



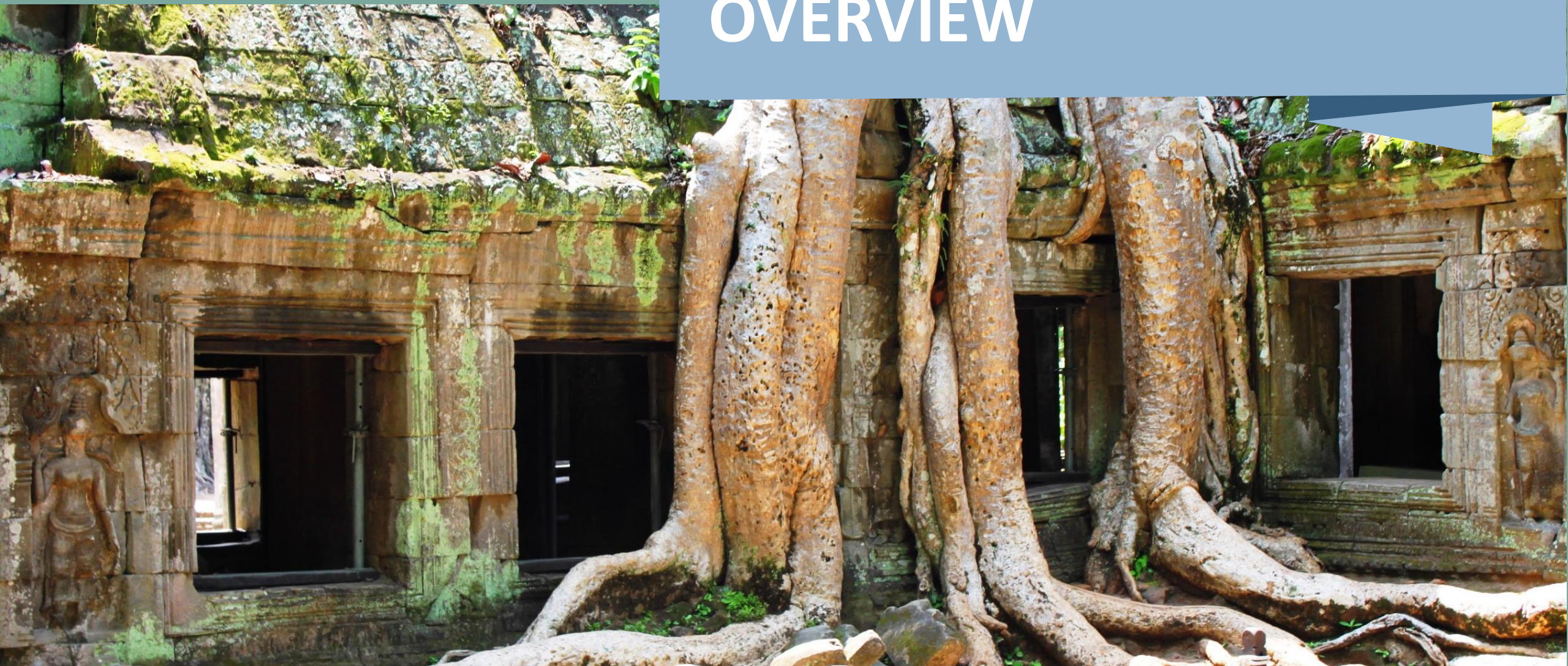
# The Economy of Cambodia

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# From time to time, give your audience a break!



# 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

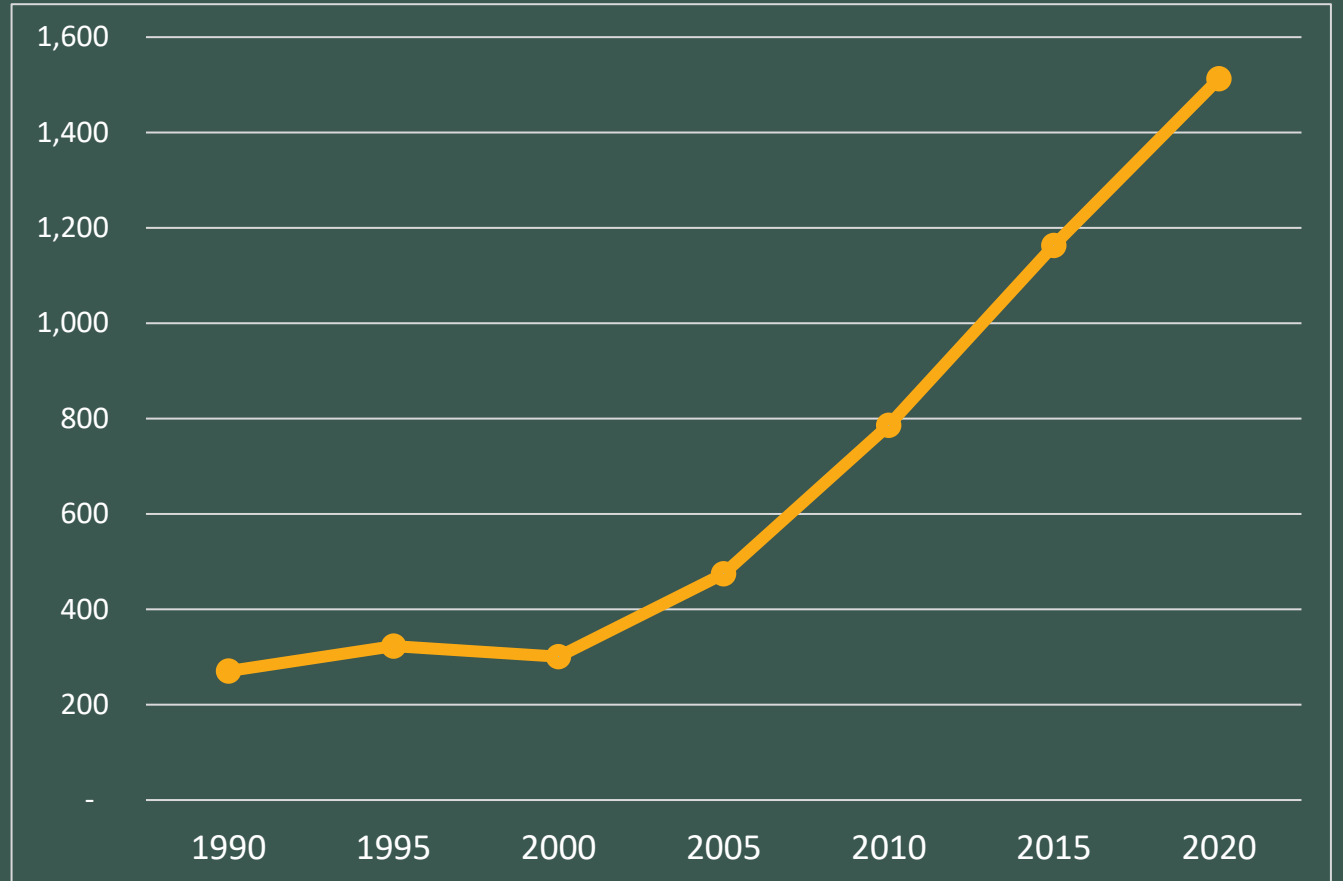


# ECONOMIC PERFORMANCE



# A rapidly growing economy

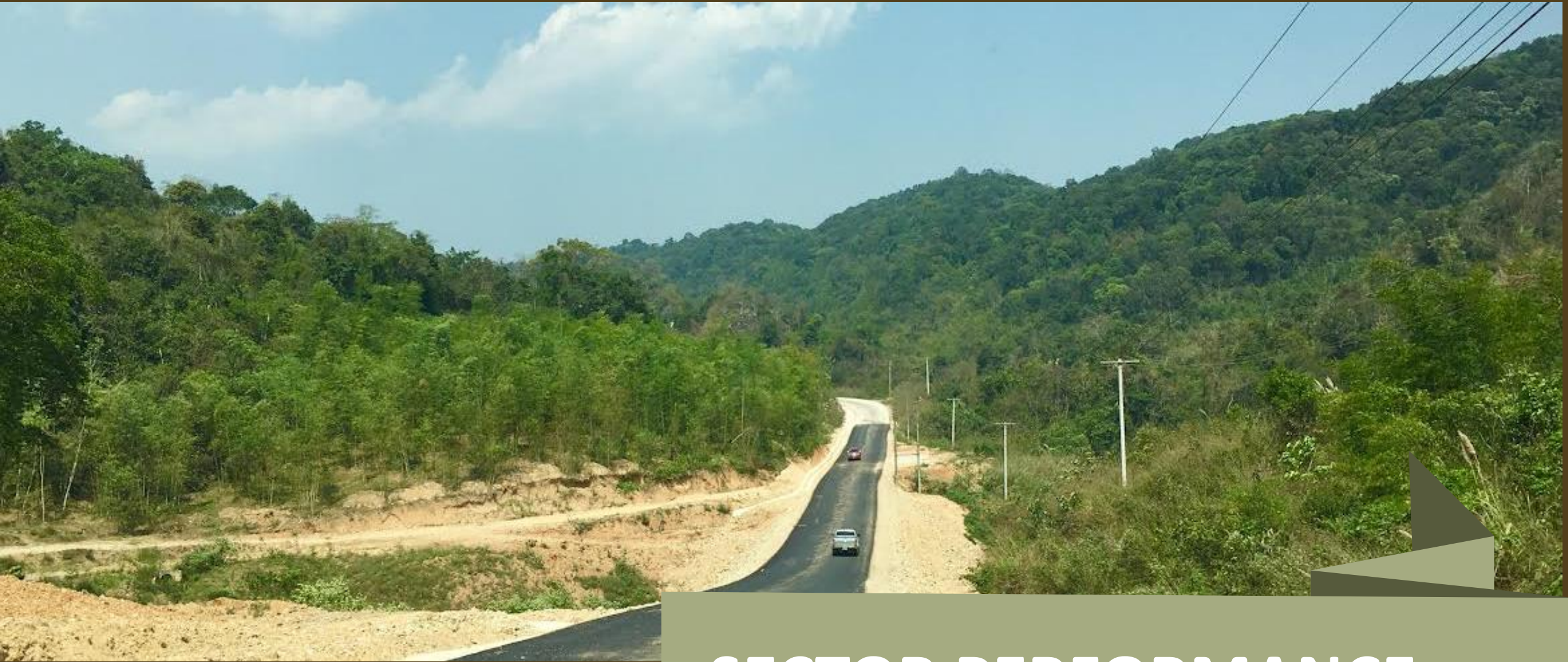
- A fast-growing economy: GDP growth averaged 8% between 1998 and 2018
- GDP per capita increased from \$236 in 2000 to \$1,600 in 2018
- Main income generating sectors: garment, tourism, construction, agriculture



# 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





# 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

**T**HANK **Y**OU!