



Cambodian Macroeconomic Performance, Fiscal Outcome And Policy Directions

Ministry of Economy and Finance, Cambodia

Monday, 30th May 2022



Content

Cambodian Vision 2030 and 2050

Policy Direction to Achieve Vision 2030 and 2050

- 3.1 Policy Approach to Achieve Vision 2030 and 2050
- 3.2 Government Intervention during COVID-19
- 3.3 Strategic Framework and Programs for Economic Recovery in the Context of Living with Covid-19 in a New Normal 2021-2023
- 3.4 Building firm foundation for economic growth with productivity, diversification and competitiveness
- 3.5 Building resilient economic foundation

Cambodian Macroeconomic Performance and Fiscal Outcome

- 1.1 Global Economic Perspective
- 1.2 Cambodian Macroeconomic Performance
- 1.3 Cambodian Fiscal Outcome

Conclusion

- 4.1 Risks and challenges
- 4.2 Opportunities
- 4.3 Key takeaways

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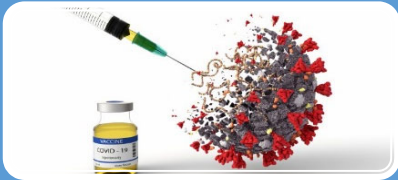
1. Cambodian Macroeconomic Performance and Fiscal Outcome

1.1 Global Economic Perspective

1.1 Global Economic Perspective (1): Global growth has picked up due to vaccination and supporting policies from governments.



1.1 Global Economic Perspective (2): Some trends has emerged - causing the global context to change successively in the short and medium term ...



Health sector development and vaccination to end COVID-19.



Changing in global economic architecture as well as reshoring and relocation for sustainable supply chain management.



Adaptation on the technological advancement and digitalization.



Increasing demands on sustainable and resilient socio-economic development

1.1 Global Economic Perspective (3): Global effects ...

The world has been facing the increasing price caused by:

- Increasing oil price in the global market,
- Rebound of economic growth in many countries, especially in EU, leading to more demand in energy,
- Monetary policy, and
- Congestion and disruption to supply chain and transportation.

• Ukraine-Russian War:



Oil Price

- Globally, including Cambodia, petroleum and diesel price has dramatically increased.
- The spike in global oil price will not drop immediately or in the near term.

Foods Security

- Ukraine-Russian war will cause foods security and disrupt daily life of many people, especially in EU.
- War will affect the price pressure on foods, dairy products, and nutrition-related products.

Others

- Put price pressure on imported goods for consumptions and production inputs.
- Oil price will affect transportation, energy, fertilizers and other agricultural products.



1. Cambodian Macroeconomic Performance and Fiscal Outcome

1.2 Cambodian Macroeconomic Performance

Cambodia's Geographical Location



1.2 Cambodian Macroeconomic Performance (1): The economy is projected to pick up and continue to grow ...

- **Cambodia's economy is estimated to grow by 3.0% in 2021 compared to -3.1% in 2020.** Key factors include: (1). Herd immunity achievement, (2). Re-opening of socio-economic activities in late 2021 and (3). Stronger-than-expected external demand especially from US and China markets.
- **In 2022, Cambodia's economy is estimated to pick up with the growth of 5.6%,** supported by a continued momentum of external demand and a gradual rebound of investment sentiment as well as domestic economic activities as the pandemic situation is gradually ceased. garment, non-garment, tourism, and agriculture.
- **In the medium term, 2023-2025, Cambodia's economy is projected to continue to expand with an annual average growth rate of 7%** similar to the rate of growth in the pre-Covid-19 pandemic. This returning path of growth will be buoyed by a continued momentum of external demand and investment sentiment where the pandemic will be fully brought under control.

1.2 Cambodian Macroeconomic Performance (2): Cambodian economy continued to revive and expect to rebound to the pre-pandemic in the short and medium term ...

GDP growth by sector (%)	2019	2020	2021	2022	2023	2024	2025
Agriculture	-0.5	0.6	1.1	1.3	1.3	1.4	1.4
Crop	0.6	0.7	2.1	2.0	1.8	1.8	1.8
Livestock and Poultry	-2.6	0.6	1.2	1.0	1.0	1.2	1.2
Fisheries	-1.6	0.6	-0.5	0.4	1.0	1.0	1.0
Industry	11.3	-1.4	7.4	8.4	9.4	10.0	10.1
Textile	6.6	-6.4	8.0	8.1	8.3	8.4	8.5
Construction	20.8	-1.8	1.4	5.4	8.6	10.3	10.4
Other industry	10.3	11.2	13.8	12.2	12.5	12.7	12.7
Services	6.2	-6.5	-0.4	5.1	6.7	7.1	7.1
Hotel and restaurant	3.1	-32.2	-40.1	12.0	22.0	20.0	18.0
Wholesale and retail trade	6.5	-5.2	2.9	5.0	6.7	6.9	7.0
Real estate	7.0	-6.2	0.6	4.1	5.5	6.4	6.5
Transport and Communication	8.4	-2.6	5.4	6.1	7.1	7.2	7.2
Other services	5.5	0.1	4.0	4.3	4.7	5.0	5.0
Real GDP growth	7.1	-3.1	3.0	5.6	6.7	7.2	7.3

Source: NIS (2019-2020) and MEF's projection (Dec, 2021)



1. Cambodian Macroeconomic Performance and Fiscal Outcome

1.3 Cambodian Fiscal Outcome

1.3 Cambodian Fiscal Outcome (1): Key main sources of revenue in Cambodia ...

- 2021 Revenue Performance: **Current revenue has undergone continuous pressure as a result of the ongoing spread of Covid-19, in tandem with the implementation of tax relief for impacted businesses.** Current revenue outturn exhibited a decline to -5.3%, equivalent to approximately USD 5.5 billion or 105.3% of the BL.
 - **Tax receipts from GDT decreased by 5.1%**, mainly as a result of the imposition of lockdown measures and travel restrictions that have led to a sudden drop in revenue in April and May. This contraction is reflected in sector-based revenue collection: beverage manufacturing (-24.5%), construction (-17.9%), transportation (-4.6%) and food and accommodation (-5.0%).
 - **Tax receipts from GDCE also exhibited negative growth of -5.5%**, primarily due to the impacts of COVID-19, which consequentially lowered domestic consumption and hampered trading activities, as evidenced by the decline in revenue from GDCE's main sources: tourist car imports (-7.7%), fuel import (-0.9%) and other goods (-17.4%).
 - **Non-tax revenue was also hit hard with a contraction of -5.2%**, pressured by the decline in revenue from tourism-related sectors including civil aviation (-84%), visa provision (-50%), ticket sales from Angkor visits (-96%), and casinos (-93%).

1.3 Cambodian Fiscal Outcome (2): Increasing expenditure during the pandemic ...

- Expenditure Performance: **Total expenditure in 2021 is estimated to increase by 11.2%, equivalent to 108.9% of BL**, as a result of the introduction of sizable fiscal interventions to address the socio-economic impacts and the slowdown in economic activities.
 - **Budget rationalization**: To ensure effective implementation of fiscal measures, the RGC has rationalized expenditure in 2021 and saved approximately **USD 98 million**.
 - **COVID-19 intervention package**: The COVID-19 intervention package was initially **planned at USD 719 million** in 2021 BL. However, the prolonged 20th February Community outbreak and the emergence of new virus variants have put pressure on government budget, given increasing spending needs for public health and social intervention. In particular, the intervention package in 2021 is **estimated to reach USD 1,291 million**.

1.3 Cambodian Fiscal Outcome (3): 2020-2022 COVID-19 Intervention Package (Million USD)

Intervention Programs (Million USD)	2020		2021		2022
	Plan	Imp.	Plan	Est.	Plan
1. Outbreak Prevention & Treatment	100	29	30	747	300
2. Wage subsidy and skill training	64	58	59	22	59
3. Cash for work	100	100	160	150	100
4. Cash Transfer	300	306	200	275	280
5. Food support During Lockdown	-	-	-	7	-
6. Financing through ARDB	50	50	-	-	-
7. Co-Financing through SME Bank	50	50	-	-	-
8. Credit Guarantee Fund	200	200	-	-	-
9. SME Financing Facility	300	30	270	150	-
10. Economic Recovery Plan	-	-	-	-	250
Total Intervention Package	1,164	824	719	1,291	989

1.3 Cambodian Fiscal Outcome (4): Fiscal deficit in 2021 is expected to widen ...

- ❑ Fiscal Deficit and Financing: the fiscal deficit in 2021 is expected to considerably widen to 11.21% of GDP, approximately 1.7 percentage points larger than planned. This deficit is will be financed through three sources:
 - **External financing** of around 4.68% of GDP;
 - **Budget Support** of around 0.97% of GDP; and
 - **Government's Saving withdrawal** of around 5.57% of GDP or equivalent to USD 1,291 million, which is higher than that in the budget law— stipulated at USD 1,043 million.
- ❑ Debt Position: based on debt bulletin vol. 13, **debt-to-GDP ratio in 2021 reached around 34.8% (face value) or 25.4% (NPV)** despite the widened fiscal deficit, attributed to the ample fiscal buffer (government's saving), owing to sound fiscal policy and prudent debt management over prior years.
- ❑ Fiscal Policy Agenda in the Medium-term: The RGC still needs to spend more to support the economic growth while fiscal space begins to shrink, the medium-term fiscal position will be highly flexible; thus, the RGC will implement **targeted expansionary fiscal policy from 2023**.

1.3 Cambodian Fiscal Outcome (5): 5 key principles of debt management ...



- Borrow in an appropriate size in accordance with budget condition and supportive economy.



- Borrow in high concessional loan.



- Borrow for prioritized and growth-sustaining sectors and sectors which can increase economic productivity or production productivity.



- Use loans transparently, accountably, efficiently and effectively.



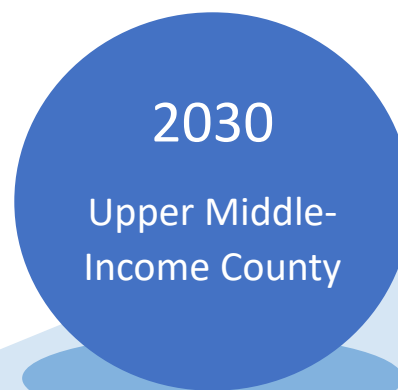
- Prioritize loan usage to finance public infrastructure investment with high standard and quality which ensures sustainable socio-economy, environment, resiliency and climate change.



2. Cambodian Vision 2030 and 2050

2. Cambodian Vision 2030 and 2050

To achieve Vision 2030 and 2050, the Royal Government of Cambodia must ameliorate and strengthen economic foundation with resiliency, competitiveness, productivity, capital and technology intensive, high skill, and regional and global connectivity.



- Current GDP \$77.3 billion
- GNI per capita \$4,030 per year

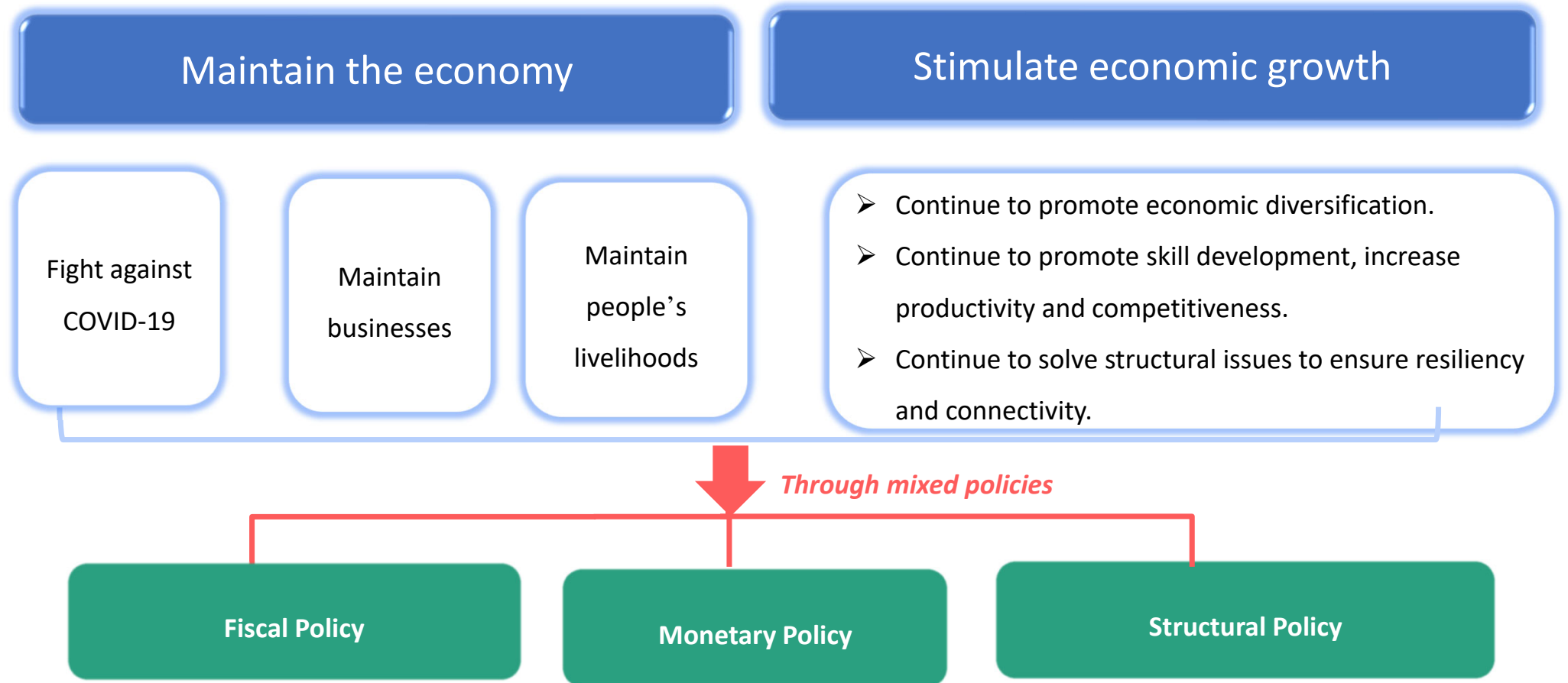


- Current GDP \$304.4 billion
- GNI per capita \$13,760 per year



3. Policy Direction to Achieve Cambodian Vision 2030 and 2050

3.1 Policy Approach to Achieve Vision 2030 and 2050



3.2 Government Intervention during COVID-19

- ❖ The RGC has implemented comprehensive 10 rounds of measures to support as many agents in the economy as possible: affected firms, suspended and laid-off workers, SMEs, the poor and the vulnerable groups. Thus, ...
 - **Reduce negative effect** on socio-economic situation and risks of nationwide infections.
 - **Recover and promote firms** to increase herd immunity in the socio-economy.
 - **Support daily burden of the poor and the vulnerable** through cash transfer program.

3.3 Strategic Framework and Programs for Economic Recovery in the Context of Living with Covid-19 in a New Normal 2021-2023 (1)



Vision

Strengthen pathways and diversity of firm socio-economic development and seize the opportunities both domestically and internationally to ameliorate national economic foundations to ensure competitiveness and diversification while promoting welfare of the Cambodian citizen in accordance with the new normalcy of development.



Goal

- Recover the economy in the short and medium term to return to potential growth while build resiliency for socio-economic development with sustainability and inclusion in the long term.



Objective

- Recover key supporting sector of the economy which were effected by the COVID-19 pandemic by solving key issues and sectoral challenges while catching other potential sectors,
- Reform key structural issues to build economic foundations to promote growth, diversification and competitiveness,
- Strengthen resiliency through readiness and responsiveness to ensure sustainability and inclusiveness of socio-economic development, and
- Achieve macroeconomic stability through the promotion of tax mechanism, ensure monetary stability, strengthen trade balance, as well as determine financing mechanism.

3.3 Strategic Framework and Programs for Economic Recovery in the Context of Living with Covid-19 in a New Normal 2021-2023 (2)

Pillar 1: Recovery

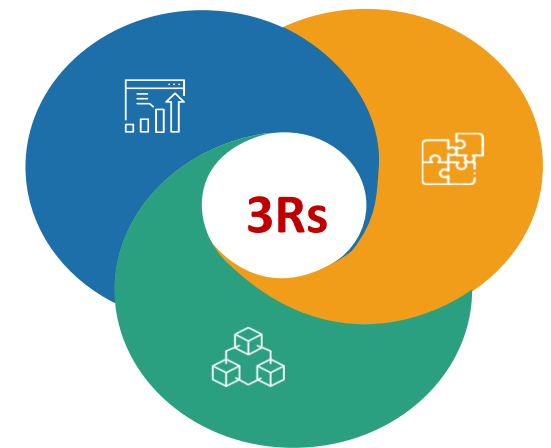
Through promoting growth of key sectors to return to pre-pandemic trend while pushing the growth of some potential sectors.

Pillar 2: Reform

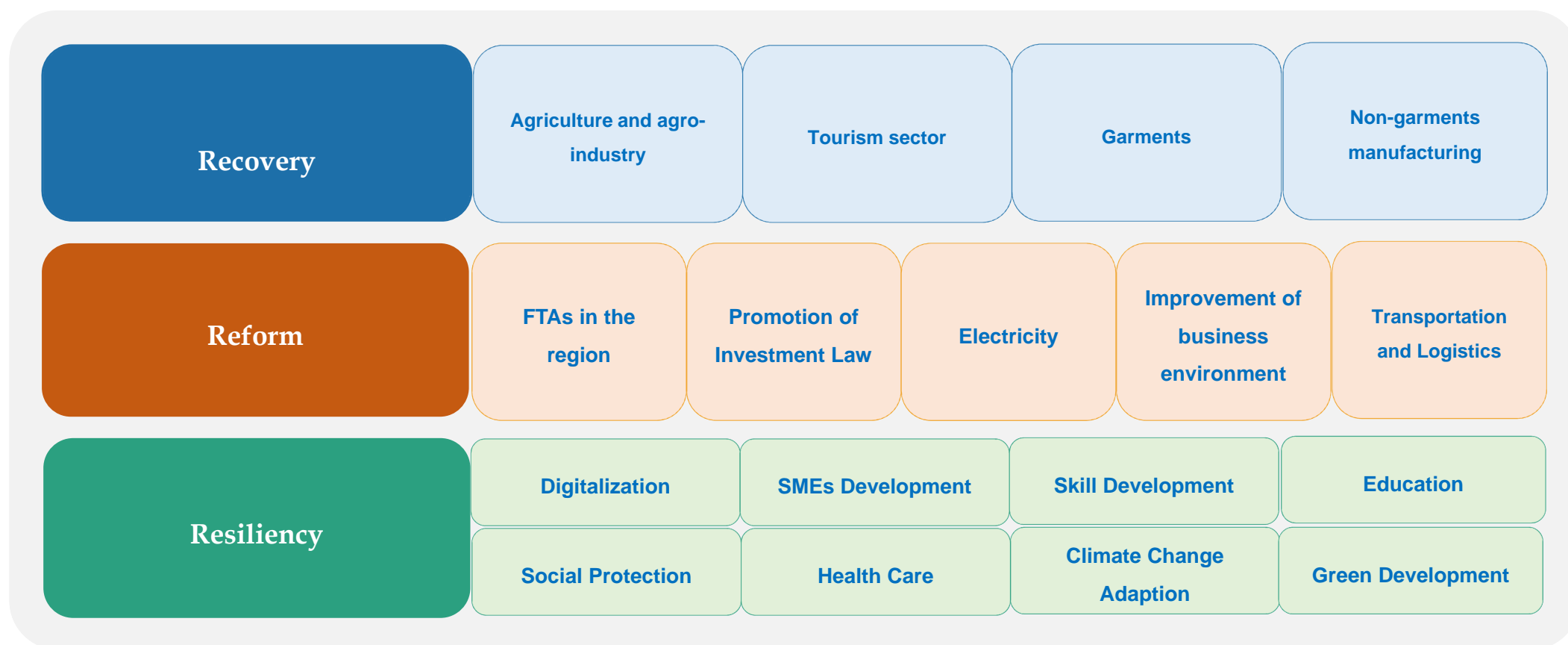
Through continuing to implement key structural reforms to improve business environment and trade facilitation to attract investment as well as make the best of use of existing FTAs.

Pillar 3: Resilience

Through strengthening readiness and responsiveness to ensure sustainability and inclusiveness of socio-economic development as well as prevention of diseases or other possible crisis in the future.



3.3 Strategic Framework and Programs for Economic Recovery in the Context of Living with Covid-19 in a New Normal 2021-2023 (3)



3.4 Building firm foundation for economic growth with productivity, diversification and competitiveness

- The increase economic productivity.
- Free trade agreements.
- Agricultural sector and animal husbandry.
- The promotion of Investment Law and the Public Private Partnership Law.
- Electricity sector.
- The improvement of business environment.
- Transportation and logistics sector.

3.5 Building Resilient Economic Foundation

- Social Protection
- Digital Sector
- Skill Development
- Small and Medium Enterprises Development
- Urbanization
- Adaption to Climate Change
- Sustainable Financing
- Foods Security
- Public Sector Reform



4. Conclusion

4.1 Risks and Challenges



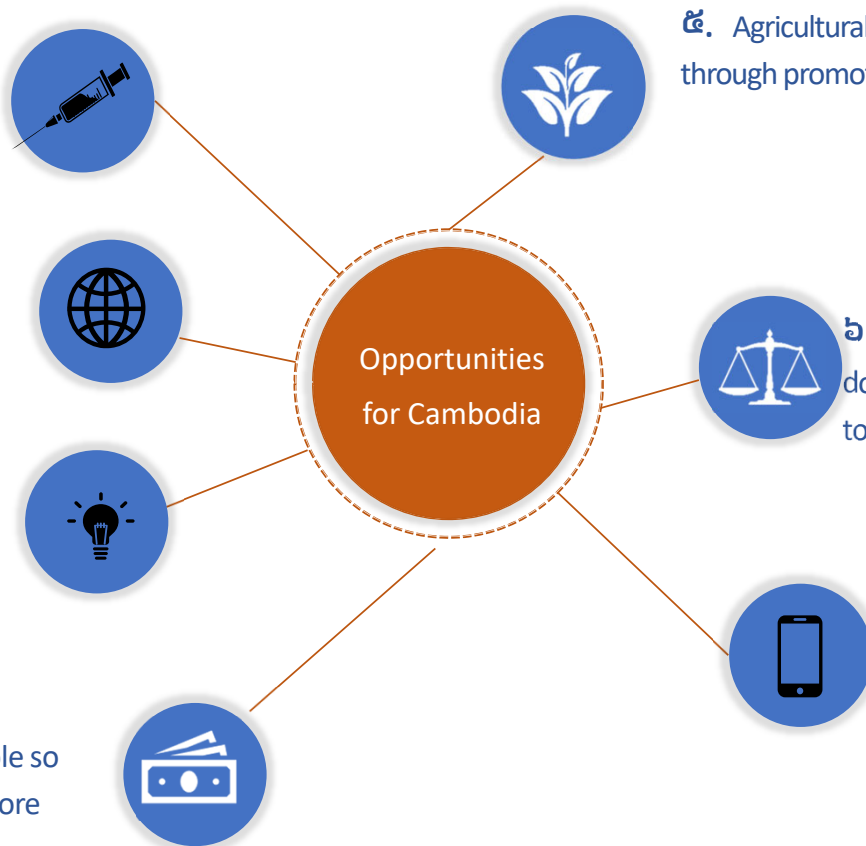
4.2 Opportunities

១. The success of national vaccination campaign against COVID-19 so that Cambodia can reopen its socio-economy

២. Seize the manufacturing and industrial sector from other countries (China and Myanmar) through incentives and trade facilitation.

៣. The diversification progress through key policies and strategies to attract non-garment industry (electronics and automobiles)

៤. The public debt condition is favourable so that Cambodia has spacious room for more borrowing.



៥. Agricultural sector and other sectors will be more potential through promotion of FTAs and RCEP.

៦. Public financial management has been done correctly so that Cambodia has budgets to fight COVID-19 and promote growth.

៧. The digital adaption has increased dramatically during the pandemic.

4.3 Key Takeaways

1. Cambodian economy grows is estimated to grow around 3% in 2021, projected to growth around 5.6% in 2022 and projected to return to pre-pandemic trend in the medium term.
2. The RGC will implement targeted expansionary fiscal policy from 2023.
3. Owing to sound fiscal policy and prudent debt management over prior years, Cambodia's DSA is low risk.
4. Despite risks and challenges, Cambodia has been implementing a lot of reforms in key areas to seize the opportunities.
5. Keeping Vision 2030 and 2050 in mind, Cambodia tries one's best to recover, continues to reform and allocates the efforts to build resiliency.



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ご清聴ありがとうございました。

Thank you.
