10.2	10.9	12.1	
2 Expenditure and Onlending	13.4	13.6	14.8	16.2	17.7	15.9	13.9	13.3	14.2	15.4	
3 Overall Fiscal Balance	-2.4	-1.2	-2.1	-3.1	-3.4	-4.0	-2.0	-0.5	-0.8	-1.2	
E. Balance of Trade/Payments											
1 Current Balance (\$ million)	(179)	(177)	(100)	(43)	(99)	(167)	(115)	(266)	(78)	(253)	
2 Merchandise Exports (\$ million)	802	1,130	1,397	1,571	1,770	2,087	2,589	2,910	3,694	4,089	
3 Merchandise Imports (\$ million)	1,166	1,592	1,936	2,094	2,361	2,668	3,269	3,928	4,749	5,424	
4 Trade Balance (\$ million)	(364)	(462)	(539)	(523)	(591)	(581)	(681)	(1,018)	(1,056)	(1,334)	
5 Merchandise Exports (\$) Growth (annual % change)	(6.9)	40.9	23.6	12.5	12.6	17.9	24.1	12.4	26.9	10.7	
6 Merchandise Imports (\$) Growth (annual % change)	6.7	36.5	21.6	8.2	12.7	13.0	22.5	20.1	20.9	14.2	
7 Foreign Direct Investments (\$ million)	223.1	221.2	141.9	142.1	139.1	74.3	121.2	374.9	474.8	866.2	
F. External Payments Indicators											
1. Gross Official Reserves (\$ million)	439	509	611	698	914	982	1,118	1,159	1,411	2,143	
2. External Debt Service (% of exports of goods and services)	1.1	2.1	1.6	1.0	0.8	0.9	0.8	0.7	0.6	...	
3. Total External Debt (% of GNI)	80.5	73.6	74.4	70.1	70.6	71.4	67.6	58.4	50.6	...	
G. Memorandum Items											
1 GDP (Riel billion, current prices)	11,719	13,408	14,089	15,579	16,781	18,535	21,438	25,754	29,849	35,039	
2 GDP (\$ million, current prices)	3,108	3,556	3,608	4,000	4,270	4,652	5,324	6,263	7,357	8,762	
3 Exchange Rate (Riel/\$, end of period)	3,770	3,770	3,905	3,895	3,930	3,984	4,027	4,112	4,057	3,999	
4 Population (million)	12.1	12.4	12.6	12.8	13.1	13.3	13.5	13.8	14.1	14.4	

... = not available, ADB = Asian Development Bank, GDP = gross domestic product, GNI = Gross National Income, M2 = broad money supply.

^a Projections from Asian Development Outlook Update 2008.

^b Data from IMF Staff Report for the 2008 Article IV Consultation.

Source: ADB Key Indicators 2008, Asian Development Outlook 2008, IMF Staff Instructions, Article IV 2008.

7. **Poverty reduction and social development**². Economic growth in Cambodia has translated to improved living standards and reduced poverty levels in recent years. Though poverty incidence remained at an average of around 35% 1998 to 2004, the depth of poverty has decreased as shown by the poverty gap ratio which decreased from 9.7% in 1998 to 3.6% in 2004. Economic expansion might have benefited a larger portion of the population, in particular women who have found employment in the garment industry. However, inequality in income distribution has increased, with the GINI ratio at 43% in 2007 from 39% in 2004.

8. In the area of human development, there has been improvement in Cambodia from a ranking of 136th in 1998 to 131st in 2005. This could be attributed to the following substantial improvements in social indicators: (i) infant mortality has gone down from 89 deaths/1000 births to 65 deaths/1000 births; (ii) life expectancy increased to 58 years in 2005 from 56 years in the mid-1990s, with the female expectancy rates increasing to almost 61 years from 58 years; (iii) primary school enrollment has improved from 82.5% in 1998 to almost 90%; (iv) literacy rate among those in the 15-24 years of age jumped from 76% to 86%; (v) child malnutrition slid from 52% to 36%; and (vi) population with access to safe water shot to 65% of the total, from just 19%.

9. See Table A1.2 for trends in various poverty and social indicators.

² World Bank Economic Report, 2008.

Table A1.2 Social and Poverty Indicators

Item	Period			Remarks
	1998	2002	Latest Year	
A. Population Indicators				
1. Total Population (million)	12.1	13.1	14.4	2007
2. Annual Population Growth Rate (%)	4.2	2.4	1.9	2007
B. Social Indicators				
1. Total Fertility Rate (births/woman)	4.8	3.6	3.6	2005
2. Maternal Mortality Rate (per 100,000 live births)	590 (1995)	450 (2000)	540	2005
3. Infant Mortality Rate (below 1 year/1,000 births)	89 (1995)	78 (2000)	65	2007
4. Life Expectancy at Birth (years)	56.1 (1995)	57.4	58.0	2005
-Female	57.9	59.4	60.6	2005
-Male	54.3	55.2	55.2	2005
5. Adult Literacy (in % for 15-24 yrs old)	76.3	80.3	86.2	2007
-Female	71.1	75.9	82.7	2007
-Male	81.8	84.5	89.6	2007
6. Primary School Net Enrollment (%)	82.5	86.7	89.9	2006
-Female	78.4	81.4	89.0	2006
-Male	86.5	87.6	90.9	2006
7. Public Expenditure on Education (% of GDP)	1.9	1.9	1.9	2005
8. Child Malnutrition (% below age 5)	52.4 (1995)	45.2 (2000)	35.6	2005
9. Population with Access to Safe Water (%)	19 (1995)	38 (2000)	65.0	2006
10. Population with Access to Sanitation (%)	8 (1995)	16 (2000)	28.0	2006
11. Human Development Index Rank	136	130	131	2005
12. Gender-Related Development Index Rank	...	105	113	2005
C. Poverty Indicators				
1. Poverty Incidence (%)	36	35	35	2004
2. Inequality (Gini Coefficient)		39 (2004)	43	2007
3. Poverty Gap Ratio	9.7		3.6	2004
4. Human Poverty Index	...	43	39	2007
- Rank	...	73	85	2007

... = not available.

Sources: ADB Key Indicators, UNDP Human Development Reports, 2000–2008.