

Regional and Cambodian Economic Outlook

A. Regional Economic Outlook

B. Cambodia: Developments and Outlook

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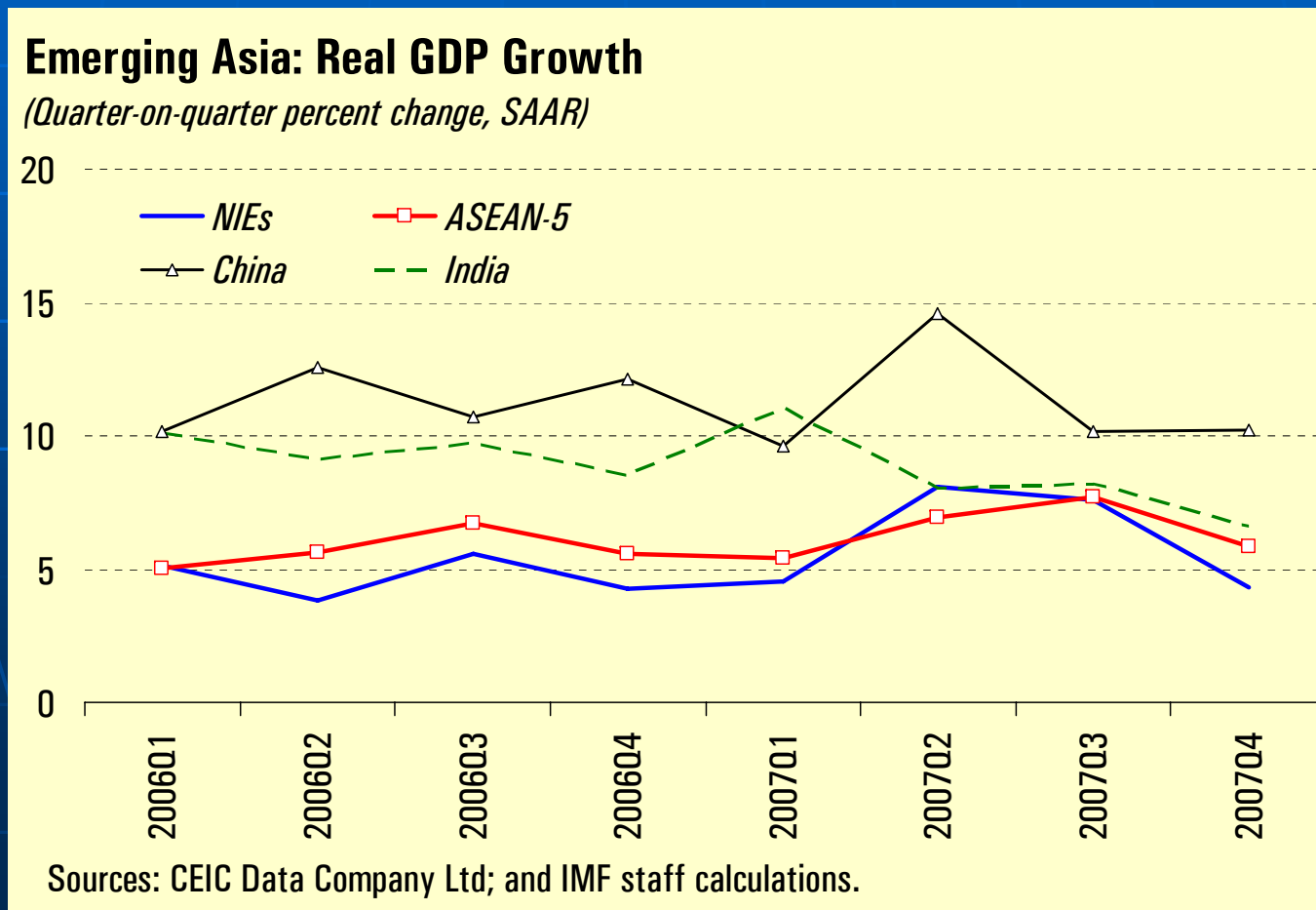
A. Regional Economic Outlook

First, a regional roadmap:

- NIEs (Newly Industrialized Economies)
 - Hong Kong SAR, Korea, Singapore, Taiwan POC
- ASEAN-5
 - Indonesia, Malaysia, Philippines, Thailand, Vietnam
- Emerging Asia
 - NIEs, ASEAN-5, China, India
- Industrial Asia
 - Japan, Australia, New Zealand
- Asia
 - All of the above

A. Regional Economic Outlook

- Regional growth was strong in 2007, though momentum has eased

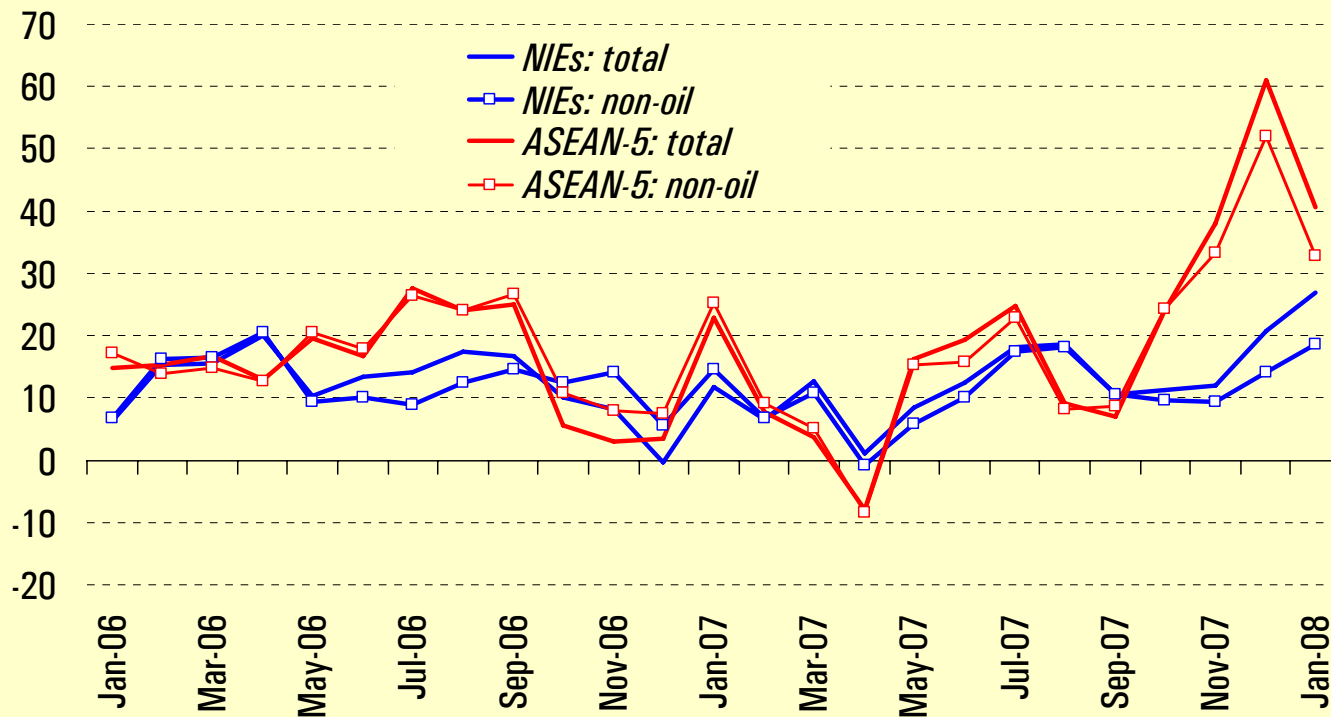


A. Regional Economic Outlook

- Export growth continued, owing to commodities for ASEAN-5, and non-traditional export markets, though electronics exports slowed

Emerging Asia: Exports of Goods

(3-month percent change of 3-mma, SAAR)



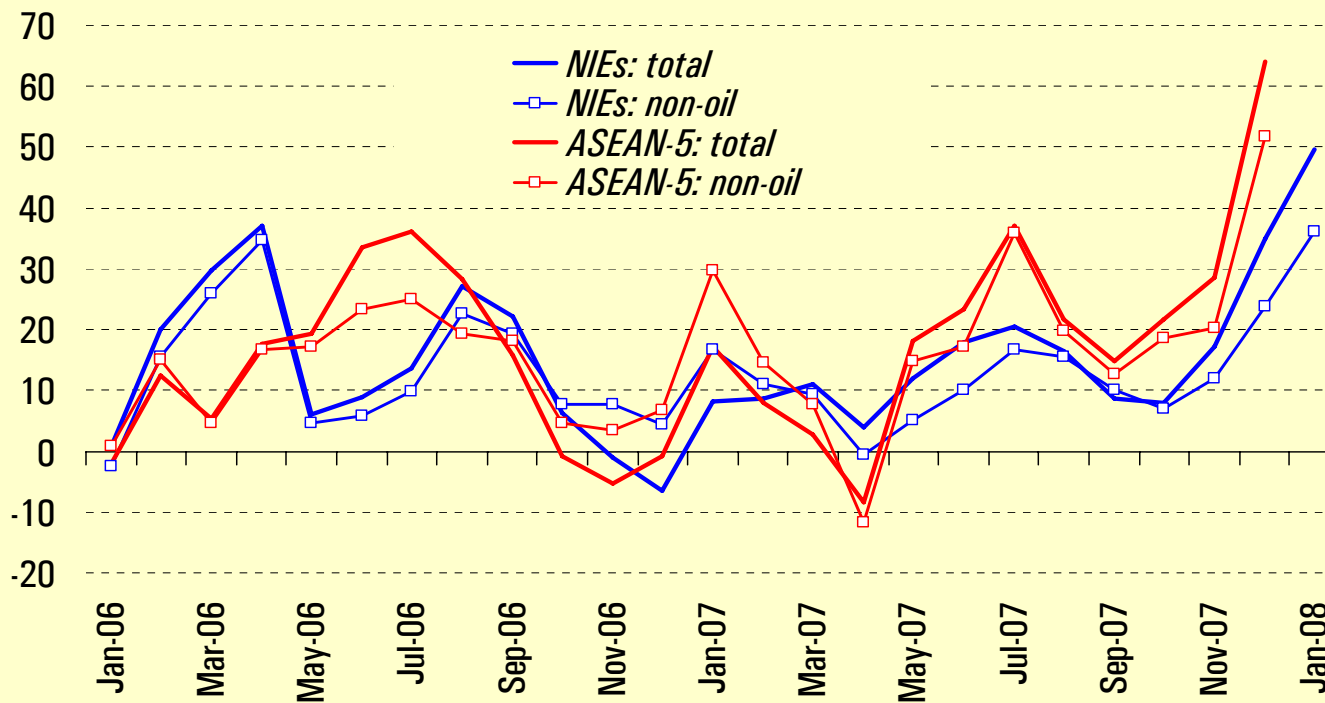
Sources: CEIC Data Company Ltd; and IMF staff calculations.

A. Regional Economic Outlook

- Import growth accelerated, partly reflecting commodity price developments

Emerging Asia: Imports of Goods

(3-month percent change of 3-mma, SAAR)



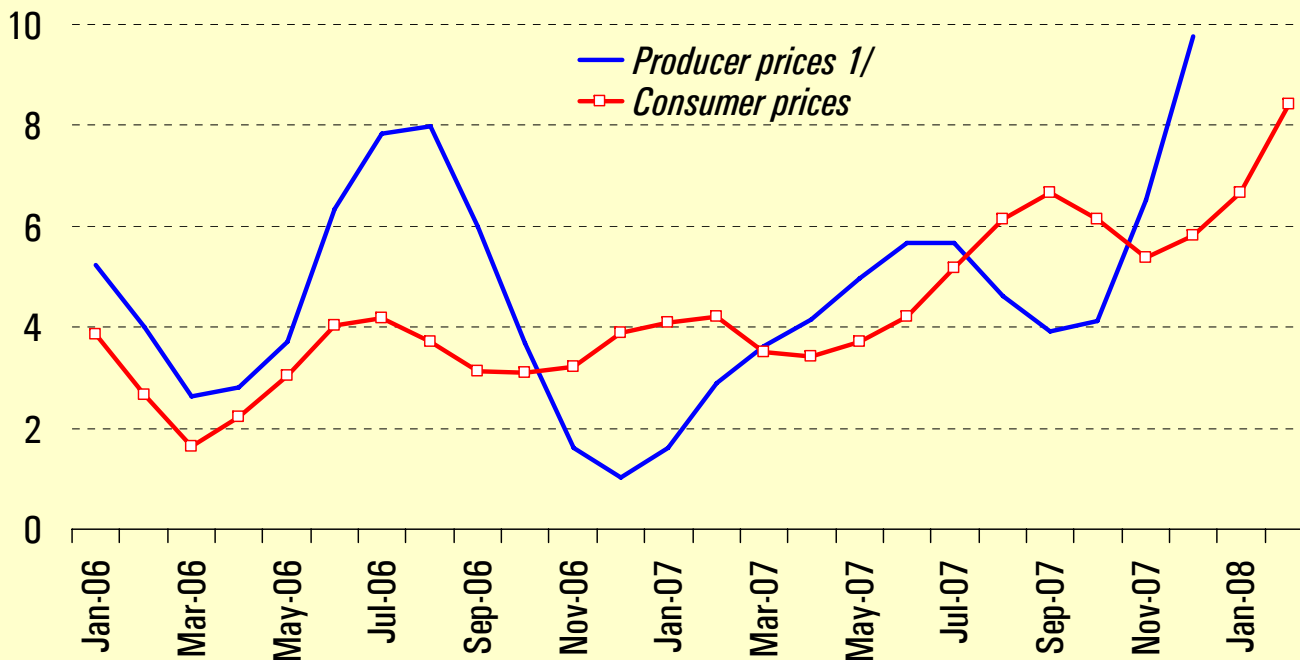
Sources: CEIC Data Company Ltd; and IMF staff calculations.

A. Regional Economic Outlook

- Headline inflation has increased across Asia...

Emerging Asia: Consumer and Producer Prices

(3-month percent change of 3-mma, SAAR)

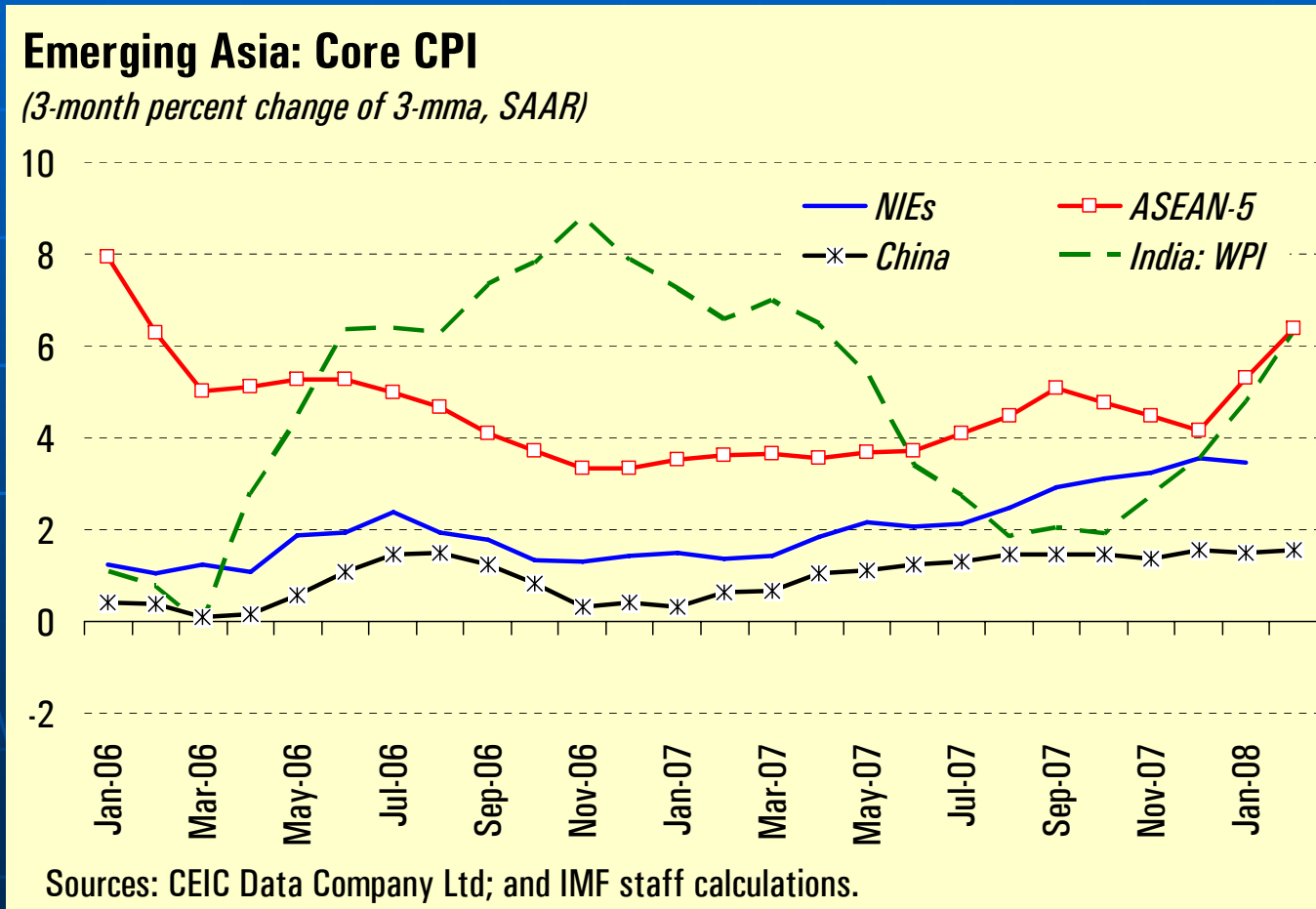


Sources: CEIC Data Company Ltd; and IMF staff calculations.

¹ Exclude Vietnam.

A. Regional Economic Outlook

- ...and core inflation is rising.

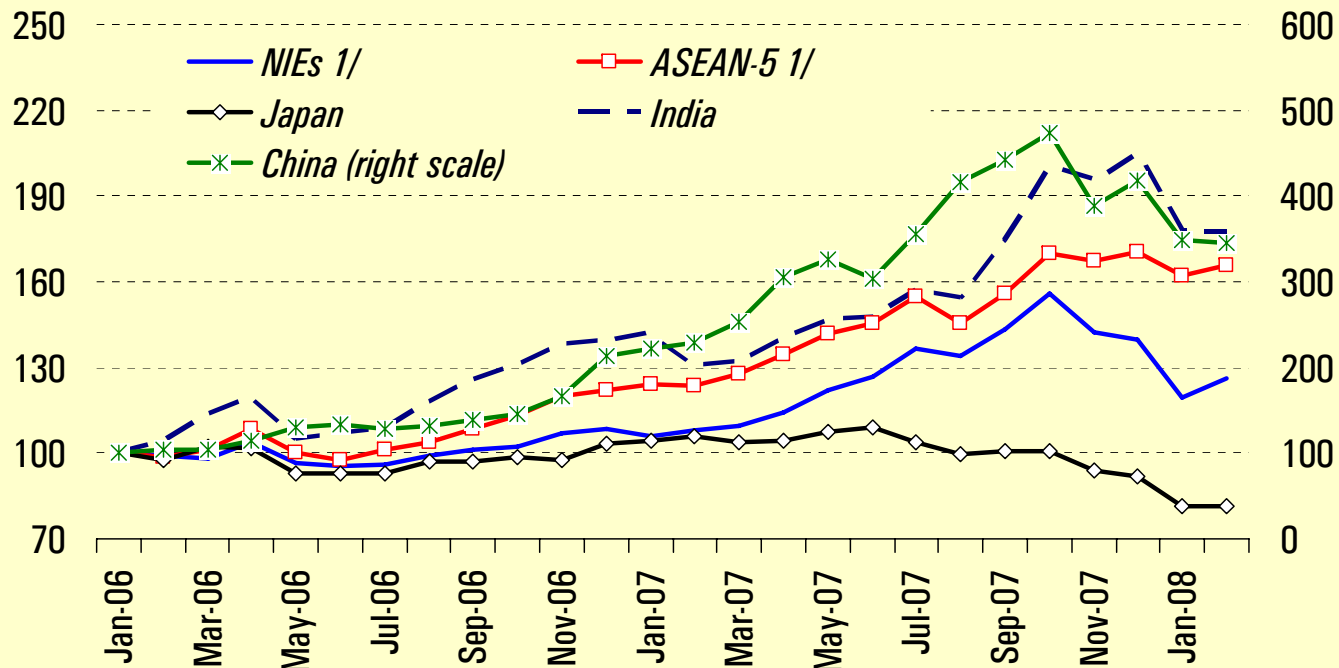


A. Regional Economic Outlook

- Equity markets have declined...

Selected Asia: Stock Market Indices

(January 2006=100)



Sources: CEIC Data Company Ltd; and IMF staff calculations.

¹ Weighted by market cap.

A. Regional Economic Outlook

- ...although price-earnings ratios remain elevated.

Price-Earnings Ratio¹				
<i>(Period average)</i>				
	2008 End-February	2007	2001-07	Pre-1997 high ²
Emerging Asia	17.1	18.1	15.2	19.6
Hong Kong SAR	19.4	20.5	17.6	16.3
Korea	12.0	13.9	12.2	16.8
Singapore	14.5	18.0	18.0	20.9
Taiwan POC	16.2	18.7	28.0	23.6
China	22.9	23.9	16.4	13.2
India	26.2	24.5	17.3	31.1
Malaysia	16.0	18.3	17.9	29.5
Indonesia	21.4	19.0	13.7	23.9
Philippines	14.2	16.8	19.2	27.7
Thailand	17.2	12.0	22.4	21.3
World	14.2	16.5	20.2	21.4
Emerging markets	15.9	16.6	14.3	17.2
Latin America	15.6	15.7	13.5	17.7
Europe & Middle East	13.1	14.1	14.6	12.4

Sources: Datastream; and IMF staff calculations.

¹ Based on MSCI country index.

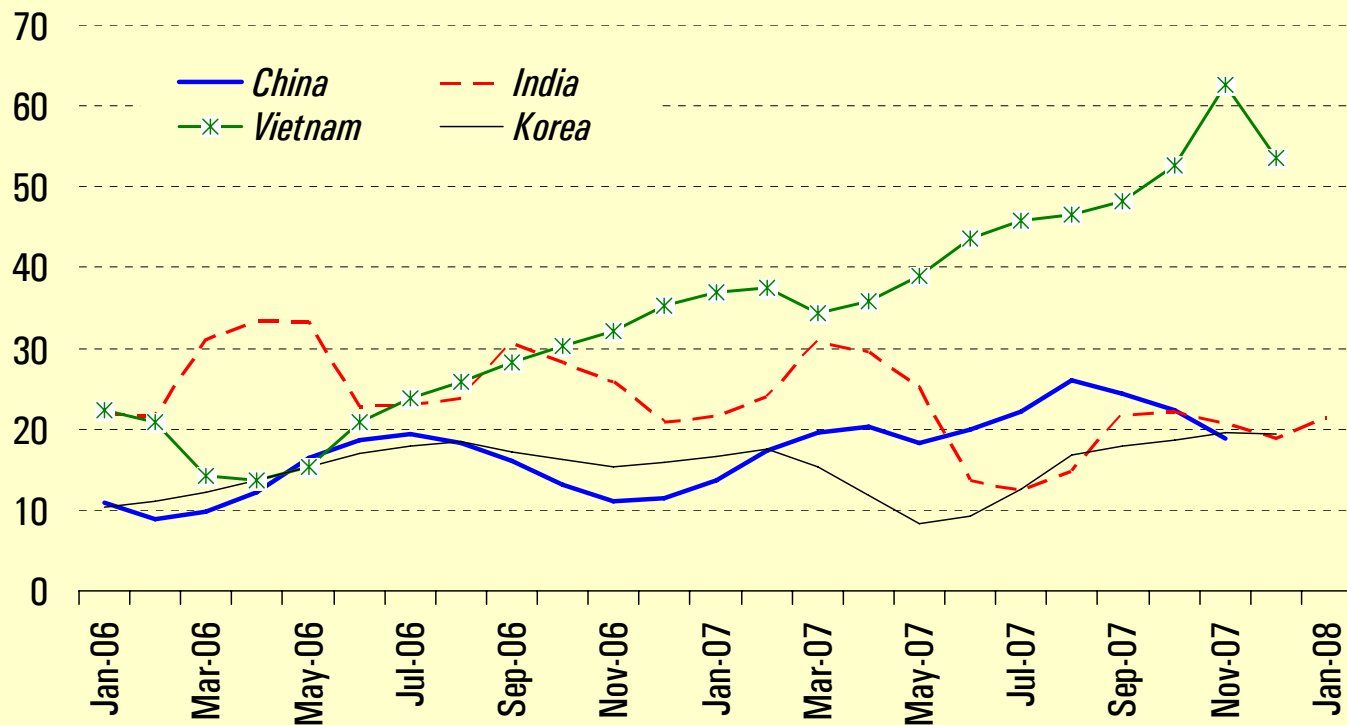
² Highest annual average between 1994-97. Each economy can have different data starting point.

A. Regional Economic Outlook

- Credit growth broadly leveled off, though in Vietnam credit growth has been very high

Selected Asia: Private Sector Credit Growth

(3-month percent change of 3-mma, SAAR)



Sources: CEIC Data Company Ltd; and IMF staff calculations.

A. Regional Economic Outlook

- 2008 real GDP growth has been revised down, mainly reflecting a weaker external environment. Gradual recovery is projected in 2009.

Asia: Real GDP Growth (Year-on-year percent change)						
	2006	2007	2007	2008	2008	2009
			REO Oct '07		Latest Proj.	
Industrial Asia	2.4	2.3	2.3	2.0	1.7	1.7
Japan	2.4	2.1	2.0	1.7	1.4	1.5
Australia	2.6	4.1	4.4	3.8	3.2	3.1
New Zealand	1.5	3.1	2.8	2.3	2.0	2.1
Emerging Asia	9.0	9.2	9.0	8.2	7.6	7.9
NIEs	5.6	5.6	5.0	4.5	4.0	4.4
Hong Kong SAR	7.0	6.3	5.7	4.7	4.3	4.8
Korea	5.1	5.0	4.8	4.6	4.2	4.4
Singapore	8.2	7.7	7.5	5.8	4.0	4.5
Taiwan POC	4.9	5.7	4.1	3.8	3.4	4.1
China	11.1	11.4	11.5	10.0	9.3	9.5
India	9.8	9.2	8.9	8.4	7.9	8.0
ASEAN-5	5.7	6.3	5.9	5.8	5.8	6.0
Indonesia	5.5	6.3	6.2	6.1	6.1	6.3
Malaysia	5.9	6.3	5.8	5.6	5.0	5.2
Philippines	5.4	7.3	6.3	5.8	5.8	5.8
Thailand	5.1	4.8	4.0	4.5	5.3	5.6
Vietnam	8.2	8.5	8.3	8.2	7.3	7.3
Emerging Asia excl. China	7.2	7.2	6.8	6.4	6.1	6.3
Emerging Asia excl. China & India	5.6	5.9	5.4	5.1	4.9	5.2
Asia	7.2	7.4	7.3	6.6	6.2	6.4

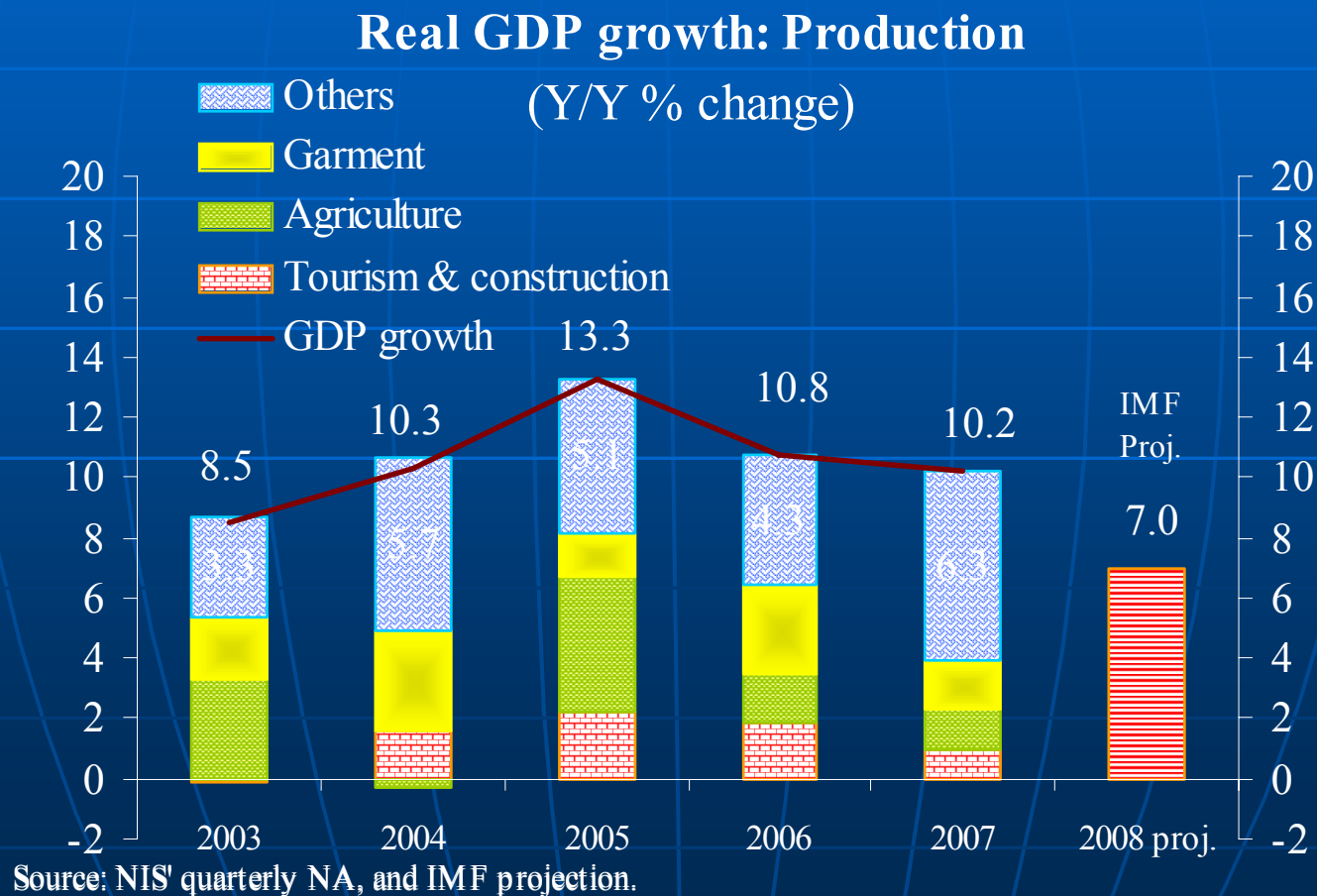
Sources: CEIC Data Company Ltd; and IMF, WEO database.

A. Regional Economic Outlook

- Risks to the outlook are mainly on the downside
 - Further financial market turbulence could adversely affect asset prices and balance sheets, confidence, and risk spreads
 - Asia is unlikely to de-link from the U.S. economy—on average, a 1 percentage point slowdown in the U.S. leads to a $\frac{1}{4}$ to $\frac{1}{2}$ percentage point slowdown in Asia
 - Inflation pressures are mounting

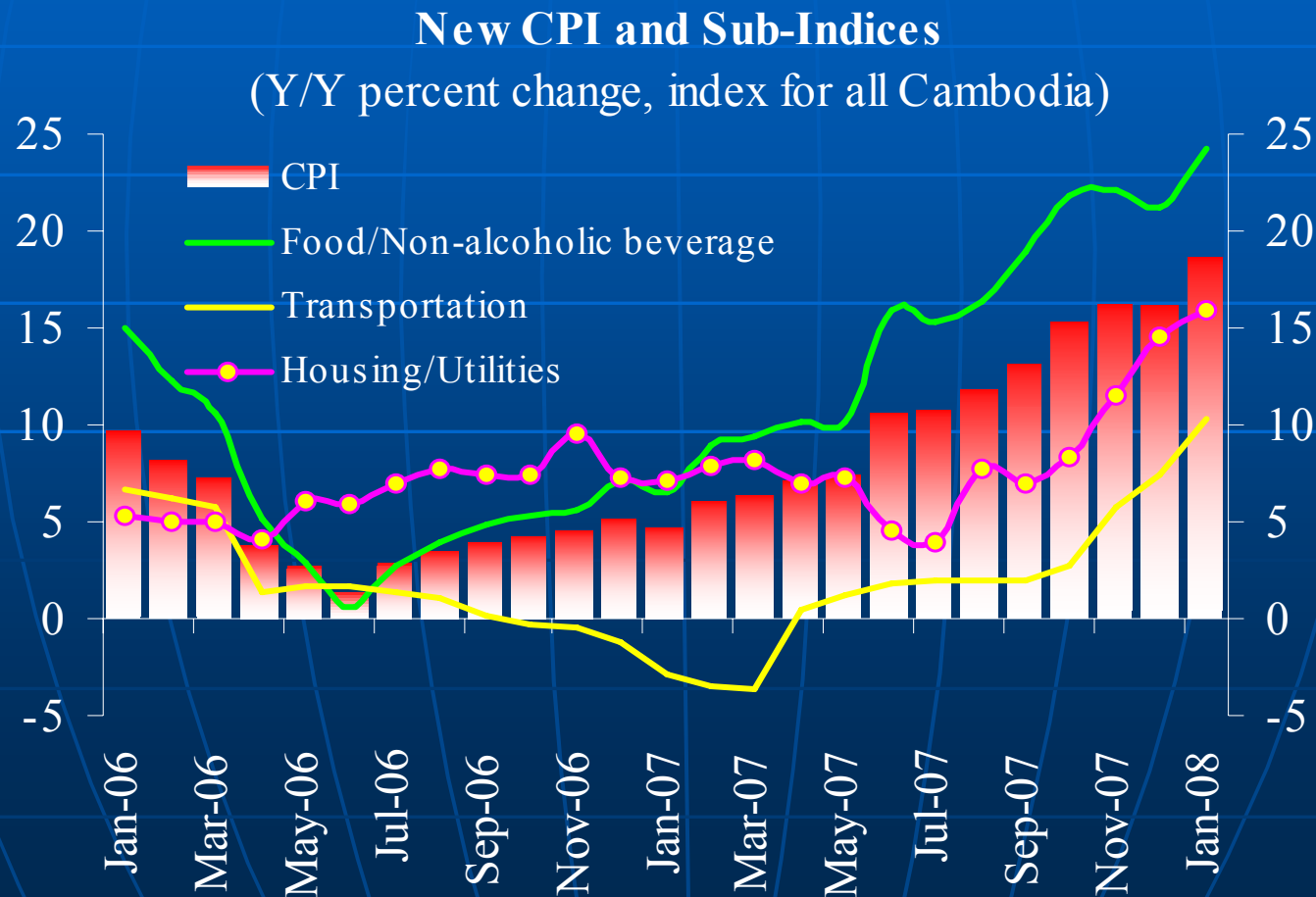
B. Cambodia: Developments and Outlook

- Growth expected to ease to 7 percent in 2008, owing mainly to slowing garment exports



B. Cambodia: Developments and Outlook

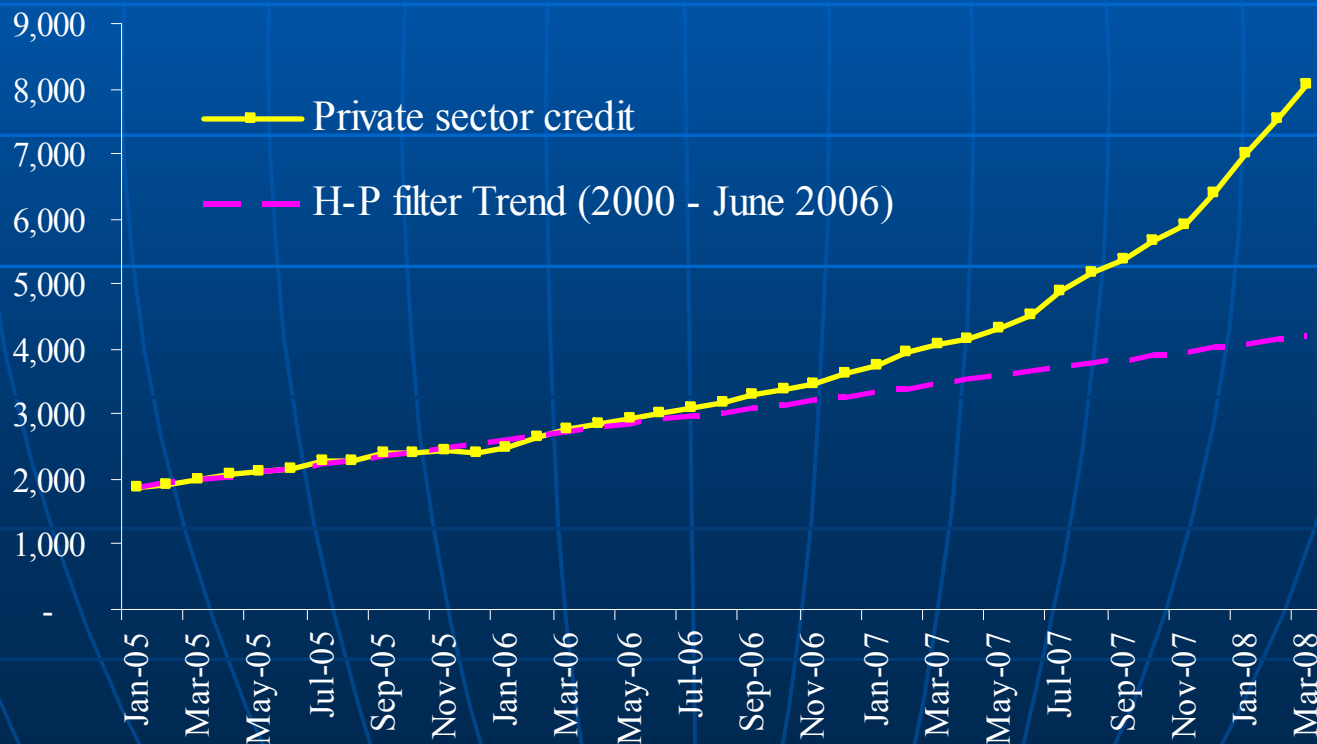
- Higher inflation reflects int'l food and oil prices, depreciation and domestic demand pressures



B. Cambodia: Developments and Outlook

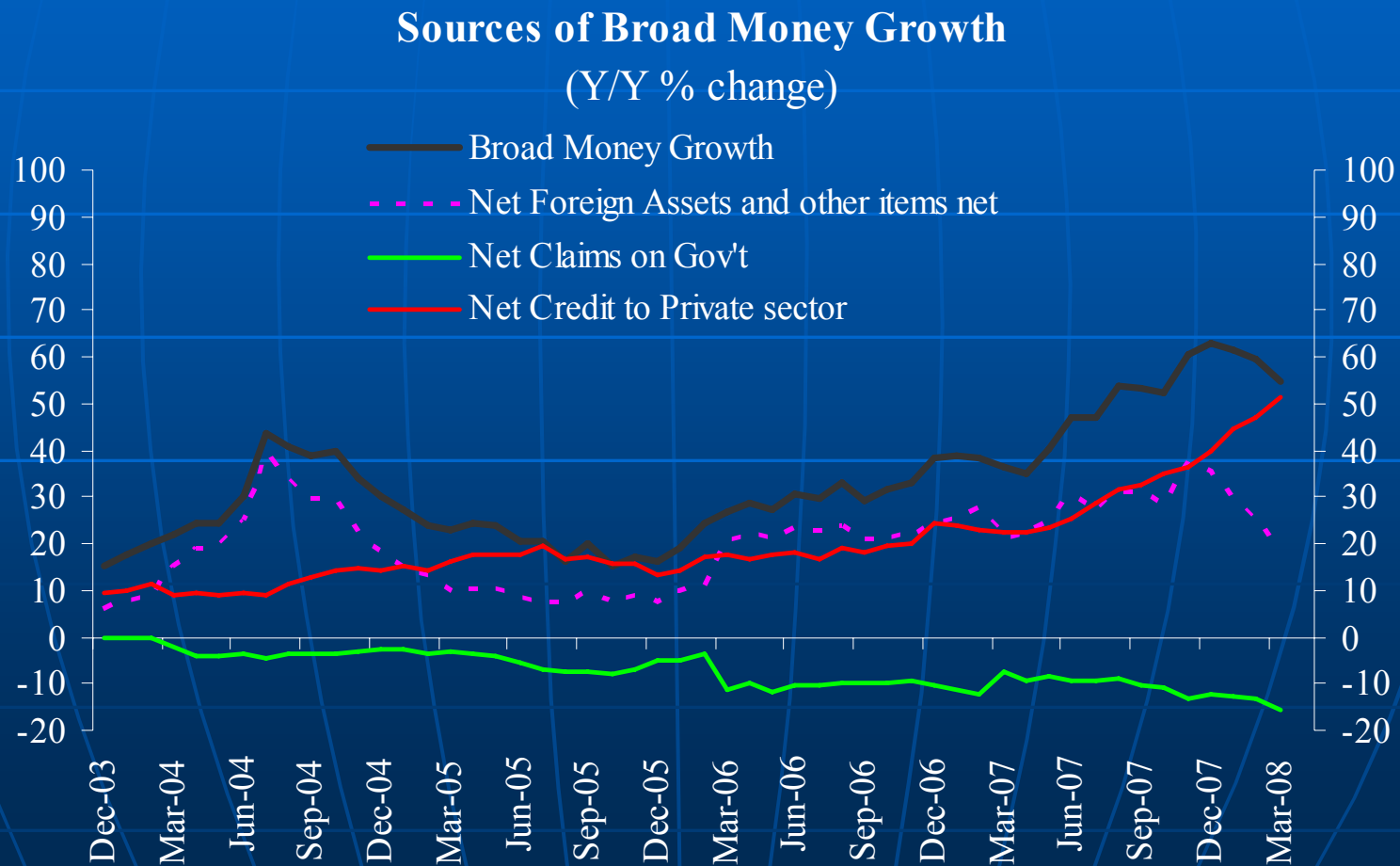
- Domestic demand pressures are being driven by very rapid growth in bank lending

Private Sector Credit 2005 - 2008
(billions of riel)



B. Cambodia: Developments and Outlook

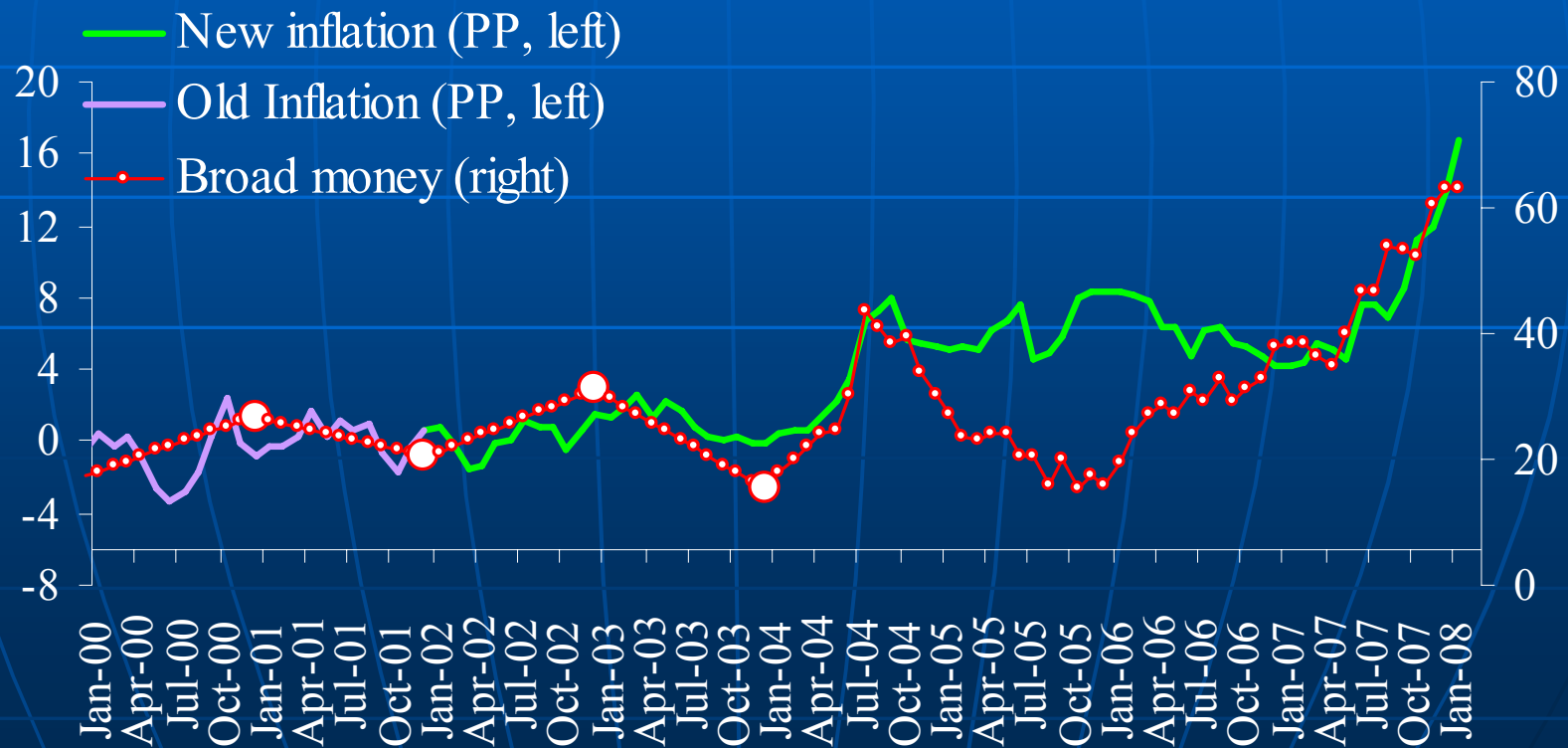
- Rapid credit growth is contributing to very strong broad money growth



B. Cambodia: Developments and Outlook

- Inflation results when too much money chases too few goods

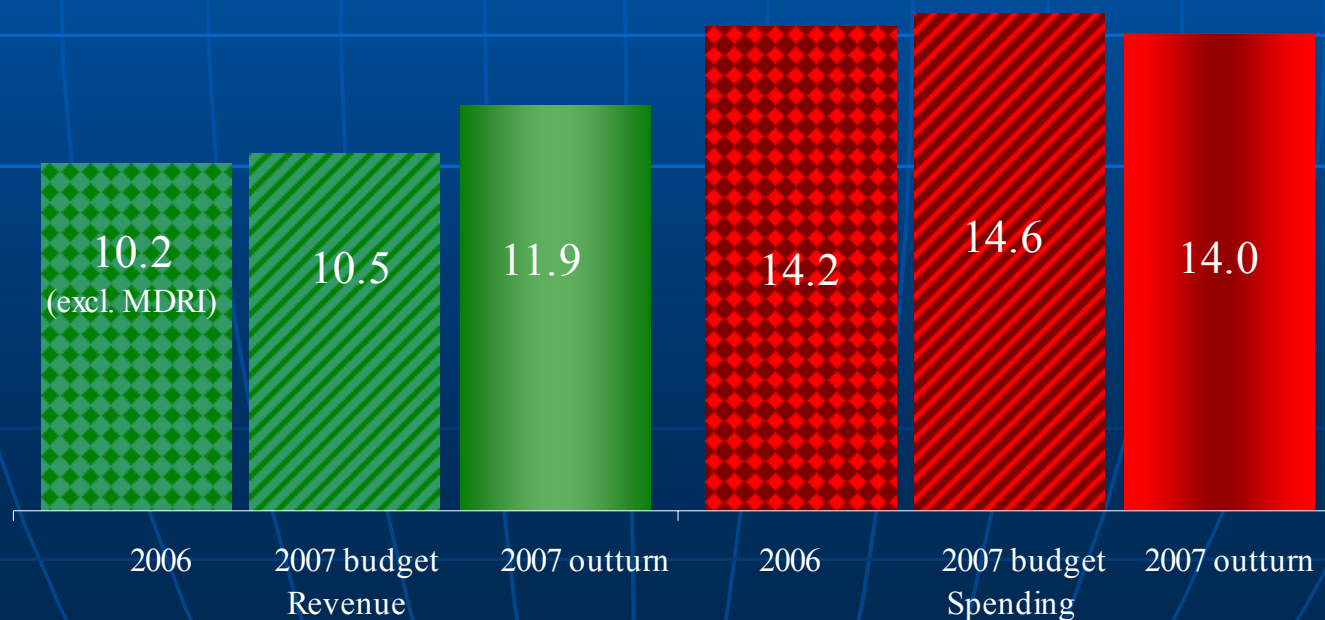
Inflation and Broad Money Growth
(Y/Y % change)



B. Cambodia: Developments and Outlook

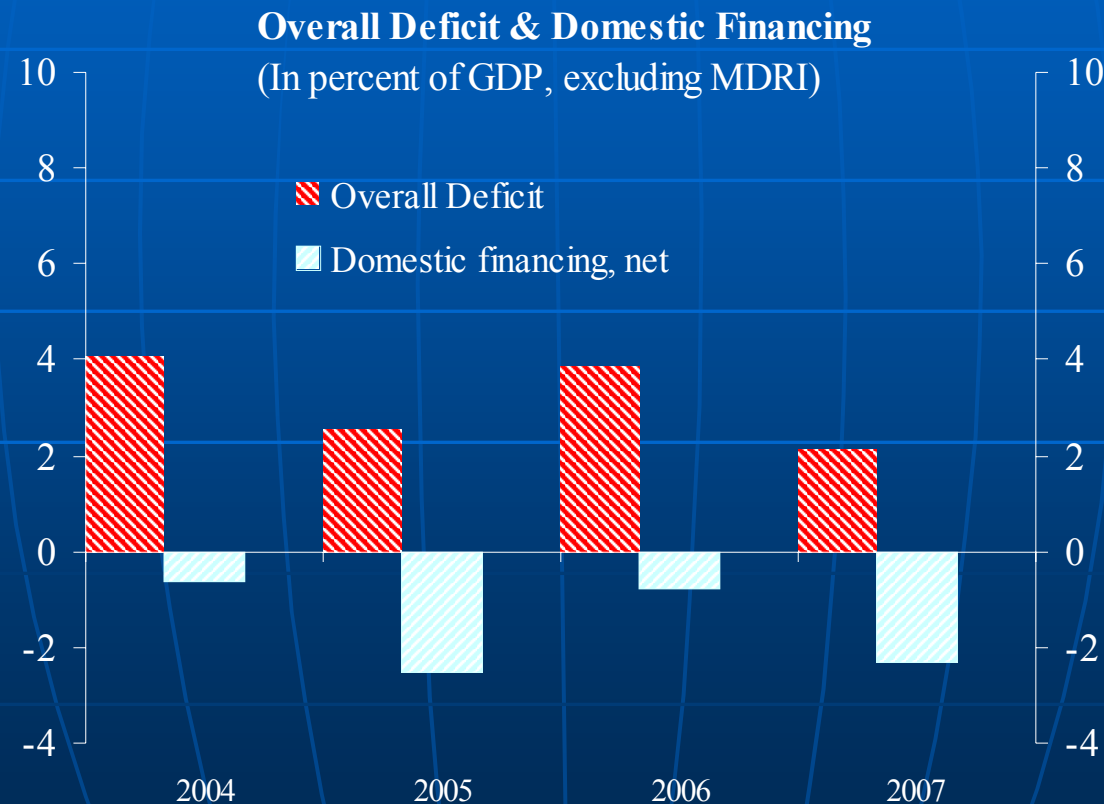
- Government revenues grew strongly in 2007, spending was contained

Government Revenue (green) and Spending (red)
(in percent of GDP)



B. Cambodia: Developments and Outlook

- The overall deficit declined to about 2 percent of GDP, and government deposits rose by 2½ percent of GDP

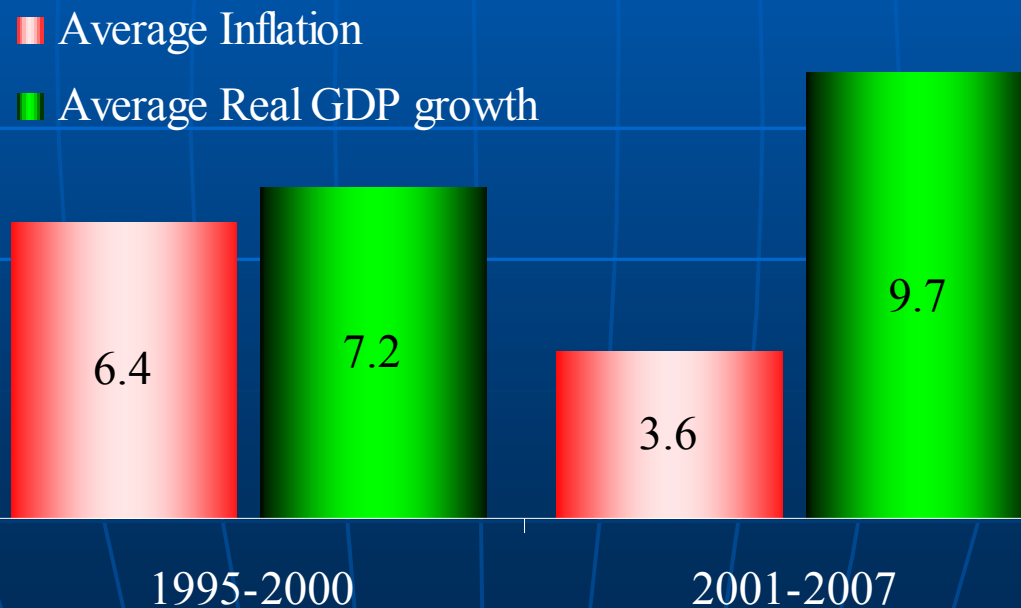


Source: MEF and IMF; excludes MDRI transfer

B. Cambodia: Developments and Outlook

- Containing inflation pressures is key for sustaining robust growth and poverty reduction over the medium term

Real GDP growth and Inflation (In percent)



Source: NIS and IMF staff est.

B. Cambodia: Developments and Outlook

- Fiscal policy is the main tool for managing demand pressures due to high dollarization
- Continued fiscal prudence to combat inflation pressures:
 - An overall budget deficit of 1% of GDP in 2008
 - Ongoing build-up of net government deposits of 2% of GDP
 - Non-priority spending restraint and strong revenue efforts, taking into account announced additional measures
 - Important to safeguard priority spending and measures to protect the poor

B. Cambodia: Developments and Outlook

- Monetary policy tightening is an appropriate compliment to fiscal restraint
- Higher reserve requirements will help to rein in very high credit growth and begin reducing demand pressures
- Continued strong banking supervision to safeguard the financial system

Thank you for your attention!



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