
Country Report

Cambodia

November 2011

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Economist Intelligence Unit

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Executive summary

Highlights

November 2011

Outlook for 2012-13

- The ruling Cambodian People's Party (CPP) will remain politically dominant in the forecast period. The CPP controls more than two-thirds of the seats in the National Assembly (the lower house of parliament).
- The apparatus of the state will continue to be used against the government's opponents, such as the opposition leader, Sam Rainsy, who remains in self-imposed exile after being sentenced *in absentia* to a total of 11 years in prison.
- Cambodia's economy is recovering, but growth will not return to the highs of around 10% that were recorded in the years preceding the 2008-09 global financial crisis. Real GDP will expand by 6.3% in 2012 and by 6.8% in 2013.
- Monetary policy will have to be tightened as inflationary pressures re-emerge, but the National Bank of Cambodia (the central bank) will not rush into raising the banking sector's reserve requirement.
- After rising to an estimated 5.7% in 2011, consumer price inflation will slow to 4.8% in 2012 and will then remain more or less stable in 2013.
- The current-account deficit will remain substantial as a proportion of GDP in the forecast period, but Cambodia will avoid financing difficulties owing to its healthy foreign-exchange reserves and a recovery in foreign direct investment.

Monthly review

- Criminal charges have been filed against several associates of the president of the Senate (the upper house), Chea Sim, in a sign that the prime minister, Hun Sen, may be seeking to sideline possible rivals in the CPP.
- A UN-backed tribunal investigating war crimes committed by the Communist Party of Kampuchea (Khmer Rouge) is facing renewed criticism following the resignation in October of one of its two investigating judges, Siegfried Blunk.
- In a sign of improved relations, Cambodia and Thailand have agreed to withdraw their troops from a demilitarised zone surrounding the 11th-century Preah Vihear temple.
- On October 11th the Ministry of Economy and Finance abolished a 1% tax on production of rice. The government is struggling to meet its target of exporting 1m tonnes of milled rice by 2015.
- Owing to widespread floods, the government has revised down its growth forecast for 2011. In October the finance minister, Keat Chhon, said that the economy would expand by 6%, compared with the previous forecast of 7%.
- Floods have hit 17 of Cambodia's 24 provinces since mid-August, killing about 250 people and destroying at least 200,000 ha of rice paddy, according to the National Committee for Disaster Management.

Outlook for 2012-13

Political outlook

Political stability The Cambodian People's Party (CPP) will remain politically dominant in the forecast period. Although the 1993 constitution established elections to the National Assembly (the lower house of parliament) based on universal suffrage, polls have become increasingly one-sided. At the July 2008 general election the CPP tightened its grip on power, winning 90 of the 123 seats in the lower house. The CPP's electoral victories, coupled with the authoritarian tendencies of the prime minister, Hun Sen, and the ruling party's harsh treatment of its opponents, have increased concerns that Cambodia is becoming a *de facto* one-party state with few checks on executive power. In recent years the courts have upheld several convictions against prominent opposition figures, such as Sam Rainsy, the leader of the main opposition Sam Rainsy Party (SRP), who has been sentenced *in absentia* to a total of 11 years in prison. The opposition leader, who on March 15th was stripped of his seat in parliament after losing an appeal at the Supreme Court, has chosen to remain abroad rather than return home to a prison cell.

The state apparatus will continue to be used against the government's opponents. Officials in the capital, Phnom Penh, have outlawed demonstrations except at an officially designated "freedom park" away from state buildings and parliament. A new penal code, which came into force in December 2010, has tightened restrictions on freedom of expression. Reforms aimed at improving governance will be assigned a lower priority than efforts to entrench CPP rule, as demonstrated in early 2010, when the lower house approved an anti-corruption law under which an anti-corruption council and other bodies are answerable to the very officials whom they are meant to hold to account. In addition, a proposed law on non-governmental organisations (NGOs) poses a serious threat to civil society. In late September the UN special rapporteur on Cambodia, Surya Subedi, called on the government to review the controversial draft law, saying that it could curtail the legitimate work of NGOs.

Social tensions will persist during the forecast period. As the economy has recovered from the 2009 recession and the risk of redundancy faced by factory workers has receded, trade unions in the garment sector have grown more assertive, staging a series of strikes over pay and conditions. A proposed law on trade unions, which, as currently drafted, would impose new restrictions on organised labour, has also elicited strike threats. High global commodity prices have raised the cost of living in Cambodia and could cause renewed social distress. Meanwhile, land grabs by agricultural companies and property developers, often with close links to senior members of the CPP or the military, will continue to drive communities from their homes. The opposition will seek to exploit any increase in tensions for its own political ends, but Hun Sen is now so firmly entrenched in power that any electoral challenge to his rule seems set to fail.

Election watch The result of the next general election, which is due in mid-2013, appears to be a foregone conclusion, with Hun Sen's CPP expected to record another convincing victory. In 2009 the SRP and another opposition party, the Human Rights Party (HRP), led by Kem Sokha, formed an alliance, the Democratic Movement for Change, to contest indirect elections to provincial and district councils. However, the move proved ineffective: the CPP won convincingly, in line with its overwhelming majority of commune councillors, who formed the electorate. The SRP and HRP concluded another power-sharing agreement in early March 2011, and a formal merger is possible ahead of the next general election. At the 2008 poll they won a combined 29 seats in the lower house (26 for the SRP and three for the HRP), representing a modest improvement on their performance in the 2003 election. But their gains came at the expense of the two royalist parties, the Norodom Ranariddh Party and the National United Front for an Independent, Neutral, Peaceful and Co-operative Cambodia (FUNCINPEC), rather than hurting the CPP. Direct polls to commune councils that are to be held in early 2012 may provide an early indication of the likely scale of the CPP's victory at the 2013 general election.

International relations Relations between Cambodia and Thailand remain strained following a series of border clashes over the territory surrounding the Preah Vihear temple. The clashes escalated in late April and early May into the fiercest fighting yet as the two sides exchanged heavy artillery fire, killing around 20 people. But the victory of Yingluck Shinawatra, a sister of a former Thai prime minister, Thaksin Shinawatra, in the Thai general election on July 3rd has led to an easing of tensions. Yingluck visited Cambodia in mid-September in what she described as the beginning of a "new chapter" in relations. Cambodia and Thailand have since agreed to respect a July 18th ruling by the UN's main judicial body, the International Court of Justice, calling on both sides to withdraw their forces from a demilitarised zone covering around 17 sq km of territory. Although the risk of conflict has lessened, further border clashes cannot be ruled out. In addition, Cambodia and Thailand have yet to resolve the disputed sovereignty of resource-rich maritime areas in the Gulf of Thailand.

Rivalry between China and the US for influence in Cambodia is set to intensify in 2012-13. China has become an important partner for Hun Sen's government, owing in part to its cancellation of Cambodia's bilateral debt repayments falling due in 2010, as well as its financing of large-scale infrastructure projects. Unlike US assistance, which is typically conditional on greater respect for human rights, China's assistance has come without such strings attached. Cambodia's relations with Vietnam will be close while Hun Sen remains in power.

Economic policy outlook

Policy trends Although the economy has recovered following the 2008-09 global financial crisis, fiscal policy will remain broadly expansionary. As the rate of inflation accelerates, the National Bank of Cambodia (NBC, the central bank) will seek to restrain growth in the money supply, but the effectiveness of monetary policy will be hampered by the fact that the economy is highly dollarised. The 2009 global recession exposed Cambodia's structural economic vulnerabilities,

notably a dependence on garment exports. Officials have responded by seeking to develop other sources of economic growth. As part of plans for the country to become a major rice exporter, the government has set a target of exporting at least 1m tonnes of milled rice a year by 2015. At present Cambodia mainly exports paddy rice to neighbouring countries for processing. But, in a setback to the government's plans, floods that began in the third quarter of 2011 have destroyed at least 200,000 ha of rice paddy.

Fiscal policy Despite an improvement in tax collection and a new tax on properties valued over CR100m (US\$24,400), government revenue will remain low relative to GDP in 2012-13. The government will therefore continue to depend on foreign grants and loans to finance its deficits, which the Economist Intelligence Unit expects to amount to the equivalent of 5.8% of GDP on average in 2012-13. So far the country's donors, known collectively as the Cambodia Development Co-operation Forum, have pledged to provide US\$958m in assistance in 2011 and US\$751m in 2012. The government had hoped that production from oilfields in the Gulf of Thailand would provide new revenue in the form of taxes and royalties, but oil is now not expected to begin flowing until at least 2013. Weak revenue growth, combined with rises in expenditure (especially on defence and wages), will ensure that the budget remains in the red. The government does not issue Treasury bills or other securities, and it would therefore have to meet any financing shortfall by drawing on its deposits at the NBC, which have fallen from a high of CR3trn (US\$740m) in April 2009 to CR2.1trn in July 2011.

Monetary policy The effectiveness of monetary policy will remain limited, owing to extensive dollarisation of the economy. Although the rate of inflation remains relatively rapid, with consumer prices rising by 6.7% year on year in September, the NBC has yet to tighten monetary policy by increasing the banking sector's reserve requirement, which currently stands at 12%. Money supply growth remains relatively strong, with broad money (M2) expanding by 20.9% year on year in July. Bank lending to the private sector has followed a similar pattern, with claims on the private sector rising by 25.3% in that month. However, the pace of growth in bank lending to the private sector is still far below the peak rates of over 100% year on year that were recorded in early 2008. Given the impact of the floods, and the fact that the economy is likely to face stronger global headwinds in 2012, it may be some time before the reserve requirement is returned to its pre-crisis peak of 16%.

Economic forecast

International assumptions

International assumptions summary (% unless otherwise indicated)

| | 2010 | 2011 | 2012 | 2013 |
|------------------------|------|------|------|------|
| Real GDP growth | | | | |
| World | 4.9 | 3.7 | 3.3 | 4.0 |
| OECD | 3.0 | 1.7 | 0.9 | 1.9 |
| China | 10.4 | 9.0 | 8.2 | 8.3 |
| EU27 | 1.8 | 1.6 | 0.3 | 1.4 |

International assumptions summary

(% unless otherwise indicated)

| | 2010 | 2011 | 2012 | 2013 |
|---|---------|---------|---------|---------|
| Exchange rates | | | | |
| ¥:US\$ | 87.8 | 79.6 | 76.8 | 80.0 |
| US\$:€ | 1.328 | 1.393 | 1.328 | 1.283 |
| SDR:US\$ | 0.652 | 0.629 | 0.640 | 0.654 |
| Financial indicators | | | | |
| € 3-month interbank rate | 0.81 | 1.34 | 1.10 | 1.13 |
| US\$ 3-month Libor | 0.34 | 0.30 | 0.31 | 0.48 |
| Commodity prices | | | | |
| Oil (Brent; US\$/b) | 79.6 | 110.0 | 90.0 | 95.0 |
| Gold (US\$/troy oz) | 1,224.7 | 1,582.1 | 1,805.0 | 1,300.0 |
| Food, feedstuffs & beverages (% change in US\$ terms) | 10.7 | 31.4 | -11.5 | -8.1 |
| Industrial raw materials (% change in US\$ terms) | 45.4 | 23.7 | -10.1 | 1.3 |

Note. Regional GDP growth rates weighted using purchasing power parity exchange rates.

Economic growth

Cambodia's economy has recovered from the 2008-09 global financial crisis, but we estimate that real GDP expanded by 6.5% in 2011, still below the annual growth rates of around 10% recorded in the years preceding the crisis. Growth so far this year has been supported by strong export-led manufacturing activity, but economic activity in the fourth quarter is likely to be disrupted somewhat by severe floods in 17 of the country's 24 provinces. Although Cambodia's closer economic ties with China and other fast-growing regional economies will support aggregate demand at a time of relatively weak growth in the world's advanced economies, Cambodia's GDP expansion will slow in 2012, to 6.3%. Together the US and the EU's 27 member states still account for around 50% of the country's export earnings. The garment sector remains particularly exposed to the US economy, Cambodia's main export market, accounting for around 35% of export earnings in 2010. As the world economy begins to recover in 2013, we expect Cambodia's GDP growth to accelerate to 6.8%. Agriculture will become an increasingly important source of economic growth, in line with official plans to boost exports of milled rice, while the tourism sector will attract more visitors in 2012-13.

Inflation

After accelerating to an estimated 5.7% on average in 2011, we expect the pace of consumer price inflation to slow to 4.8% in 2012. Although demand-side pressures are set to rise in line with the recovery in domestic demand, we expect global commodity prices to experience sharp falls. The international price of oil (dated Brent Blend) will fall by 18.2% to US\$90/barrel next year, according to our forecasts, while food prices are set to drop by 11.5%. In 2013 we expect the rate of inflation to slow on an annual average basis, to 4.7%, but price pressures will increase in line with stronger domestic demand and higher international oil prices. By end-2013 inflation will reach 6.4%.

Exchange rates

The Cambodian riel will depreciate by 2.2% on an annual average basis in 2012, mainly owing to the wide deficit on the current account, after appreciating by an estimated 2.5% in 2011. The NBC has accumulated a relatively large stock of foreign-exchange reserves in recent years and it will intervene periodically to

support the local currency. The riel will depreciate by 1.8% in 2013. Given the continuing lack of confidence in the riel, the US dollar will remain the currency of choice in Cambodia for trade and investment.

External sector

The merchandise trade deficit will remain substantial in the forecast period, owing to Cambodia's reliance on imported capital goods. After recording strong growth in 2011, merchandise exports and imports are likely to slow in 2012 before accelerating again in 2013. There will be a rise in demand for imported trade-related services, such as insurance and freight, but the services account will remain in surplus as a result of increasing tourism revenue. The income deficit will narrow in the forecast period, owing to increased returns on Cambodia's holdings of foreign-exchange reserves. From an estimated 9.5% of GDP in 2011, we expect the current-account deficit to widen to 10% on average in 2012-13.

Forecast summary

(% unless otherwise indicated)

| | 2010 ^a | 2011 ^a | 2012 ^b | 2013 ^b |
|---------------------------------------|--------------------|-------------------|-------------------|-------------------|
| Real GDP growth | 4.7 | 6.5 | 6.3 | 6.8 |
| Gross agricultural production growth | 4.4 | 5.0 | 6.0 | 6.5 |
| Consumer price inflation (av) | 4.0 ^c | 5.7 | 4.8 | 4.7 |
| Base lending rate | 15.6 ^c | 15.5 | 16.1 | 16.5 |
| Central government balance (% of GDP) | -5.9 | -5.7 | -6.0 | -5.8 |
| Exports of goods fob (US\$ bn) | 5.5 | 6.5 | 7.0 | 8.2 |
| Imports of goods fob (US\$ bn) | -7.4 | -9.1 | -9.7 | -11.3 |
| Current-account balance (US\$ bn) | -1.0 | -1.4 | -1.4 | -1.8 |
| Current-account balance (% of GDP) | -8.4 | -9.0 | -9.3 | -10.8 |
| Exchange rate CR:US\$ (av) | 4,185 ^c | 4,082 | 4,173 | 4,250 |
| Exchange rate CR:US\$ (end-period) | 4,051 ^c | 4,146 | 4,196 | 4,298 |
| Exchange rate CR:¥100 (av) | 4,769 ^c | 5,126 | 5,431 | 5,313 |
| Exchange rate CR:€ (end-period) | 5,425 ^c | 5,577 | 5,518 | 5,287 |

^a Economist Intelligence Unit estimates. ^b Economist Intelligence Unit forecasts. ^c Actual.

Monthly review: November 2011

The political scene

Chea Sim's associates come under pressure

Close associates of the president of the Senate (the upper house of parliament), Chea Sim, who was once the most powerful man in Cambodia, have been hit with criminal charges. Chea Sim's chief of protocol, Pheng Kunthea Borey, was arrested on September 28th as she tried to cross into Thailand at the Cham Yeam border checkpoint in eastern Koh Kong province. She has been charged with fraud and forgery and is in provisional detention. High-ranking figures are rarely subject to such attention unless factional forces are at play. The charges against Chea Sim's close aides have fuelled speculation that the prime minister, Hun Sen, is attempting to strengthen his hold on power by sidelining a potential rival within the ruling Cambodian People's Party.

On October 4th a bankrupt businessman, Chhum Vandy, claimed that he had been left destitute after he signed a US\$3m contract to build a hospital on behalf of Chea Sim in the capital, Phnom Penh, in 2001. In addition, he claimed that he was reimbursed just US\$80,000 after borrowing hundreds of thousands of US dollars to build the facility. In addition, Chhum Vandy said that he first filed a complaint against Pheng Kunthea Borey in 2006. Two more businessmen apparently plan to file lawsuits against the protocol chief. Meanwhile, the Malaysian ambassador to Cambodia, Mohammed Hussein, has said that his embassy is investigating an unregistered company connected to a fake US\$120m contract allegedly drawn up by Pheng Kunthea Borey.

Several other officials close to Chea Sim have been arrested on accusations of forgery. Chhoeun Chanthan, a former chief bodyguard of the upper house president, was sent to Phnom Penh's municipal court on August 15th to be questioned about illegal weapons. Two of Chea Sim's former advisers have also been targeted—Chan Kosal was arrested on September 23rd and Ponlork Ho on September 25th. A former cabinet member, Khieu Bora, was also arrested on September 25th. At least one other alleged co-conspirator is apparently wanted by the police. Tellingly, the prime minister had singled out Chhoeun Chanthan during a speech in January 2010 warning corrupt military officials, stating that "in Cambodia, the prime minister directly controls the troops." Hun Sen replaced Chhoeun Chanthan as Chea Sim's chief bodyguard with Yim Leang. Yim Leang's sister, Yim Chhay Lin, is married to Hun Sen's son, Hun Many.

Cambodia is still ruled by quasi-feudal pyramidal patronage networks, with powerful benefactors at the top granting favour and perks to those underneath, while those lower down guarantee loyalty to their patron. Allies will often build patronage in different areas, allowing them to co-operatively control the country's institutions. But as patrons' power rises or wanes, competing networks can emerge. The consequences for Cambodia of such competition can be grim—in the late 1990s factional fighting between supporters of Hun Sen and Prince Norodom Ranariddh, who was ousted as prime minister by the former, cost lives and significantly damaged Cambodia's attractiveness to investors.

Doubts are raised over the UN's Khmer Rouge Tribunal

The beleaguered UN-backed Extraordinary Chambers in the Courts of Cambodia (commonly known as the Khmer Rouge Tribunal) is again facing criticism after the resignation on October 10th of Siegfried Blunk, one of the tribunal's two investigating judges. Mr Blunk blamed government moves that could be "perceived as attempted interference" for his decision. Two days later the Ministry of Foreign Affairs stated that government officials "have never and will never interfere" in the tribunal's work. However, these claims are undermined by previous contradictory remarks by high-ranking government officials. Hun Sen, a former cadre of the Communist Party of Kampuchea, or Khmer Rouge (KR, which ruled Cambodia during 1975-79, a period in which some 1.8m Cambodians died unnatural deaths), and who defected to Vietnam, has famously said that Cambodia should "dig a hole and bury the past". The prime minister recently warned that the country could slide back into civil war if the tribunal pursues further charges. In October 2010 Hun Sen told the UN secretary-general, Ban Ki-moon, that only the four former leaders who are currently indicted would be prosecuted.

The UN has vowed to plough on in the wake of Mr Blunk's departure. The trial of the four currently detained suspects—the KR chief ideologist, Nuon Chea; the KR head of state, Khieu Samphan; the KR foreign minister, Ieng Sary, and his wife, Ieng Thirith, who served as the KR social affairs minister—is scheduled to begin on November 21st. The tribunal's repeated funding problems (despite funding of US\$150m so far) give traction to accusations of inefficiency and incompetence. As the interminable proceedings drag on, an already disinterested Cambodian public is becoming further alienated. Many ask whether the elderly defendants will live long enough to hear a verdict.

Since its inception, in 2006, the tribunal's only success has been the conviction in July 2010 of Kang Kek Iew, better known by his *nom de guerre* "Duch", the former chief of the Tuol Sleng detention centre (known as Security Prison 21, or S-21), where the KR notoriously tortured and exterminated thousands of Cambodians. Duch was sentenced to 35 years' imprisonment for crimes against humanity, murder and torture. However, he had confessed to his crimes and was already detained by the Cambodian military, leading some critics to see his trial as a costly show. Duch has in any case launched an appeal.

Thai-Cambodian relations normalise

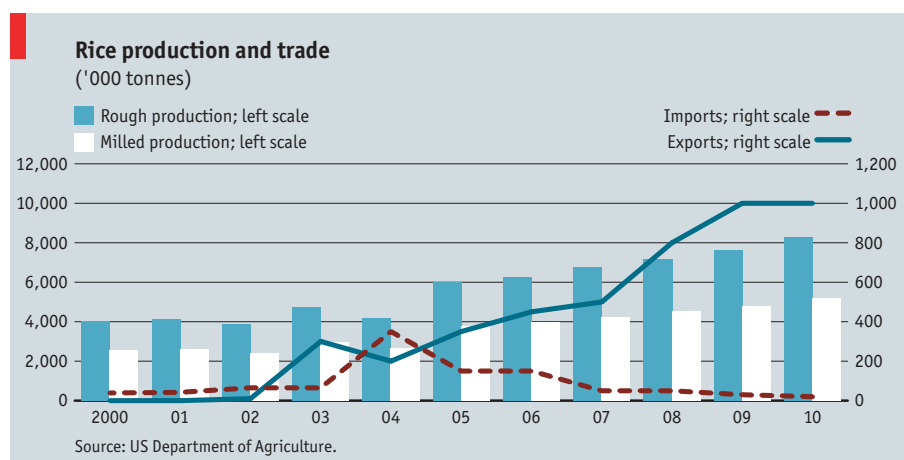
In another indication of a thaw in Cambodia's relations with Thailand, on September 23rd the Cambodian and Thai defence ministers agreed to comply with the order of the UN's International Court of Justice to withdraw both sides' troops from a disputed area surrounding the 11th-century Preah Vihear temple. Although no specific date for the pull-out has been set, the potential savings for Cambodia are significant. The country has recently raised defence spending owing to the threat from Thailand, buying armoured vehicles, new infantry equipment and upgrading its artillery. In 2010 Cambodia's Council of Ministers (the cabinet) proposed a 2011 defence budget of US\$298m, representing an increase of around 8%. The allocation amounted to 12.5% of total government spending and 1.2% of GDP. The cost of stationing tens of thousands of Cambodian soldiers in mountainous terrain along the northern border with Thailand is also likely to be high (although no figures are available).

The positive effects of improving bilateral relations are most immediately obvious with regards to Cambodia's trade with Thailand, which was up by 8% in January-August 2011, reaching US\$1.9bn, according to data provided by the Thai embassy in Phnom Penh. However, Thailand seemed to benefit from the growth, while Cambodia appeared to lose out. Cambodian exports to Thailand were worth US\$125.6m, down by 17% year on year, while imports from the latter totalled US\$1.8bn, representing a 10% rise. These figures do not include unofficial exports of unprocessed agricultural crops such as cassava and rice, which flow from Cambodia's western provinces into Thailand. Nevertheless, the growing disparity shows that Cambodia lacks the capacity to add value at even the most basic stages of processing—for example, drying crops. Co-operation, such as the planned special economic zone in Cambodia's border town of Koh Kong, will be needed if the kingdom is to begin to close the gap.

Economic policy

The government abolishes a tax on rice production

The government has abolished a tax on rice production as it attempts to fulfil its ambition of turning the country into a major rice exporter by 2015. According to a *prakas* (decree) issued by the Ministry of Economy and Finance in October, rice producers will not have to pay the 1% tax for three years. Although lower production costs should encourage rice exports, Cambodia's export potential will continue to be hampered by a lack of processing facilities and a dearth of credit for local buyers. The export of unprocessed paddy to Vietnam and Thailand robs Cambodia of the chance to add value to its rice and deprives it of an important potential export. Absurdly, some of the exported rice is milled in Vietnam or Thailand before it is re-imported for sale to Cambodian consumers.



Since the 2009 global recession, which exposed the economy's dependence on the garment sector, the government has attempted to promote exports of rice. Hun Sen has set a target of exporting at least 1m tonnes of milled rice by 2015. But the country remains some way from fulfilling the target. In the first eight months of 2011 the value of Cambodia's rice exports rose by 204% to US\$59.7m, according to the Ministry of Commerce. However, the increase was wholly owing to a surge in international rice prices: Cambodia's rice exports actually fell by 10.1% year on year in volume terms to 105,400 tonnes.

Exports are likely to fall in the coming months owing to the worst floods in the country in decades. An estimated 300,000 tonnes of milled rice will be lost this year, according to the Cambodian Rice Millers' Association (CRMA). The agriculture minister, Chan Sarun, said on October 12th that 3,450 tonnes of seed rice would be distributed to affected farmers. In the interim, Hun Sen has instructed the state-owned Rural Development Bank (RDB) to co-operate with the CRMA to ensure a supply of cheap rice to the market until prices fall to pre-flood levels. The price of low-quality rice stood at around US\$670/tonne in early October, up from a reported US\$570/tonne in August. The RDB's intervention brought the price down to about US\$560/tonne as of October 15th, according to government-run stores in Phnom Penh.

Economic performance

The floods prompt a GDP downgrade

Floods have hit 17 of Cambodia's 24 provinces since mid-August, killing around 250 people, submerging over 60,000 houses and affecting nearly 450,000 ha of rice paddy, with some 200,000 ha destroyed, according to a government agency, the National Committee for Disaster Management (NCDM). About 160 bridges are underwater, the NCDM has said, warning that the cost of the flood damage, including destruction of more than 1,000 schools and some 2,400 km of roads, would exceed the devastating floods of 2000, which cost an estimated US\$161m. The NCDM's figures have already been revised up several times and are expected to rise further.

The cost of the floods has led to a reassessment of the government's GDP projection for 2011. On October 11th the economy and finance minister, Keat Chhon, said that the government had revised down its growth forecast to 6%, from 7% previously. Although Keat Chhon said that the full impact of the floods could not yet be determined, he added that growth should remain at or above 6%. He also said that turmoil in the US and Europe, Cambodia's main export markets, would affect the kingdom's economic outlook. Hun Sen has said that the government will face difficulties raising funds to repair damaged infrastructure, including over 130 bridges and around 250 km of dams. The prime minister's decision to cancel the popular Water Festival, known locally as Bon Om Touk, which had been scheduled to take place in Phnom Penh on November 9th-11th, underscores the severity of the situation. The festival usually draws 2m enthusiastic visitors to the capital.

For its part, the Asian Development Bank (ADB) has retained its 6.8% growth forecast for 2011. The ADB's Cambodia office put the damage from flooding at "a few tenths of a percentage point". However, a crime wave caused by the difficulties of policing flooded areas and the increased hardships faced by the country's poor are of more concern to ordinary Cambodians. Anecdotal reports of kidnappings and street robberies have struck fear into Phnom Penh residents and may affect tourism.

Data and charts

Annual data and forecast

| | 2007 ^a | 2008 ^a | 2009 ^a | 2010 ^b | 2011 ^b | 2012 ^c | 2013 ^c |
|---|--------------------|---------------------|---------------------|--------------------|-------------------|-------------------|-------------------|
| GDP | | | | | | | |
| Nominal GDP (US\$ bn) | 8.6 | 11.2 ^b | 10.6 ^b | 12.3 | 15.8 | 15.4 | 16.8 |
| Nominal GDP (CR bn) | 35,002 | 45,430 ^b | 43,728 ^b | 51,347 | 64,453 | 64,064 | 71,429 |
| Real GDP growth (%) | 10.2 | 6.7 ^b | -1.5 ^b | 4.7 | 6.5 | 6.3 | 6.8 |
| Expenditure on GDP (% real change) | | | | | | | |
| Private consumption | 6.2 | 7.1 ^b | -1.0 ^b | 5.0 | 5.3 | 5.7 | 7.2 |
| Government consumption | 19.5 | 4.6 ^b | 28.3 ^b | 2.9 | 8.8 | 6.8 | 9.8 |
| Gross fixed investment | 10.1 | 27.0 ^b | -12.3 ^b | 8.6 | 16.2 | 8.2 | 7.2 |
| Exports of goods & services | 10.1 | 3.0 ^b | -14.1 ^b | 14.4 | 10.6 | 5.3 | 8.3 |
| Imports of goods & services | 12.1 | 5.0 ^b | -12.6 ^b | 15.0 | 11.0 | 5.6 | 8.8 |
| Origin of GDP (% real change) | | | | | | | |
| Agriculture | 5.0 | 5.7 ^b | 4.9 ^b | 4.4 | 5.0 | 6.0 | 6.5 |
| Industry | 8.4 | 4.1 ^b | -15.0 ^b | 8.0 | 7.5 | 5.0 | 6.0 |
| Services | 10.1 | 8.9 ^b | 2.9 ^b | 3.3 | 6.9 | 7.1 | 7.4 |
| Population and income | | | | | | | |
| Population (m) | 14.3 | 14.6 | 14.8 | 15.1 | 15.3 | 15.6 | 15.8 |
| GDP per head (US\$ at PPP) | 1,824 ^b | 1,957 ^b | 1,915 ^b | 1,996 | 2,127 | 2,278 | 2,450 |
| Fiscal indicators (% of GDP) | | | | | | | |
| Central government revenue | 11.9 | 12.0 ^b | 11.5 ^b | 12.0 | 10.8 | 12.5 | 13.3 |
| Central government expenditure | 14.8 | 14.9 ^b | 19.7 ^b | 17.9 | 16.4 | 18.5 | 19.1 |
| Central government balance | -2.9 | -2.8 ^b | -8.1 ^b | -5.9 | -5.7 | -6.0 | -5.8 |
| Prices and financial indicators | | | | | | | |
| Exchange rate CR:US\$ (end-period) | 3,999 | 4,077 | 4,165 | 4,051 ^a | 4,146 | 4,196 | 4,298 |
| Exchange rate CR:¥ (end-period) | 35.80 | 44.91 | 44.75 | 49.06 ^a | 54.03 | 53.66 | 52.74 |
| Consumer prices (end-period; %) | 14.0 | 12.5 | 5.3 | 3.1 ^a | 6.0 | 4.5 | 6.4 |
| Stock of money M1 (% change) | 23.6 | 16.9 | 29.5 | 3.5 ^a | 13.0 | 13.2 | 11.5 |
| Stock of money M2 (% change) | 61.8 | 5.4 | 35.6 | 21.3 ^a | 14.9 | 18.0 | 23.4 |
| Lending interest rate (av; %) | 16.2 | 16.0 | 15.8 | 15.6 ^a | 15.5 | 16.1 | 16.5 |
| Current account (US\$ m) | | | | | | | |
| Trade balance | -1,351 | -1,800 | -1,574 | -1,883 | -2,595 | -2,658 | -3,143 |
| Goods: exports fob | 4,089 | 4,708 | 4,302 | 5,538 | 6,541 | 7,027 | 8,168 |
| Goods: imports fob | -5,439 | -6,509 | -5,876 | -7,421 | -9,136 | -9,685 | -11,311 |
| Services balance | 632 | 609 | 603 | 673 | 789 | 894 | 974 |
| Income balance | -364 | -475 | -468 | -482 | -481 | -491 | -563 |
| Current transfers balance | 595 | 615 | 574 | 667 | 858 | 834 | 913 |
| Current-account balance | -488 | -1,051 | -866 | -1,025 | -1,429 | -1,421 | -1,818 |
| External debt (US\$ m) | | | | | | | |
| Debt stock | 3,761 | 4,215 | 4,364 | 4,433 | 4,787 | 4,937 | 5,165 |
| Debt service paid | 30.2 | 42.1 | 49.5 | 106.8 | 112.6 | 122.9 | 137.2 |
| Principal repayments | 12.6 | 19.4 | 26.1 | 63.2 | 68.3 | 75.0 | 87.8 |
| Interest | 17.6 | 22.7 | 23.4 | 43.6 | 44.3 | 47.9 | 49.4 |
| Debt service due | 66.6 | 129.3 | 74.3 | 132.8 | 139.6 | 149.9 | 164.2 |
| International reserves (US\$ m) | | | | | | | |
| Total international reserves | 2,143 | 2,641 | 3,288 | 3,802 ^a | 4,121 | 4,180 | 4,434 |

^a Actual. ^b Economist Intelligence Unit estimates. ^c Economist Intelligence Unit forecasts.

Source: IMF, *International Financial Statistics*.

Quarterly data

| | 2009 | | 2010 | | | 2011 | | |
|--|----------|----------|---------|---------|---------|---------|---------|---------|
| | 3 Qtr | 4 Qtr | 1 Qtr | 2 Qtr | 3 Qtr | 4 Qtr | 1 Qtr | 2 Qtr |
| Prices | | | | | | | | |
| Consumer prices (2000=100) | 145.6 | 145.4 | 145.6 | 146.2 | 148.2 | 150.3 | 150.9 | 155.3 |
| Consumer prices (% change, year on year) | -3.1 | 1.6 | 7.0 | 4.1 | 1.8 | 3.4 | 3.6 | 6.3 |
| Financial indicators | | | | | | | | |
| Exchange rate CR:US\$ (av) | 4,162 | 4,164 | 4,176 | 4,204 | 4,232 | 4,127 | 4,039 | 4,042 |
| Exchange rate CR:US\$ (end-period) | 4,172 | 4,165 | 4,182 | 4,222 | 4,227 | 4,051 | 4,007 | 4,119 |
| Deposit rate (av; %) | 1.5 | 1.3 | 1.3 | 1.3 | 1.3 | 1.2 | 1.3 | 1.4 |
| Lending rate (av; %) | 15.8 | 15.6 | 15.6 | 15.6 | 15.6 | 15.8 | 15.1 | 15.3 |
| M1 (end-period; CR bn) | 2,774 | 3,093 | 3,132 | 3,064 | 3,037 | 3,200 | 3,475 | 3,466 |
| M1 (% change, year on year) | 18.9 | 29.5 | 23.4 | 13.4 | 9.5 | 3.5 | 11.0 | 13.1 |
| M2 (end-period; CR bn) | 14,932 | 16,137 | 17,268 | 18,330 | 18,980 | 19,575 | 20,404 | 22,114 |
| M2 (% change, year on year) | 18.9 | 35.6 | 37.5 | 26.5 | 27.1 | 21.3 | 18.2 | 20.6 |
| Foreign trade and payments (US\$ m) | | | | | | | | |
| Exports fob | 902.0 | 1,037.6 | n/a | n/a | n/a | n/a | n/a | n/a |
| Imports fob | -1,431.3 | -1,313.0 | n/a | n/a | n/a | n/a | n/a | n/a |
| Merchandise trade balance fob-fob | -529.3 | -275.4 | n/a | n/a | n/a | n/a | n/a | n/a |
| Services balance | 131.0 | 172.3 | n/a | n/a | n/a | n/a | n/a | n/a |
| Income balance | -140.7 | -126.2 | n/a | n/a | n/a | n/a | n/a | n/a |
| Net transfer payments | 150.0 | 134.6 | n/a | n/a | n/a | n/a | n/a | n/a |
| Current-account balance | -389.0 | -94.7 | n/a | n/a | n/a | n/a | n/a | n/a |
| Reserves excl gold (end-period) | 2,813.5 | 2,851.1 | 2,993.7 | 3,129.4 | 3,166.1 | 3,255.1 | 3,294.1 | 3,430.1 |

Source: IMF, *International Financial Statistics*.

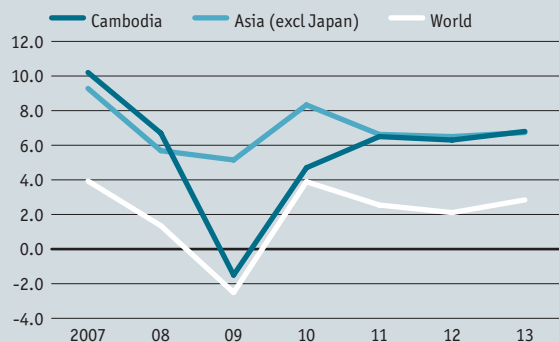
Monthly data

| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|---|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Exchange rate CR:US\$ (av) | | | | | | | | | | | | |
| 2009 | 4,098 | 4,118 | 4,108 | 4,098 | 4,126 | 4,146 | 4,181 | 4,149 | 4,156 | 4,167 | 4,165 | 4,160 |
| 2010 | 4,165 | 4,182 | 4,182 | 4,186 | 4,205 | 4,221 | 4,233 | 4,235 | 4,229 | 4,224 | 4,096 | 4,061 |
| 2011 | 4,050 | 4,036 | 4,031 | 3,995 | 4,038 | 4,092 | 4,105 | n/a | n/a | n/a | n/a | n/a |
| Exchange rate CR:US\$ (end-period) | | | | | | | | | | | | |
| 2009 | 4,112 | 4,122 | 4,089 | 4,117 | 4,137 | 4,160 | 4,187 | 4,142 | 4,172 | 4,170 | 4,159 | 4,165 |
| 2010 | 4,167 | 4,183 | 4,182 | 4,200 | 4,215 | 4,222 | 4,237 | 4,235 | 4,227 | 4,222 | 4,075 | 4,051 |
| 2011 | 4,050 | 4,036 | 4,007 | 4,024 | 4,080 | 4,119 | 4,100 | n/a | n/a | n/a | n/a | n/a |
| Deposit rate (av; %) | | | | | | | | | | | | |
| 2009 | 1.90 | 1.90 | 1.90 | 1.90 | 1.90 | 1.80 | 1.80 | 1.50 | 1.30 | 1.30 | 1.30 | 1.30 |
| 2010 | 1.30 | 1.30 | 1.30 | 1.30 | 1.30 | 1.30 | 1.30 | 1.30 | 1.20 | 1.20 | 1.20 | 1.20 |
| 2011 | 1.20 | 1.30 | 1.30 | 1.30 | 1.40 | 1.40 | 1.40 | n/a | n/a | n/a | n/a | n/a |
| Lending rate (av; %) | | | | | | | | | | | | |
| 2009 | 16.60 | 15.90 | 15.95 | 15.73 | 15.73 | 15.75 | 15.99 | 15.97 | 15.45 | 15.45 | 15.64 | 15.58 |
| 2010 | 15.64 | 15.62 | 15.61 | 15.60 | 15.54 | 15.54 | 15.58 | 15.58 | 15.58 | 15.57 | 15.84 | 15.90 |
| 2011 | 15.23 | 15.23 | 14.80 | 15.01 | 15.48 | 15.51 | 15.47 | n/a | n/a | n/a | n/a | n/a |
| Money supply M1 (% change, year on year) | | | | | | | | | | | | |
| 2009 | 13.5 | 11.2 | 6.7 | 2.3 | 5.4 | 10.7 | 10.2 | 15.3 | 18.9 | 27.9 | 36.2 | 29.5 |
| 2010 | 27.3 | 26.2 | 23.4 | 23.8 | 20.0 | 13.4 | 8.7 | 11.7 | 9.5 | 6.3 | 7.3 | 3.5 |
| 2011 | 2.9 | 6.2 | 11.0 | 13.1 | 14.7 | 13.1 | 15.0 | n/a | n/a | n/a | n/a | n/a |
| Money supply M2 (% change, year on year) | | | | | | | | | | | | |
| 2009 | 3.0 | 0.5 | 5.2 | 4.8 | 4.8 | 15.9 | 13.8 | 14.2 | 18.9 | 29.4 | 35.5 | 35.6 |
| 2010 | 35.3 | 40.2 | 37.5 | 37.0 | 36.4 | 26.5 | 31.0 | 30.0 | 27.1 | 27.0 | 23.9 | 21.3 |
| 2011 | 20.8 | 17.7 | 18.2 | 18.7 | 19.3 | 20.6 | 20.9 | n/a | n/a | n/a | n/a | n/a |
| Consumer prices (av; % change, year on year) | | | | | | | | | | | | |
| 2009 | 8.0 | 6.2 | -0.7 | -3.9 | -5.7 | -4.9 | -3.9 | -2.9 | -2.3 | -1.6 | 1.3 | 5.3 |
| 2010 | 6.9 | 7.3 | 6.7 | 5.3 | 4.5 | 2.6 | 1.6 | 1.8 | 1.9 | 3.7 | 3.2 | 3.1 |
| 2011 | 3.3 | 3.8 | 3.8 | 5.2 | 6.5 | 7.1 | 7.1 | n/a | n/a | n/a | n/a | n/a |
| Foreign-exchange reserves excl gold (US\$ m) | | | | | | | | | | | | |
| 2009 | 2,289 | 2,295 | 2,351 | 2,495 | 2,594 | 2,624 | 2,696 | 2,760 | 2,813 | 2,852 | 2,850 | 2,851 |
| 2010 | 2,899 | 2,938 | 2,994 | 3,095 | 3,109 | 3,129 | 3,167 | 3,178 | 3,166 | 3,192 | 3,234 | 3,255 |
| 2011 | 3,226 | 3,278 | 3,294 | 3,439 | 3,453 | 3,430 | 3,466 | n/a | n/a | n/a | n/a | n/a |

Sources: IMF, *International Financial Statistics*; Haver Analytics.

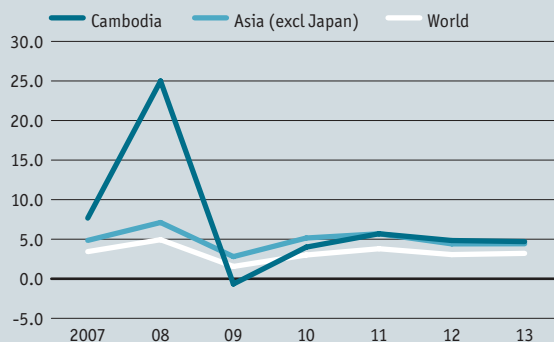
Annual trends charts

Real GDP growth
(% change)



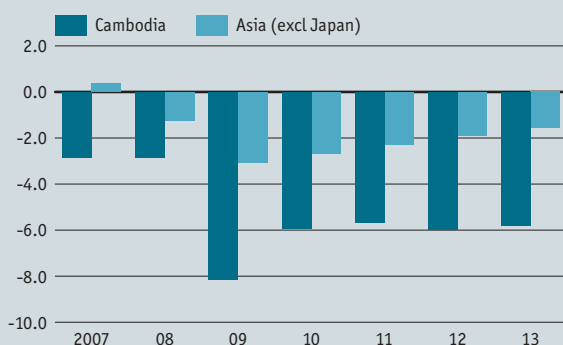
Source: Economist Intelligence Unit.

Consumer price inflation
(av; %)



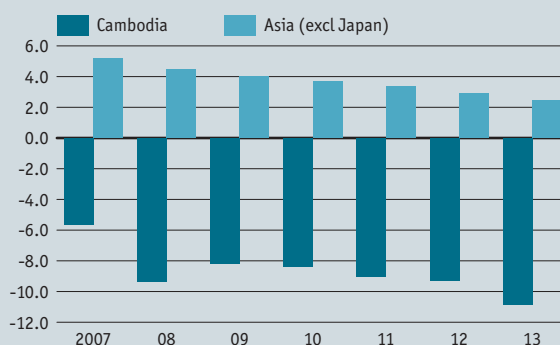
Source: Economist Intelligence Unit.

Budget balance
(% of GDP)



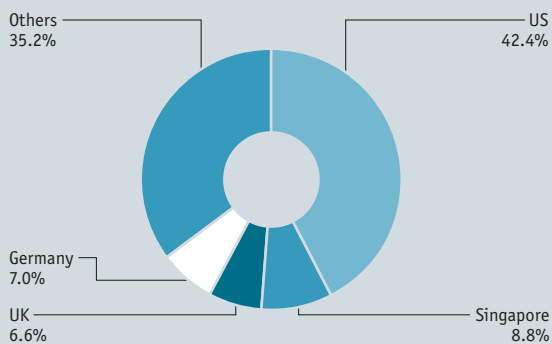
Source: Economist Intelligence Unit.

Current-account balance
(% of GDP)



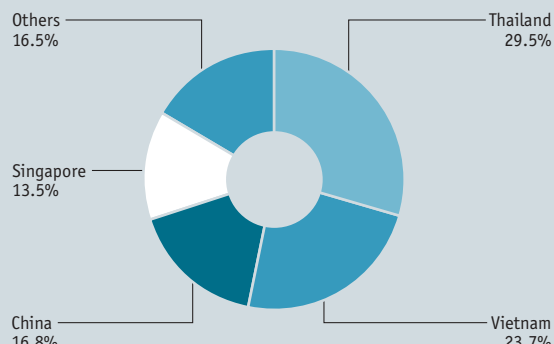
Source: Economist Intelligence Unit.

Main destinations of exports, 2009
(share of total)



Source: Economist Intelligence Unit.

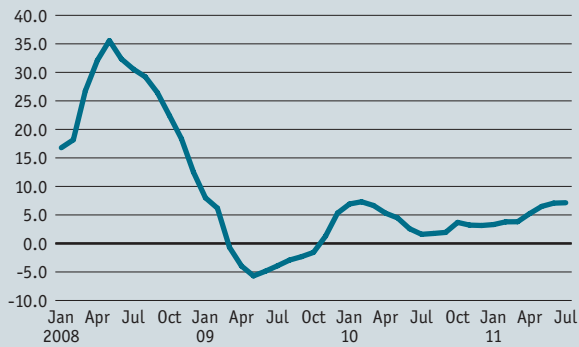
Main origins of imports, 2009
(share of total)



Source: Economist Intelligence Unit.

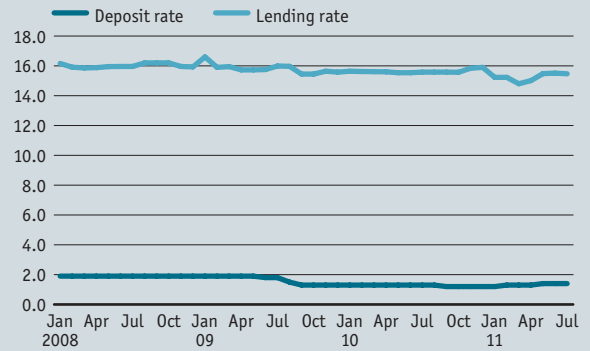
Monthly trends charts

Consumer price inflation
(% change, year on year)



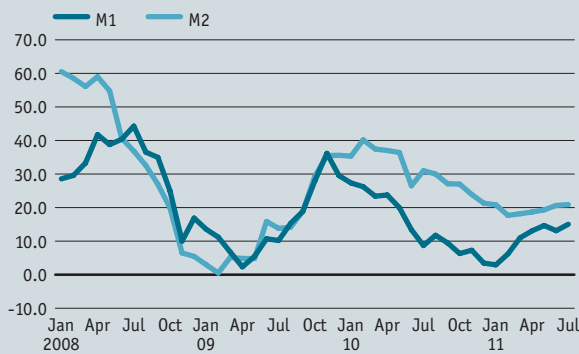
Source: Economist Intelligence Unit.

Interest rates
(av; %)



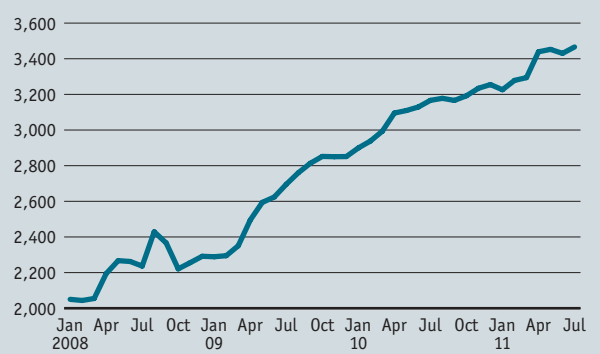
Source: Economist Intelligence Unit.

Monetary aggregates
(% change, year on year)



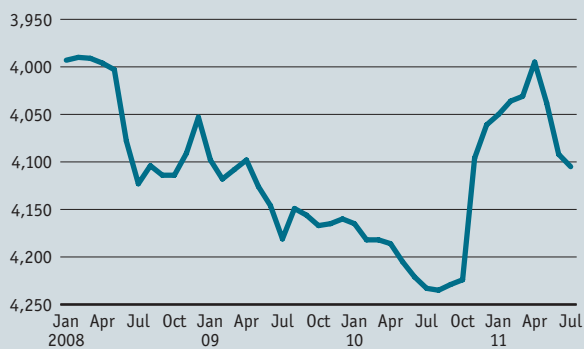
Source: Economist Intelligence Unit.

Foreign-exchange reserves
(US\$ m)



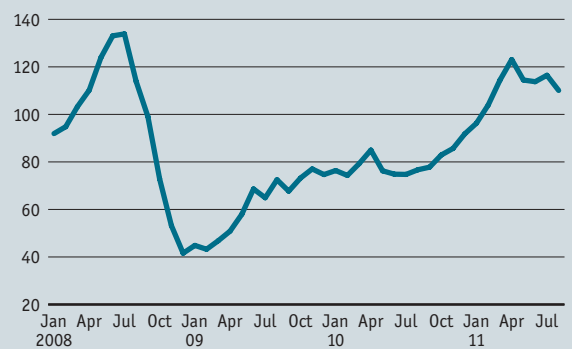
Source: Economist Intelligence Unit.

Exchange rate
(CR:US\$; av; inverted scale)



Source: Economist Intelligence Unit.

Oil: Brent crude price
(US\$/b; av)



Source: Economist Intelligence Unit.

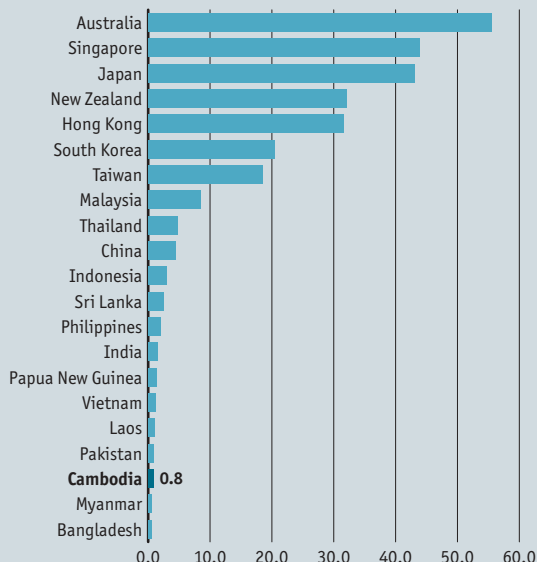
Comparative economic indicators, 2010

Gross domestic product
(US\$ bn; market exchange rates)



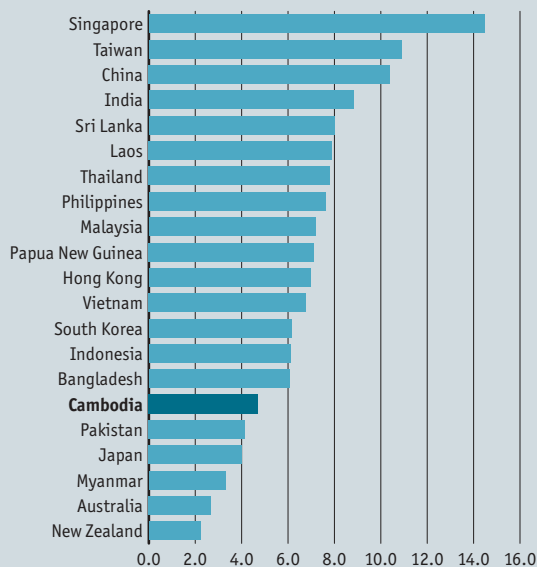
Sources: Economist Intelligence Unit estimates; national sources.

Gross domestic product per head
(US\$ '000; market exchange rates)



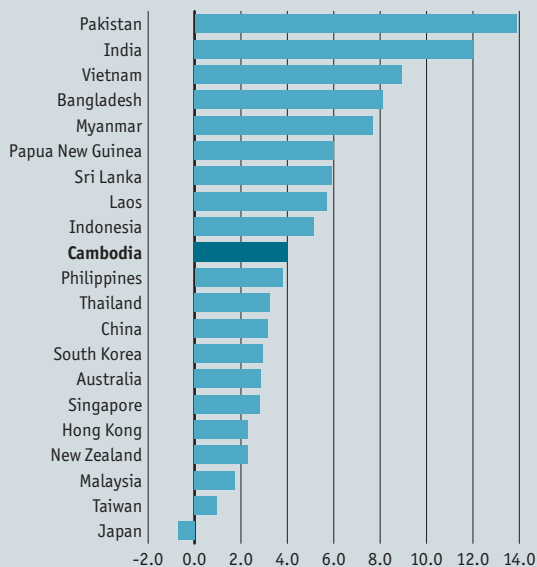
Sources: Economist Intelligence Unit estimates; national sources.

Gross domestic product
(% change, year on year)



Sources: Economist Intelligence Unit estimates; national sources.

Consumer prices
(% change, year on year)



Sources: Economist Intelligence Unit estimates; national sources.

Country snapshot

Basic data

| | |
|--|--|
| Land area | 181,035 sq km |
| Population | 15.1m (IMF estimate for mid-2010) |
| Main towns | Population in '000 (2008 census) |
| | Phnom Penh (capital) 1,325.7 |
| | Battambang 1,024.7 |
| Climate | Tropical; rainy season, May-October; dry season, November-April |
| Weather in Phnom Penh (39 ft above sea level) | Hottest months, March-April, average daily temperature 27°C (daily maximum 32-40°C); coldest month, January, average daily temperature 25°C; wettest month, October, 256 mm average rainfall; driest month, January, 8 mm average rainfall |
| Language | Khmer |
| Measures | Metric system. Local measures include: |
| | 1 tao = 15 kg |
| | 1 thang = 40 litres (20-22 kg paddy) |
| | 1 hap = 60 kg |
| | 1 king (or ray) = 0.16 ha |
| | 1 chi = 3.75 g |
| | 1 damloeng = 37.5 g |
| Currency | Riel (CR). Average exchange rate in 2010: CR4,185:US\$1 |
| Fiscal year | January 1st-December 31st |
| Time | 7 hours ahead of GMT |
| Public holidays | January 1st (International New Year's Day); January 7th (Liberation Day); February 18th (Meakkha Bochea); March 8th (International Women's Day); April 14th-16th (Cambodia New Year); May 1st (Labour Day); May 13th-15th (King Norodom Sihamoni's birthday); May 17th (Visaka Bochea); May 21st (Royal Ploughing Ceremony); June 18th (king's mother's birthday); September 24th (Constitution Day); September 26th-28th (Pchum Ben); October 29th (King's Coronation Day); October 31st (king's father's birthday); November 9th (Independence Day); November 10th-12th (Water Festival); December 10th (International Human Rights Day) |

Political structure

| | | |
|--|---|---|
| Official name | Cambodia | |
| Form of government | Constitutional monarchy | |
| The executive | The cabinet is constitutionally responsible to the National Assembly (the lower house of parliament) | |
| Head of state | King Norodom Sihamoni. The Throne Council selects the king | |
| National legislature | The 123-seat National Assembly sits for a term of five years. The term of the 61-member Senate (the upper house) is six years | |
| National elections | The most recent National Assembly election was held in July 2008. The inaugural (indirect) election to the Senate took place in 2006. The next upper house election is due in January 2012, and the next lower house election will take place in July 2013 | |
| National government | Following the 2008 election, the Cambodian People's Party (CPP), which secured 90 seats in the lower house, formed a government, with the National United Front for an Independent, Neutral, Peaceful and Co-operative Cambodia (FUNCINPEC) as its junior partner | |
| Main political organisations and groups | CPP; FUNCINPEC; Sam Rainsy Party (SRP); Norodom Ranariddh Party (NRP); Human Rights Party (HRP) | |
| Main government ministers | Prime minister | Hun Sen (CPP) |
| | Deputy prime ministers | Sar Kheng (CPP) Hor Nam Hong (CPP) Bin Chhin (CPP) Sok An (CPP) Tea Banh (CPP) Nhiok Bun Chhay (FUNCINPEC) Men Sam An (CPP) Keat Chhon (CPP) Yim Chhay Ly (CPP) |
| | Key ministers | Agriculture, forestry & fisheries Chan Sarun (CPP) Commerce Cham Prasidh (CPP) Economy & finance Keat Chhon (CPP) Foreign affairs Hor Nam Hong (CPP) Health Mam Bunheng (CPP) Industry, energy & mines Suy Sem (CPP) Information Khieu Kanharith (CPP) Interior Sar Kheng (CPP) Justice Ang Vong Vattana (CPP) National defence Tea Banh (CPP) Rural development Chea Sophara (CPP) Tourism Thong Khon (CPP) |
| Central bank governor | Chea Chanto | |