



The Economy of Cambodia

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The background image shows an ancient stone temple structure, likely Mayan or Aztec, with large tree roots growing over it. The stone is weathered and covered in moss. There are several doorways or niches visible, some containing carved figures. The scene is set in a lush, green environment.

OVERVIEW

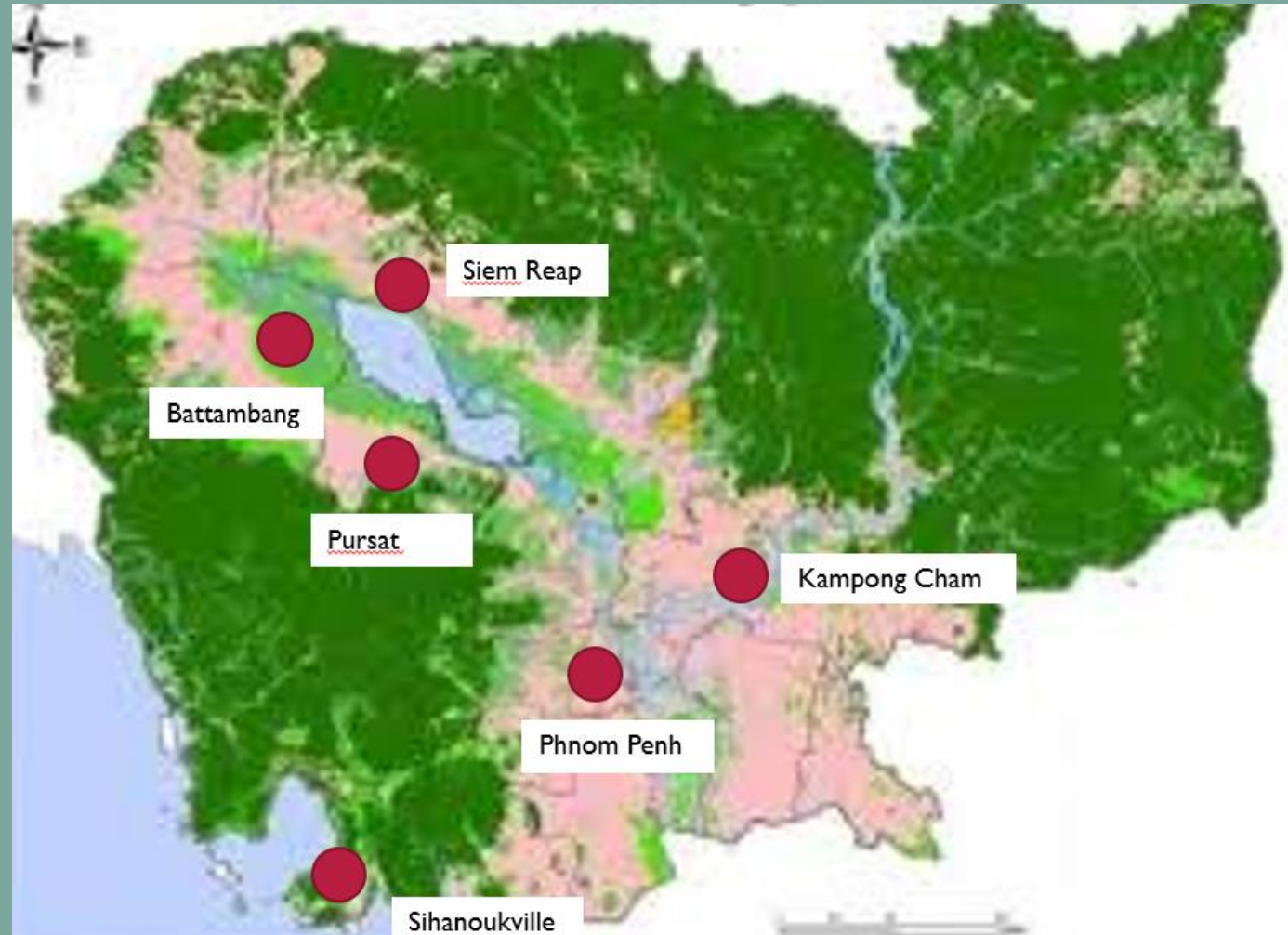
Socioeconomic indicators

	2000	2018
Population	12.2 million	16.5 million
GDP per capita	\$236	\$1,600
Under 5 mortality (per 100,000 births)	83	35
Infant mortality (per 100,000 births)	66	28
Primary education	82%	97%
Poverty rate	34.2%	17.7%



Geography

- Land area: 180,000 sq km
- 90% of Cambodian population live in the fertile, flat lowlands around the Tonle Sap lake; constitutes 40% of the total land area
- Cambodia's main towns and cities are located in this area
- Sihanoukville is the only seaport in Cambodia



Historical milestones

- Late 1980s: Cambodia transitions to a market economy and embarks on economic reforms
- 1990s: Cambodia receives large foreign direct investment flows; official development assistance; and preferential market access to the European Union and the United States



Historical milestones

- 1998: National Assembly endorses Rectangular Strategy and the first five-year National Strategic Development Plan
- 2015: Cambodia graduates from low income country to lower middle-income status

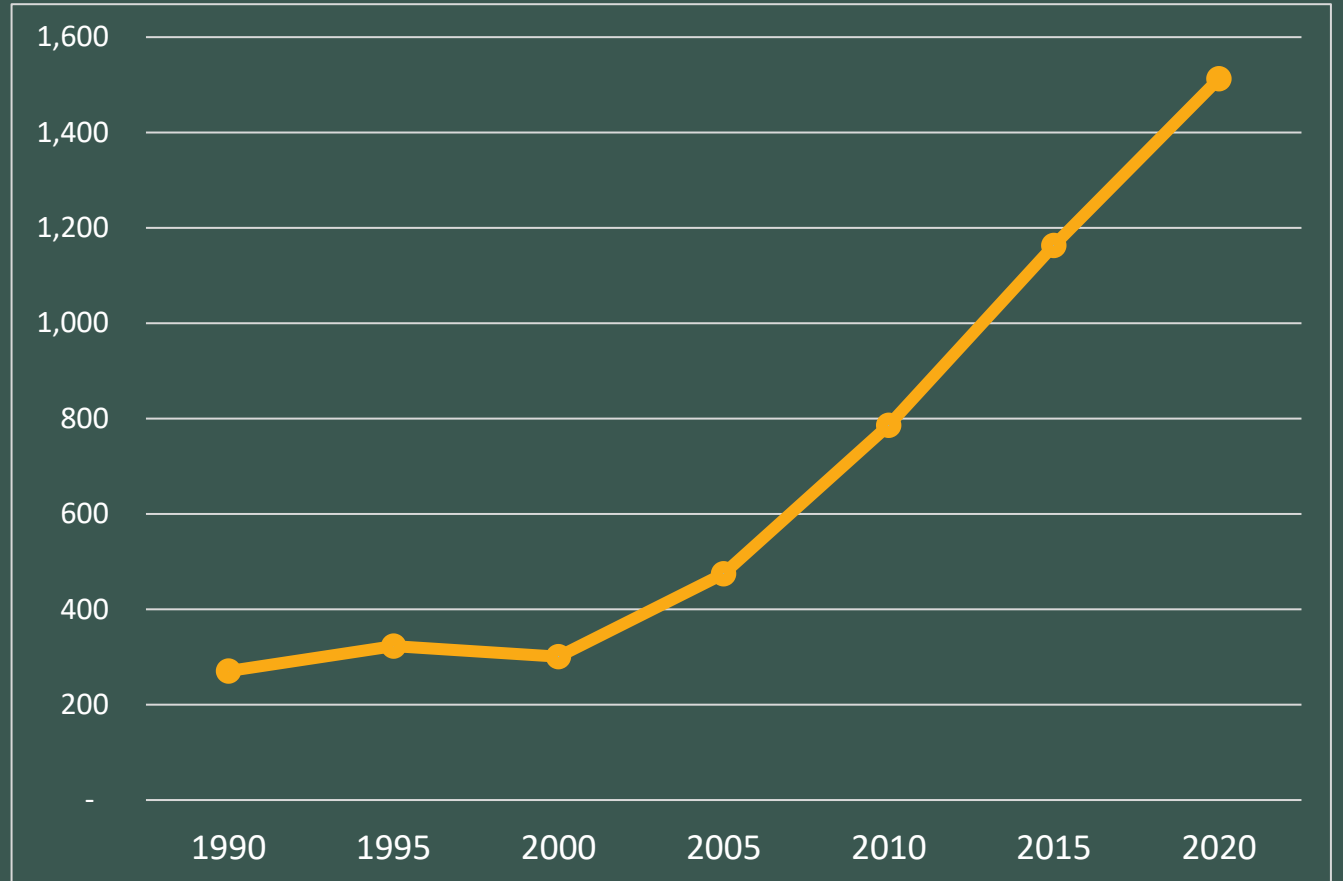


ECONOMIC PERFORMANCE



A rapidly growing economy

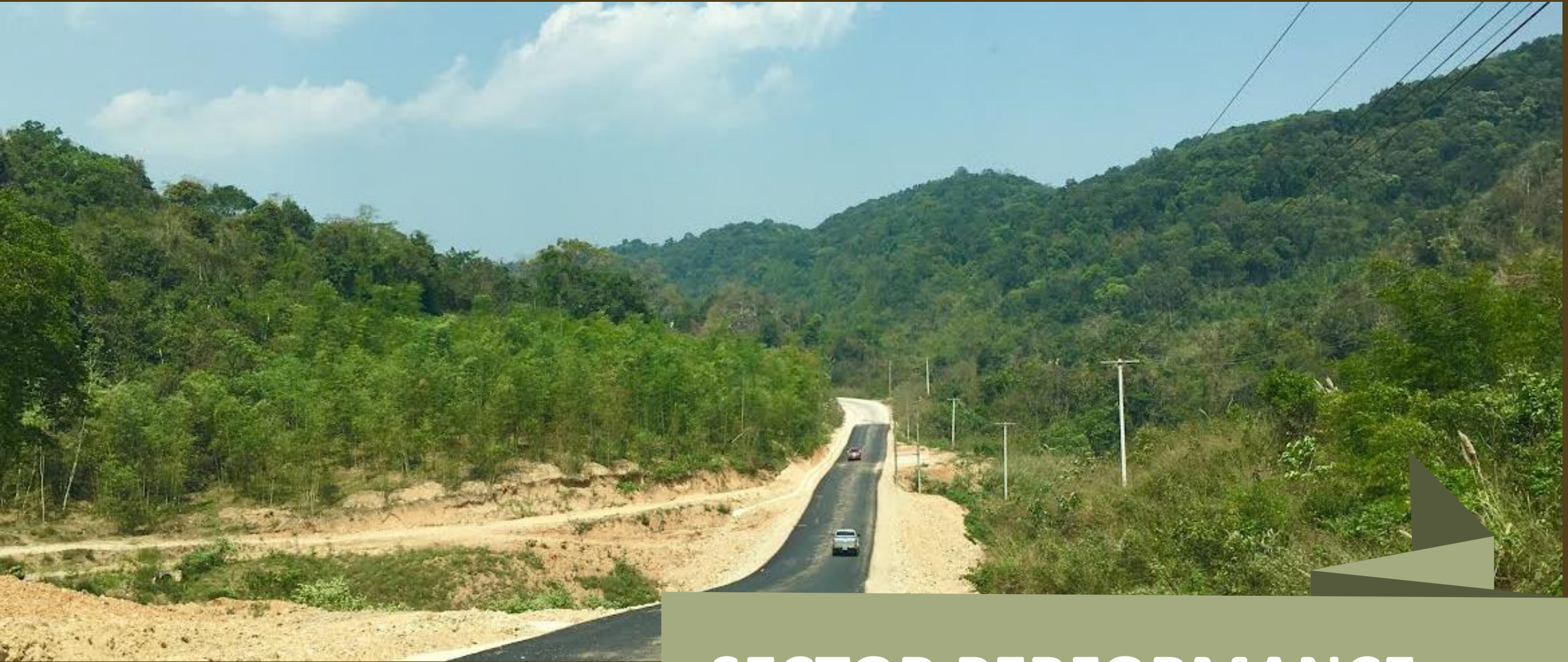
- A fast-growing economy: GDP growth averaged 8% between 1998 and 2018
- GDP per capita increased from \$236 in 2000 to \$1,600 in 2018
- Main income generating sectors: garment, tourism, construction, agriculture



Poverty reduction and inequality

- The percentage of people living below the national income poverty line declined from 34.2% in 2007 to 17.7% in 2018; Cambodia's income inequality is also low
- Cambodia has reached lower middle-income status in 2018 and aspiring to attain upper middle-income status by 2030





SECTOR PERFORMANCE

Agriculture

- Agricultural transformation: declining share of agriculture in value addition and employment
- Agriculture still contributes 22% of GDP
- Flood and drought remain perennial challenges



Reasons for low productivity agriculture

- Climate vulnerability in agricultural production; climate change
- Poor infrastructure
- Underdeveloped agricultural value chains
- Unsustainable natural resources management



Human development

- Net enrollment in primary education increased from 82% in 1997 to 97% in 2016
- Low completion rate in lower secondary (57% in 2017); significantly below low middle-income country average



Human development issues

- Technical and vocational training system lacks needed links to industry; skills gaps in almost all employment categories, particularly higher level skills
- Maternal and child health, early childhood development, and primary education have improved in rural areas



Urban development

- 76% of Cambodians still live in rural areas; urbanization rate is moving rapidly averaging 7% per year
- 50% of the national GDP is produced in urban areas.
- Construction sector has grown rapidly, fueled by demand in Phnom Penh and Sihanoukville



Urban development

- Progress has been made in providing roads, water supply, sanitation, and solid waste management services
- Gaps still remain; in 2017, 21% of Cambodia's population (3.4 million people) did not have access to improved water, and 34% (5.4 million people) did not have access to improved sanitation



Transport

- Lack of access to year-round all-weather roads impacts food value-chains and access to health, education and other public services.
- By 2030, Cambodia's firms are projected to move 4.1 times more goods through country's highways, ports, airports and warehouses
- However the transportation network has not kept pace with rapid economic growth



Transport network in Cambodia



Trade

- Cambodia's overall export basket is dominated by manufacturing products, mainly garments
- Relocation of garment factories from South Korea, Taiwan, and PR China to Cambodia helped stimulate garment exports



Trade

- Composition of Cambodia's export basket differs by destination
- In 2009 exports to GMS comprised largely of primary products (90%)
- Primary products accounted for only 10% of the total exports to the rest of the world





DEVELOPMENT CHALLENGES

Development challenges

- Cambodia cannot continue to rely on its past sources of growth as it is narrow-based
- Cambodia faces an uncertain global trading environment and increased regional competition
- Value addition in agriculture, tourism, and construction remains limited
- Droughts and floods are becoming increasingly common



Development challenges

- Exports from garments account for 70% of total exports; however they are geared to low-quality and low-priced market segment in the European and the United States
- Diversification in light manufacturing towards higher-value products; however these constitute about 5% of total exports



Development challenges

- Quality of human capital is important to achieve Cambodia's ambitious goal of reaching middle-income status by 2030
- Accountable and responsive public institutions will be critical to meet evolving needs of citizens and the private sector
- The COVID-19 has caused sharp deceleration in most of Cambodia's main engines of growth—tourism, manufacturing exports, and construction



CONCLUSION



Conclusion

- Cambodia has achieved significant economic progress since the reforms of the 1980s and particularly from 2000s onwards
- Political and macroeconomic stability has played an important role in Cambodia's rapid economic growth
- The economic structure has a narrow base, comprising garments, tourism, agriculture and construction; in the future its success will be on how it diversifies its economy

Conclusion

- Cambodia faces several development challenges in terms of human development, limited infrastructure, governance, institutions and also sustainability of its economic growth
- External shocks will have repercussions on Cambodia's economy; therefore government will need to be able to anticipate and respond to these challenges

THANK **Y**OU!