



31 May 2007

Capital Market Development in Cambodia: An Overview

Hang Sambopisith
Researcher

*Workshop on
Capital Market Development in Cambodia
Intercontinental Hotel, Phnom Penh
May 30-31, 2007*

Contents

- Cambodia's saving
- Capital formation in Cambodia
- Motives for capital market development
- Preconditions for capital market development

Cambodia's Saving

31 May 2007

- Structure of the economy: Informal 62% of GDP, 85% of Labor force in 2003 (EIC, ILO)
- Informal economy => Informal Saving: Tontine, private saving
- Formal economy => Banking system: mostly short-term savings (about 16% of GDP in 2006, NBC)

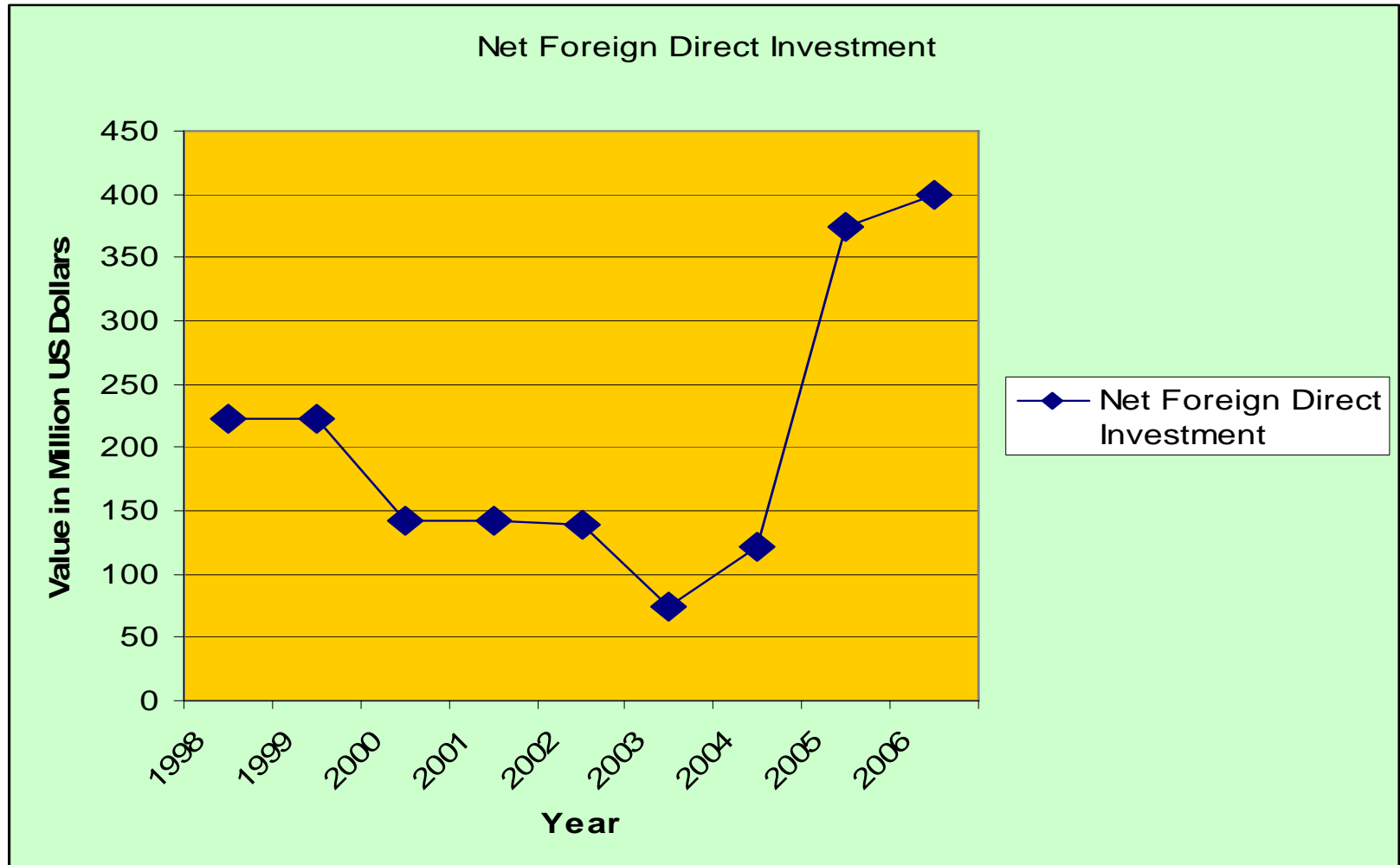
Capital Formation

31 May 2007

- Direct domestic investment mostly financed by own saving funds or money borrowing from relatives ...
- Banks lending is mostly short-term (65% of deposits in all banks & MFIs, NBC)
- FDI has seen increasing trend since 2003.
- Portfolio investment is formally nil

Foreign Direct Investment in Cambodia

31 May 2007



Source: EIC, the National Bank of Cambodia

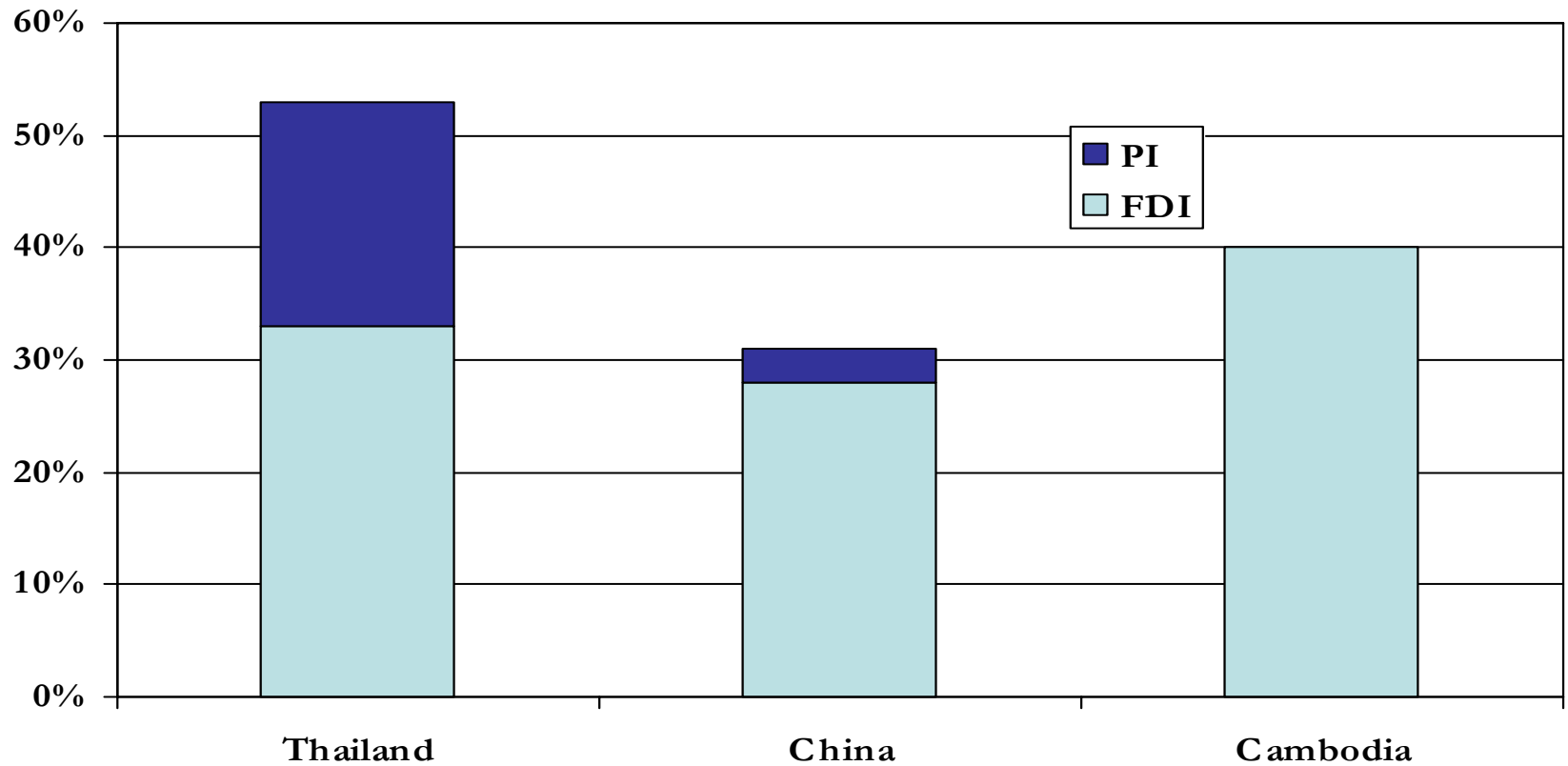
Capital Formation (Cont.)

31 May 2007

- Overall, private investment in Cambodia is low
- Examples of China and Thailand BOP
- Capital accounts: FDI, Portfolio Investments (equity and debt securities), and others (government bonds)

Foreign Investment Comparison

31 May 2007



Source: *EIC, International Financial Statistics*

Motives for Capital Market Development

31 May 2007

- Capital market complement banks' role in saving mobilization, and investment resource allocation
- Capital market => investment overall would be increased in volume and quality=> sustaining economic growth into the future.

Preconditions for Capital Market Development

31 May 2007

- Macroeconomic stability
- Proper financial and commercial law and effective enforcement
- Standardized accounting/auditing capacity
- Sufficient human resource for the sector
- Infrastructure
-
- => More details by Government officials.



31 May 2007

Thank You