
Country Report

Cambodia

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The Economist Intelligence Unit

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Executive summary

Highlights

February 2010

- Outlook for 2010-11**
- The Cambodian People's Party (CPP), led by the prime minister, Hun Sen, will remain politically dominant in 2010-11. The CPP controls around two-thirds of the seats in the National Assembly (the lower house of parliament).
 - During what is proving to be a difficult period economically, the main opposition Sam Rainsy Party (SRP) will aim to build support at the expense of the CPP but will not be able to dislodge the ruling party from power.
 - After contracting by an estimated 1.5% in 2009 owing to the adverse impact of the global recession on garment exports, tourism and foreign investment, Cambodia's real GDP is forecast to expand by 3.3% in 2010 and 5.1% in 2011.
 - Monetary policy will have to be tightened as inflationary pressures re-emerge in 2010, but the National Bank of Cambodia (the central bank) will not rush into raising the banking sector's reserve requirement.
 - Personal disposable income will recover from 2010 as prices for agricultural commodities rise and garment factories begin to hire again.
 - The current-account deficit will remain wide in 2010-11, but Cambodia will avoid financing difficulties owing to its stock of foreign-exchange reserves and an eventual recovery in foreign direct investment.
- Monthly review**
- The authorities have issued an arrest warrant for the SRP leader, Sam Rainsy, for refusing to appear in court to answer charges relating to a protest on the Vietnamese border. Sam Rainsy is thought to be in France.
 - In January Thailand's foreign minister, Kasit Piromya, said that his country would not normalise diplomatic relations with Cambodia unless Hun Sen distanced himself from Thaksin Shinawatra, a former Thai prime minister.
 - The Senate (the upper house) has approved legislation setting out the rules relating to land seizures by the government. Critics say that the terms of the law are too vague and could lead to more evictions.
 - Approved foreign direct investment in Cambodia fell by 46.2% to US\$5.9bn in 2009, according to the Council for the Development of Cambodia, the official body chaired by the prime minister that handles foreign investment.
 - Consumer prices rose by 5.3% year on year in December. However, in 2009 as a whole prices fell by 0.7% on an annual average basis—the first year of deflation since 2001.
 - A private-equity fund, Leopard Capital, has closed its first multi-sector investment fund focused on Cambodia, after raising US\$34.1m in capital.

Outlook for 2010-11

Political outlook

Domestic politics The Cambodian People's Party (CPP) will remain politically dominant in 2010-11. At the general election in July 2008 the CPP tightened its grip on power, winning 90 of the 123 seats in the National Assembly (the lower house of parliament). The CPP consolidated its position in May 2009, when it won around 75% of the vote in the first election for members of provincial and district councils. As a result of the party's election victories, the authoritarian tendencies of the prime minister, Hun Sen, and the CPP's harsh treatment of its opponents, concerns will increase that the country 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), as well as trade unionists and human rights activists, many of whom have been forced into exile to avoid arrest. Sam Rainsy returned from a year of self-imposed exile in 2006, after being pardoned for defaming Hun Sen and Prince Norodom Sihanouk. The apparatus of the state will continue to be used against the government's opponents. In late December the government issued a new arrest warrant for Sam Rainsy, this time in relation to a protest on the border with Vietnam. The opposition leader, who was in France when the warrant was issued, may choose to remain in exile rather than return home and face imprisonment.

In an attempt to challenge the CPP at the 2008 council elections, the SRP and another opposition party, the Human Rights Party (HRP), led by Kem Sokha, formed an alliance, the Democratic Movement for Change. However, the grouping proved ineffectual, with many of its members allegedly accepting bribes to vote for CPP candidates. A formal merger between the two parties is possible ahead of the next general election, which is due in 2013. At the 2008 general election they won a total of 29 seats (26 for the SRP and three for the HRP) in the National Assembly, representing a modest improvement on their performance in the 2003 poll, but their gains came at the expense of the two rival royalist parties, the National United Front for an Independent, Neutral, Peaceful and Co-operative Cambodia (FUNCINPEC) and the Norodom Ranariddh Party (NRP), which now hold only two seats each. Hun Sen is now so firmly entrenched in power that any electoral challenge to his rule seems destined to fail.

Economic growth will recover in 2010-11 following a painful year in 2009, when the global recession led to a collapse in garment exports, leaving tens of thousands of factory workers jobless. But there will be no return to the GDP growth rates of more than 10% a year that were recorded before the 2008-09 crisis. The SRP-led opposition will continue to seek to exploit the economic hardship being suffered by Cambodians in an attempt to increase its support at the expense of the CPP. Land grabs by developers have driven entire

communities from their homes, and such activities will remain a source of resentment in cities and countryside alike.

International relations Relations with Thailand will remain strained. The controversial appointment in late October of a former Thai prime minister, Thaksin Shinawatra, as an economic adviser to Hun Sen's government incensed the Thai authorities. Thaksin, who was deposed in a coup in 2006, has lived in self-imposed exile since August 2008 but is widely suspected of wanting to return to Thailand. The appointment came amid a dispute over the territory surrounding the Preah Vihear temple, which is situated on the Cambodian-Thai border. Although ownership of the temple was settled in Cambodia's favour in 1962 by the International Court of Justice, the countries continue to argue over control of the surrounding land. At least three Cambodian and three Thai soldiers have been killed in crossborder gunfire since tensions flared in October 2008, and there is a high risk of further clashes. Demarcating the land border will prove problematic, and the two countries also have to resolve the disputed sovereignty of resource-rich maritime areas in the Gulf of Thailand.

Diplomatic relations with Vietnam will be close as long as Hun Sen remains in power. However, the prime minister's strong ties with Vietnam's ruling Communist Party will continue to be controversial among those in Cambodia who still resent Vietnam's occupation of their country from 1978 to 1990. Relations between the Cambodian government and its Western counterparts will be frosty owing to disagreements over human rights. However, the country will still receive pledges of aid from foreign donors. China will remain generous, and has not called for improvements in governance or greater respect for human rights.

Economic policy outlook

Policy trends After having initially underestimated Cambodia's exposure to the global economic downturn, the government has conceded that economic growth slowed in 2009. In early 2009 Hun Sen said that the government would attempt to ensure GDP growth of at least 6% in that year, but since then there have been no official statements on economic growth, which may amount to a tacit admission of the severity of the slowdown. Fiscal policy will remain expansionary as the government seeks to support domestic demand. According to the budget for 2010, which was approved by the National Assembly in early December, government expenditure will rise to CR8.3trn (US\$2bn), representing an increase of 14.2% from the planned level of spending in 2009. In 2010-11 the government and the National Bank of Cambodia (NBC, the central bank) will seek to support domestic economic growth, but the scope for additional fiscal stimulus will be limited by the budget deficit, while the effectiveness of monetary policy will be hampered by the high degree of dollarisation of the economy.

Fiscal policy The weak economy, a lower level of merchandise trade and falling property prices will undermine efforts to increase fiscal revenue. Despite plans by the government to introduce a new property tax in 2010, which will collect 0.1% of

the value of properties assessed to be worth over CR100m (US\$24,000), fiscal revenue will remain low as a proportion of GDP, and the government will continue to depend on grants and loans from foreign donors to finance its deficit, which is estimated to have widened sharply in 2009. The government had been hoping that oil production from fields in the Gulf of Thailand would provide new tax and royalty revenue, but officials have conceded that oil will not begin to flow until 2013 at the earliest. Weak growth in revenue, combined with a planned increase in expenditure (notably on defence), will ensure that the budget remains in the red in 2010-11. The government does not issue Treasury bills or other securities, and it would therefore meet any financing shortfall by drawing on its bank deposits, which stood at CR2.4trn (equivalent to about 6% of annual GDP) in September.

Monetary policy In response to consumer price deflation and the weakness of the economy, the NBC has attempted to support domestic demand and stimulate credit growth by means of looser monetary policy. However, policy will have to be tightened soon, as the pace of money supply growth is already beginning to accelerate, with broad money (M2) expanding by 29.4% year on year in October, compared with a low of 0.5% in February. After reducing the banking sector's reserve requirement to 12% in January 2009, the authorities are likely to raise the proportion of commercial bank deposits that must be held as reserves, although it will be some time before the reserve requirement returns to its previous high of 16%. Credit is still scarce and banks are reluctant to lend, with claims on the private sector up by only 2.8% year on year in August—the slowest pace of growth on record. The effectiveness of monetary policy will remain limited, owing to the high degree of dollarisation of the economy. Debate on the subject of when steps should be taken to de-dollarise the economy will continue, but there is unlikely to be any such move in the next two years.

Economic forecast

International assumptions

International assumptions summary

(% unless otherwise indicated)

	2008	2009	2010	2011
Real GDP growth				
World	2.8	-1.0	3.6	3.5
OECD	0.5	-3.4	1.9	1.5
China	9.0	8.3	9.5	8.3
EU27	0.7	-4.1	0.9	1.1
Exchange rates				
¥:US\$	103.4	93.7	88.0	87.0
US\$:€	1.470	1.393	1.423	1.398
SDR:US\$	0.629	0.646	0.635	0.638
Financial indicators				
€ 3-month interbank rate	4.65	1.23	1.03	2.50
US\$ 3-month Libor	2.91	0.69	0.98	1.93

International assumptions summary

(% unless otherwise indicated)

	2008	2009	2010	2011
Commodity prices				
Oil (Brent; US\$/b)	97.7	62.0	78.0	73.0
Gold (US\$/troy oz)	871.8	973.0	1,186.3	1,231.3
Food, feedstuffs & beverages (% change in US\$ terms)	29.5	-21.6	2.1	0.8
Industrial raw materials (% change in US\$ terms)	-5.1	-25.6	31.2	0.6

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

The global recovery, which began in Asia, is now well under way. The Economist Intelligence Unit has revised up its forecast for world economic expansion in 2010 at purchasing power parity (PPP) exchange rates to 3.6%, from 3.5% in our previous report, following a further upgrade to our GDP growth forecast for China. Our forecast for global growth at PPP in 2011 is unchanged at 3.5%; global growth will slow in that year as the impact of stimulus policies fades. At market exchange rates world GDP growth will be slower, at 2.7% in 2010 and 2.4% in 2011.

Economic growth**Gross domestic product by expenditure**

(CR bn at constant 2000 prices where series are indicated; otherwise % change year on year)

	2008 ^a	2009 ^a	2010 ^b	2011 ^b
Private consumption	22,452.6	22,228.1	23,006.1	24,087.4
	7.1	-1.0	3.5	4.7
Public consumption	1,536.1	1,824.6	1,914.2	1,994.2
	0.0	18.8	4.9	4.2
Gross fixed investment	6,938.2	6,277.3	6,438.8	7,008.9
	20.5	-9.5	2.6	8.9
Final domestic demand	30,926.9	30,330.1	31,359.1	33,090.4
	9.4	-1.9	3.4	5.5
Stockbuilding	194.0	293.9	314.0	267.3
	-1.0 ^c	0.4 ^c	0.1 ^c	-0.2 ^c
Total domestic demand	31,120.9	30,624.0	31,673.1	33,357.8
	8.4	-1.6	3.4	5.3
Exports of goods & services	20,857.0	18,344.2	19,690.1	20,692.5
	3.6	-12.0	7.3	5.1
Imports of goods & services	23,930.8	21,406.6	23,030.7	24,145.6
	5.6	-10.5	7.6	4.8
Foreign balance	-3,073.8	-3,062.4	-3,340.6	-3,453.1
	-2.0 ^c	0.0 ^c	-1.0 ^c	-0.4 ^c
GDP	28,211.0	27,787.8	28,690.9	30,154.1
	5.0	-1.5	3.3	5.1

^a Economist Intelligence Unit estimates. ^b Economist Intelligence Unit forecasts. ^c Contribution to real GDP growth (as a percentage of real GDP in previous year).

We estimate that Cambodia's economy contracted by 1.5% in 2009—its worst performance since records began in the mid-1990s—as the global recession undermined the main drivers of growth. There will be no resumption of pre-crisis rates of economic expansion in the forecast period, with real GDP expanding by 3.3% in 2010 and 5.1% in 2011. The garment sector is particularly heavily exposed to the slowdown in the US, which is Cambodia's main export market, accounting for more than 50% of its export earnings. Construction

activity slowed in 2009 as the mainly South Korean companies that have financed a series of high-profile property developments scaled down work amid a global shortage of credit. As global economic growth recovers from 2010 onwards, construction activity will pick up. Similarly, Cambodia's tourism sector, a major source of economic growth in recent years, will attract more visitors in 2010-11 than it did in the depressed conditions that prevailed in 2009. Assuming that weather conditions are favourable, the agricultural sector will record steady growth owing to improvements in productivity, as foreign investors will lease large areas of land for plantations.

Private consumption will begin to recover in 2010-11, thanks to the fact that personal disposable income will edge upwards as agricultural commodities sell for higher prices and garment factories begin to hire again. However, annual growth in private consumption will average only 4.1% in the forecast period, compared with over 8% in 2005-08. After contracting sharply in 2009 owing to a fall in foreign direct investment (FDI) amid tight global credit conditions, fixed investment will begin to expand again in 2010. However, fixed investment (at constant prices) will not return to its 2008 level until 2011. The external sector will exert a drag on growth in 2010-11.

Inflation After rising by 25% in 2008, consumer prices fell by an average of 0.7% in 2009—Cambodia's first year of deflation since 2001. A contracting economy, rising unemployment and a fall in global commodity prices put downward pressure on consumer prices. A decline in the supply of US dollars entering the economy as a result of a drop in FDI also led the rate of money supply growth to slow. However, consumer prices began to rise again on a year-on-year basis in the final quarter of 2009, and we expect prices to increase by an average of 4.9% in 2010, in response to renewed demand-side pressures as economic growth begins to recover and global commodity prices edge higher. Inflation will average 5.6% in 2011.

Exchange rates Following an average fall in the value of the riel against the US dollar in 2009 of around 2%, the currency will remain under downward pressure for the next two years owing to the persistently wide deficit on the current account. Although by September 2009 the NBC had built up international reserves of US\$2.8bn, equivalent to around six months of imports, the central bank's intervention will do no more than slow the riel's rate of decline. We expect the currency to depreciate by an average of 1.2% a year in 2010-11, to stand at CR4,249:US\$1 by the end of 2011. 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 Owing to poor overseas sales of garments, which account for over 70% of Cambodian export revenue, merchandise exports are estimated to have fallen sharply in 2009. The weakness of the economy in the US, Cambodia's leading market, will continue to depress garment exports. Even after growth in the US recovers, Cambodia's garment manufacturers will struggle to compete with more efficient producers, particularly those in Vietnam, and export revenue will therefore not expand rapidly in 2010-11. The merchandise trade deficit will be

larger than in 2009, as the import bill will remain substantial owing to Cambodia's reliance on imported capital goods. The services surplus will grow in 2010-11 as tourism recovers following a drop in the number of high-spending visitors to the country in 2009, but there will be an increase in demand for imported trade-related services, such as insurance and freight. The income deficit will widen further, owing to increased repatriation of profits and dividends by foreign-invested firms. The current-account deficit will narrow to 7.7% of GDP in 2010 and 6.4% in 2011, from an estimated 9.1% in 2009.

Forecast summary

(% unless otherwise indicated)

	2008 ^a	2009 ^b	2010 ^c	2011 ^c
Real GDP growth	5.0 ^b	-1.5	3.3	5.1
Gross agricultural production growth	2.0 ^b	3.0	3.5	3.5
Consumer price inflation (av)	25.0	-0.7	4.9	5.6
Base lending rate	16.0	15.9	16.2	16.5
Central government balance (% of GDP)	-2.9 ^b	-6.2	-6.0	-5.5
Exports of goods fob (US\$ bn)	4.7	3.6	4.1	4.5
Imports of goods fob (US\$ bn)	-6.5	-5.4	-5.9	-6.3
Current-account balance (US\$ bn)	-1.1	-1.0	-0.9	-0.8
Current-account balance (% of GDP)	-9.5 ^b	-9.1	-7.7	-6.4
Exchange rate CR:US\$ (av)	4,054.2	4,137.3	4,197.9	4,240.1
Exchange rate CR:¥100 (av)	3,922.2	4,415.3	4,770.4	4,873.7
Exchange rate CR:€ (year-end)	5,667.4	5,944.5	5,837.4	5,990.5
Exchange rate CR:SDR (year-end)	6,130.9	6,632.5	6,570.7	6,712.8

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

Monthly review: February 2010

The political scene

The government orders the arrest of the opposition leader

On December 28th the government, led by the prime minister, Hun Sen, issued an arrest warrant for Sam Rainsy, the leader of the main opposition party, the Sam Rainsy Party (SRP), for refusing to appear in a provincial court to answer charges relating to a protest on the Cambodian-Vietnamese border. In late October Sam Rainsy and a group of villagers allegedly uprooted six border markers in a south-eastern province, Svay Rieng, in protest against a 2005 border treaty that they claim ceded Cambodian territory to Vietnam. Sam Rainsy, who is believed to be in France, had said that he would not appear at court because the charges against him were politically motivated.

Sam Rainsy and other opposition figures have for years faced harassment by the ruling Cambodian People's Party (CPP). In recent months CPP officials have charged at least nine opposition figures with defamation or similar offences—crimes that can carry a prison sentence in Cambodia. Sam Rainsy was stripped of his parliamentary immunity from prosecution twice in 2009, once in February and again in November. The latest arrest warrant against him will heighten concerns that Cambodia is becoming a *de facto* one-party state in which the CPP refuses to tolerate any challenge to its hold on executive power.

Cambodia's relations with Vietnam are an especially sensitive issue for Hun Sen, whose rise to power was aided by the backing of the Communist Party of Vietnam, which occupied Cambodia in the 1980s. Today Vietnam is one of Cambodia's main trade and investment partners. In 2008, the most recent year for which figures are available, total trade between the two countries was worth US\$1.7bn, representing a rise of 40% from 2007. Both countries have said they hope that trade between them will reach US\$2bn this year and that Vietnamese investment in Cambodia will increase in the coming years.

Thailand issues an ultimatum as relations deteriorate



Relations between Cambodia and Thailand have deteriorated further following the appointment of a former Thai prime minister, Thaksin Shinawatra, as an economic adviser to the Cambodian government. On January 11th Thailand's foreign minister, Kasit Piromya, said that his country would not normalise diplomatic relations with Cambodia unless Hun Sen distanced himself from Thaksin, who remains a controversial figure in Thailand. Hun Sen responded by saying that there was no need to accede to Kasit's demand because the Thai government's days were numbered. Hun Sen's remarks came ahead of a protest in the Thai capital, Bangkok, by supporters of the pro-Thaksin opposition, which is calling for parliament to be dissolved and a general election to be held.

Thaksin's appointment as an adviser in late October led to a deterioration in relations between Cambodia and Thailand, with each country expelling the other's ambassador, and came amid a territorial dispute over the Preah Vihear temple, which is situated on the Cambodian-Thai border. Thaksin made a third visit to Cambodia on January 20th-21st, having dinner with Hun Sen, before flying on to another (unidentified) country in Asia. Cambodian and Thai troops

briefly exchanged gunfire across the border on January 24th in the latest dispute over the Preah Vihear temple, but there were no reports of casualties.

A tribunal concludes its Khmer Rouge investigation

A UN-sponsored tribunal set up to prosecute five former leaders of the Communist Party of Kampuchea (known as the Khmer Rouge), which ruled from 1975 to 1979 and presided over the unnatural deaths of an estimated 1.8m Cambodians, announced in mid-January that it had concluded its investigations into four of the defendants. They are the former head of state of Democratic Kampuchea (as Cambodia was then known), Khieu Samphan, the former deputy secretary of the Khmer Rouge in charge of state security, Nuon Chea, the former foreign minister, Ieng Sary, and his wife, the former social affairs minister, Ieng Thirith. However, a spokesman for the tribunal, Lars Olsen, has said that trials will not begin until late 2010 at the earliest. The four defendants are all charged with genocide, among other offences.

Prosecutors are also considering serving a second round of indictments against the fifth defendant, Kaing Guek Eav, alias Duch, after his first trial closed its hearings in late November. Duch, the former head of a prison in which 15,000 Cambodians are thought to have been tortured and killed, is awaiting a verdict. Unless the trials are concluded soon, there are concerns that the relatives of those killed under Khmer Rouge rule may not receive justice, as all the defendants are now in old age.

Economic policy

The Senate approves a law on land seizures

The Senate (the upper house of parliament) has voted 50-2 in support of legislation setting out rules applying to land seizures by the government. Approval of the Law on Expropriation came in mid-January, at a time when Cambodia is experiencing what non-governmental organisations (NGOs) have described as an epidemic of unregulated evictions. In June a local rights group, Licadho, claimed that 10% of the 1.3m-strong population of the capital, Phnom Penh, had been affected by such evictions since 1991. Once the legislation has been signed into law by King Norodom Sihamoni, the government will form an expropriation committee to determine whether each eviction meets the legal requirements, such as being in the public interest. A valuation committee will determine the level of compensation to be offered to residents who are evicted.

Supporters of the law say that it will regulate land seizures, helping Cambodia to achieve economic development based on the rule of law. However, critics say that the terms of the law are too vague. According to Yeng Virak, the director of the Community Legal Education Centre, an NGO, the new law extends protection only to Cambodians with land titles, while the 2001 land law gives legal residency to any Cambodian who has lived on a plot of land for more than five years, regardless of whether they have a title. Such inconsistencies could lead to even more evictions of questionable legality.

Salary supplements to civil servants are cancelled

The government has issued a sub-decree banning NGOs from paying salary supplements and other incentives to government employees, many of whom earn US\$100 or less per month. According to the information minister, Khieu Kanharith, the salary supplements were not distributed evenly by NGOs and were responsible for causing “bad feelings in the workplace”. The sub-decree, which was pushed through on January 1st, also imposed a one-year freeze on civil service salaries and promotions, in a move that the government said was necessary to keep costs under control. There have been calls for the government explain its reasoning more clearly. In a letter sent to the Ministry of Health on December 21st, the World Health Organisation's acting representative to Cambodia, Michel Thieren, said that the cuts might prompt civil servants to supplement their salaries by demanding informal fees (that is to say bribes) for basic services, thus inflicting more suffering on poor Cambodians. Meanwhile, there has also been speculation that the government is attempting to limit NGO involvement to ensure that low-level civil servants have no loyalties to outside organisations.

The National Assembly considers foreign borrowing

Hun Sun recently called on the National Assembly (the lower house) to raise the ceiling on offshore borrowing to US\$400m, from US\$200m at present, to enable the government to finance an expansion of Cambodia's irrigation network. According to Hun Sen, this would increase the country's rice output, which is currently estimated at a maximum of about 75m tonnes per year, by permitting farmers to harvest rice twice each year. A rise in the offshore borrowing limit might, however, also make it possible for the government to finance other initiatives previously discussed by officials, such as a fund to assist factory workers who have lost their jobs.

Economic performance

Approved foreign investment fell sharply in 2009

Amid the global recession, foreign direct investment (FDI) in Cambodia fell sharply in 2009, according to the Council for the Development of Cambodia, the official body chaired by the prime minister that deals with foreign investments. The total value of approved investment projects fell to US\$5.9bn in 2009, from US\$10.9bn in 2008, representing a decline of 46.2%. The main reason for the fall was a US\$4.8bn drop in approvals for tourism-related projects, which fell by 54.7% to only US\$4bn. However, not all industries have experienced a decline in investment. The agricultural sector attracted FDI approvals of US\$590m in 2009, up by 457%, mainly owing to projects undertaken by Vietnamese companies. Approved investment in the telecommunications sector was also up, at US\$235m, representing a rise of 170% (although this was for a single project), while approved investment in the energy sector also rose, to reach US\$665m.

Although there were no comparable investment figures for the garment sector, one of Cambodia's most important industries, the Ministry of Labour and Vocational Training has said that more than 90 garment factories closed in the first 11 months of 2009, leaving around 38,000 workers jobless. Garment exports have plunged amid collapsing demand in the US. In October (the most

recent month for which export data are available) garment exports were down by 6.6% year on year to US\$199.4m, according to the Ministry of Commerce. In the first ten months of the year garment exports were down by 20% year on year. The fall in garment exports in October was the slowest rate of contraction recorded since December 2008. But Cambodia's garment exports are taking much longer to recover than has been the case in other garment-producing countries, raising concerns over the country's export-competitiveness. The head of the Garment Manufacturers Association of Cambodia, Ken Loo, has said that October's export results do not provide sufficient evidence to support suggestions that the sector is recovering. US trade results for November confirm that Cambodia's garment exports are still some way from making a recovery. US imports from Cambodia (a proxy measure for Cambodian exports to the US) were down by 22.8% year on year in that month, taking the cumulative decline in the first 11 months of the year to 21.7% year on year, according to the US Census Bureau. The US is Cambodia's main export market, accounting for about 54% of its exports.

Cambodia experiences a year of deflation

Consumer prices rose by 5.3% year on year in December, according to the National Institute of Statistics. However, prices fell by 0.7% on an annual average basis in 2009, marking the first year of deflation since 2001. On a month-on-month basis consumer prices also continued to decline in December, falling by 0.1%, following falls of 0.3% in October and 0.6% in November. Food prices fell by 1%, making December the third month in a row during which prices had fallen. But petrol stations have now begun to raise pump prices for petrol and diesel, in line with an increase in the international price of crude oil, and the rise in the cost of transporting goods is likely to have been passed on to consumers in the form of higher prices.

A private-equity fund concludes its fundraising

A private-equity fund, Leopard Capital, announced at the end of 2009 that it had closed its first multi-sector investment fund focused on Cambodia after raising US\$34.1m in capital. According to Leopard's newsletter, it has committed US\$15.8m to five projects, including a rice producer, Cambodia Plantations, a beer producer, Kingdom Breweries, a power-transmission company, Greenside Holdings, and a residential property developer, Angkor Residences, which has upmarket apartments in the country's main tourist centre, Siem Reap. The company also provided US\$5m in a loan to finance one of Cambodia's largest business conglomerates, Royal Group, in its acquisition in November of its international partner's 61.5% stake in CamGSM, the owner of the country's largest mobile-phone network, Mobitel. The acquisition was one of the largest ever in Cambodia. Leopard said that the loan would be repaid when Royal Group resold a controlling stake to "a strategic foreign investor". It also said that it was considering launching a second Cambodia fund in 2010. Set up in Cambodia in November 2008, Leopard is one of several funds that have struggled to raise capital. It had originally planned to create a fund of US\$100m by March 2009. A Singapore-based private-equity firm, Frontier Investment and Development Partners, and another international fund, Cambodia Emerald, have also had to scale down their plans in the country.

Data and charts

Annual data and forecast

	2005 ^a	2006 ^a	2007 ^a	2008 ^b	2009 ^b	2010 ^c	2011 ^c
GDP							
Nominal GDP (US\$ bn)	6.3	7.3	8.6	11.1	10.6	11.5	12.6
Nominal GDP (CR bn)	25,754	29,849	35,002	45,144	43,669	48,156	53,583
Real GDP growth (%)	13.3	10.8	10.2	5.0	-1.5	3.3	5.1
Expenditure on GDP (% real change)							
Private consumption	12.3	6.8	6.2	7.1	-1.0	3.5	4.7
Government consumption	3.9	1.7	19.5	0.0	18.8	4.9	4.2
Gross fixed investment	19.5	16.7	10.1	20.5	-9.5	2.6	8.9
Exports of goods & services	16.4	19.2	10.1	3.6	-12.0	7.3	5.1
Imports of goods & services	17.3	16.0	12.1	5.6	-10.5	7.6	4.8
Origin of GDP (% real change)							
Agriculture	15.7	5.5	5.0	2.0	3.0	3.5	3.5
Industry	12.7	18.3	8.4	8.0	-6.5	3.0	6.0
Services	13.1	10.1	10.1	4.9	-0.9	3.3	5.5
Population and income							
Population (m)	13.9	14.1	14.3	14.6 ^a	14.8	15.1	15.3
GDP per head (US\$ at PPP)	1,452 ^b	1,635 ^b	1,824 ^b	1,924	1,883	1,931	2,018
Fiscal indicators (% of GDP)							
Central government revenue	10.3	11.5	11.9	11.4	11.2	11.4	11.7
Central government expenditure	12.8	14.2	14.8	14.3	17.4	17.4	17.2
Central government balance	-2.5	-2.7	-2.9	-2.9	-6.2	-6.0	-5.5
Prices and financial indicators							
Exchange rate CR:US\$ (end-period)	4,112	4,057	3,999	4,077 ^a	4,148	4,215	4,249
Exchange rate CR:¥ (end-period)	34.87	34.09	35.80	44.91 ^a	44.56	48.17	49.12
Consumer prices (end-period; %)	8.4	4.2	14.0	12.5 ^a	5.3	5.3	5.2
Stock of money M1 (% change)	13.4	26.6	23.8	17.4 ^a	19.1	20.0	20.0
Stock of money M2 (% change)	15.8	40.5	61.8	5.4 ^a	33.1	24.0	25.0
Lending interest rate (av; %)	17.3	16.4	16.2	16.0 ^a	15.9	16.2	16.5
Current account (US\$ m)							
Trade balance	-1,008	-1,078	-1,382	-1,826 ^a	-1,761	-1,788	-1,824
Goods: exports fob	2,910	3,693	4,089	4,708 ^a	3,622	4,103	4,476
Goods: imports fob	-3,918	-4,771	-5,471	-6,534 ^a	-5,383	-5,891	-6,300
Services balance	476	492	614	587 ^a	492	554	616
Income balance	-295	-306	-348	-409 ^a	-276	-290	-297
Current transfers balance	521	630	572	594 ^a	584	635	700
Current-account balance	-307	-261	-543	-1,053 ^a	-961	-889	-806
External debt (US\$ m)							
Debt stock	3,515	3,527	3,761	4,129	4,210	4,462	4,608
Debt service paid	30.9	114.2	29.3	26.6	29.3	30.1	32.0
Principal repayments	16.3	98.9	12.6	11.6	12.8	13.3	14.1
Interest	14.6	15.3	16.7	15.0	16.5	16.8	17.8
Debt service due	88.1	136.9	65.7	51.6	55.3	56.1	59.0
International reserves (US\$ m)							
Total international reserves	1,159	1,411	2,143	2,641 ^a	3,305	3,368	3,651

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

Source: IMF, *International Financial Statistics*.

Quarterly data

	2007	2008				2009		
	4 Qtr	1 Qtr	2 Qtr	3 Qtr	4 Qtr	1 Qtr	2 Qtr	3 Qtr
Central government finance (CR bn)								
Revenue	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Expenditure	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Balance	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Prices								
Consumer prices (2000=100)	121.6	130.5	147.6	150.2	143.1	136.2	140.4	145.6
Consumer prices (% change, year on year)	12.3	20.6	33.3	28.7	17.8	4.3	-4.8	-3.1
Financial indicators								
Exchange rate CR:US\$ (av)	4,026	3,991	4,026	4,114	4,086	4,108	4,123	4,162
Exchange rate CR:US\$ (end-period)	3,999	3,995	4,092	4,112	4,077	4,089	4,160	4,172
Deposit rate (av; %)	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.5
Lending rate (av; %)	16.1	16.0	15.9	16.1	16.0	16.2	15.7	15.8
M1 (end-period; CR bn)	2,054	2,385	2,456	2,341	2,412	2,545	2,713	n/a
M1 (% change, year on year)	23.8	33.2	40.7	34.8	17.4	6.7	10.5	n/a
M2 (end-period; CR bn)	11,288	11,943	12,506	12,559	11,902	12,562	14,490	n/a
M2 (% change, year on year)	61.8	56.1	40.6	26.9	5.4	5.2	15.9	n/a
Foreign trade and payments (US\$ m)								
Exports fob	1,039.5	1,267.9	1,309.7	1,090.8	1,039.7	1,127.1	n/a	n/a
Imports fob	-1,427.0	-1,711.9	-1,864.1	-1,646.3	-1,311.6	-1,405.9	n/a	n/a
Merchandise trade balance fob-fob	-387.5	-444.0	-554.4	-555.5	-271.9	-278.8	n/a	n/a
Services balance	177.9	206.6	81.0	125.1	174.6	209.1	n/a	n/a
Income balance	-94.6	-95.8	-94.5	-112.7	-105.5	-89.5	n/a	n/a
Net transfer payments	144.8	145.0	163.0	149.0	137.1	112.1	n/a	n/a
Current-account balance	-159.4	-188.2	-404.9	-394.1	-65.7	-47.1	n/a	n/a
Reserves excl gold (end-period)	1,806.9	2,054.8	2,262.3	2,366.2	2,291.6	2,350.6	2,624.1	2,813.5

Source: IMF, *International Financial Statistics*.

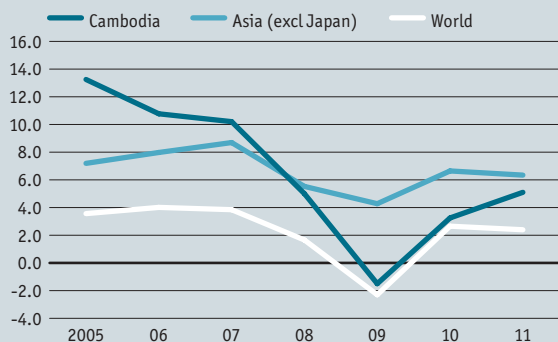
Monthly data

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Exchange rate CR:US\$ (av)												
2007	4,056	4,057	4,052	4,053	4,066	4,078	4,077	4,079	4,078	4,062	4,017	3,999
2008	3,993	3,990	3,991	3,996	4,003	4,078	4,123	4,104	4,114	4,114	4,091	4,053
2009	4,098	4,118	4,108	4,098	4,126	4,146	4,181	4,149	4,156	n/a	n/a	n/a
Exchange rate CR:US\$ (end-period)												
2007	4,064	4,057	4,055	4,062	4,077	4,082	4,077	4,080	4,075	4,048	4,002	3,999
2008	3,996	3,991	3,995	3,997	4,022	4,092	4,107	4,107	4,112	4,110	4,066	4,077
2009	4,112	4,122	4,089	4,117	4,137	4,160	4,187	4,142	4,172	n/a	n/a	n/a
Deposit rate (av; %)												
2007	1.90	1.90	1.90	1.90	1.90	1.90	1.90	1.90	1.90	1.90	1.90	1.90
2008	1.90	1.90	1.90	1.90	1.90	1.90	1.90	1.90	1.90	1.90	1.90	1.90
2009	1.90	1.90	1.90	1.90	1.90	1.80	1.80	1.50	1.30	n/a	n/a	n/a
Lending rate (av; %)												
2007	16.23	16.23	16.23	16.22	16.22	16.23	16.23	15.99	16.08	16.06	16.19	16.19
2008	16.16	15.91	15.86	15.88	15.95	15.96	15.96	16.20	16.20	16.20	15.96	15.93
2009	16.60	15.90	15.95	15.73	15.73	15.75	15.99	15.97	15.45	n/a	n/a	n/a
Money supply M1 (% change, year on year)												
2007	21.4	20.9	24.7	21.3	20.1	17.0	16.0	13.8	12.1	13.4	19.5	23.8
2008	28.7	29.6	33.2	41.8	38.3	40.7	43.9	36.5	34.8	24.9	14.0	17.4
2009	13.0	11.1	6.7	2.2	5.4	10.5	10.6	15.5	n/a	n/a	n/a	n/a
Money supply M2 (% change, year on year)												
2007	40.8	40.2	46.1	33.9	39.5	49.1	47.8	51.5	54.0	51.9	59.9	61.8
2008	60.5	58.5	56.1	59.0	54.8	40.6	36.9	32.5	26.9	19.9	7.2	5.4
2009	3.0	0.5	5.2	4.8	4.8	15.9	13.8	14.2	n/a	n/a	n/a	n/a
Consumer prices (av; % change, year on year)												
2007	4.3	4.4	5.4	5.2	4.5	7.6	7.7	7.0	8.5	11.2	11.9	14.0
2008	16.8	18.2	26.8	32.1	35.6	32.4	30.6	29.2	26.4	22.4	18.4	12.5
2009	8.0	6.2	-0.7	-3.9	-5.7	-4.9	-3.9	-2.9	-2.3	n/a	n/a	n/a
Foreign-exchange reserves excl gold (US\$ m)												
2007	1,189	1,206	1,247	1,281	1,337	1,394	1,433	1,473	1,544	1,584	1,706	1,807
2008	2,050	2,044	2,055	2,194	2,267	2,262	2,237	2,429	2,366	2,221	2,256	2,292
2009	2,289	2,295	2,351	2,495	2,594	2,624	2,696	2,760	2,813	n/a	n/a	n/a

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

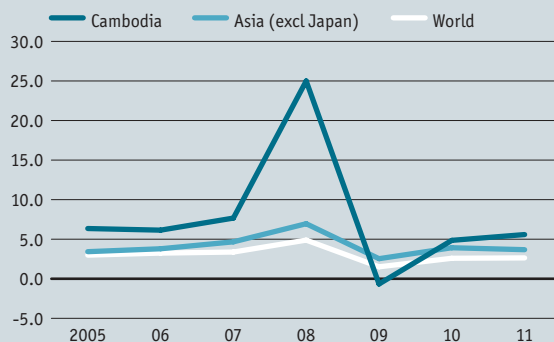
Annual trends charts

Real GDP growth
(% change)



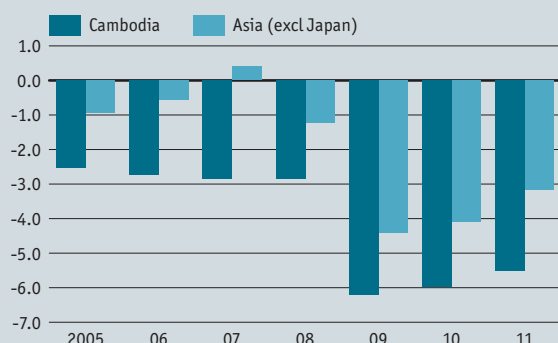
Source: Economist Intelligence Unit.

Consumer price inflation
(av; %)



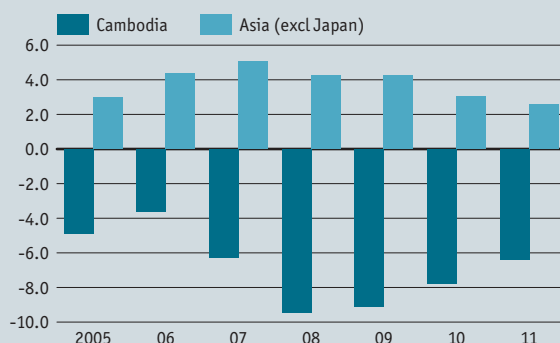
Source: Economist Intelligence Unit.

Budget balance
(% of GDP)



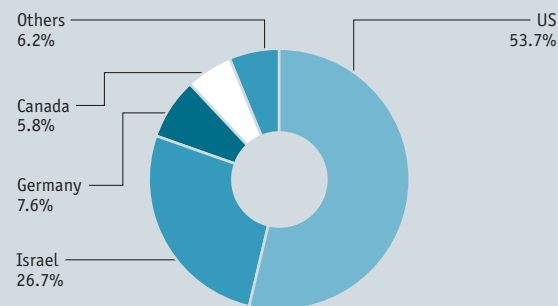
Source: Economist Intelligence Unit.

Current-account balance
(% of GDP)



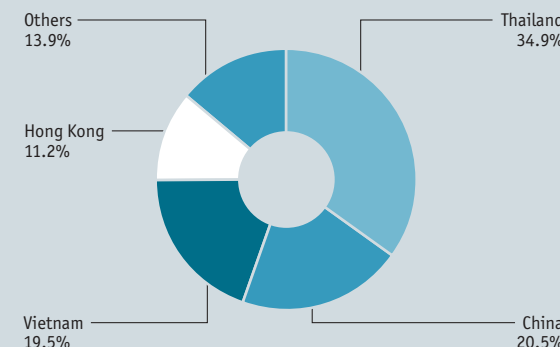
Source: Economist Intelligence Unit.

Main destinations of exports, 2008
(share of total)



Source: Economist Intelligence Unit.

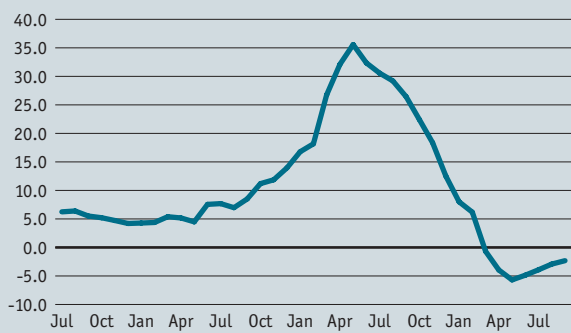
Main origins of imports, 2008
(share of total)



Source: Economist Intelligence Unit.

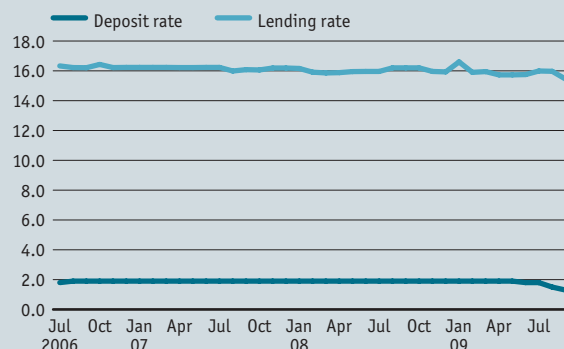
Monthly trends charts

Consumer price inflation
(% change, year on year)



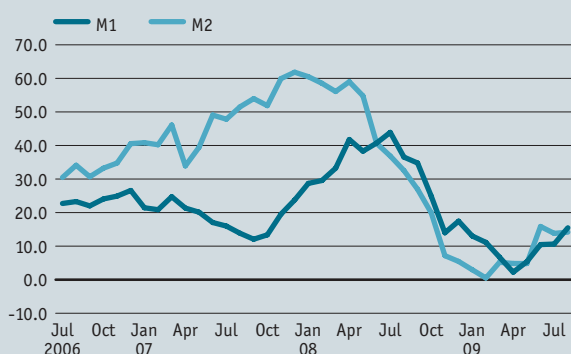
Source: Economist Intelligence Unit.

Interest rates
(av; %)



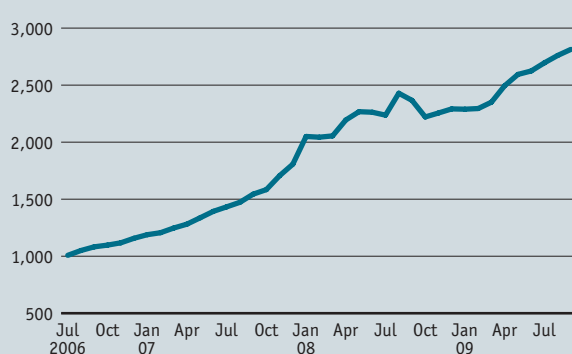
Source: Economist Intelligence Unit.

Monetary aggregates
(% change, year on year)



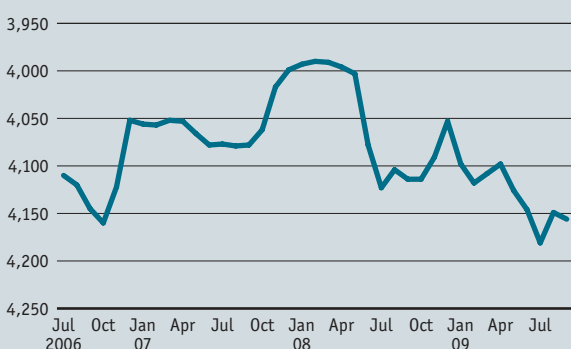
Source: Economist Intelligence Unit.

Foreign-exchange reserves
(US\$ m)



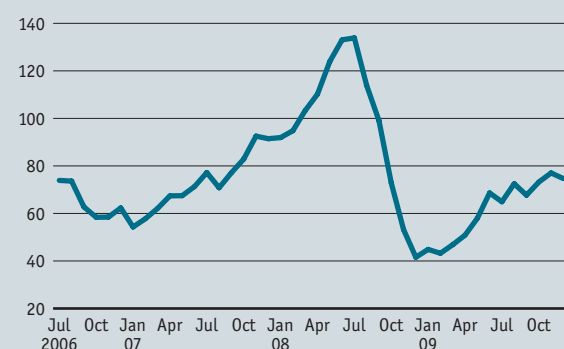
Source: Economist Intelligence Unit.

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



Source: Economist Intelligence Unit.

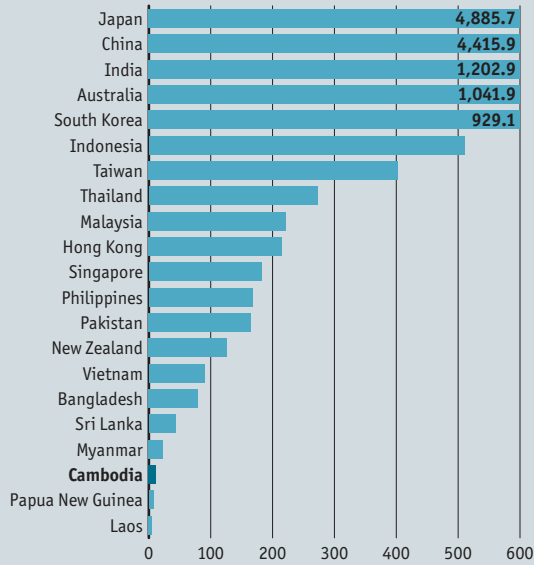
Oil: Brent crude price
(US\$/b; av)



Source: Economist Intelligence Unit.

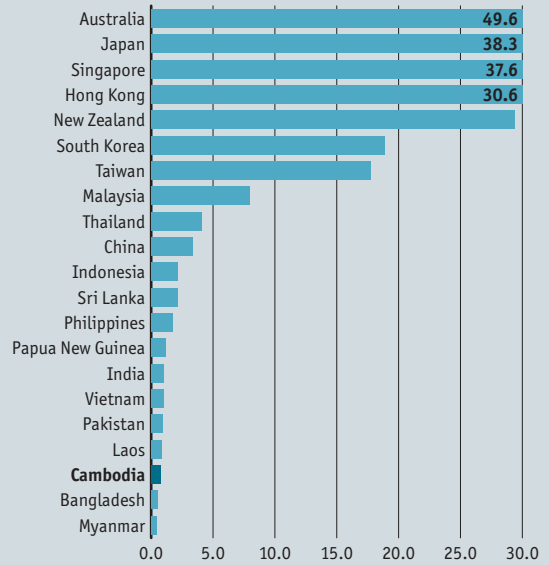
Comparative economic indicators, 2008

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



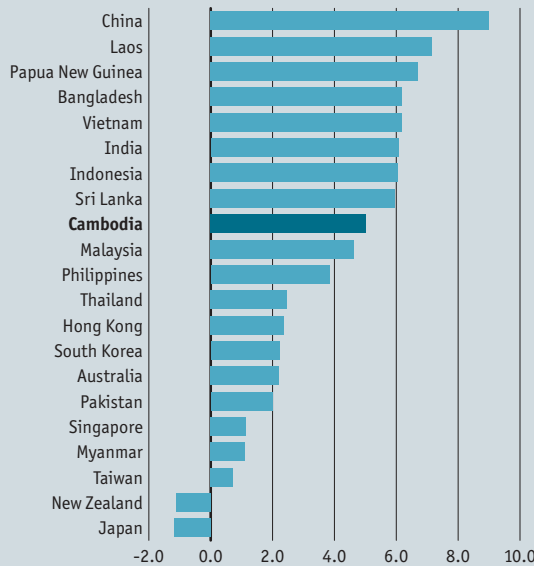
Sources: Economist Intelligence Unit estimates; national sources.

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



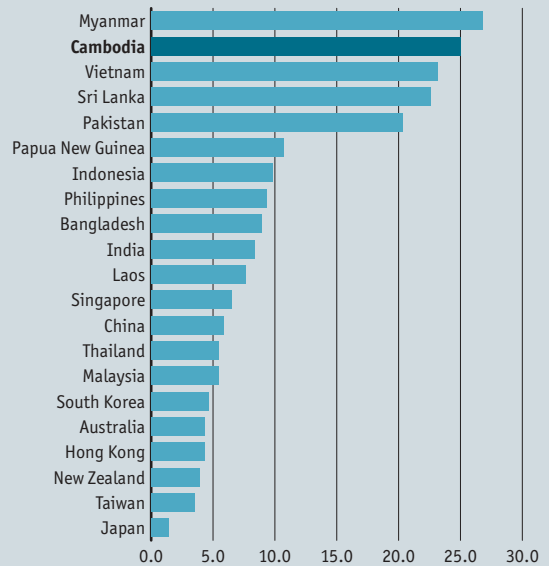
Sources: Economist Intelligence Unit estimates; national sources.

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	14.4m (IMF estimate for mid-2007)
Main towns	Population in '000 (1998 census)
	Phnom Penh (capital) 999.8
	Battambang 793.1
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 2009: CR4,137: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 1st (Meakkha Bochea); March 8th (International Women's Day); April 14th-16th (Cambodia New Year); April 28th (Visaka Bochea); May 1st (Labour Day); May 3rd (Royal Ploughing Ceremony); May 13th-15th (King Norodom Sihamoni's birthday); June 18th (king's mother's birthday); September 24th (Constitution Day); October 7th-11th (Pchum Ben); October 29th (King's Coronation Day); October 31st (king's father's birthday); November 9th (Independence Day); November 20th-23rd (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 also five years	
National elections	The most recent National Assembly election was held on July 27th 2008. The inaugural (indirect) election to the Senate took place in January 2006. The next upper house election is due in January 2011, 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	