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Capital Market Development in Cambodia: An Overview

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- Cambodia's saving
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Cambodia's Saving

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- 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)

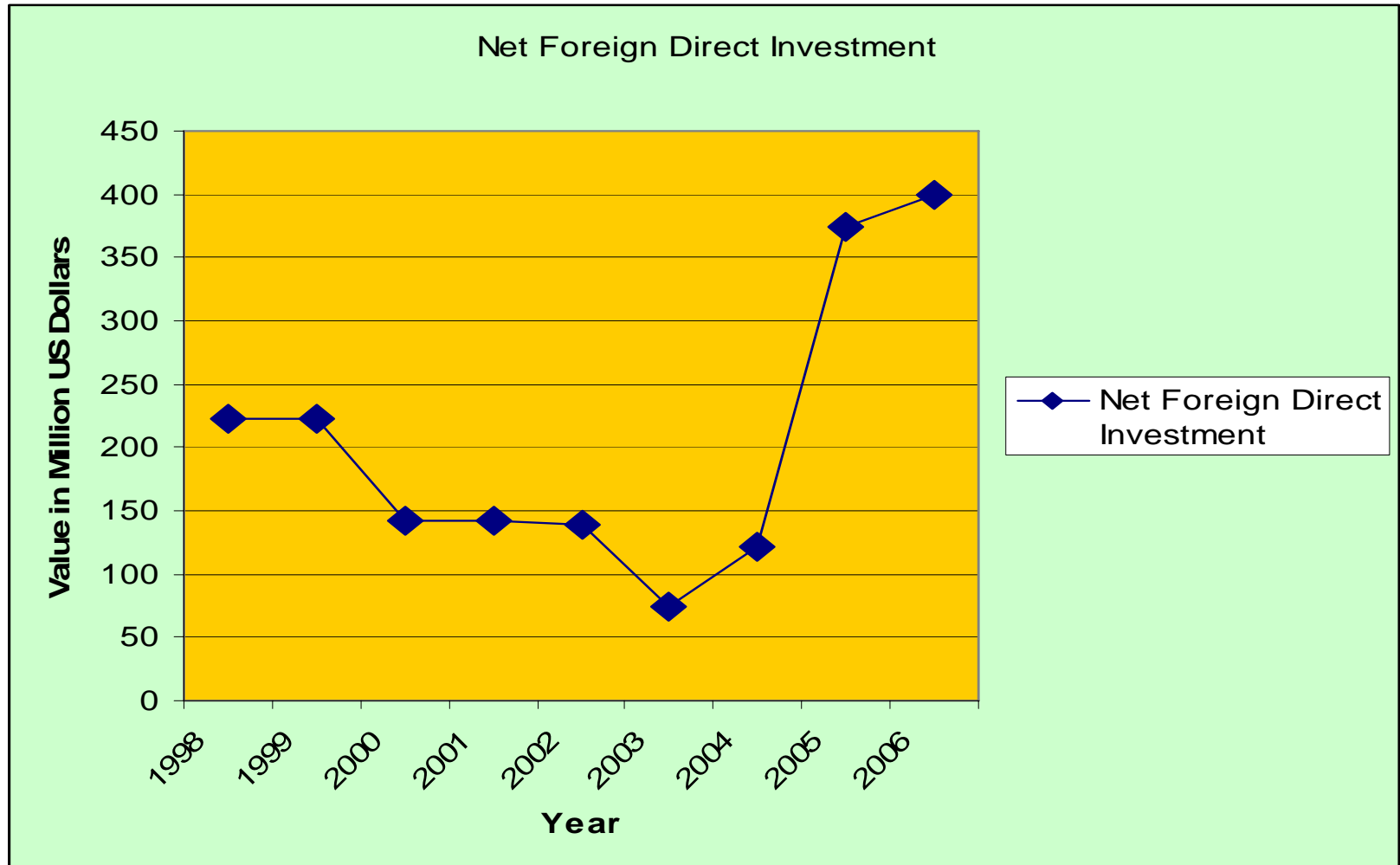
Capital Formation

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- 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

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Source: EIC, the National Bank of Cambodia

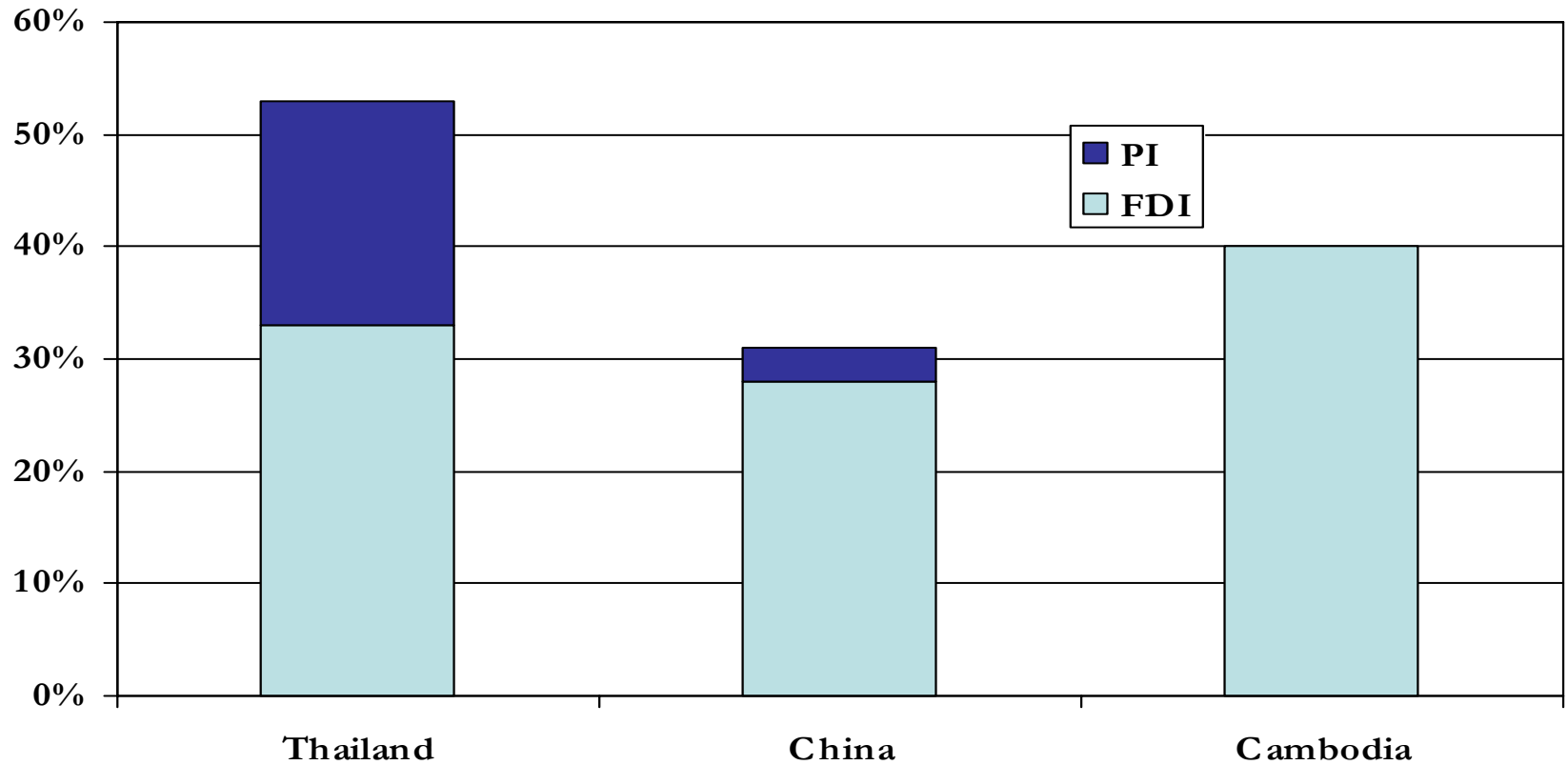
Capital Formation (Cont.)

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- 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

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Source: *EIC, International Financial Statistics*

Motives for Capital Market Development

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- 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

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

Thank You