

Brief Economic Profile of Cambodia



The economy of Cambodia at present follows an open market system (market economy) and has seen rapid economic progress in the last decade. Cambodia had a GDP of \$18.05 billion in 2015. Per capita income, although rapidly increasing, is low compared with most neighboring countries. Cambodia's two largest industries are textiles and tourism, while agricultural activities remain the main source of income for many Cambodians living in rural areas. The service sector is heavily concentrated on trading activities and catering-related services. Recently, Cambodia has reported that oil and natural gas reserves have been found off-shore.

In 1995, with a GDP of \$2.92 billion the government transformed the country's economic system from a planned economy to its present market-driven system. Following those changes, growth was estimated at a value of 7% while inflation dropped from 26% in 1994 to only 6% in 1995. Imports increased due to the influx of foreign aid, and exports, particularly from the country's garment industry, also increased.

After four years of improving economic performance, Cambodia's economy slowed in 1997-98 due to the regional economic crisis, civil unrest, and political infighting. Foreign investments declined during this period. Also, in 1998 the main harvest was hit by drought. But in 1999, the first full year of relative peace in 30 years, progress was made on economic reforms and growth resumed at 4%.

Currently, Cambodia's foreign policy focuses on establishing friendly borders with its neighbors (such as Thailand and Vietnam), as well as integrating itself into regional (ASEAN) and global (WTO) trading systems. Some of the obstacles faced by this emerging economy are the need for a better education system and the lack of a skilled workforce; particularly in the poverty-ridden countryside, which struggles with inadequate basic infrastructure. Nonetheless, Cambodia continues to attract investors because of its low wages, plentiful labor, proximity to Asian raw materials, and favorable tax treatment

The garment industry represents the largest portion of Cambodia's manufacturing sector, accounting for 80% of the country's exports. In 2012, the exports grew to \$4.61 billion up 8% over 2011. In the first half of 2013, the garment industry reported exports worth \$1.56 billion. The sector employs 335,400 workers, of which 91% are female.

Agriculture is the traditional mainstay of the Cambodian economy. Agriculture accounted for 90 percent of GDP in 1985 and employed approximately 80 percent of the work force. Rice is the principle commodity. Major secondary crops include maize, cassava, sweet potatoes, groundnuts, soybeans, sesame seeds, dry beans, and rubber. The principal commercial crop is rubber. In the 1980s it was an important primary commodity, second only to rice, and one of the country's few sources of foreign exchange.

Since the late 1990s, tourism is fast becoming Cambodia's second largest industry, just behind the garment manufacturing. In 2006, Cambodia's tourism sector generated a revenue of US\$1.594 billion, which made up approximately 16% of the country's GDP.

Cultural heritage tourism is especially popular in the country, with many foreign tourists visiting the ancient Hindu temple of Angkor Wat located in the Siem Reap province. Other popular tourist attractions include the Royal Palace, Phnom Penh, as well as ecotourism spots such as Tonlé Sap Lake and the Mekong River.

The tourism industry in Cambodia has been perpetuated by the development of important transportation infrastructure; in particular Cambodia's two international airports in Phnom Penh and Siem Reap respectively. To the Cambodian economy, tourism has been a means for accumulation of foreign currency earnings and employment for the Cambodian workforce, with about 250,000 jobs generated in 2006

The increase in tourist arrivals has led to growing demand for hotels and other forms of accommodation surrounding tourist hotspots. Siem Reap in particular has seen a construction boom in recent years. The capital Phnom Penh has also witnessed a growth in the construction and real estate sector. Recently, planned projects that have been on the pipeline for several years have been shelved temporarily due to a reduction in foreign investment. From 2009, the Cambodian government has allowed foreigners to own condominiums. This has helped in attracting real estate investors from Thailand, Malaysia, Singapore and other countries.

The construction sector attracted investment of \$2.1 billion in 2012 which is a 72 per cent rise compared with 2011. Construction licenses issued stood at 1,694 projects in 2012, which was 20% lower than 2011 but they were higher in value.

Source: Wikipedia