



Press Release



EIC Maintains 6.2-percent Growth Rate Projection for 2012

Phnom Penh, 18 July, 2012 – Cambodia’s Gross Domestic Product (GDP) is projected to grow at a modest 6.2 percent in 2012, accordingly to its growth forecast of last January, the Economic Institute of Cambodia (EIC) said in its latest Cambodia Economic Watch report, jointly published with Economics Today in July 2012.

The industry sector is projected to grow at just 8.8 percent, a slower rate than expected, while the growth rates of the agriculture and service sectors have been revised upward to 4.6 and 5.4 percent respectively.

“Export growth of Cambodian garment products and milled rice has already markedly slowed down as of April 2012 and is likely to continue decelerating throughout the year,” said Khin Pisey, an EIC researcher and the lead author of the report. “The slowdown cuts half a percentage point from EIC’s initial growth projection of the industry sector, which was offset by a 0.5-percentage point upward revision of the service sector’s growth.”

Weakening demand in Europe and the United States has hampered Cambodian exports of textile and garment products, which has led to a downward revision of the growth forecast for the textile and clothing subsector to 8.6 percent in 2012. This is a much slower expansion than the 20.5-percent rate that EIC estimated for the subsector in 2011.

In the agriculture sector, the growth estimate has been slightly revised upward as prices of non-paddy crops turned out to be less bearish than EIC’s expectation earlier this year, especially the price of cassava and soybeans. In the paddy subsector, local prices have been largely influenced by Thailand’s stockpiling of paddy, which aims at improving international prices of milled rice. However, any effect of the Thai government’s measures will be visible only in the third quarter of this year.

In the service sector, the subsectors of local trade and transport are projected to grow at a faster pace as a result of a higher growth prospect in the other crops subsector and a marked increase in lending by commercial banks, which reflects increasing domestic economic activities. The total amount of gross loans provided by commercial banks reached US\$4.7 billion in the first quarter of 2012 (+33.6 percent year-on-year).

Foreign trade activities this year are expected to grow at much lower rates than last year, as Cambodia’s two major markets—the United States and Europe—are mired in slow economic recovery and sovereign debt crisis, which are slowing down growth in consumption.

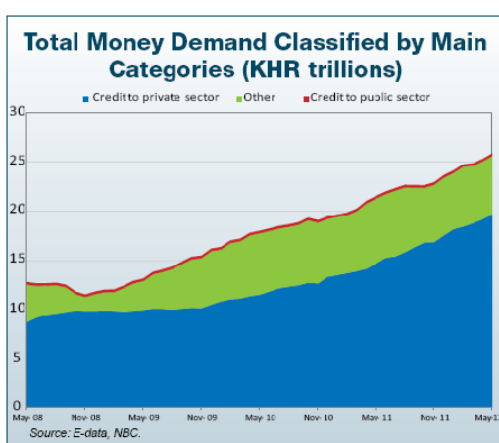
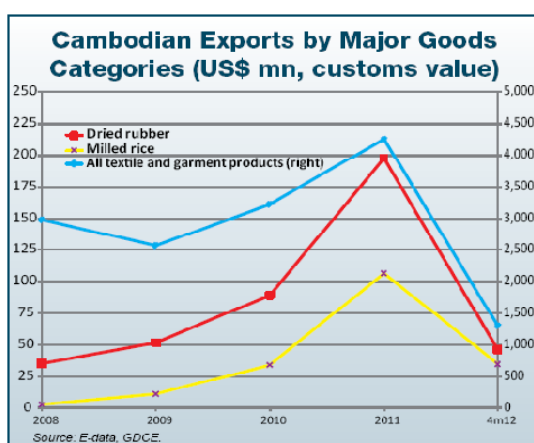
“We foresee a similar modest growth outlook in 2013,” said Khin Pisey.

Cambodian export sectors are expected to face challenges for another while, he added, mentioning that weak external demands and rising production cost would hamper the textile and garment subsector next year. A weakening euro and high milling cost will also make Cambodian milled rice less competitive on the international market, Khin Pisey said.

Cambodia's GDP Estimation by Peer Institutions (real growth, % y-o-y)

GDP, % yoy	2012e			2013p
	Latest	Previous	Chg	
EIC	6.2	6.2	0.0	6.3
RGC	6.5	6.5	0.0	6.5
ADB	6.5	6.5	0.0	7.0
IMF	6.2	6.5	-0.3	6.4
WB	6.6	6.5	+0.1	6.7

Source: RGC: MEF website, 12 June 2012; ADB: Asian Development Bank, "Asian Development Outlook", April 2012; EIC: Economic Institute of Cambodia, retrieved from EIC's model, July 2012; IMF: International Monetary Fund, "World Economic Outlook", April 2012; WB: World Bank, "East Asia and Pacific Economic Update", May 2012.



About the Economic Institute of Cambodia:

Founded in 2003, the Economic Institute of Cambodia is an independent economic think tank. The institute's expertise includes macro-economic analysis, economic forecast modeling, baseline survey and market research, and business development.

About the Cambodia Economic Watch:

The Cambodia Economic Watch report has been published by EIC since 2004, thanks to the support of the World Bank until 2009. Since then, EIC has continued to publish Cambodia Economic Watch in collaboration with Economics Today magazine.

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