INTERNATIONAL MONETARY FUND

IMF Country Report No. 25/317

CAMBODIA

December 2025

2025 ARTICLE IV CONSULTATION—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR CAMBODIA

Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. In the context of the 2025 Article IV consultation with Cambodia, the following documents have been released and are included in this package:

- A **Press Release** summarizing the views of the Executive Board as expressed during its November 21, 2025, consideration of the staff report that concluded the Article IV consultation with Cambodia.
- **The Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on November 21, 2025, following discussions that ended on September 2, 2025, with the officials of Cambodia on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on November 3, 2025.
- An **Informational Annex** prepared by the IMF staff.
- A **Debt Sustainability Analysis** prepared by the staff of the IMF and the World Bank.
- A **Statement by the Executive Director** for Cambodia.

The IMF's transparency policy allows for the deletion of market-sensitive information and premature disclosure of the authorities' policy intentions in published staff reports and other documents.

Copies of this report are available to the public from

International Monetary Fund • Publication Services
PO Box 92780 • Washington, D.C. 20090
Telephone: (202) 623-7430 • Fax: (202) 623-7201
E-mail: publications@imf.org Web: http://www.imf.org
Price: $18.00 per printed copy

International Monetary Fund
Washington, D.C.

PRESS RELEASE

PR25/394

IMF Executive Board Concludes 2025 Article IV Consultation with Cambodia

FOR IMMEDIATE RELEASE

- *Growth is projected to decelerate to 4.8 percent in 2025 and 4.0 percent in 2026, reflecting export volatility, declining remittances, a slowdown in tourism, and weak domestic demand. Inflation is projected to rise modestly in 2025 before easing in 2026.*
- *Risks are tilted to the downside, with financial sector vulnerabilities at the center.*
- *Prudent fiscal and monetary policies, together with structural reforms, are essential to safeguard stability and strengthen resilience. Near-term measures should cushion external shocks while laying the foundation for medium-term competitiveness.*

Washington, DC – November 25, 2025: On November 21, 2025, the Executive Board of the International Monetary Fund (IMF) completed the Article IV Consultation for Cambodia.[1] The authorities have consented to the publication of the Staff Report prepared for this consultation.[2]

The Cambodia's economy continued to accelerate in 2024, and growth reached 6.0 percent, bolstered by a strong rebound in garment and agricultural exports and a continued recovery in tourism. This trend continued into the first half of 2025, with nowcasting estimates pointing to year-on-year growth of 6.2 percent. However, a confluence of shocks—trade disruptions, border tensions, and anemic credit growth—exposed the economy's vulnerabilities, and signs of economic slowdown are emerging in the second half of 2025.

Economic growth is projected to decelerate to 4.8 percent in 2025 and further to around 4.0 percent in 2026. The downward revision from the 2024 Article IV staff report reflects remittance losses and a tourism slowdown, which are expected to weigh on domestic demand. Tariff effects will lower export earnings as manufacturers face margin pressures.

Risks are tilted to the downside, driven by financial sector vulnerabilities associated with the array of shocks. Trade policy uncertainty could further disrupt export growth. Renewed border tensions could undermine confidence, amplifying adverse effects on domestic demand, tourism, and financial sector stability. Elevated private debt, rising NPLs, and governance vulnerabilities could further amplify risks to financial stability. On the upside, deeper regional trade and investment integration could promote

[1] Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board.

[2] Under the IMF's Articles of Agreement, publication of documents that pertain to member countries is voluntary and requires the member consent. The staff report will be shortly published on the Cambodia and the IMF page.

export growth. Successful reintegration of returned workers into the domestic labor market could support a stronger recovery in domestic demand.

Executive Board Assessment[3]

Executive Directors agreed with the thrust of the staff appraisal. While Cambodia's economy grew strongly in 2024, the recovery remains uneven and is decelerating, impacted by subdued domestic demand, border tensions, trade disruptions, and a real estate correction. Directors also cautioned that risks are tilted to the downside and that Cambodia's growth model remains vulnerable due to reliance on a narrow export base. They urged the authorities to safeguard macroeconomic stability and enhance resilience through a comprehensive and well-coordinated implementation of fiscal, monetary and structural policies.

Directors agreed that fiscal policy should cushion the impact of current shocks while preserving fiscal prudence. They highlighted the importance of temporary and targeted support for vulnerable households and displaced workers, alongside active labor market policies. Over the medium term, gradual, growth-friendly consolidation is needed to rebuild buffers and maintain fiscal sustainability. Directors also underscored the critical role of revenue mobilization and welcomed efforts to improve expenditure efficiency and infrastructure governance.

Directors emphasized that monetary policy should remain agile and responsive to evolving conditions. They encouraged the authorities to gradually proceed with normalization, including restoring reserve requirements to pre-pandemic levels, while continuing efforts to strengthen monetary transmission in Khmer Riel and improve liquidity management. Directors welcomed ongoing modernization of the policy framework and underscored the importance of transparent communication to enhance policy credibility.

Directors agreed that financial sector policies should focus on managing rising risks and reinforcing oversight. They supported the phase-out of forbearance by end-2025 to enable timely recognition of distressed assets and recapitalization. Directors stressed the need to enhance supervisory capacity, including asset quality reporting, stress testing, and early intervention. They encouraged reforms to insolvency and crisis management frameworks, the establishment of a deposit insurance scheme, and called for further efforts to address AML/CFT vulnerabilities.

Directors underscored the urgency of accelerating structural reforms to diversify exports, enhance productivity and competitiveness, and improve trade facilitation. They stressed that governance reforms are essential to enhance business environment, bolster investor confidence, and ensure sustainable and inclusive development, and encouraged continued efforts to address data limitations.

---

[3] At the conclusion of the discussion, the Managing Director, as Chair of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country's authorities. An explanation of any qualifiers used in summings up can be found here: http://www.IMF.org/external/np/sec/misc/qualifiers.htm.

Cambodia: Selected Economic Indicators, 2022 – 26 1/

Per capita GDP (2023, US$): 2,477 | Life expectancy (2022, years): 70.0
Population (2023, million): 17.1 | Literacy rate (2022, percent): 83.8

	2022	2023	2024	2025	2026
			Est.	Proj.	
Output and prices (annual percent change)					
GDP in constant prices	5.1	5.0	6.0	4.8	4.0
Inflation (end-year)	2.9	2.7	3.0	1.0	2.2
(Annual average)	5.3	2.1	0.9	2.5	2.3
Saving and investment balance (in percent of GDP)					
Gross national saving	15.9	34.6	32.7	30.5	28.0
Government saving	3.7	1.8	2.3	0.7	0.5
Private saving	12.2	32.8	30.3	29.8	27.5
Gross fixed investment	35.3	33.3	32.2	33.5	32.6
Government investment	5.7	5.9	5.3	5.1	5.0
Private investment	29.6	27.4	26.9	28.4	27.6
Money and credit (annual percent change, unless otherwise indicated)					
Broad money	8.2	12.5	17.5	8.7	5.1
Private sector credit	18.5	3.5	3.1	3.2	3.5
Velocity of money 2/	0.9	0.9	0.8	0.9	0.9
Public finance (in percent of GDP)					
Revenue	18.4	16.2	15.2	14.6	14.4
Domestic revenue	16.7	15.0	14.3	13.9	13.7
Of which: Tax revenue	15.0	13.3	12.5	12.2	11.9
Grants	1.7	1.3	0.9	0.7	0.7
Expenditure	18.7	19.1	17.3	18.3	18.2
Expense	13.0	13.2	11.9	13.2	13.2
Net acquisition of nonfinancial assets	5.7	5.9	5.3	5.1	5.0
Net lending (+)/borrowing(-)	-0.3	-2.8	-2.1	-3.7	-3.8
Net lending (+)/borrowing(-) excluding grants	-2.0	-4.1	-3.0	-4.4	-4.5
Net acquisition of financial assets	1.5	-0.3	2.4	-1.8	-1.9
Net incurrence of liabilities 3/	1.8	2.5	4.4	1.8	1.9
Total public debt (In percent of GDP)	25.5	26.3	26.1	26.5	27.2
Balance of payments (in millions of dollars, unless otherwise indicated)					
Exports, f.o.b.	23,175	23,569	26,752	30,297	31,571
(Annual percent change)	18.7	1.7	13.5	13.3	4.2
Imports, f.o.b.	-31,995	-26,553	-31,247	-35,556	-37,092
(Annual percent change)	4.1	-17.0	17.7	13.8	4.3
Current account (including official transfers)	-7,572	554	229	-1,474	-2,372
(In percent of GDP)	-19.4	1.3	0.5	-3.0	-4.5
Gross official reserves 4/	17,805	19,998	22,511	23,511	26,059
(In months of prospective imports)	7.3	7.0	6.8	6.9	7.1
Total public debt (in millions of dollars)	9,971	11,188	12,028	13,042	14,192
(In percent of GDP)	25.5	26.3	26.1	26.5	27.2
External debt (in millions of dollars, unless otherwise indicated)					
Public external debt	9,971	11,188	11,915	12,884	13,911
(In percent of GDP)	25.5	26.3	25.9	26.2	26.7
Public debt service	420	442	449	637	735
(In percent of exports of goods and services)	1.6	1.6	1.4	1.8	2.0
Nominal effective exchange rate (index, trade partners by CPI)	122.4	123.3	125.8	…	…
Real effective exchange rate (index, based on CPI)	134.0	132.4	132.5	…	…
Memorandum items:					
Nominal GDP (in billions of Riels)	160,972	174,027	188,766	201,830	213,914
(In millions of U.S. dollars)	39,089	42,404	46,098	49,200	52,146

Sources: Cambodian authorities; and IMF staff estimates and projections.
1/ Based on the rebased GDP.
2/ Ratio of nominal GDP to the average stock of broad money.
3/ Includes statistical discrepancy.
4/ Includes unrestricted foreign currency deposits held at the National Bank of Cambodia.

INTERNATIONAL MONETARY FUND

CAMBODIA

STAFF REPORT FOR THE 2025 ARTICLE IV CONSULTATION

November 3, 2025

KEY ISSUES

Context: Cambodia's economy is at a pivotal moment, confronted by a confluence of shocks. Trade disruptions and border tensions, coupled with a correction in real estate, expose the economy's vulnerabilities as growth has heavily relied on a narrow export base, tourism earnings, and investment in real estate. For a stronger and more resilient economy in the medium-term, key priorities include accelerating structural reforms to diversify growth drivers and taking decisive actions to preserve macro-financial stability.

Outlook and Risks: Growth is projected to decelerate to 4.8 percent in 2025 and 4.0 percent in 2026, reflecting export volatility, declining remittances, a slowdown in tourism, and weak domestic demand. Heightened global trade uncertainty will likely weigh on investment and external demand over the medium term. Inflation is projected to rise modestly in 2025 before easing in 2026. Risks are tilted to the downside, driven by financial sector vulnerabilities associated with the array of shocks.

Policy Recommendations:

- **Fiscal policy:** Fiscal policy needs to balance temporary and targeted support to vulnerable households with fiscal prudence. Growth-friendly consolidation, guided by the fiscal rule, is essential to rebuild buffers and safeguard debt sustainability. Revenue mobilization and expenditure efficiency are key to supporting the economy's structural transformation for inclusive and sustainable growth.

- **Monetary and financial sector policies:** Monetary policy should remain agile and gradually normalize, including by restoring reserve requirements to pre-pandemic levels. Efforts to improve monetary transmission should continue. Financial sector policies require timely recognition of distressed assets, adequate provisioning, and recapitalization where needed. Strengthening supervisory capacity, underpinned by banking sector reforms, is essential to safeguard financial stability.

- **Structural policies:** Accelerating structural reforms remains essential to upgrade Cambodia's growth model and enhance resilience to shocks. Key priorities include diversifying the export base and improving human capital and business environment with governance reforms, which help attract FDI and enhance competitiveness. Closing data gaps is also critical to strengthen policy design and surveillance.

Approved By
Rupa Duttagupta (APD) and Cemile Sancak (SPR)

Discussions took place in Phnom Penh, Cambodia, during August 20–September 2, 2025. The staff team comprised Kenichiro Kashiwase (head), Enrique Flores Curiel, Sylwia Barbara Nowak, Jochen Schmittmann (IMF resident representative) (all APD), Camilo Enciso (LEG), and Carlos Peláez Gómez (FIN). Idwan Hakim and Sotthal Sum (both OEDST) joined various meetings. Natasha Che and Max-Sebastian Dovì (both APD) have contributed to several sections of this report. Sophearom Chheang, Leapho Leng, Chenda Pich, and Varith Proeung supported the mission from the IMF's office in Phnom Penh. Liangliang Zhu, Parsa Mahmud, and Mariam Souleyman assisted from IMF HQ.

CONTENTS

TABLES

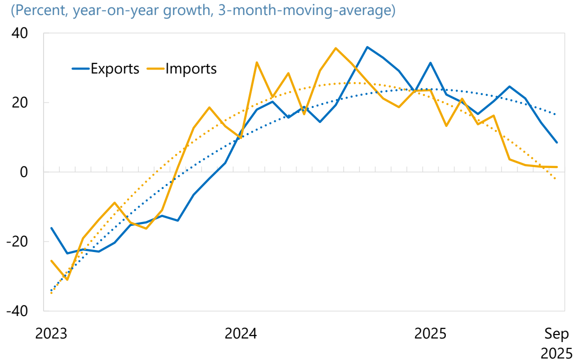
ANNEXES

CONTEXT

1. **Cambodia's economy faces heightened challenges, and taking decisive actions are needed to steer the economy for a stronger future.** The economy is navigating a complex and shifting landscape. While growth rebounded to 6 percent in 2024, the recovery has been uneven, held back by subdued domestic demand, a correction in the real estate market, and rising financial vulnerabilities. External pressures—including U.S. tariffs, geopolitical fragmentation, and the border conflict with Thailand—despite the July ceasefire—continue to weigh on the outlook, compounded by declining aid flows and limited policy buffers. Navigating these challenges will require decisive policy actions to safeguard macro-financial stability and lay the foundation for more inclusive and resilient growth. These efforts, coupled with technical assistance (TA) by development partners, will be critical as Cambodia prepares for graduation from Least Developed Country status by end-2029.

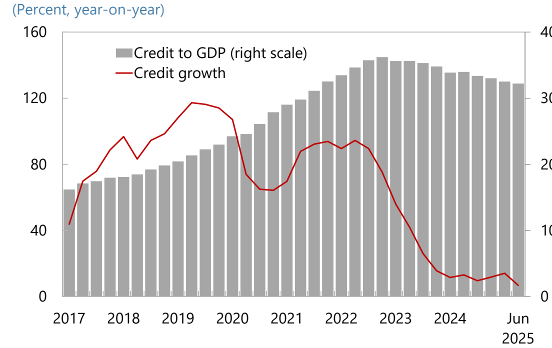
Cambodia's Economy Is at a Crossroads, with Uneven Recovery

Garment Exports and Imports
(Percent, year-on-year growth, 3-month-moving-average)



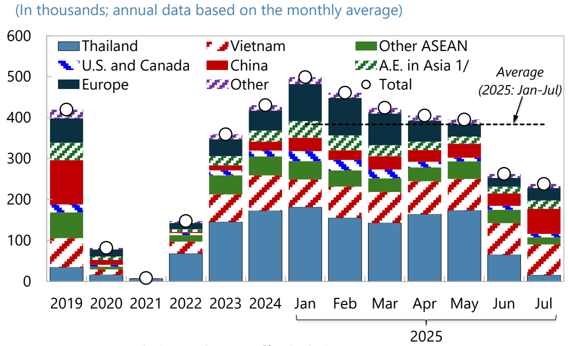
Sources: Cambodian authorities; and IMF staff calculations.

Credit-to-GDP and Credit Growth
(Percent, year-on-year)



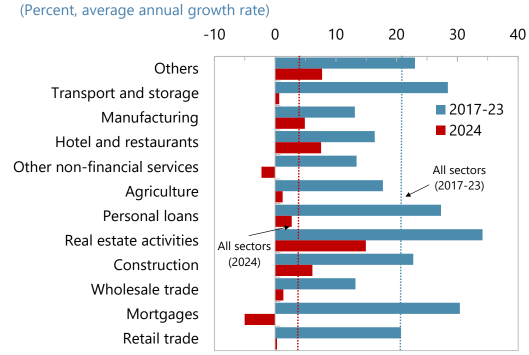
Sources: Cambodian authorities; and IMF staff calculations.

Tourist Arrivals by Country of Origin
(In thousands; annual data based on the monthly average)



Sources: Haver Analytics; and IMF staff calculations.
1/ Advanced economies (AE) include Australia, Japan, Korea, and New Zealand.

Bank Credit Growth
(Percent, average annual growth rate)



Sources: Haver Analytics; and IMF staff calculations.

RECENT DEVELOPMENTS

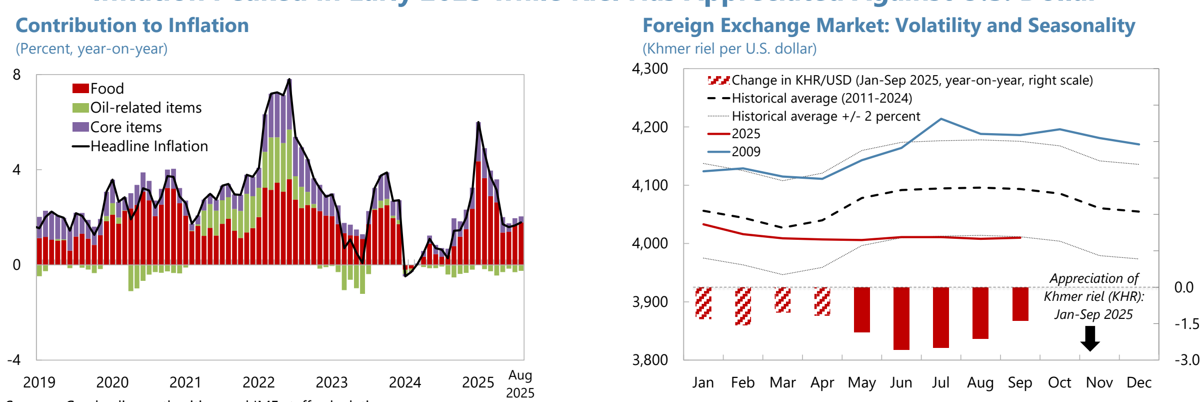
A. Recovery Gaps and Rising Vulnerabilities

2. **Signs of economic slowdown are emerging.** Economic growth accelerated 6.0 percent in 2024, up from 5.0 percent in 2023, supported by a strong rebound in garment and agricultural exports and a modest recovery in tourism, which remains below pre-pandemic levels. Frontloading

of export orders sustained momentum in the first half of 2025, with export growth accelerating to 20 percent (y/y) in June supported by garments and agricultural products to ASEAN and U.S. markets. Nowcasting estimates (**Selected Issues**) suggest growth of 6.2 percent (y/y) in 2025H1 driven by external demand. However, domestic demand remained weak, weighed down by ongoing corrections in construction and real estate. The border conflict with Thailand, which erupted at end-May, has exposed social and economic vulnerabilities, further weighing on the recovery. The large-scale return of Cambodian migrant workers from Thailand—estimated at nearly 1 million individuals by end August—has disrupted tourism and remittance inflows and strained the domestic labor market. In the second half of 2025, signs of deceleration became more pronounced, with exports growth moderating to 7.0 percent (y/y) in September, declines in imports of raw and intermediate materials, weakening tourism activity, and persistently sluggish credit growth in part driven by global and regional factors (**Selected Issues**).

3. Inflation remained volatile after reaching a decade low in 2024 but has eased most recently. Headline inflation averaged 0.9 percent in 2024, before peaking at 6 percent (y/y) in January 2025 due to food price volatility (45 percent of the CPI basket) and base effects. By August, inflation eased to 1.8 percent as fuel prices declined, and food-price increases moderated. Core inflation remained subdued at 1.0 percent in 2024, partly reflecting downward pressure on import prices from disinflation in China (**Box 1**), and softened further to 0.7 percent in August. The Khmer Riel (KHR) has experienced appreciation pressure against the U.S. dollar (USD) but remained relatively stable, while the National Bank of Cambodia (NBC) purchased USD to provide KHR liquidity for functioning of the FX market at the heels of strong growth in exports and FDI inflows.

Inflation Peaked in Early 2025 while Riel Has Appreciated Against U.S. Dollar



Sources: Cambodian authorities; and IMF staff calculations.

Sources: Haver Analytics; and IMF staff calculations.

4. Revenue deteriorated markedly in 2024, and the government constrained spending to contain the deficit and ensure debt sustainability. The overall fiscal deficit reached 2.1 percent of GDP, down from 2.8 percent in 2023. However, tax revenue collection was weighed down by exemptions[1] and a sluggish recovery in non-tradable sectors, and grants declined substantially,

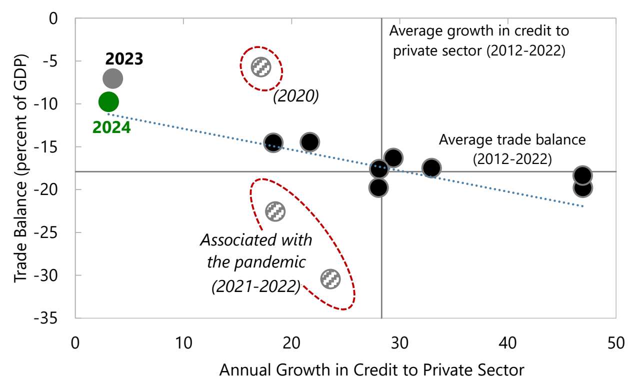
[1] Cambodia's tax capacity is estimated at 21 percent of GDP, according to the Fund's technical assistance (TA), against the estimated tax revenue of 12.5 percent of GDP in 2024.

though the estimate is subject to future revisions by the authorities. Spending was contained through a rollback of social assistance to pre-pandemic levels, tighter discretionary outlays, and lower capital investment. Public debt stood at 26 percent of GDP at end-2024, of which external debt accounts for nearly the entire share and is largely concessional.

5. **The current account balance reached a small surplus in 2024.** A continued recovery in tourism earnings, along with lower payments abroad from income earned on equity contributed to the 2024 surplus. While exports also rose 14 percent, led by a strong recovery in garment, imports grew 18 percent, driven by intermediate goods and vehicles—partly reflecting foreign direct investment (FDI) inflows into construction and manufacturing. Compared to the historical average, the trade deficit was contained, in part reflecting anemic growth in credit to private sector. Subsequently, Cambodia's external position is assessed to be substantially stronger than the level implied by medium-term fundamentals and desirable policies, due to anemic domestic demand growth with particularly weak private investment demand in non-tradable sectors (**Annex I**). Reserves remained adequate, with around 7 months of prospective import coverage.

Trade Balance and Growth in Credit to Private Sector

(Percent, otherwise indicated)

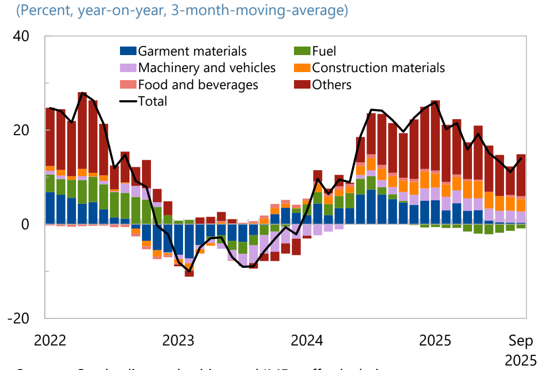


Sources: Cambodian authorities; and IMF staff calculations.

Import Demand of Garment Materials Has Weakened, Signaling Declines in Exports

Contribution to Import Growth

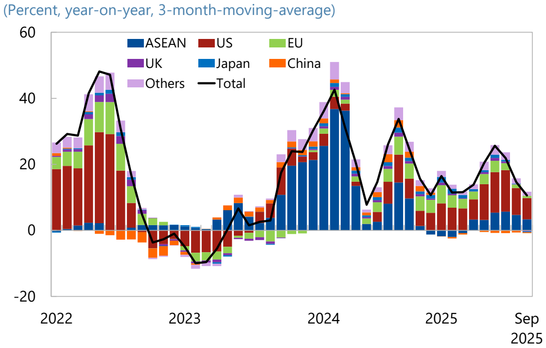
(Percent, year-on-year, 3-month-moving-average)



Sources: Cambodian authorities; and IMF staff calculations.

Contribution to Export Growth by Destination

(Percent, year-on-year, 3-month-moving-average)

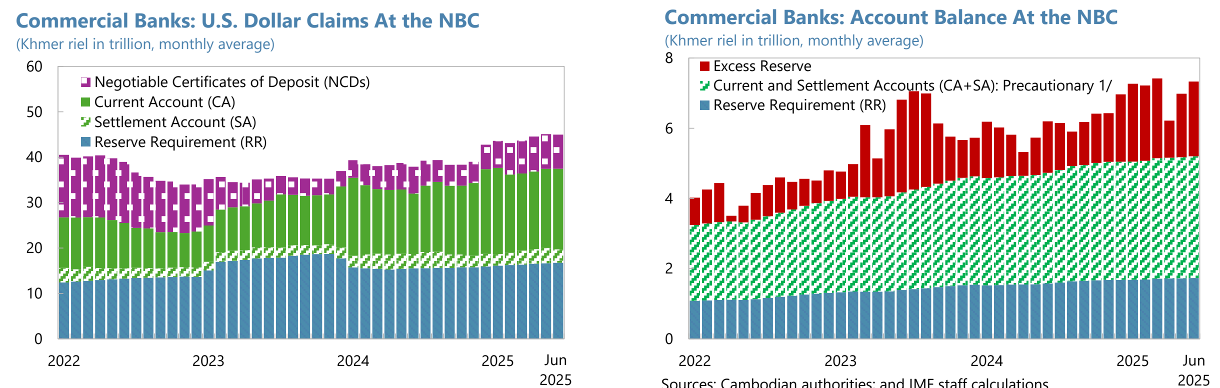


Sources: Cambodian authorities and staff calculations.

6. **Broad money growth accelerated, supported by strong deposit inflows and robust tradable sector performance.** The NBC maintained reserve requirement ratios at historical lows since end-2023, while robust export earnings and sustained FDI inflows boosted foreign currency deposits. Broad money expanded 17.5 percent (y/y) in 2024, and this trend continued into 2025. Excess KHR reserves have increased, and banks' USD claims on the NBC reached record levels.

Despite lower policy rates[2], credit growth remained subdued and showed further deceleration in 2025Q2 amid elevated credit risks, high lending rates, and ongoing corrections in the construction and real-estate sectors (**Figure 5**).

Banks' Excess Reserves in KHR and USD Claims at the NBC Continued to Increase



Sources: Cambodian authorities; and IMF staff calculations.

Sources: Cambodian authorities; and IMF staff calculations.
1/ The sum of CA and SA is 200 percent of reserve requirements.

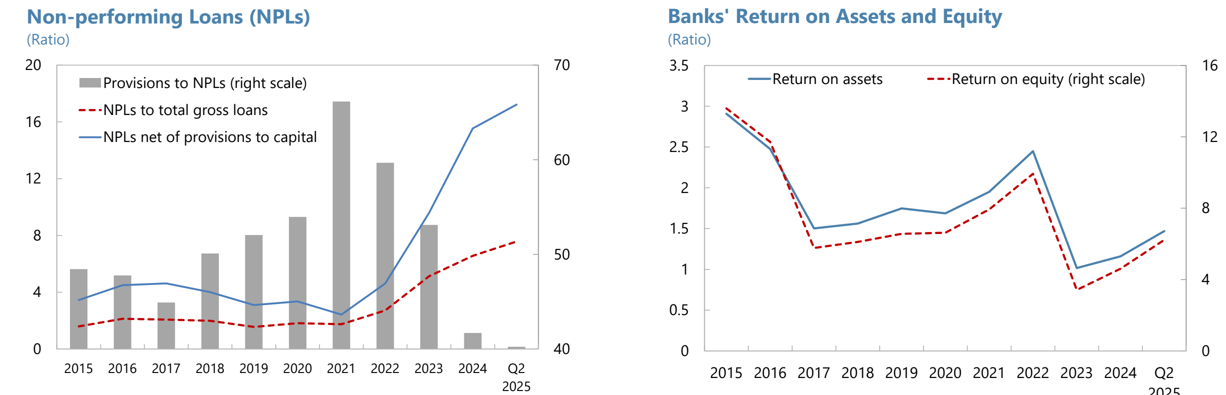
7. Financial sector vulnerabilities intensified as depository financial institutions continue to face deteriorating asset quality and declining profitability. Activities in tourism-related and non-tradable sectors remained tepid, resulting in subdued credit growth at around 3 percent. The nonperforming loan (NPL) ratio exceeded 8 percent at mid-2025, driven by lackluster activities in hospitality sectors and market corrections in construction and real estate amid continued property-price declines and a sizable supply overhang. Forbearance measures, set to expire by end-2025, supported loan restructuring which increased sharply by mid-August 2025 and reached USD 4.4 billion (about 7.3 percent of total loans). Banks raised provisions partially in response to rising NPLs, with continued efforts to deleverage, and bank profitability reached record lows. Capital adequacy and liquidity buffers remained broadly adequate, while banks continue to hold substantial real estate collateral even after foreclosures, with constraints in the court-led resolution framework. Recent sanctions from U.S. and U.K. governments reportedly reflect AML concerns.[3] Relatedly, temporary deposit outflows from Prince Bank, which is linked to a sanctioned conglomerate[4], highlight persistent macro-financial vulnerabilities.

[2] In April 2025, the NBC lowered the marginal lending facility (MLF) by 50 basis points (bps) to 5 percent and 7-day liquidity-providing collateralized operations (LPCO) by 50 bps to 3 percent, equivalent to the notional policy rate.

[3] On September 8, 2025, the U.S. government announced sanctions against alleged scam centers operating in Cambodia (link). On October 14, 2025, U.S. and U.K. authorities imposed sanctions in coordination on alleged Cambodia-based cybercrime networks, including the Prince Group and Huione Group (link). Reportedly, the U.S. government seized asset of the Prince Holding Group worth US$ 15 billion in cryptocurrency, and the U.K. government froze real-estate assets in London connected to the Prince Holding Group.

[4] The situation stabilized after the NBC issued a public statement, reassuring the safety of retail deposits.

Banks Face Deteriorating Asset Quality, and Profitability Has Declined



Sources: Cambodian authorities; and IMF staff calculations.

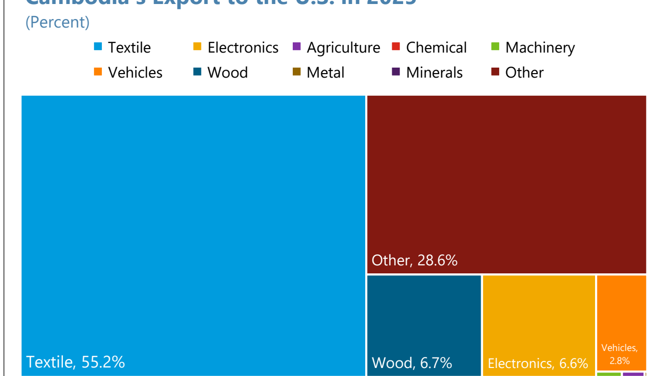
Sources: Cambodian authorities; and IMF staff calculations.

OUTLOOK AND RISKS

A. Growth Outlook Has Weakened with Significant Increase in Uncertainty

8. The near-term outlook has weakened amid a confluence of shocks. Border tensions with Thailand have disrupted trade, remittances, and tourism, with July tourist arrivals plunging and export earnings expected to contract. The repatriation of Cambodian workers has affected remittance inflows, which have long supported household consumption and debt servicing. Reportedly, many returnees are struggling to access formal employment—often constrained by age, skills mismatches, and high job entry costs—and have resorted to low-paying jobs in the informal sector with little income insecurity, constraining already subdued domestic demand growth. On trade, Cambodia's tariff rate for exports to the United States (accounting for nearly 40 percent of total in 2024) was revised from 49 percent to 19 percent between April and July, aligning with regional peers and helping preserve relative competitiveness. However, the tariff is expected to weigh on growth, profitability and investment in the tradable sector, compared to the pre-tariff years. Combined with existing Most-Favored-Nation duties, effective border costs can reach 39 percent,[5] leaving Cambodia at a disadvantage relative to duty-free competitors. Import bans on fuel,

Cambodia's Export to the U.S. in 2025



Sources: Cambodian authorities; and IMF staff calculations.

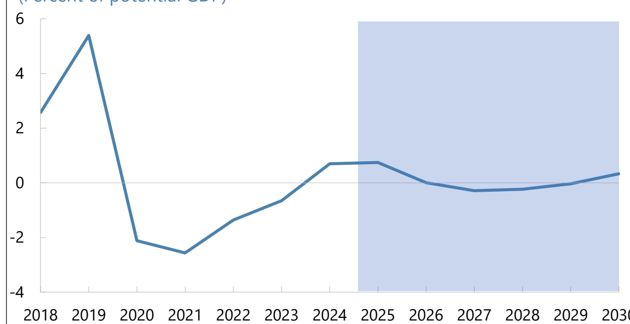
[5] Border costs refer to the cumulative expenses incurred when goods cross international borders, including tariffs, transport, insurance, and administrative fees. These costs reflect the combination of: (i) Most-Favored-Nation (MFN) duties and revised U.S. tariffs applied to Cambodian exports; (ii) CIF/FOB margins—the difference between the Cost, Insurance, and Freight (CIF) and Free-On-Board (FOB) valuations—as reported in the OECD's International Transport and Insurance Costs of Merchandise Trade dataset; and (iii) other charges such as customs processing fees,

(continued)

vegetables, and fruits from Thailand, albeit limited in share of total imports, could add to inflationary pressures and weigh on economic activity.[6] These shocks are expected to strain the balance of payments and amplify downside risks to growth.

- **Real GDP growth** is projected to decelerate to 4.8 percent in 2025 and further to around 4.0 percent in 2026. The downward revision from the 2024 Article IV staff report reflects remittance losses that would dampen domestic demand growth, and a tourism slowdown stemming from the border conflict with Thailand. The influx of repatriated workers is also expected to weigh on domestic demand by widening labor market slack, as many remain underemployed or absorbed into low-productivity informal jobs. Average export growth in 2025 is expected to remain strong, supported by front-loaded shipments and robust garment orders, but moderate in 2026 as tariff effects and weaker external demand take hold. Exporters relying on U.S. markets (e.g., garments and footwear) will continue to face margin pressures, while agriculture and other non-garment exports are affected by trade disruptions with Thailand. Policy uncertainty and a reconfiguration of global supply chains will likely delay investment decisions, dampening the growth outlook. Growth is expected to gradually strengthen to 5.5 percent by 2030, primarily supported by improving export performance and steady labor market absorption of repatriated workers, facilitating a recovery in household consumption.

Estimated Output Gap
(Percent of potential GDP)



Sources: IMF staff calculations.

- **Inflation** is projected to rise to around 2.5 percent on average in 2025, driven by base effects, food price volatility, and modest supply-side pressures stemming from the border conflict. The projection envisages higher food and transport costs due to disrupted cross-border flows. Inflation is expected to moderate to 2.3 percent in 2026, amid increasing slack in the economy and contained volatility in food and oil prices, before gradually rising to 3.0 percent by 2030 as economic activity recovers with renormalization of supply conditions.

- **The fiscal deficit** is projected to widen to 3.7 percent of GDP in 2025 and 3.8 percent in 2026, driven by reduced auditing, extensive tax exemptions[7]—many of which are likely to be extended beyond 2025—and increased social assistance for households affected by the border conflict,[8]

compliance-related administrative costs, and logistical expenses including delays at ports and high inland transport costs.

[6] Exports to and imports from Thailand account for, respectively, 3 percent and 12 percent of total in 2024.

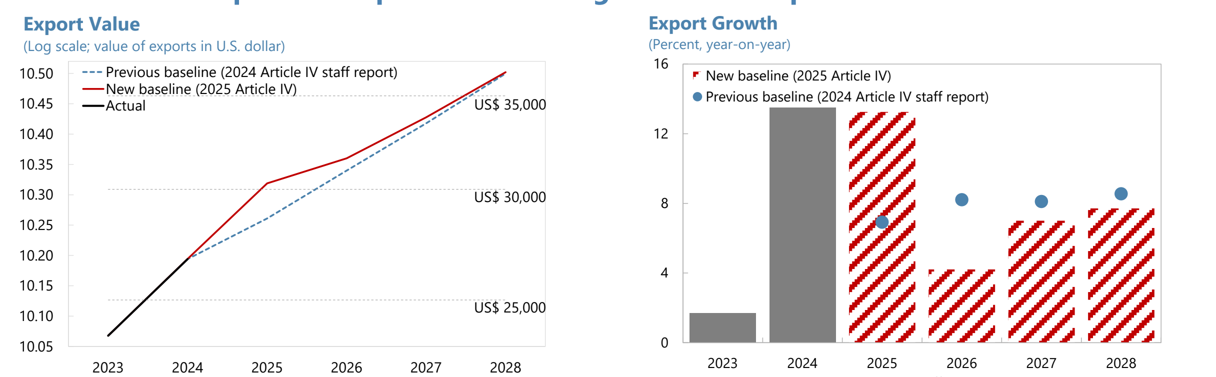
[7] Including for transfer tax on certain real estate, pre-payment of income tax for the textile and garment industry, and tax incentives for the agricultural sector.

[8] Increases in social assistance for households affected by the border conflict have not been fully costed due to the fluid situation.

while infrastructure investment remains strong. Tax revenue as a share of GDP is expected to improve modestly by 2030, resulting from the authorities' efforts to improve tax compliance. The authorities aim to further prioritize spending to minimize borrowing due to limited fiscal buffers, but budget credibility remains weak. Public debt is projected to increase moderately from 26.8 percent of GDP in 2025 to 27.6 percent in 2030. The overall risk of debt distress remains low (**DSA**).

- **The current account deficit** is projected to widen to 3.0 percent of GDP in 2025 and further to 4.5 percent in 2026, driven by declines in tourism earnings and remittance inflows. Over the medium term, the deficit is expected to narrow with a tourism recovery supported by the new Phnom Penh airport in Kandal Province accommodating new direct-flight routes.

Impacts of Export Frontloading and Intertemporal Substitution



Sources: Cambodian authorities; and IMF staff calculations.

Sources: Cambodian authorities; and IMF staff calculations.

9. Risks to the outlook remain tilted to the downside, with financial sector vulnerabilities at the center (**Annex II**). Uncertainty surrounding transshipment-related tariffs—particularly rules of origin and local content thresholds—could further disrupt export flows. Deepening geoeconomic fragmentation and persistent protectionist policies could disrupt Cambodia's position in regional value chains. Although tensions at the Thai-Cambodian border have eased, the risk of renewed escalation could undermine confidence, amplifying adverse effects on domestic demand, tourism, and financial sector stability. Elevated private debt and rising NPLs could trigger corporate defaults and job losses, particularly in export-oriented sectors. The sanctions on scam centers in Cambodia are likely to raise AML/CFT compliance costs for banks conducting cross-border transactions. Limited fiscal buffers strained by declining development aid and constrained market access reduce the scope for countercyclical fiscal support. Climate change raises risks of floods and droughts, threatening agriculture, infrastructure, and energy supply, and increasing fiscal pressures through more frequent disaster response. On the upside, successful reintegration of returned workers into the domestic labor market could support consumption; government efforts to expand direct flight networks could boost tourism; and deeper regional trade and investment integration could promote export growth.

Authorities' Views

10. The authorities broadly agreed with staff's assessment of the outlook and risks, while expressing greater optimism for the growth outlook. The authorities projected growth to average 5.2 percent in 2025 and 5.0 percent in 2026. They expect strong export growth in 2025, supported by early-year front-loading and a solid garment order pipeline, with trade momentum continuing into 2026. This outlook reflects confidence that tariff outcomes will preserve competitiveness relative to key peers. The garment sector's capacity to absorb returning workers from Thailand is seen as mitigating labor shortages and supporting consumption. The authorities also noted growing contributions from agriculture and light manufacturing to export diversification. In services, they acknowledged subdued tourism in the near term but were optimistic about a recovery in 2026, underpinned by improved infrastructure and expanded air connectivity. While recognizing trade and border-related risks, they viewed recent U.S. tariffs as manageable, with final rates aligned with regional comparators and unlikely to trigger major relocations. The authorities agreed with staff's views on the inflation outlook.

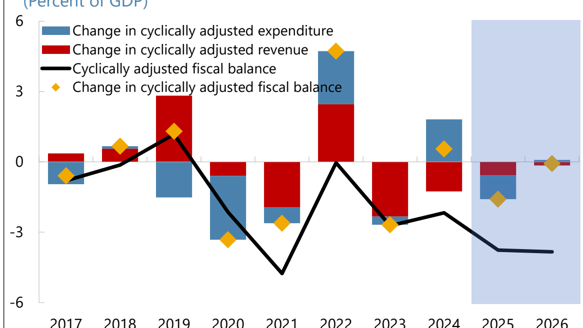
KEY POLICY ISSUES

A. Policy Coordination: Harnessing Available Policy Levers with Agility

11. In the near term, policies should aim to cushion the impact of trade and border-related shocks and lay foundations for medium-term reforms to strengthen resilience. A slight loosening of the fiscal stance in 2025, followed by a broadly neutral position in 2026, is appropriate, with a focus on temporary and well-targeted assistance for vulnerable households, displaced workers, and small and medium-sized enterprises (SMEs). Emergency cash transfers can support food security, job search, and access to shelter and income-generating opportunities among conflict-affected populations.[9] In order to support structural transformation, active labor market policies should be scaled up—including by promoting reskilling, job matching, vocational training, and entrepreneurship support—to address geographic and skill mismatches, while helping absorb the excess labor supply resulting from the influx of repatriated workers.[10] The NBC should

Cyclically Adjusted Fiscal Balance

(Percent of GDP)



Sources: Cambodian authorities; and IMF staff calculations.

[9] Nearly one-third of migrant households are classified as poor—almost double the national average—and the abrupt loss of income and remittances has sharply increased poverty risks. If unemployment among returnees persists, poverty rates in affected households could rise to 50 percent, underscoring the urgency of targeted support measures (Cambodia Development Resource Institute, 2025).

[10] As of July 2025, over 137,000 individuals were enrolled in technical and vocational education and training programs, with more than 25,000 reportedly employed following graduation, primarily in services, IT, construction,

(continued)

continue to monitor financial sector developments closely, ensure adequate liquidity provision, and be well prepared for adverse scenarios with a sound communication strategy, while advancing efforts to strengthen monetary policy transmission.

12. In the event of a severe downside scenario, a bold and well-coordinated policy response would be needed. If external demand falls further—for example due to tighter rules of origin and local content thresholds—resulting in a sharper-than-projected slowdown in activity, fiscal and monetary policies should turn more accommodative with temporary and well-targeted support. It is important to implement an accelerated resolution of NPLs to restore credit intermediation and prevent further deterioration in bank balance sheets. Expenditure prioritization, particularly for productive infrastructure projects, should be paired with efforts to protect spending on health, education, and social safety nets. Given limited fiscal buffers and nascent capital market development, a contingency financing plan should be prepared in advance, including options for external budget support to cushion downside risks to growth and safeguard financial stability. The NBC should lower the key rates for marginal lending facility and the 7-day liquidity-provisioning collateral operations, remain agile in adjusting reserve requirement ratios, if needed, to support liquidity provision in USD, and operationalize the emergency liquidity assistance (ELA). Absent a deposit insurance scheme and a strong crisis-resolution framework, the authorities should maintain credibility through transparent communication and stand ready to implement their bank resolution framework—including market-based recapitalization, mergers, and liquidation—to safeguard financial stability. Greater exchange rate flexibility should be allowed to buffer external shocks and preserve reserves, with the NBC prepared to intervene in the event of disorderly market conditions.

B. Fiscal Policy: Restoring Policy Space to Address Challenges Ahead

13. Fiscal policy should provide temporary and targeted support to vulnerable households and displaced workers, but policy space should be restored in the medium term. In the short term, this would entail an expansion of the deficit to accommodate targeted assistance for conflict-affected populations in lieu of building the Fiscal Reserve Fund. Over the medium term, fiscal discipline should be preserved through a gradual, growth-friendly consolidation that complies with the 3.5 percent deficit ceiling, and maintains a low overall risk of debt distress for fiscal sustainability

Strengthening the Fiscal Framework [1/]

Type:	Parameter:	Purpose:
Debt anchor (medium term)	40 percent of GDP	Ensure debt sustainability under adverse shocks.
Deficit ceiling	3.5 percent of GDP	Maintain consistency with the debt anchor.
Fiscal buffer rule	2-4 percent of the previous year's revenue	Contribute to the Financial Reserve Fund to build a fiscal buffer.

1/ The recommendations follow the IMF Fiscal Affairs Department technical assistance mission in July 2024. The proposed new rules are more conservative and easily measurable than the current ones.

and equipment-related sectors. In response to the return of Cambodian workers from Thailand, the Ministry of Labour and Vocational Training launched job forums in all 25 provincial capitals. These efforts have facilitated employment for over 220,000 returnees through September 10, 2025, though many continue to face barriers such as age discrimination, skill mismatches, and high entry costs.

under the new fiscal rule proposed by IMF TA (**text Table 1**). Given decreased access to concessional financing and limited domestic financing sources, staff assumes fiscal deficits to be financed by drawdowns in government deposits.

14. Revenue mobilization should remain a key policy priority and require a multi-pronged approach. Achieving the authorities' revenue target of 14 percent of GDP by 2028 will require:

- Fully implementing the Revenue Mobilization Strategy (RMS-III), which emphasizes tax administration reforms with efforts to strengthen compliance through digitalization, alongside planned excise reforms;
- Accelerating customs modernization by promoting the use of digital documents and signatures to fully integrate procedures into the National Single Window System, and by further investing in advanced technologies and artificial intelligence to speed up customs release times and strengthen risk-based inspections and post-clearance audits—thereby enhancing compliance and enforcement;
- Strengthening the asset declaration regime, adopting whistleblower protection laws, improving internal audit and secure reporting mechanisms, and enhancing procurement transparency in all government agencies to address governance vulnerabilities;
- Further promoting the use of the Non-tax Revenue Management Information System (NRMIS) and E-Payment systems for non-tax revenue collection, while strengthening the monitoring of royalty and lease collections;
- Implementing personal income taxation (PIT) reform, broadening the VAT base, and transitioning from tax holidays to cost-based investment incentives; and
- Reducing tax expenditures based on careful analysis of foregone revenues against the stated objectives of tax exemptions for economic benefits. Extensive tax incentives risk increasing tax administration complexity and tax distortions, while potentially exacerbating governance weaknesses and engendering tax disputes. In this context, staff welcomes the creation of a Tax Expenditure Working Group to develop a monitoring framework. The authorities should consider reporting tax expenditure statements that delineate the estimated value of benefits to taxpayers.

15. Improving expenditure efficiency is essential to achieving inclusive and sustainable growth objectives. Persistent gaps in social protection, education, health outcomes—particularly between urban and rural areas—underscore the need for more effective public spending. Staff welcomes the authorities' efforts to introduce performance-informed budgeting—supported by ongoing TA from the IMF Fiscal Affairs Department (FAD)—as a means to better align expenditures with national development priorities. In this context, staff encourages operationalization of the spending review framework developed with FAD. The ongoing public administration reforms led by the Ministry of Civil Service could support efficiency gains, especially given the high share of the wage bill in the operational budget. Strengthening infrastructure governance, including through regular monitoring of contingent liabilities from public-private partnerships (PPP), would help maximize investment returns and minimize potential fiscal risks. The newly established digital platform for monitoring PPP projects offers an opportunity to promote good governance and enhance transparency. However, further measures, such as an annual cap on new contingent liabilities and PPP contracts, should be considered. The authorities' efforts to explicitly account for maintenance costs in the budget are welcome as they help extend the lifespan of infrastructure services and make public spending more conducive to growth.

16. Strengthening cash and debt management is a pressing priority. A Treasury Single Account would improve fiscal oversight and cash management for budget financing. Significant funds are subject to earmarking, though they are fungible. Consolidating accounts can enhance budget execution by improving cash-management efficiency, reducing unnecessary borrowing, and providing greater clarity on available resources. Moreover, developing a domestic government bond market is increasingly important as concessional financing declines with the impending graduation from Least Developed Country status by end-2029.

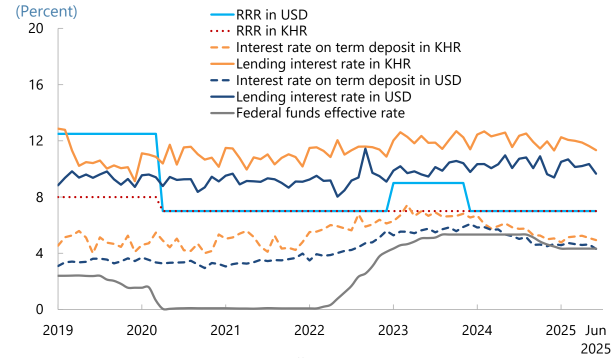
Authorities' Views

17. The authorities underscored their commitment to fiscal discipline and flexibility in the face of heightened external risks. Their fiscal strategy centers on strengthening tax administration, digitalization, and reviewing tax expenditures, with the objective of raising tax revenue to 14 percent of GDP by 2028; however, tax incentives for struggling sectors are likely to remain in place. The authorities plan to scale up existing social assistance programs and provide support to those affected by the border conflict, though the latter remains uncosted. They intend to accommodate these priorities primarily through reallocation from non-priority spending, rather than increasing debt or drawing on savings to finance current expenditures. Efforts to enhance budget credibility and efficiency include advancing public administration reform, performance-informed budgeting, and improved coordination across ministries. The authorities reaffirm their intention to maintain the fiscal deficit within the new 3.5 percent ceiling, balancing short-term support for vulnerable groups with medium-term sustainability and readiness to respond to future shocks, supported by ongoing technical assistance.

C. Monetary Policy: Remaining Agile and Focused

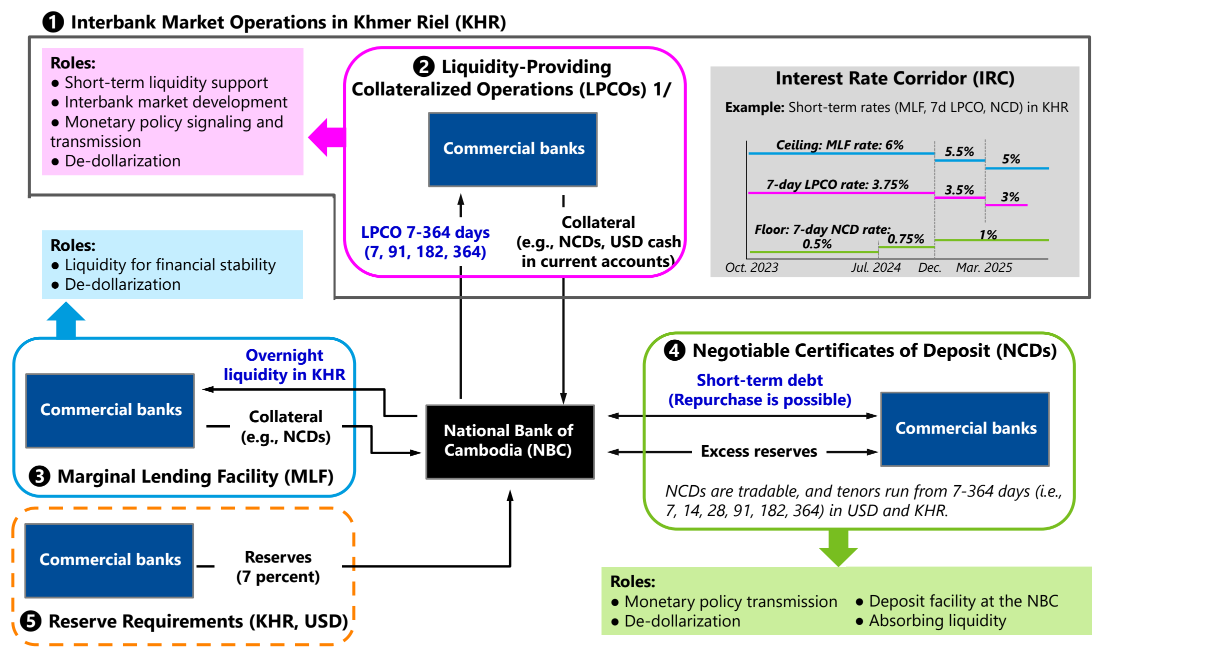
18. Monetary policy should remain agile and resume normalization at a pace calibrated to evolving economic conditions. In 2023Q4, the NBC lowered the USD reserve requirement rate (RRR) on deposits and non-resident borrowing back to the pandemic-support level of 7 percent to support credit activity. Given the highly dollarized economy and the elevated vulnerability of inflation to external shocks (**Box 1**), policy normalization should proceed gradually through a return of the USD reserve requirements to pre-pandemic levels, while keeping in mind of limited evidence of policy effectiveness[11]. Additionally, over the medium term, the NBC should continue efforts to modernize the monetary policy framework (e.g., reserve requirement averaging, length of maintenance period, liquidity forecasting) building on the past IMF TA recommendations (**Annex III**).

Reserve Requirement Ratio and Interest Rates



Sources: Cambodian authorities; and IMF staff calculations.

Enhancing Money Market Operations in Khmer Riel (KHM)



1/ The 364-day-tenor LPCO was phased out in December 2024.

19. Strengthening monetary transmission in KHR and enhancing financial sector resilience are integral to advancing the de-dollarization strategy. Further narrowing of the interest rate corridor and the introduction of the overnight deposit facility at the NBC are needed to promote an active KHR interbank market and improve the operational efficiency of monetary policy. Additional improvements are required in the liquidity forecasting framework and to further strengthen market determination of exchange rates.[12] The de-dollarization strategy should also include a gradual transition by firms to paying salaries in KHR and cautious expansion of KHR-denominated lending—currently targeted at 10 percent to avoid currency mismatches on corporate balance sheets. These efforts will complement growing usage of the Bakong payment system, offering low-cost, real-time

[11] See Annex V Monetary Policy Transmission in Cambodia's Banking Sector (2024 Article IV Staff Report).

[12] Cambodia's exchange system remains free of multiple currency practices and restrictions on current international payments and transfers.

settlement,[13] with total payment value reaching 330 percent of GDP. Given the rapid growth in digital payment adoption, the authorities must ensure robust cybersecurity and strengthen regulatory and supervisory frameworks to address potential operational and systemic risks.

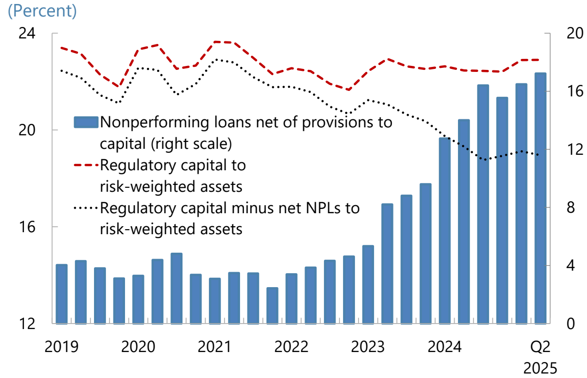
Authorities' Views

20. The authorities concurred with staff on the need for monetary policy to remain agile and responsive to evolving macroeconomic conditions. They emphasized the challenges posed by Cambodia's high degree of dollarization, particularly in balancing inflation risks from supply disruptions with disinflationary pressures from weaker growth. The NBC would consider gradually restoring reserve requirements to pre-pandemic levels, provided that monetary and economic conditions allow it, and is advancing its de-dollarization strategy. Key initiatives include strengthening monetary transmission in riel by further enhancing money market operations, including through a narrower interest rate corridor and the effective use of policy rate in the future. The authorities also highlighted efforts to expand regional payment connectivity, such as QR-based systems and bilateral currency agreements, including the extension of the Bakong payment system to support cross-border transactions with neighboring countries.

D. Financial Policies: Forging Resilience for Macro-Financial Stability

21. Financial policy should facilitate a smooth exit from forbearance while strengthening supervisory capacity. Phasing out blanket forbearance[14] by end-2025 is critical to enable timely recognition and resolution of NPLs. The recent deterioration in asset quality and successive economic shocks underscore the urgency of setting aside provisions, recognize losses and, where needed, market-based bank recapitalization—while limiting dividend payouts—to safeguard financial stability. Targeted recapitalization, alongside a gradual buildup of the capital conservation buffer,[15] will help mitigate risks of credit misallocation and prolonged debt overhang. The banking system's strong capital and liquidity

Capital Adequacy Indicators
(Percent)



Sources: IMF FSI database; and IMF staff calculations.

[13] Bakong is the National Bank of Cambodia's blockchain-based payment system enabling real-time, low-cost retail and cross-border transactions. It connects banks and payment providers, supports multi-currency settlement, and uses the KHQR standard to facilitate merchant and cross-border QR payments. Operated as a tokenized deposit system backed by commercial bank reserves, Bakong promotes regional integration, supports de-dollarization, and offers cost-efficient payments attractive to micro and small enterprises.

[14] The NBC allowed forbearance for Siem Reap's tourism sector from September 2023 until end-2024. Since September 2024, banks are allowed to restructure loans twice without any change in classification.

[15] The authorities plan to revisit capital regulations moving from solvency to adequacy in line with Basel III, and increasing in the capital conservation buffer from 1.25 percent to 2.5 percent by end-2025.

positions at the aggregate level, together with temporary and targeted fiscal support to vulnerable households and firms, should support the transition. Staff welcomes the authorities' supervisory plans to address rising NPLs. Clear and consistent communication will be essential to preserve public confidence in the financial system and maintain macro-financial stability.

Early Supervisory Intervention

		Early Warning Indicators			
		CET1	Tier 1	Total	Possible actions include:
Category 1	Well-capitalized	X ≥11%	X ≥15%	X ≥20%	Not applicable
Category 2	Adequately capitalized	8%≤ X <11%	11%≤ X <15%	15%≤ X <20%	Increase reporting requirements, Recovery plan in writing, Stress test on proposed recovery actions, interim reports on recovery actions, restrict large exposure, increase provisions
Category 3	Undercapitalized	5%≤ X <8%	7%≤ X <11%	10%≤ X <15%	Increase register capital, restrict the acceptance of deposits, restrict offering higher than market rates on liabilities, prohibit dividend payments, replace executives or board members, appoint a provisional administrator
Category 4	Critically undercapitalized	X <5%	X <7%	X <10%	Prohibit the selling of some asset, restructure including divesting subsidiares and brances, downgrade the institution's license, revoke license and liquidate institution

Sources: National Bank of Cambodia. Prakas B37.025.377
Notes: The categorization is according to the lowest category attributed to any of the three components. Furthermore, a lower category could be assigned based on EWIs for liquidity and funding, operation and reputation, credit, profitability and governance. Listed actions are not exaustive of those mentioned in the regulation.

22. Strengthening financial oversight and crisis preparedness remains a priority. Supervisory efforts should focus on improving asset quality reporting, enhancing stress-testing capabilities, and implementing early supervisory intervention, effective January 2026 (**text Table 2**), with attention to capital adequacy in quantity and quality. These measures should be complemented by implementation of emergency liquidity assistance (ELA) and reforms to foreclosure and insolvency frameworks in the near term, as well as establishment of bank resolution framework and a deposit insurance mechanism over the medium term. Given the heightened AML/CFT vulnerabilities, the NBC should promote robust governance and risk management practices across the banking sector. Supervisors should ensure that banks with elevated reputational and compliance risks are subject to enhanced scrutiny, including requirements for strengthened internal controls. Stronger supervision of banks and non-bank financial institutions with significant real estate exposure, along with broader crisis management reforms, is also essential to safeguard financial stability. Stronger coordination between the NBC's Financial Stability Committee and the National Financial Stability Committee will be important to improve data collection, information sharing, and timely risk assessments—particularly for large conglomerates in real estate and finance. The NBC should identify vulnerabilities among banks exposed to highly leveraged corporates and take early supervisory intervention in coordination. Borrower-based macroprudential tools should be developed, consolidated supervision broadened, and regulations on large exposures and related-party risks expanded to cover both loans and securities.[16]

23. Banking sector reforms should supersede the establishment of a state-sponsored asset management company (AMC) which is often considered a last-resort tool in systemic crises. While AMCs can help manage elevated NPLs, their effectiveness hinges on key preconditions:

[16] The law allows the NBC to broaden the definition of related parties beyond capital links.

realistic valuation of NPLs and losses, operational capacity (**Annex IV**), strong governance (**Annex V**), and a functioning legal regime. Risks include obscured losses, implicit bailouts that defer costs to taxpayers, and moral hazard. Staff underscores that alternatives should be prioritized, notably enhancing risk assessment, strengthening prudential oversight, and implementing reforms to collateral enforcement, along with other mechanisms, such as debt resolution, crisis management, liquidity support, and deposit insurance frameworks.

24. Continued AML/CFT efforts are warranted. The NBC and Cambodia Financial Intelligence Unit (CAFIU) should continue coordinating effective AML/CFT supervision of banks and non-bank financial institutions. Improving the regulatory frameworks for cryptocurrency and the digital payment system is urgently needed to ensure that rapid market developments do not inadvertently pose risks to financial integrity and financial stability. Efforts by all key stakeholders including the NBC and CAFIU, coordinated via the National Coordination Committee, should intensify towards establishing a solid AML/CFT legal and regulatory framework for crypto-assets to mitigate the risks to financial integrity. The progress made on pursuing the proceeds of fraud should be sustained to tackle scam centers.

Authorities' Views

25. The authorities broadly agreed with staff on the need to strengthen financial sector resilience and confirmed plans to end regulatory forbearance. The NBC acknowledged the deterioration in asset quality and issued a regulation on early supervisory intervention, effective January 2026. Forbearance on restructured loans will expire at end-2025, with the NBC noting that despite temporarily easing borrower's repayment burden, its continued use masked vulnerabilities in the banking sector and may have limited the pace of credit normalization. However, the NBC has been closely monitoring banks' loan portfolio quality through both off-site surveillance and on-site examinations. The NBC is revising their regulations on capitalization in line with Basel III and plans to set the capital conservation buffer at 2.5 percent by year-end. It also recognizes the importance of reforming reserve requirements, related-party lending rules and establishing a deposit insurance framework, and seeks technical assistance to strengthen the insolvency regime. The NBC does not envisage a state-sponsored AMC but is preparing regulations allowing private AMCs to purchase NPLs. It also stressed that it will not provide liquidity support through purchases of AMC-issued bonds.

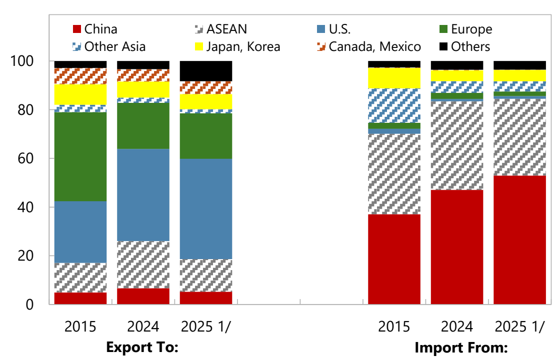
STRUCTURAL REFORMS

A. Upgrading the Growth Model Through Accelerated Transformation

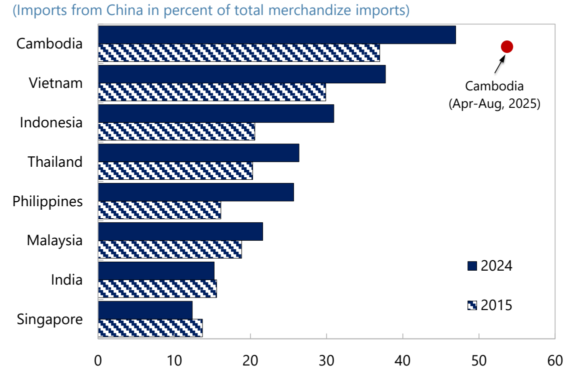
26. Building economic resilience will require shifting from reliance on a narrow export base toward a more diversified and adaptable growth model underpinned by stronger institutions. While rapid growth over the past two decades has lifted incomes and reduced poverty, recent tariff measures and border-related trade disruptions have exposed vulnerabilities from heavy dependence on apparel and footwear exports to a limited number of markets and constraints in business facilitation (e.g., licensing, customs clearance, facilitation fees). These shocks underscore the urgency of reforms to broaden the production base, enhance the capacity to pivot toward new products and destinations, and improve business facilitation. Key priorities include investing in human capital to upgrade skills, improving access to finance for SMEs, reducing credit concentration, modernizing trade policies to lower compliance risks, and strengthening governance and institutional quality (¶28-29) to anchor sustainable and inclusive growth.

Needs for Strengthening Resilience and Promoting Sustainable and Inclusive Growth

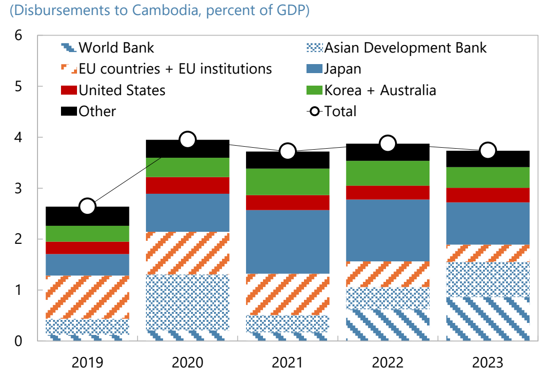
Cambodia's Trading Partners Have Evolved Over Time
(Percent, share of exports and imports by country/region)



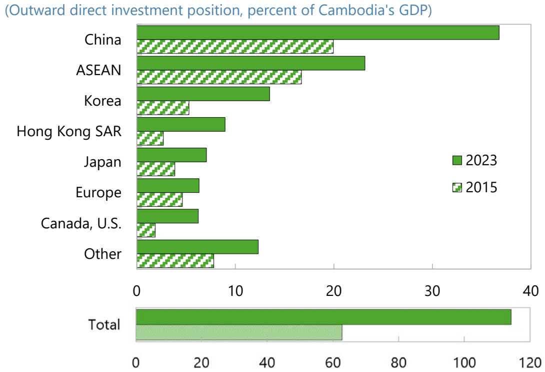
Imports From China Have Increased Most in Cambodia
(Imports from China in percent of total merchandize imports)



Bilateral Donors Have Been Contributing A Half of ODA 2/
(Disbursements to Cambodia, percent of GDP)



Asia-Pacific Drove the Surge in FDI to Cambodia
(Outward direct investment position, percent of Cambodia's GDP)



Sources: Cambodian authorities; Haver Analytics; IMF staff calculations; OECD, DAC2A: Aid (ODA) disbursements to countries and regions; and the World Bank.
1/ Based on the data from January to August, 2025.
2/ Includes total disbursements of official development assistance (ODA) to Cambodia, as reported by donors.

27. Effective implementation of national development strategies is critical to advance structural transformation and diversify trade and FDI. Full execution of RMS-III for domestic resource mobilization would help offset declining official development assistance (ODA)[17] and create fiscal space for realizing the Pentagonal Strategy and the Logistics and Transportation Strategy (**Box 2**). Reform priorities include upgrading infrastructure, reducing electricity costs, and streamlining licensing to raise productivity, complemented by improved trade facilitation and deeper integration into regional and global value chains. The authorities need to ensure that

[17] The cut by USAID amounts to around 0.3 percent of GDP.

projects financed by FDI (and PPP) can further crowd in private investment and create employment for Cambodians. Targeted climate adaptation measures—such as expanding irrigation networks, improving flood and drought management systems, and strengthening rural infrastructure—would bolster agricultural productivity and enhance resilience to extreme weather events. Progress on digital infrastructure—through transparent issuance of 5G licenses and enhanced competition in telecoms—would lower costs and boost competitiveness. Adoption of green technologies to reduce carbon intensity would further strengthen productivity and investor appeal. Together, these reforms would broaden the economic base, enable a shift toward higher value-added exports, and generate new employment opportunities, supporting more inclusive and broad-based growth.

28. Governance, regulatory, and energy sector reforms will be essential to support diversification and competitiveness. Strengthening legal transparency, curbing informal payments, and improving transparency in tax administration would enhance the business environment and support efforts to attract FDI for diversification. Modernizing trade policy—through stricter enforcement of rules of origin, streamlined customs procedures, and transparent accreditation of higher education institutions—would reinforce credibility with international partners. While recent steps to strengthen rules of origin enforcement are welcome, their impact will depend on effective implementation, backed by adequate resources and skilled personnel. Effective implementation would be critical to consolidating trust with key trading partners and should lay the groundwork for expanding market access to other strategic destinations. High electricity costs—nearly double those in Vietnam—remain a major constraint. Current electricity tariffs and charges on self-generated solar power deter private investment in green energy and weaken Cambodia's attractiveness to global brands. Removing these barriers would lower costs without direct fiscal expense, while signaling a strong commitment to sustainability and fair competition.

29. Strengthening governance and the rule of law remains critical for sustaining inclusive growth and investor confidence. While anti-corruption institutions have accomplished positive steps, enhanced efforts are needed to address significant corruption vulnerabilities (**Annex V**). Timely enactment of key anticorruption legislation is needed, including on access to information and protection of reporting persons (whistleblowers). The independence and capacity of the National Audit Authority (NAA) to conduct risk-based audits should be reinforced. Digitizing the asset declaration regime, with public access to declarations by high-risk officials, is essential to promote accountability. Stronger inter-agency cooperation among NAA, Anti-Corruption Unit, and CAFIU will help address elevated corruption risks in sectors such as land management, construction and environmental permits, customs, and public procurement. Adopting laws on the organization of commercial courts and related legal procedures would strengthen contract enforcement, property rights, and the resolution of NPLs.

30. Addressing data limitations is critical to effective surveillance and risk assessment. Persistent data gaps continue to hamper surveillance, and lags in the provision of detailed financial sector data have increased. Staff recommends continued efforts to strengthen institutional capacity to address data gaps. Enhancing data collection and quality (e.g., the external and financial sectors) is needed to help make informed policy decisions. Improving the timeliness and frequency of releasing key macroeconomic indicators, such as quarterly national accounts, will further support this goal. In this context, staff welcomes the authorities' commitment and efforts to empower the National Institute of Statistics (NIS), with the IMF TA support (**Annex VI**).

Authorities' Views

31. The authorities broadly agreed with staff on the need to accelerate diversification, strengthen competitiveness, and enhance institutional quality to build resilience. They noted that recent U.S. tariffs, while challenging, have spurred reforms to expand export products and trade partners, including efforts to deepen trade ties with the United States. Integration efforts with the EU, China, and ASEAN are also progressing, supported by targeted sectoral strategies including the Garment, Footwear and Travel Goods Development Strategy, SME promotion programs, and agro-industrial park initiatives. The implementation of the Pentagonal Strategy and the Logistics and Transportation Strategy is advancing through infrastructure upgrades, reductions in logistics and energy costs, and expanded digital connectivity. The authorities also highlighted recent energy and climate initiatives, including large-scale wind and solar projects, smart grid expansion, and regulatory reforms to promote EVs and clean energy investment. Governance reforms are underway, focusing on stricter enforcement of rules of origin, streamlined customs procedures, and improved licensing aligned with international standards. Human capital development remains a priority, with efforts centered on targeted upskilling and active labor market policies.

32. The authorities reaffirmed their commitment to strengthen the fight against corruption and to enhance inter-agency coordination. They indicated that submission of the Access to Information Law is expected in 2029, as priority is being given to other legislative initiatives, including a Law on Fake News and a reform to the Press Law. They also expressed interest in Fund technical assistance, particularly to bolster anti-money laundering efforts (with a focus on risks from virtual assets) and to reinforce the asset declaration regime through risk-based audit mechanisms. In addition, they noted that a law establishing the institutional architecture for commercial courts will be enacted before year-end, to be followed by a law setting procedural regulations for commercial disputes.

STAFF APPRAISAL

33. The near-term outlook has weakened amid a confluence of shocks. Cambodia's economy grew strongly in 2024, supported by a rebound in garment and agricultural exports and a gradual recovery in tourism. However, the recovery remains uneven—domestic demand is subdued, and financial pressures are elevated—and near-term growth is expected to decelerate. Trade tensions and the border dispute with Thailand, despite the July ceasefire, are beginning to weigh on tourism and remittance inflows. Inflation has picked up but remains contained. The fiscal deficit is expected to increase, reflecting weak revenue performance and rising spending needs. The current account deficit is projected to widen, driven by imports linked to FDI inflows, and weaker tourism and remittance inflows. Financial sector vulnerabilities are deepening, with elevated nonperforming loans (NPLs), low profitability, and high credit risks.

34. Risks to the outlook are tilted to the downside. A sharper escalation in trade or re-escalation of border tensions could further weaken exports, tourism, and growth. Domestically, financial sector vulnerabilities are a key concern. High private sector debt and rising NPLs could expose financial vulnerabilities among corporates and households, undermining the recovery. On the upside, successful reintegration of returning workers into the labor market could support consumption and help mitigate some of the adverse growth effects.

35. Fiscal policy should aim to cushion the impact of current shocks while preserving fiscal prudence. Temporary and targeted support for vulnerable households and displaced workers, alongside active labor market policies, will be essential to mitigate hardship and support demand. Over the medium term, gradual, growth-friendly consolidation is needed to rebuild buffers to ensure long-term fiscal sustainability. Strengthening revenue mobilization—through tax administration reforms, digitalization, and reduced tax expenditures—is critical. Improving expenditure efficiency and infrastructure governance will help align spending with development priorities and support inclusive growth.

36. Monetary policy should remain agile and responsive to evolving conditions. While dollarization continues to limit policy effectiveness, normalization should proceed gradually, including restoring reserve requirements to pre-pandemic levels. Efforts to strengthen monetary transmission in Khmer Riel and improve liquidity management are welcome. Continued modernization of the policy framework, coupled with transparent communication, will be important to enhance policy credibility and effectiveness.

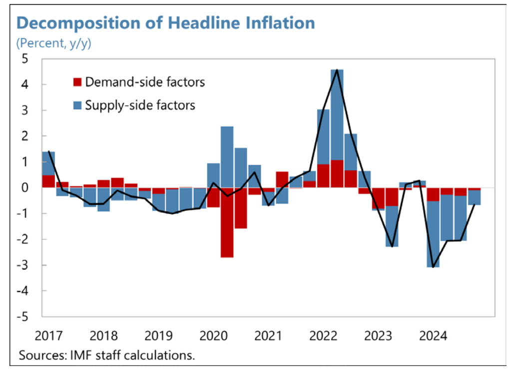
37. Financial sector policies should focus on managing rising risks and reinforcing oversight. The planned phase-out of forbearance by end-2025 is essential to enable timely recognition of distressed assets for provisioning and recapitalization. Supervisory capacity should be strengthened, including through enhanced asset quality reporting, stress testing, and early intervention tools. Reforms to insolvency and crisis management frameworks and the establishment of a deposit insurance scheme as well as continued AML/CFT efforts will help safeguard financial stability.

38. Accelerating structural reforms is critical to unlock opportunities for upgrading the growth model and strengthening economic resilience. Diversifying exports, deepening financial markets, and improving institutional quality will be key to sustaining growth. Implementation of national development strategies, expansion of digital and green infrastructure, and improved trade facilitation will support productivity and competitiveness. Governance reforms—including anticorruption measures, judicial modernization, and enhanced transparency—are essential to bolster investor confidence and ensure sustainable development. Addressing persistent data limitations is critical to improving surveillance and informing evidence-based policy decisions.

39. It is proposed that the next Article IV consultation with Cambodia be held on the standard 12-month cycle.

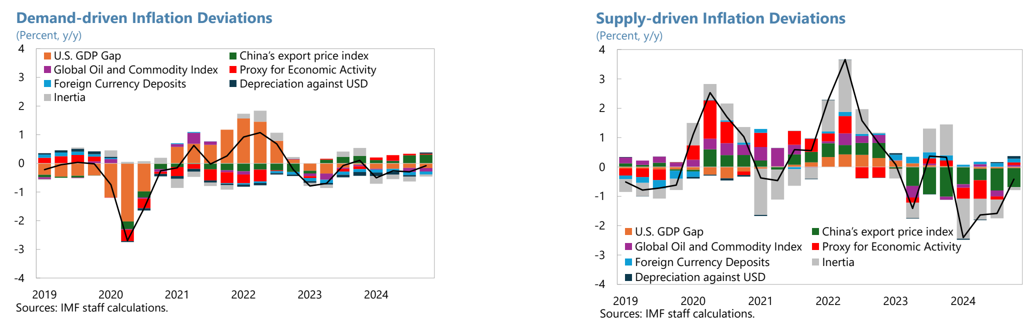
Box 1. Drivers of Inflation in Cambodia[1]

Cambodia's inflation is sensitive to external developments and often driven by supply-side factors linked to terms of trade. Trade openness has grown over the past decade, with goods exports rising by 20 percentage points (pts) to 58.1 percent of GDP in 2024, driven largely by exports to the U.S. (41 percent of total). Likewise, goods imports rose by 13 pts to 68 percent of GDP, with imports from China accounting for nearly half. As a highly open economy and a price taker in global markets, Cambodia is vulnerable to external shocks that feed into domestic inflation through multiple channels. A structural VAR shows that inflation volatility is largely supply-driven, while demand factors helped contain inflation during the pandemic.



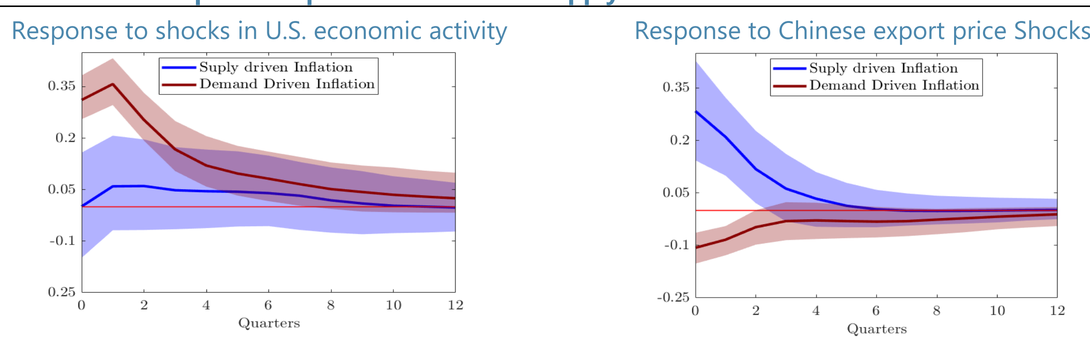
China's export prices and U.S. economic activity strongly influence Cambodia's inflation dynamics. Decomposition of supply- and demand-side factors shows that supply disruptions fueled by higher import and commodity prices pushed inflation upward in 2020–21, while weak domestic demand countervailed the supply-side impacts. In 2021–22, both channels worked in the same direction, pushing inflation to its peak, as strong U.S. demand coincided with supply shocks. Since 2023, supply-side factors—supported by disinflation in China and global commodity market developments—have contributed to contain inflation pressures.

Historical Decomposition of Demand- And Supply-Driven Inflation



U.S. economic activity has more persistent effects on Cambodia's inflation than Chinese export prices. While inflation is largely supply-driven, U.S. demand for Cambodia's exports promotes income growth for the export sector and pushes inflation from the demand side. In contrast, China's price dynamics impact Cambodia's inflation through its exports to Cambodia. Although the impact tends to be relatively short-lived, persistent disinflationary pressures in China can have lasting effects on Cambodia's inflation. Looking ahead, weak external demand and subdued inflation in China point to sustained disinflationary pressures.

Impulse Response Functions of Supply and Demand-side Inflation



[1] This box was prepared by Carlos Peláez Gómez (FIN).

Box 2. Ambition for Upgrading Infrastructure in Cambodia[1]

Cambodia has made significant strides in enhancing its public infrastructure, particularly in logistics and transportation, but weaknesses in its public investment management framework remain. The Royal Government of Cambodia (RGC) recently reported that 56.4% of the total road networks have been paved by end-2023 (link), highlighting substantial improvements over the past decade. This progress aligns with the PIMA assessment in 2019, which emphasized the importance of further developing infrastructure for the country's long-term economic growth. The RGC has been diligently following the Pentagonal Development Strategy, which embodies the nation's vision for economic diversification, competitiveness, and development. Enhancing connectivity and efficiency in transport and logistics is crucial to achieving this vision. Strengthening connectivity can significantly boost trade efficiency and support Cambodia's long-term economic growth. Fully implementing the strategy would require US$ 36.7 billion (80 percent of 2024 GDP). Despite Cambodia's significant progress in strengthening its public investment management framework since 2019, the 2022 PIMA noted continued weaknesses in coordination of public investment between levels of government, medium-term capital budgeting and transparency, the maintenance framework, procurement and project implementation, project and portfolio monitoring, and monitoring of public assets. Implementation of the 2022 PIMA action plan could help address some of these weaknesses.

Transport and Logistics Projects and Esimated Costs

	Project Type	Number of Project	Estimated cost: U.S. dollar in million	Estimated cost: Percent of 2024 GDP
1	Road Network	94	13,602	29.5
1.1	Expressways	9	7,174	15.6
1.2	National , Provincial and other connecting road	85	6,429	13.9
2	Railroad	8	10,010	21.7
3	Inland Waterway	23	3,251	7.1
4	Sea Waterway	20	5,461	11.8
5	Aviation	10	3,298	7.2
6	Logistic Hub	15	958	2.1
7	Additional project	4	99	0.2
Total		**174**	**36,679**	**79.6**

Sources: Transport and Logistic Masterplan 2023-33.

The government plans to leverage Public-Private Partnership (PPP) financing and Official Development Assistance (ODA) for large-scale infrastructure projects while mobilizing domestic resources for other initiatives. PPP has been actively utilized for financing infrastructure projects in Cambodia, and the RGC has embarked on significant projects in recent years, including Techo International Airport, Funan Techo Canal, the railroad network, and expressways. Additionally, the government has secured ODA from Japan for upgrading Sihanoukville Autonomous Port. The RGC continues to finance most of the road network construction and the associated costs of maintenance and repair. These five projects will serve as the backbone for economic development, each with specific objectives.

Five Major Projects to Imporove Transportation and Logistics

Techo International Airport:
Partnered with the Overseas Cambodian Investment Corporation (OCIC), the government embarked on a DBFOO (design, build, finance, own, and operate) model. OCIC holds 90 percent equity. The airport, starting operations in September 2025 with a capacity of 13 million passengers, will be completed in phases to handle up to 50 million passengers by 2050.

Funan Techo Canal:
Connecting Phnom Penh and Sihanoukville ports, this canal will enhance agriculture and ecotourism. The project, costing USD 1.2 billion, will be completed in 2028 under a PPP-BOT model by a Chinese-funded company.

Railroad Development:
The masterplan includes maintaining and upgrading existing lines, building a high-speed network, and new routes to northwestern, northeastern, and southeastern Cambodia. The overall investment is estimated at USD 10 billion under PPP arrangements, with additional tourism-focused rail projects costing USD 3.5 billion.

Road Network:
Upgrading and expanding the road network to link economic hubs, factories, SMEs, and special economic zones, especially between Preah Sihanouk, Bavet, and Phnom Penh. The required investment is estimated at USD 13.6 billion.

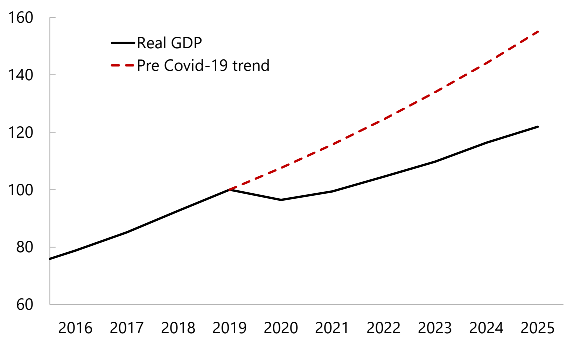
Coastal Logistics Hub:
Sihanoukville, designated as one of Cambodia's main economic hubs, will expand the capacity of the Preah Sihanouk Autonomous Port (PAS) with an estimated cost of USD 750 million.

[1] This box was prepared by Varith Proeung (APD).

Figure 1. Cambodia: Continued Recovery of the Cambodian Economy

Real GDP remains well below the level suggested by the pre-pandemic trend.

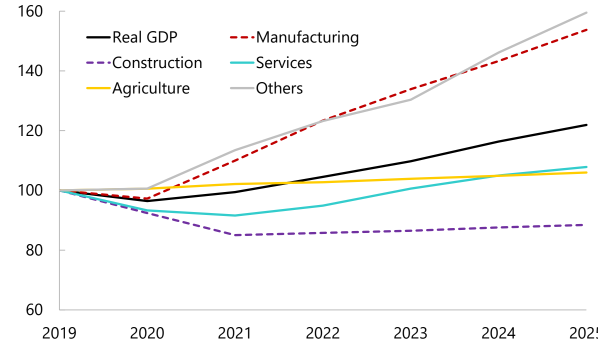
Real GDP
(Index, 2019=100)



Sources: Cambodian authorities; and IMF staff calculations.

Manufacturing has been driving the recovery.

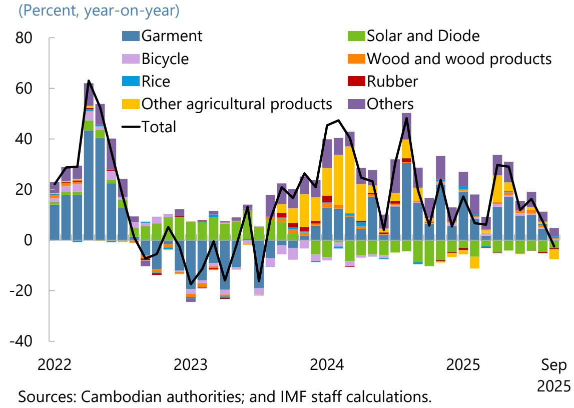
Real GDP Components
(Index, 2019=100)



Sources: Cambodian authorities; and IMF staff calculations.

Frontloading of export orders sustained momentum in the first half of 2025.

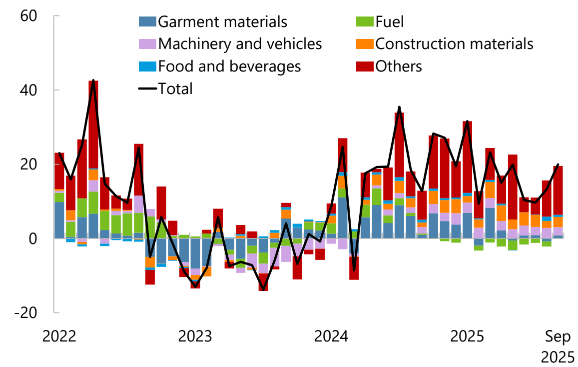
Contribution to Export Growth
(Percent, year-on-year)



Sources: Cambodian authorities; and IMF staff calculations.

Imports growth partly reflected foreign direct investment (FDI) inflows into construction and manufacturing

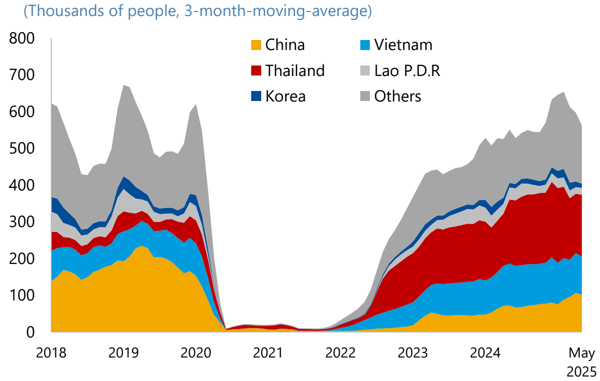
Contribution to Import Growth
(Percent, year-on-year)



Sources: Cambodian authorities; and IMF staff calculations.

Border tensions with Thailand have disrupted tourism …

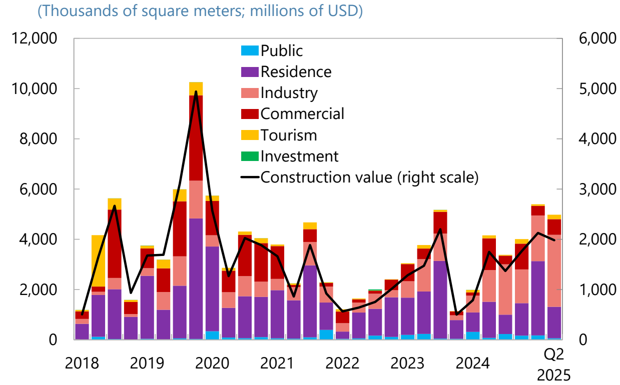
International Tourist Arrival
(Thousands of people, 3-month-moving-average)



Sources: Cambodian authorities; and IMF staff calculations.

… and approvals in construction projects have increased recently, followed by a pickup in related FDI inflows and imports.

Approved Construction Projects by Area
(Thousands of square meters; millions of USD)



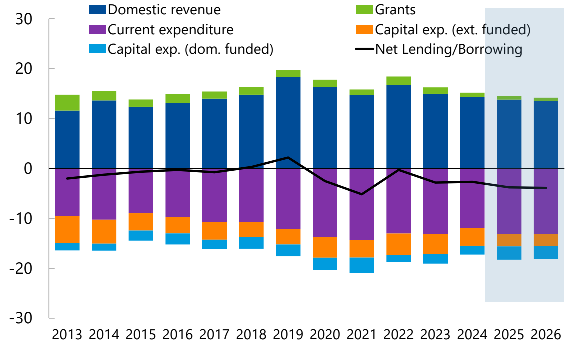
Sources: Cambodian authorities; and IMF staff calculations.

Figure 2. Cambodia: The Public Finances

Fiscal deficit is projected to widen in the near term.

Fiscal Balance

(Percent of GDP)

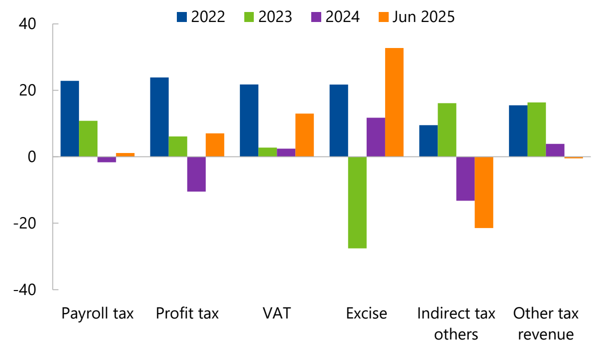


Sources: Cambodian authorities; and IMF staff calculations.

Revenue growth in major tax categories has not kept apace the GDP growth recovery …

Tax Revenue Growth

(Percent, year-on-year)

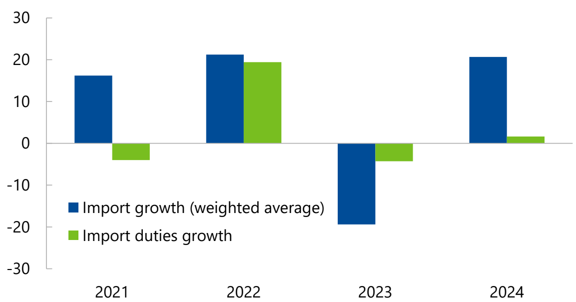


Sources: Cambodian authorities; and IMF staff calculations.

…and import duties have also lagged import growth.

Import Duties vis-a-vis Imports

(Percent)

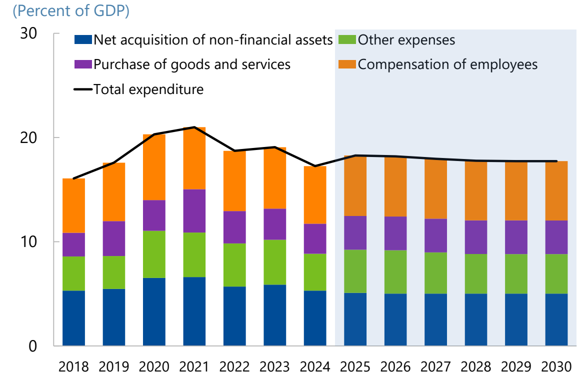


Sources: Cambodian authorities; and IMF staff calculations.
Note: Import growth is the weighted average import of vehicles, fuel, food and construction materials using 2019 import duties revenue weights of vehicles, fuel, food and construction materials as proxy weights.

Expenditure is projected to remain stable over the medium term.

Government Spending

(Percent of GDP)

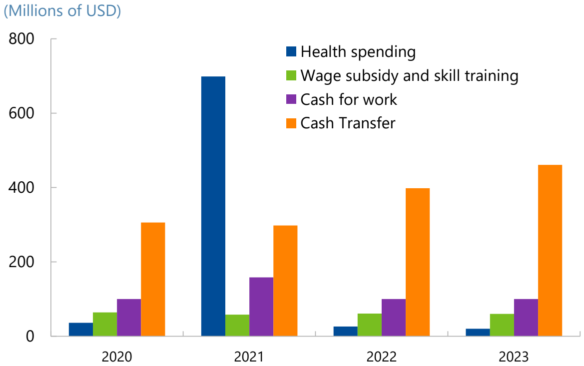


Sources: Cambodian authorities; and IMF staff calculations.

Covid-related spending needs have fallen, but regular cash transfer programs have been strengthened.

Covid-19 Public Health and Social Intervention

(Millions of USD)

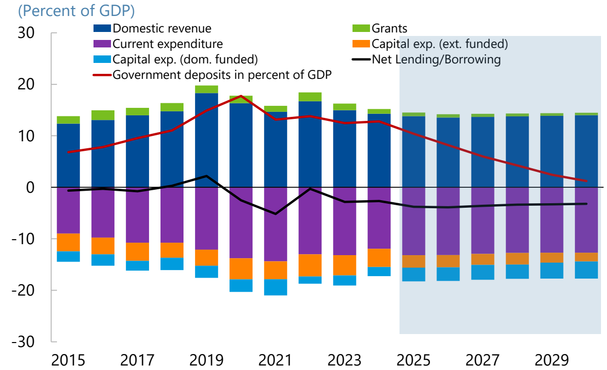


Sources: Cambodian authorities; and IMF staff calculations.

Fiscal consolidation is expected over the medium term but may be delayed due to recent trade shocks.

Medium-Term Fiscal Outlook

(Percent of GDP)



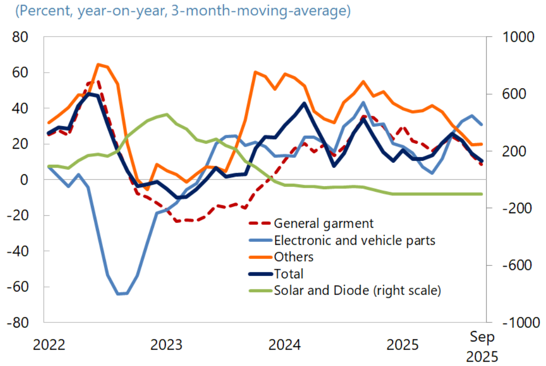
Sources: Cambodian authorities; and IMF staff calculations.

Figure 3. Cambodia: External Balances

Export growth in 2025H1 was robust, partly reflecting frontloading of export orders …

Export growth

(Percent, year-on-year, 3-month-moving-average)

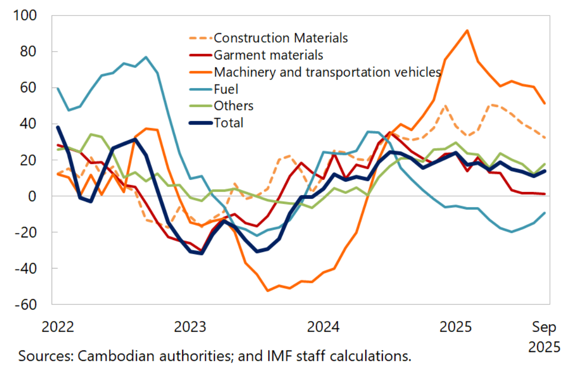


Sources: Cambodian authorities; and IMF staff calculations.

… intermediate merchandise imports expanded rapidly as a result, with a pickup in construction activity.

Import Growth

(Percent, year-on-year, 3-month-moving-average)

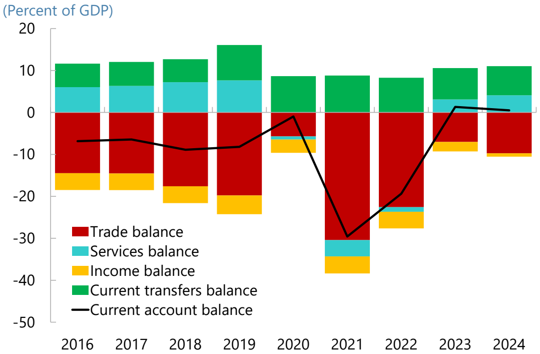


Sources: Cambodian authorities; and IMF staff calculations.

The current account balance reached a small surplus in 2024, supported by exports, tourism and remittances…

Current Account Balance

(Percent of GDP)

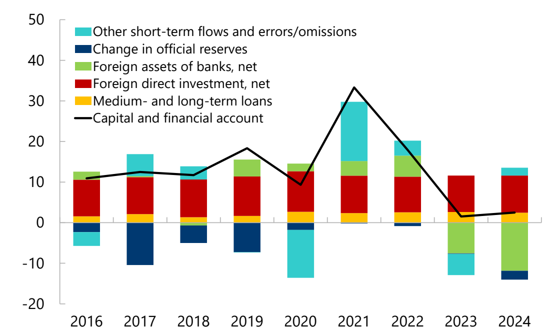


Sources: Cambodian authorities; and IMF staff calculations.

… while the financial account recorded sizable inflows, mainly driven by robust FDI.

Current Account Financing

(Percent of GDP)

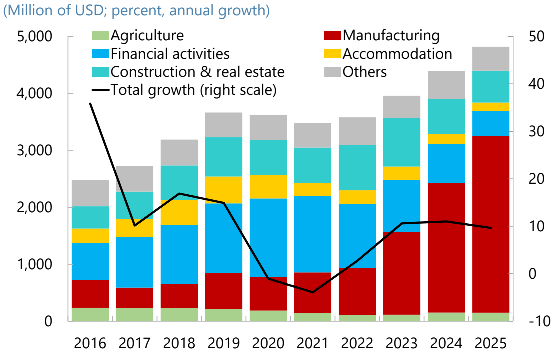


Sources: Cambodian authorities; and IMF staff calculations.

FDI inflows have been concentrated in manufacturing, particularly garment, footwear, wood products, and food processing.

FDI Inflow by Sector

(Million of USD; percent, annual growth)

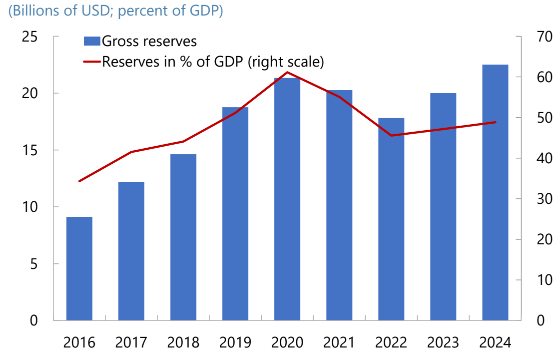


Sources: Cambodian authorities; and IMF staff calculations.

International reserves continued to increase in 2024, and their coverage remains broadly adequate.

International Reserves

(Billions of USD; percent of GDP)

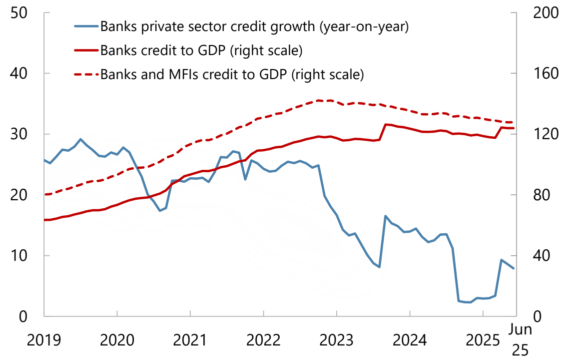


Sources: Cambodian authorities; and IMF staff calculations.

Figure 4. Cambodia: Monetary and Financial Development

The buildup of private sector debt has been rapid though it has started slowing in recent months…

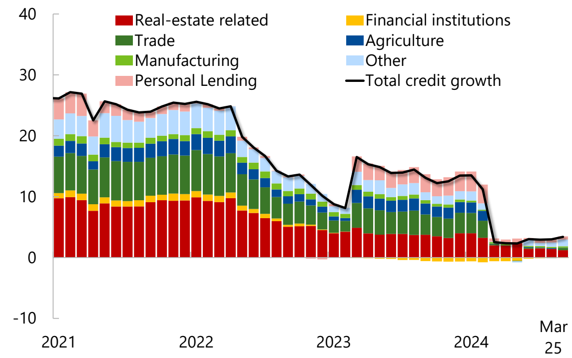
Bank Credit
(Percent)



Sources: Cambodian authorities; and IMF staff calculations.

…with the broad-based moderation in credit growth among banks.

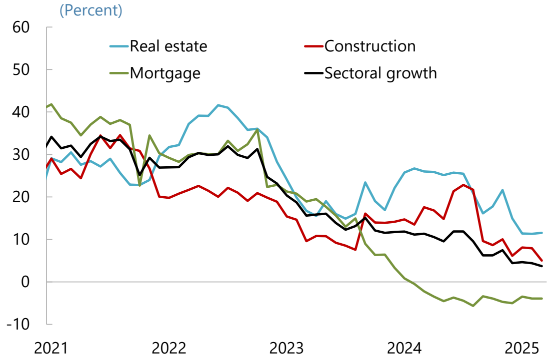
Contribution to Bank Credit Growth
(Percent)



Sources: Cambodian authorities; andIMF staff calculations

Real estate has remained a significant contributor to credit growth, but mortgage lending has declined.

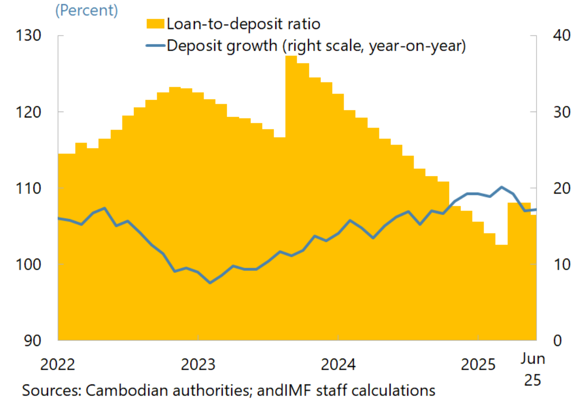
Real Estate Related Credit Growth
(Percent)



Sources: Cambodian authorities; andIMF staff calculations

As banks' loan growth continues to moderate, the loan-to-deposit ratio started coming down sharply …

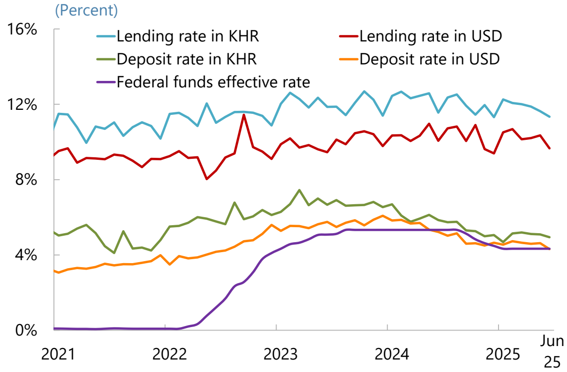
LTD and Deposit Growth
(Percent)



Sources: Cambodian authorities; andIMF staff calculations

…and lending rates have remained high despite some policy easing by the U.S. Federal Reserve Board…

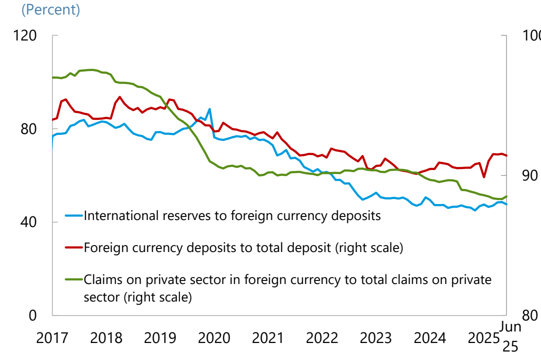
Interest Rate
(Percent)



Sources: Cambodian authorities; and IMF staff calculations

… and dollarization remains persistently high.

Dollarization
(Percent)



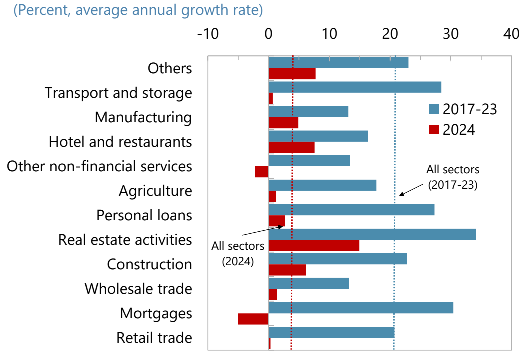
Sources: Cambodian authorities; and IMF staff calculations.

Figure 5. Cambodia: Banking Sector Exposure to Real Estate Related Activities

Growth in bank credit declined across all sectors, but that in real-estate sectors remained relatively high …

Bank Credit Growth

(Percent, average annual growth rate)

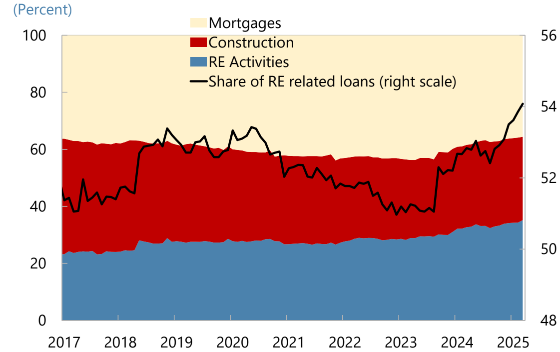


Sources: Haver Analytics; and IMF staff calculations.

… and the banking sector faces increasing exposure to property price declines.

Banks' Overall Real Estate Related Exposure, 2017-March 2025

(Percent)

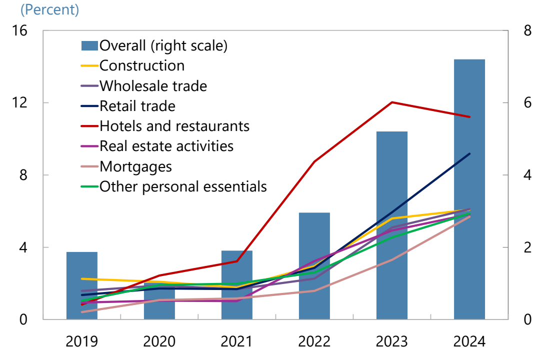


Sources: Haver Analytics; and IMF staff calculations.

NPL ratios in real estate related sectors increased, but remain below hotels and restaurants and retail trade…

Gross Non-Performing Loan Ratio by Sector

(Percent)

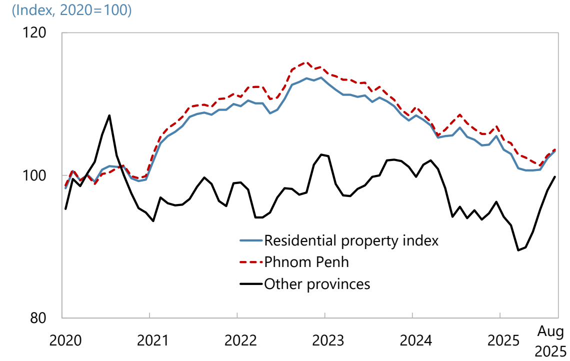


Sources: Cambodian authorities; Haver, Analytics; and IMF staff calculations.

… while residential property prices show signs of pickups after a downward trend.

Residential Property Price Index

(Index, 2020=100)

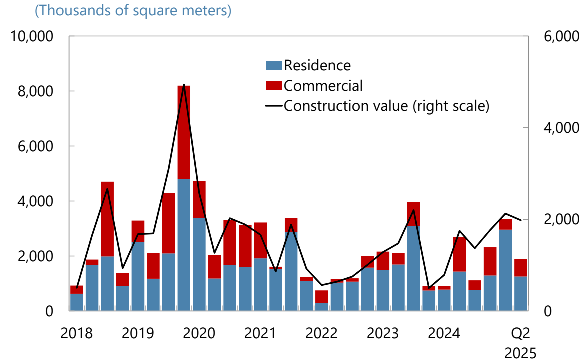


Sources: Haver Analytics; and IMF staff calculations.

Residential construction activity may see a pickup despite housing demand remaining subdued …

Approved Construction Projects by Area

(Thousands of square meters)

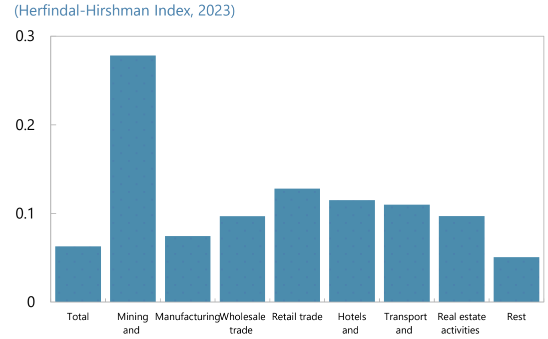


Sources: Cambodian authorities; and IMF staff calculations.

… and loans are concentrated in a few broad sectors.

Sectoral Credit Concentration across Banks

(Herfindal-Hirshman Index, 2023)



Sources: Cambodian authorities; and staff calculations

Table 1. Cambodia: Selected Economic Indicators, 2022 – 26 1/

Per capita GDP (2023, US$): 2,477 — Life expectancy (2022, years): 70.0

Population (2023, million): 17.1 — Literacy rate (2022, percent): 83.8

	2022	2023	2024 Est.	2025	2026 Proj.
Output and prices (annual percent change)					
GDP in constant prices	5.1	5.0	6.0	4.8	4.0
Inflation (end-year)	2.9	2.7	3.0	1.0	2.2
(Annual average)	5.3	2.1	0.9	2.5	2.3
Saving and investment balance (in percent of GDP)					
Gross national saving	15.9	34.6	32.7	30.5	28.0
Government saving	3.7	1.8	2.3	0.7	0.5
Private saving	12.2	32.8	30.3	29.8	27.5
Gross fixed investment	35.3	33.3	32.2	33.5	32.6
Government investment	5.7	5.9	5.3	5.1	5.0
Private investment	29.6	27.4	26.9	28.4	27.6
Money and credit (annual percent change, unless otherwise indicated)					
Broad money	8.2	12.5	17.5	8.7	5.1
Private sector credit	18.5	3.5	3.1	3.2	3.5
Velocity of money 2/	0.9	0.9	0.8	0.9	0.9
Public finance (in percent of GDP)					
Revenue	18.4	16.2	15.2	14.6	14.4
Domestic revenue	16.7	15.0	14.3	13.9	13.7
Of which : Tax revenue	15.0	13.3	12.5	12.2	11.9
Grants	1.7	1.3	0.9	0.7	0.7
Expenditure	18.7	19.1	17.3	18.3	18.2
Expense	13.0	13.2	11.9	13.2	13.2
Net acquisition of nonfinancial assets	5.7	5.9	5.3	5.1	5.0
Net lending (+)/borrowing(-)	-0.3	-2.8	-2.1	-3.7	-3.8
Net lending (+)/borrowing(-) excluding grants	-2.0	-4.1	-3.0	-4.4	-4.5
Net acquisition of financial assets	1.5	-0.3	2.4	-1.8	-1.9
Net incurrence of liabilities 3/	1.8	2.5	4.4	1.8	1.9
Total public debt (In percent of GDP)	25.5	26.3	26.1	26.5	27.2
Balance of payments (in millions of dollars, unless otherwise indicated)					
Exports, f.o.b.	23,175	23,569	26,752	30,297	31,571
(Annual percent change)	18.7	1.7	13.5	13.3	4.2
Imports, f.o.b.	-31,995	-26,553	-31,247	-35,556	-37,092
(Annual percent change)	4.1	-17.0	17.7	13.8	4.3
Current account (including official transfers)	-7,572	554	229	-1,474	-2,372
(In percent of GDP)	-19.4	1.3	0.5	-3.0	-4.5
Gross official reserves 4/	17,805	19,998	22,511	23,511	26,059
(In months of prospective imports)	7.3	7.0	6.8	6.9	7.1
Total public debt (in millions of dollars)	9,971	11,188	12,028	13,042	14,192
(In percent of GDP)	25.5	26.3	26.1	26.5	27.2
External debt (in millions of dollars, unless otherwise indicated)					
Public external debt	9,971	11,188	11,915	12,884	13,911
(In percent of GDP)	25.5	26.3	25.9	26.2	26.7
Public debt service	420	442	449	637	735
(In percent of exports of goods and services)	1.6	1.6	1.4	1.8	2.0
Nominal effective exchange rate (index, trade partners by CPI)	122.4	123.3	125.8	...	...
Real effective exchange rate (index, based on CPI)	134.0	132.4	132.5	...	...
Memorandum items:					
Nominal GDP (in billions of Riels)	160,972	174,027	188,766	201,830	213,914
(In millions of U.S. dollars)	39,089	42,404	46,098	49,200	52,146

Sources: Cambodian authorities; and IMF staff estimates and projections.

1/ Based on the rebased GDP.

2/ Ratio of nominal GDP to the average stock of broad money.

3/ Includes statistical discrepancy.

4/ Includes unrestricted foreign currency deposits held at the National Bank of Cambodia.

Table 2. Cambodia: Medium-Term Macroeconomics Framework, 2022–30

	2022	2023	2024	2025	2026	2027	2028	2029	2030
			Est.			Proj.			
Output and prices (percent change)									
GDP at constant prices	5.1	5.0	6.0	4.8	4.0	4.5	5.0	5.3	5.5
GDP deflator	2.6	1.5	2.3	2.0	1.9	2.2	2.3	2.3	2.6
Consumer prices (end-year)	2.9	2.7	3.0	1.0	2.2	2.5	2.7	2.9	3.0
Consumer prices (average)	5.3	2.1	0.9	2.5	2.3	2.5	2.7	2.9	3.0
Saving and investment balance (in percent of GDP)									
Gross national saving	15.9	34.6	34.0	30.5	28.0	28.5	28.7	29.0	29.3
Government saving	3.7	1.8	2.3	0.7	0.5	0.8	1.1	1.2	1.3
Private saving	12.2	32.8	31.7	29.8	27.5	27.6	27.6	27.8	28.0
Gross fixed investment	35.3	33.3	32.2	33.5	32.6	32.6	32.6	32.6	32.6
Government investment	5.7	5.9	5.3	5.1	5.0	5.0	5.0	5.0	5.0
Private investment 1/	29.6	27.4	26.9	28.4	27.6	27.6	27.6	27.6	27.6
Private credit growth (percent change)	18.5	3.5	3.1	3.2	3.5	4.0	5.0	5.0	6.0
Public finance (in percent of GDP)									
Revenue	18.4	16.2	15.2	14.6	14.4	14.4	14.4	14.4	14.5
Of which: Tax revenue	15.0	13.3	12.5	12.2	11.9	12.0	12.1	12.2	12.3
Grants	1.7	1.3	0.9	0.7	0.7	0.6	0.6	0.5	0.5
Total expenditure	18.7	19.1	17.3	18.3	18.2	18.0	17.8	17.7	17.7
Expense	13.0	13.2	11.9	13.2	13.2	12.9	12.7	12.7	12.7
Net acquisition of nonfinancial assets	5.7	5.9	5.3	5.1	5.0	5.0	5.0	5.0	5.0
Net lending (+)/borrowing(-)	-0.3	-2.8	-2.1	-3.7	-3.8	-3.6	-3.4	-3.3	-3.2
Net lending (+)/borrowing(-) excluding grants	-2.0	-4.1	-3.0	-4.4	-4.5	-4.2	-3.9	-3.8	-3.7
Net acquisition of financial assets	1.5	-0.3	2.4	-1.8	-1.9	-2.0	-1.7	-1.8	-1.4
Net incurrence of liabilities	1.8	2.5	4.4	1.8	1.9	1.6	1.7	1.5	1.9
Government deposits	13.8	12.5	12.8	10.4	8.2	6.0	4.2	2.4	1.2
Balance of payments (in percent of GDP, unless otherwise indicated)									
Exports (percent change) 2/	18.7	1.7	13.5	13.3	4.2	7.0	7.7	8.2	8.1
Imports (percent change) 3/	4.1	-17.0	17.7	13.8	4.3	6.4	7.1	7.5	7.3
Current account balance (including transfers)	-19.4	1.3	0.5	-3.0	-4.5	-4.1	-3.9	-3.6	-3.3
(Excluding transfers)	-20.6	0.1	-0.5	-3.9	-5.5	-5.0	-4.7	-4.4	-4.1
Foreign direct investment	8.8	9.0	9.2	9.9	10.1	10.3	10.4	10.3	10.2
Other flows	11.5	-10.1	-8.7	-1.9	-0.7	0.1	0.4	0.2	0.1
Overall balance	0.9	0.2	0.9	5.0	4.9	6.3	6.9	6.9	7.1
Gross official reserves (in millions of U.S. dollars) 4/	17,805	19,998	22,511	23,511	26,059	29,584	33,744	38,232	43,203
(In months of next year's imports)	7.3	7.0	6.8	6.9	7.1	7.6	8.0	8.5	8.8
Total public debt (in millions of U.S. dollars)	9,971	11,188	12,028	13,042	14,192	15,256	16,467	17,641	19,164
(In percent of GDP)	25.5	26.3	26.1	26.5	27.2	27.4	27.5	27.4	27.5
Public external debt (in millions of U.S. dollars)	9,971	11,188	11,915	12,884	13,911	14,900	16,068	17,141	18,176
(In percent of GDP)	25.5	26.3	25.9	26.2	26.7	26.7	26.9	26.6	26.1
Public external debt service (in millions of U.S. dollars)	420	442	449	637	735	773	800	887	934
(In percent of exports of goods and services)	1.6	1.6	1.4	1.8	2.0	1.9	1.9	1.9	1.8
Nominal effective exchange rate (index, trade partners by CPI)	122.4	123.3	125.8	…	…	…	…	…	…
Real effective exchange rate (index, based on CPI)	134.0	132.4	132.5	…	…	…	…	…	…

Sources: Cambodian authorities; and IMF staff estimates and projections.

1/ Includes nonbudgetary, grant-financed investment, and, from 2011, public-private partnerships in the power sector projects.

2/ Excludes re-exported goods.

3/ Excludes imported goods for re-export; from 2011, includes imports related to public-private power sector projects.

4/ Includes unrestricted foreign currency deposits held at the National Bank of Cambodia.

Table 3a. Cambodia: Balance of Payments, 2021–30 (BPM5)

(In millions of U.S. dollars, unless otherwise indicated)

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
				Est.	Proj.					
Current account (including official transfers)	-10,886	-7,572	554	229	-1,474	-2,372	-2,286	-2,316	-2,323	-2,275
(Excluding official transfers)	-11,396	-8,051	60	-214	-1,922	-2,847	-2,792	-2,800	-2,845	-2,840
Trade balance	-11,199	-8,820	-2,984	-4,496	-5,260	-5,520	-5,694	-5,908	-6,117	-6,259
Exports, f.o.b.	19,527	23,175	23,569	26,752	30,297	31,571	33,782	36,388	39,361	42,539
Of which: Garments	11,396	12,986	11,285	13,920	16,088	16,891	18,354	20,025	21,828	23,736
Imports, f.o.b. 1/	-30,726	-31,995	-26,553	-31,247	-35,556	-37,092	-39,476	-42,295	-45,478	-48,798
Of which: Garments-related	-5,049	-5,058	-4,737	-5,792	-6,355	-6,757	-7,158	-7,810	-8,295	-8,782
Petroleum	-2,930	-4,497	-4,260	-4,715	-4,259	-4,387	-4,773	-5,272	-5,840	-6,466
Nonmonetary gold	-5,930	-4,466	-223	-536	-579	-625	-675	-729	-787	-850
Services and income (net)	-2,922	-1,983	365	1,527	1,119	914	1,060	1,179	1,261	1,330
Services (net)	-1,432	-433	1,317	1,885	1,678	1,588	1,891	2,208	2,530	2,878
Of which: Tourism (credit)	184	1,418	3,083	3,636	3,451	3,396	3,781	4,187	4,603	5,045
Income (net)	-1,490	-1,550	-952	-358	-559	-674	-831	-1,029	-1,269	-1,549
Private transfers (net)	2,725	2,752	2,679	2,755	2,219	1,760	1,842	1,929	2,012	2,089
Official transfers (net)	510	479	494	443	448	475	507	484	522	565
Capital and financial account	12,257	7,005	650	1,152	3,953	4,904	5,793	6,457	6,792	7,227
Capital transfers (net)	204	209	140	126	113	102	92	82	74	67
Medium- and long-term loans (net)	867	1,004	1,118	1,130	976	1,027	989	1,167	1,073	1,035
Disbursements	1,163	1,343	1,475	1,491	1,490	1,628	1,615	1,810	1,793	1,790
Amortization	-297	-339	-356	-361	-514	-601	-626	-642	-719	-756
Foreign direct investment 2/	3,392	3,429	3,806	4,222	4,864	5,275	5,713	6,208	6,644	7,125
Net foreign assets of deposit money banks	1,325	2,025	-3,204	-5,466	-2,000	-1,500	-1,000	-1,000	-1,000	-1,000
Other short-term flows	6,469	338	-1,210	1,140	0	0	0	0	0	0
Errors and omissions	-1,289	907	-1,133	-959	0	0	0	0	0	0
Overall balance	82	340	72	421	2,478	2,532	3,508	4,142	4,469	4,951
Memorandum items:										
Current account balance (in percent of GDP)										
Excluding official transfers	-31.0	-20.6	0.1	-0.5	-3.9	-5.5	-5.0	-4.7	-4.4	-4.1
Including official transfers	-29.6	-19.4	1.3	0.5	-3.0	-4.5	-4.1	-3.9	-3.6	-3.3
Trade balance (in percent of GDP)	-30.4	-22.6	-7.0	-9.8	-10.7	-10.6	-10.2	-9.9	-9.5	-9.0
Gross official reserves 3/	20,265	17,805	19,998	22,511	23,511	26,059	29,584	33,744	38,232	43,203
(In months of next year's imports)	7.0	7.3	7.0	6.8	6.9	7.1	7.6	8.0	8.5	8.8

Sources: Cambodian authorities; and IMF staff estimates and projections.

1/ From 2011, includes imports related to public-private power sector projects.

2/ From 2011, includes FDI related to public-private power sector projects.

3/ Includes unrestricted FCDs held at the NBC.

Table 3b. Cambodia: Balance of Payments, 2021–30 (BPM5)

(In percent of GDP, unless otherwise indicated)

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
				Est.			Proj.			
Current account (including official transfers)	-29.6	-19.4	1.3	0.5	-3.0	-4.5	-4.1	-3.9	-3.6	-3.3
(Excluding official transfers)	-31.0	-20.6	0.1	-0.5	-3.9	-5.5	-5.0	-4.7	-4.4	-4.1
Trade balance	-30.4	-22.6	-7.0	-9.8	-10.7	-10.6	-10.2	-9.9	-9.5	-9.0
Exports, f.o.b.	53.1	59.3	55.6	58.0	61.6	60.5	60.6	60.8	61.1	61.0
Of which: Garments	31.0	33.2	26.6	30.2	32.7	32.4	33.0	33.5	33.9	34.1
Imports, f.o.b. 1/	-83.5	-81.9	-62.6	-67.8	-72.3	-71.1	-70.9	-70.7	-70.6	-70.0
Of which: Garments-related	-13.7	-12.9	-11.2	-12.6	-12.9	-13.0	-12.9	-13.1	-12.9	-12.6
Petroleum	-8.0	-11.5	-10.0	-10.2	-8.7	-8.4	-8.6	-8.8	-9.1	-9.3
Nonmonetary gold	-16.1	-11.4	-0.5	-1.2	-1.2	-1.2	-1.2	-1.2	-1.2	-1.2
Services and income (net)	-7.9	-5.1	0.9	3.3	2.3	1.8	1.9	2.0	2.0	1.9
Services (net)	-3.9	-1.1	3.1	4.1	3.4	3.0	3.4	3.7	3.9	4.1
Of which: Tourism (credit)	0.5	3.6	7.3	7.9	7.0	6.5	6.8	7.0	7.1	7.2
Income (net)	-4.0	-4.0	-2.2	-0.8	-1.1	-1.3	-1.5	-1.7	-2.0	-2.2
Private transfers (net)	7.4	7.0	6.3	6.0	4.5	3.4	3.3	3.2	3.1	3.0
Official transfers (net)	1.4	1.2	1.2	1.0	0.9	0.9	0.9	0.8	0.8	0.8
Capital and financial account	33.3	17.9	1.5	2.5	8.0	9.4	10.4	10.8	10.5	10.4
Capital transfers (net)	0.6	0.6	0.3	0.2	0.2	0.2	0.1	0.1	0.1	0.0
Medium- and long-term loans (net)	2.4	2.6	2.6	2.5	2.0	2.0	1.8	2.0	1.7	1.5
Disbursements	3.2	3.4	3.5	3.2	3.0	3.1	2.9	3.0	2.8	2.6
Amortization	-0.8	-0.9	-0.8	-0.8	-1.0	-1.2	-1.1	-1.1	-1.1	-1.1
Foreign direct investment 2/	9.2	8.8	9.0	9.2	9.9	10.1	10.3	10.4	10.3	10.2
Net foreign assets of deposit money banks	3.6	5.2	-7.6	-11.9	-4.1	-2.9	-1.8	-1.7	-1.6	-1.4
Other short-term flows	17.6	0.9	-2.9	2.5	0.0	0.0	0.0	0.0	0.0	0.0
Errors and omissions	-3.5	2.3	-2.7	-2.1	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	0.2	0.9	0.2	0.9	5.0	4.9	6.3	6.9	6.9	7.1
Memorandum items:										
Current account balance (in percent of GDP)										
Excluding official transfers	-31.0	-20.6	0.1	-0.5	-3.9	-5.5	-5.0	-4.7	-4.4	-4.1
Including official transfers	-29.6	-19.4	1.3	0.5	-3.0	-4.5	-4.1	-3.9	-3.6	-3.3
Trade balance (in percent of GDP)	-30.4	-22.6	-7.0	-9.8	-10.7	-10.6	-10.2	-9.9	-9.5	-9.0
Gross official reserves 3/	55.1	45.6	47.2	48.8	47.8	50.0	53.1	56.4	59.4	62.0
(In months of next year's imports)	7.0	7.3	7.0	6.8	6.9	7.1	7.6	8.0	8.5	8.8

Sources: Cambodian authorities; and IMF staff estimates and projections.

1/ From 2011, includes imports related to public-private power sector projects.

2/ From 2011, includes FDI related to public-private power sector projects.

3/ Includes unrestricted FCDs held at the NBC.

Table 4. Cambodia: General Government Operations, 2021 – 2030 (GFSM 2014)

	2021	2022	2023	2024	2025		2026	2027	2028	2029	2030
				Est.	Budget	Proj.			Proj.		
Revenue	23,842	29,664	28,264	28,675	30,725	29,506	30,714	32,866	35,339	38,116	41,474
Of which: Nongrant	22,112	26,877	26,047	26,969	30,099	28,093	29,318	31,471	33,959	36,750	40,122
Tax	19,875	24,187	23,118	23,655	26,010	24,549	25,562	27,459	29,651	32,111	35,102
Income, profits, and capital gains	6,219	7,653	8,194	7,820	9,265	7,781	8,083	8,677	9,364	10,135	11,185
Good and services	11,343	13,780	12,175	12,953	14,420	13,849	14,386	15,445	16,668	18,039	19,616
International trade and transactions	2,131	2,549	2,517	2,702	2,106	2,889	3,062	3,304	3,584	3,898	4,259
Grants	1,730	2,786	2,218	1,705	626	1,413	1,396	1,395	1,380	1,366	1,352
Other revenues	2,237	2,690	2,928	3,314	4,089	3,544	3,756	4,012	4,308	4,640	5,020
Total expenditure	31,649	30,136	33,186	32,573	36,906	36,883	38,914	41,040	43,597	46,861	50,697
Expense	21,680	20,967	22,946	22,551	25,017	26,592	28,170	29,563	31,273	33,589	36,337
Compensation of employees	8,967	9,311	10,254	10,419	10,860	11,713	12,353	13,129	14,027	15,030	16,262
Purchase of goods and services	6,266	4,996	5,200	5,464	5,278	6,524	6,915	7,387	7,931	8,542	9,242
Interest	403	439	473	516	715	523	602	727	801	849	913
Expense not elsewhere classified	6,044	6,220	7,020	6,153	8,164	7,778	8,209	8,269	8,491	9,167	9,919
Of which: Social benefits	4,242	4,009	4,136	3,525	3,151	4,797	5,084	4,885	4,825	5,196	5,622
Net acquisition of nonfinancial assets	9,969	9,170	10,240	10,023	11,889	10,291	10,744	11,477	12,324	13,272	14,360
Of which: Externally financed	5,230	6,900	6,823	6,673	…	4,910	5,061	4,847	5,524	5,080	4,866
Net lending (+)/borrowing(-)	-7,807	-473	-4,922	-3,899	-6,181	-7,377	-8,200	-8,174	-8,258	-8,745	-9,223
Net acquisition of financial assets	-5,439	2,379	-533	4,464	172	-3,712	-4,088	-4,534	-4,090	-4,781	-3,888
Net incurrence of liabilities	2,368	2,851	4,389	8,363	6,352	3,666	4,112	3,640	4,168	3,964	5,335
Of which: External borrowing	3,572	4,042	4,709	3,854	5,852	3,497	3,665	3,453	4,144	3,714	3,514
Of which: Bond issuance	…	72	72	471	500	169	447	187	24	251	1,821
Revenue	15.8	18.4	16.2	15.2	15.2	14.6	14.4	14.4	14.4	14.4	14.5
Nongrant	14.7	16.7	15.0	14.3	14.9	13.9	13.7	13.8	13.8	13.9	14.0
Tax	13.2	15.0	13.3	12.5	12.9	12.2	11.9	12.0	12.1	12.2	12.3
Income, profits, and capital gains tax	4.1	4.8	4.7	4.1	4.6	3.9	3.8	3.8	3.8	3.8	3.9
Good and services tax	7.5	8.6	7.0	6.9	7.1	6.9	6.7	6.8	6.8	6.8	6.9
International trade and transactions tax	1.4	1.6	1.4	1.4	1.0	1.4	1.4	1.4	1.5	1.5	1.5
Grants	1.1	1.7	1.3	0.9	0.3	0.7	0.7	0.6	0.6	0.5	0.5
Other revenues	1.5	1.7	1.7	1.8	2.0	1.8	1.8	1.8	1.8	1.8	1.8
Total expenditure	21.0	18.7	19.1	17.3	18.3	18.3	18.2	18.0	17.8	17.7	17.7
Expense	14.4	13.0	13.2	11.9	12.4	13.2	13.2	12.9	12.7	12.7	12.7
Compensation of employees	5.9	5.8	5.9	5.5	5.4	5.8	5.8	5.7	5.7	5.7	5.7
Purchase of goods and services	4.2	3.1	3.0	2.9	2.6	3.2	3.2	3.2	3.2	3.2	3.2
Interest	0.3	0.3	0.3	0.3	0.4	0.3	0.3	0.3	0.3	0.3	0.3
Expense not elsewhere classified	4.0	3.9	4.0	3.3	4.0	3.9	3.8	3.6	3.5	3.5	3.5
Of which: Social benefits	2.8	2.5	2.4	1.9	1.6	2.4	2.4	2.1	2.0	2.0	2.0
Net acquisition of nonfinancial assets	6.6	5.7	5.9	5.3	5.9	5.1	5.0	5.0	5.0	5.0	5.0
Of which: Externally-financed	3.5	4.3	3.9	3.5	…	2.4	2.4	2.1	2.3	1.9	1.7
Net lending (+)/borrowing(-)	-5.2	-0.3	-2.8	-2.1	-3.1	-3.7	-3.8	-3.6	-3.4	-3.3	-3.2
Net acquisition of financial assets	-3.6	1.5	-0.3	2.4	0.1	-1.8	-1.9	-2.0	-1.7	-1.8	-1.4
Net incurrence of liabilities	1.6	1.8	2.5	4.4	3.1	1.8	1.9	1.6	1.7	1.5	1.9
Of which: External borrowing	2.4	2.5	2.7	2.0	2.9	1.7	1.7	1.5	1.7	1.4	1.2
Of which: Bond issurance	…	0.0	0.0	0.2	…	0.1	0.2	0.1	0.0	0.1	0.6
Memorandum items:											
Net lending (+)/borrowing(-) excluding grant	-6.3	-2.0	-4.1	-3.0	-3.4	-4.4	-4.5	-4.2	-3.9	-3.8	-3.7
Government deposits	13.1	13.8	12.5	12.8	…	10.4	8.2	6.0	4.2	2.4	1.2
GDP (in billions of riels)	150,793	160,972	174,027	188,766	…	201,830	213,914	228,506	245,365	264,237	285,896

Sources: Cambodian authorities; and IMF staff estimates and projections.

Table 5. Cambodia: Monetary Survey, 2021–30

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
					Proj.					
				(In billions of Riels)						
Net foreign assets	57,063	39,490	61,234	92,559	107,959	121,043	139,636	160,834	183,523	208,193
National Bank of Cambodia	81,117	71,915	80,304	89,277	96,484	103,415	117,906	135,002	153,589	174,156
Foreign assets	82,553	73,297	81,686	90,601	97,848	104,819	119,352	136,492	155,123	175,737
Foreign liabilities	-1,436	-1,381	-1,382	-1,324	-1,364	-1,405	-1,447	-1,490	-1,535	-1,581
Deposit money banks	-24,054	-32,425	-19,069	3,283	11,475	17,628	21,730	25,833	29,935	34,037
Foreign assets	17,569	17,276	26,264	36,980	42,901	47,202	50,631	54,863	59,660	64,968
Foreign liabilities	-41,622	-49,701	-45,333	-33,697	-31,427	-29,574	-28,901	-29,030	-29,725	-30,931
Net domestic assets	101,876	132,472	132,296	134,886	139,287	138,791	140,610	144,355	149,259	156,933
Domestic credit	168,742	201,173	209,455	214,042	225,181	238,487	252,769	265,980	279,852	297,330
Government (net)	-19,556	-21,934	-21,401	-23,880	-20,290	-15,576	-11,456	-11,456	-11,456	-11,456
Private sector	188,297	223,106	230,825	237,921	245,470	254,061	264,224	277,435	291,307	308,785
Other items (net)	-66,866	-68,701	-77,159	-79,157	-85,894	-99,696	-112,159	-121,625	-130,593	-140,398
Broad money	158,939	171,962	193,530	227,445	247,246	259,834	280,246	305,189	332,782	365,126
Narrow money	16,921	16,553	17,329	17,382	18,774	18,793	19,018	19,400	19,897	21,426
Currency in circulation	14,575	14,138	14,975	14,551	15,190	15,206	15,388	15,697	16,099	17,336
Demand deposits	2,346	2,415	2,355	2,831	3,584	3,587	3,630	3,703	3,798	4,090
Quasi-money	142,018	155,409	176,201	210,063	228,472	241,041	261,228	285,789	312,885	343,700
Time deposits	10,146	12,714	14,902	16,584	19,298	19,317	19,548	19,941	20,452	22,024
Foreign currency deposits	131,872	142,695	161,299	193,479	209,174	221,725	241,680	265,848	292,433	321,676
				(12-month percentage change)						
Net foreign assets	-15.3	-30.8	55.1	51.2	16.6	12.1	15.4	15.2	14.1	13.4
Private sector credit	23.6	18.5	3.5	3.1	3.2	3.5	4.0	5.0	5.0	6.0
Broad money	16.4	8.2	12.5	17.5	8.7	5.1	7.9	8.9	9.0	9.7
Of which: Currency in circulation	8.2	-3.0	5.9	-2.8	4.4	0.1	1.2	2.0	2.6	7.7
Foreign currency deposits	15.1	8.2	13.0	20.0	8.1	6.0	9.0	10.0	10.0	10.0
				(Contribution to year-on-year growth of broad money, in percentage points)						
Net foreign assets	-7.5	-11.1	12.6	16.2	6.8	5.3	7.2	7.6	7.4	7.4
Net domestic assets	23.9	19.3	-0.1	1.3	1.9	-0.2	0.7	1.3	1.6	2.3
Domestic credit 1/	30.3	20.4	4.8	2.4	4.9	5.4	5.5	4.7	4.5	5.3
Government (net)	4.0	-1.5	0.3	-1.3	1.6	1.9	1.6	0.0	0.0	0.0
Private sector	26.3	21.9	4.5	3.7	3.3	3.5	3.9	4.7	4.5	5.3
Other items (net)	-6.4	-1.2	-4.9	-1.0	-3.0	-5.6	-4.8	-3.4	-2.9	-2.9
Memorandum items:										
Foreign currency deposits (in millions of U.S. dollars)	32,041	34,631	39,461	47,164	50,990	54,050	58,914	64,805	71,286	78,414
(In percent of broad money)	83.0	83.0	83.3	85.1	84.6	85.3	86.2	87.1	87.9	88.1
Riel component of broad money	27,067	29,267	32,232	33,966	38,072	38,109	38,566	39,341	40,350	43,450
(In percent of broad money)	17.0	17.0	16.7	14.9	15.4	14.7	13.8	12.9	12.1	11.9
Credit to the private sector (in millions of U.S. dollars)	45,750	54,145	56,471	57,998	59,838	61,932	64,409	67,630	71,011	75,272
(In percent of GDP)	124.9	138.6	132.6	126.0	121.6	118.8	115.6	113.1	110.2	108.0
Foreign currency loans-to-total loans (in percent)	87.8	87.2	84.5	87.7	87.7	87.7	87.7	87.7	87.7	87.7
Loan-to-deposit ratio (in percent) 2/	125.4	136.3	120.9	107.8	102.9	100.5	95.9	91.5	87.4	84.2
Velocity 3/	1.1	0.9	0.9	0.8	0.9	0.9	1.0	1.0	1.1	1.1
Money multiplier (broad money/reserve money)	3.3	3.8	3.3	3.6	4.0	4.2	4.5	4.8	5.1	5.2
Reserve money (12-month percent change)	0.1	0.0	0.3	0.1	0.0	0.0	0.0	0.0	0.0	0.1

Sources: Cambodian authorities; and IMF staff estimates and projections.

1/ Excludes banks' credits to nonresident.

2/ Foreign currency loans and deposits only.

3/ The ratio of nominal GDP to the year-to-date average stock of broad money.

Table 6. Cambodia: Financial Soundness Indicators, 2019-2025Q2

(In percent)

	2019	2020	2021	2022	2023	2024Q2	2024	2025Q2
Core FSIs								
Regulatory capital to risk-weighted assets	21.77	22.66	22.31	21.66	22.52	22.46	22.41	22.90
Tier 1 capital to risk-weighted assets	18.80	19.62	19.27	18.80	19.74	19.85	19.97	20.02
Nonperforming loans net of provisions to capital	3.10	3.35	2.43	4.61	9.59	14.00	15.54	17.22
Capital to assets (leverage ratio)	13.55	14.21	14.44	14.92	15.13	14.72	14.36	14.48
Nonperforming loans to total gross loans	1.55	1.82	1.74	2.71	5.13	5.96	6.56	7.58
Provisions to nonperforming loans	52.05	53.96	66.16	59.68	53.11	41.15	41.70	40.23
Return on assets	1.75	1.69	1.95	2.45	1.02	1.09	1.16	1.47
Return on equity	6.56	6.63	7.93	9.93	3.42	4.59	4.61	6.23
Interest margin to gross income	54.91	38.57	41.77	32.26	32.32	82.26	82.94	82.46
Liquid assets to total assets	16.02	16.67	15.34	11.75	14.63	13.31	14.23	12.99
Additional FSIs								
Large exposures to capital	47.79	39.55	41.93	39.66	30.41	35.27	38.08	36.94
FX loans to total loans	87.73	86.92	87.34	87.58	87.24	88.28	87.30	87.59
FX liabilities to total liabilities	89.46	88.85	88.97	88.16	87.14	85.60	87.19	86.68
Residential real estate loans to total gross loans	8.78	9.30	10.13	10.06	10.54	11.70	11.23	10.64
Commercial real estate loans to total gross loans	0.5	0.6	0.6	0.7	1.3	0.80	0.8	0.82

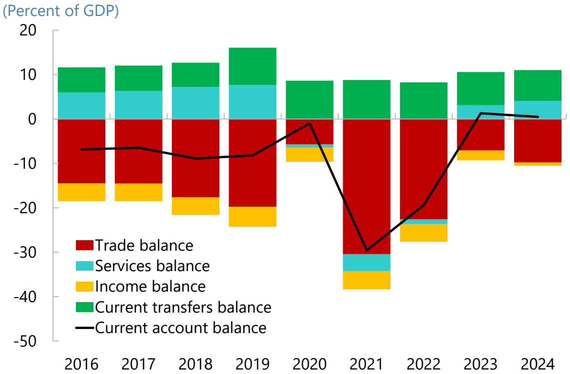
Sources: IMF Financial Soundness Indicators.

Annex I. External Sector Assessment[1]

Cambodia's external position in 2024 is assessed to be substantially stronger than the level implied by medium-term fundamentals and desirable policies. The current account balance reached a small surplus in 2024, reflecting a moderate trade deficit and a smaller negative income balance, which were offset by a surplus in the services and transfer balance. The external sector assessment reflects domestic imbalances primarily due to slow recovery in non-tradable sectors and subdued domestic demand, amid a correction in the real estate market and muted credit activity, with rising financial sector vulnerabilities. However, substantial uncertainty around the assessment exists due to data gaps. International reserves increased in 2024, and coverage remains broadly adequate.

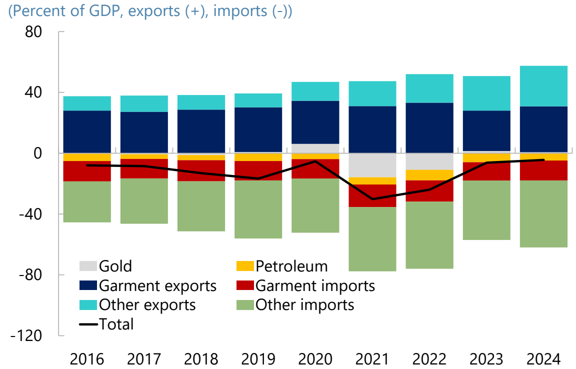
1. **The current account (CA) balance reached a small surplus in 2024, supported by strong exports, tourism, and remittances.** The current account surplus narrowed to 0.5 percent of GDP in 2024, down from the surplus of 1.3 percent of GDP in 2023. This reflected a trade and modest income balance deficit, offset by surpluses in services and transfers. The trade deficit has declined considerably in 2023-2024, supported by strong exports and a slowdown in imports. The latter reflects domestic imbalances from the slow recovery in non-tradable sectors and subdued import demand, amid anemic growth in credit to the private sector. Exports rose 14 percent in 2024, bolstered by recovering global demand—particularly from the U.S. and EU—and continued strength in garments, footwear, and travel goods. This momentum has persisted into 2025, with exports supported by the front-loading of orders ahead of anticipated U.S. tariffs. Imports rose by 18 percent in 2024, reflecting stronger demand for intermediate goods, likely tied to ongoing infrastructure projects and recent FDI-related activity. A continued recovery in tourism earnings, albeit low compared to the pre-pandemic levels, along with lower payments abroad from income earned on equity, contributed to the CA surplus.

Current Account Balance
(Percent of GDP)



Sources: Cambodian authorities; and IMF staff calculations.

Trade Balance and Main Items
(Percent of GDP, exports (+), imports (-))



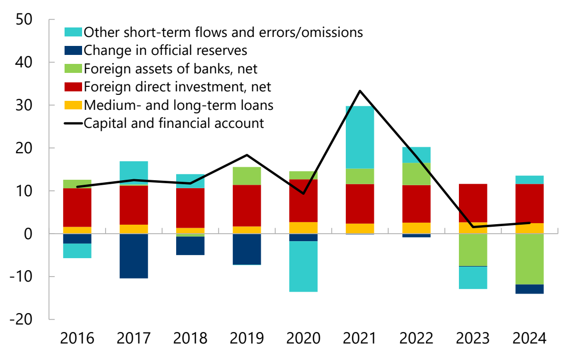
Sources: Cambodian authorities; and IMF staff calculations.

2. **The capital and financial account recorded higher inflows in 2024, driven by robust foreign investment, while banks accumulated foreign assets.** Foreign direct investment inflows

[1] Prepared by Carlos Pelaez Gomez (FIN).

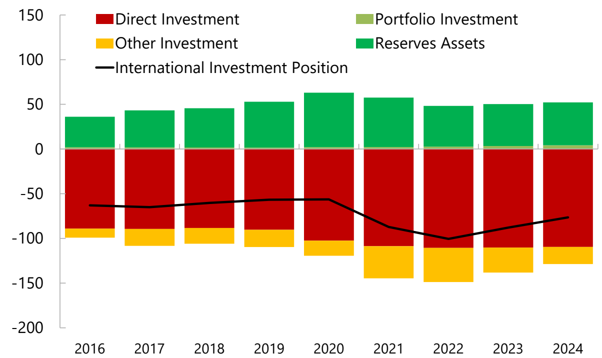
remained robust in 2024 at over 9 percent of GDP, reflecting sustained investor confidence in Cambodia's manufacturing base and a scale-up of infrastructure projects. Most inflows were directed to manufacturing (e.g., garments, footwear, woods products, food processing), and renewable energy, reinforcing structural shifts in the country's investment landscape. Medium-to-long-term debt inflows also remained broadly stable. Banks increased their foreign asset holdings while reducing liabilities, strengthening their net foreign asset position by about 4 percent of GDP relative to 2023, contributing to higher net foreign assets.

Current Account Financing
(Percent of GDP)



Sources: Cambodian authorities; and IMF staff calculations.

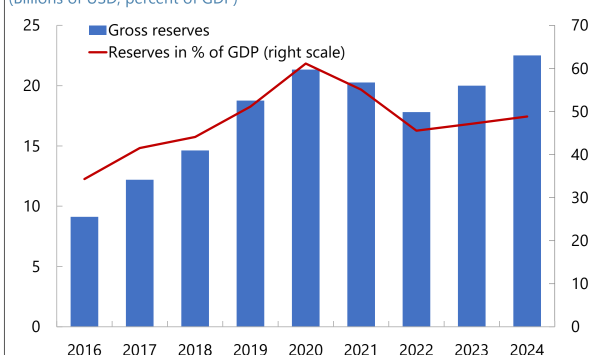
Net Foreign Assets
(Percent of GDP)



Sources: Cambodian authorities; and IMF staff calculations.

3. International reserves increased in 2024 and remained stable as percent of GDP. Gross international reserves (GIR) increased by 12.6 percent (USD 2.5 billion) in 2024, owing to the modest current account surplus, and positive inflows from the financial account, particularly from foreign direct investment. By end-2024, GIR stood at 49 percent of GDP, covering 7 months of prospective imports, 189 percent of public external debt, and 48 and 41 percent of foreign currency deposits and broad money, respectively. This level exceeds the ARA metric for credit-constrained economies, which implies an optimal threshold of 4 months of imports. Reserves continued to rise in the first quarter of 2025, increasing around 5 percent relative to end-2024. A high level of international reserves remains advisable for Cambodia's highly export-dependent economy with a managed float exchange rate regime and a high degree of dollarization. The *de facto* exchange rate arrangement remains crawl-like.

International Reserves
(Billions of USD; percent of GDP)



Sources: Cambodian authorities; and IMF staff calculations.

4. Cambodia's external position in 2024 is assessed to be substantially stronger than the level implied by fundamentals and desirable policies. The cyclically adjusted current account (CA) balance of 0.9 percent of GDP exceeds the EBA-lite CA model norm of –3.9 percent of GDP, implying a CA gap of 4.7 percent of GDP. The negative norm reflects structural factors consistent with

Cambodia's stage of development, including a negative net international investment position (NIIP) driven by strong FDI inflows, and a considerable young working age population associated with lower aggregate saving levels. The positive CA gap reflects cyclical domestic imbalances stemming from the slow recovery in non-tradable sectors and subdued domestic demand, amid a correction in the real estate market and muted credit activity alongside rising financial vulnerabilities. The assessment, however, is subject to considerable uncertainty, including the potential for shifts in external demand and financing conditions, and continued data gaps in external sector statistics, evidenced by the high and volatile errors and omissions in the balance of payments data.

Model Estimates for 2024 (in percent of GDP)

	CA model 1/	**REER model** 1/
	(in percent of GDP)	
CA-Actual	**0.5**	
Cyclical contributions (from model) (-)	-0.4	
Natural disasters and conflicts (-)	0.0	
Adjusted CA	**0.9**	
CA Norm (from model) 2/	**-3.9**	
Adjusted CA Norm	**-3.9**	
CA Gap	**4.7**	**-16.2**
o/w Relative policy gap	2.1	
Elasticity	-0.5	
REER Gap (in percent)	**-10.5**	**35.8**

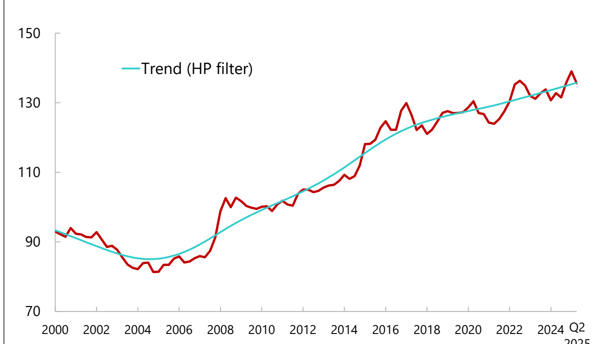
1/ Based on the EBA-lite 3.0 methodology

2/ Cyclically adjusted, including multilateral consistency adjustments.

5. **Real effective exchange rate (REER) appreciation pressures have moderated in recent years, following a decade of secular appreciation prior to the pandemic.** The real exchange rate appreciated by 2.5 percent annually over the decade before the pandemic, which temporarily disrupted and slowed the REER appreciation. Since 2020, the REER has continued to appreciate at a more moderate pace of about 0.9 percent annually, on average. Global interest rate cycle and U.S. dollar dynamics have introduced some volatility in recent years, reflecting fluctuations in the Khmer riel vis-à-vis the US dollar within its 2 percent stabilized exchange-rate band. The

Real Effective Exchange Rate, 2000Q1—2025Q2

(Index, 2010=100)



Sources: INS database and IMF staff calculations.

average REER rose modestly by 0.2 percent in 2024, but appreciation pressures accelerated in the first half of 2025, with a 3.5 percent increase relative to the 2024 average—largely reflecting foreign currency inflows from front-loaded export orders ahead of potential tariff hikes. The EBA-CA model implies a REER gap—the REER adjustment required to close the CA gap—with an undervaluation of -10.5 percent (applying an elasticity of -0.5) while the REER model implies an overvaluation of 35.8 percent based on an estimated CA gap of -16.2 percent of GDP. The results suggest considerable uncertainty around the exchange rate assessment.

6. Notwithstanding substantial uncertainty around the assessment, more balanced macroeconomic policies, supported by improved statistics, are needed to address the gap. The CA gap partly reflects the underlying data gaps in the BOP statistics. Hence, the estimated CA gap and implied REER valuation are subject to large uncertainty. In addition, the CA gap also partly reflects structural factors not captured by the model, including informality. High reliance on a narrow set of exports for economic growth remains a critical structural issue. Given these challenges, policies must address the data limitations and macroeconomic imbalances. Economic growth needs to shift toward a more diversified and adaptable model, underpinned by productivity growth with higher domestic investment, stronger non-tradable sectors and more resilient labor markets capable of harnessing the country's large demographic dividend. Accelerating structural reforms, bolstered by strengthening social safety nets, will promote income and consumption growth and ensure more inclusive economic growth.

Annex II. Risk Assessment Matrix[1]

Nature/source of the shock	Likelihood of risks	Impact	Policies to minimize impact
Global Risks			
Trade policy and investment shocks	**High:** Higher trade barriers or sanctions reduce external trade, disrupt FDI and supply chains, and trigger further U.S. dollar appreciation, tighter financial conditions, and higher inflation.	**High:** Sharp declines in garment and footwear exports as well as FDI inflows particularly in manufacturing and real estate; supply chain disruptions affecting key industries; currency depreciation leading to higher inflation.	Diversify export markets beyond U.S. and EU; accelerate FTA implementation; improve business environment to attract quality FDI; enhance trade facilitation, logistics, and transportation; build foreign reserve buffers.
Deepening geoeconomic fragmentation	**High:** Persistent conflicts, inward-oriented policies, protectionism, weaker international cooperation, labor mobility curbs, and fracturing technological and payments systems lead to higher input costs, hinder green transition, and lower trade and potential growth.	**High:** Disruption to Cambodia's position in regional value chains; higher import costs for intermediate goods; reduced technology transfer; lower tourism receipts from fragmented travel networks; challenges to de-dollarization from payment system fractures.	Strengthen regional integration within ASEAN; develop domestic supply chains for critical inputs; invest in digital infrastructure and skills; enhance bilateral and multilateral economic cooperation.
Sovereign debt distress	**High:** Higher interest rates, stronger U.S. dollar, and shrinking development aid amplified by sovereign-bank feedback result in capital outflows, rising risk premia, loss of market access, abrupt expenditure cuts, and lower growth in highly indebted countries.	**Medium:** Reductions in some spending programs as the government needs to shoulder cuts in ODA, higher borrowing costs for government; reduced concessional financing availability; currency depreciation pressures; constraints on public investment.	Maintain prudent debt management strategy with the new and more robust fiscal rules; consolidate non-priority spending; diversify concessional financing sources; enhance domestic revenue mobilization; improve public investment efficiency; develop local currency bond market; build fiscal buffers.
Commodity price volatility	**Medium:** Supply and demand volatility (due to conflicts, trade restrictions, OPEC+ decisions, AE energy policies, or green transition) increases commodity price volatility, external and fiscal pressures, social discontent, and economic instability.	**Medium:** Higher fuel and food import bills worsening current account; inflationary pressures affecting low-income households; fiscal pressures from subsidies; social tensions from cost-of-living increases; and agricultural input cost volatility.	Strengthen social safety nets and targeted transfers; develop strategic petroleum reserves; enhance agricultural productivity; use hedging instruments for key commodity imports; promote renewable energy transition.
Climate change	**Medium:** Extreme climate events driven by rising temperatures cause loss of life, damage to infrastructure, food insecurity, supply disruptions, lower growth, and financial instability.	**Medium:** Severe flooding and droughts affecting agriculture, businesses, and housing; damage to rural infrastructure and Mekong river systems; increases in food insecurity and rural poverty; declines in hydropower generation capacity leading to higher electricity cost; higher fiscal costs for more frequent disaster response.	Develop and implement a comprehensive national climate adaptation strategy; invest in climate-resilient infrastructure; develop drought-resistant crop varieties; strengthen disaster risk financing mechanisms; enhance early warning systems; promote renewable energy transition.

[1] The Risk Assessment Matrix (RAM) shows events that could materially alter the baseline path (the scenario most likely to materialize in the view of IMF staff). The relative likelihood is the staff's subjective assessment of the risks surrounding the baseline ("low" is meant to indicate a probability below 10 percent, "medium" a probability between 10 and 30 percent, and "high" a probability between 30 and 50 percent). The RAM reflects staff views on the source of risks and overall level of concern as of the time of discussions with the authorities. Non-mutually exclusive risks may interact and materialize jointly. "Short term" and "medium term" are meant to indicate that the risk could materialize within 1 year and 3 years, respectively.

Nature/source of the shock	Likelihood of risks	Impact	Policies to minimize impact
		Domestic Risks	
Systemic financial instability	**Medium:** Higher tariffs lower export earnings, and households and corporates come under financial stress, while the banking system has no crisis resolution and deposit insurance mechanisms to contain the financial market instability.	**High:** Emergence of banking sector insolvencies and market dislocations; credit crunch affecting SMEs and households; reduced financial intermediation; confidence erosion in the highly dollarized system.	Continue to enhance the central bank's liquidity provision framework, including the emergency liquidity assistance; strengthen banking supervision; accelerate NPL resolution; implement macroprudential measures for real estate; enhance stress testing; provide temporary liquidity support; develop banking restructuring mechanisms and deposit insurance.

Annex III. Implementation of Past Advice

Policies	2024 Article IV Recommendations	Actions since 2024 Article IV Consultations (As of July 2, 2025)
Policy Coordination	Under adverse shocks, fiscal policy should be the first line of defense, given limited monetary policy transmission.	• The Royal Government of Cambodia (RGC) is preparing for the nation's planned graduation from Least Developed Country (LDC) status in 2029. This transition presents both opportunities and challenges, as it will likely reduce access to highly concessional loans and grant financing. In this context, the RGC has assessed the government's debt risk as moderate and has outlined the following policy measures to manage potential fiscal deficits and support the economy: • The government will focus on implementing prudent fiscal policies while maintaining the flexibility to respond to evolving situations, ensuring that any crisis interventions are prompt and well-targeted. • Monetary policy will remain accommodative to support economic growth, while ensuring financial, FX, and price stability.
Fiscal Policy	The fiscal framework needs to be upgraded to support economic resilience and stability.	• Over the medium term, the RGC will pursue a dual strategy of gradual fiscal consolidation and rebuilding fiscal buffers. • This approach will be implemented through the Medium-Term Fiscal Framework (MTFF) 2026-2028, which operates within the broader Public Finance Management Reform Program. The program is designed to support three main objectives: Link budgets to the RGC's priority policies; Strengthen the efficiency of revenue collection and budget allocation.; Ensure macroeconomic stability and public financial sustainability. • As part of this commitment, the RGC also launched the Budget System Reform Strategy (BSRS). This strategy, originally for 2018-2025 and now extended through 2028, aims to strengthen budget discipline across all stages—from planning to allocation and implementation—by linking budgets to policy priorities and basing allocations on performance information.
	Improving the quality of fiscal consolidation is key to supporting long-term development objectives.	• For 2025, the RGC projects a total budget deficit of 3.48 percent of GDP, which is within the established deficit threshold of 5 percent. • The RGC has decided to postpone the implementation of the "Fiscal Reserve Fund," with allocations now scheduled to begin in 2027. To rebuild the fiscal buffer, the fund will be allocated an amount equal to 2 percent of the national-level current revenue from two years prior (N-2). • To contain the fiscal deficit in 2026, the RGC plans to reduce total expenditure by 1.7 percent compared to the 2025 budget. This adjustment includes a 10.9 percent drop in capital expenditure, while wage spending is set to increase by 2.4 percent.

Policies	2024 Article IV Recommendations	Actions since 2024 Article IV Consultations (As of July 2, 2025)
	Revenue mobilization needs to adopt a multi-pronged approach, integrating both tax policy reforms and improved revenue administration.	General Department of Taxation (GDT): Having rolled out its "Tax Administration 2.0+" strategy, the GDT is now preparing for "Tax Administration 3.0," which will focus on: • Digital Integration: Modernizing core tax functions such as e-registration, e-filing, and e-payment. • Audit Optimization: Reducing redundant audits by implementing a Standard Operating Procedure (SOP) on Auditing. • Debt Management: Strengthening tax debt management to minimize outstanding arrears and prevent future accumulation. • E-Invoicing: Piloting an e-invoicing system by engaging with the private sector and developing the necessary legal and regulatory frameworks. General Department of Customs and Excise (GDCE) The GDCE continues to standardize and streamline customs clearance procedures by: • Implementing New Systems: Piloting Pre-Arrival Processing, implementing the Global Travel Assessment System (GTAS), and establishing an Authorized Economic Operator (AEO) program. • Managing E-commerce: Preparing to roll out a new management approach for e-commerce platforms to strengthen oversight of cross-border activities in the medium term. Revenue and Trade Facilitation • VAT on Digital Services: VAT revenue collection is being expanded to ensure proper taxation on digital goods and services traded electronically. • National Single Window: The Cambodia National Single Window project is now in its third stage, which will integrate all ministries and institutions involved in issuing permits, licenses, and certificates. This platform also connects to the ASEAN Single Window, enabling the electronic exchange of trade-related documents—such as the Certificate of Origin (ATIGA e-Form D) and the ASEAN Customs Declaration Document (ACDD)—with other ASEAN members and dialogue partners.
	The authorities should carefully analyze the costs and benefits of granting tax exemptions.	• A series of tax incentives designed to support economic recovery have been extended and will remain in effect until further notice from the Royal Government of Cambodia (RGC). These measures include stamp-duty and registration-tax exemptions, the postponement of capital gains tax for the real estate sector, VAT, and income tax exemptions for the tourism sector in Siem Reap, and the suspension of the prepayment of tax on income for the garment sector.
Monetary Policy	Monetary policy normalization should resume at a pace calibrated to the	Reserve Requirements and KHR Promotion:

Policies	2024 Article IV Recommendations	Actions since 2024 Article IV Consultations (As of July 2, 2025)
	economic recovery and banking sector liquidity conditions.	• US Dollar (USD): The Reserve Requirement Rate (RRR) for USD was reduced from 9% to 7% in December 2023 and has been extended through the end of 2025. This measure is intended to support banking liquidity and economic activity amid a slowdown in credit growth. • Khmer Riel (KHR): To lower the cost of borrowing in the local currency, the RRR for KHR has been gradually reduced. It was cut from 8% to 5% in May 2024, with a further reduction to 3% planned for January 2025. • KHR Promotion Strategy: To complement these policy actions, the authorities are drafting a strategy and working with relevant ministries and stakeholders to further promote the use of the KHR in various sectors. Interest Rate and Liquidity Operations: • The National Bank of Cambodia (NBC) is streamlining its main policy rates—the 7-day Liquidity-Providing Collateralized Operation (LPCO), Marginal Lending Facility (MLF), and 7-day Negotiable Certificate of Deposits (NCD)—by linking them to a reference rate and gradually narrowing the interest rate corridor. Recent adjustments include: • Corridor Floor (NCD Rate): The interest rate on 7-day KHR NCDs was raised from 0.5% to 0.75% in mid-July 2024 and to 1% in December 2024. • Corridor Ceiling (LPCO & MLF Rates): The rates for the 7-day LPCO and the MLF were cut in December 2024 (to 3.5% and 5.5%, respectively) and again in March 2025 (to 3% and 5%, respectively). • Expanded Collateral: The scope of eligible collateral for the 7-day LPCO has been expanded to include a bank's USD current account, in addition to NCDs and government bonds. Operational Framework Enhancements • Several operational changes have been implemented to improve efficiency: • Same-Day Settlement: Since March 6, 2025, auctions and settlements for LPCOs and NCDs are conducted on the same day (T+0 basis) every Thursday. • Paperless Procedures: The process for the 7-day LPCO has been made paperless. • Emergency Liquidity Assistance (ELA): A new Prakas (regulation) on ELA is being translated and reviewed. This is aimed at improving the existing framework and addressing operational issues. Foreign Exchange Rate Calculation • The authorities are considering streamlining the official market-based exchange rate by including bank-customer transactions in its

Policies	2024 Article IV Recommendations	Actions since 2024 Article IV Consultations (As of July 2, 2025)
		calculation. This would ensure the official rate more accurately reflects prevailing market conditions.
	The forbearance measures should be phased out to alleviate risks of capital misallocation, while ensuring financial stability	• The authorities are assessing policy options for a gradual exit from prolonged forbearance while preserving financial stability. These efforts focus on ensuring banks properly classify and report forborne loans, make adequate provisions, and maintain sufficient capital and liquidity buffers.
Financial System Policy	Intensified supervision and coordinated monitoring, coupled with efforts to develop policy tools, can fortify the financial sector.	• The authorities have engaged in discussions with the Ministry of Economy and Finance and the Non-Bank Financial Services Authority to strengthen the oversight and coordination role of the Financial Stability Committee. • While the new capital adequacy and solvency framework has been finalized, the review of the Prompt Corrective Action framework is still under discussion within the regulatory committee. • Efforts are also underway to review the existing macroprudential policy with the goal of expanding the toolkit, particularly with Debt-Service-to-Income (DSTI) and Loan-to-Value (LTV) limits. However, the related policy research is still in progress within the NBC's financial stability committee.
	Closely engage in strengthening the monitoring framework of the corporate sector	• While progress has been made in developing action plans to establish a crisis resolution framework, some challenges remain. A related deposit protection regulation is being finalized; however, the current economic situation may not allow for the implementation of the scheme at this time. • The authorities are strengthening inter-agency coordination on supervision and financial stability risk assessment to support timely decisions and communications that safeguard financial stability. To address regulatory arbitrage, credit provided by real estate developers to homebuyers is being subjected to stringent prudential requirements and is closely monitored. Data collection and sharing across relevant agencies also continues to improve, leading to a better understanding of the activities of non-financial corporations with large exposures to the construction and real estate sectors. • Further efforts to enhance the Anti-Money Laundering and Counter-Financing of Terrorism (AML/CFT) framework are underway, including the enforcement of reporting requirements on gold imports and exports.
Structural Policies	Enhancing financial inclusion and digital connectivity and addressing climate change vulnerabilities are crucial for sustainable and inclusive growth.	• For the 2026-2028 period, the RGC plans a feasibility study on introducing carbon pricing mechanisms. The assessment will cover key elements of a potential carbon tax, such as its rate and base, while also evaluating the institutional and administrative readiness needed to implement climate-related tax policies effectively.

Policies	2024 Article IV Recommendations	Actions since 2024 Article IV Consultations (As of July 2, 2025)
Improve Data Quality and Coverage	Improving data collection and sharing across relevant agencies.	• A sub-decree has been issued by the Royal Government of Cambodia to establish the National Institute of Statistics (NIS) as a national public administration institute. Under this new structure, the NIS is governed by a board of directors composed of representatives from relevant ministries, with a representative from the Ministry of Planning (MOP) serving as the chairperson. The NIS operates under the technical supervision of the MOP and the financial supervision of the Ministry of Economy and Finance (MEF). • To improve banking data collection, the NBC has introduced a new function to its platform for recording inter-bank transactions and collecting data on bank-customer transactions. Despite this progress, limitations persist in data sharing mechanisms among government agencies, particularly concerning timely communication and data delivery.
Anti-corruption Legal Framework	Tackling corruption and strengthening governance remain critically important.	• Progress on a specific Law on Whistleblower Protection and a Law on Transparency and Access to Information remains pending, as neither has been finalized or enacted. Currently, whistleblower protections are limited to a clause within the existing Anti-Corruption Law.

Annex IV. Asset Management Company (AMC)[1]

The authorities are considering regulations to allow the establishment of private AMC, but views differ among stakeholders as some private sector banks favor a state-sponsored AMC. There are lessons to be learned from past country examples of public AMCs[2] that can also be applied for private or hybrid AMCs. While appropriately designing the AMC is paramount, if and when needed, to meet its objectives successfully, the authorities should accelerate banking-sector reforms, coupled with related legal and governance reforms, which supersede the establishment of AMCs.

1. The authorities are considering regulation to allow the establishment of private AMCs, while views among banks are mixed. The financial institutions are facing a substantial increase in non-performing loans (NPLs) and addressing the problem by writing them off is critical. The Association of Banks in Cambodia (ABC) supports a public AMC, thought it faces differing views among its members. They envisage the AMC as a mechanism to clean banks' balance sheet quickly, encourage capital injections, facilitate corporate restructuring, revive asset prices (particularly real estate), and reduce uncertainty. The National Bank of Cambodia (NBC) is in a process of putting together regulations to allow the creation of private AMCs, while also working on strengthening the bank resolution framework and establishing a deposit insurance. The authorities are mindful that a state-sponsored AMC entails significant fiscal and quasi-fiscal risks and are not pursuing that route.

2. Establishing a state-sponsored AMC is often considered a last-resort option to address a systemic banking crisis. AMCs could facilitate NPL resolution strategies, while allowing banks to focus on core operations. They could provide economies of scale through pooled asset management, and centralized expertise for improved asset management, including by real estate specialists, liquidation experts, and other specialists covering various sectors (Box 1). However, before choosing an AMC as the optimal policy to clean up banks' balance sheets, policymakers should be committed to recognizing and fairly allocating losses (including those on related parties); addressing any shortcomings related to the legal, institutional, regulatory, and market environment for NPL management; and making a realistic assessment of the risks and costs that an AMC will entail.

[1] Prepared by Enrique Flores Curiel (APD).

[2] Please refer to Otero Fernandez Miguel A, Jaime Ponce, Marc C Dobler, and Tomoaki Hayashi (2024), "The Case for (and Against) Asset Management Companies in Banking Crises," IMF Technical Notes and Manuals, No. 2024/004.

Annex IV. Box 1. Cambodia: Some Notable Examples of Public AMCs

Public AMC recovery rates are impacted by the type of assets but are usually below 33 percent. Here are a few examples of relatively successful cases which—unlike Cambodia—are all characterized by strong legal frameworks.

Sweden (1992). Securum was established in 1992 to address the banking crisis. They took over bad assets from failed banks. It recovered about 50.9 percent of book value (as assets were mostly large corporate loans and real estate), was quite transparent and closed promptly. Funded through direct capital injection by the government.

Malaysia (1998). Danaharta was established in 1998 to address the Asian Financial Crisis. It purchased NPLs and recovered about 63.7 percent of asset value (mainly property back loans that benefited from a real estate recovery), with minimal fiscal losses, in a limited lifespan. The government guaranteed Danaharta's zero-coupon bonds were issued in exchange for NPLs.

Ireland (2009). NAMA was established in 2009 and took €74bn in property loans. It returned a profit to the state by acquiring loans at a steep discount (about 43 percent of book value) and recovering more than 60 percent of book value. The government guaranteed NAMA's bonds.

3. Proper conditions are not present for the establishment of a state-sponsored AMC. Sound judgements must be made by appropriately targeting and selecting banks and the type of assets in distress, assessing financial implications, and exploring possible alternatives to a public AMC.

- **Target banks:** The AMC should target assets from weak banks with viable restructuring plans. These banks hold a high volume of NPLs or distressed assets, and removing bad assets can facilitate orderly resolution, recapitalization or even liquidation[3]. Bank owners will take losses or dilution, which deters reckless behavior.

- **Target assets:** Stress that effectiveness hinges on a clearly defined mandate, for example managing large, homogenous NPLs. These are loans to large corporates or real estate projects. If they are similar in type, structure, or collateral, it allows for standardized resolution strategies.

- **Assessing the financial implications:** The government may need to inject capital into the AMC or absorb its financial obligations if asset recovery falls short, by issuing debt or using some of its existing liquidity (deposits in the banking system). The NBC should not take quasi-fiscal risks by funding the AMC or taking its assets as collateral. These risks are particularly sensitive if the distressed assets are overpriced, leading to eventual bailouts initially hidden.

- **Timing considerations.** The authorities should assess the probability of a financial crisis which leads to an informed decision on establishing a public AMC or pursuing alternative options.

[3] Weak but viable banks may resist low transfer prices. Political pressures to set artificially high prices would raise the risk of higher fiscal costs and moral hazard.

4. **The design of the public AMC is key for its success.** The authorities need to establish clear objectives. Policies should be set for the prudent selection and valuation of assets and determine the government mechanisms to fund the AMC. This would be quite challenging, given limited cash buffers and incipient access to capital markets. It should also feature a strong governance structure with independent management—free from political influences. It should be subject to regular audits and reporting to ensure public trust. Finally, the lifespan of the AMC should be well defined with a sunset clause.

5. **AMCs do not offer blanket solutions, and managing AMCs poses significant challenges and risks.** Assessing and executing the right transfer price is particularly challenging during periods of stress, as distress assets face thin markets and high price volatility. Moreover, banks may know more about the quality of their own assets than the AMC, leading to adverse selection. An AMC could also lead to moral hazard, allowing them to take more risks given the prospect of a future bailout. Valuation models might be unreliable given a lack of recent sales for similar assets. An AMC could face significant losses given its potential large balance sheet and might have high set-up costs and face operational complexities. There is also a risk of political interference, resulting from high governance-related risks (**Annex V**).

6. **The authorities are appropriately focusing on alternatives—banking sector reforms—that embark on greater market discipline.** The authorities are implementing early supervisory intervention, pursuing enhanced diagnosing of asset quality, and advancing regulations on bank resolution, emergency liquidity assistance, and deposit insurance frameworks. They are also working on legal reforms towards improving bankruptcy, foreclosure and collateral recovery processes to facilitate NPL resolutions. These reforms, coupled with efforts to address the governance-related risks, are the priority and strengthen market discipline for banks to improve their business models under enhanced supervisory and regulatory frameworks.

Annex V. Governance and Anti-Corruption[1]

This annex reviews Cambodia's current governance and anti-corruption landscape and macro-critical implications to inclusive growth. It takes stock of progress made on the past staff recommendations (Annex VIII, 2022 Article IV consultation), identifies economic sectors with significant corruption vulnerabilities, and recommends priority reforms moving forward. The analysis draws on recent evidence from 2023–2025, including governance indicators, audit findings, enforcement trends, and discussions with authorities and key stakeholders held during the mission. By focusing on areas where institutional weaknesses intersect with economic outcomes, the annex aims to guide the authorities in calibrating their anti-corruption and transparency efforts to support Cambodia's strategy for building macroeconomic resilience and sustainable and inclusive growth.

A. Introduction and Context

1. Cambodia continues to face substantial corruption vulnerabilities highlighted in the 2022 Article IV Staff Report. Its Corruption Perceptions Index (CPI) score declined from 22 in 2023 to 21 in 2024. This one-point drop reverses the modest improvements observed between 2019 and 2022 and places the country below regional (ASEAN) averages.[2] Rule of law indicators have remained stagnant during 2022-24, with the Cambodia's overall rule-of-law score holding at 0.31, down from 0.35 in 2015.[3] This sustained low performance reflects scarce progress in confronting corruption, and the continuation of significant risks that may hamper economic performance.

2. Significant corruption vulnerabilities persist in sectors that are critically important to Cambodia's economy. In land management, weak legal safeguards and the broad discretionary power of authorities raise vulnerabilities as they create opportunities for large-scale economic land concessions or the approval of special economic zones granted with little to no oversight or transparency, and in occasion in violation of existing laws. Several key stakeholders flagged that the solicitation of bribes for the approval of construction or environmental licenses in furtherance of related projects adds to the existing vulnerabilities. Public procurement is also subject of heightened risks, as bribes or gifts are generally expected to secure government contracts, particularly in construction and infrastructure projects.[4] In the health sector, procurement of medicines and medical equipment remains opaque, which creates risks for favoritism and embezzlement. The

[1] Prepared by Camilo Enciso and Janathan Pampolina (both LEG).

[2] Between 2019 and 2022, Cambodia's CPI score rose from 20 to 24, signaling modest progress in perceived control of corruption. However, the score declined to 22 in 2023 and further to 21 in 2024. The 2024 score is significantly below the ASEAN average of 39.4, highlighting persistent governance vulnerabilities relative to other peer member states. (Transparency International, Corruption Perceptions Index)

[3] WJP Rule of Law Index | Cambodia Insights, 2024. For a full explanation of the methodology used by the WJP, read here: Index-Methodology-2024.pdf

[4] In one survey, nine out of ten businesses indicated that they expect to give gifts to secure government contracts. Cambodia country risk report | GAN Integrity and Transparency International Cambodia » How Cambodia Can Benefit from an E-Procurement System, July, 2024.

natural resource sector—especially forestry and mining—is another area of elevated vulnerability, where illegal logging and extractive operations often proceed with the complicity of local authorities and powerful elites. [5] Other corruption-prone areas include customs and tax administration, where informal payments are widespread and affect national revenue and public spending. [6] These systemic risks are reinforced by patronage networks and weak institutional checks. [7]

B. Anticorruption

3. Despite some recent initiatives, overall anti-corruption efforts remain fragmented. The Anti-Corruption Unit (ACU) reactivated high-profile investigations and increased coordination with the National Audit Authority (NAA) and Cambodia Financial Intelligence Unit (CAFIU). However, overall anticorruption efforts face persistent legal, institutional, and enforcement challenges, and shortcomings to prevent and sanction macro-critical corruption, especially in cases involving those in positions of authority.

4. Draft laws on access to information ("A2I"), reforms to the criminal code, and whistleblower protection provisions, are in the making, but have yet to be filed with Parliament and duly enacted. The Ministry of Information has been leading the drafting of an Access to Information Law. However, the authorities reported that submission with Parliament has been postponed until 2029 and depends on the previous approval of a law that will reform the Law of Free Press and on the enactment of a Law for the Prevention of Fake News. Civil society organizations and the private sector are urging enhancements and the swift adoption of the A2I law, particularly to eliminate overly broad confidentiality exemptions. [8] The Ministry of Justice has begun preparatory work for the review and enhancement of the Cambodian Criminal Code. As of now, there is no expectation that substantial changes will be made to the provisions needed for the fight against corruption. A draft whistleblower protection law has been in the making, but is still pending review by the Ministry of Justice before submission with Parliament. All of the above constrain the capacity of the state to detect and punish corruption offences perpetrated by public officials in positions of authority significant for the economy, and also hampers the recovery of assets.

5. Key reforms to Cambodia's anticorruption framework—particularly in procurement, transparency, and oversight—remain limited in scope, and must address risks of the leakage of public funds. With support from development partners, the authorities are rolling out a welcome

---

[5] Amnesty International, Illegal Logging, Repression, Indigenous People's Rights Violations in Cambodia's Protected Forests, 2022.

[6] Transparency International-Cambodia, https://www.ticambodia.org/wp-content/uploads/TI-Cambodias-Strategic-Plan-2023-2025.pdf, pp. 3, 11.

[7] Transparency International-Cambodia, https://www.ticambodia.org/wp-content/uploads/TI-Cambodias-Strategic-Plan-2023-2025.pdf, p. 3.

[8] Joint Statement, The Access to Information Law Boosts Investments and Economic growth in Cambodia (September 27, 2024); and Cambodian Journalist Alliance Association, Ministry of Information Finalizing Protracted Access to Information Draft Law (January 24, 2024).

new procurement platform and pursuing a revised procurement law, aiming to align with IMF recommendations (Article IV staff reports 2022–24), which sought to prevent the leakage of public funds critical to the economy. Steps have been taken to improve procurement regulations and processes in the health sector, with the support of the United Nations Development Programme. However, still today, the private sector operates a website which publishes information regarding public tenders, but no similar unified platform operates for the public sector. The absence of a public beneficial ownership register linked to procurement processes hinders the detection of conflicts of interest and allows opaque corporate structures to bid in state contracts, increasing fiscal risks and reducing trust in public spending.

6. The asset declaration system, especially as regards individuals with significant authority in key state functions, exhibits deficiencies hampering corruption detection. Asset declarations are still manually collected, not publicly accessible, minimally verified, and exclude relatives' assets. The Anti-Corruption Law or the Asset Declaration regime have yet to be amended to meet the standards recommended in the 2022 Article IV staff report. While collection of asset declarations has improved, key weaknesses remain: the confidentiality of asset declarations, the absence of data on children and spouses, weak oversight, and insufficient independence for investigators. Strengthening the asset declaration regime and putting in place risk-based audits are needed, calling for capacity development efforts supported by development partners.

7. Over the past year, the ACU demonstrated renewed activity in the enforcement of Cambodia's anti-corruption framework. Investigations and prosecutions targeting both central and provincial officials have visibly increased, yet insufficient independence remains concerning. The ACU has launched operations addressing bribery, abuse of power, and trafficking of influence, notably in sectors such as education, social protection, and public procurement. These efforts reflect a broader attempt to disrupt entrenched and systemic corrupt activities.[9] Investigations have also aimed to address the laundering of proceeds of corruption.

8. The NAA has made some strides in enhancing audit coverage and transparency but faces challenges to its effectiveness. It expanded the publication of audit reports on its website and participated in the Anti-Corruption Coordination Commission alongside the ACU and CAFIU. However, its impact remains constrained by limited operational autonomy. In 2023 and 2024, the NAA initiated audits in priority sectors such as procurement and subnational budgeting, but many of its findings have not translated into follow-up investigations or sanctions. Concerns persist regarding the NAA's overall effectiveness and institutional independence specifically in determining its agenda and the absence of a strategic plan to focus fiscal oversight on high-risk areas. Strengthening the independence and resource base of the NAA is essential to ensure that audit findings contribute meaningfully to enforcement, fiscal accountability, and trust in public financial management. These developments mark a shift toward more assertive enforcement. Inter-agency

[9] Typologies of corrupt activities include misuse of authority for personal gain, collusion, and kickbacks in local-level bidding processes, and selling public-sector positions.

coordination efforts between ACU, CAFIU, and NAA have been reported by authorities. Yet, increased efforts are needed, particularly to target high-level corruption.

C. Rule of Law

9. Weak rule of law continues to undermine property rights and land tenure security. Cambodia scored 0.26 in the World Justice Project's "Regulatory Enforcement" factor, including low performance on the sub-indicator on "the government does not expropriate property without adequate compensation". The low score points to deficiencies in protections against arbitrary state seizure of property.[10] This factor may deter investment and development of projects critical to the economy. Lastly, land tenure insecurity remains a constrain, including for poor urban communities.[11] In one perception-based survey, land tenure insecurity in Cambodia has worsened from 2020 to 2024.[12]

10. Judicial integrity remains fragile, affecting contract enforcement and the protection of property rights. Between 2022 and 2024, the country's scores in the World Justice project have plateaued at 0.26 in both civil and criminal justice categories. On civil justice, deeper vulnerabilities are reflected in sub-scores related to freedom from improper government influence (0.15) and corruption within the judicial system (0.16).[13] These data indicate that, despite some reform efforts, significant gaps persist in the independence, integrity, and effectiveness of Cambodia's judicial and legal institutions. The lack of reliability of judicial institutions has continued to raise concerns that deter investment and the development of a reliable business environment in the country.

11. Authorities expressed their commitment to strengthen the rule of law. Ongoing reforms, aim to ensure the creation of a specialized commercial jurisdiction and the modernization of civil and procedural legislation. Authorities have finished the drafting of a law on the organization structure of commercial courts and are working on the drafting of an applicable procedural code for commercial disputes. The approval of the law providing for the creation of commercial courts is expected to occur before the end of the year, and the approval of the procedural norms, soon thereafter.

[10] Based on the WJP Rule of Law Index 2024, which aggregates expert and household survey responses on administrative due process; Cambodia's low sub-factor score of approximately 0.26 (on a 0–1 scale) reflects weak safeguards against uncompensated expropriation.

[11] Sahmakum Teang Tnaut Organization, Land Security of Urban Poor Communities: Challenges and Solutions (2024).

[12] Prindex, which measures individuals' perceptions of the security of their rights to land and property. It is based on nationally representative surveys that ask respondents whether they feel they are at risk of losing their home or land against their will in the near future. The resulting land tenure insecurity score reflects the percentage of adults who report feeling insecure about their tenure rights. The survey is conducted jointly by Global Land Alliance and Overseas Development Institute, using standardized questionnaires and methodology across countries to allow comparability over time and geography. For Cambodia, tenure insecurity increased from 35 percent in 2020 to 42 percent in 2024.

[13] World Justice Project Rule of Law Index 2024, Cambodia.

D. Recommendations and Priorities

Given Cambodia's limited institutional capacity and the need to maintain momentum in governance reforms, the following three priority areas represent the most urgent and macro-critical interventions:

(a) Reform asset declaration regime and legal framework.

- Amend the Anti-Corruption Law and the Asset Declaration Law to ensure public access to declarations, coverage of spouses and children, and full digitalization.
- Adopt a phased strategy for risk-based audits on asset declarations, focusing on high-risk officials in procurement, land management, tax and customs, and extractives.
- Guarantee institutional independence of ACU authorities.

Justification: These measures are essential for restoring trust in public institutions and deterring abuse of power in sectors that drive public investment and revenue mobilization.

(b) Enhance transparency and whistleblower protection.

- Adopt the draft law on access to information, ensuring its application across all ministries and state bodies.
- Finalize and adopt law on whistleblower protection aligned with international best practices.
- Derogate Article 41 of the Anti-Corruption Law, which criminalizes good-faith disclosures.

Justification: Stronger protection and transparency mechanisms would reduce leakages and inefficiencies, especially in public procurement, where opacity continues to deter foreign investment and raise project costs. Furthermore, strong whistleblower protection would contribute to the effective detection of unexplained wealth and to the recovery of assets lost to corruption.

(c) Strengthen procurement oversight and beneficial ownership transparency.

- Build a centralized public platform integrating procurement data across sectors.
- Disclose full bidding documents and results, including beneficial ownership information.

  Justification: Transparent procurement systems are vital to fiscal discipline and public service delivery, especially as Cambodia scales up infrastructure and health investments.

(d) Enhance efforts to improve integrity of public officials, prioritizing those working in tax and customs, land management, construction and environmental permits.

- Strengthen mechanisms for the recruitment of public officials of the aforesaid sectors that comply with high integrity standards.
- Conduct audits and integrity checks over public officials already working in those sectors, with the coordination support of the ACU, CAFIU, and the NAA.
- Put in place secure reporting channels of solicitation of bribes or any other form of corruption.

Justification: Focusing integrity measures on tax and customs, land management, construction, and environmental permits will safeguard revenue collection, ensure more efficient and transparent public spending, and reduce corruption risks in sectors that are particularly critical for economic activity and investor confidence. Strengthening recruitment standards, introducing systematic audits, and enabling secure reporting mechanisms in these areas will help mitigate vulnerabilities that can undermine growth and fiscal stability.

(e) Adopt pending legislation for the creation of specialized commercial courts.

- Enact the draft law on the organizational aspects of commercial courts.
- Enact the draft law on procedure of commercial disputes.

Justification: Establishing specialized commercial courts through the adoption of the pending legislation will enhance contract enforcement, strengthen property rights, and provide more efficient resolution of business disputes and NPLs. This will help foster investor confidence, support private sector development, and ultimately contribute to economic growth and stability.

Annex VI. Data Issues

Annex VI. Table 1. Cambodia: Data Adequacy Assessment for Surveillance

Data Adequacy Assessment Rating 1/
C

Questionnaire Results 2/

Assessment	National Accounts	Prices	Government Finance Statistics	External Sector Statistics	Monetary and Financial Statistics	Inter-sectoral Consistency	Median Rating
	C	B	C	C	B	B	C

Detailed Questionnaire Results

Data Quality Characteristics	National Accounts	Prices	Government Finance Statistics	External Sector Statistics	Monetary and Financial Statistics	Inter-sectoral Consistency
Coverage	B	C	C	B	C	
Granularity 3/	C		C	C	B	
			C		B	
Consistency			C	C		B
Frequency and Timeliness	D	A	C	A	A	

Note: When the questionnaire does not include a question on a specific dimension of data quality for a sector, the corresponding cell is blank.
1/ The overall data adequacy assessment is based on staff's assessment of the adequacy of the country's data for conducting analysis and formulating policy advice, and takes into consideration country-specific characteristics.
2/ The overall questionnaire assessment and the assessments for individual sectors reported in the heatmap are based on a standardized questionnaire and scoring system (see IMF *Review of the Framework for Data Adequacy Assessment for Surveillance* , January 2024, Appendix I).
3/ The top cell for "Granularity" of Government Finance Statistics shows staff's assessment of the granularity of the reported government operations data, while the bottom cell shows that of public debt statistics. The top cell for "Granularity" of Monetary and Financial Statistics shows staff's assessment of the granularity of the reported Monetary and Financial Statistics data, while the bottom cell shows that of the Financial Soundness indicators.

A	The data provided to the Fund are adequate for surveillance.
B	The data provided to the Fund have some shortcomings but are broadly adequate for surveillance.
C	The data provided to the Fund have some shortcomings that somewhat hamper surveillance.
D	The data provided to the Fund have serious shortcomings that significantly hamper surveillance.

Rationale for staff assessment. Overall, there are some shortcomings in the data that somewhat hamper surveillance, including on the national accounts, government financial statistics, and external sector statistics. On the national accounts, the frequency and timeliness significnalty hamper surveillance, with higher frequency indicators available only for a few sectors--mainly goods exports. The government accounts have coverage and granularity limitations, and signfiicant lags for debt. The conversion from TOFE to GFS presentation has been slow and classification of data is questionable in items such as acquisitions of non-financial assets, grants, and subsidies. On monetary and financial statistics, coverage limitations somewhat hampers the effective monitoring of intermediation by non-bank financial institutions. On the external sector statistics, errors and omissions are large (3.3 percent of GDP in 2023). Direct investment, the international investment position (IIP), and travel services data have some shortcomings in terms of quality and granularity. Risks associated with crdit provided by real estate companies is not properly captured.

Changes since the last Article IV consultation. NBC has made progress compiling direct investment from banks. There is also progress to strengthening the organization and governance of the national institue of statistics (see annex IV). The timeliness of financial soundness indicators has deteriorated.

Corrective actions and capacity development priorities.With the support of the Fund, there is progress to update the CPI weights, develop high frequency indicators of economic activity, to update the input-output and supply use tables for national accounts, and to improve FSI (eg., classification of instruments to align with 2019 FSI guide). In addition, there is ongoing technical assitance to enhance the compilation and validation of external sector statistics, including the goods components of the BoP, the IIP, direct investment, external debt statistics and travel services. Moreover, upcoming missions by the IMF's Statistics Department will review the institutional development plan to strengthen the capacity of the National Institue of Statistics to conduct the Report on the Observance of Standards and Codes.

Use of data and/or estimates in Article IV consultations in lieu of official statistics available to staff. Estimates from a nowcasting model developed by ICD technical assistance are used to guide the quarterly assessment of economic activity.

Other data gaps. Activities in the large informal economy are not adequately tracked. Information on the corporate sector is limited, including on financing provided for real estate activities by non-financial corporates. The data on the labor market is quite limited, with the last labor force survey conducted in 2019.

Annex VI. Table 2. Cambodia: Data Standards Initiatives

Cambodia participates in the Enhanced General Data Dissemination System (e-GDDS) and publishes the data on its National Summary Data Page since May 2018.

Annex VI. Table 3. Cambodia: Summary of Data Quality Factsheets 1/2/

1/ The heatmap compares different dimensions of the country's data quality to its regional and income group peers, based on the findings from sectoral data quality factsheets. The ratings are based on the following scoring system: good data quality (shown as green-colored cells in the map) refers to countries that meet or exceed the relevant benchmarks established in statistical manuals or the Fund's dissemination standards, whereas weak data quality (shown as red-colored cells) refers to countries that lag behind these benchmarks or do not report the data. In cases where a statistical standard or benchmark is not established (e.g., internal consistency between CPI and GDP deflator, size of unidentified debt-creating flows), good data quality refers to countries that are at or above the median of the Fund membership, and weak data quality refers to countries below this median or without the data.

2/ All colored-cells in this heatmap are also presented in sectoral data quality factsheets (worksheets starting with "DQF-"), in the form of bar charts and heatmaps, together with additional details and sources. In the case of granularity-related indicators, which are based on heatmaps in data quality factsheets, we take the median rating of individual data categories to determine the cell color (i.e., "green" if the country's median rating is above or equal to the Fund median and "red" if not).

3/ The consistency indicator captures the following in each sector: the 5-year average correlation between CPI and GDP deflator inflation in the real sector ("Prices"); the size of unidentified government debt creating flows in the fiscal sector; and the size of net errors and omissions in the balance of payments in the external sector.

4/ GO: Government Operations; ESS: External Sector Statistics; MFS: Monetary and Financial Statistics; and FSI: Financial Soundness Indicators.

Disclaimer: Information reported in the map—sourced from FAD, SPR, STA, and RES databases, as well as from the authorities' National Summary Data Page (for those countries participating in the Data Standard Initiatives), may be incomplete or outdated. This information is offered as input for the team's overall assessment of data adequacy, which should also reflect each country's surveillance priorities and specific circumstances.

Annex VI. Table 4. Cambodia: Table of Common Indicators Required for Surveillance

As of October 3, 2025

	Data Provision to the Fund				Publication under the Data Standards Initiatives through the National Summary Data Page			
	Date of Latest Observation	Date Received	Frequency of Data[6]	Frequency of Reporting[6]	Expected Frequency[6,7]	Cambodia[8]	Expected Timeliness[6,7]	Cambodia[8]
Exchange Rates	3-Oct-25	3-Oct-25	D	D	D	M	...	5W
International Reserve Assets and Reserve Liabilities of the Monetary Authorities[1]	Jul-25	Aug-25	M	M, 2 month lag	M	M	1M	2M
Reserve/Base Money	Jul-25	Aug-25	M	M, 1 month lag	M	M	2M	2M
Broad Money	Jul-25	Sep-25	M	M, 2 month lag	M	M	1Q	2M
Central Bank Balance Sheet	Jul-25	Sep-25	M	M, 2 month lag	M	M	2M	2M
Consolidated Balance Sheet of the Banking System	Jul-25	Sep-25	M	M, 2 month lag	M	M	1Q	2M
Interest Rates[2]	Aug-25	Sep-25	M	M, 2 month lag	M	M	...	2M
Consumer Price Index	Aug-25	Sep-25	M	M, 1-2 month lag	M	M	2M	15D
Revenue, Expenditure, Balance and Composition of Financing[3]–General Government[4]	May-25	Aug-25	M	M, 1-2 month lag	A	M	3Q	1M
Revenue, Expenditure, Balance and Composition of Financing[3]–Central Government	May-25	Aug-25	M	M, 1-2 month lag	Q	M	1Q	40D
Stocks of Central Government and Central Government-Guaranteed Debt[5]	Dec-24	Aug-25	S	S, 3 month lag	Q	A	2Q	9M
External Current Account Balance	2025Q2	Sep-25	Q	Q, 3 month lag	Q	Q	1Q	1Q
Exports and Imports of Goods and Services	2025Q2	Sep-25	Q	Q, 3 month lag	M	M	12W	2M
GDP/GNP	2024	Aug-25	A	A, 6 month lag	Q	A	1Q	6M
Gross External Debt	2025Q2	Sep-25	Q	Q, 3 month lag	Q	Q	2Q	1Q
International Investment Position	2025Q2	Sep-25	Q	Q, 3 month lag	A	Q	3Q	1Q

[1] Includes reserve assets pledged or otherwise encumbered, as well as net derivative positions.

[2] Both market-based and officially determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.

[3] Foreign, domestic bank, and domestic nonbank financing.

[4] The general government consists of the central government (budgetary funds, extra budgetary funds, and social security funds) and state and local governments.

[5] Including currency and maturity composition.

[6] Frequency and timeliness: ("D") daily; ("W") weekly or with a lag of no more than one week after the reference date; ("M") monthly or with lag of no more than one month after the reference date; ("Q") quarterly or with lag of no more than one quarter after the reference date; ("A") annual.; ("SA") semiannual; ("I") irregular; ("NA") not available or not applicable; and ("NLT") not later than.

[7] Encouraged frequency of data and timeliness of reporting under the e-GDDS and required frequency of data and timeliness of reporting under the SDDS and SDDS Plus. Any flexibility options or transition plans used under the SDDS or SDDS Plus are not reflected. For those countries that do not participate in the IMF Data Standards Initiatives, the required frequency and timeliness under the SDDS are shown for New Zealand, and the encouraged frequency and timeliness under the e-GDDS are shown for Eritrea, Nauru, South Sudan, and Turkmenistan.

[8] Based on the information from the Summary of Observance for SDDS and SDDS Plus participants, and the Summary of Dissemination Practices for e-GDDS participants, available from the IMF Dissemination Standards Bulletin Board (https://dsbb.imf.org/). For those countries that do not participate in the Data Standards Initiatives, as well as those that do have a National Data Summary Page, the entries are shown as "..."

INTERNATIONAL MONETARY FUND

CAMBODIA

November 3, 2025

STAFF REPORT FOR THE 2025 ARTICLE IV CONSULTATION—INFORMATIONAL ANNEX

Prepared By

Asia and Pacific Department
(In consultation with other departments)

CONTENTS

FUND RELATIONS

(As of September 30, 2025)

Membership Status:

Joined December 31, 1969; accepted the obligations under Article VIII, Sections 2, 3, and 4 on January 1, 2002.

General Resources Account:	**SDR Million**	**Percent Quota**
Quota	175.00	100.00
Fund holdings of currency (Holdings Rate)	153.13	87.50
Reserve Tranche Position	21.88	12.50

SDR Department:	**SDR Million**	**Percent Allocation**
Net cumulative allocation	251.65	100.00
Holdings	258.99	102.92

Outstanding Purchases and Loans: None

Latest Financial Arrangements:

Type	Date of Arrangement	Expiration Date	Amount Approved (SDR Million)	Amount Drawn (SDR Million)
ECF [1/]	Oct. 22, 1999	Feb. 28, 2003	58.50	58.50
ECF [1/]	May 06, 1994	Aug. 31, 1997	84.00	42.00
[1/] Formerly PRGF.				

Overdue Obligations and Projected Payments to the Fund [2/]
(SDR Million; based on existing use of resources and present holdings of SDRs):

	Forthcoming				
	2025	2026	2027	2028	2029
Principal					
Charges/Interest		0.00	0.00	0.00	0.00
Total		0.00	0.00	0.00	0.00
[2/] When a member has overdue financial obligations outstanding for more than three months, the amount of such arrears will be shown in this section.					

Multilateral Debt Relief Initiative

As part of the Multilateral Debt Relief Initiative (MDRI), the IMF Executive Board on January 5, 2006, approved relief on 100 percent of debt incurred by Cambodia to the IMF before January 1, 2005. This resulted in the forgiving of all of Cambodia's outstanding debt to the IMF, a total of SDR 56.83 million (about US$82 million). The authorities intended to spend the resources over a number of years, initially on rural irrigation projects. The National Bank of Cambodia (NBC) transferred the full MDRI proceeds to the Ministry of Economy and Finance effective March 2006.

Safeguards Assessment

A voluntary safeguards assessment of the NBC was completed in January 2010 at the request of the authorities, which updated the previous March 2004 voluntary assessment. The update assessment found that the NBC had taken steps to strengthen aspects of its safeguards framework; however, important recommendations proposed in 2004 were still outstanding, and some new risks had emerged in the area of external audit.

Exchange Rate Arrangement

The currency of Cambodia is the Cambodian riel. Cambodia's de facto exchange rate arrangement is classified as *crawl-like*. The *de jure* exchange rate arrangement is a *managed float*. The exchange rate regime comprises two rates: the official rate and the market rate. The official exchange rate, which is expressed in Riels per U.S. dollar, applies to all official external transactions conducted by the central government and state enterprises, and is used for accounting purposes by the NBC. It is determined by the foreign exchange market, with the official rate adjusted to be within 1 percent of the market rate on a daily basis.

Cambodia accepted the obligations of Article VIII, Sections 2, 3, and 4 of the IMF's Articles of Agreement. Cambodia maintains an exchange system that is free of multiple currency practices and restrictions on the making of payments and transfers for current international transactions.

Article IV Consultation

Cambodia is on the standard 12-month Article IV consultation cycle. The previous Article IV consultation discussions were held during September 17–30, 2024. The Executive Board concluded the Article IV consultation (IMF Country Report 25/22) on January 10, 2025.

Financial Sector Assessment Program (FSAP)

The joint IMF-World Bank FSAP mission took place in March 2010 and the assessment was completed in October 2010.

Resident Representative

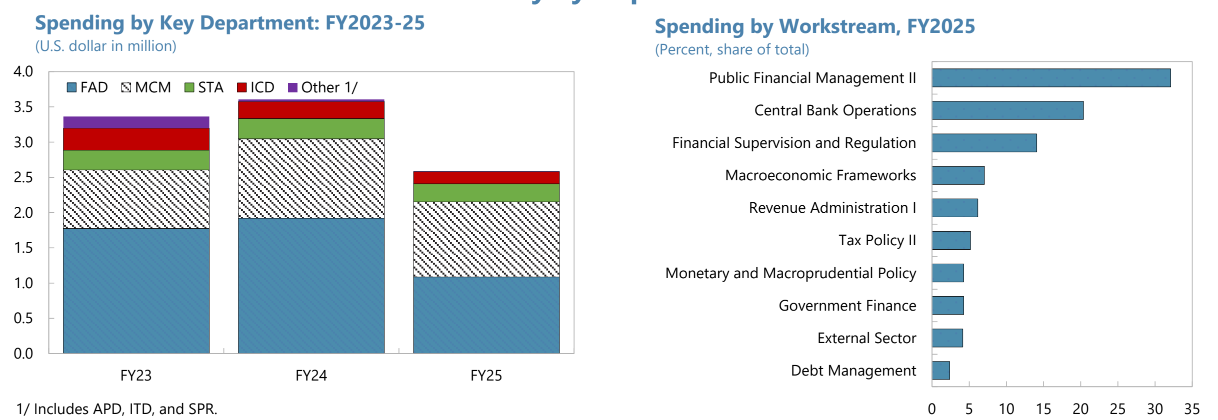
Mr. Jochen Schmittmann is the regional IMF Resident Representative for Cambodia, based in Vietnam.

Technical Assistance

In FY2023-25, Cambodia was among the largest recipients of capacity development (CD) in the Fund. In FY2025, the Fund has allocated around US$2.6 million to deliver CD, led by Fiscal Affairs Department (FAD), followed by Monetary and Capital Markets Department (MCM), Statistics

Department (STA), and Institute for Capacity Development (ICD). Nearly a half of the spending was allocated for technical assistance (TA) provided by long-term experts (LTXs) based in the Capacity Development Office in Thailand (CDOT) and resident experts in Phnom Penh. The resident LTXs covered public financial management, central bank operations, and financial supervision and regulation. Headquarters-based IMF staff provided a third of the total TA, followed by short-term experts. The resource use closely follows the CD strategy[1] and was concentrated on the workstreams covered by the LTXs and macroeconomic frameworks, which together accounted for nearly three quarters of the total expense. Nearly 95 percent of CD delivery was externally financed, of which the Japan subaccount (JSA) financed the most.

Cambodia: CD Delivery by Department and Workstream



Source: IMF, CD Hub (2025).

Moving forward, CD needs to focus on the areas of revenue mobilization, customs and tax administration, public financial management, performance-based budgeting to improve expenditure efficiency, and development of local-currency government bond market, which all lend support to implementing Cambodia's development strategies and accelerating economic transformation needed for inclusive and sustainable economic growth. Safeguarding macro-financial stability is indispensable in this context. CD activity needs to further strengthen regulatory and supervisory capacity of the National Bank of Cambodia, improve the monetary policy framework, enhance systemic financial stability analysis, and implement banking sector reforms. Improving statistics and ensuring information sharing across agencies are among the high priority CD areas, which can support informed-policy formulation and decision as well as the Fund surveillance. CD can be also provided to strengthen governance and institutions, which can address corruption-related risks.

[1] See Annex IV. Capacity Development Strategy in the 2022 Staff Report (IMF Country Report No. 22/371).

Given the priority areas of CD, the following list of TA has been delivered for the last three years.

Cambodia: Technical Assistance Delivered in 2023-25			
	Department	**Technical Assistance - Topic**	**Mission Dates**
		2023	
1	CDOT/ITD/MCM	Liquidity Forecasting Framework	January 17–26, 2023
2	CDOT	Government Finance Statistics and Public Sector Debt Statistics	January 17–27, 2023
3	FAD	Technical Review of Draft Customs Law	January 23–February 10, 2023
4	FAD	Customs Administration (Follow-Up)	February 20–March 3, 2023
5	FAD	Business Process Reengineering	February 27–March 17, 2023
6	FAD	Customs Special Economic Zone Management	March 27–April 7, 2023
7	CDOT	Government Finance Statistics and Public Sector Debt Statistics	April 10–21, 2023
8	CDOT	External Sector Statistics	April 24–28, 2023
9	STA	CPI Prices Statistics	April 24–May 5, 2023
10	CDOT	Treasury Management on Accrual Accounting	May 22–June 2, 2023
11	STA	GDP rebasing Virtual Meeting	June 26, July 3, 2023
12	CDOT	Remote TA Official Exchange Rate Determination	September 5–14, 2023
13	CDOT	Treasury Management on Internal Audit	September 11–29, 2023
14	FAD	Tax Policy	September 14–19, September 28–October 6, 2023
15	MCM	Solvency Stress Testing (FSSR Follow-Up)	September 25–October 6, 2023
16	MCM	Interim Project Assessment (FSSR Follow-Up)	October 2–5, 2023
17	FAD	PFM Budget Preparation	November 6-21, 2023
18	CDOT	Monetary and FX Operations	November 21–24, 2023
19	CDOT	Government Finance Statistics and Public Sector Debt Statistics	December 6–19, 2023
20	STA	GDP-Improve Data and Methods for GDP by Expenditure and Production	December 17–21, 2023
		2024	
1	FAD	FMIS Strategy	January 14–25, 2024
2	STA	Residential Property Price Index	January 14-18, 2024
3	FAD	Public Investment Management	January 28–February 8, 2024
4	CDOT	Macroeconomic Frameworks	February 28–March 6, 2024
5	CDOT	Forecasting and Policy Analysis System	February 29–March 7, 2024
6	CDOT	Accounting	March 13–28, 2024
7	FAD	Customs Management on Special Economic Zones and Qualified Investment Projects	March 17–28, 2024
8	CDOT	Monetary Operations	March 19–28, 2024
9	CDOT	External Sector Statistics	April 1–5, 2024
10	CDOT	Public Financial Management	April 8–12, 2024
11	CDOT	Government Finance Statistics and Public Sector Debt Statistics	April 22–26, 2024
12	FAD	Revenue Forecasting	May 15–24, 2024
13	CDOT	Government Finance Statistics and Public Sector Debt Statistics	June 10–14, 2024
14	CDOT	Monetary Operations	June 18–20, 2024

15	FAD	Fiscal Rules	July 8–12, 2024
16	CDOT/STA	De-dollarization	September 8-21, 2024
17	STA	Review of the Cambodian Statistical System and the Preparation of a Report on the Observance of Standards and Codes (Data ROSC) for Cambodia	September 9–17, 2024
18	FAD	Revenue Administration	September 18–20, 2024
19	FAD	Public Financial Management Accounting and Cash Management	October 14-18, 2024
20	CDOT/STA	External Sector Statistics	October 21–November 1, 2024
21	CDOT	Public Financial Management Accounting and Cash Management	December 2–13, 2024
22	MCM	Government Bond Market	December 4–12, 2024
23	CDOT/STA	Government Finance Statistics and Public Sector Debt Statistics	December 9–13, 2024
2025			
1	STA	Residential Property Price Index	January 13–17, 2025
2	CDOT	Forecasting and Policy Analysis System	February 24–28, 2025
3	CDOT	Cash-based International Public Sector Accounting Standards	February 26–March 11, 2025
4	CDOT/STA	Government Finance Statistics and Public Sector Debt Statistics	April 21–25, 2025
5	CDOT	Monitoring and Evaluation of Government Expenditure	April 23–30, 2025
6	CDOT/ST	External Sector Statistics	April 28–May 8, 2025
7	CDOT	Inter-agency Economic Core Group on Macroeconomic Framework for the Ministry of Economy and Finance, the National Bank of Cambodia, and the National Institute of Statistics	May 19–23, 2025
8	ST	Report on the Observance of Standards and Codes (ROSC) mission to the Ministry of Economy and Finance, the National Bank of Cambodia, and the National Institute of Statistics	September 8–12, 2025
9	FAD	Revenue Administration mission to GDCE	September 15–18, 2025

RELATIONS WITH OTHER INTERNATIONAL FINANCIAL INSTITUTIONS

World Bank: http://www.worldbank.org/en/country/cambodia

Asian Development Bank: https://www.adb.org/countries/cambodia/main

CAMBODIA

STAFF REPORT FOR THE 2025 ARTICLE IV CONSULTATION—DEBT SUSTAINABILITY ANALYSIS

November 3, 2025

Approved By
Rupa Duttagupta and Cemile Sancak (IMF), and Manuela Francisco and Lalita Moorty (IDA).

Prepared by Staff of the International Monetary Fund and the International Development Association

Cambodia: Joint Bank-Fund Debt Sustainability Analysis	
Risk of external debt distress	*Low*
Overall risk of debt distress	*Low*
Granularity in the risk rating	*Not applicable*
Application of judgment	*No*

Cambodia remains at low risk of external and overall debt distress, and its debt-carrying capacity is evaluated as medium.[1] *The baseline scenario incorporates announced policies, including those by the U.S. on reciprocal tariffs, as well as lower potential growth due to structural shifts in global trade and investment flows. The total public and publicly guaranteed debt-to-GDP ratio is projected to rise by 6.3 percentage points of GDP over the next decade. Debt burden indicators are projected to remain below their thresholds in both the baseline and adverse scenarios. Stress tests show that debt sustainability is most vulnerable to contingent liabilities and growth shocks.*

[1] Cambodia's Composite Indicator (CI), based on data submitted to the July 2025 WEO and the World Bank's 2024 Country Policy and Institutional Assessment (CPIA), is 2.99, indicating medium debt-carrying capacity. This represents a slight decline from the 2024 DSA value of 3.02.

PUBLIC DEBT COVERAGE

1. **The debt sustainability analysis (DSA) covers central government debt and state-owned enterprise (SEO) debt guaranteed by the central government.** By law, state and local governments and the central bank do not engage in borrowing, and SOEs do not contract non-guaranteed loans. There are currently no extra-budgetary funds, and the National Social Security Fund is funded by deposits and does not constitute a liability for the general government (Text Table 1). As in the previous DSA, external debt is defined on a currency basis.

Text Table 1. Public Sector Debt Coverage

	Subsectors of the public sector	Sub-sectors covered
1	Central government	X
2	State and local government	
3	Other elements in the general government	
4	o/w: Social security fund	
5	o/w: Extra budgetary funds (EBFs)	
6	Guarantees (to other entities in the public and private sector, including to SOEs)	X
7	Central bank (borrowed on behalf of the government)	X
8	Non-guaranteed SOE debt	X

2. **The DSA includes contingent liabilities stress tests for public-private partnerships (PPPs) and a financial market shock** (Text Table 2).

- The shock scenario for SOE debt is set to 0 percent of GDP because, by law, SOEs do not engage in non-guaranteed external borrowing, and guarantees to SOEs are included in public and publicly guaranteed (PPG) debt.

- The end-2024 capital stock of PPPs is estimated at around 40 percent of GDP, which, assuming a 35 percent shock to the total PPP stock, corresponds to a contingent liability of 14 percent of GDP.

- The financial market shock is calibrated at 10 percent of GDP, double the default value of 5 percent. This adjustment reflects elevated risks from high private sector indebtedness, with bank credit to the private sector remaining substantial at approximately 126 percent of GDP at end-2024 and a loan-to-deposit ratio of 108. It also accounts for a sharp decline in banks' profitability amid rising NPL ratios, as well as the absence of a comprehensive bank resolution framework and a deposit insurance regime.

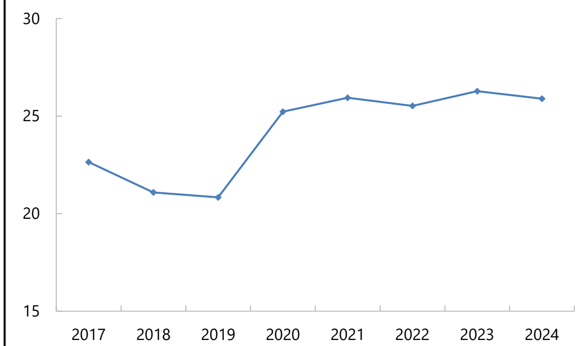
Text Table 2. Design of Contingent Liabilities Stress Test

The country's coverage of public debt	The central government, central bank, government-guaranteed debt, non-guaranteed SOE debt		
	Default	**Used for the analysis**	**Reasons for deviations from the default settings**
Other elements of the general government not captured in 1.	0 percent of GDP	0.0	
SoE's debt (guaranteed and not guaranteed by the government) 1/	2 percent of GDP	0.0	SOEs are not allowed to contract external debt.
PPP	35 percent of PPP stock	14.0	PPP stock estimated using the authorities' data
Financial market (the default value of 5 percent of GDP is the minimum value)	5 percent of GDP	10.0	Giving risks emerging from private external borrowing
Total (2+3+4+5) (in percent of GDP)		24.0	

1/ The default shock of 2% of GDP will be triggered for countries whose government-guaranteed debt is not fully captured under the country's public debt definition (1.). If it is already included in the government debt (1.) and risks associated with SoE's debt not guaranteed by the government is assessed to be negligible, a country team may reduce this to 0%.

BACKGROUND ON DEBT

Text Figure 1. External Public Debt
(in percent of GDP)



Sources: Cambodia authorities and IMF staff estimates.

3. **Cambodia's end-2024 external PPG debt amounted to around US$ 11.9 billion (25.9 percent of GDP).** The external debt-to-GDP ratio declined by 0.4 percentage points in 2024, as growth in nominal GDP outpaced debt stock growth (Text Figure 1).[2] Bilateral creditors continue to account for the majority of total external debt at 61.6 percent, with more than a half owed to China (Text Table 3).[3] External debt has been contracted on concessional terms, with a present value (PV) of 19.9 percent of GDP at end-2024.

Text Table 3. External Public Debt (2024)

	In million of U.S. dollars	In percent of GDP	In percent of external debt
Total	11,915	25.8	100.0
Multilateral	4,575	9.9	38.4
Bilateral	7,340	15.9	61.6
of which: China	4,068	8.8	34.1

Sources: Cambodia authorities and IMF estimates

4. **Public domestic debt has increased in recent years but remains negligible amid weak demand for local-currency instruments.** To support financial market development, the authorities began issuing local-currency government bonds in September 2022. Between 2023 and 2024, total bond issuance rose by nearly 30 percent to US$ 74.9 million, with a yield curve emerging from the expanded range of maturities. Nevertheless, the authorities fell short of the planned 2024 issuance target of US$ 115 million, and domestic debt remains negligible at US$ 115 million (0.3 percent of GDP) at end-2024. To stimulate domestic bond demand, the authorities have reduced the withholding tax on interest earned on these bonds by 50 percent.

5. **PPPs remain important vehicles to finance investment projects, reflecting limited resource mobilization and expectations of reduced concessional financing**. The authorities assessed that the total PPP stock stood at US$18.4 billion (39.9 percent of GDP) as of end-2024 and have been taking welcome steps to strengthen the PPP framework in line with past IMF recommendations, including by establishing a digital platform to monitor and assess PPP-related

[2] As in the previous DSA, the debt stock includes legacy arrears to the Russian Federation and the U.S. of about US$ 0.6 billion (principal only, excluding any accumulated interest), equivalent to 1.5 percent of GDP (Cambodia Public Debt Statistical Bulletin, "Old Debt Under Negotiation" in Table 3, the "Debt Stock"). While the authorities continue to engage in bilateral discussions with a view to making progress in resolving these arrears, the baseline scenario assumes no debt restructuring as in the previous DSA. The arrears relate to obligations made in the early 1970s by the then-government, which have been refuted by subsequent governments. While the authorities report a total of US$ 2.6 billion due to Paris Club (PC) creditors (Cambodia Public Debt Statistical Bulletin), the PC reports total claims of US$ 4.3 billion (2024 Annual Report).

[3] According to Cambodia Public Debt Statistical Bulletin (see Table 3 "Debt Stock"), as of end 2024, Cambodia owes US$ 2,558 million and US$ 1,658 million to the Asian Development Bank and the World Bank, respectively. Cambodia does not have loan liabilities to the IMF.

risks as well as the legal, regulatory, and institutional arrangements required for better PPP management.[4]

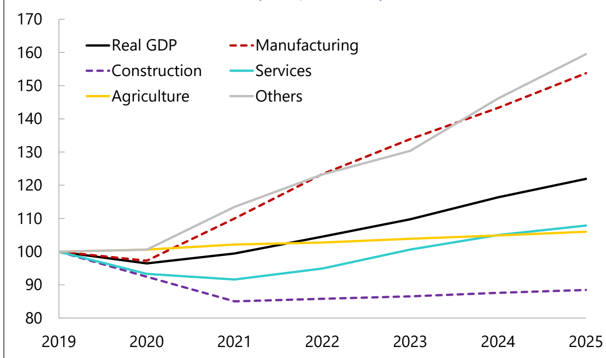
6. Private external debt in Cambodia is excluded from this analysis, but its associated risks are accounted for by increasing the severity of the financial shock stress test. Excessive external borrowing by the private sector could heighten insolvency risks and the government's exposure to contingent liabilities, either through assumption of private liabilities or via fiscal support measures to affected sectors. These vulnerabilities are modeled by raising the standard financial shock from 5 percent of GDP to 10 percent.

BACKGROUND ON MACRO FORECASTS

7. Cambodia's economic growth accelerated in 2024, followed by the front-loading of export orders in 2025H1, but the recovery has remained uneven. Real GDP expanded by 6.0 percent, up from 5.0 percent in 2023. Stronger-than-anticipated external demand contributed to a robust rebound in garment and agricultural exports, as well as a continued recovery in tourism. In contrast, domestic demand remained anemic due to sluggish growth in non-tradable sectors such as construction and real estate.

Text Figure 2. Real GDP Components

(Index, 2019=100)



Sources: Cambodian authorities; and IMF staff calculations.

8. Inflation reached a decade low in 2024 but picked up in the first quarter of 2025, driven by rising food and beverage prices and base effects. Headline inflation averaged 0.9 percent in 2024, down from 2.1 percent in 2023, reflecting falling food prices, which account for 45 percent of the CPI basket. Average headline inflation in 2025H1 rose to 3.2 percent (y/y), driven by higher food prices. Core inflation remained subdued at 1.1 percent in 2024, partly due to downward pressure on import prices stemming from disinflation in China.

9. The fiscal deficit narrowed modestly in 2024, but generous tax expenditures continued to weigh on revenue performance. The overall fiscal balance is estimated at -2.1 percent of GDP in 2024, compared to -2.8 percent in 2023. While import duties performed well, overall revenue collection fell short of budget targets, weighed down by tax exemptions and a sluggish recovery in non-tradable sectors, particularly construction and real estate. Spending declined as the government contained social benefits spending, while the wage bill and discretionary outlays on goods and services rose modestly.

[4] For example, the General Department of Public-Private Partnerships (GDPPP) was established under the Ministry of Economy and Finance. This unit acts as the Secretariat to the Inter-Ministerial Committee for PPPs, which is the overarching body responsible for selecting and approving PPP projects. In addition, a new law on PPP was enacted in November 2021.

10. Broad money growth accelerated but credit growth remains subdued. The National Bank of Cambodia (NBC) lowered the reserve requirement ratio to a historical low of 7 percent in 2023 and has maintained it since. Robust export earnings and sustained FDI inflows boosted foreign currency deposits, with broad money growing 17.5 percent (y/y) in 2024 and this trend continued into 2025. Excess reserves in Khmer riel (KHR) have subsequently increased, and banks' US$ claims on the NBC reached record levels. Despite lower interbank rates[5] following the U.S. tariff announcement, credit growth remains subdued amid high lending rates, weak credit demand, and heightened credit risks.

11. The current account (CA) balance reached a small surplus, and reserves remain adequate. Exports rose 13.5 percent in 2024, supported by robust demand from the U.S. and the European Union. Imports grew 17.7 percent, partly reflecting FDI inflows related to intermediate goods (e.g., construction and garment materials) and vehicles. This trend continued into 2025 amid the front-loading of orders ahead of anticipated U.S. tariffs and rising exports to ASEAN markets under regional trade agreements. The trade account deficit was more than offset by net inflows in services and income (e.g., tourism earnings and remittances). International reserves increased in 2024 and remain adequate, covering approximately 6.9 months of prospective 2025 imports.

12. In the baseline scenario:

Text Table 4. Baseline Macroeconomic Assumptions (2024-2032)

	Previous DSA (2024)				Current DSA (2025)			
	2024	2025	2026	2027-2032	2024	2025	2026	2027-2032
Real GDP (%, YOY)	5.5	5.8	6.2	6.0	6.0	4.8	4.0	5.2
Inflation (%, EOY, YOY)	0.4	2.1	2.5	3.0	0.9	2.5	2.3	2.9
Primary Deficit (% of GDP)	3.0	2.4	2.2	2.0	1.8	3.4	3.6	3.0
Current Account Deficit (% of GDP)	1.8	2.5	3.3	3.2	-0.5	3.0	4.5	5.6

Sources: IMF staff estimates and projections

- **Real GDP growth** is projected to decelerate to 4.8 and 4.0 percent in 2025 and 2026, respectively. The downward revision from the 2024 Article IV staff report reflects impacts of the U.S. tariffs, as well as remittance losses and a tourism slowdown stemming from the border conflict with Thailand. Against this background, staff projects Cambodia's potential growth to moderate over the medium term. The baseline assumes growth to pick up to 5.5 percent by 2030 (compared to 6.0 percent in the previous DSA) and to moderate to 5.0 percent over the long term, reflecting structural vulnerabilities, such as limited diversification, and constrained productivity growth due to the slow pace of reforms.

[5] In April 2025, the NBC lowered the marginal lending facility (MLF) by 50 basis points to 5 percent and 7-day liquidity-providing collateralized operations (LPCO) by 50 basis points to 3 percent, equivalent to the notional policy rate of 3 percent.

- **Inflation** is projected to rise to around 2.5 percent on average in 2025, driven by low base effects, food price volatility, and supply-side pressures from the border conflict with Thailand. Average inflation is expected to moderate to 2.3 percent in 2026, as domestic demand weakens and food and oil prices stabilize, before rising gradually to 3.0 percent by 2030.

- **The primary deficit** is projected to widen to 3.4 and 3.6 percent of GDP in 2025 and 2026, respectively, reflecting a downward revision in grants, weaker revenue collection due to slower economic growth, and increased spending on household assistance related to the border conflict.

- **The current account deficit** is projected to widen to 3.0 percent of GDP in 2025 and further to 4.5 percent in 2026, driven by declines in tourism earnings and remittance inflows, as well as strong import growth linked to FDI-financed infrastructure projects. Over the medium term, the deficit is expected to narrow with a tourism recovery supported by the new airport in Phnom Penh and new direct-flight routes.

13. Risks to the outlook are tilted to the downside. A return to higher tariffs or weaker external demand could further lower growth. Renewed escalation at the Thai-Cambodian border could adversely affect domestic demand and tourism. Elevated private debt and rising NPLs threaten macro-financial stability, especially as the trade shock exposes existing vulnerabilities of household and corporate balance sheets. Global supply-chain shifts, resulting from the impacts of U.S. tariffs, may erode competitiveness and divert FDI. Limited fiscal buffers strained by declining development aid, as well as constrained market access reduce the scope for countercyclical fiscal support, while monetary policy remains constrained by high dollarization.

14. Financing assumptions reflect growing domestic debt issuance, but external debt remains the main source of financing in the medium term. The level of external borrowing is projected at around 3.0 percent of GDP per annum over the medium term, before declining to 2.6 percent of GDP by 2030 as domestic financing increases.[6] New external debt is expected to remain largely concessional, with an average maturity of 27 years and an average nominal interest rate of less than 2 percent.[7] The annual issuance of domestic bonds increases gradually from less than 0.1 percent of GDP in 2022 to 0.9 percent of GDP in 2030, reflecting the authorities' efforts to develop the domestic capital market and attract non-bank institutional investors such as insurance and pension funds. Total outstanding PPG debt is therefore projected to reach around 36.7 percent of GDP by 2045, remaining below the debt anchor of 40 percent under the newly proposed fiscal rule.

15. The realism tools indicate that the macroeconomic and fiscal assumptions are reasonable (Figure 4). Growth projections are more conservative than those implied by standard

[6] Borrowing assumptions are within the limit set by the authorities' Strategy on Public Debt Management 2024-2028, which stipulates an upper limit of annual external borrowing of 2 billion SDR, and an upper limit for the annual issuance of domestic government bonds of 1 trillion KHR.

[7] According to the updated IDA21 guidelines, Cambodia will receive IDA blend financing on fixed rate credits, with 25-year maturity, 5-year grace period and fixed interest rate of 1.5 percent.

multipliers, reflecting higher expenditure on assisting households affected by the border conflict. Public capital investment contributes less to GDP growth than in the past. The projected change in the primary deficit-to-GDP ratio over the next three years is modest and well within the historical range observed in other low-income countries (LICs).

COUNTRY CLASSIFICATION AND DETERMINATION OF SCENARIO STRESS TESTS

16. Cambodia's debt-carrying capacity is classified as medium, unchanged from the previous DSA. Cambodia's Composite Indicator (CI) index, based on data submitted to the July 2024 WEO and the World Bank's 2024 CPIA, is 2.99.[8] The current debt-carrying capacity continues to be evaluated as medium (Text Tables 5 and 6).

Text Table 5. Cambodia's CI Index

Debt Carrying Capacity	Medium		
Final	Classification based on current vintage	Classification based on the previous vintage	Classification based on the two previous vintage
Medium	Medium 2.99	Medium 3.02	Medium 3.04

Text Table 6. Debt Burden Thresholds

EXTERNAL debt burden thresholds	Weak	Medium	Strong
PV of debt in % of			
Exports	140	180	240
GDP	30	40	55
Debt service in % of			
Exports	10	15	21
Revenue	14	18	23

TOTAL public debt benchmark	Weak	Medium	Strong
PV of total public debt in percent of GDP	35	55	70

17. Stress analyses include six standardized tests, as well as tailored natural disaster and contingent liabilities stress tests. The natural disaster scenario is modeled by assuming a significant mitigation cost of 10 percent of GDP as well as a fall in GDP growth and exports using interaction coefficients of 1.5 and 3.5, respectively. The contingent liabilities stress test is based on

[8] The revised LIC-DSF determines the debt sustainability thresholds by calculating the CI, which is a function of the World Bank's Country Policy and Institutional Assessment (CPIA) score, international reserves, remittances, individual country and global economic growth. The calculation is based on 10-year averages of the variables, across 5 years of historical data and 5 years of projections.

the quantification of potential risks stemming from PPPs (14 percent of GDP) and financial markets (10 percent of GDP), as assumed in the 2024 DSA.

EXTERNAL AND PUBLIC DEBT SUSTAINABILITY

18. Cambodia's risk of external debt distress remains low, but some indicators have deteriorated compared to the previous DSA. As no external indicator breaches its threshold under either the baseline or adverse scenarios, the risk of external debt distress is assessed as low. External debt is projected to peak at 26.9 percent of GDP in 2028, before moderating to 25.3 percent by 2045 (Table 1). The PV of external debt-to-GDP ratio is projected to hover around 19 percent, up from 15 percent in the previous DSA, driven by revisions to debt service.

19. Cambodia's external debt is most vulnerable to contingent liabilities shocks. Compared to shocks to real growth, the primary balance, exports, other flows, and the exchange rate, the impact of a contingent-liabilities shock is most severe—the PV of the external debt-to-GDP ratio increases sharply, from 19.8 percent of GDP in 2025 to 34.5 percent in 2028, before gradually converging to around 30 percent over the long term (Figure 1).

20. Total PPG debt is expected to rise over the medium term. Under the baseline, the total PPG debt level increases from 26.1 percent of GDP in 2024 to 32.8 percent of GDP in 2035 (Table 2). The PV of the total debt-to-GDP ratio is estimated to increase gradually to 25.2 percent in 2035. Both the PV of the debt-to-revenue ratio and the debt service-to-revenue ratio are projected to increase over time.

21. Total PPG debt is most vulnerable to growth and contingent liabilities shocks. Under the growth shock scenario, the PV of the total debt-to-GDP ratio rises to 53.4 percent by 2045. The contingent liabilities shock is the most extreme shock for the debt service-to-revenue ratio and results in a noticeable spike in 2028 (Figure 2), reflecting that the short-term financing needs in this scenario are assumed to be met with short-term borrowing.

22. Domestic debt issuance is small but needs to increase to meet financing needs in the long term amid falling availability of concessional external borrowing (Figure 5). Domestic public debt issuance began in 2022, but progress on developing the domestic bond market has been slow, with domestic debt issuance in 2025 amounting to just 0.1 percent of GDP. While government savings remain ample over the medium term, meeting long-term financing needs—particularly in light of declining external concessional financing following the anticipated graduation from least developed country (LDC) status by end-2029—requires increasing domestic debt issuance to approximately 0.9 percent of GDP by 2030.

RISK RATING AND VULNERABILITIES

23. Cambodia's risk of external and overall debt distress remains low. As no indicator breaches its threshold under either the baseline or adverse scenarios, the risk of overall debt distress is assessed as low. PPG debt is projected to rise by 6.3 percentage points of GDP during the next decade, and its level is projected to stabilize (Table 2).

24. Vulnerabilities to growth and contingent liabilities shocks highlight the importance of promoting sustainable growth, maintaining fiscal discipline, improving PPP risk evaluations, and strengthening macroprudential regulations. The current assessment assumes sustained GDP growth, which requires increasing resilience to external shocks by diversifying the economy. Improved revenue mobilization and spending efficiency are needed to maintain total outstanding PPG debt within the debt anchor of 40 percent over the long term. Further efforts to implement sound public investment management and strengthen analyses of PPP risks are needed, including by closing data gaps in monitoring PPPs. Further efforts to develop the domestic government bond market will help mobilize resources needed for sustainable economic development and make a smooth transition when Cambodia graduates from LDC status. Implementing banking sector reforms, particularly strengthening regulatory and supervisory capacity, is important to contain contingent liabilities risks.

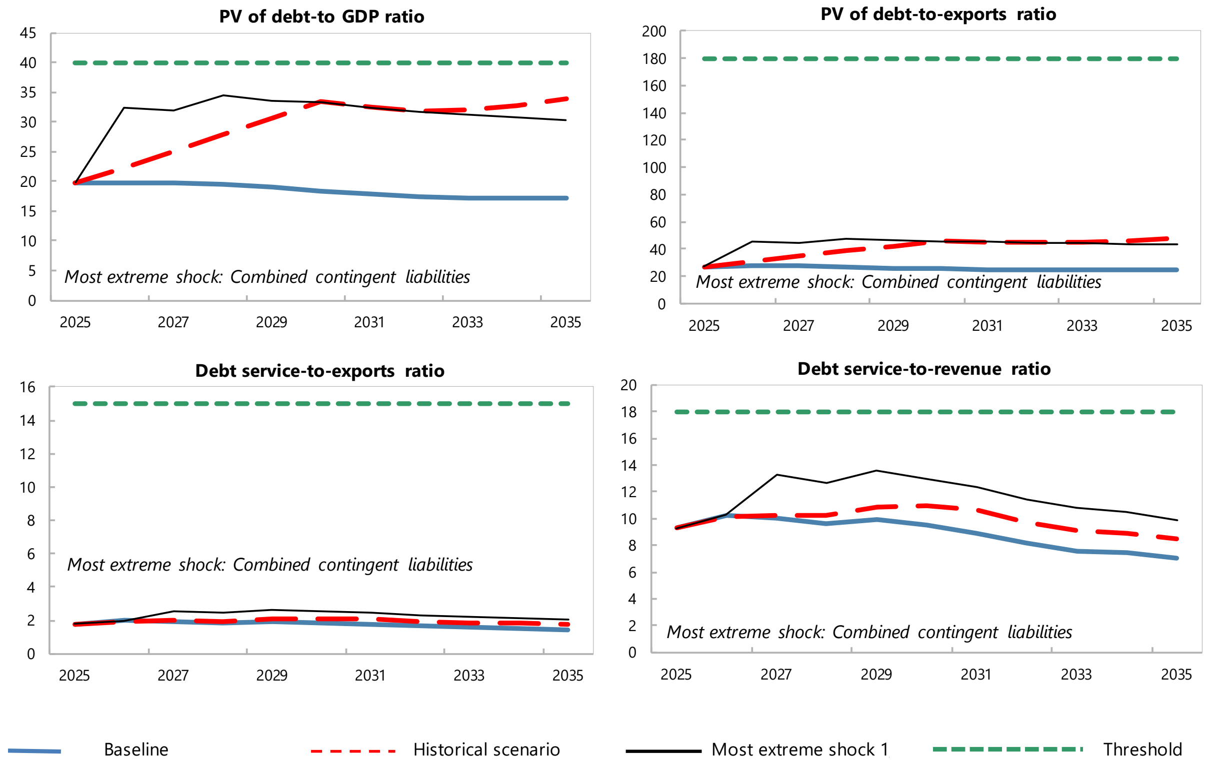
25. Climate change can also affect Cambodia's debt sustainability. The World Bank's climate impact models project that climate change could lower Cambodia's GDP by 3.0 to 9.0 percentage points by 2050,[9] with the effect distributed evenly over time, implying an average reduction in its annual growth of 0.1 to 0.4 percentage points. As a result, the debt-to-GDP ratio in 2045 could rise from 36.7 to between 37.9 and 39.9 percent. However, it should be noted that this projection does not consider the potential benefits of climate adaptation and mitigation policies in boosting potential growth, and that the baseline projection already accounts for structural vulnerabilities (¶12).

Authorities' Views

26. The authorities expressed their strong commitment to debt sustainability, macro-financial stability, and the development of the domestic government bond market. Efforts to manage PPP risks remain a priority, including through the development of a comprehensive PPP database and the establishing of relevant institutional arrangements, such as a high-level Contract Management Committee and Project Management Units within line ministries. The authorities have also strengthened fiscal risk monitoring by integrating recommendations on fiscal rules and risk frameworks. The authorities are committed to maintaining macro-financial stability by strengthening both the supervisory and regulatory frameworks. The authorities agree with the importance of developing the government bond market and plan to increase domestic debt issuance going forward.

[9] Cambodia: Country Climate and Development Report, World Bank 2023.

Figure 1. Cambodia: Indicators of Public and Publicly Guaranteed External Debt under Alternatives Scenarios, 2025–2035



Customization of Default Settings

Tailored Stress	Size	Interactions
Combined CL	Yes	
Natural disaster	No	No
Commodity price	n.a.	n.a.
Market financing	No	No

Note: "Yes" indicates any change to the size or interactions of the default settings for the stress tests. "n.a." indicates that the stress test does not apply.

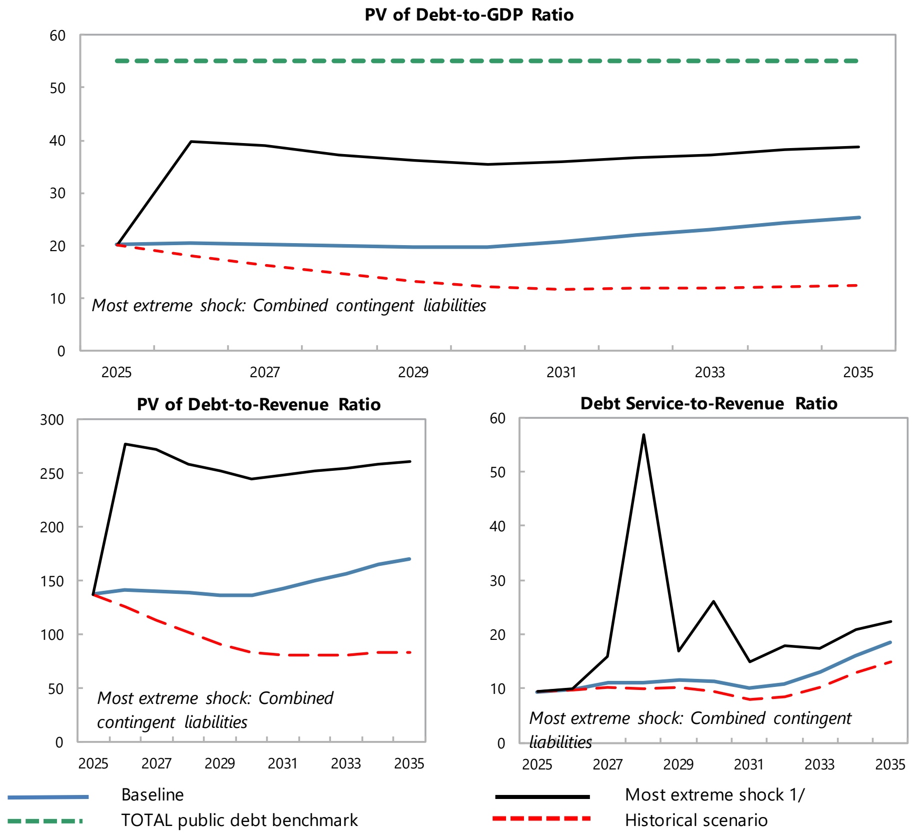
Borrowing assumptions on additional financing needs resulting from the stress tests*

	Default	User defined
Shares of marginal debt		
External PPG MLT debt	100%	
Terms of marginal debt		
Avg. nominal interest rate on new borrowing in USD	1.1%	1.1%
USD Discount rate	5.0%	5.0%
Avg. maturity (incl. grace period)	27	27
Avg. grace period	9	9

* Note: All the additional financing needs generated by the shocks under the stress tests are assumed to be covered by PPG external MLT debt in the external DSA. Default terms of marginal debt are based on baseline 10-year projections.

Sources: Country authorities; and staff estimates and projections.
1/ The most extreme stress test is the test that yields the highest ratio in or before 2035. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

Figure 2. Cambodia: Indicators of Public Debt Under Alternative Scenarios, 2025-2035



Borrowing assumptions on additional financing needs resulting from the stress tests*	Default	User defined
Shares of marginal debt		
External PPG medium and long-term	72%	72%
Domestic medium and long-term	28%	28%
Domestic short-term	0%	0%
Terms of marginal debt		
External MLT debt		
Avg. nominal interest rate on new borrowing in USD	1.1%	2.7%
Avg. maturity (incl. grace period)	27	27
Avg. grace period	9	9
Domestic MLT debt		
Avg. real interest rate on new borrowing	8.7%	2.0%
Avg. maturity (incl. grace period)	3	3
Avg. grace period	1	1
Domestic short-term debt		
Avg. real interest rate	-2.0%	3.0%

* Note: The public DSA allows for domestic financing to cover the additional financing needs generated by the shocks under the stress tests in the public DSA. Default terms of marginal debt are based on baseline 10-year projections.

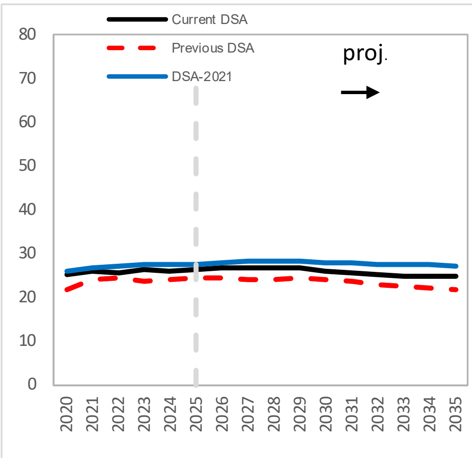
Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2035. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

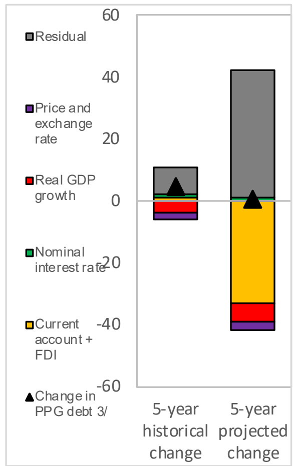
Figure 3. Cambodia: Drivers of Debt Dynamics - Baseline Scenario External Debt

External debt

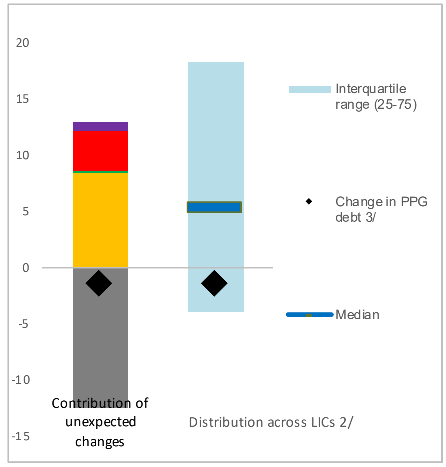
Gross Nominal PPG External Debt
(in percent of GDP; DSA vintages)



Debt-creating flows
(percent of GDP)

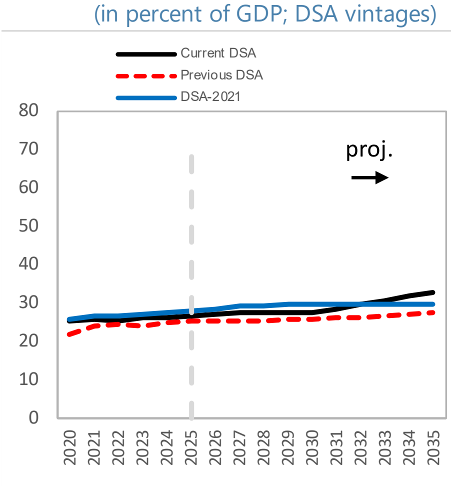


Unexpected Changes in Debt 1/
(past 5 years, percent of GDP)

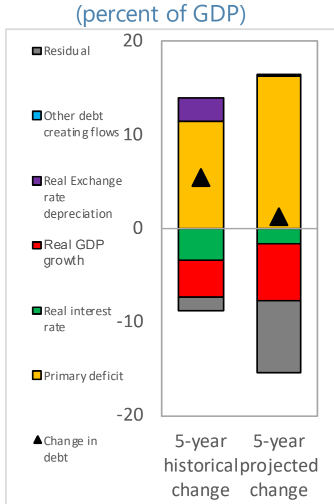


Public debt

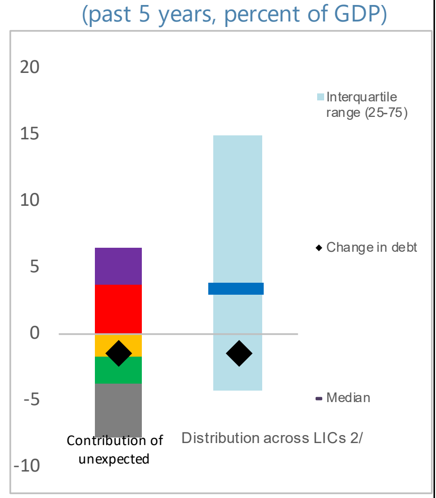
Gross Nominal Public Debt
(in percent of GDP; DSA vintages)



Debt-creating flows
(percent of GDP)



Unexpected Changes in Debt 1/
(past 5 years, percent of GDP)



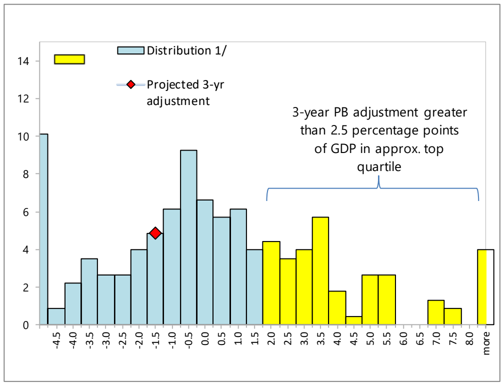
1/ Difference between anticipated and actual contributions on debt ratios.

2/ Distribution across LICs for which LIC DSAs were produced.

3/ Given the relatively low private external debt for average low-income countries, a ppt change in PPG external debt should be largely explained by the drivers of the external debt dynamics equation.

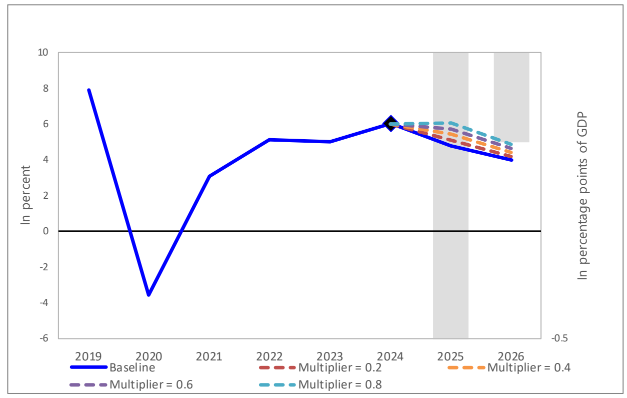
Figure 4. Cambodia: Realism Tools

3-Year Adjustment in Primary Balance
(Percentage points of GDP)



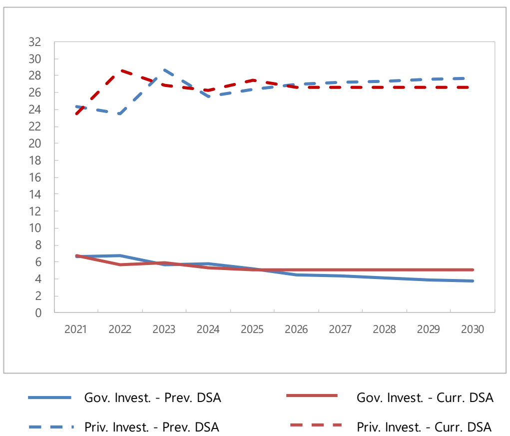
1/ Data cover Fund-supported programs for LICs (excluding emergency financing) approved since 1990. The size of 3-year adjustment from program inception is found on the horizontal axis; the percent of sample is found on the vertical axis.

Fiscal Adjustment and Possible Growth Paths 1/



1/ Bars refer to annual projected fiscal adjustment (right-hand side scale) and lines show possible real GDP growth paths under different fiscal multipliers (left-hand side scale).

Public and Private Investment Rates
(percent of GDP)



Contribution to Real GDP growth
(percent, 5-year average)

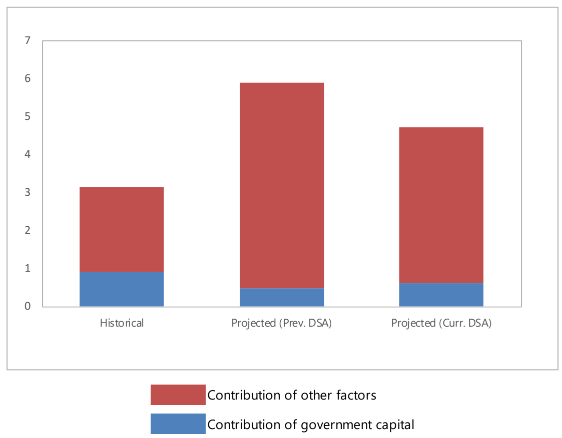
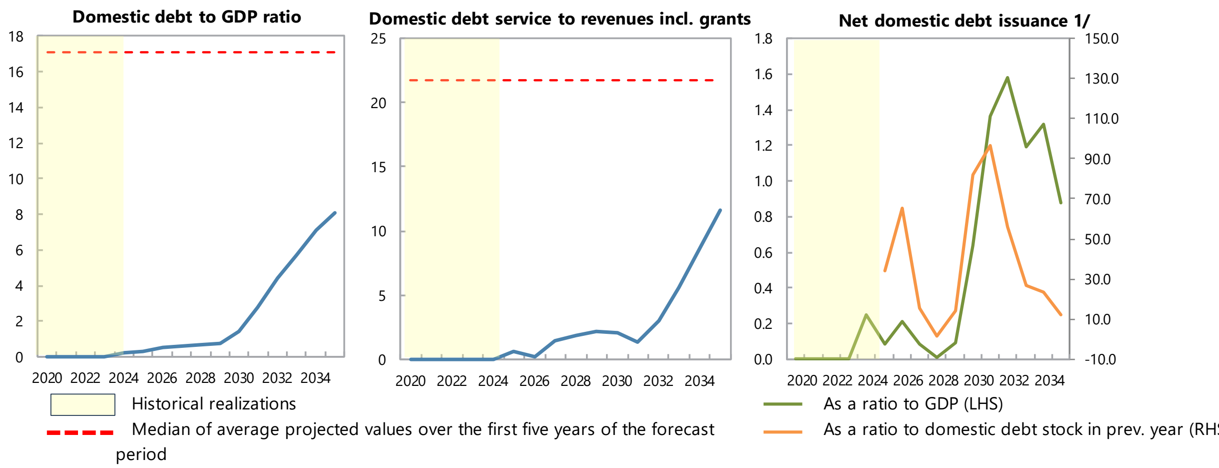


Figure 5. Cambodia: Indicators of Public Domestic Debt 2025-2035
(Percent)



Borrowing Assumptions (average over 10-year projection)	Value
Shares in new domestic debt issuance in shock scenarios	
Medium and long-term	100%
Short-term	0%
Borrowing terms	
Domestic MLT debt	
Avg. real interest rate on new borrowing	2.0%
Avg. maturity (incl. grace period)	3
Avg. grace period	1
Domestic short-term debt	
Avg. real interest rate	3.0%

Sources: Country authorities; and staff estimates and projections.

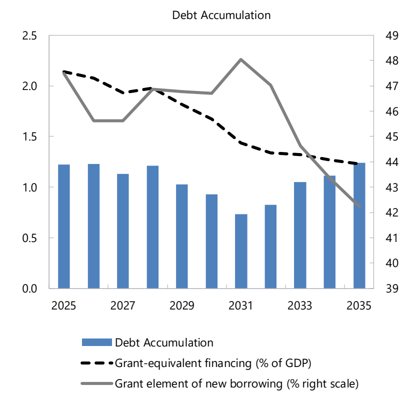
1/ Net domestic debt issuance is an estimate based on the calculated public gross financing need net of gross external financing, drawdown of assets, other adjustments and domestic debt amortization. It excludes short-term debt that was issued and matured with the calendar year.

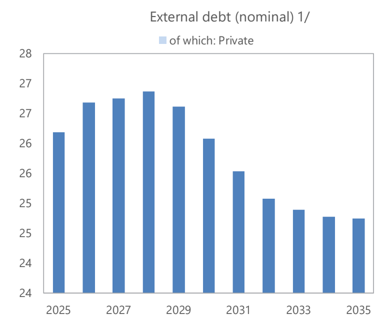
Table 1. Cambodia: External Debt Sustainability Framework, Baseline Scenario, 2022-2045

(In percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 8/	
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2035	2045	Historical	Projections
External debt (nominal) 1/	25.5	26.3	25.9	26.2	26.7	26.7	26.9	26.6	26.1	24.7	25.3	23.9	25.8
of which: public and publicly guaranteed (PPG)	25.5	26.3	25.9	26.2	26.7	26.7	26.9	26.6	26.1	24.7	25.3	23.9	25.8
Change in external debt	-0.4	0.8	-0.4	0.3	0.5	0.1	0.1	-0.3	-0.5	0.0	-0.4		
Identified net debt-creating flows	9.1	-12.3	-11.8	-8.0	-6.6	-7.3	-7.8	-8.0	-8.3	-5.0	-15.6	-2.1	-5.7
Non-interest current account deficit	19.2	-1.5	-0.7	2.7	4.3	3.8	3.6	3.3	3.0	7.5	-4.0	8.3	5.8
Deficit in balance of goods and services	23.7	3.9	5.7	7.3	7.5	6.8	6.2	5.6	4.9	3.9	-0.1	12.2	5.4
Exports	65.2	65.5	68.8	73.0	71.4	71.8	72.2	72.6	72.5	70.1	67.8		
Imports	88.9	69.4	74.4	80.3	79.0	78.6	78.3	78.1	77.4	74.0	67.7		
Net current transfers (negative = inflow)	-8.3	-7.5	-6.9	-5.4	-4.3	-4.2	-4.0	-3.9	-3.8	-3.1	-2.0	-7.2	-3.9
of which: official	-1.2	-1.2	-1.0	-0.9	-0.9	-0.9	-0.8	-0.8	-0.8	-0.7	-0.6		
Other current account flows (negative = net inflow)	3.8	2.0	0.6	0.9	1.0	1.2	1.5	1.7	2.0	6.6	-1.9	3.3	4.2
Net FDI (negative = inflow)	-8.8	-9.0	-9.2	-9.9	-10.1	-10.3	-10.4	-10.3	-10.2	-11.4	-10.8	-9.0	-10.5
Endogenous debt dynamics 2/	-1.3	-1.8	-1.9	-0.9	-0.7	-0.9	-1.0	-1.1	-1.1	-1.0	-0.9		
Contribution from nominal interest rate	0.2	0.2	0.2	0.3	0.3	0.3	0.3	0.3	0.3	0.2	0.3		
Contribution from real GDP growth	-1.3	-1.2	-1.5	-1.2	-1.0	-1.1	-1.2	-1.3	-1.4	-1.2	-1.2		
Contribution from price and exchange rate changes	-0.3	-0.8	-0.7	...	...	...	...	...	...	...	...		
Residual 3/	-9.5	13.0	11.4	8.3	7.0	7.4	7.9	7.8	7.8	4.9	15.2	2.3	5.6
of which: exceptional financing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Sustainability indicators													
PV of PPG external debt-to-GDP ratio	...	...	19.9	19.8	19.8	19.6	19.4	19.0	18.4	17.1	18.6		
PV of PPG external debt-to-exports ratio	...	...	28.9	27.1	27.7	27.3	26.9	26.1	25.3	24.4	27.4		
PPG debt service-to-exports ratio	1.6	1.6	1.4	1.8	2.0	1.9	1.9	1.9	1.8	1.5	1.5		
PPG debt service-to-revenue ratio	6.4	7.0	6.8	9.3	10.3	10.1	9.7	9.9	9.5	7.0	6.3		
Gross external financing need (Million of U.S. dollars)	4482.5	-4004.2	-4089.5	-2875.5	-2302.2	-2801.4	-3249.7	-3602.0	-4094.3	-2909.4	-27911.9		
Key macroeconomic assumptions													
Real GDP growth (in percent)	5.1	5.0	6.0	4.8	4.0	4.5	5.0	5.3	5.5	5.4	5.1	5.6	5.1
GDP deflator in US dollar terms (change in percent)	1.0	3.3	2.5	1.9	1.9	2.2	2.3	2.3	2.6	1.9	2.5	2.1	1.9
Effective interest rate (percent) 4/	0.8	0.9	0.8	1.0	1.0	1.1	1.1	1.0	1.0	1.1	1.3	1.1	1.0
Growth of exports of G&S (US dollar terms, in percent)	26.3	8.9	14.2	13.3	3.6	7.3	7.9	8.3	8.2	7.0	8.0	10.5	7.3
Growth of imports of G&S (US dollar terms, in percent)	5.9	-15.3	16.6	15.1	4.2	6.3	7.0	7.4	7.2	6.7	6.4	10.3	7.1
Grant element of new public sector borrowing (in percent)	...	...	...	47.5	45.6	45.6	46.9	46.8	46.7	42.2	37.6	...	45.9
Government revenues (excluding grants, in percent of GDP)	16.7	15.0	14.3	13.9	13.7	13.8	13.8	13.9	14.0	14.6	16.2	14.9	14.1
Aid flows (in Million of US dollars) 5/	676.6	540.3	416.5	1250.3	1320.7	1234.9	1410.5	1401.8	1392.1	1242.1	1161.9		
Grant-equivalent financing (in percent of GDP) 6/	...	...	...	2.1	2.1	1.9	2.0	1.8	1.7	1.2	0.8	...	1.7
Grant-equivalent financing (in percent of external financing) 6/	...	...	...	57.3	55.0	55.1	55.2	55.1	55.0	46.6	38.6	...	53.5
Nominal GDP (Million of US dollars)	39,089	42,404	46,098	...	...	...	...	...	...	... ...	...		
Nominal dollar GDP growth	6.2	8.5	8.7	6.7	6.0	6.8	7.4	7.7	8.2	7.3	7.7	7.8	7.1
Memorandum items:													
PV of external debt 7/	...	...	19.9	19.8	19.8	19.6	19.4	19.0	18.4	17.1	18.6		
In percent of exports	...	...	28.9	27.1	27.7	27.3	26.9	26.1	25.3	24.4	27.4		
Total external debt service-to-exports ratio	1.6	1.6	1.4	1.8	2.0	1.9	1.9	1.9	1.8	1.5	1.5		
PV of PPG external debt (in Million of US dollars)			9158.9	9723.9	10329.1	10919.2	11595.7	12210.8	12810.1	16868.1	37882.4		
(PVt-PVt-1)/GDPt-1 (in percent)				1.2	1.2	1.1	1.2	1.0	0.9	1.2	1.3		
Non-interest current account deficit that stabilizes debt ratio	19.6	-2.3	-0.3	2.5	3.8	3.8	3.5	3.6	3.5	7.5	-3.5		

Definition of external/domestic debt	Currency-based
Is there a material difference between the two criteria?	No





Sources: Country authorities; and staff estimates and projections.

1/ Includes both public and private sector external debt.

2/ Derived as [r - g - ρ(1+g)]/(1+g+ρ+gρ) times previous period debt ratio, with r = nominal interest rate; g = real GDP growth rate, and ρ = growth rate of GDP deflator in U.S. dollar terms.

3/ Includes exceptional financing (i.e., changes in arrears and debt relief); changes in gross foreign assets; and valuation adjustments. For projections also includes contribution from price and exchange rate changes.

4/ Current-year interest payments divided by previous period debt stock.

5/ Defined as grants, concessional loans, and debt relief.

6/ Grant-equivalent financing includes grants provided directly to the government and through new borrowing (difference between the face value and the PV of new debt).

7/ Assumes that PV of private sector debt is equivalent to its face value.

8/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.

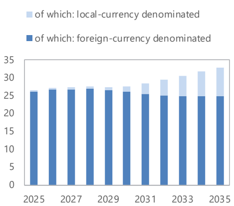
Table 2. Cambodia: Public Sector Debt Sustainability Framework, Baseline Scenario, 2022-2045

(In percent of GDP, unless otherwise indicated)

	Actual			Projections																	Average 6/	
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	Historical	Projections
Public sector debt 1/	**25.5**	**26.3**	**26.1**	**26.5**	**27.2**	**27.4**	**27.5**	**27.4**	**27.5**	**32.8**	**33.9**	**34.9**	**35.7**	**36.3**	**36.5**	**36.8**	**37.2**	**37.0**	**36.9**	**36.7**	**23.9**	**28.8**
of which: external debt	**25.5**	**26.3**	**25.9**	**26.2**	**26.7**	**26.7**	**26.9**	**26.6**	**26.1**	**24.7**	**24.8**	**24.9**	**25.1**	**25.4**	**25.7**	**25.9**	**26.0**	**26.0**	**25.7**	**25.3**	**23.9**	**25.8**
										6.3												
Change in public sector debt	-0.4	0.8	-0.1	0.4	0.7	0.2	0.1	-0.1	0.1	0.9	1.1	1.0	0.8	0.7	0.2	0.3	0.3	-0.2	-0.1	-0.2		
Identified debt-creating flows	**-1.4**	**0.7**	**0.0**	**1.9**	**2.2**	**1.8**	**1.4**	**1.3**	**1.2**	**1.0**	**0.9**	**0.8**	**0.7**	**0.5**	**0.4**	**0.3**	**0.1**	**0.0**	**-0.2**	**-0.2**	**-0.5**	**1.4**
Primary deficit	**0.0**	**2.6**	**1.8**	**3.4**	**3.6**	**3.3**	**3.0**	**3.0**	**2.9**	**2.4**	**2.3**	**2.2**	**2.1**	**1.9**	**1.8**	**1.7**	**1.5**	**1.4**	**1.2**	**1.1**	**1.0**	**2.9**
Revenue and grants	18.4	16.2	15.2	14.6	14.4	14.4	14.4	14.4	14.5	14.8	14.9	15.1	15.2	15.3	15.5	15.6	15.7	15.9	16.1	16.2	**16.4**	**14.5**
of which: grants	1.7	1.3	0.9	0.7	0.7	0.6	0.6	0.5	0.5	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.0	0.0		
Primary (noninterest) expenditure	18.4	18.8	17.0	18.0	17.9	17.6	17.4	17.4	17.4	17.3	17.3	17.3	17.3	17.3	17.3	17.3	17.3	17.3	17.3	17.3	**17.3**	**17.5**
Automatic debt dynamics	**-1.4**	**-1.9**	**-1.8**	**-1.5**	**-1.3**	**-1.5**	**-1.6**	**-1.7**	**-1.7**	**-1.5**	**-1.4**	**-1.4**	**-1.4**	**-1.4**	**-1.4**	**-1.4**	**-1.4**	**-1.4**	**-1.4**	**-1.4**		
Contribution from interest rate/growth differential	-2.7	-1.9	-1.9	-1.5	-1.3	-1.5	-1.6	-1.7	-1.7	-1.5	-1.4	-1.4	-1.4	-1.4	-1.4	-1.4	-1.4	-1.4	-1.4	-1.4		
of which: contribution from average real interest rate	-1.4	-0.6	-0.4	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	0.2	0.2	0.3	0.3	0.4	0.4	0.4	0.4	0.4	0.4	0.4		
of which: contribution from real GDP growth	-1.3	-1.2	-1.5	-1.2	-1.0	-1.2	-1.3	-1.4	-1.4	-1.6	-1.7	-1.7	-1.8	-1.8	-1.8	-1.8	-1.8	-1.8	-1.8	-1.8		
Contribution from real exchange rate depreciation	1.3	0.0	0.1	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...		
Other identified debt-creating flows	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Privatization receipts (negative)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Recognition of contingent liabilities (e.g., bank recapitalization)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Debt relief (HIPC and other)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Other debt creating or reducing flow (please specify)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Residual	**1.0**	**0.1**	**-0.2**	**-1.5**	**-1.5**	**-1.6**	**-1.3**	**-1.5**	**-1.1**	**0.0**	**0.2**	**0.2**	**0.1**	**0.2**	**-0.2**	**0.1**	**0.2**	**-0.1**	**0.1**	**0.1**	**0.7**	**-0.8**
Sustainability indicators																						
PV of public debt-to-GDP ratio 2/	**...**	**...**	**20.1**	**20.1**	**20.3**	**20.2**	**20.1**	**19.7**	**19.8**	**25.2**	**26.3**	**27.3**	**28.1**	**28.9**	**29.1**	**29.5**	**29.9**	**29.9**	**29.9**	**30.0**		
PV of public debt-to-revenue and grants ratio	**...**	**...**	**132.6**	**137.4**	**141.7**	**140.7**	**139.2**	**136.8**	**136.5**	**170.1**	**176.0**	**181.4**	**185.4**	**188.4**	**188.0**	**188.9**	**189.9**	**187.9**	**186.5**	**184.9**		
Debt service-to-revenue and grants ratio 3/	**5.8**	**6.4**	**6.4**	**9.5**	**10.0**	**11.1**	**11.1**	**11.7**	**11.3**	**18.5**	**21.3**	**22.1**	**24.1**	**25.0**	**26.0**	**26.8**	**26.7**	**27.4**	**26.6**	**26.5**		
Gross financing need 4/	1.1	3.6	2.8	4.8	5.0	4.9	4.6	4.7	4.5	5.2	5.5	5.5	5.7	5.8	5.8	5.8	5.7	5.7	5.5	5.4		
Key macroeconomic and fiscal assumptions																						
Real GDP growth (in percent)	5.1	5.0	6.0	4.8	4.0	4.5	5.0	5.3	5.5	5.4	5.4	5.3	5.3	5.3	5.2	5.2	5.2	5.1	5.1	5.1	**5.6**	**5.1**
Average nominal interest rate on external debt (in percent)	0.8	0.9	0.8	1.0	1.0	1.1	1.1	1.0	1.0	1.1	1.1	1.1	1.1	1.2	1.2	1.2	1.3	1.3	1.3	1.3	**1.1**	**1.0**
Average real interest rate on domestic debt (in percent)	-0.7	-2.0	-1.5	1.7	6.1	8.3	8.2	7.3	6.2	6.9	6.9	6.8	6.7	6.7	6.6	6.5	6.5	6.4	6.4	6.3	**-1.1**	**6.6**
Real exchange rate depreciation (in percent, + indicates depreciation)	5.6	-0.2	0.5	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	**0.5**	**...**
Inflation rate (GDP deflator, in percent)	1.5	3.0	2.3	2.0	1.9	2.2	2.3	2.3	2.6	1.9	1.9	2.0	2.1	2.1	2.2	2.3	2.3	2.4	2.4	2.5	**2.2**	**1.9**
Growth of real primary spending (deflated by GDP deflator, in percent)	-6.4	7.0	-4.2	11.1	3.4	3.0	3.8	5.1	5.5	5.4	5.4	5.3	5.3	5.3	5.2	5.2	5.2	5.1	5.1	5.5	**6.3**	**5.3**
Primary deficit that stabilizes the debt-to-GDP ratio 5/	0.4	1.8	1.9	3.0	2.8	3.1	2.9	3.1	2.8	1.5	1.3	1.2	1.3	1.3	1.6	1.3	1.2	1.5	1.3	1.3	**1.4**	**2.3**
PV of contingent liabilities (not included in public sector debt)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		

Definition of external/domestic debt	**Currency-based**
Is there a material difference between the two criteria?	**No**

Public sector debt 1/



Sources: Country authorities; and staff estimates and projections.

1/ Coverage of debt: The central government, central bank, government-guaranteed debt, non-guaranteed SOE debt . Definition of external debt is Currency-based.

2/ The underlying PV of external debt-to-GDP ratio under the public DSA differs from the external DSA with the size of differences depending on exchange rates projections.

3/ Debt service is defined as the sum of interest and amortization of medium and long-term, and short-term debt.

4/ Gross financing need is defined as the primary deficit plus debt service plus the stock of short-term debt at the end of the last period and other debt creating/reducing flows.

5/ Defined as a primary deficit minus a change in the public debt-to-GDP ratio ((-): a primary surplus), which would stabilizes the debt ratio only in the year in question.

6/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.

Table 3. Cambodia: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2025–2035

(In percent)

	Projections 1/										
	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
PV of debt-to GDP ratio											
Baseline	20	20	20	19	19	18	18	17	17	17	17
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2025-2035 2/	20	22	25	28	31	33	32	32	32	33	34
B. Bound Tests											
B1. Real GDP growth	20	21	22	22	21	21	20	20	19	19	19
B2. Primary balance	20	21	23	23	23	22	21	21	21	20	20
B3. Exports	20	24	30	29	29	28	27	26	26	25	25
B4. Other flows 3/	20	22	23	23	22	22	21	20	20	20	20
B5. Depreciation	20	25	22	22	21	21	20	20	20	19	20
B6. Combination of B1-B5	20	25	26	26	25	24	24	23	23	22	22
C. Tailored Tests											
C1. Combined contingent liabilities	20	32	32	34	34	33	32	32	31	31	30
C2. Natural disaster	20	25	25	26	26	25	25	24	24	24	24
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	20	20	20	19	19	18	18	17	17	17	17
Threshold	40	40	40	40	40	40	40	40	40	40	40
PV of debt-to-exports ratio											
Baseline	27	28	27	27	26	25	25	25	24	24	24
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2025-2035 2/	27	31	35	39	42	46	46	45	45	46	48
B. Bound Tests											
B1. Real GDP growth	27	28	27	27	26	25	25	25	24	24	24
B2. Primary balance	27	29	32	32	31	30	30	30	29	29	29
B3. Exports	27	35	47	46	45	43	43	42	42	41	41
B4. Other flows 3/	27	30	32	32	31	30	29	29	29	28	28
B5. Depreciation	27	28	24	24	23	23	23	22	22	22	22
B6. Combination of B1-B5	27	34	33	35	34	33	32	32	31	31	31
C. Tailored Tests											
C1. Combined contingent liabilities	27	45	45	48	46	46	45	45	44	44	43
C2. Natural disaster	27	36	36	37	36	36	36	35	35	35	35
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	27	28	27	27	26	25	25	25	24	24	24
Threshold	180	180	180	180	180	180	180	180	180	180	180
Debt service-to-exports ratio											
Baseline	2	2	2	2	2	2	2	2	2	2	1
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2025-2035 2/	2	2	2	2	2	2	2	2	2	2	2
B. Bound Tests											
B1. Real GDP growth	2	2	2	2	2	2	2	2	2	2	1
B2. Primary balance	2	2	2	2	2	2	2	2	2	2	2
B3. Exports	2	2	2	2	3	2	2	2	2	2	2
B4. Other flows 3/	2	2	2	2	2	2	2	2	2	2	2
B5. Depreciation	2	2	2	2	2	2	2	2	2	2	1
B6. Combination of B1-B5	2	2	2	2	2	2	2	2	2	2	2
C. Tailored Tests											
C1. Combined contingent liabilities	2	2	3	2	3	3	2	2	2	2	2
C2. Natural disaster	2	2	2	2	2	2	2	2	2	2	2
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	2	2	2	2	2	2	2	2	2	2	1
Threshold	15	15	15	15	15	15	15	15	15	15	15
Debt service-to-revenue ratio											
Baseline	9	10	10	10	10	10	9	8	8	7	7
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2025-2035 2/	9	10	10	10	11	11	11	10	9	9	8
B. Bound Tests											
B1. Real GDP growth	9	11	11	11	11	11	10	9	9	8	8
B2. Primary balance	9	10	11	11	11	11	10	9	9	8	8
B3. Exports	9	11	11	11	11	11	10	9	9	9	8
B4. Other flows 3/	9	10	10	10	10	10	9	8	8	8	7
B5. Depreciation	9	13	13	12	12	12	11	10	9	9	9
B6. Combination of B1-B5	9	11	12	11	12	11	10	9	9	9	8
C. Tailored Tests											
C1. Combined contingent liabilities	9	10	13	13	14	13	12	11	11	11	10
C2. Natural disaster	9	10	12	11	12	11	11	10	9	9	9
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	9	10	10	10	10	10	9	8	8	7	7
Threshold	18	18	18	18	18	18	18	18	18	18	18

Sources: Country authorities; and staff estimates and projections.

1/ A bold value indicates a breach of the threshold.

2/ Variables include real GDP growth, GDP deflator (in U.S. dollar terms), non-interest current account in percent of GDP, and non-debt creating flows.

3/ Includes official and private transfers and FDI.

Table 4. Cambodia: Sensitivity Analysis for Key Indicators of Public Debt, 2025–2035

(In percent)

	Projections 1/										
	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
PV of Debt-to-GDP Ratio											
Baseline	20	20	20	20	20	20	21	22	23	24	25
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2025-2035 2/	20	18	16	15	13	12	12	12	12	12	12
B. Bound Tests											
B1. Real GDP growth	20	22	25	26	27	28	30	32	35	37	39
B2. Primary balance	20	22	25	24	24	24	24	25	26	28	28
B3. Exports	20	24	29	29	28	28	29	30	31	32	32
B4. Other flows 3/	20	22	24	23	23	23	24	25	26	27	28
B5. Depreciation	20	25	23	22	20	19	19	19	19	19	19
B6. Combination of B1-B5	20	21	22	22	21	21	22	24	25	26	27
C. Tailored Tests											
C1. Combined contingent liabilities	20	40	39	37	36	35	36	37	37	38	39
C2. Natural disaster	20	29	29	28	28	27	28	29	30	32	33
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	20	20	20	20	20	20	21	22	23	24	25
TOTAL public debt benchmark	55	55	55	55	55	55	55	55	55	55	55
PV of Debt-to-Revenue Ratio											
Baseline	137	142	141	139	137	136	143	150	157	165	170
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2025-2035 2/	137	126	113	102	91	83	81	81	81	83	84
B. Bound Tests											
B1. Real GDP growth	137	154	171	178	184	191	206	222	236	252	264
B2. Primary balance	137	153	173	169	165	163	169	175	181	188	192
B3. Exports	137	164	205	201	197	194	199	205	209	215	219
B4. Other flows 3/	137	154	165	163	160	158	164	171	177	184	189
B5. Depreciation	137	175	163	152	140	131	129	128	127	128	126
B6. Combination of B1-B5	137	144	152	151	148	148	155	162	168	176	181
C. Tailored Tests											
C1. Combined contingent liabilities	137	277	272	258	252	244	248	252	255	259	261
C2. Natural disaster	137	201	200	194	191	188	195	202	208	215	220
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	137	142	141	139	137	136	143	150	157	165	170
Debt Service-to-Revenue Ratio											
Baseline	9	10	11	11	12	11	10	11	13	16	19
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2025-2035 2/	9	10	10	10	10	10	8	9	10	13	15
B. Bound Tests											
B1. Real GDP growth	9	11	13	14	17	17	16	18	21	24	27
B2. Primary balance	9	10	12	16	17	14	13	13	15	18	20
B3. Exports	9	10	12	12	13	12	11	12	14	17	19
B4. Other flows 3/	9	10	11	12	12	12	10	11	13	16	19
B5. Depreciation	9	11	14	14	13	13	12	12	14	17	18
B6. Combination of B1-B5	9	10	13	13	14	13	12	13	15	18	20
C. Tailored Tests											
C1. Combined contingent liabilities	9	10	16	57	17	26	15	18	17	21	23
C2. Natural disaster	9	10	13	31	15	18	13	15	16	19	21
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	9	10	11	11	12	11	10	11	13	16	19

Sources: Country authorities; and staff estimates and projections.

1/ A bold value indicates a breach of the benchmark.

2/ Variables include real GDP growth, GDP deflator and primary deficit in percent of GDP.

3/ Includes official and private transfers and FDI.

Statement by Mr. Idwan Suhardi Bin Hakim, Executive Director, Mr. Kaweevudh Sumawong, Alternate Executive Director, Mr. Wishnu Mahraddika, Senior Advisor to Executive Director, and Mr. Vichet Sam, Advisor to Executive Director

November 21, 2025

The Cambodian authorities express their sincere appreciation to the IMF mission team, led by Mr. Kenichiro Kashiwase, for their constructive and insightful discussions during the 2025 Article IV Consultation. The authorities value the mission's engagements and analytical depth, which have helped clarify the challenges and policy options facing Cambodia's economy amid heightened global uncertainty. They broadly concur with staff's assessment and recommendations, while maintaining a more optimistic growth outlook based on recent developments and progress in ongoing structural reforms.

Recent Economic Developments and Outlook

Cambodia's economy continued to demonstrate resilience, supported by strong export momentum, solid agricultural production, and a sustained recovery in tourism. Real GDP grew by 6.0 percent in 2024 and is projected by the authorities to expand at around 5.0 percent in both 2025 and 2026, higher than IMF staff's projections. Growth in 2025 is expected to be driven by strong exports, supported by early-year front-loading, with exports rising by 15.4 percent YoY in the first nine months, and a solid garment order pipeline extending into early 2026. Approved fixed-asset investment also surged by 67 percent in the first ten months of 2025, signaling strong investor confidence and expectation that trade momentum will continue into the next year. Meanwhile, agriculture and light manufacturing are increasingly contributing to export diversification, and strengthening tourism activity is expected to provide an additional lift to the services sector.

While trade and border-related shocks have affected near-term prospects, the authorities consider the overall impact manageable. The garment sector's resilience, improved logistics infrastructure, and ongoing efforts to diversify export markets are expected to mitigate external headwinds. The tourism sector is projected to strengthen further in 2026, supported by ongoing infrastructure upgrades and expanded air connectivity, as reflected by a 22.4 percent YoY increase in tourist arrivals by air during January–September this year. This will help cushion the economic impact of border-related disruptions. Meanwhile, labor shortages in the garment, construction, and agriculture sectors, together with government efforts to support small and medium-sized enterprises (SMEs) and advance their formalization, are expected to strengthen the capacity to absorb the return of migrant workers from Thailand.

Inflation remains contained and is expected to stay moderate at around 2.5 percent in 2025, consistent with staff's assessment and reflecting stable food and fuel prices. The external position remains sound, with international reserves equivalent to about seven months of imports, providing an adequate buffer against external shocks. The authorities emphasize that this strong external position reflects robust exports and tourism recovery rather than weak domestic demand, and they remain committed to fostering private investment to support domestic demand over the medium term.

While Cambodia's outlook remains broadly positive, the authorities recognize that risks remain tilted to the downside amid heightened external uncertainty. Slower global and regional growth and rising geo-economic fragmentation could weigh on exports and investment sentiment. In this context, the authorities reaffirm their commitment to safeguarding macroeconomic stability and enhancing resilience through well-coordinated fiscal, monetary, and structural policies.

Fiscal Policy

The authorities remain firmly committed to fiscal discipline and sustainability under the Medium-Term Fiscal Framework (MTFF). In the near term, fiscal policy will continue to provide targeted support to vulnerable households affected by recent shocks, while maintaining fiscal discipline over the medium term. The authorities are prioritizing improved domestic revenue mobilization, enhancing spending efficiency, and advancing public financial management reforms to support a gradual and growth-friendly consolidation path, consistent with the fiscal rule.

Measures are being implemented to strengthen domestic revenue mobilization amid declining concessional financing. This includes further digitalization of tax administration, enhanced compliance, improved debt management, and continued implementation of the Revenue Mobilization Strategy 2024-2028 (RMS-III). The authorities are also reviewing tax incentive schemes and strengthening the monitoring framework for tax expenditures to improve transparency and effectiveness. On the expenditure side, priority will continue to be given to health, education, social protection, and growth-enhancing public investment, while improving spending efficiency through performance-based budgeting. Taken together, these efforts, along with spending rationalization, will help contain the deficit within the medium-term operational ceiling and support the rebuilding of fiscal buffers. The authorities also intend to gradually deepen the domestic government bond market to diversify financing sources and support capital market development. Overall, these measures are broadly consistent with staff's recommendations.

Monetary and Exchange Rate Policy

The authorities share staff's view that monetary policy should remain agile and data-driven. The National Bank of Cambodia (NBC) will carefully assess the timing and pace of reserve requirement normalization in light of evolving economic and financial conditions, balancing growth support with financial stability considerations. The NBC is also strengthening coordination between liquidity management and fiscal operations to ensure orderly money market conditions and enhance policy effectiveness.

The NBC continues to modernize its monetary policy framework to strengthen transmission in Khmer riel. Key priorities include deepening interbank and money markets, narrowing the interest-rate corridor, and operationalizing a formal policy rate over time. These efforts are integral to the authorities' de-dollarization strategy, aimed at enhancing monetary policy effectiveness while maintaining exchange-rate stability as a nominal anchor.

The NBC is advancing regional payment connectivity to enable seamless cross-border retail payments. These efforts, undertaken in coordination with partner central banks, aim to facilitate faster, cheaper, and more secure trade, tourism, and remittance payments. The NBC is also enhancing the domestic digital payment ecosystem through wider adoption of KHQR[1], and strengthened cybersecurity standards. Initiatives to improve digital and financial literacy have been implemented to ensure safe and inclusive access to these innovations. Collectively, these initiatives are expected to promote greater use of the Khmer riel, enhance payment efficiency, and support financial inclusion and regional integration.

Financial Sector Policies

The authorities remain focused on safeguarding financial stability amid rising non-performing loans (NPLs), a softening property market, and persistent external uncertainties. In line with staff's recommendation to ensure timely normalization, the NBC is reviewing existing forbearance measures to determine an appropriate path forward, including options for a gradual, calibrated exit, to avoid pro-cyclicality and ensure a smooth normalization of credit conditions that preserves system-wide stability. Close monitoring of credit developments and sectoral exposures continues through both off-site surveillance and risk-based on-site supervision.

To reinforce supervisory effectiveness, the NBC plans to operationalize the Prakas (i.e. regulation) on Early Supervisory Intervention (ESI) in 2026. This framework introduces a more formalized and forward-looking process to identify emerging weaknesses and undertake timely corrective measures before vulnerabilities start to escalate. In parallel, the authorities are enhancing supervisory coordination, strengthening macroprudential oversight, and reviewing the existing toolkit to ensure banks maintain adequate provisions, appropriate classification of forborne loans, and robust capital and liquidity buffers.

[1] [1] KHQR is Cambodia's standardized QR-code payment system enabling interoperable digital payments across banks and financial institutions.

Crisis preparedness remains a priority. The authorities are enhancing bank resolution and insolvency frameworks, while developing deposit insurance and improving the emergency liquidity assistance (ELA) mechanism to better manage contingencies and safeguard financial stability under adverse shocks. These efforts, combined with continued strengthening of regulatory and supervisory capacity, will help ensure the financial system remains resilient, supports credit intermediation, and contributes to sustaining Cambodia's long-term growth prospects.

Structural and Governance Reforms

The authorities are accelerating economic diversification and competitiveness to build resilience and achieve high-quality, inclusive growth, in line with staff's recommendations to enhance Cambodia's long-term competitiveness and growth potential. Ongoing reforms under the Pentagonal Strategy-Phase I (2023–2028) aim to promote diversification, competitiveness, and sustainable development. Efforts to boost agricultural productivity, support SME development, upgrade transport and logistics infrastructure, and attract higher-value manufacturing are expected to enhance resilience and support employment. Green transition efforts are also advancing through investments in renewable energy (solar and wind), smart-grid infrastructure, and electric vehicle promotion.

Governance reform remains a key priority. The authorities are committed to strengthening anti-corruption measures, enhancing the rule of law, and improving the business environment. Preparations are underway for a law establishing the institutional architecture for commercial courts, followed by procedural regulations for commercial dispute resolution. AML/CFT compliance is being strengthened, particularly regarding risks from virtual assets. The NBC and relevant agencies continue to strengthen supervisory cooperation and legal enforcement frameworks to mitigate integrity risks in the financial system.

Improving data and statistics remains central to evidence-based policymaking and transparency. The authorities are enhancing data quality, coverage, and inter-agency coordination, particularly in real estate, nonbank financial institutions, and external sector statistics, with continued IMF technical assistance. Ongoing initiatives include modernizing digital data collection, strengthening institutional capacity, and improving the timeliness and consistency of macroeconomic indicators.

Looking ahead, the authorities reaffirm their strong commitment to sound macroeconomic management, financial stability, and inclusive, sustainable development. They appreciate the IMF's continued technical assistance and constructive policy dialogues. The authorities look forward to ongoing collaboration with the Fund as Cambodia navigates current challenges and strives to achieve a more diversified, resilient, and inclusive economy.