Cambodia Economic Update
June 2025

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Navigating Uncertainty

SPECIAL FOCUS

Strengthening Revenues for Cambodia's Future

CAMBODIA ECONOMIC UPDATE

June 2025

NAVIGATING UNCERTAINTY

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To be included in the email distribution list of the CEU and related publications, please contact Sina Oum (soum1@worldbank.org). For questions on the contents of this publication, please contact Saroeun Bou (sbou@worldbank.org).

ABBREVIATIONS

ASEAN	Association of Southeast Asian Nations
CEU	Cambodia Economic Update
CIT	Corporate income tax
CMT	Cut, Make, and Trim
COVID-19	Coronavirus disease 2019
CPI	Consumer Price Index
CSES	Cambodia Socio-Economic Survey
DALYs	disability-adjusted life years
EAP	East Asia and Pacific region
EMDE	Emerging market and developing economies
EU	European Union
FDI	Foreign direct investment
Fed	U.S. Federal Reserve
FTA	Free trade agreement
GDCE	General Department of Customs and Excises
GDP	Gross domestic product
GTF	Garment, travel goods, and footwear
MEF	Ministry of Economy and Finance
NPL	Nonperforming loan
PDR	People's Democratic Republic
PIT	Personal income tax
PMI	Purchasing Managers' Index
QIP	Qualified Investment Project
RCG	Royal Government of Cambodia
SDR	Special drawing rights
SSBs	Sugar-sweetened beverages
UK	United Kingdom
U.S.	United States
US$	United States dollar
VAT	Value-added tax
y/y	Year-on-year

EXECUTIVE SUMMARY

Recent developments

Cambodia's economic performance remains relatively robust but uneven. Steady export performance, particularly in garments and tourism, benefitted growth and job creation in manufacturing and services which in turn improved consumer confidence and spending, although recent spikes in global uncertainty and trade policy shifts cast a shadow over future prospects in the export sector. Meanwhile, domestic investment continues to face significant challenges, primarily due to a prolonged downturn in the property sector and a tightening credit cycle. This uneven economic performance in recent years has led to disparities in household welfare improvements across different income groups.

Despite easing, exports of goods—particularly garments, travel goods, footwear, and bicycles—to the U.S. and EU markets remained strong, increasing by 11.6 percent year-on-year (y/y) during the first quarter of 2025. In addition, services exports, primarily tourism, continued to expand, with international arrivals rising by 16.1 percent y/y during this period. However, despite this continued uptick in international arrivals, the number of international tourists (after excluding business visa holders and trans-frontier workers) still remained below 2019 levels. Manufacturing exports have boosted consumer confidence, reviving imports of nondurable and durable goods. Reflecting an uptick in private consumption, imports of foodstuffs and garments rose by 25.3 percent and 29.1 percent, while car and motorcycle imports surged by 79.1 percent and 19.0 percent in the first quarter of 2025.

In contrast, domestic investment continued to be weighed down by the ongoing downturn in the property sector and credit cycle. This can be seen in the sharp decline of approved domestic investment under the Qualified Investment Project (QIP) scheme, which dropped by a staggering 96.7 percent y/y in the first quarter. As a result, domestic investment now accounts for just 2.1 percent of total approved investment, a dramatic decrease from the one-third share observed in the pre-COVID period. As a result, domestic credit growth has plummeted following an extended period of rapid expansion. In March 2025, credit growth experienced a significant slowdown, reaching a year-on-year rate of 5.0 percent, slightly up from the 4.0 percent recorded during the same period in 2024. The ongoing slump in property construction—a strong driver of credit demand, private investment, and growth in the past—continued to weigh on overall economic activity.

The agricultural sector, which remains a key source of employment—supporting 3.1 million jobs or one-third of the workforce—saw mixed performance. Dry season rice production expanded significantly, driven by an increase in cultivated area, contributing to an 11.0 percent rise in total paddy rice output in 2024. Despite gains in rice yields and production, agriculture's contribution to real GDP growth remains limited and stagnant, just 0.2 percentage points in 2024. The sector continues to face structural challenges, including dependence on weather conditions and volatile commodity prices, which constrain its potential as a driver of broader economic growth.

On the external front, rising remittances and tourism revenues have played a crucial role in offsetting a substantial merchandise trade deficit. With continued inflows of FDI and the external balance of payments in surplus, gross international reserves reached US$24.7 billion in March 2025—a 26.4 percent y/y increase—sufficient to cover approximately seven months of projected imports.

Monetary conditions have become more accommodating, which, along with the rise in foreign currency deposits, has driven broad money growth to 19.0 percent y/y in March 2025. Inflation rose to 3.7 percent y/y in March 2025, primarily driven by rising food prices.

Amid the property sector downturn, financial sector asset quality showed signs of deterioration. By the end of 2024, reported nonperforming loan ratios increased to 7.9 percent for the banking sector and 9.0 percent for the microfinance sector, compared to 5.4 percent and 6.7 percent in 2023, respectively.

Fiscal policy has tightened. Domestic revenue has recovered, primarily due to substantial increases in value-added tax (VAT) and excises on imports, along with a rise in nontax revenue. This positive trend in revenue collection is largely attributed to the strengthening of goods imports and a revival of travel and tourism activity. Central government revenue grew by 11.2 percent y/y in the first quarter of 2025 (see also this edition's Special Focus section entitled "Strengthening Revenues for Cambodia's Future").

In contrast, public expenditure continued its downward trajectory, significantly decreasing by 35.2 percent y/y during the same period. Consequently, the fiscal deficit is projected to decline further to 2.7 percent of GDP this year, down from an estimated 3.0 percent of GDP in 2024. Public debt remains low, standing at 25.9 percent of GDP at the end of 2024.

The uneven economic recovery after COVID-19 has led to disparities in household welfare improvements. While there is no recent data, between 2021 and 2023, household consumption per capita increased by 8 percent overall, reflecting gradual economic gains. However, these benefits were unevenly distributed: the poorest quintile experienced a 7 percent increase in consumption per capita, whereas the richest quintile saw a 10 percent rise. Disparities are partly due to stalled property construction, affecting small businesses and seasonal workers, including farmers who depend on construction and informal jobs during off-seasons. The agricultural sector, crucial for rural employment and livelihoods, has experienced limited growth with an average annual real growth rate of only 1.0 percent from 2021 to 2024.

Outlook

As a small, open economy, Cambodia is vulnerable to global trade policy shifts. Export-oriented manufacturing accounts for over 40 percent of economic growth and 19 percent of total wage employment in the country. The United States (U.S.) is Cambodia's largest export market, comprising 37.2 percent of total goods exports and supporting 30.9 percent of formal manufacturing jobs, while China is the main source of Cambodia's foreign direct investment (FDI), accounting for 65.5 percent of total net FDI inflows (table ES.1).

Faced with global and domestic headwinds, Cambodia's real growth is projected to decelerate to 4.0 percent in 2025 and 4.5 percent in 2026 (table ES2). Amid softening external demand and high levels of uncertainty, especially related to trade policy, exports and FDI in the labor-intensive manufacturing export sector—particularly within the GTF industries— is expected to slow down.

Table ES.1. Cambodia's exports markets, FDI origins, and jobs (percent)

Goods exports		FDI inflows (net)		Manufacturing jobs	
U.S.	37.2	China	65.5	U.S.	30.9
ASEAN	19.0	Singapore	6.9	EU27	22.2
EU27	16.5	Korea, Rep.	5.6	Japan	8.3
China	6.6	Japan	4.2	UK	5.4
Japan	5.3	Thailand	3.5	China	2.4
UK	3.6	Taiwan, China	3.3	ASEAN	1.3

Sources: Cambodian authorities and World Bank staff estimates.
Note: In 2024, total merchandise exports = US$26,673 million; FDI inflows (net) = US$4,306.9 million; and manufacturing jobs: 1.16 million.

Table ES2. Macro outlook

Percent of GDP unless otherwise indicated					
	Projections			Change from December 2024	
	2025	2026	2027	2025	2026
Real growth (percent)	4.0	4.5	5.1	-1.5	-1.0
CPI (period average, percent)	4.0	4.0	4.1	1.8	1.8
Current account balance	-5.2	-4.6	-4.6	-3.7	-2.8
Overall fiscal balance	-2.7	-2.5	-2.0	0.5	0.6
Public debt	26.3	26.2	26.0	-1.1	-1.2

Sources: Cambodian authorities and World Bank staff estimates and projections.

In contrast, the travel, tourism, and hospitality industries are expected to continue to improve, in part supported by ongoing improvements in international and domestic connectivity. In the coming years, agricultural production and agro-processing industries could benefit from bilateral and multilateral free trade agreements, especially if some of the structural challenges in the sector are addressed.

Cambodia's dollarized economy tracks U.S. monetary policy, leading to projected inflation increases due to global trade policy shifts affecting exchange rates and U.S. dollar-denominated import prices. Amid slowing exports, the current account deficit is expected to widen in the short term. Ongoing fiscal consolidation efforts, which include measures to improve tax collection and contain discretionary spending, are projected to narrow the overall fiscal deficit.

While economic growth is expected to support the reduction of poverty, the rate at which poverty alleviation occurs will slow in line with slower growth and continue to differ across various regions and sectors.

Challenges and risks

Externally, slower-than-expected global growth could result in sharper declines in exports and foreign direct investment FDI inflows. The prospect of more restricted market access in key markets, such as the U.S. also poses an additional risk.

Domestically, Cambodia's high level of private debt, coupled with a faster-than-expected increase in nonperforming loans and emerging risks from imported inflation—given the expected increase in inflation in the U.S.—could jeopardize macro-financial stability and negatively affect the country's economic growth.

Policy options

Policy measures should prioritize sustaining macroeconomic and financial sector stability, advancing trade and investment reforms, and reinforcing social safety nets to safeguard vulnerable households. These measures should include deepening regulatory reforms and promoting small businesses, where most jobs are created and reducing trade costs through trade facilitation and improved connectivity and logistics.

Cambodia could also leverage its bilateral and regional Free Trade Agreements (FTA), including the Regional Comprehensive Economic Partnership (RCEP) and ASEAN plus agreements, to facilitate market access and diversify its trade partnerships, including within the ASEAN region.

To bolster financial stability, it is essential to implement strategies to holistically address distressed assets, see Box 2 for policy suggestions. Strengthening the insolvency framework is vital for efficient asset management, ensuring transparent and fair resolution of nonperforming loans. A well-defined bank resolution framework should be introduced to offer tools for orderly management of failing banks, minimizing economic impacts. This includes early intervention mechanisms and tools like asset sales and bridge banks. Another element of the country's financial safety net that could be introduced is deposit insurance to help protect depositors and maintain stability.

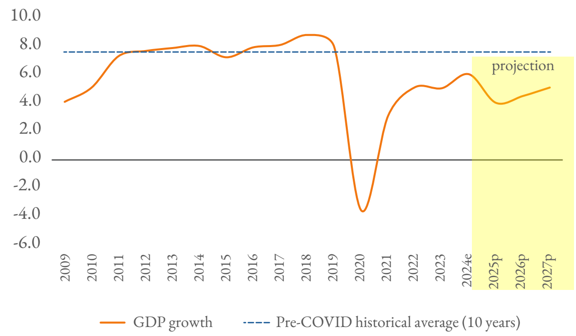
Over the medium term, Cambodia must shift its growth model away from dependence on construction, real estate, and garment exports. This transition involves promoting higher value-added manufacturing and service sectors, alongside enhancing productivity in agriculture. To sustain long-term, inclusive growth, it is crucial to strengthen human capital, improve infrastructure, and enhance regulatory transparency and efficiency. Concurrently, increasing domestic revenue mobilization will underpin ongoing macro-fiscal stability.

As discussed in the Special Focus section, a significant increase in resources is needed to meet the government's development objectives and spending ambitions, as articulated in the Pentagonal Strategy. Strengthening revenue mobilization is essential to achieving Cambodia's broader development goals and is particularly critical to addressing investments in social sectors, especially healthcare and education, where spending remains low relative to middle-income comparators. Higher revenues will enable the government to improve the quality of public services, invest in infrastructure, and build resilience against climate change impacts.

FIGURE ES.1. CAMBODIA'S RECENT DEVELOPMENTS AT A GLANCE

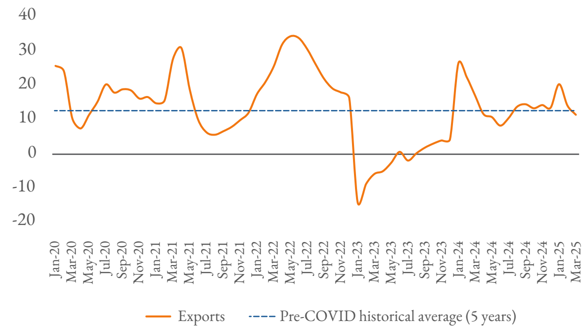
The economy is being hit by global trade policy uncertainty...

Real growth (percent)



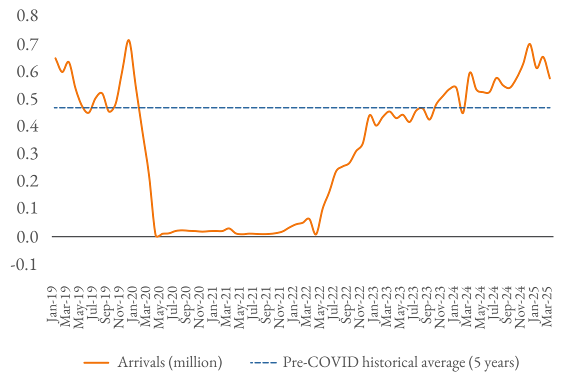
...while remaining strong, goods exports decelerated...

Goods exports (year-to-date, y/y percent change)



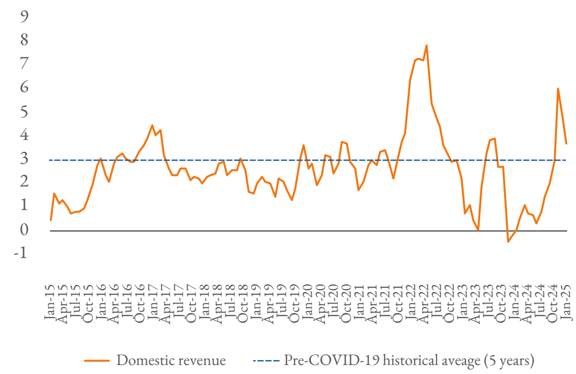
...improvements in services exports, however continued...

International arrivals (million)



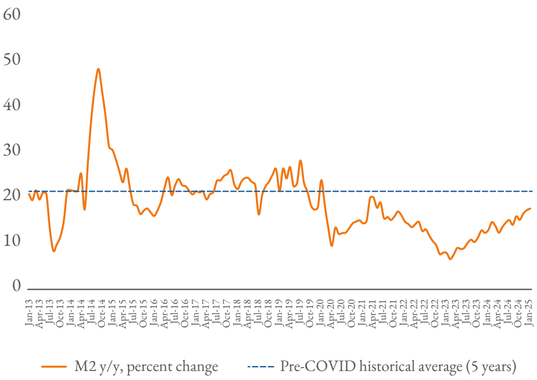
...inflation elevated...

(y/y percent change)



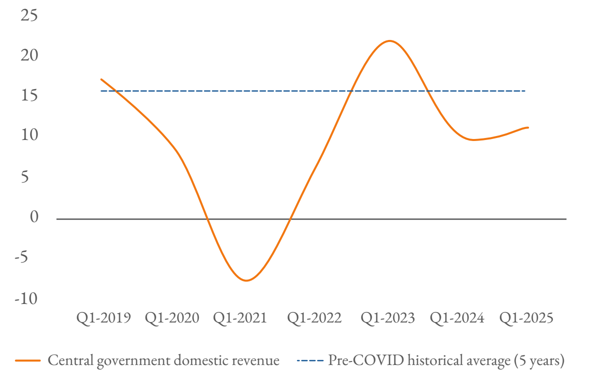
...broad money (M2) growth recovered...

Broad money liabilities (y/y percent change)



...while domestic revenue collection partly improved.

(y/y percent change)

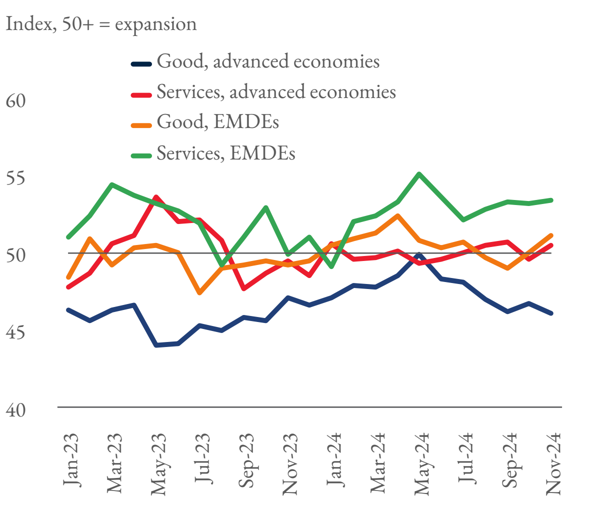


Sources: Cambodian authorities; World Bank staff projections.
Note: e = estimate; p = projection; y/y = year-on-year.

PART 1

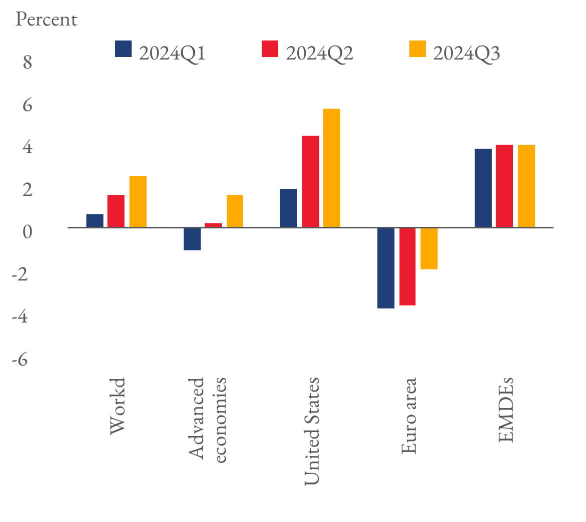
RECENT ECONOMIC DEVELOPMENTS AND OUTLOOK

Figure 1. **Global PMI: New export orders**



Sources: Haver; World Bank.
Note: Shows global composite, manufacturing and services PMIs. Readings above the line indicate expansion, and readings below show contraction.

Figure 2. **Goods trade growth**



Source: CPB Netherland Bureau of Economic Policy Analysis.
Note: The figure shows y/y percent change in goods trade volumes. Trade in goods is measured as the average of export and import volumes. Last observation is August 2024.

Recent developments

A MORE CHALLENGING GLOBAL ENVIRONMENT

The outlook for global activity has weakened, reflecting rising uncertainty amid major trade policy shifts.[1] In this context, consensus forecasts for global growth this year have fallen markedly. Investor sentiment has also shown signs of weakening. High-frequency global activity indicators have been mixed, with some divergence between manufacturing and services surveys. Commodity prices broadly declined in March and into April, led by lower energy and agricultural commodity prices.

In late 2024, the global services Purchasing Managers' Index (PMI) for new export orders suggested that the recovery in services trade stabilized, reflecting a slowdown in the growth of travel services (figure 1).[2] Recent data on tourist arrivals indicate that tourism activity has recovered to pre-pandemic levels in nearly all regions, except for East Asia and Pacific (EAP), where strict pandemic control measures remained in place for a longer period. Consequently, tailwinds from the global tourism recovery have largely faded, except in EAP.

The recovery in global goods trade last year was uneven across country groups. Goods trade expanded steadily in emerging market and developing economies (EMDEs), while it remained weak in most advanced economies, except for the United States, as a result of sluggish growth (figure 2). Nevertheless, globally, the number of new trade-restricting policies introduced in 2024 was five times higher than the 2010–19 average and is close to the record high observed in 2023.

ECONOMIC ACTIVITY REMAINED RELATIVELY ROBUST BUT UNEVEN

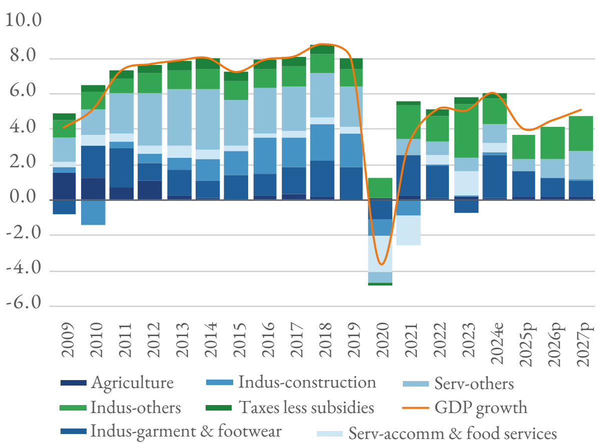
High frequency data for the first quarter of the year suggest economic activity remained robust, primarily driven by relatively strong growth in the garment, travel goods, and footwear (GTF) manufacturing sectors, along with expansion in non-GTF manufacturing and services, particularly in travel and tourism. The cultivation and production of dry season rice also accelerated during the period. A preliminary assessment by the authorities indicated that real growth expanded to 6 percent in 2024 (figure 3).

1 "Global Monthly" 2025.

2 World Bank 2025a.

Figure 3. Economic activity moderated

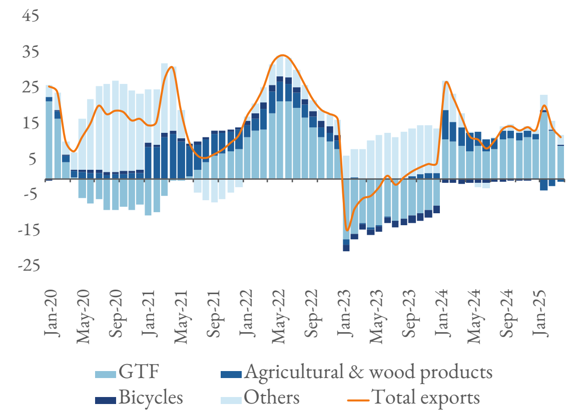
Contribution to real GDP growth
(percent)



Sources: Cambodian authorities and World Bank staff projections.
Note: e = estimates; p = projections.

Figure 4. Contribution to export growth by product

(YTD, percentage)



Source: Cambodian authorities.
Note: GTF = garment, travel goods and footwear; YTD = year to date.

From an expenditure perspective, economic growth was driven by relatively strong goods exports, with exports to the U.S. market accounting for 30 percent of GDP, a recovery in services exports—particularly tourism receipts—and a partial revival in private consumption, all of which contributed to growth until the first quarter of 2025. Improved consumer confidence, supported by strong manufacturing exports, has partially revived private consumption, as shown by the initial recovery in imports of nondurable and durable goods.

However, economic performance was uneven across sectors. While the formal sector, particularly manufacturing exports, driven mainly by garments, travel goods, footwear, and bicycles—to the U.S. and EU markets, remained robust, the large informal sector—especially traditional retail and informal services—lagged due to a sharp deceleration in domestic credit growth and an ongoing housing market correction. The ongoing slump in property construction—a strong driver of credit demand, private investment, and growth in the past—continued to weigh on overall economic activity.

GOODS EXPORTS MODERATED WITH GLOBAL TRADE POLICY SHIFTS POSING ADDITIONAL HEADWINDS

Total goods exports—particularly those of GTF to the U.S. and EU markets—remained robust but showed signs of gradual moderation, growing at 11.6 percent y/y in the first quarter of 2025 (figure 4). Garments, travel goods, and footwear exports contributed 6.4, 1.0, and 1.8 percentage points, respectively, to the growth of total goods exports. Among non-GTF manufactured products, the combined exports of vehicle parts, electronic items, and electrical accessories and components contributed 1.3 percentage points to total goods exports growth, while bicycle exports accounted for 0.5 percentage points. The contribution of agricultural commodity exports to total export growth was a negative 1.1 percentage points.

Reflecting the high import content of Cambodia's exports and a partial recovery in domestic demand, import growth mirrored export performance, reaching 18.5 percent y/y in the first quarter of 2025. Imports of fabric, the largest imported item primarily used in garment production, grew by 20.6 percent. This was followed by imports of electronic and electrical components, which are used for the assembly and production of parts for electronic and electrical appliances, increasing by 3.1 percent. In addition, imports of construction equipment, primarily for physical infrastructure buildings rose by 26.2 percent.

As a small, open economy, Cambodia is vulnerable to ongoing shifts in global trade policy. The largest sectoral exposure is in GTF, which contributed 40 percent to real GDP growth in 2024. The U.S. is Cambodia's largest export market, comprising 37.2 percent of total goods exports and supporting 30.9 percent of formal manufacturing jobs, while China is the main source of Cambodia's foreign direct investment (FDI), accounting for 65.5 percent of total net FDI inflows (table 1).

Loss of market access in key markets could have significant impacts on Cambodia's labor-intensive export-oriented manufacturing sector. Currently, the formal manufacturing sector provides employment to 1.2 million people, accounting for 19.4 percent of nonfarm employment and 12.5 percent of total employment in the country. A significant portion of these jobs (83.7 percent) is concentrated in the GTF industries, with women making up 80 percent of the workforce. Workers in these industries earn a minimum wage of US$208 per month and comply with labor standards established by the government. The U.S. market is estimated to support nearly one-third of these manufacturing jobs. The impact of job losses in this sector would disproportionately affect employment opportunities for women, with female workers in the sector constituting around 40 percent of the total 1.9 million female paid jobs.

FOREIGN TOURIST SPENDING INCREASED, BUT REMAINED BELOW 2019 LEVELS

The partial recovery in tourist spending is evident from the 13.2 percent y/y growth in Angkor Temple entrance fees during the first quarter of 2025. While the revenue from entrance fees during this period rose to US$18.7 million, it accounted for only 52.0 percent of the collection during the same period in 2019, marginally expanding from 46.0 percent in 2024. Cambodia's tourism receipts in 2024 were estimated by the Cambodian authorities to have reached US$3,637 million, an 18.0 percent y/y increase, contributing 9.4 percent of GDP. It represents 74 percent of 2019's tourism receipts, up from the 63 percent share in 2023. The number of direct jobs created by the sector increased to 0.51 million in 2024, up from 0.45 million in 2023. However, this figure is still lower than the 0.63 million direct jobs recorded in 2019.

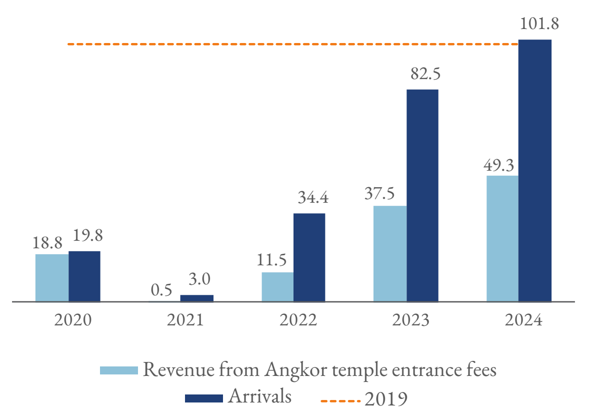
Table 1. Cambodia's exports markets, FDI origins, and jobs (percent)

Goods exports		FDI inflows (net)		Manufacturing jobs	
U.S.	37.2	China	65.5	U.S.	30.9
ASEAN	19.0	Singapore	6.9	EU27	22.2
EU27	16.5	Korea, Rep.	5.6	Japan	8.3
China	6.6	Japan	4.2	UK	5.4
Japan	5.3	Thailand	3.5	China	2.4
UK	3.6	Taiwan, China	3.3	ASEAN	1.3

Sources: Cambodian authorities and World Bank staff estimates.
Note: In 2024, total merchandise exports = US$26,673 million; FDI inflows (net) = US$4,306.9 million; and manufacturing jobs: 1.16 million.

Figure 5. **12-month arrivals and revenue from Angkor Temple entrance fees**

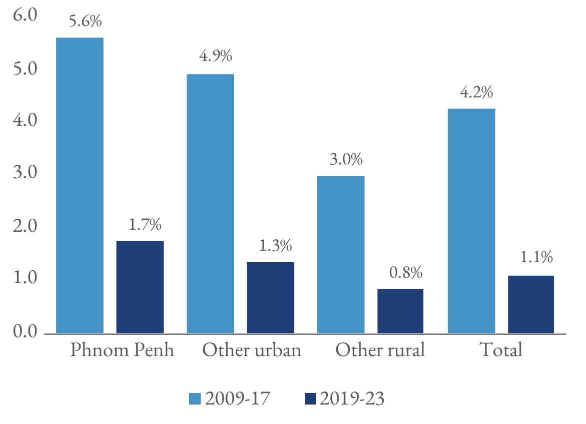
(2019 = 100)



Source: Cambodian authorities.
Note: GTF = garment, travel goods and footwear; YTD = year-to-date.

Figure 6. **Annual job growth**

(percent)



Source: Cambodia socioeconomic surveys.

Since 2024, international arrivals have reached the levels seen before the COVID-19 pandemic (figure 5). The data show that the total number of international arrivals reached 1.8 million in the first quarter of 2025, representing a 16.1 percent increase over the previous year and matching 2019 levels. However, the number of tourists—excluding business visa holders and trans-frontier workers—stands at only 1.3 million. This is a decline from the 1.5 million tourists recorded during the same period in 2019. This indicates that, while overall international travel has rebounded, the tourism segment has not yet fully returned to its pre-pandemic levels.

And there have been marked shifts in the composition of tourists. Before the pandemic, air arrivals made up two-thirds of total arrivals, but this trend reversed post-COVID-19. Chinese tourists, who once accounted for nearly 40 percent of visitors, decreased to 17.7 percent in the first quarter of 2025, an increase from 12.0 percent in 2024. They now rank third after Thai visitors at 26.1 percent and Vietnamese visitors at 17.9 percent.

DESPITE STRONG JOB GROWTH IN MANUFACTURING, OVERALL JOB CREATION REMAINED SUBDUED

In the first quarter of 2025, the expansion of goods exports resulted in a notable increase in the number of factories and employment within the manufacturing sector. By March 2025, the number of factories had grown to 2,539, with 53.8 percent being the garments, travel goods, and footwear (GTF) factories, marking a 16.7 percent y/y increase. Similarly, employment in the sector rose to 1.2 million jobs, with 83.7 percent contributed by the GTF industries, reflecting a 13.3 percent y/y increase. The majority of this job growth (89 percent) was driven by the GTF industries.

Despite the increase in manufacturing sector employment, overall labor market conditions remained sluggish. The formal manufacturing sector accounts for only 19.4 percent of nonfarm employment and 12.5 percent of total employment.[3] Findings from the Cambodia socioeconomic surveys corroborate a sluggish job market. As indicated by the employment data from the surveys, job growth significantly slowed during the post-pandemic period. Annual job growth decelerated to 1.1 percent during 2019–23, down from 4.2 percent during 2009–17 (figure 6).

The findings from the surveys indicate a notable recovery in employment within the formal sector, with the share of paid employment rising to 51.4 percent in 2023. This recovery marks a gradual rebound of paid employment following the significant disruptions caused by the COVID-19 pandemic.

3 Ministry of Planning 2024.

Box 1. The Effects of COVID-19 on household income and consumption: Evidence from the recent Cambodia Socio-Economic Survey[1]

Cambodia's economy enjoyed robust growth, averaging 7.6 percent annually from 2009 to 2019. This positioned Cambodia as the sixth fastest-growing country globally and the fourth among middle-income countries. Cambodia's poverty rate halved from 33.8 percent in 2009 to 17.8 percent in 2019/20, with declines in both urban and rural areas. This widespread reduction was due to higher incomes from agricultural exports, labor-intensive manufacturing, and a move to other nonfarm activities.

The pandemic and related worldwide economic disruptions caused Cambodia's first recession in 25 years, with GDP per capita declining by 5 percent in 2020. The government provided a US$1.3 billion cash transfer program to mitigate the economic shock, benefiting almost 700,000 households and 2.8 million individuals (16 percent of the population). While the economy began recovering in 2021, with per capita GDP growth of 1.6 percent, tourism and construction sectors remained severely impacted. The unemployment rate decreased, but many shifted to lower-paying jobs in agriculture and industry. Per capita income dropped by 8 percent in 2021, primarily due to reductions in most income sources, although income transfers increased significantly from a low base. Per capita consumption fell even faster than income, with a 24 percent contraction in 2021. Reduced spending opportunities due to the lockdown and high uncertainty about the future motivated households to save, as the proportion of households reporting income exceeding consumption (savings) increased.

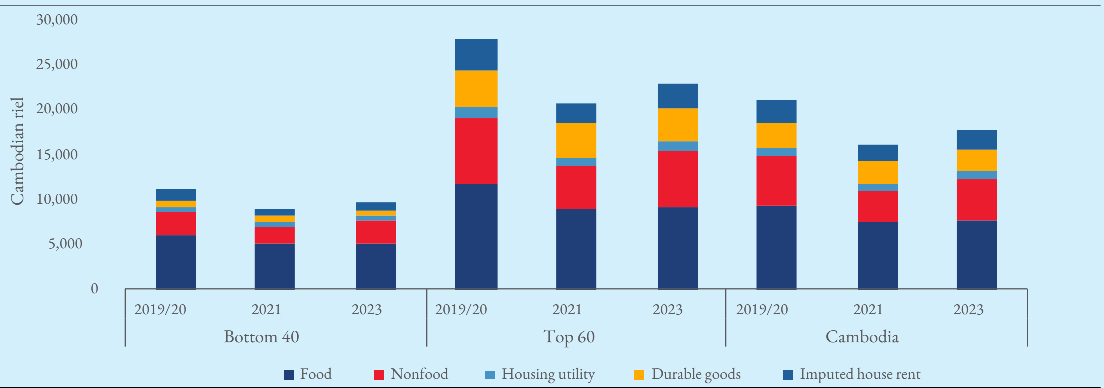
In 2022 and 2023, economic recovery continued, but growth remained lower than pre-pandemic levels. Tourism showed a significant rebound in 2023, but remained lower than 2019 levels. Construction remained weak. Inflation reached a 13-year high of 7.8 percent in June 2022 due to rising global energy, fertilizer and food prices in June 2022. The 2022–23 production year was hard hit by severe floodings and drought, reducing rice production.

Per capita income stagnated in 2023, remaining below pre-pandemic levels nationally, but the bottom 40 percent saw an 11 percent increase, reaching pre-pandemic levels due to the expansion of social protection programs to at-risk households. The recovery has been pro-poor, with income growing faster among the poorest. The top 60 percent experienced a further income decline. Employees, who constitute the largest share of employment, especially among the bottom 40 percent, tended to work longer hours as real wages were declining. For example, real minimum wages in garment, textile, and footwear decreased from 755,000 riels in 2020 to 721,000 riels in 2023.

Amid income stagnation, per capita consumption rose in 2023 as households drew on savings to maintain their standard of living. Per capita consumption rose by 10 percent between 2021 and 2023; consequently, per capita saving dropped by 66 percent. Nonfood consumption increased significantly by 16 percent, while food consumption saw a modest rise of only 2 percent. Food calorie intake also improved by 4 percent. Compared to pre-pandemic levels, per capita consumption in 2023 remained lower than in 2019/20, with the bottom 40 percent experiencing a smaller decline than the top 60 percent. Cambodia's economy is recovering, but it has not yet returned to pre-pandemic levels, and the recovery has been unevenly distributed across income groups.

Trade shocks, which decelerate economic growth, can have a complex and negative impact on welfare, especially among the poor. The export sector, such as garment, which employs over 700,000 workers, many of whom are women, may suffer from lower demand, leading to job losses and income reduction, thereby worsening economic well-being. In this circumstance, it is crucial to maintain spending on social programs, particularly healthcare and education, as this spending enhances human capital development and provides opportunities for the poor to improve their economic situation.

Figure B1.1. Daily per capita consumption



Source: World Bank staff estimates.

1. This box was prepared by Kimsun Tong under the guidance of Benu Bidani.

In contrast, economic activity in the large informal sector, including traditional retail and wholesale, has progressed more slowly. Stalled property construction activities have adversely affected small businesses and seasonal workers, primarily farmers who took on construction and informal service jobs after the rice planting and harvesting seasons. This may be reflected in the decline in the share of self-employed workers, which fell to approximately 35 percent, down from 45 percent during pre-COVID period. In addition, as previously discussed, the number of direct jobs created by the tourism sector in 2024 remains below pre-pandemic levels, with 0.51 million jobs compared to 0.63 million in 2019.

Geographically, Phnom Penh, which experienced a construction and real estate boom during the pre-pandemic period, was hit the hardest. In Phnom Penh, jobs grew at 5.6 percent, the highest during 2009–17, when the capital city underwent a construction and consumption boom. However, job growth in the capital city decelerated to 1.7 percent during 2019–23. Similarly, job growth in other urban areas, which also benefited from the construction boom, eased, decelerating to 1.3 percent, down from 4.9 percent during the same period. Job growth in rural areas also declined to 0.8 percent, down from 3.0 percent during the period.

The uneven economic performance across sectors may have led to disparities in improvements in household welfare. Between 2021 and 2023, household consumption per capita increased by 8 percent overall, signaling gradual economic gains. However, the benefits were unevenly distributed—consumption per capita rose by 7 percent for the poorest quintile, compared to 10 percent for the richest quintile (for more details, see box 1).

APPROVED FDI ROSE, WHILE DOMESTIC INVESTMENT SHARPLY SLOWED

Robust external demand attracted foreign investors to the export sector. In the first quarter of 2025, the approved project value financed by FDI classified under the Qualified Investment Project (QIP) scheme (outside special economic zones) rose to US$630.0 million, a 19.0 percent y/y increase. However, it was still below the pre- pandemic level of US$801.0 million.

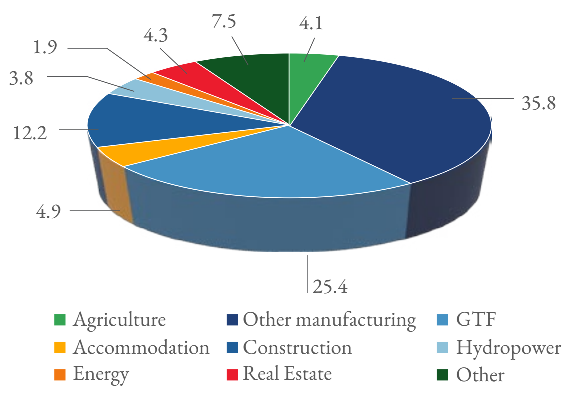
The garment industry attracted nearly two-thirds of the approved FDI-financed project value. This surge in investment is partly due to the vibrant garment exports observed over the past year, which may have been influenced by the relocation of supply chains from Bangladesh. The non-garment manufacturing sector, encompassing energy, travel goods, footwear, and other manufacturing activities, has emerged as the second largest sector, accounting for one-third of the total approved FDI-financed project value. In contrast, the construction and real estate sector, which previously dominated by accounting for three-quarters of the total approved FDI-financed project value in 2019, currently receives no approved FDI financing. This shift indicates a significant change in investment focus and priorities.

Despite the increase in approved FDI-financed project value, the approved domestic investment value declined significantly, shrinking by 96.7 percent y/y to reach only US$23 million during the first quarter. It accounted for only 2.1 percent of the total approved investment value. This indicates a continued downbeat domestic investor appetite for investing in the tradable sector. In the pre-pandemic period, domestic investments made up approximately one-third of the total approved investment value, with the majority of these funds allocated to the construction and real estate sectors.

In the post-pandemic period, there has been a significant change in the patterns of actual FDI inflows, with a growing focus on specific sectors like garments, travel goods, and footwear. According to data from the central bank, the share of FDI invested in GTF rose to 25.4 percent of total FDI inflows to the real sector in 2024 (figure 7), up from 22.6 percent in 2019. This indicates a concentration, rather than diversification, of the GTF industry. Similarly, Chinese FDI as a share of total FDI inflows reached 65.5 percent in 2024, up from 41.3 percent in 2019, indicating increased dependency on investment from China (figure 8).

Figure 7. **FDI inflows by sector**

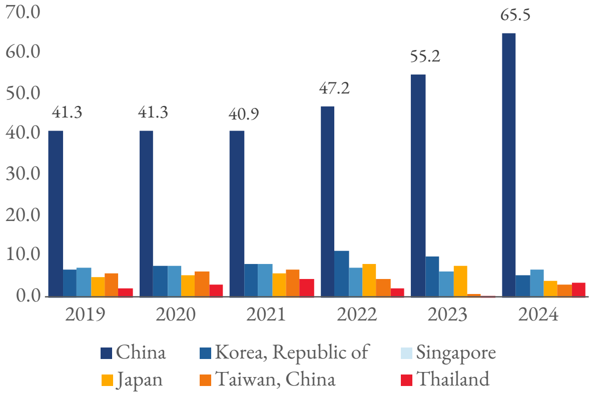
(% share, net, excluding financial sector, 2024)



Source: Cambodian authorities.
Note: GTF = garment, travel goods, and footwear.

Figure 8. **Chinese FDI rose among the top six**

(% of total)



Source: Cambodian authorities.

AGRICULTURAL EXPORTS WERE MIXED, DESPITE RISING RICE PRODUCTION

Among the top five agricultural commodities, exports of cashew nuts and milled rice rose, increasing by 6.2 percent and 20.8 percent, respectively, in the first quarter of 2025, according to the authorities' official export data. However, exports of cassava and rubber declined by 23.2 percent and 13.5 percent, respectively. For the wood and wood processing industry, exports of wood products and furniture expanded, growing by 10.6 percent y/y during this period.

Dry season rice cultivation and production accelerated in the first quarter of 2025, increasing by 8.0% and 7.5%, respectively. According to the Ministry of Agriculture, Forestry, and Fisheries' annual report, in 2024, total paddy rice production grew by 11.0 percent, reaching 13.9 million metric tons. While wet season rice production, which accounts for about three-quarters of total paddy production, rose by 7.5 percent, dry season rice production surged, expanding by 22.1 percent. The expansion of dry season rice production was mainly driven by an increase in the cultivated area. Paddy rice yields for the wet and dry seasons marginally rose, growing by 2.0 percent and 0.2 percent, respectively. Despite ongoing efforts to boost the agricultural sector, Cambodia's crop production remains weather-dependent, and agricultural commodity prices are volatile. The agriculture sector's contribution to real GDP growth remains relatively limited and stagnant, with an annual contribution of 0.2 percentage points during the period 2021-24, compared to 3.5 percentage points from the industry sector and 0.8 percentage points from the services sector. However, the sector continues to provide 3.1 million farm jobs, representing 33.4 percent of total employment.

IMPROVED CONSUMER CONFIDENCE BOOSTED CONSUMPTION

The partial revival of private consumption, which began in 2024, continued into this year. This trend is likely supported by improved consumer confidence and the ongoing expansion of manufacturing exports, which have contributed to job creation and increased earnings. Workers' remittances also improved. The partial recovery of private consumption has helped fuel domestic economic activity and increased demand for consumer goods, as private consumption constitutes approximately 60 percent of GDP.

In the first quarter of 2025, goods imports grew at 18.5 percent y/y. A number of top-ticket items of imported nondurable consumer goods continued to grow. Imports of foodstuffs, garments, and medicine rose by 25.3 percent, 29.1 percent, and 22.9 percent, respectively. Similarly, imports of durable consumer goods also increased. During the same period, imports of passenger cars and motorcycles surged, increasing by 79.1 percent and 19.0 percent y/y, respectively.

INFLATION PICKED UP, DRIVEN BY HIGHER FOOD PRICES

Inflation rose to 3.7 percent y/y in March 2025, primarily driven by rising food prices (figure 9). Despite continued subdued prices of rice, the average prices of meat, fish, fruits, and vegetables increased, resulting in an acceleration of the food component subindex. Since the food subindex accounts for a 43 percent weight in the inflation basket, this contributed to the overall rise in inflation. In addition, the average prices of clothing and footwear, as well as utilities, also increased. However, petroleum product prices edged down in the same period.

Domestic prices in Cambodia aligned closely with global trends, reflecting the characteristics of its small, open, and highly dollarized economy. During this period, the global prices of beef and chicken increased significantly, rising by 18.1 percent and 6.5 percent y/y, respectively. Conversely, global rice prices (Thai, 5 percent broken) saw a substantial decline of 27.7 percent y/y, while the energy price index decreased by 4.1 percent, as reported by the World Bank's Pink Sheet.[4]

In March 2025, Cambodia's Consumer Price Index (CPI), excluding food items, showed a modest y/y increase of 0.9 percent, indicating stable inflation in nonfood price indexes.

AS IMPORTS REBOUNDED, THE CURRENT ACCOUNT DEFICIT WIDENED

Merchandise imports accelerated, rising by 18.5 percent y/y in the first quarter of 2025, surpassing the growth of merchandise exports, which rose by 11.6 percent. As a result, the current account deficit has widened. In 2025, continued strong capital inflows, especially FDI, helped ease pressures on the exchange rate. Registering an overall BOP surplus, the country's gross international reserves rose to US$24.7 billion, a 26.4 percent y/y increase in March 2025, covering about seven months of prospective imports. Continued inflows of FDI, robust remittances, and the partial recovery of tourism receipts have helped finance the current account deficit, which is projected to widen to approximately 5.0 percent of GDP in 2025.

THE RIEL APPRECIATED SLIGHTLY, WHILE INTEREST RATES SOFTENED

Despite a widening current account deficit, upward pressures on the local currency and domestic interest rates have moderated as Cambodia's highly dollarized economy tracks U.S. monetary policy. The U.S. Federal Reserve (Fed) maintained the federal funds rate in a target range of 4¼ to 4½ percent in March 2025.[5] Domestic U.S. dollar-denominated deposit rates have declined. As the demand for domestic credit eased amid the downturn in the property sector, domestic U.S. dollar-denominated deposit rates declined to 4.65 percent per year in March 2025, down from 5.67 percent during the same period in 2024. The U.S. dollar-denominated loan interest rate remained largely unchanged at 10.1 percent.

Meanwhile, the riel-U.S. dollar exchange rate marginally appreciated in May 2025, reaching 4,002 riel per U.S. dollar, up from 4,093 riel per U.S. dollar during the same period in 2024.

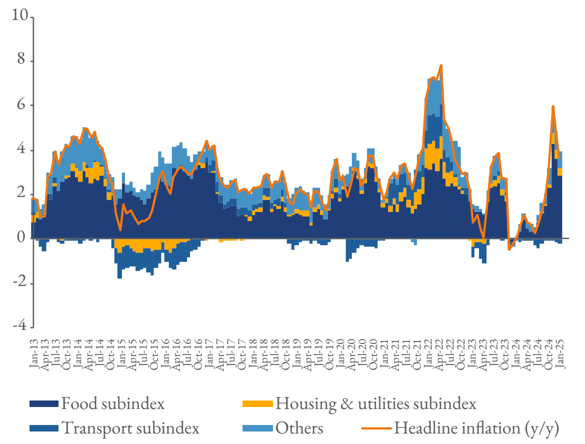
The central bank's open market operations witnessed a net purchase of U.S. dollar currency rising to US$116.9 million in 2024, compared to a net sale of US$123.9 million in 2023. The riel also appreciated against the Chinese yuan and the Vietnamese dong, reaching 551 riel per yuan and 0.156 riel per dong in March 2025, down from 559 riel per yuan and 0.163 riel per dong during the same period in 2024. Conversely, the riel depreciated against the Thai baht, reaching 118 riel per baht, up from 111 riel per baht during the same period.

4 The World Bank's Pink Sheet provides commodity price data.

5 United States Federal Reserve 2025.

Figure 9. **Inflation elevated**

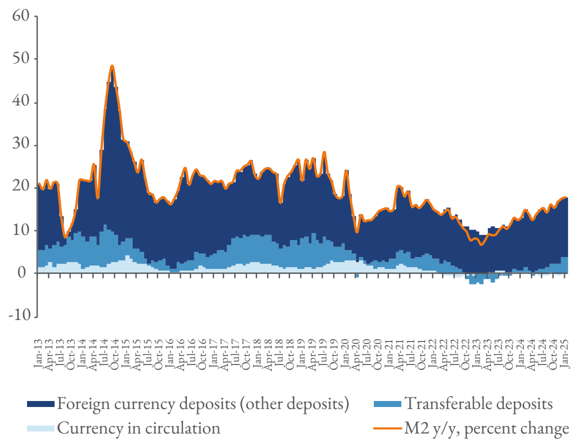
Contributions to 12-month inflation (percentage point)



Source: Cambodian authorities.
Note: y/y = year-on-year.

Figure 10. **Broad money growth recovered**

Contribution to broad money growth (percentage points)



Source: Cambodian authorities.

MONEY SUPPLY EXPANDED, WHILE CREDIT GROWTH REMAINED SUBDUED

Broad oney growth accelerated further, expanding by 19.0 percent over the 12 months ending in March 2025, up from 14.0 percent during the same period in 2024, owing to growing foreign currency deposits. Of the 19.9 percent broad money growth, the contribution of foreign currency deposits (and other deposits) is the largest, accounting for 14.0 percentage points, as the economy is highly dollarized. Contributions of transferable deposits and currency in circulation accounted for 4.6 percentage points and 0.4 percentage points, respectively, during the same period (figure 10).

Since mid-2023, domestic credit growth has plummeted following an extended period of rapid expansion. In March 2025, credit growth remained subdued, reaching a year-on-year rate of 5.0 percent, slightly up from the 4.0 percent recorded during the same period in 2024 as the demand for domestic credit eased amid the downturn in the property sector. Domestic credit allocated to the construction, real estate, and mortgage sectors constitutes one-third of the total outstanding credit. In 2019, domestic credit grew by 27.0 percent year-on-year, fueled by a boom in the construction and real estate sectors.

Amid the property sector downturn, banking sector asset quality showed signs of deterioration. By the end of 2024, reported nonperforming loan ratios increased to 7.9 percent for the banking sector and 9.0 percent for the microfinance sector, compared to 5.4 percent and 6.7 percent in 2023, respectively (see box 2 for a concise discussion on non-performing loans in Cambodia's banking sector).

The slowdown in credit growth led to a decline in the credit-to-GDP ratio, which shrank to 120.4 percent in March 2025, down from 124.1 percent during the same period in 2024. In contrast, private sector deposit growth accelerated to 20.2 percent y/y in March 2025, up from 14.8 percent during the same period in 2024, despite a decline in the U.S. dollar-denominated deposit interest rate to 4.6 percent per year, down from 5.6 percent per year during the same period.

Rising private sector deposits boosted the ratio of deposits to nominal GDP to 108.6 percent in March 2025, up from 97.8 percent during the same period in 2024. The slowdown in credit growth and the increase in deposit growth helped reduce the loan-to-deposit ratio to 110.8 percent, down from 126.9 percent during the same period in 2024.

Box 2. Non-performing loans in Cambodia's banking sector[1]

The Cambodian banking system, while experiencing rapid loan growth until recent years, has seen a sharp deterioration in asset quality. The reported NPL ratio reached 7.9 percent in December 2024, a significant increase from 1.8 percent in 2019. The increase in reported NPLs can be attributed to several factors: the expiration of the COVID-related regulatory forbearance, the economic slowdown, the end of the real estate boom, and poor lending standards. NPLs are concentrated in certain sectors (hotels and restaurants, retail, and mining), while the real estate sector has relatively low reported NPL rates despite the end of the real estate boom.

In August 2024, the National Bank of Cambodia NBC issued a Prakas on Loan Restructuring, which allows banks to restructure loans to customers twice without changing the loan classification or making additional provisions.[2,3]

January 2025, around ten percent of total loans were restructured. While this measure is active, reported NPLs may not fully reflect the extent of distressed assets because a share of restructured loans could end up becoming non-performing. The regulatory forbearance has given banks some breathing space in terms of NPL recognition, but after the end of this window—the Prakas expires in December 2025—a further increase in NPLs would be expected.

Some NPL resolution instruments are not fully effective in Cambodia due to e.g. underdeveloped legal frameworks, lengthy court procedures, and the lack of a market for the sale of NPLs. The country has not had experience with a significant build-up of NPLs, so certain frameworks have not yet been developed. NPL sales and legal actions are examples of such undeveloped/underused frameworks, leaving loan rescheduling and loan write-offs as the two most commonly used NPL resolution tools in Cambodia.

International best practice suggests that Cambodia could benefit from a holistic approach to NPL resolution that emphasizes banks as the main actors to bear the financial burden of NPL resolution, but at the same time calls for improving the enabling environment for NPL resolution. It suggests (i) streamlining collateral enforcement, (ii) reviewing bankruptcy laws, (iii) introducing willful defaulter regulations and NPL reduction strategies for banks with high NPLs, (iv) improving NPL write-off criteria, (v) establishing a regulatory framework for debt collection and servicing companies to open the NPL market in Cambodia, and (vi) improving the macroprudential framework.

1. This box was prepared by Tim L. De Vaan under the guidance of Francesco Strobbe.
2. Prakas No. B7-024-001. Issued on August 29, 2024.
3. Without limitations to specific sectors.

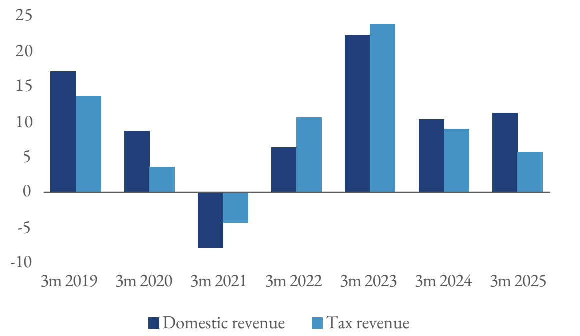
FISCAL CONSOLIDATION HAS COMMENCED

The Cambodian authorities have begun consolidating their fiscal stance in the 2025 budget year. During the post-COVID-19 period, moderate economic activity has led to a deceleration in domestic revenue collection. The moderation in revenue growth has necessitated a more cautious approach to fiscal management to ensure long-term economic stability. In addition, after implementing expansionary fiscal support measures to mitigate the negative impact of the COVID-19 pandemic, the authorities need to rebuild fiscal space to address future shocks.

For the 2025 budget, revenue is budgeted to reach 29 trillion riels (equivalent to US$7.1 billion), or 14.1 percent of GDP, a decrease from 16.9 percent of GDP budgeted in 2024. This drop reflects challenges in revenue collection (see this edition's Special Focus section entitled "Strengthening Revenues for Cambodia's Future"). Similarly, expenditure is budgeted to reach 35.4 trillion riels (equivalent to US$8.7 billion), or 17.2 percent of GDP, a decrease from 19.3 percent of GDP budgeted in 2024. This reduction in expenditure indicates the government's efforts to streamline spending and improve fiscal discipline. The overall fiscal deficit is budgeted to remain at 3.1 percent of GDP in 2025. To address slow revenue collection, the 2025 budget has increased the borrowing ceiling to 2 billion Special Drawing Rights (SDR), up from the SDR 1.7 billion allowed under the 2024 budget law.

Figure 11. **Central government revenue**

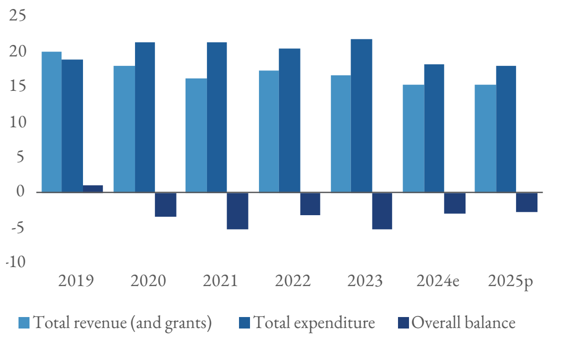
(y/y percent change)



Sources: Cambodian authorities.
Note: m = month.

Figure 12. **General government operations**

(percent of GDP)



Sources: Budget Settlement Laws; World Bank staff estimates and projections.
Note: e = estimate; p = projection.

Domestic revenue collection remained relatively strong in 2025, although its growth rate remained significantly below the pre-pandemic levels. In the first quarter of 2025, central government domestic revenue grew at 11.2 percent y/y, driven mainly by tax and non-tax revenues (figure 10). Of the 11.2 percent increase in total domestic revenue, tax, nontax, and other revenues contributed 5.3, 3.2, and 2.7 percentage points, respectively.

Boosting direct revenue, which includes profit and income taxes and accounts for about one-third of total tax revenue, remains a challenge, given the country's generous tax incentives and the absence of a personal income tax. In the first quarter of 2025, direct revenue contracted by 2.1 percent. In contrast, indirect revenue grew by 16.6 percent y/y, mainly boosted by the VAT and excise taxes, especially from imports, consistent with the partial recovery of private consumption which fueled goods imports. Thanks to improvements in travel and tourism activity, nontax revenue grew at 41.1 percent y/y during the first quarter of 2025.

Central government outlays have been slow due largely to contained expenditure on goods and services. In the first quarter of 2025, central government budgetary expenditure decreased significantly, contracting by 35.2 percent y/y, as discretionary spending was contained. Expenditure on goods and services plummeted, contracting by 60.4 percent y/y. However, the wage bill rose, increasing by 3.3 percent y/y during the same period. Capital expenditure also increased by 8.9 percent y/y.

In the first quarter of 2025, increased domestic revenue and decreased government spending resulted in a fiscal surplus of 2.8 trillion riels, a significant improvement from the 0.9 trillion riel deficit recorded in the same period of 2024. Due to the authorities' budget consolidation efforts, this year's overall fiscal deficit is expected to narrow. General government revenue (and grants) is expected to reach 15.4 percent of GDP, while general government outlays are projected to account for 18.1 percent of GDP (figure 11). Cambodia's overall fiscal deficit is, therefore, expected to narrow to 2.7 percent of GDP in 2025, down from an estimated 3.0 percent of GDP in 2024.

To finance the projected overall fiscal deficit, net external financing is expected to cover 1.5 percent of GDP (55 percent of the deficit). The remaining 1.2 percent of GDP (45 percent of the deficit) is expected to be financed by drawing down government deposits (fiscal reserves), which stood at 11.9 percent of GDP (24.8 trillion riels) by March 2025, up from 11.2 percent of GDP during the same period in 2024. While the authorities have issued domestic debt, the proceeds from this issuance are directed towards investments in high-return public projects, rather than financing the overall fiscal deficit (refer to the public debt section below for more details).

PUBLIC DEBT STOCK REACHED 25.9 PERCENT OF GDP BY END-2024

As of the end of 2024, Cambodia's public debt-to-GDP ratio reached 25.9 percent, amounting to US$12.03 billion in outstanding debt.[6] Of this total, 62 percent is owed to bilateral creditors and 38 percent to multilateral creditors. Public external debt constitutes 99.0 percent of the total, or US$11.92 billion, while the remaining 1.0 percent, or US$115 million, is public domestic debt.

Cambodia remains at low risk of external and overall debt distress under the Low-Income Countries Debt Sustainability Framework.[7] The baseline scenario assumes a continued economic recovery, largely driven by a rebound in manufacturing goods and agricultural exports and tourism. The total public and publicly guaranteed debt-to GDP ratio is projected to rise by around 4 percentage points of GDP during the next decade, but its level is expected to remain stable. The debt burden indicators are projected to remain well below their thresholds under the baseline and the shock scenarios. The stress tests show that debt sustainability is most vulnerable to shocks in contingent liabilities.

Outlook

Faced with global and domestic headwinds, Cambodia's real growth is projected to decelerate to 4.0 percent in 2025 and 4.5 percent in 2026 (see table 2). Amid softening external demand and high levels of uncertainty, especially related to trade policy, exports and FDI in the labor-intensive manufacturing export sector—particularly within the GTF industries— is expected to slow down.

In contrast, the travel, tourism, and hospitality industries are expected to continue to improve, in part supported by ongoing improvements in international and domestic connectivity. In the coming years, agricultural production and agroprocessing industries are expected to benefit from bilateral and multilateral free trade agreements, especially if some of the structural challenges in the sector are addressed.

Cambodia's dollarized economy tracks U.S. monetary policy, leading to projected inflation increases due to global trade policy shifts affecting exchange rates and U.S. dollar-denominated import prices. Goods exports are expected to slow down, which will more than offset the reduced pace of goods imports. This imbalance is likely to lead to a widening of the current account deficit in the short term. Ongoing fiscal consolidation efforts, which include measures to improve tax collection and contain discretionary spending, are projected to narrow the overall fiscal deficit.

While economic growth is expected to support the reduction of poverty, the rate at which poverty alleviation occurs will slow in line with slower growth and continue to differ across various regions and sectors.

Challenges and risks

Externally, slower-than-expected global growth could result in sharper declines in exports and foreign direct investment (FDI) inflows. The prospect of more restricted market access in key markets, such as the U.S. also poses an additional risk.

Domestically, Cambodia's high level of private debt, coupled with a faster-than-expected increase in nonperforming loans and emerging risks from imported inflation—given the expected increase in inflation in the U.S.—could jeopardize macro-financial stability and negatively affect the country's economic growth.

6 Ministry of Economy and Finance. 2025a.

7 IMF 2025b.

Table 2. The macroeconomic outlook indicates moderate economic activity

	2020	2021	2022	2023	2024e	2025p	2026p	2027p
National Accounts and Prices								
GDP per capita (US$, nominal)	2,090	2,167	2,298	2,455	2,657	2,881	3,095	3,349
GDP at constant market prices (% change)	-3.6	3.1	5.1	5.0	6.0	4.0	4.5	5.1
Agriculture	0.6	1.5	0.6	1.6	1.0	1.4	1.5	1.6
Industry	-2.2	8.4	8.2	7.6	9.5	6.3	6.4	6.5
Services	-6.7	-1.8	3.6	3.4	4.0	2.8	4.0	4.4
Consumer Price Index (year-average)	2.9	2.8	5.5	2.1	2.2	4.0	4.0	4.1
General Government (% of GDP)								
Revenue and grants	17.9	16.2	17.2	16.5	15.2	15.2	15.0	14.9
Tax revenues	13.6	12.3	13.8	12.5	12.3	12.3	12.1	11.9
Taxes on goods and services	8.0	6.9	7.7	6.6	6.4	6.6	6.5	6.5
Direct taxes	4.1	3.9	4.5	4.5	4.4	4.3	4.1	4.0
Taxes on international trade	1.6	1.4	1.6	1.5	1.5	1.4	1.4	1.4
Grants	1.4	1.1	0.5	0.8	0.4	0.3	0.1	0.1
Expenditure and net lending	21.3	21.3	20.4	21.8	18.2	17.9	17.5	16.9
Overall balance (excluding grants)	-4.8	-6.3	-3.8	-6.1	-3.4	-3.1	-2.7	-2.1
Overall balance (including grants)	-3.4	-5.1	-3.2	-5.3	-3.0	-2.7	-2.5	-2.0
Foreign financing	3.5	3.1	3.9	3.6	1.6	2.5	2.7	2.5
Net domestic financing (from current savings)	0.7	2.8	0.2	2.6	2.3	1.1	0.8	0.4
Amortization	-0.8	-0.8	-0.9	-0.9	-0.9	-0.9	-0.9	-0.9
Money and Credit								
Broad money (% change)	18.2	15.3	16.4	8.2	12.5	17.9	18.5	18.5
Credit to the private sector (% change)	17.7	23.2	18.9	4.1	4.3	6.5	8.0	10.5
External Sector (US$m unless otherwise indicated)								
Exports (goods and services)	16,692	18,566	24,495	28,570	31,885	36,923	41,863	47,356
Imports (goods and services)	19,955	29,489	40,467	32,468	34,506	40,638	45,163	50,415
Foreign direct investment, net inflows	3,498	3,391	3,425	3,639	4,080	3,847	4,198	4,620
Gross official reserves	16,237	17,675	17,764.8	19,895.6	22,523.0	23,693.2	25,541.7	26,850.3
(months of imports)	10.4	8.1	7.0	7.1	7.1	6.4	6.2	6.0
Current account (percent of GDP)	-5.5	-29.1	-18.8	1.3	-1.1	-5.2	-4.6	-4.6
Exchange rate (riel per US$ average)	4,077	4,100	4,150	4,110	4,067	4,010	4,010	4,010
Total public debt (% of GDP)	25.2	25.6	24.9	26.5	25.9	26.3	26.2	26.0
Memorandum items:								
Nominal GDP, US$ million	34,949	36,779	39,532	42,779	46,872	51,423	55,861	61,119

Sources: Cambodian authorities; World Bank staff estimates and projections.
Note: e = estimate; p = projections.

Policy options

Policy measures should prioritize sustaining macroeconomic and financial sector stability, advancing trade and investment reforms, and reinforcing social safety nets to safeguard vulnerable households. These measures should include deepening regulatory reforms and promoting small businesses, where most jobs are created and reducing trade costs through trade facilitation and improved connectivity and logistics.

Cambodia could also leverage its bilateral and regional Free Trade Agreements (FTA), including the Regional Comprehensive Economic Partnership (RCEP) and ASEAN plus agreements,[8] to facilitate market access and diversify its trade partnerships, including within the ASEAN region.

To bolster financial stability, it is essential to implement strategies to holistically address distressed assets, see Box 2 for policy suggestions. Strengthening the insolvency framework is vital for efficient asset management, ensuring transparent and fair resolution of nonperforming loans. A well-defined bank resolution framework should be introduced to offer tools for orderly management of failing banks, minimizing economic impacts. This includes early intervention mechanisms and tools like asset sales and bridge banks. Another element of the country's financial safety net that could be introduced is deposit insurance to help protect depositors and maintain stability.

Over the medium term, Cambodia must shift its growth model away from dependence on construction, real estate, and garment exports. This transition involves promoting higher value-added manufacturing and service sectors, alongside enhancing productivity in agriculture. To sustain long-term, inclusive growth, it is crucial to strengthen human capital, improve infrastructure, and enhance regulatory transparency and efficiency. Concurrently, increasing domestic revenue mobilization will underpin ongoing macro-fiscal stability.

As discussed in the Special Focus section, a significant increase in resources is needed to meet the government's development objectives and spending ambitions, as articulated in the Pentagonal Strategy. Strengthening revenue mobilization is essential to achieving Cambodia's broader development goals and is particularly critical to addressing investments in social sectors, especially healthcare and education, where spending remains low relative to middle-income comparators. Higher revenues will enable the government to improve the quality of public services, invest in infrastructure, and build resilience against climate change impacts.

8 Cambodia's bilateral free trade agreements include Cambodia-China Free Trade Agreement (CCFTA), Cambodia-South Korea Free Trade Agreement (CKFTA), Cambodia-United Arab Emirates Comprehensive Economic Partnership Agreement. ASEAN plus free trade agreements include ASEAN-China Free Trade Area (ACFTA), ASEAN-Japan Comprehensive Economic Partnership (AJCEP), ASEAN-South Korea Free Trade Area (AKTFA), ASEAN-Australia-New Zealand Free Trade Area (AANZTFA), ASEAN-India Free Trade Area (AIFTA), and ASEAN-Hong Kong, China Free Trade Area (AHKFTA). See https://investasean.asean.org/asean-plus-agreements.

PART 2.

STRENGTHENING REVENUES FOR CAMBODIA'S FUTURE[9]

9 The Special Focus section was written by Ildrim Valley under the guidance of Oleksii Balabushko with contributions from Evan Harold Blecher, Hana Ross, Wollela Yesegat, and Kimsun Tong.

1. INTRODUCTION

Revenue mobilization has been a critical foundation for Cambodia's economic growth, enabling the expansion of public investment, spending on services, and the maintenance of macroeconomic stability. The revenue performance was underpinned by strong administrative reforms introduced by the General Department of Taxation and the General Department of Customs and Excises (GDCE). These included the rollout of the Automated System for Custom Data (ASYCUDA), strengthened anti-smuggling efforts, the shift to a real regime for profit taxation, a range of measures aimed at improving voluntary compliance (e-filing and e-VAT), better taxpayer services (e-tax services), strengthening large taxpayer management and audit function, and competitive recruitment. Gains from these reforms enabled Cambodia to reinforce fiscal buffers that were central to financing Cambodia's COVID-19 response.

Cambodia's tax performance weakened after two decades of significant strides in increasing tax revenue (figure S.1). Tax revenue, which accounts for most of domestic revenue, increased from under 8 percent to over 16 percent of GDP between 2005 and 2019. The COVID-19 pandemic caused a sharp reversal, with only a partial recovery observed since. In 2024, taxes remained below pre-pandemic levels as a share of GDP and are now below income and regional peers in ASEAN.

Cambodia will need to improve its tax system in the coming decades to realize its vision of becoming a high-income country. The imperative extends beyond revenue generation and reflects the broader need to support development through a more effective, growth-oriented, and equitable fiscal system. Three interrelated dimensions underscore the importance of comprehensive revenue reform: mobilizing sufficient resources to meet rising public expenditure demands; strengthening the business climate through a more efficient and predictable tax system; and promoting equity by ensuring a fairer distribution of the tax burden and mitigating negative externalities. The aim of this section is to help develop and prioritize actionable policy recommendations that can inform government and private sector actors. Building on past successes, Cambodia has the opportunity and capacity to shape a modern tax system that underpins sustainable growth, attracts investment, and supports national development goals.

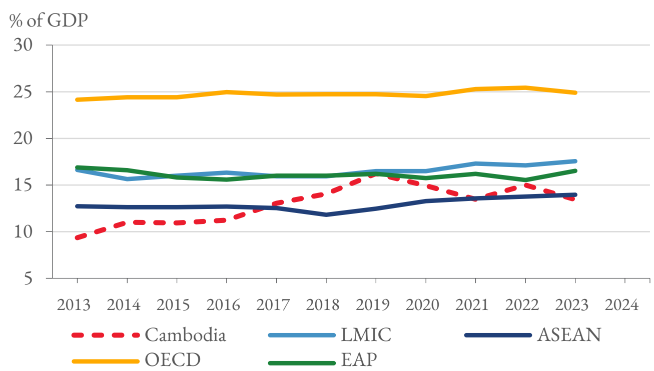
2. REVENUE CONTEXT

Overview

While nominal tax collections in Cambodian riel have broadly recovered since the pandemic, total tax revenue as a share of GDP remains below pre-COVID levels (figure S.2). Corporate income tax (CIT) has grown as a share of GDP since

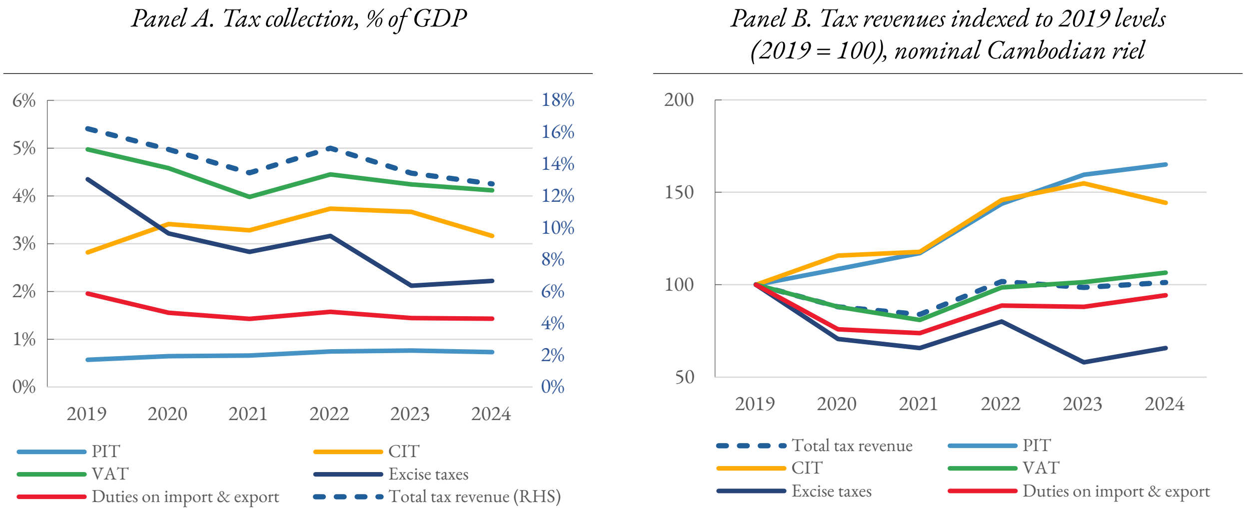
Figure S.1. **Weakened tax performance after remarkable progress**

% of GDP



Sources: IMF GFS, MOEF for Cambodia; WB staff estimates.
Note: ASEAN, excluding Cambodia.

Figure S.2. Uneven tax recovery in nominal terms masks structural revenue weakness



Sources: MEF, UNU-WIDER Government Revenue Dataset - Version 2023; WB staff estimates.

2019, but declined in 2023 and 2024, partly driven by the fall in profit taxes from large companies.[10] The value added tax (VAT) has seen a nominal recovery, consistent with the recovery of private consumption (see Part 1), but has steadily declined as a percentage of GDP, suggesting erosion in the tax base, challenges of post-COVID recovery and possibly compliance. Excise taxes remain the weakest performer—well below pre-COVID levels in both nominal terms and as a share of GDP—suggesting structural inefficiencies (design, scope or administration) and possibly changes in consumer behavior (figure S.2). These trends underscore that headline growth in collections does not translate into stronger revenue effort and highlight the need for comprehensive reform to rebuild a tax system that keeps pace with economic growth.

This weakening revenue performance is paralleled by the widening of fiscal deficits since the pandemic. The deficit is projected to narrow to 2.7 percent of GDP in 2025, down from an estimated 3.0 percent in 2024.[11] This contrasts with surpluses of 0.4 and 1.5 percent in 2018 and 2019, respectively. This deficit prompts a drawdown of fiscal reserves and accumulation of public debt. The pressure on the Royal Government of Cambodia's (RGC's) finances could constrain the ability of the government to address emerging challenges and the inadequacy of spending in sectors like healthcare relative to middle-income countries, improve the quality of public services, and mitigate impacts of climate change risks on its economy.[12] The impact is already apparent, with a narrowing of the deficit in 2025 supported by fiscal consolidations driven by a marked decline in capital expenditure.

Tax receipts rely heavily on indirect taxes. Consumption taxes (such as those on goods and services) make up a large, albeit declining, share of total tax revenues. In 2017, they accounted for about 8.2 percent of GDP or 63 percent of total tax revenues. This share continued to vary and declined to 7.4 percent of GDP or 58 percent in 2024 (figure S.3, panel A). In 2024, the VAT accounted for about a third of total tax revenue (figure S.3, panel B) and just under half of total indirect tax receipts. The role of consumption taxes, rather than direct taxes on profit and income, is higher in Cambodia than in its neighbors (figure S.4).

10 While Cambodia's "Tax on Profit" is not technically classified as a corporate income tax (CIT), it serves a similar function, and for comparison purposes, is referred to as such in this analysis.

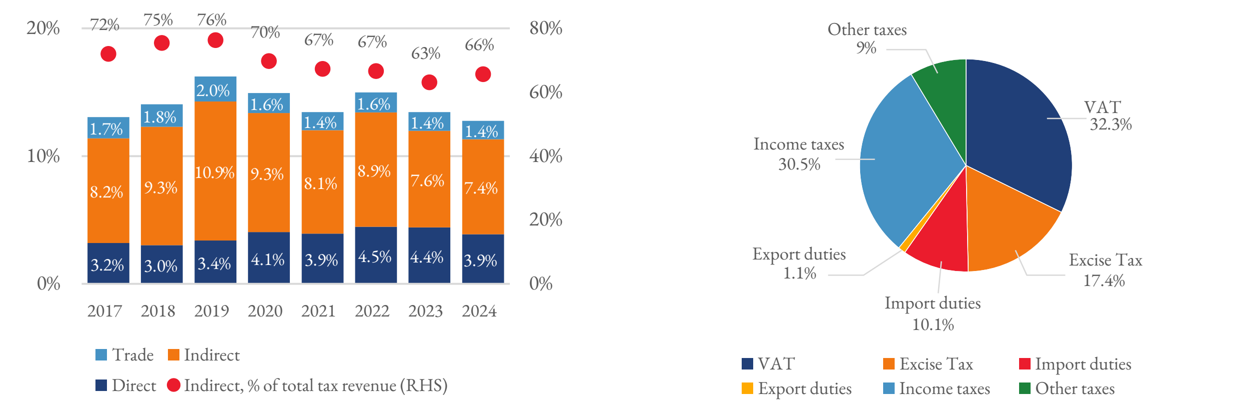
11 World Bank 2024b.

12 World Bank Cambodia Public Finance Review 2023.

Figure S.3. Tax structure remains skewed toward indirect taxes

Panel A. % of GDP and indirect taxes as share of total

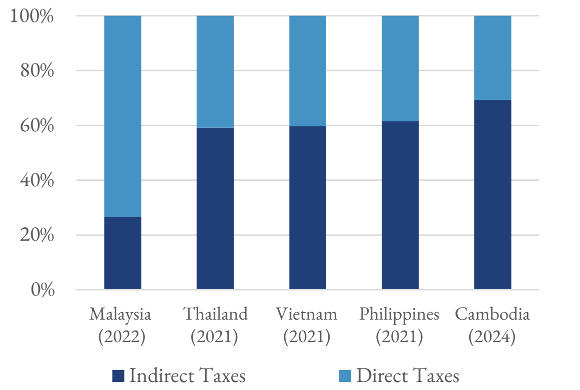
Panel B. Tax composition, % of total tax (2024)



Sources: MEF; WB staff estimates.

Figure S.4. Tax revenue collected from the consumption base (indirect tax) is higher than in its neighbors

Share in percent (2021–24)



Sources: MEF, UNU-WIDER Government Revenue Dataset - Version 2023; WB staff estimates.

Income taxes

Income tax revenue increased as a share of GDP but makes up a smaller share of Cambodia's revenue than regional and global comparators. Income tax revenue increased from 2.6 to 3.9 percent of GDP between 2015 and 2024 (figure S.5). Despite this, Cambodia's income tax share of total tax revenue remains lower than the average of ASEAN, EAP, Africa, and OECD countries. Countries rely more on income tax as they become richer (figure S.6). Cambodia's income tax-to-GDP ratio is lower than the average of its income peers in lower middle-income countries; it is higher than in Lao PDR but lower than in other ASEAN neighbors. On average, a greater share of tax revenues in Indonesia, Malaysia, Singapore, Thailand, and Vietnam come from income taxes. The low income tax-to-GDP ratio is due to Cambodia's generous tax incentives and the absence of a comprehensive personal income tax (PIT).

Cambodia lacks a comprehensive personal income tax (PIT).[13] Cambodia is one of the two countries in ASEAN without a comprehensive PIT system; it relies mainly on taxing income from employment and unincorporated business affairs.[14] Salary taxes account for a small share of Cambodia's revenue mix. In 2024, CIT accounted for 81 percent of income taxes and 30 percent of total tax revenues. While it is common for regional peers to rely on corporate taxation, Cambodia is more reliant than other countries (45 percent in the Philippines, 68 percent in Thailand, and 72 percent in Vietnam). This reinforces the higher reliance on consumption taxes relative to ASEAN comparators where PIT/salary taxes play a more important role in revenue generation. A highly segmented PIT does not yield a comprehensive measure of individual income either to determine the appropriate tax burden or to use in the management of social welfare programs.

13 While a comprehensive personal income tax system has not yet been fully implemented, the existing tax structure includes salary tax and withholding taxes on services, passive income, and other forms of income, which collectively could represent key components of a personal income tax system. For purposes of international comparisons in the report, these are referred to as personal income tax (PIT), with the understanding that Cambodia is yet to formally introduce a comprehensive PIT, while income tax imposed on companies or enterprises is corporate income tax (CIT).

14 Income earned by unincorporated entities including partnerships and sole proprietorships is subject to personal income tax with a marginal rate structure.

Figure S.5. **Income taxes**

% of GDP

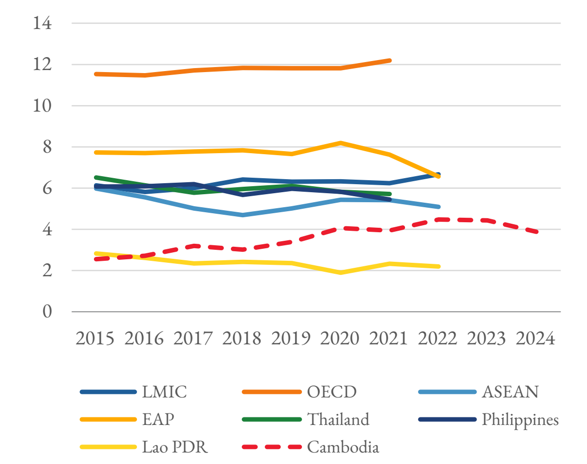
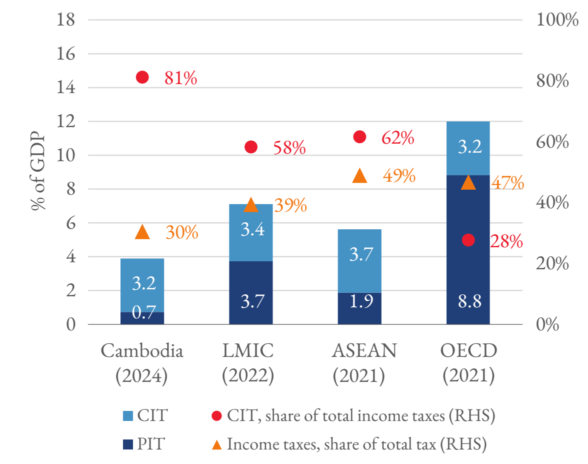


Figure S.6. **Countries rely more on income tax as they become richer**

% of GDP (2021–2024)



Sources: MEF, UNU-WIDER Government Revenue Dataset - Version 2023; WB staff estimates.
Note: ASEAN, excluding Cambodia. RHS = right-hand side.

Informality constrains the PIT base. The share of activity in the informal sector in nonagricultural activity declined from over 90 percent to 83 percent between 2012 and 2019.[15] However, the degree of informality remains high and above Cambodia's neighbors. Consequently, the broadening of the tax base may be constrained by the degree of informality and the number of likely PIT taxpayers in the total labor force. On the other hand, potential PIT taxpayers extend beyond those who are formally employed and subject to salary tax. Many individuals engaged in small businesses may not be registered with the GDT, yet they generate income that could be subject to taxation. In 2023, the RGC introduced a series of policy measures[16] with the aim to incentivize small and medium business operators to register in the tax system and increase the tax base. Further reform steps can be taken to strengthen the administration in the short term for existing payers of the salary tax, and to maximize the income tax potential as Cambodia develops and as a larger share of the labor force moves to nonagricultural formal employment.

Corporate income tax gains are moderating after a decade of strong growth. CIT performance improved substantially between 2015 and 2022, with CIT revenue nearly doubling to under 4 percent as a share of GDP and productivity rising in parallel (figure S.7, panel A). This reflects a period of robust corporate sector growth, enhanced compliance, and administrative strengthening. However, the decline in both CIT revenue and productivity in 2023 and 2024 signals a potential softening of corporate profitability, erosion of the tax base, and possibly emerging weaknesses in enforcement. Maintaining strong CIT performance will require continued reforms to administration and policy to broaden the tax base and enhance the resilience of corporate taxation against future economic shocks. Regionally, CIT collections as a percent of GDP are comparable to Vietnam and Thailand but lower than the Philippines and Malaysia (figure S.7, panel B). Though the rate remains[17] above the internationally agreed minimum corporate tax rate of 15 percent, it is competitive compared with regional peers.

15 Informal employment data from ILOSTAT.

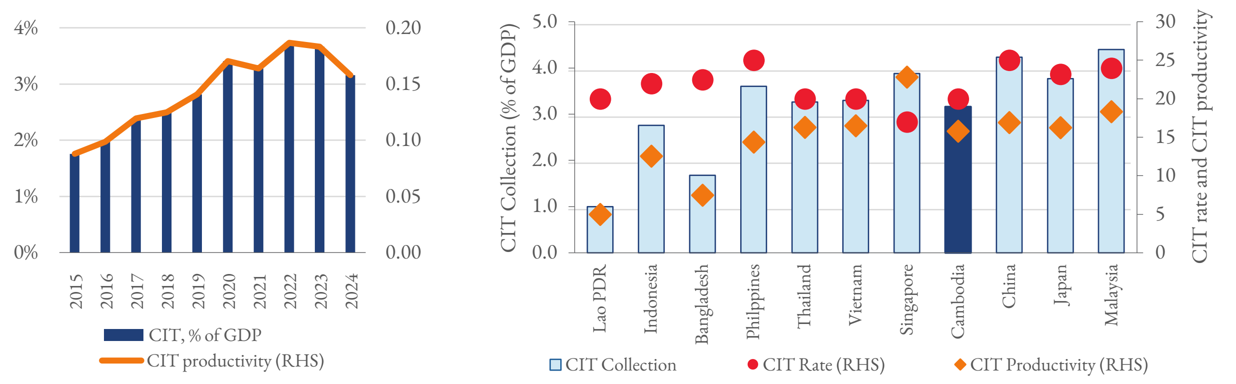
16 These include the National Strategy for the Development of the Informal Economy 2023–2028, a Sub-Decree No. 272 on tax incentives for the development of the informal economy, and a Prakas (official government instruction) No. 810 on the implementation guidelines for the sub-decree on tax incentives for the development of the informal economy, issued in 2024.

17 CIT is imposed and assessed annually on the taxable income of incorporated entities, with rates ranging from 5 percent to 30 percent, depending on the type of business and legal form. Taxpayers conducting petroleum and mineral resources operations are chargeable at 30 percent, and all legal persons are taxable at 20 percent. For general insurance, reinsurance, or small-scale enterprises, which include property, liability, and health insurance, 5 percent of the gross premium received is applicable. CIT payers are required to file and pay the CIT within three months following the end of the tax year. The CIT base comprises income from business and other activities. Specifically, as per the Prakas (official government instruction) on income tax, income for the purpose of taxation includes income from rental of immovable properties, royalties, dividends, capital gains, insurance compensation, and donations and grants, among others. While the Prakas lists the specific sources of income to be included in the business income tax base, it does not seem the legislation contains a set, comprehensive definition of income to guide the identification of all sources of income to be considered in income taxation.

Figure S.7. **CIT gains moderating after years of strong growth**

Panel A. Cambodia CIT collection, % of GDP and productivity (RHS)

Panel B. Regional comparison, CIT collection and productivity



Sources: MEF, UNU-WIDER Government Revenue Dataset - Version 2023; WB staff estimates.
Note: RHS = right-hand side.

The 2021 Law on Investment further expanded Cambodia's corporate tax incentives, even though the investment incentive regime was already at least as generous as those offered by neighboring countries. Investors can now enjoy a corporate tax holiday from 3 to 9 years with an additional six years of reduced CIT rates. The extended tax holiday period will lead to additional forgone revenue. While there are no estimates of forgone income revenue, it is estimated that Cambodia forfeits nearly a third of its potential customs revenues from imports, highlighting the large cost of incentives. It is important to carefully consider and quantify the potential impact (benefits and costs) of the extended tax holiday, to ensure that both revenue and development objectives are considered.

VAT

Cambodia's VAT system shows a relatively solid performance compared to regional peers (figure S.8, panel A), with VAT revenues at around 4 percent of GDP and a C-efficiency of 0.41—measuring how much of the theoretical maximum VAT is being collected. This suggests a reasonably broad tax base and moderate compliance levels. Much of VAT revenues were raised from VAT on imports, accounting for over 50 percent (figure S.8, panel b). However, the gap between actual and potential collections has been growing, with C-efficiency declining from 0.50 to 0.41 between 2019 and 2024, highlighting the scope for efficiency gains. Cambodia continues to lag ASEAN peers like Thailand and Vietnam, which achieve higher VAT C-efficiency. Given its large share of total tax receipts, any reduction in the VAT's performance significantly impacts overall tax collections.

The long processing time for VAT refunds impacts the effectiveness of the VAT system, exacerbated by the excessive use of domestic zero-rating, which significantly increases the volume and complexity of refund claims. Under the previous, second Revenue Mobilization Strategy, the government improved refund processing, including using Key Performance Indicators. Refund times, however, were still noted as long and taking up to four weeks, according to the World Bank B-Ready Report, without a risk-based approach to VAT refund processing. The slow VAT refund process constrains taxpayers' working capital and may contribute to the prevalence of negative taxpayer attitudes toward the tax system. In practice, obtaining a VAT refund can be time-consuming, at least in part because the GDT typically requires an audit before approving the claim. Delays in processing and paying refunds, due to bottlenecks between GDT and the Department of Treasury and incompleteness of taxpayer documentation are believed to be contributing to the overall duration of the VAT refund process in Cambodia. There have been important efforts to streamline procedures, set clearer timelines, and enhance taxpayers' services.[18] For example, a recent instruction[19] on the Classification of Tax Compliance categorizes taxpayers into three categories, where

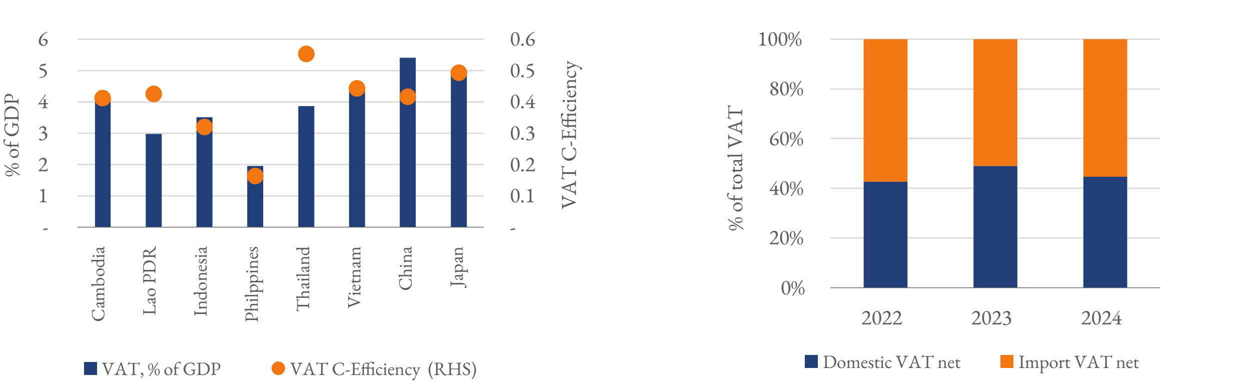
18 This includes Prakas No. 576 on the Value-Added Tax (VAT) Refund Mechanism which provides clear and detailed guidance on the procedures and workflow for submitting VAT refund claims.

19 Prakas No. 1536

Figure S.8. **Strong VAT performance, with most revenue coming from imports**

Panel A. VAT, % of GDP and C-efficiency (RHS), 2021–2024

Panel B. Cambodia domestic and import VAT revenue composition



Sources: MEF, UNU-WIDER Government Revenue Dataset - Version 2023; WB staff estimates.

taxpayers holding a Gold Tax Compliance Certificate may be eligible for expedited VAT refunds for amounts below certain thresholds without undergoing a separate VAT audit.[20] These measures could play a role in reducing related inefficiencies.

The VAT base is narrow due to exemptions, especially for special economic zone developers under Cambodia's Law on Investment, and a high degree of informality. Suppliers are liable for the VAT if their annual turnover exceeds 250 million riels (~US$62,472) (or are under the self-assessment regime); however, a wide range of products are exempted. Certain products are VAT exempt,[21] such as agricultural products, including fertilizers, plant seeds, animal medicine, and Cut, Make, and Trim (CMT) services.[22] VAT-exempt supplies also include insurance services, financial services, and a range of other goods and services. Many of these exemptions include goods that represent a larger share of consumption by poor households. Nevertheless, the exemptions could be expensive and regressive as they are also consumed by richer households and in larger quantities, meaning that more of the tax expenditures go to richer households. Increased use of domestic zero-rating, apart from eroding the tax base, will increase VAT refund claims and the associated VAT refund fraud.

Excise taxes

The contribution of excise taxes to revenue mobilization has been significant and concentrated on imports. Between 2015 and 2019, excise tax revenue performance increased from 2.5 to 4.3 percent of GDP or 21.2 to 26.8 percent of total tax revenues (figure S.9). The decline in tax revenue collections following the pandemic disproportionately affected the excise tax, with its share of total tax collections declining to 17.4 percent (2.2 percent of GDP) in 2024. While excise taxes continue to represent a relatively stable portion of total tax revenue, their contribution to tax collection has weakened. Since the pandemic, excise tax revenues have shown persistent volatility, with sharp swings in year-on-year growth largely driven by excise duties on imports. In 2023, this was reflected in a 19.5 percent decline of goods imports, and improved consumer goods imports in 2024. The dependence on import-based excise collections exposes overall revenue performance to external shocks and trade cycles, underscoring the need to broaden the domestic excise base and strengthen resilience through better rate design, coverage, and compliance.

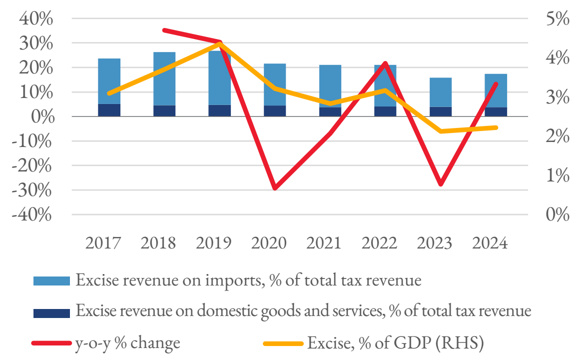
20 Under these frameworks, gold taxpayers are exempt from VAT refund audits for a period of two years for refund claims not exceeding USD 125,000, while silver taxpayers are exempt from such audits for claims not exceeding USD 50,000 over the same period.

21 The VAT zero rate applies to the following goods and services: goods and services supplied by local entities to Qualified Investment Project (QIPs); services performed within Cambodia but used outside of Cambodia directly or entirely by a nonresident entity; services performed outside of Cambodia or used outside of Cambodia for a nonresident entity; domestic supplies of paddy rice; domestic supplies of milled rice or milled rice production services by contractors to the rice exporters; domestic supplies of specific agricultural products, including all types of fertilizers, plant seeds, animal medicine, animal food, animal species, and agricultural machinery and tools; CMT services; supply of international transportation services; and supporting industries that supply export-oriented garments, and the textile and footwear industries.

22 CMT services are provided by garment factories in Cambodia.

Figure S.9. **Excise tax revenues have declined and rely on imports**

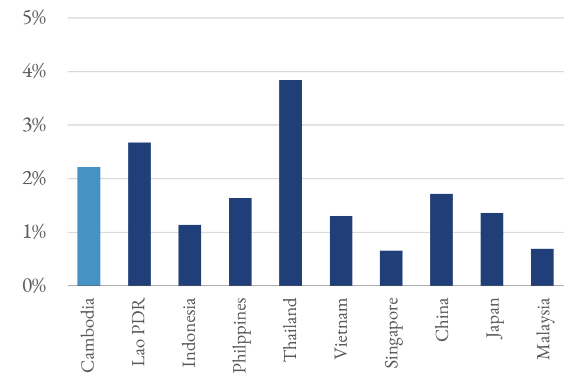
Cambodia, 2015–2022



Sources: MEF; WB staff estimates.

Figure S.10. **Excise tax revenues are among the largest in the region as a % of GDP**

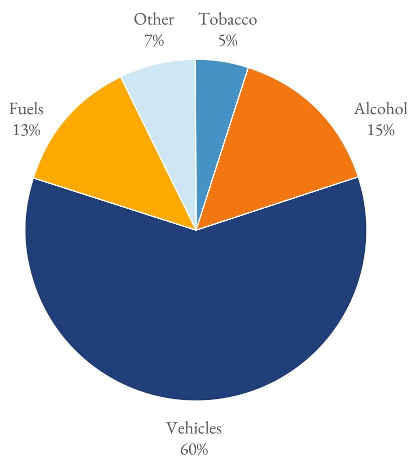
Selected countries, 2020–2022



Source: World Bank Global Tax Program estimates using GDCE; MEF; National Institute of Statistics.

Figure S.11. **A large proportion of revenue is collected from a small number of products**

Breakdown of excise tax revenue in Cambodia, 2022



Sources: MEF; WB staff estimates.

The contribution of excise taxes as a share of Cambodia's GDP is comparable to regional peers (figure S.10). The relatively large contribution of excise taxes to total tax revenue requires a cautionary approach to excise tax policymaking in Cambodia. The need to modernize the excise tax system should be balanced against radical policy changes given the relatively large contribution to total tax revenue. It also comes against the backdrop of the dependence on the excise tax on imports, as was noted in connection with the VAT, and could come under further downward pressure from factors beyond the control of the RGC.

While the scope of excisable goods and services in Cambodia is broad, excise tax revenues are dominated by a small number of commodities. For instance, in 2022, the motor vehicle excise tax was the largest contributor, accounting for about 60 percent of excise tax revenue, while alcohol, fuels, and tobacco (in that order) were the next largest contributors[23] (figure S.11). The revenue composition is unusual by international standards, where fuels generally account for much larger shares and are often the largest contributor.[24] Excise tax rates vary from as low as 3 percent on diesel to as high as 55 percent on some motor vehicles.[25] The types of excisable items do not appear to meet one of the salient features of excise taxes, which is being selective and few in number, and targeting goods that generate negative externalities and internalities.[26] The excise tax regime in Cambodia covers such broad areas as entertainment and electronic devices, among others.

23 Note that tax revenues from nonalcoholic beverages cannot be disaggregated due to data constraints.

24 It can be argued that the large contribution of vehicles, particularly when compared to fuels, is inefficient since vehicles are a relatively poorer proxy of negative externalities compared to fuels. This could lead to cheaper/older vehicles being imported, which are fuel inefficient. However, this is considered in more detail in the analysis of vehicles and fuels.

25 World Bank 2022.

26 While the majority of tax revenue is generated by goods that generate negative externalities and internalities, a large number of excisable goods could best be described as luxuries and generate little revenue.

Excise taxes in Cambodia are universally ad valorem taxes and are levied early in the supply chain (that is, the tax base is relatively early in the supply), resulting in a lower effective tax than a tax applied later in the supply chain (potentially up to the final retail price). As is the norm in other countries where ad valorem taxes are levied early in the supply chain, the base is different for imported and domestically manufactured products. On imports, an excise tax is levied on the cost, insurance, and freight (CIF) value plus customs duties, and 90 percent of the invoice value (excluding all taxes) on domestically manufactured products. With respect to services, an excise tax is chargeable on the supply price (invoice price).[27]

The value of the tax base on imported products is generally smaller than the tax base on domestically manufactured products, generating challenges for products like cigarettes and beer, which are both imported and domestically manufactured. This often results in a lower effective tax on imported products, even though they are often sold at higher retail prices in the market. The use of ad valorem taxes and specific taxes (volumetric taxes)[28] are the most effective mechanisms to overcome this challenge. The Ministry of Economy and Finance's (MEF's) Excise Guidance Framework recognizes the weakness and ineffectiveness of the ad valorem tax structure on *"low-cost consumer goods with many negative consequences on society, health and the environment*," as well as the challenges it poses for excise tax administration; that is, the excise tax base and, in particular, differing methods for calculating excise tax on imported and domestically produced goods, as well as the trend for imported goods to have lower tax bases than domestic,[29] low and variable excise tax rates, and the challenges that frequent changes in excise rates generate for business. While Cambodia has no specific excise taxes at present, specific taxes are applied as part of customs duties on gasoline and diesel fuel, and the tax stamp fee on tobacco is a de facto specific tax. While neither are excise taxes, they nevertheless demonstrate the feasibility of applying a specific or mixed tax system in Cambodia.

3. IMPACT OF THE COST OF TAX COMPLIANCE ON THE BUSINESS CLIMATE

Most Cambodian firms view taxes—both the rates and their administration—as the top obstacle to doing business.[30] Informal firms are also cited as a top obstacle. Tax rates and tax administration, respectively, the second and third "biggest obstacles" to doing business in Cambodia, have become significantly bigger concerns over time, and tax rates are a bigger concern for Cambodian firms than for their peers. Tax administration is more likely to be cited as an obstacle to doing business by firms located away from the capital, and by manufacturing firms (67 percent), especially garments (75 percent), export-orientated firms (77 percent), large firms (74 percent), and medium-sized firms (71 percent). In contrast, tax administration is less of a concern for services firms (apart from retail firms), domestically orientated firms, and small firms. A similar pattern is observed among firms about tax rates.

The concerns about both tax policy and administration in Cambodia appear to be driven by a costly compliance burden, combined with a high incidence of informal payments, rather than the statutory rates. The standard corporate income tax rate in Cambodia is 20 percent, which is broadly in line with the average in ASEAN countries (21 percent) and regional peers. Similarly, VAT rates are also among the lowest internationally and among lower middle-income countries (figure S.12). However, the survey of firms in Cambodia shows tax administration is more cumbersome and costly (in terms of time and money). This reflects not so much the direct cost of mandatory obligations, but the large administrative burden and the prevalence of informal payments. Compared to their peers, Cambodian firms report (i) a higher likelihood of being visited or inspected by tax officials, and this has increased over time; (ii) a higher number of visits by tax officials; and (iii) a higher likelihood of an expectation of, or

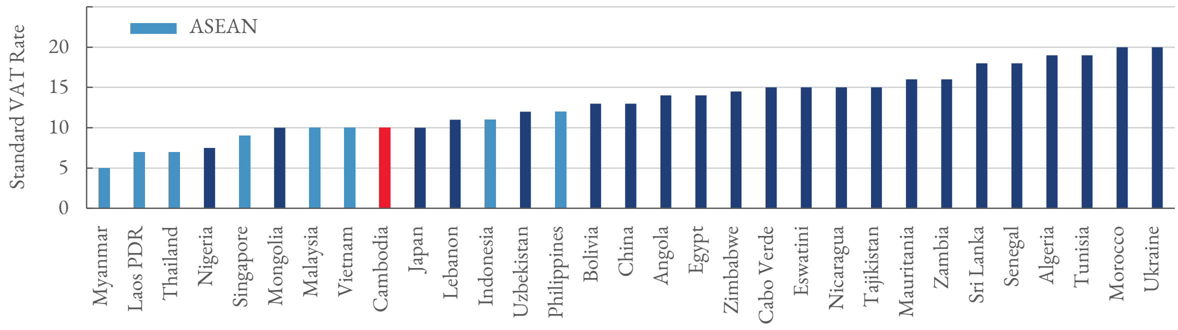
27 The excise tax base for domestically produced goods and supply of services is inclusive of all taxes other than excise taxes and VAT.

28 A specific tax is easy to administer. It is more effective at targeting negative externality generated by the consumption of certain goods (for example, cigarettes or pollutants), since the value of the externality is not correlated with price but rather the volume of consumption. However, specific excise taxes have limitations, including the lack of automatic adjustments with prices and, thus, inflation, and tax revenue may decrease in real terms unless tax rates are indexed. The literature shows that specific excise taxes impose the same tax burden on high-quality (price) goods and low-quality (price) goods, causing regressivity in the tax system.

29 Even though this may be due to international price competition, it nevertheless results in imported goods attracting a lower excise than domestically produced goods.

30 World Bank 2024b.

Figure S.12. **Cambodia has among the lowest VAT rates in lower middle-income countries**



Source: WB staff review.

request for, an informal payment or gift to officials in these tax meetings, with 36 percent of firms reporting making a payment.

The compliance burden is influenced in part by the legal and regulatory framework, which establishes high compliance expectations and heavy oversight requirements. The tax law grants the tax authority more latitude to reexamine transactions and enforce stricter penalties, including substantial fines. This adds uncertainty to taxpayers' tax liability. At the same time, the law offers few explicit taxpayer safeguards, creating uncertainty as businesses try to interpret and meet the expanded requirements. This may add costs to management of contracts, records, and reporting. The regulatory emphasis on extensive oversight is likely adding to uncertainty and compliance costs to businesses. The World Bank B-Ready report supports this, with Cambodia scoring 50 (out of 100) on quality of regulations on taxation, below its ASEAN neighbors Indonesia (66.7), the Philippines (56.7), and Singapore (70.4).[31]

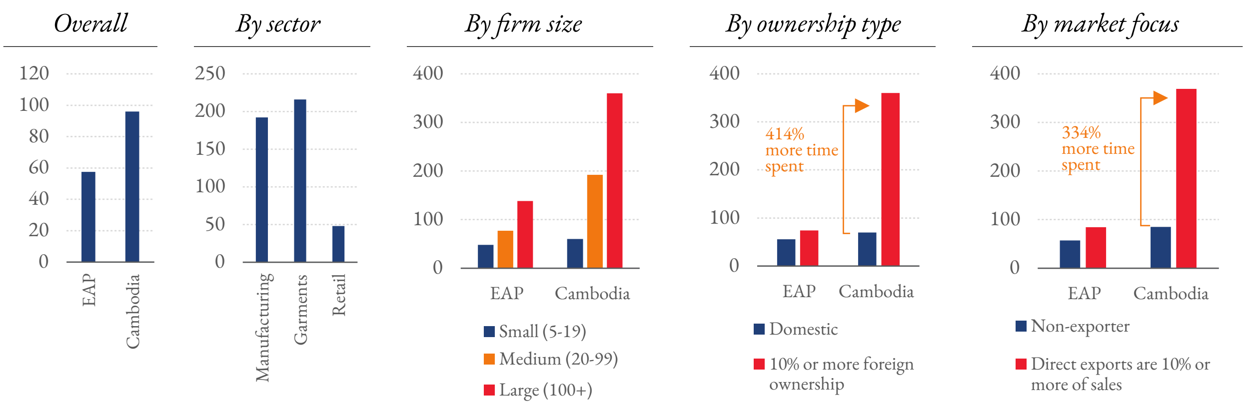
Heightened compliance expectations can raise operating costs for registered businesses in the formal sector and discourage formalization of firms. Where informal competitors often run with fewer expenses, this may put formal companies at a short-term disadvantage. These costs widen the gap between formal and informal operations and discourage businesses from registering, which reduces tax revenue and limits public services. Or worse, some businesses may even shift from formal to informal to avoid the burden. This erosion of the formal base leads to reduced tax revenue, limited public services, and unfair competition. Indeed, 41 percent of registered firms in the World Bank's Enterprise Survey identify the informal sector as the biggest obstacle to doing business, mostly citing the practices of informal competitors. The concerns are typically more acute for smaller and less sophisticated firms that are more likely to be in direct competition with them. A survey of informal sector firms across four cities in Cambodia reinforces this point, with over half of respondents citing reduced visibility to tax authorities as a reason for locating their business or activity within household premises.[32]

Compliance costs vary significantly across firms in Cambodia, with foreign-owned businesses and exporters facing a substantially higher time burden than smaller and domestically oriented enterprises (figure S.13). Reported compliance hours by firms, while not a full measure of cost, serve as a useful approximation in the absence of detailed cost data. Large firms spend nearly twice as many hours on compliance activities as medium-sized firms. While some variation in compliance costs by firm size and type is expected, given differences in operational complexity, the disparity between large and small firms in Cambodia is notably wider than in other East Asia and Pacific economies. Firms with foreign ownership or direct export activities report significantly more time spent (360 and 369 hours, respectively) compared to domestically owned (70 hours) and non-exporting firms (85 hours). The compliance burden generates both direct and indirect economic distortions; uneven and heightened compliance creates uncertainty, increases the risk of errors, and can lead to higher effective tax obligations compared to firms that face a lower compliance burden. Uneven compliance burdens ultimately undermine the level playing field by placing disproportionate

31 For B-Ready data and methodology, see https://www.worldbank.org/en/businessready/economy/cambodia?topic=DR

32 World Bank 2024c.

Figure S.13. **Hours spent on tax compliance annually**



Source: World Bank Enterprise Surveys 2023.
Note: Median hours reported, EAP = East Asia and Pacific

costs on larger, more formal, and more visible firms, while smaller or informal businesses often face lower effective compliance obligations. This creates distortions in competition, discourages formalization, and may deter investment by firms that are better positioned to contribute to economic growth and tax revenues. Recently, GDT has taken steps to digitize core services such as registration, filing, and payment. These reforms aim to cut down face-to-face interactions, ease the compliance process and could help reduce the compliance burden.

Intensive audit activity, while boosting collections, may be reinforcing the complexity and unpredictability of the tax system, contributing to compliance challenges for businesses. The number of audits has sharply increased since 2018; by some estimates, those conducted by the Department of Large Taxpayers and the Department of Enterprise Audit increased rapidly from 907 to 3,883 in 2021.[33] While the exact number of registered large taxpayers is unavailable, it is estimated to be around 4,000, up from 3,744 reported in 2017,[34] underscoring the intensity of audit activity within this segment. In 2019, tax audit revenue contributed approximately 28 percent of the total tax collection, highlighting the significant role tax audits play in revenue mobilization. Despite a growing number of tax audits, the effectiveness of the appeals process appears limited, as indicated by low resolution rates that risk undermining confidence in the fairness and accessibility of the dispute resolution system.

Weaknesses in tax audits and dispute resolution further contribute to compliance challenges. The GDT has made important steps in strengthening its audit function and to improve audit procedures. The department maintains a national tax audit program covering all core taxes and taxpayer segments. However, audit case quality is not monitored, their impact on compliance is not routinely evaluated, and taxpayer feedback on audit professionalism and competence is not regularly collected. In parallel, tax dispute resolution processes appear to be slow and cumbersome. Cambodia scores poorly on the World Bank's B-Ready report on dispute of tax audits and related disputes, recording a score of 5, compared to 14.4 in Indonesia, 8.44 in the Philippines, and 5.63 in Singapore and Vietnam. Low scores are particularly evident in the areas of contesting audit results and the duration of audit processes. In the last few years, the GDT has initiated several reforms to address these issues, including the introduction of Standard Operating Procedures (SOPs) for tax audits to enhance transparency and consistency, the establishment of a Special Tax Audit Unit aimed at expediting the resolution of complex cases, and the implementation of measures allowing taxpayers to correct errors in their tax returns without facing penalties or interest charge. These measures could play an important role in reducing the gaps expressed in the surveys of firms.

33 Andersen Global 2024.

34 IMF 2018.

Figure S.14. **Poverty headcount before and after fiscal interventions**

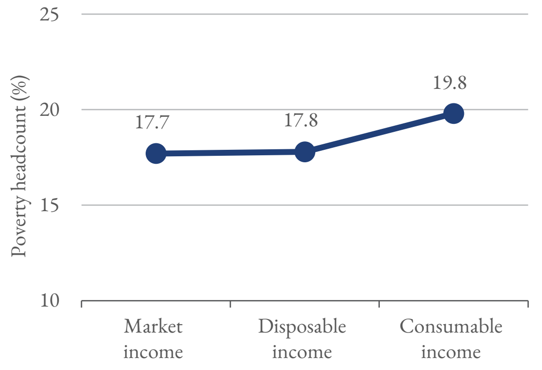
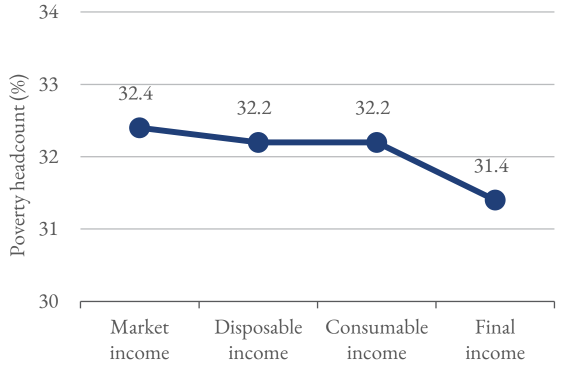


Figure S.15. **Gini index before and after fiscal interventions in Cambodia**



Sources: Karamba et al. 2023. Commitment to Equity (CEQ) calculations based on CSES 2019/20.
Note: Per Commitment to Equity (CEQ) technical recommendations, in-kind health and education transfers are not included when estimating the impact on poverty.

4. EQUITY

Cambodia's tax mix, with heavy reliance on indirect taxation, limits poverty reduction efforts.[35] Overall, Cambodia's modeled fiscal system increases poverty by 2.1 percentage points, as shown by the transition from market income to consumable income (figure S.14).[36] The net transfer achieved through direct transfers and direct taxes on income is too small to change average household incomes and, thus, poverty. However, the net transfer achieved through subsidies and indirect taxes on consumption is negative and large, thereby increasing poverty. In other words, all households face higher prices on goods from indirect taxes. For poor and near-poor households, the higher price reduces purchasing power, potentially reducing their net expenditures below the poverty line. The overall fiscal system, however, reduces inequality. Once direct taxes and direct transfers are considered, the Gini index declines slightly to 32.2 percent of *disposable income*. Indirect taxes and subsidies have a limited effect, and with their consideration, the Gini index of *consumable income* remains at 32.2 percent (figure S.15).[37]

Varying levels of externalities and internalities are not well targeted by the current excise tax structure since it does not take the alcohol, sugar, or emissions content into account. For example, excise rates are similar for different alcohol products even though alcohol content varies widely. The same framework is applied to fuels with different levels of emissions, and to sugar-sweetened beverages (SSBs) with varying levels of sugar. Furthermore, the ad valorem tax does not target externalities and internalities well, since it incorrectly implies that cheaper products generate fewer externalities and internalities than more expensive products.

Consequently, tobacco, alcohol, and SSB consumption in Cambodia generates significant mortality and morbidity. This may have a disproportionate impact on poorer households, with the cost of healthcare falling harder on lower-income households. Mortality and morbidity in Cambodia due to tobacco and alcohol use are higher than in peer countries (figure S.16). This is not the case for diets high in SSB consumption, although relatively lower rates compared to tobacco and alcohol use make comparisons challenging. Consumption of these products contributes to 26 percent of all deaths in Cambodia, higher than in the Southeast Asian region (22 percent) and lower middle-income countries (16 percent).[38] When considering disability-adjusted life

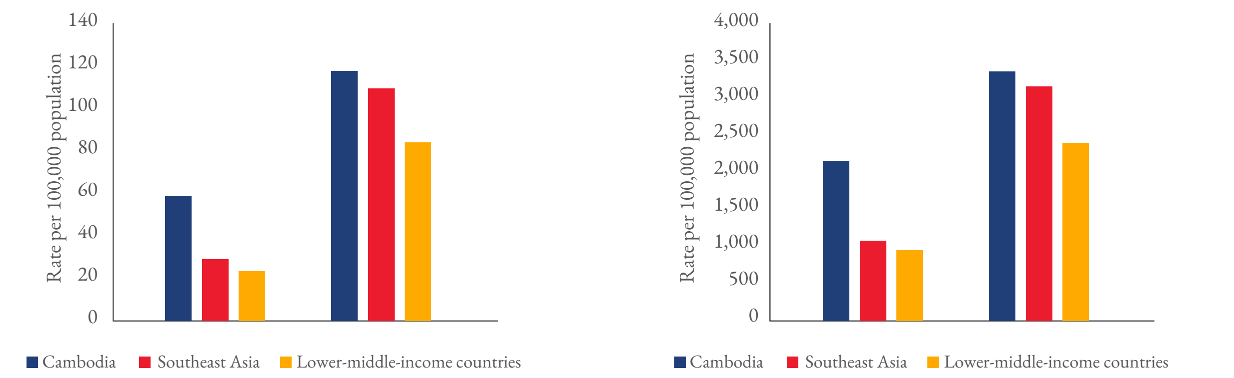
35 Karamba et al. 2023.

36 The analysis draws on data from the period leading up to the COVID-19 pandemic. The relative stability of underlying policies suggests that its findings remain broadly relevant today.

37 "In-kind" transfers from health and education, in contrast, have the largest effect on inequality, with a final income Gini at 31.4 percent. This reflects the fact that in-kind transfers represent a significant share of pre-fiscal income and proportionally benefit lower-income households more relative to those from the upper end of the income distribution.

38 The Global Burden of Disease Study (IHME 2019) is used rather than national data since it provides globally comparable estimates with annual time series data from 1990 until 2019 (the most recently available year).

Figure S.16. **Rate of deaths (panel A) and DALYs (panel B) due to alcohol and tobacco use in 2019**



Source: IHME 2019.
Note: Southeast Asia, as defined by the source, includes Cambodia, Indonesia, Lao PDR, Malaysia, Maldives, Mauritius, Myanmar, the Philippines, the Seychelles, Sri Lanka, Thailand, Timor Leste, and Vietnam.

years (DALYs) lost,[39] they contribute 17 percent of all DALYs in Cambodia, compared to 15 percent in the Southeast Asian region and 10 percent in lower middle-income countries. When adjusted for population, per 100,000 people, the rate of deaths and DALYs in Cambodia is, respectively, 26 percent and 29 percent higher than in Southeast Asia, and 63 percent higher than in lower middle-income countries. Mortality and morbidity due to SSBs are lower than alcohol and tobacco but have been rising rapidly.

5. POLICY RECOMMENDATIONS

This section outlines the priority reform areas to support the tax system that increases revenue collection, while increasing fairness and strengthening the business climate.

A significant increase in resources is needed to meet the government's development objectives and spending ambitions, as articulated in the Pentagonal Strategy.[40] Strengthening revenue mobilization is essential to achieving Cambodia's broader development goals, and is particularly critical to addressing investments in social sectors, especially healthcare and education, where spending remains low relative to middle-income comparators. Higher revenues will enable the government to improve the quality of public services, invest in infrastructure, and build resilience against climate change impacts.[41]

A more efficient and transparent tax system is critical to improving the business environment. Gaps in the legal framework, administrative inefficiencies, and uneven enforcement that heighten compliance expectations without providing sufficient taxpayer protections contribute to uncertainty and increase the cost of doing business. Reform efforts that strengthen administrative fairness, broaden the tax base, and improve regulatory predictability can boost private sector confidence, encourage formalization, and support more dynamic and inclusive economic growth.

A fair and equitable tax system is essential to strengthening broad-based growth. Cambodia's current tax structure places a relatively heavier burden on lower-income groups through reliance on indirect taxation. Expanding the role of direct taxation and reducing negative health externalities are critical steps to promoting equity, building trust in institutions, and enhancing the legitimacy of the tax system.

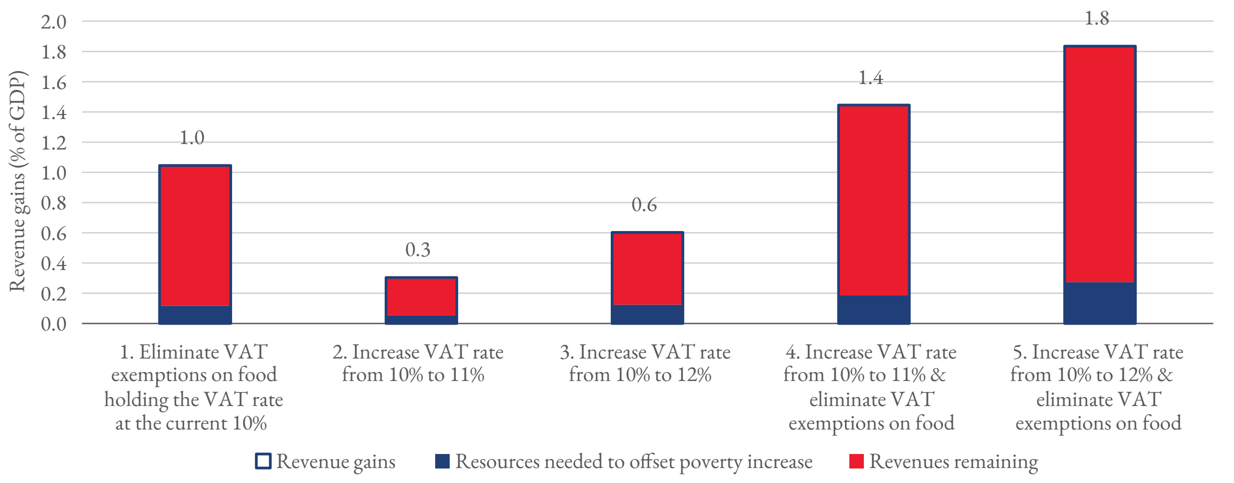
Indirect taxation will continue to be the main source of revenue generation over the short term. To meet the immediate development and spending needs, the authorities can focus on reforms of indirect taxes. The resources needed to offset the undue burden

39 DALYs estimates the potential years lost due to premature death and includes equivalent years of healthy life lost due to poor health or disability, essentially combining mortality and morbidity into one metric.

40 The Pentagonal Strategy has five objectives: (1) ensuring economic growth; (2) creating more jobs; (3) poverty reduction; (4) strengthening capacity, governance, and improving the quality of public institutions; and (5) ensuring sustainable socioeconomic development.

41 World Bank 2023.

Figure S.17. **Potential gains from VAT reforms**



Source: World Bank staff calculations using CSES 2019/20 and 2019 fiscal data.

on the poor account for a small fraction of what the government would collect through the proposed reforms. The relative effectiveness of prior experience with social support during COVID-19 provides a reference point for redistributive fiscal measures. In the meantime, Cambodia also should focus on establishing foundational elements to facilitate income taxation. This will enable the country to gradually transition toward greater reliance on direct taxation. There are several measures Cambodia can take by pursuing reforms to:

a. adjust the VAT rate, exemptions, and zero rating

b. introduce a comprehensive personal income tax, broaden the pay-as-you-earn (PAYE) tax base, and streamline allowances

c. rationalize tax incentives

d. reform a specific excise tax or a mixed system and introduce tax increases on alcohol and tobacco, benchmarking to good practices in middle-income countries.

To raise revenue quickly and efficiently with the least impact on growth, authorities could consider raising the standard VAT rate from its current level and rationalizing the use of exemptions and domestic zero rating (figure S.17). Cambodia's 10 percent VAT rate is comparable within ASEAN countries but lower than in many lower middle-income countries. Simulations show that raising the rate to 12 percent and reducing some exemptions could generate up to 1.8 percent of GDP. The poverty impact could be offset through targeted transfers, building on the experience during the pandemic, estimated to cost less than 21 percent of new revenues raised. This would improve redistribution and largely eliminate the short-term impact of fiscal policy on poverty. Crucially, any increase in the VAT rate should be accompanied by administrative reforms that enhance efficiency, transparency, and fairness to avoid worsening existing compliance challenges discussed earlier. Improving the administration could also help mitigate the impact of informality on the VAT.

Cambodia needs to develop a comprehensive personal income tax (PIT) system to broaden the tax base, enhance revenue mobilization, promote equity, and strengthen the efficiency and credibility of the tax system. The prevalence of informality in the economy poses a significant challenge, as it limits the number of individuals contributing to income tax. Nonetheless, the following important reform steps can be taken to strengthen the administration in the short to medium term to maximize the income tax potential as Cambodia develops and as a larger share of the labor force moves to non-agricultural formal employment.

- In the short term, build the foundations for a stronger PIT by developing and implementing a taxpayer identification number system and requiring the registration of all individuals engaged in the tax system. Fine-tune the income tax rate structure based on detailed analysis of the income distribution, and address data gaps by expanding employee reporting requirements and promoting the use of electronic filing and payment systems to support evidence-based policy decisions.

- In the short to medium term, the government should modernize the legal framework by amending the tax law to define comprehensive income and organizing tax types through dedicated legislation. It should also consider aligning the low-income tax exemption threshold with per capita income levels to improve fairness, while carefully assessing the revenue and redistribution impacts.

- Over the medium to long term, aim to introduce a comprehensive PIT, shift from exemptions to targeted tax relief mechanisms, and, before implementing a capital gains tax, undertake a thorough review of the existing property tax framework to assess its integration and potential contribution to a modern, equitable tax system.

Cambodia needs to strengthen its CIT framework to strengthen domestic revenue mobilization and reduce complexity in tax administration. Cambodia's CIT rate and tax incentives should be assessed jointly, against the backdrop of international initiatives, allowing for a coordinated approach to investment promotion and international obligations.

- Authorities should permit all businesses, regardless of size or foreign affiliation, to apply for flexible accounting years, and ensure that the late payment interest rate discourages the use of delayed tax payments as a financing tool.

- The RGC should also consider introducing policy frameworks to prepare for global minimum tax standards, explore participation in international initiatives on multinational taxation, and adopt simpler taxpayer classification criteria based on turnover and legal form.

- To support microenterprises, authorities should develop and implement a turnover-based presumptive tax regime.

A more comprehensive and in-depth analysis of tax expenditures should be conducted to assess who are the beneficiaries of Cambodia's forfeited revenue and how effective tax expenditure items are in realizing their objectives. The following steps should be taken to address weaknesses in tax incentive governance:

- In the short term, authorities should identify and describe all tax expenditures, establish a centralized taxpayer database to support evidence-based decision-making, and introduce sunset clauses and periodic reviews of tax incentive schemes.

- Publish an annual tax expenditure report and replace profit-based incentives with more transparent cost-based instruments to further strengthen fiscal transparency.

- Over the short to medium term, review and rationalize tax concessions in conjunction with CIT rate reforms, to ensure that incentives are cost-effective and aligned with strategic policy goals.

- Centralize the decision-making authority over the granting of tax concessions under the Ministry of Economy and Finance, which should be subject to enforcement and monitoring by the tax administration.

Cambodia needs to address the compliance burden, uncertainty, and audit weaknesses. This Special Focus highlights a wide variation in compliance burden, which can distort competition, discourage formalization, and deter investment by firms. Most recently, GDT issued the Standard Operating Procedures (SOP) on Audit, including guidelines, rights and responsibilities of both auditors and taxpayers during the audit process. The SOP dictates that the taxpayers, in normal circumstances, are only subject to audit once every three years. The GDT has also implemented tax services through electronic platforms allowing taxpayers to complete their obligations without direct contact with tax officials, and with tax payments are now conducted via the banking system. These importance steps can be complemented to include the following:

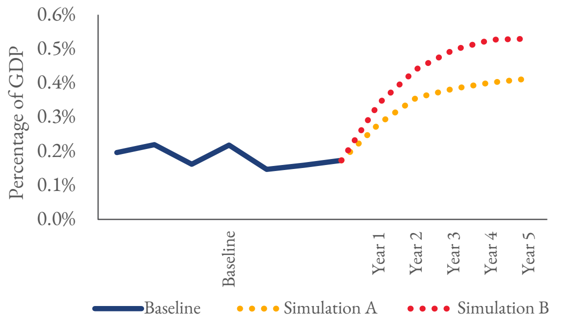
- Over the medium-term introduce clearer taxpayer rights and safeguards in the tax law, including explicit protections during audits, assessments, and dispute processes to reduce legal uncertainty. Establish clear timelines for resolving disputes and ensure the Tax Dispute Resolution Committee is independent from the tax administration to provide fair and impartial decisions. Best practices in international tax systems include clear timelines for resolving disputes (for example, 30 to 60 days) and ensuring the independence of the body overseeing disputes. Independent tax ombudsmen or tribunals are common in the UK, U.S., and other OECD countries.

- Establish a formal audit quality assurance program to periodically review and monitor audits and evaluate the impact of audits in tackling tax noncompliance.
- Use Key Performance Indicators to monitor dispute resolution outcomes of a material nature on a regular basis.
- Invest in digitizing audit and dispute management systems to reduce turnaround times, limit discretion, and enhance transparency and predictability for taxpayers, while maintaining robust oversight mechanisms.
- Promote gradual formalization through administrative simplifications and low-burden entry points (for example, turnover-based presumptive tax regimes for micro and small businesses) and enhance outreach to informal firms.
- Conduct a compliance cost survey to systematically measure and track administrative burdens across sectors and firm sizes, using results to guide further process simplification, and collect structured feedback on audit experiences and perceived professionalism of tax officials, using results to inform training and performance management.
- Conduct a diagnostic review between GDT and the General Department of Treasury to map the end-to-end VAT refund process, identify operational bottlenecks, and clarify roles and responsibilities. Based on the findings, set clear refund targets, improve data-sharing, and roll out a digital system to track refund status.

Cambodia needs to modernize its excise tax system to strengthen revenue performance and promote better health outcomes. Steps to take include:

- In the short term, reform the structure of excise taxation by moving toward a specific excise tax or, as a second best, moving toward a mixed system dominated by specific components, addressing weaknesses inherent in the current ad valorem structure.
- Rationalize the list of excisable goods by removing items that do not generate significant negative externalities, revenue, or equity benefits.
- Introduce clearer product categorization for alcohol taxation, setting higher rates for products with greater alcohol content to improve the effectiveness and equity of alcohol taxes.
- Gradually, but ambitiously, increase excise rates on alcohol and tobacco products, benchmarking rates against lower- and upper middle-income comparators. Periodic adjustments for inflation should be introduced to maintain the real value of tax increases over time. Modeling shows that increasing tax rates on cigarettes would boost revenue by up to 0.5 percent of GDP (figure S.18), produce a net positive income for households (figure S.19), reduce smoking prevalence, and could lead up to 128,000 averted deaths within five years. While in the short term, price increases can result in a rise in cigarette expenditures and a negative income impact on poorer households, a reduction in tobacco consumption and medical expenses, and a change in the years of working life led to a positive income gain for all income groups over the medium to long term.

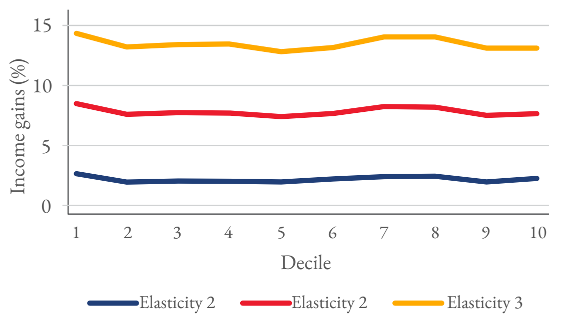
Figure S.18. **Simulated cigarette excise tax revenue,** *2017–2028*



Source: WB staff estimates.

Note: Excise tax per pack represents the weighted average per pack. Higher increases in the first two years aim to accelerate closing the substantial gap in the cigarette excise tax between Cambodia and its peers, with more moderate increases in subsequent years. In Simulation A, a specific tax of 500 riels per pack per year is added to the existing ad valorem tax in the first two years and 300 riels per pack per year for the next three years, totaling a specific tax of 1,900 riels per pack in year 5. In Simulation B, a specific tax of 800 riels per pack is added to the existing ad valorem tax in year 1; 700 riels per pack in year 2; and 600 riels, 500 riels, and 350 riels per year in subsequent years.

Figure S.19. **Net income effect of tobacco excise reform**



Source: Authors' own estimates using a price shock of 95 percent.

Note: Net impact is change in tobacco expenditure + medical expenses + years of working life lost. The demand for tobacco will change depending on its price elasticity. The estimated average tobacco price elasticity in Cambodia is in the range of -0.38 to -0.42 (medium bound). The elasticity is higher for the poor than the rich.

ANNEX. CAMBODIA – SELECTED INDICATORS

CAMBODIA

SELECTED INDICATORS*	Avg. '10-19	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024 E
INCOME AND ECONOMIC GROWTH																
GDP growth (annual %)	7.6	5.1	7.3	7.7	7.9	8.0	7.2	7.9	8.1	8.8	7.9	-3.6	3.1	5.1	5.0	6.0
GDP per capita growth (annual %, real)	6.1	3.5	5.7	6.0	6.3	6.4	5.7	6.3	6.6	7.4	6.6	-5.0	1.6	3.7	3.7	4.7
GDP per capita (US$, nominal)	1,554	985	1,101	1,193	1,306	1,434	1,564	1,675	1,821	2,029	2,221	2,090	2,167	2,298	2,455	2,657
Private consumption growth (annual %)	6.4	9.3	10.8	6.0	6.8	5.4	5.7	4.6	6.7	5.5	3.4	-1.9	-2.4	5.2	-0.2	2.5
Gross investment (% of nominal GDP)	27.0	21.3	21.4	23.7	25.9	29.1	29.0	29.5	29.8	30.0	30.7	30.6	29.7	34.0	20.4	15.5
Gross investment - Public (% of nominal GDP)[2]	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
MONEY AND PRICES																
Inflation, consumer prices (annual %, EOP or MRV)[1]	2.9	2.9	4.6	2.3	4.5	0.9	2.8	3.8	2.2	1.6	3.1	2.9	3.8	2.9	2.7	3.0
Inflation, consumer prices (annual %, period average)	2.9	2.6	5.5	3.0	2.9	3.9	1.2	3.0	2.9	2.5	1.9	2.9	2.8	5.5	2.1	2.2
Base money (% of GDP)	54.0	33.9	31.3	39.5	43.3	51.1	54.1	59.7	66.6	74.7	85.9	106.5	95.8	66.2	63.0	68.1
Domestic credit to the private sector (% of GDP)[2]	66.6	22.4	22.6	30.5	40.0	47.5	55.5	61.6	65.5	73.8	84.3	103.7	121.8	132.8	130.1	129.8
Nominal exchange rate (local currency per USD)	4,043	4,044	4,016	4,033	4,027	4,030	4,025	4,058	4,062	4,067	4,070	4,077	4,100	4,150	4,110	4,067
Real exchange rate index (2015=100)	97.7	91.8	91.1	90.7	91.7	93.1	100.0	105.2	103.1	105.4	105.1	98.5	100.4	93.9	79.2	85.3
FISCAL																
Revenue (% of GDP)	15.6	14.4	14.1	13.9	14.2	15.2	14.7	15.7	16.5	17.7	20.0	17.9	16.2	17.2	16.5	15.2
Expenditure (% of GDP)	17.0	17.1	18.0	17.1	16.7	16.6	15.1	15.9	17.1	17.4	18.8	21.3	21.3	20.4	21.8	18.2
Interest payments (% of GDP)	0.3	0.2	0.2	0.4	0.6	0.5	0.2	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.4
Non-interest expenditure (% of GDP)	16.6	16.9	17.7	16.7	16.1	16.1	14.8	15.6	16.8	17.1	18.5	20.9	20.9	20.1	21.5	17.8
Overall fiscal balance (% of GDP)	-1.3	-2.7	-3.9	-3.2	-2.5	-1.3	-0.3	-0.2	-0.6	0.3	1.1	-3.4	-5.1	-3.2	-5.3	-3.0
Primary fiscal balance (% of GDP)	-1.0	-2.5	-3.7	-2.8	-2.1	-1.0	-0.2	0.0	-0.4	0.5	1.3	-3.2	-4.9	-3.0	-5.0	-2.6
General government debt (% of GDP)	23.1	23.4	23.8	24.9	24.4	24.2	23.3	22.0	22.9	21.3	20.8	25.2	25.6	24.9	26.5	25.9
External public debt (% of GDP)[3]	23.1	23.4	23.8	24.9	24.4	24.2	23.3	22.0	22.9	21.3	20.8	25.2	25.6	24.8	26.3	25.6
EXTERNAL ACCOUNTS																
Export growth, G&S (nominal US$, annual %)	12.4	22.9	11.4	16.0	16.8	10.3	7.5	9.0	9.4	12.3	8.5	2.1	11.2	31.9	16.6	11.6
Import growth, G&S (nominal US$, annual %)	12.2	19.1	11.4	14.2	16.9	8.8	7.6	9.0	7.8	9.3	17.4	9.7	47.8	37.2	-19.8	6.3
Merchandise exports (% of GDP)	33.5	31.1	31.1	32.8	34.8	34.6	33.9	34.3	34.1	34.1	33.9	38.5	46.0	52.7	54.7	56.1
Merchandise imports (% of GDP)	42.1	41.1	40.4	42.3	44.9	43.7	42.8	42.9	42.0	40.9	40.3	48.9	67.7	68.6	54.8	57.5

ANNEX *(contd)*

CAMBODIA

SELECTED INDICATORS*	Avg. '10-19	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024 E
Services, net (% of GDP)	5.1	5.5	5.0	5.7	6.1	5.8	5.6	5.3	5.3	5.5	1.3	1.0	-8.0	-24.5	-9.0	-4.2
Current account balance (current US$ millions)	-1602.1	-1165.3	-1309.3	-1390.7	-1489.3	-1899.7	-1680.6	-1756.5	-1634.4	-1540.5	-2155.0	-1938.3	-10711.1	-7437.5	561.4	-515.3
Current account balance (% of GDP)	-7.0	-8.2	-8.1	-7.8	-7.5	-8.6	-6.9	-6.6	-5.6	-4.7	-5.9	-5.5	-29.1	-18.8	1.3	-1.1
Foreign direct investment, net inflows (% of GDP)	9.3	9.6	9.4	11.0	10.1	8.0	7.1	9.0	9.1	9.4	9.7	10.0	9.2	8.7	8.5	8.7
Multilateral debt (% of total external debt)[2]	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
POPULATION, EMPLOYMENT AND POVERTY																
Population, total (millions)	15.3	14.5	14.7	14.9	15.2	15.4	15.6	15.9	16.1	16.3	16.5	16.7	17.0	17.2	17.4	17.6
Population growth (annual %)	1.4	1.6	1.5	1.5	1.5	1.5	1.5	1.5	1.4	1.3	1.3	1.5	1.5	1.3	1.3	1.2
Unemployment rate[2]	0.4	0.8	0.6	0.5	0.4	0.7	0.4	0.7	0.1	0.1	0.1	0.2	0.4	0.2	0.2	..
Inequality - Gini coefficient[2]	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Life expectancy[2]	69.6	67.7	68.4	68.9	69.3	69.7	69.9	70.2	70.5	70.6	70.7	70.4	69.6	69.9	..	..
OTHER																
GDP (current LCU, millions)	97,180,276	57,788,147	65,068,396	71,894,423	79,768,285	88,992,411	98,334,482	107,784,906	118,907,473	134,279,541	148,984,697	142,502,829	150,792,683	164,059,089	175,822,580	190,629,514
GDP (current US$, millions)	24,010	14,290	16,202	17,827	19,808	22,082	24,431	26,561	29,273	33,017	36,606	34,949	36,779	39,532	42,779	46,872
GDP per capita LCU (real)	6,140,283	4,561,703	4,820,349	5,111,863	5,431,708	5,779,940	6,106,676	6,494,022	6,922,106	7,436,541	7,926,068	7,532,643	7,651,555	7,935,721	8,226,266	8,614,880
Human Development Index Ranking[3]	150.0	149	150	150	151	151	150	150	149	150	150	149	147	148	..	..
CPIA (overall rating)[2]	3.4	3.4	3.4	3.5	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.5	3.6	3.6	..
Economic management[2]	4.0	4.0	3.8	3.8	3.8	3.8	4.0	4.0	4.0	4.2	4.2	4.2	4.2	4.2	4.2	..
Structural policies[2]	3.5	3.3	3.5	3.7	3.7	3.7	3.5	3.5	3.3	3.3	3.3	3.3	3.5	3.5	3.5	..
Policies for social inclusion and equity[2]	3.4	3.4	3.5	3.5	3.4	3.4	3.4	3.4	3.4	3.4	3.5	3.5	3.6	3.8	3.8	..
Public sector management and institutions[2]	2.7	2.7	2.8	2.8	2.8	2.8	2.7	2.7	2.7	2.6	2.6	2.7	2.8	2.8	2.8	..

Notes: ".." indicates not available. E = estimate, F = forecast. Data from MFMOD unless otherwise noted.
1/ Haver Analytics database; MRV = Most recent value.
2/ World Development Indicators Database and World Bank Staff Estimates.
3/ The HDI ranking in 2001 is in relation to 175 countries and in 2010 in relation to 169 countries. Methodological enhancements in HDI calculations have resulted in notable improvements in the countries' rankings.
Sources: MFMOD Database, World Bank WDI and Haver Analytics databases, IMF.

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