



Cambodia: Macroeconomic Indicators and Prospects

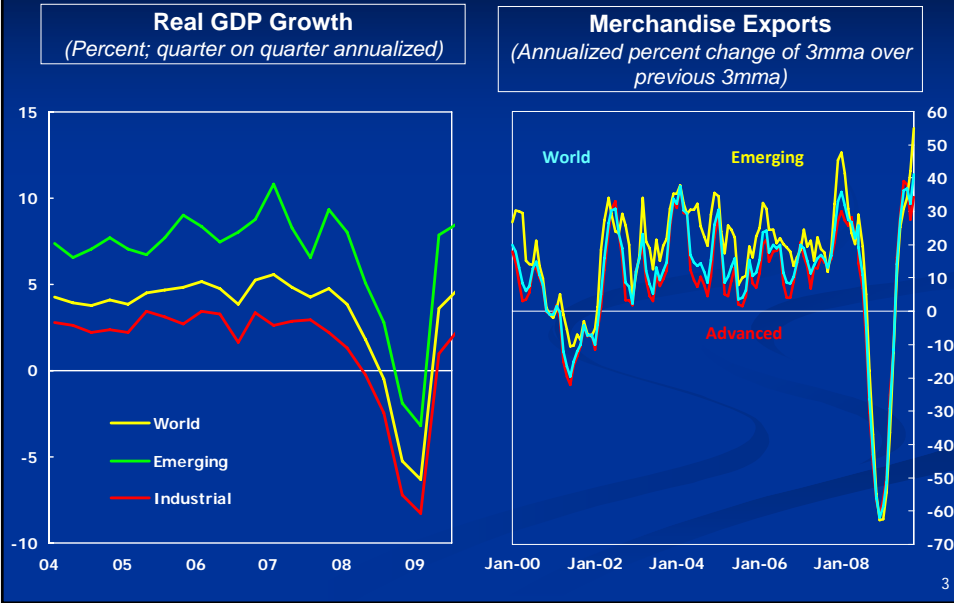
Presentation by Mr. John Nelmes
IMF Resident Representative in Cambodia
at the
Cambodia Outlook Conference
March 17, 2010

The views expressed in this presentation are those of the author, and not necessarily those of the IMF, its Executive Board or Management.

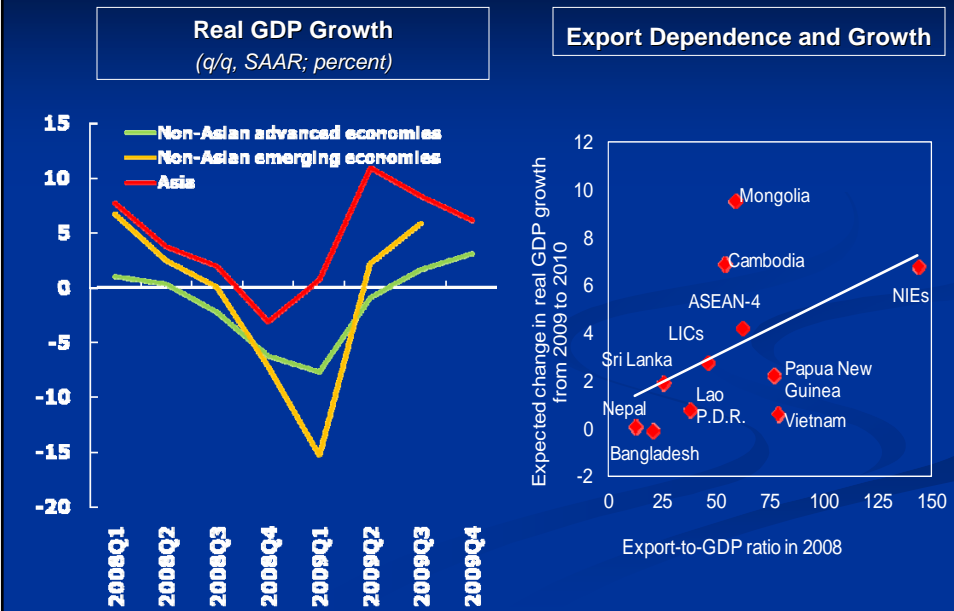
Outline

- The Global Economy: A multi-speed recovery
- Cambodia's Recent Indicators: Where are we now?
- Prospects and Policy Options: Where are we going, and which road to take?

Following a deep recession, global growth is recovering and trade has rebounded.

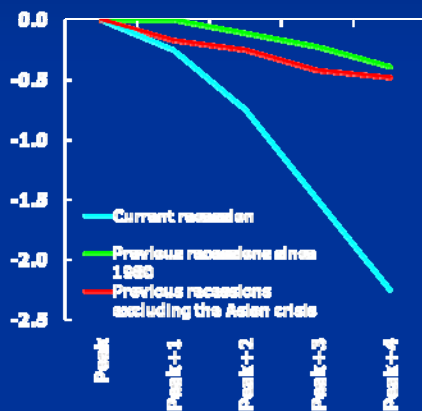


Asia is leading the global recovery, thanks to strong domestic demand and openness to recovering trade...

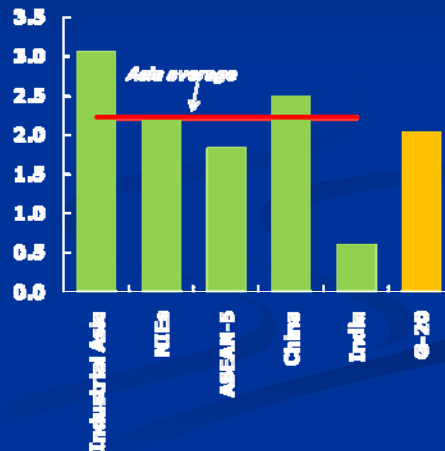


...supported by an unprecedented easing of monetary and fiscal policy.

Asia: Nominal Policy Rates
(median ; percent; peak of the cycles=zero)

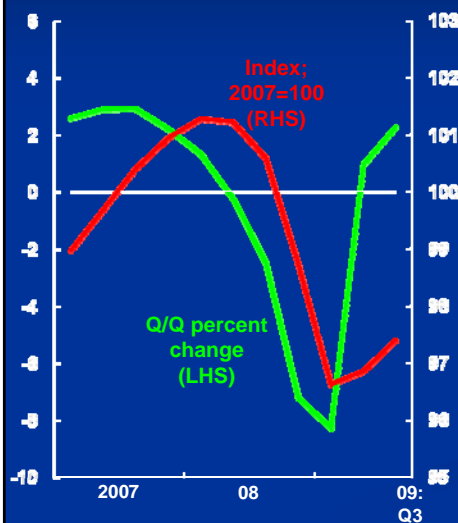


Fiscal Impulse: 2009
(percent of GDP)



Advanced economies have exited recession but output levels are well below pre-crisis. Recovery will be sluggish by historical standards due to high unemployment...

Advanced Economies Real GDP

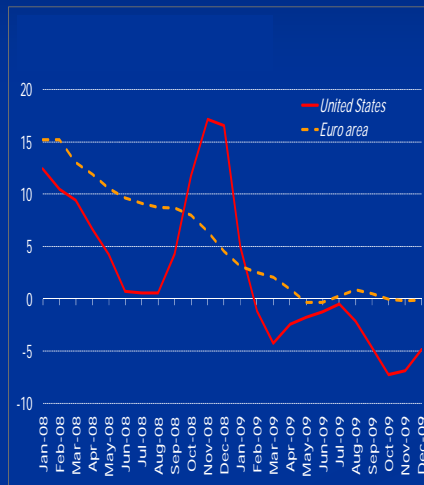


Advanced Economies Unemployment Rate
(percent)

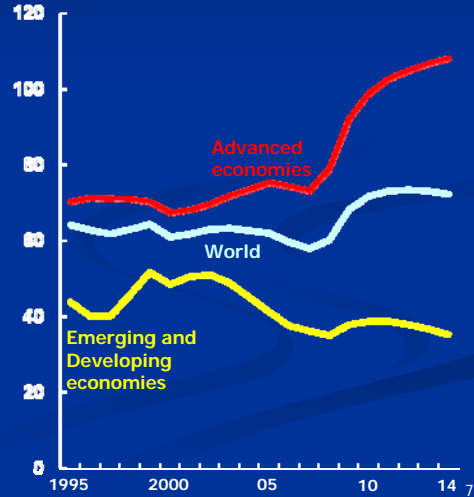


...weak credit growth as banks repair balance sheets, and high public debt levels.

Private Sector Credit Growth
(3-month percent change of 3mma)



Public Debt
(percent of GDP)



The global recovery is off to a stronger start than expected earlier, though at different speeds across regions.

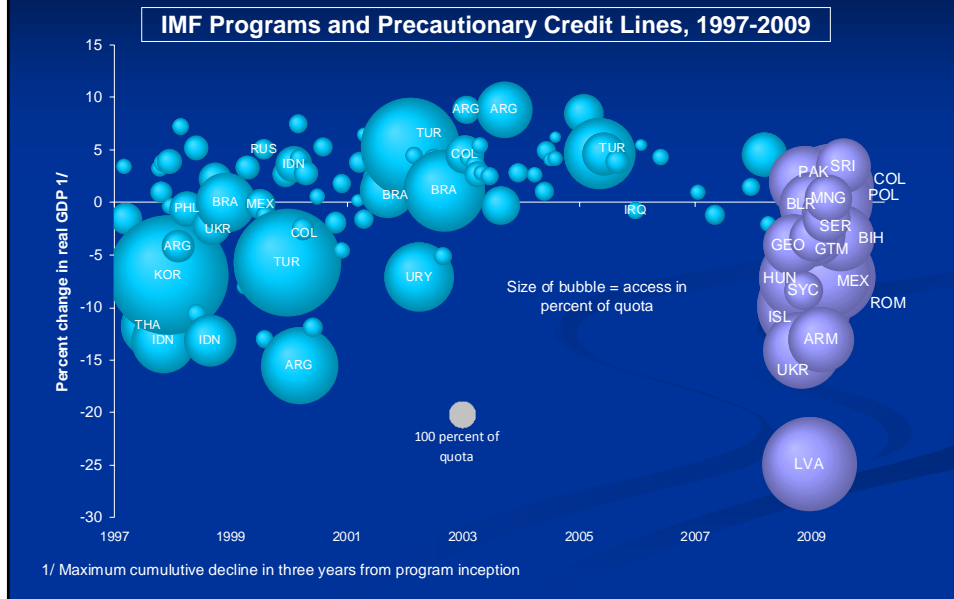
IMF World Economic Outlook
(annual percent change)

	2008	Projection		
		2009	2010	2011
World output	3.0	-0.8	3.9	4.3
Advanced economies	0.5	-3.2	2.1	2.4
United States	0.4	-2.5	2.7	2.4
Euro area	0.6	-3.9	1.0	1.6
Japan	-1.2	-5.3	1.7	2.2
Asian NIEs (1)	1.7	-1.2	4.8	4.7
Emerging and developing economies	6.1	2.1	6.0	6.3
China	9.6	8.7	10.0	9.7
India	7.3	5.6	7.7	7.8
Asean-5 (2)	4.7	1.3	4.7	5.3
Brazil	5.1	-0.4	4.7	3.7
Russia	5.6	-9.0	3.6	3.4

(1) Hong Kong SAR, Korea, Singapore, Taiwan Province of China.

(2) Indonesia, Malaysia, Philippines, Thailand and Vietnam

The IMF is supporting its member countries through the crisis and has delivered unprecedented financial assistance.



Cambodia: Economic Indicators

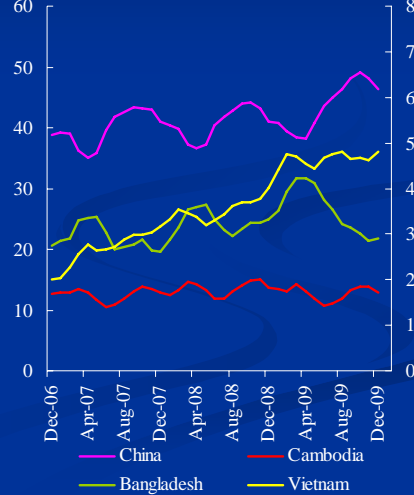
- Decline of economic activity was broad based in 2009, but agriculture a bright spot
- Recession appears to have bottomed out late last year, a recovery is now underway
- 2009 growth negative 2½ percent
- Inflation down significantly

The garment sector was hit by the fall in U.S. demand, tough regional competition will make for a challenging recovery.

Garment Exports and US Retail Clothing Sales
(3 month moving average Y/Y, in percent)

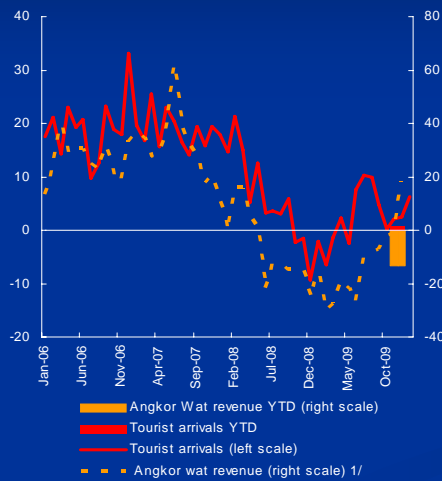


US Garment Imports Market Share
(3mma, in percent, China left)

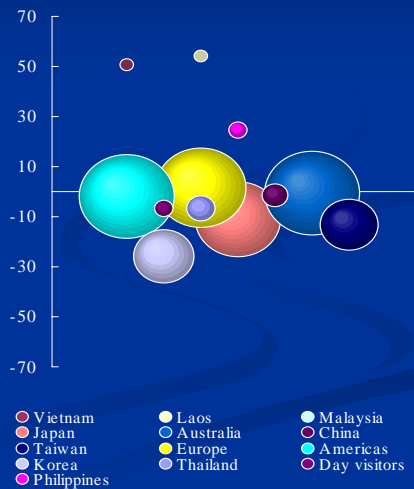


Tourism arrivals are recovering, though tourists spent a lot less money last year.

Total Tourist Arrivals and Angkor Wat Revenue
(Year-on-year growth, in percent)



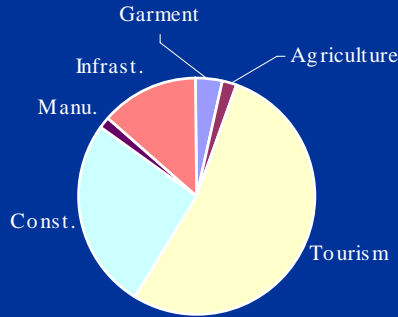
Tourist Arrivals and Per-capita GDP of Tourist-Source Countries
(2009 y/y growth in percent, and thousands of US dollars)



Investment approvals are down sharply, but a shift in the composition bodes well for boosting longer-run growth.

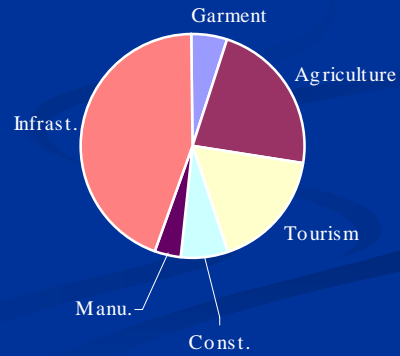
**2008 Investment Approvals
US\$ 10.6 billion**

(chart excludes 3 tourism approvals over US\$1 b.)



**2009 Investment Approvals
US\$ 5.8 billion**

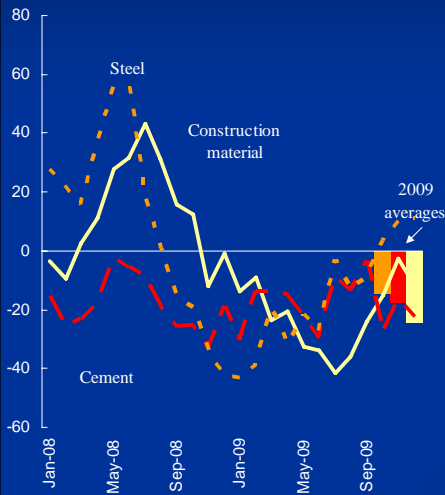
(chart excludes 1 tourism approval over US\$1 b.)



Construction activity is slowly recovering after a deep downturn, retail trade is also rebounding.

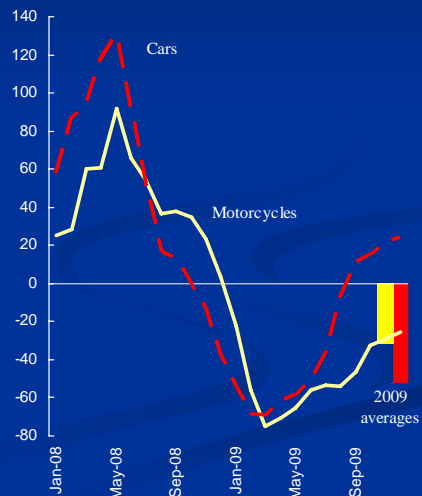
Construction-Material Imports

(Year-on-year growth 3mma and 2009 average)



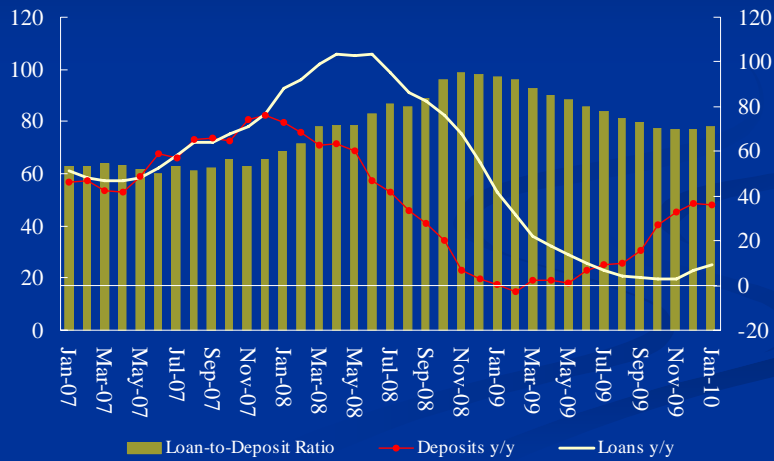
Imports of Cars of Motorbikes

(Year-on-year growth 3mma and 2009 average)



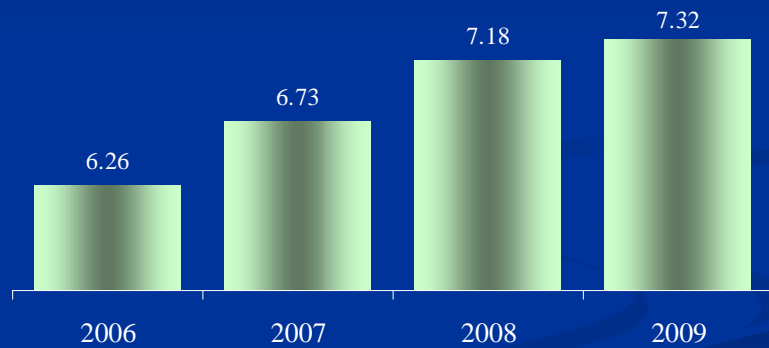
Credit growth is inching upwards after a sharp slowdown from excessive expansion.

Private Sector Loan and Deposit Growth, and Loan/Deposit Ratio
(Year-on-year growth, and percent, respectively)



Agriculture remains a bright spot, due in part to productivity improvements and infrastructure development.

Paddy Rice Production 2006-9
(Rainy and dry seasons, tonnes)



Source: MAFF

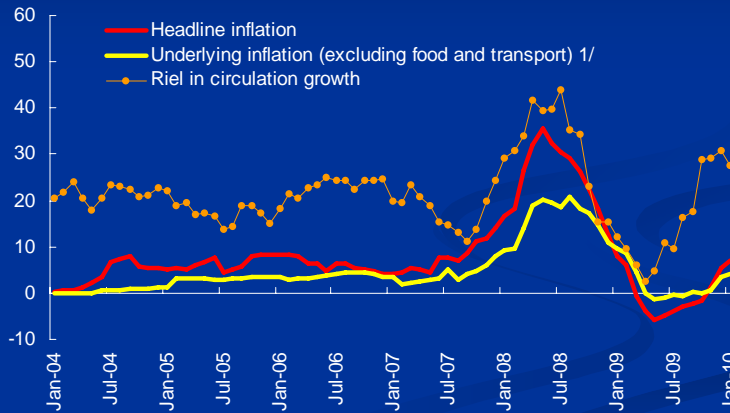
Overall 2009 GDP growth is estimated at negative 2½ percent, agriculture and public spending grew, but most other key components contracted.

Real GDP Growth by Sector and Share
(Year-on-year growth, and percent of total, respectively)



Inflation fell sharply with the contraction in demand, though higher commodity prices and the expansionary budget have exerted upward pressure more recently.

Inflation and Riel in Circulation
(Year-on-year percent change)

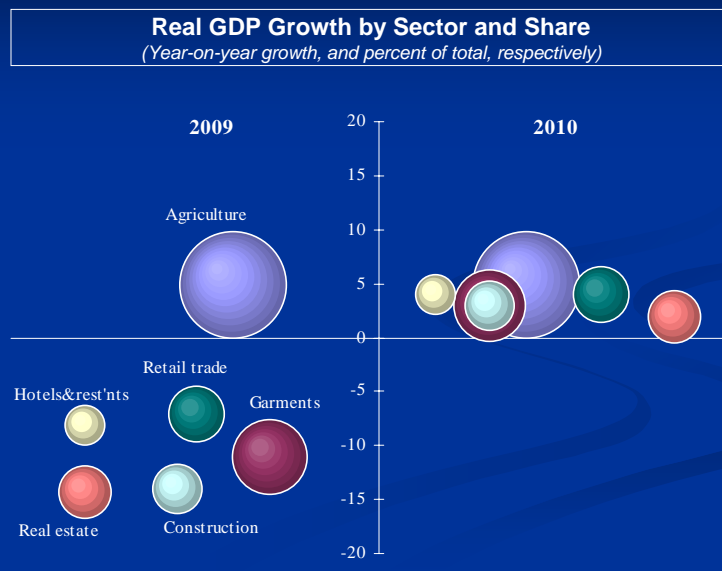


1/ Excludes food, beverages, and tobacco; and transportation and communication components of the consumer price index.

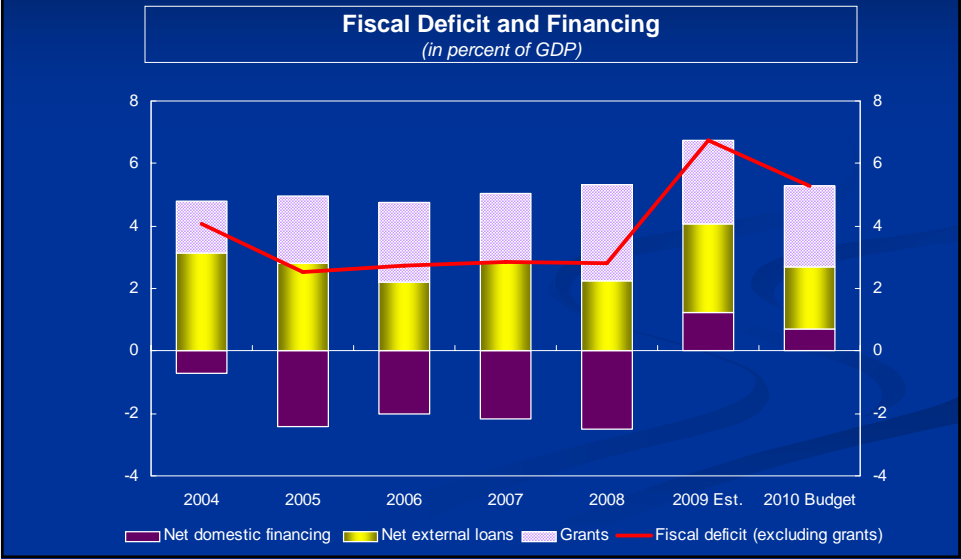
Prospects and Policy Options

- Growth will turn positive in 2010, over 4 percent, supported by the global recovery
- Modest fiscal consolidation is key for macroeconomic stability
- Safeguarding the health of the financial system will support access to finance
- Deeper structural reforms would boost long-run growth potential

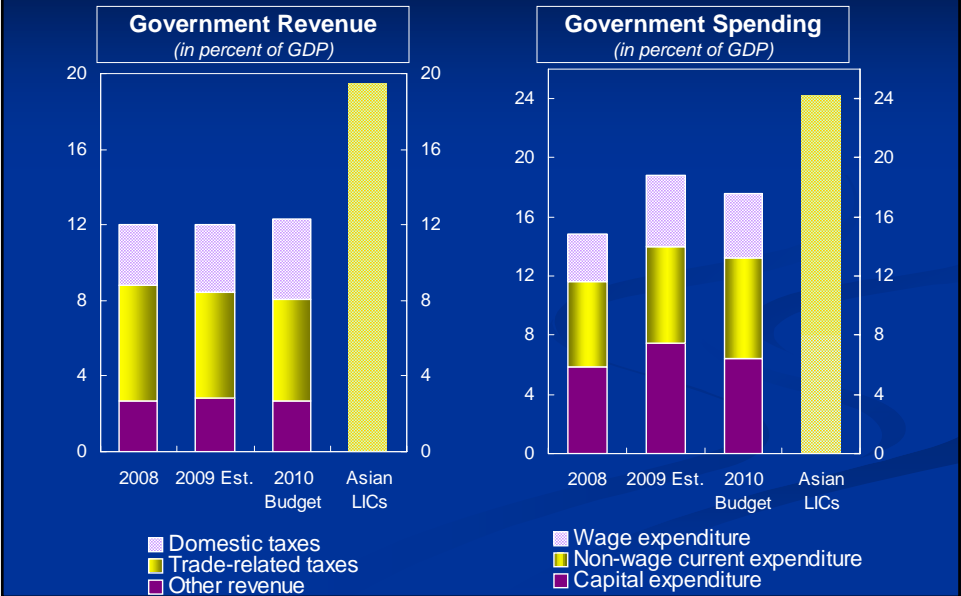
Growth should exceed 4 percent in 2010, supported by steady agriculture improvements, an improved global outlook, and a recovery of domestic demand



2010 budget deficit of 5¼ percent of GDP—the lower 2010 deficit is appropriate, but financing from the domestic banking system should be avoided



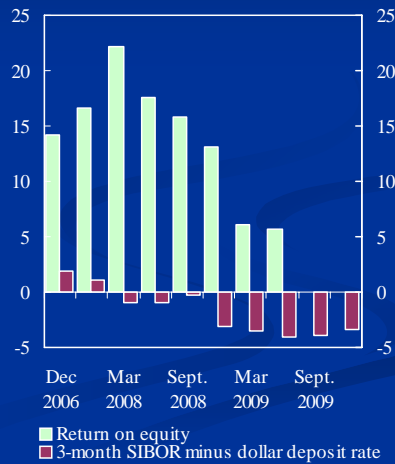
Commendable revenue performance in 2009, further efforts in 2010 would eliminate domestic financing needs and open space for additional high-priority development spending



Continued strong supervision of the banking sector and enforcement of prudential regulation will ensure stability and facilitate greater access to finance

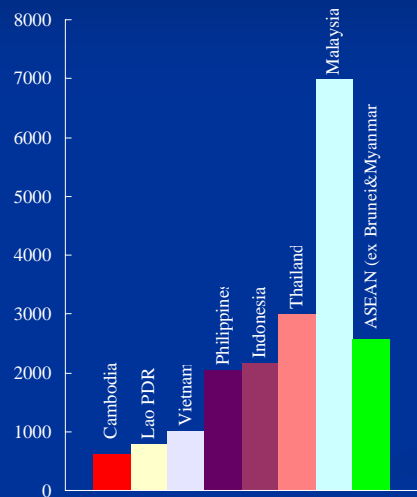
- Banking system now highly liquid, but profits are being squeezed by negative interest margins.
- Caution to avoid another lending boom, to mitigate the risks of a later bust

Profitability and Interest Margin
(in percent)



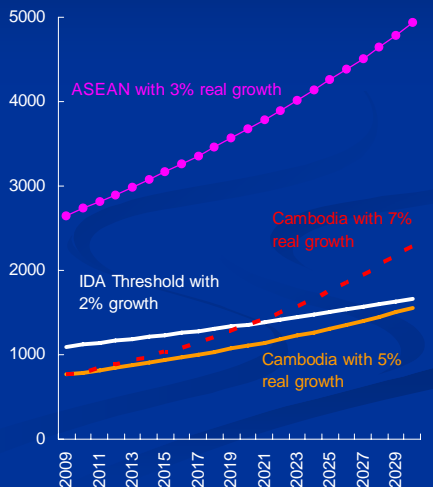
Over the longer-run, sustained robust growth will enable Cambodia to move up into middle-income status

Per Capita GNI
(U.S. dollars, 2008)



Source: World Bank

Per Capita GNI: Illustrative Medium-Term Growth Paths
(U.S. dollars)

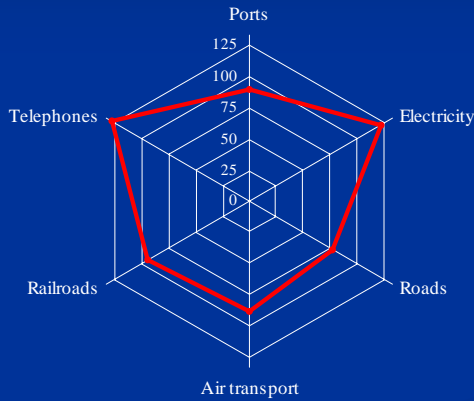


Source: World Bank, and IMF staff calculations

Emphasis on raising the quality of infrastructure and human capacity are fundamental to move up within ASEAN

Infrastructure Quality

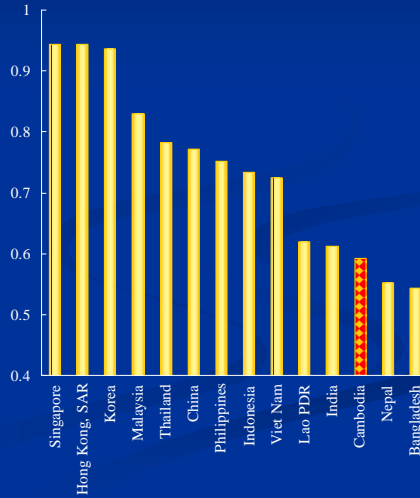
(rank among 133 countries,
Rank #1 = best quality)



Source: World Economic Forum Global Competitiveness Report 2009-10

Human Development Index

(combines education, health and income
higher score = better)

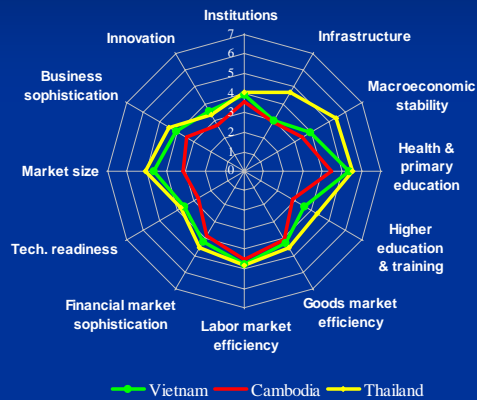


Source: UNDP

Outperforming neighbors over the long term also involves a broader strategy to be more competitive

Global Competitiveness

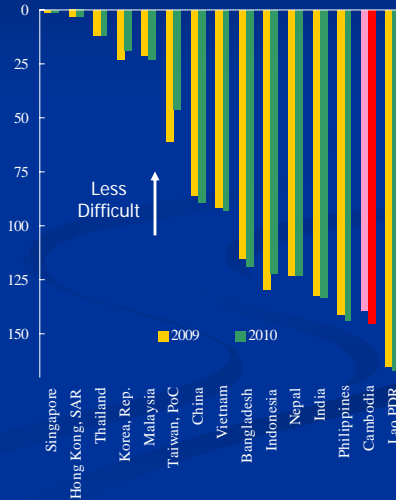
(higher score = more competitive)



Source: World Economic Forum Global Competitiveness Report 2009-10

Business Climate

(rank among 185 countries,
Rank #1 = best climate)



Source: World Bank Ease of Doing Business Report 2010

The IMF is helping in numerous areas:

- Macroeconomic and financial sector policy advice through IMF surveillance
- Technical assistance:
 - Monetary policy instruments and framework
 - Strengthening banking supervision
 - Public financial management reform
- Specialized training courses in macroeconomic policy formulation to build human capacity



Thank you for your attention!

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