



AMRO Annual Consultation Report

Cambodia – 2026

ASEAN+3 Macroeconomic Research Office (AMRO)

July 2026

Acknowledgments

1. This Annual Consultation Report on Cambodia has been prepared in accordance with the functions of AMRO to monitor, assess and report its members' macroeconomic status and financial soundness, to identify relevant risks and vulnerabilities, and to assist them in the timely formulation of policy to mitigate such risks (Article 3 (a) and (b) of the AMRO Agreement).
2. This Report is drafted on the basis of the Annual Consultation Visit of AMRO to Cambodia from April 20-29, 2026 (Article 5 (b) of AMRO Agreement). The AMRO Mission team was headed by Dr Jinho Choi, Group Head and Lead Economist. Members included Ms Chunyu Yang, Desk Economist for Cambodia; Dr Wenzhe Li, Senior Economist; Dr Guohua Huang, Senior Economist; Ms Xiaotian (Tina) Liu, Associate Economist; Dr Vithyea You, Associate; and Mr Sokheng Hour, Associate. AMRO Director/CEO Mr Yasuto Watanabe and Chief Economist Dr Dong He also participated in key policy meetings with the authorities. This AMRO Annual Consultation Report on Cambodia for 2026 was peer reviewed by a group of economists from AMRO's Country Surveillance, Financial Surveillance, Fiscal Surveillance and Regional Surveillance teams; endorsed by the Policy and Review Group; and approved by Dr Dong He, AMRO Chief Economist.
3. The analysis in this Report is based on information available up to June 18, 2026.
4. By making any designation of or reference to a particular territory or geographical area, or by using the term "member" or "country" in this Report, AMRO does not intend to make any judgments as to the legal or other status of any territory or area.
5. On behalf of AMRO, the Mission team wishes to thank the Cambodian authorities for their comments on this Report, as well as their excellent meeting arrangements and hospitality during our visit.

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Executive Summary

1. Cambodia's economy proved to be relatively resilient against external shocks in 2025. Economic growth was estimated at 5.3 percent in 2025, higher than earlier projected following the introduction of reciprocal tariffs by the US administration, Cambodia-Thailand border tensions, and reputational effects from multinational sanctions related to online scams. The garment sector remained robust, supported by strong global demand, while the services sector underperformed and the construction sector remained weak.

2. However, growth momentum is expected to moderate in 2026, mainly due to the energy shock. In addition, the continued suspension of cross-border activities in 2026 is expected to constrain trade, tourism, and labor mobility. While manufacturing is projected to remain resilient, the agricultural and services sectors are likely to weaken due to higher oil and fertilizer prices stemming from the Middle East conflict, which could raise transport costs and erode the purchasing power of households. The government's intensified crackdown on scamming activities, while desirable and supportive of long-term growth, may inevitably soften domestic economic activity in the short term.

- In the baseline scenario, where global oil prices average USD90-100 per barrel in 2026, Cambodia's growth is expected to slow to 4.2 percent in 2026 and 4.9 percent in 2027.
- In an upside scenario, where global oil prices average USD80 per barrel in 2026, in the event of managed containment and a de-escalation of the Middle East conflict, real GDP growth could be close to 4.5 percent in 2026.
- In contrast, under a downside scenario characterized by global oil prices averaging USD120 per barrel, real GDP growth would slow down to under 4 percent in 2026, reflecting weaker external demand, higher transport and logistics costs, and softer tourism receipts.

3. Inflation stabilized in 2H 2025 but is expected to increase with rising energy prices. It averaged 2.5 percent in 2025, as alternative supply sources helped offset disruptions from the border conflicts with Thailand. In 2026, headline CPI inflation is expected to rise to 4.5 percent due to high global oil prices, as domestic fuel prices closely track global oil prices, with potentially swift second-round effects on food and core inflation. Inflation is projected to moderate to 2.4 percent in 2027.

4. Cambodia's external position was held up by stable FDI inflows, but is expected to weaken in 2026. In 2025, the current account balance shifted to a deficit of 3.7 percent of GDP, reflecting a wider trade deficit and a sharp decline in remittances following the return of migrant workers. The current account deficit is projected to widen to 8.5 percent of GDP in 2026, driven by higher oil import prices, before narrowing to around 6 percent over the medium term.

5. Credit growth remained low in 2025, reflecting subdued economic activity in certain sectors. It edged up to 5.4 percent at end-2025, driven mainly by a surge in lending at a few banks, while most institutions saw muted expansion. However, credit growth slowed again in early 2026. The non-performing loan (NPL) ratio remained elevated at above 8 percent. Subdued credit growth and rising NPLs in the financial sector, alongside recent developments related to online scams and isolated bank liquidation cases, have weighed on the confidence of some depositors, although immediate spillover risks appear limited so far given relatively low

resident interbank exposure, as well as high capital adequacy and liquidity coverage in the banking industry.

6. To manage heightened uncertainties and repeated shocks, proactive policies and effective implementation will be essential. These include targeted fiscal support to vulnerable households and firms affected by the energy shock and the border conflict, and preemptive measures to address banking sector vulnerabilities, particularly elevated NPLs.

7. The 2026 Budget's expansionary fiscal stance is appropriate in response to the oil price shock, but fiscal measures responding to the shock should remain temporary and well targeted. Expedited labor market and social protection measures would help mitigate the impact of the border conflict. Over the medium term, gradual fiscal consolidation and fiscal reserve rebuilding should remain key priorities, by strengthening revenue collection, enhancing spending efficiency, and maintaining a prudent public debt management.

8. Meanwhile, the National Bank of Cambodia (NBC) should maintain an accommodative policy stance while taking decisive and timely actions to resolve elevated NPLs. Further development of the interbank market is essential to strengthen monetary policy transmission and improve liquidity management. Maintaining exchange rate stability is also critical to cushion against external shocks from higher energy prices. On financial stability, elevated NPLs call for decisive and timely policy action to accelerate resolution and strengthen capital buffers. Strengthening liquidity oversight and the bank resolution framework should be near-term priorities to safeguard confidence.

9. Stronger collaboration is needed among key stakeholders to address underlying risks. The NBC and Ministry of Economy and Finance (MEF) should coordinate closely on potential arrangements to address banking sector vulnerabilities, recognizing that some measures may involve risk sharing. Besides, the NBC, MEF, Non-Bank Financial Services Authority (NBFSa), and other relevant authorities should strengthen coordination and data sharing to monitor risks across the financial sector, including real estate and non-bank activities.

10. Enhancing energy security and upgrading energy infrastructure should be prioritized to strengthen Cambodia's resilience and support structural transformation. Heavy reliance on imported petroleum products exposes the economy to price volatility and supply disruptions, while rising fertilizer prices pose risks to agricultural output. At the same time, high electricity costs and uneven supply reliability may deter investment in higher value-added industries. Cambodia should continue diversifying its energy mix through liquefied natural gas infrastructure, renewable energy, strategic fuel reserves, and energy storage systems.

A. Recent Developments and Outlook

A.1 Real Sector Developments and Outlook

1. Cambodia's economy has expanded steadily in recent years, although its post-pandemic recovery has fallen short of pre-COVID growth performance. Cambodia was among the region's fastest-growing economies prior to the pandemic, growing at an average of around 7 percent (Figure 1). However, the recovery has been constrained by structural and cyclical headwinds, including a prolonged real estate downturn, subdued tourism, and recent external shocks such as border tensions and higher oil prices. As a result, the authorities have revised their growth target down from around 6 percent, reflecting a more cautious near-term outlook.

Figure 1. Real GDP Growth: Selected Economies Comparisons

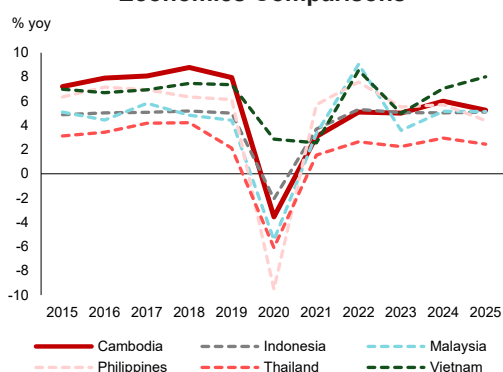


Figure 2. Real GDP Growth by Sector

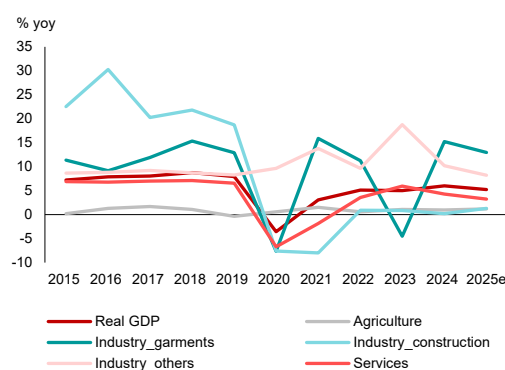


Figure 3. Tourist Arrival Growth by Country of Residence

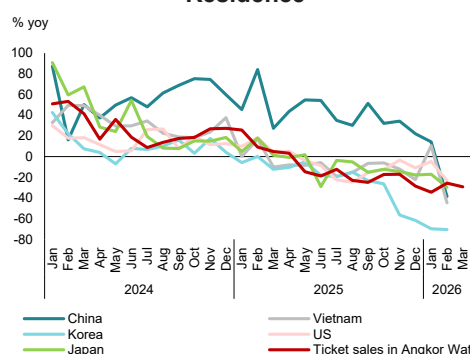
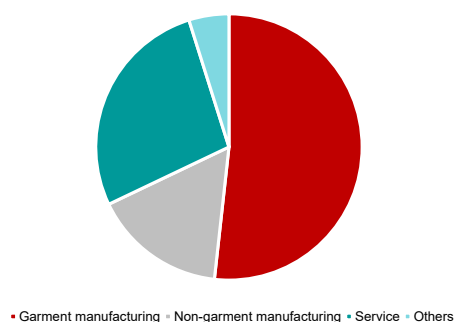


Figure 4. Employment by Industry



2. Economic growth in 2025 turned out to be more resilient than projected earlier when the US introduced reciprocal tariffs. GDP growth was estimated at 5.3 percent in 2025, lower than 6.0 percent in 2024. While the garment sector remained robust, supported by strong global demand and relatively favorable US reciprocal tariffs at 19 percent (Figure 2), the services sector underperformed—particularly tourism (Figure 3)—due to prolonged Cambodia–Thailand border tensions and softer tourism demand amid increased global concern of online scam activities. Angkor Wat ticket sales declined sharply from mid-2025 and

continued to contract in early 2026. Meanwhile, the construction sector remained weak amid oversupply and subdued demand in the real estate market.

3. Labor market pressures increased in 2025, following the large-scale return of migrant workers from Thailand. Labor market dynamics in 2025 were significantly affected by the return of roughly one million Cambodian migrant workers from Thailand following border tensions, intensifying job market competition, particularly in rural areas with limited formal employment. As of end-2025, about two-thirds had secured employment, of whom half were working in the informal sector.¹ However, the rest remained unemployed, primarily due to age barriers and skills mismatches, given that more than half of returning migrant workers had previously been employed in construction or agriculture,² while domestic jobs are concentrated in the manufacturing sector (Figure 4).

4. Growth momentum is expected to weaken in 2026, mainly due to the energy shock. Under the baseline scenario of continued suspension of cross-border activities in 2026, trade, tourism, and labor mobility are expected to remain constrained. While manufacturing is projected to remain resilient, agricultural and services sectors are likely to weaken due to higher oil and fertilizer prices stemming from the Middle East conflict, which could raise transport costs and erode the purchasing power of households. Construction and real estate are also expected to remain subdued. The government's crackdown on scamming activities, while desirable and supportive of long-term growth, may inevitably soften domestic economic activity in the short-term. Overall, GDP growth is projected at 4.2 percent in 2026, before rebounding to 4.9 percent in 2027.

5. Inflation stabilized in 2H 2025 but is expected to increase with rising energy prices. It averaged 2.5 percent in 2025, as alternative supply sources helped offset disruptions from the border conflict (Figure 5). Although agricultural disruptions pushed prices higher, import adjustments, including via Vietnam, helped contain inflation.³ In 2026, headline CPI inflation is expected to rise to 4.5 percent due to high global oil prices, as Cambodia's inflation dynamics respond more rapidly to commodity price shocks than most of the regional peers (Figure 6). It is projected to moderate to 2.4 percent in 2027.

6. The real estate sector remained weak amid subdued demand, oversupply, and project delays. Excess supply could take more than seven years to be absorbed if sales remain at 2024 levels.⁴ In the residential segment, new launches were limited, while sales rose marginally by 1 percent to 3,253 units in 2025, slowing from 5.7 percent growth in 2024, with unsold units remaining high at around 38,714 units as of Q3 2025 (Figure 7). Market weakness was also reflected in mortgage loans, which contracted 5.4 percent (yoy) in 2025, and in the National Bank of Cambodia (NBC)'s Residential Property Price Index (RPPI), which declined by 3.8 percent (yoy) (Figure 8). In the commercial segment, office and retail vacancies remained high.⁵

¹ To facilitate the reintegration of returning workers, the Ministry of Labour and Vocational Training and the National Employment Agency expanded job-matching and skills support measures, including job fairs, the 1297 registration hotline, and technical and vocational training. In particular, the Skills Development Fund (SDF) extended skills support to workers in the informal economy through initiatives such as the Skills Voucher program, which is delivered through SDF partner organizations.

² See CDRI (2025), "Demographic and Economic Profile of Returned Migrant Labourers", *Rapid Policy Notes 2*.

³ See Chunyu Yang (2025), "Assessment of the Impact of Cambodia-Thailand Border Conflicts on Cambodia's Economy", *AMRO Analytical Note*.

⁴ Total stock of unsold units in 2025 divided by total units sold in 2024.

⁵ Knight Frank 2H 2025 reported that office occupancy declined to 58.7 percent (-2.7 ppts yoy) and continued trending downward from 64.5 percent in 2H 2024 to 61.8 percent in 2H 2025, with vacancy rising to 38.2 percent (+2.7 ppts yoy).

Figure 5. Inflation by Contribution

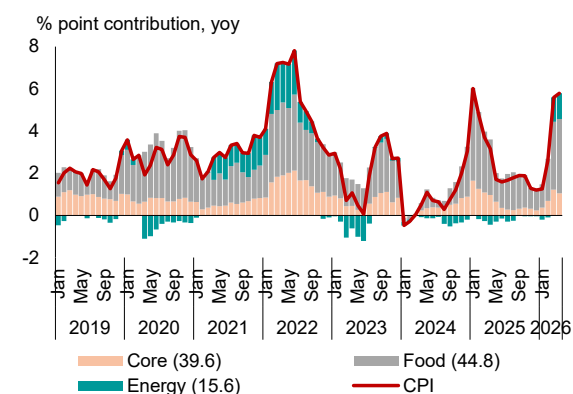


Figure 6. Transmission Period of Commodity Price Shocks to Headline Inflation

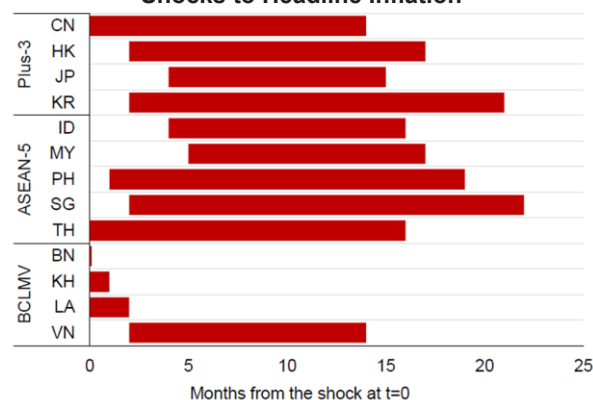


Figure 7. Residential Property Sold and Unsold Inventory

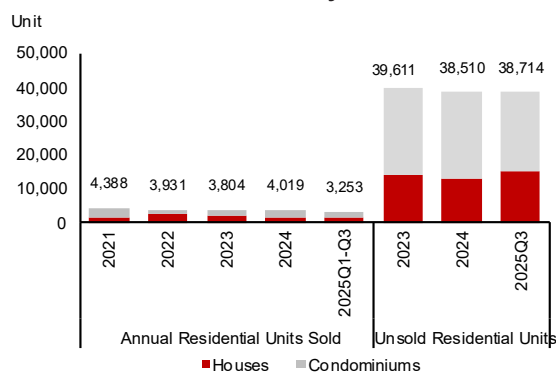
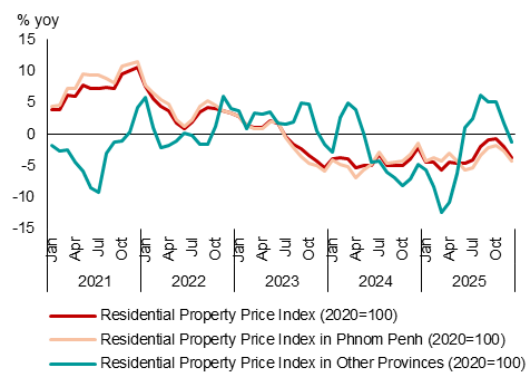


Figure 8. Residential Property Price Index



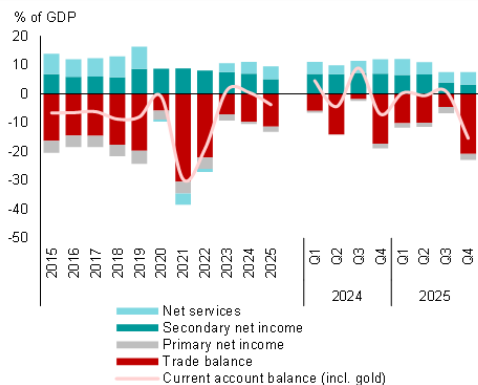
A.2 External Sector and the Balance of Payments

7. The current account deficit is expected to widen in 2026. In 2025, the balance shifted to a deficit of 3.7 percent of GDP, reflecting wider trade and primary income deficits, coupled with a sharp decline in remittances following the return of migrant workers (Figure 9). These pressures were partly offset by a services surplus. The gold trade, which contributed to large volatility in the current account balance during 2019–2022, has also altered the external position in 2025, but in a more subdued way (see Box A “Gold Trade Data Discrepancies in Cambodia”). FDI inflows remained resilient, supported by strong manufacturing investment. International reserves rose to USD27.5 billion as of end-2025, covering 8.2 months of imports, mainly due to gold valuation gains. Meanwhile, the current account deficit is projected to widen to 8.5 percent of GDP in 2026, driven by higher oil import prices, before narrowing to around 6 percent over the medium term.

8. The riel remained stable against the US dollar, with lower volatility. It appreciated by 1.5 percent in 2025, reaching around KHR4,000 per US dollar in the first half, while volatility fell to less than 10 percent of the levels recorded during 2022–2024 (Figure 10). Depreciation

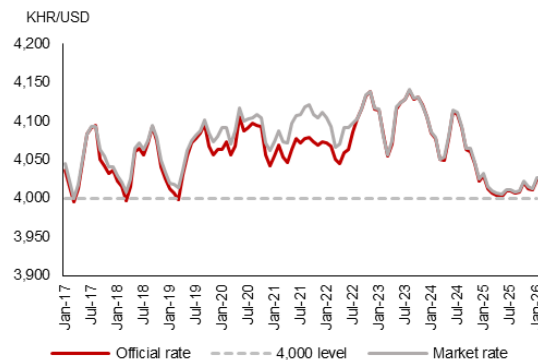
pressures from wider trade deficits, declining remittances,⁶ and weaker tourism were broadly offset by strong FDI inflows, which rose by 19 percent in 2025.

Figure 9. Current Account Balance



Source: GDCE; AMRO staff calculations

Figure 10. Exchange Rate Movement



Source: NBC and AMRO staff calculations

Note: Starting from August 2022 (indicated by the dashed line), the NBC has decided to determine the official exchange rate by calculating the weighted average exchange rate of the actual daily exchange transactions on the NBC platform, and the official exchange rate has been fully in line with the market exchange rate.

Box A. Gold Trade Data Discrepancies in Cambodia⁷

Cambodia's gold trade has been highly volatile in recent years. Gold exports surged sharply in 2020 to around USD3 billion (Figure A1), and this was followed by a strong increase in imports in 2021 and 2022 to approximately USD6 billion and USD4.5 billion, respectively (Figure A2). This was mainly driven by speculative investment in gold amid elevated global prices, as well as stricter border controls that likely resulted in previously unrecorded gold trade being included in official statistics (Vann, 2022).

Gold exports surged again in 2024 and 2025, in line with the global trend of stronger safe-haven demand and portfolio diversification amid rising gold prices, inflationary pressures, global uncertainty, and hedging against US dollar fluctuations (World Gold Council, 2026). According to official data, total gold exports stood at USD468 million in 2024 and increased to USD1,134 million in 2025.

Figure A1. Cambodia's Exports

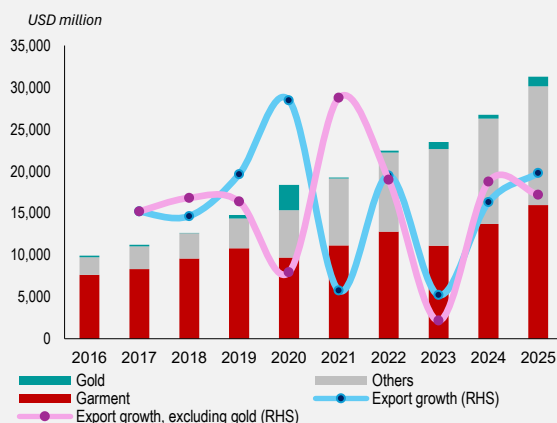
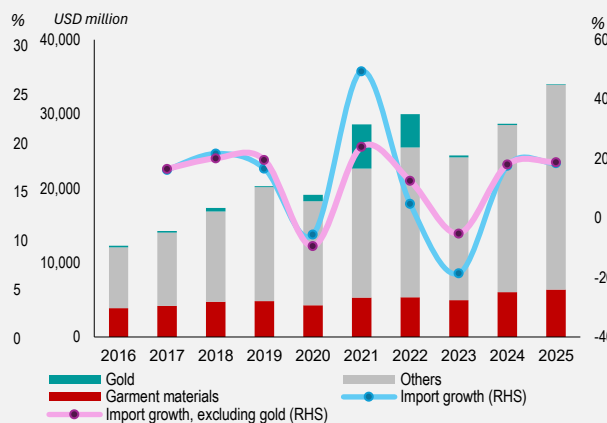


Figure A2. Cambodia's Imports



Source: Cambodia's General Department of Custom and Excise (GDCE); AMRO staff calculations

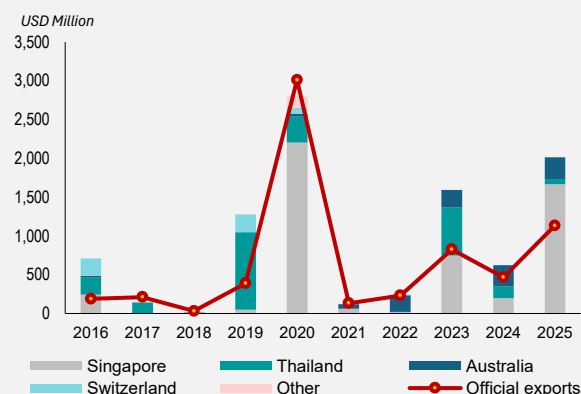
⁶ For the trade deficit, it was USD1.5 billion more in 2025 than in 2024. For remittances, it was around USD350 million less per quarter after 2025Q3.

⁷ Prepared by Sokheng Hour, Associate.

Gold imports have remained subdued since 2023, following the NBC's introduction of a temporary ban on gold imports in late 2022 and early 2023 to support balance of payments stability. Total gold imports stood at USD165 million in 2024 and declined to USD79 million in 2025.

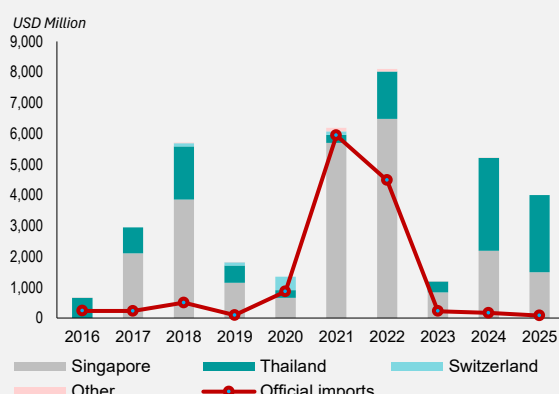
However, mirror trade data indicates a significant resurgence in gold imports, implying a potentially wider current account deficit. Mirror data continues to show substantially larger gold inflows and outflows from mid-2023 through 2025, in terms of both value and volume (Figures A3 and A4). In 2024, mirror data suggests total gold trade of USD5,836 million, comprising USD621 million in exports and USD5,215 million in imports. Likewise, mirror data for 2025 indicates total gold trade of approximately USD6,012 million—USD2,014 million in exports and USD3,998 million in imports.

Figure A3. Mirror and Official Exports



Source: GDCE; UN COMTRADE via ICT Trade Map

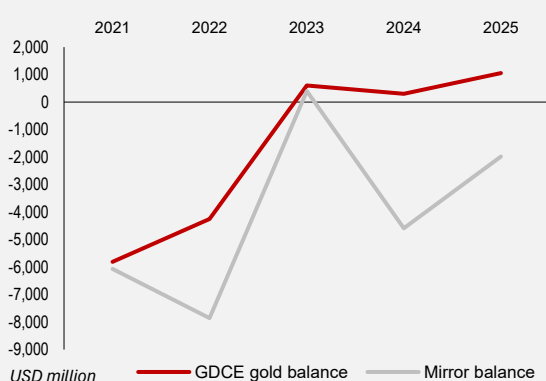
Figure A4. Mirror and Official Imports



Source: GDCE; UN COMTRADE via ICT Trade Map

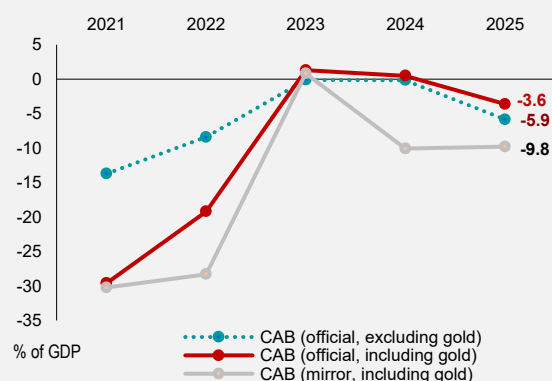
These discrepancies materially alter the picture of Cambodia's external position (Figure A5).⁸ Mirror data suggests that the gold trade deficit pushed the current account into a deficit of 10.1 percent of GDP in 2024, as against a small surplus of 0.5 percent according to official data. In 2025, mirror data points to a current account deficit of 9.8 percent of GDP, more than double the official estimate of around 3.7 percent (Figure A6). The mirror data also indicates substantially greater volatility than official figures, and therefore also provides an alternative read of Cambodia's external sector dynamics.

Figure A5. Gold Trade Balance



Source: GDCE; UN COMTRADE via ICT Trade Map

Figure A6. Current Account Balance



Source: National Bank of Cambodia (NBC) via ICT Trade Map

Cambodia should strengthen customs inspections and improve gold trade data compilation for a more accurate assessment of the external sector position. In parallel, it should tighten licensing and know-your-customer (KYC) requirements for gold traders, and reinforce anti-money

⁸ As a caveat, a more comprehensive analysis of the current account balance would incorporate mirror-source trade data for all commodities, rather than focusing solely on gold. As this box aims only to illustrate the marginal impact of the historically volatile gold trade on the external balance, such an extension is left for future research.

laundering (AML) monitoring through greater cross-border data sharing with key gold trading partners such as Thailand and Singapore. Together, these measures can help mitigate external vulnerabilities, reduce illicit financial risks, and underpin a more transparent and stable gold market.

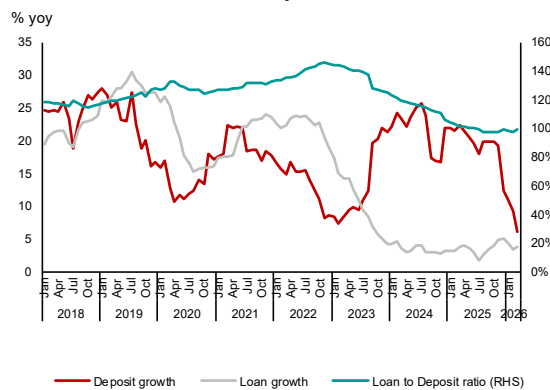
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A.3 Monetary Condition and Financial Sector

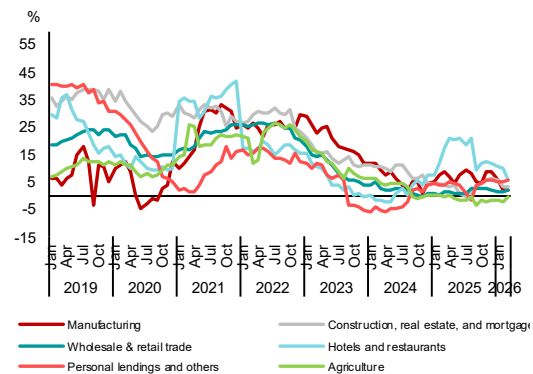
9. Credit growth remained low in 2025, reflecting subdued economic activity in certain sectors. It edged up to 5.4 percent by end-2025, driven mainly by a surge in lending at a few banks, while most institutions saw muted expansion. However, credit growth slowed again to 3.8 percent in March 2026 (Figure 11). Credit remained heavily concentrated in real estate sector and trade.⁹ Manufacturing credit grew faster but accounted for only 4 percent of total loans, while agricultural lending contracted by 1.7 percent (Figure 12). As a result, the credit-to-GDP ratio declined to around 127.8 percent in 2025. Meanwhile, M2 and deposit growth decelerated substantially after late 2025, with M2 expanding by 5.9 percent and deposits expanding by 6.1 percent in March 2026, respectively—down by 11.2 and 13.8 percentage points from September 2025.

Figure 11. Loans Growth, Deposit Growth, and Loan to Deposit Ratio



Source: NBC; AMRO staff calculations

Figure 12. Credit Growth by Sectors



Source: NBC; AMRO staff calculations

10. Capital buffers in the banking system remained adequate on average, even as asset quality continued to deteriorate in 2025. The DTI's NPL ratio remained elevated at 8.3 percent, with retail trade accounting for the largest share (21.4 percent), followed by agriculture (12 percent) and real estate activities¹⁰ (9.7 percent). However, NPL growth

⁹ Real estate sector and trade account for 33 percent and 25 percent of total loans, with modest growth of around 6 and 2 percent, respectively.

¹⁰ The real estate loans include loans to real estate-related activities, loans to construction and mortgages.

appeared to have slowed compared with previous years,¹¹ likely reflecting the NBC's reintroduction of the loan restructuring forbearance measure in August 2024, which remained in effect until December 2025 and may have masked underlying asset quality deterioration. Meanwhile, banks increased specific provisions for NPLs to about 71.1 percent of NPLs in 2025¹². Following two years of high provisioning expenses, profitability recovered moderately in 2025. Slower NPL growth, lower provisioning expenses, and improved profitability helped strengthen capital buffers. The average total capital ratio (CAR) remained well above regulatory requirements at 22 percent at end-2025.¹³

11. Recent bank liquidations and rumor-driven withdrawals have weighed on depositor confidence. In January and February 2026, two banks—Prince Bank and Panda Bank—were liquidated following the NBC's revocation of their licenses, raising concerns among some depositors amid U.S. sanctions involving their shareholders.¹⁴ Both liquidation processes, conducted in an orderly manner by NBC-appointed liquidators, remain ongoing to recover funds for depositors. In March, a deposit withdrawal incident at another bank added further pressure, largely driven by unverified social media rumors. In response, the NBC took swift communication action to maintain public trust and stabilize market conditions, serving as a critical first line of defense in preserving confidence. Cambodia's banking sector is navigating a period of adjustment, with rising NPLs and weakening asset quality, particularly in real estate-related lending. This underscores the importance of coordinated policy action among relevant authorities to sustain public confidence and facilitate NPL resolution.

12. The NBC has introduced a range of policy measures to strengthen financial stability, while supporting system liquidity. By end-2025, the capital conservation buffer was set at 2.5 percent to strengthen capital buffers. To address elevated NPLs, the NBC announced in February 2026 a new framework for establishing Asset Management Institutions (AMIs) to purchase and manage NPLs and related collaterals from banks and financial institutions. In March 2026, the NBC also revised the Emergency Liquidity Assistance (ELA) framework to support financial institutions facing short-term liquidity pressures. This framework aims to strengthen the NBC's lender-of-last-resort function, reinforcing the financial safety net. Following the expiry of the NBC's pandemic-related forbearance measures in 2025, targeted relief for borrowers affected by border conflicts and displacement is expected to conclude by May 2026.

13. The NBC maintained an accommodative monetary policy stance in 2025 though policy transmission remained limited. Liquidity conditions were supported through Liquidity Providing Collateralized Operations (LPCO) and Negotiable Certificate of Deposit (NCD) operations, while reserve requirement ratios (RRRs) were kept unchanged at 7 percent. The central bank lowered the riel daily compulsory threshold of reserve requirement to 30 percent in January 2025, and to 0 percent in January 2026, releasing additional liquidity into the

¹¹ The NPL ratio for deposit-taking institutions rose to 8.3 percent as of end-December 2025; however, NPL growth slowed compared with the sharp increases in 2023 and 2024—decelerating from 100.2 and 39.4 percent to 26.5 percent in 2025.

¹² Additionally, according to NBC view, the net NPL ratio remained at 2.8 percent in 2025, providing a substantial cushion against potential credit losses.

¹³ The latest figure for Tier 1 capital ratio was 19.4 percent at end-2025. According to the "Prakas on Capital Adequacy Ratios in Deposit-Taking Banks and Financial Institutions" issued in December 2024, the regulatory minimum CARs are set at 15 percent for total capital and 11 percent for Tier 1 capital, based on risk-weighted assets. In addition, banks are required to maintain a capital conservation buffer of 2.5 percent of risk-weighted assets.

¹⁴ According to the NBC, the U.S. Treasury's Office of Foreign Assets Control (OFAC) sanctions targeted the founder of the broader group, not the bank itself.

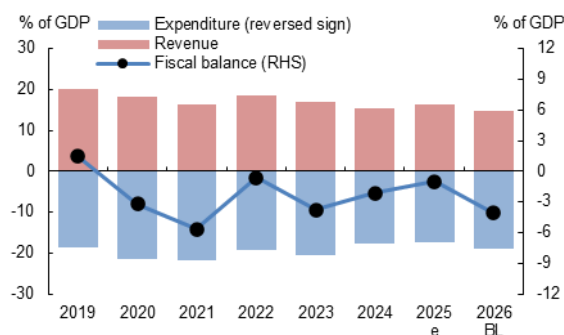
banking system. In addition, the NBC reduced the 7-day LPCO interest rate by 75 bps in 2025, with a further 25 bps cut in 2026. However, credit growth remained subdued despite the NBC's accommodative stance, banks' excess reserves increased faster than required reserves, and broad money (M2) growth decelerated, pointing to cautious lending amid elevated NPLs and a sluggish economic recovery.

A.4 Fiscal Sector

14. The fiscal deficit narrowed markedly in 2025, supported by stronger revenue and contained spending. The overall fiscal deficit declined to around 1 percent of GDP from 2.1 percent in 2024 (Figure 13), driven by robust consumption-based tax collection—particularly import-related VAT and excise taxes—and higher non-tax revenue from mining receipts and licensing fees.¹⁵ In contrast, income-based tax collection remained subdued, reflecting weak profitability in the real estate and tourism-related sectors. Expenditure increased modestly, with current expenditure executed close to budgeted levels and capital expenditure constrained by low execution of externally financed projects. Public debt remained low and stable at 25.9 percent of GDP as of end-2025, along with moderate financing needs.

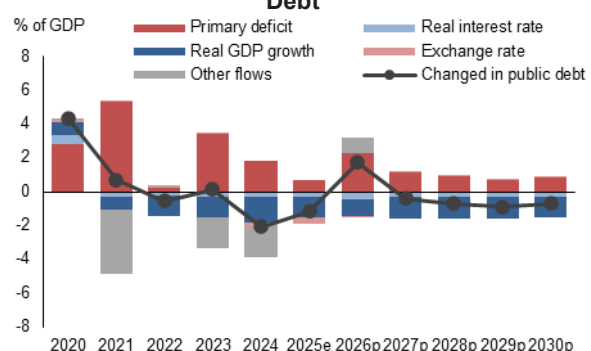
15. The fiscal stance is planned to turn expansionary in 2026, in response to border security needs and higher global oil prices. The 2026 Budget envisages a widening of the fiscal deficit to around 4 percent of GDP, driven by a sharp increase in expenditure—including ambitious capital spending and a sizable contingency allocation though wage bills are contained—alongside a cautious revenue outlook. However, given limited capacity to execute the ambitious capital budget, AMRO projects a smaller fiscal deficit of around 2.6 percent of GDP. Public debt is projected to edge up but remain low at 27.6 percent, with real GDP growth and negative real interest rate partly offsetting the primary deficit (Figure 14).

Figure 13. Fiscal Balance



Source: Ministry of Economy Finance (MEF); AMRO staff calculations

Figure 14. Contributions to Changes in Public Debt



Source: MEF; AMRO staff calculations

16. The medium-term fiscal path is projected to remain broadly stable, with public debt gradually declining under AMRO's baseline. The Medium-Term Fiscal Framework (MTFF) 2027–2029 envisages a gradual narrowing of fiscal deficits, driven mainly by the withdrawal of temporary fiscal measures, containment of the wage bill, and moderation of capital expenditure. In this context, the primary deficit is projected to decline to around 0.8 percent of GDP, with public debt gradually declining to about 25 percent of GDP by 2030, well below the

¹⁵ International trade tax dropped mainly due to FTA implementation and tax incentives.

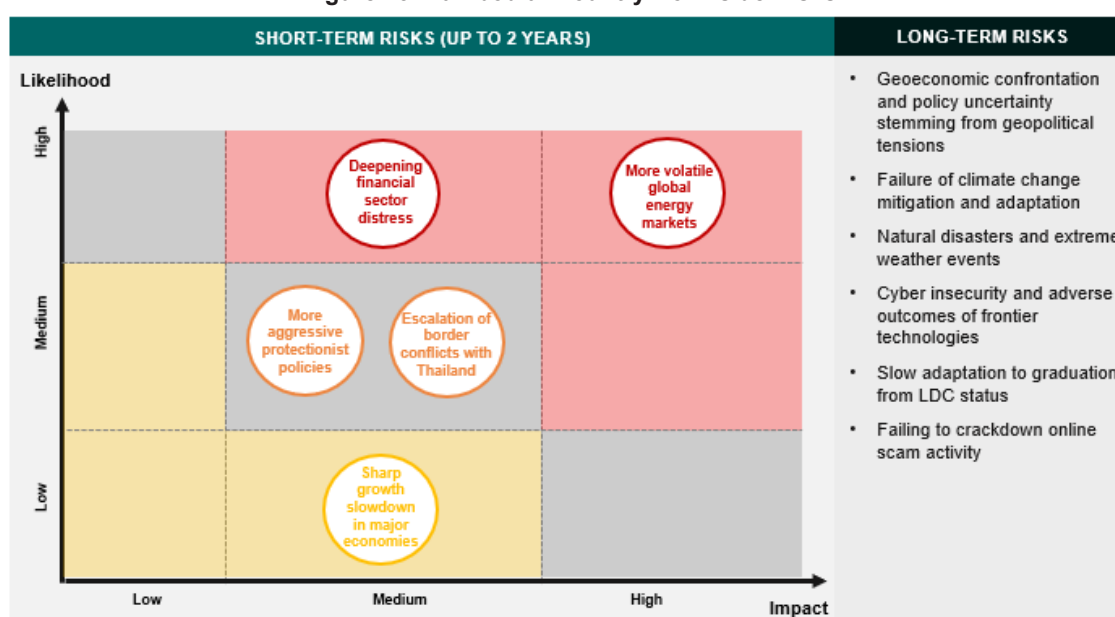
authorities' debt anchor and consistent with a low risk of debt distress under the latest Debt Sustainability Analysis (see Appendix 3).

17. The authorities have adopted a range of policy measures in response to the border conflict. The NBC directed financial institutions to provide targeted support—such as loan restructuring and flexible repayment arrangements—to affected households and soldiers' families. The government also prioritized large-scale humanitarian assistance in collaboration with international organizations and the private sector to support displaced populations and facilitate the reintegration of returning migrant workers through employment generation and social protection measures. Those key measures included cash transfers, debt relief for vulnerable groups, and job placements for returnees via job fairs organized across multiple provinces and key sectors, particularly the garment sector. These efforts were complemented by diplomatic initiatives to de-escalate tensions, maintain border stability, and mobilize external support for recovery and reconstruction.

B. Risks, Vulnerabilities and Challenges

18. The economy is exposed to heightened external uncertainties, amid domestic financial sector risks and persistent structural constraints (Figure 15).

Figure 15. Cambodia: Country Downside Risks



Source: AMRO staff

Note: The Country Downside Risk Map captures those risks and challenges that could derail the country's macro-stability. These are in relation to: (1) the growth and inflation outlook; (2) financial stability concerns; and (3) other key long-term challenges. The risks and challenges are divided into two categories; (1) short-term risks (these are conjunctural risks, up to two years, where the risks represent scenarios that could materially alter the baseline path); and (2) long-term risks (these are more persistent or secular trends and/or challenges, including perennial risks).

- **Near-term external risks are threefold.** First, global energy market developments—particularly further increases in oil prices or supply disruptions—could raise production and transport costs and add to inflationary pressures. Second, uncertainty over potential escalation in tensions with Thailand could disrupt cross-border trade, labor mobility, and tourism. And third, slower growth in major economies, stemming from

spillovers of the Middle East conflict or renewed trade protectionism,¹⁶ could weigh on Cambodia through investment and trade channels.

- **Banking sector vulnerabilities have shown some signs of increasing.** Vulnerabilities in the financial sector and isolated bank liquidation cases have weighed on the confidence of some depositors, despite limited immediate spillover risk given relatively low resident interbank exposure,¹⁷ as well as high capital adequacy and liquidity coverage in the banking industry. These developments highlight the sensitivity of depositor sentiment, which, if not well managed, could amplify financial sector vulnerabilities and pose risks to macro-financial stability and the real economy.
- **Long-term risks persist.** These include global structural challenges such as geoeconomic tensions, climate change, and cyber threats, as well as country-specific risks, particularly slow adaptation following the graduation from least developed countries (LDC) status in 2029.

B.1 Near-term External Risks

19. Higher oil prices and potential supply disruptions pose significant downside risks. Cambodia relies heavily on imported refined fuel (Figure 16). Commercial inventories held by private importers covered about 21 days of consumption prior to start of the Middle East conflict. The government does not have a large strategic oil reserve, although current import supply remains adequate and undisrupted. Domestic fuel prices in Cambodia closely track global oil prices (Figure 17),¹⁸ implying strong pass-through and exposure to imported inflation. There could also be potentially swift second-round effects on food and core inflation. A further rise in oil prices and supply disruptions could limit fuel availability and dampen activity in the transport and services sectors. Additionally, higher fertilizer prices amid geopolitical tensions could impact agricultural production and rural incomes, given Cambodia's heavy import dependence. Higher coal prices would further add to inflationary pressures.¹⁹

- **Baseline scenario.** The Middle East conflict causes global oil prices to average USD90-100 per barrel in 2026. In this scenario, Cambodia's real GDP growth is projected at 4.2 percent in 2026, as the shock remains short-lived and transmission channels are contained. Inflation will increase to 4.5 percent, with the current account deficit widening to 8.5 percent of GDP (Figure 18).
- **Adverse scenario.** The conflict persists, bringing global oil prices to average USD120 per barrel. Real GDP growth would reduce to under 4 percent in 2026, reflecting weaker external demand, higher transport and logistics costs, and softer tourism receipts. Inflation will increase to above 5 percent, while the current account deficit will widen to more than 10 percent of GDP.

¹⁶ For more detailed analysis on how tariffs could affect Cambodia's economy in different scenarios, please refer to "Annex 2. Potential Impact of High US Tariffs on Cambodia's Economy: A Value-added Perspective" in AMRO Annual Consultation Report Cambodia – 2025.

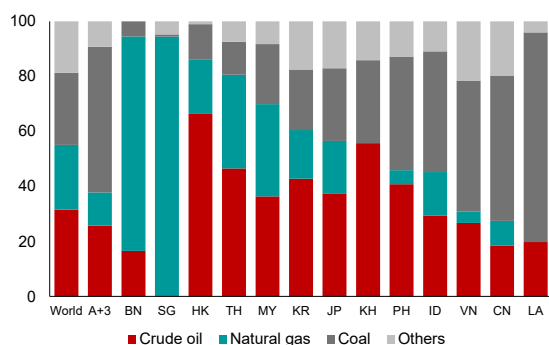
¹⁷ As of mid-2025, banks' resident interbank liabilities in the form of loans and deposits stood at 7.3 percent of their total funding source.

¹⁸ Cambodia's fuel prices are determined every 10 days—on the 1st, 11th, and 21st of each month—based on a formula that uses the Mean of Platts Singapore (MOPS) as a benchmark.

¹⁹ Regarding electricity prices, the government has committed to keeping electricity tariffs unchanged, helping to maintain price stability.

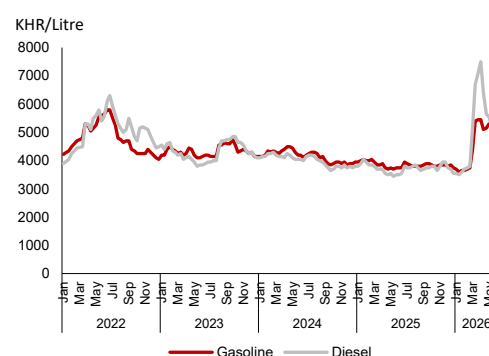
Upside scenario. In an upside scenario where global oil prices average USD80 per barrel, in the event of managed containment and de-escalation of conflict, real GDP growth could reach 4.5 percent in 2026. In this scenario, inflation could fall to below 4 percent, while the current account deficit would improve to about 7 percent of GDP.

Figure 16. ASEAN+3: Energy Consumption by Source



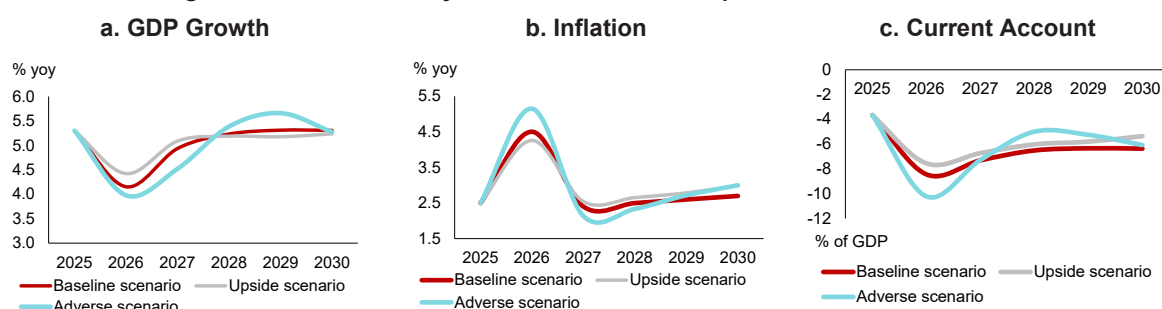
Source: International Energy Agency (IEA), Our World in Data (OWD), Singapore Energy Market Authority; AMRO staff calculations
Note: Data are from OWD in 2024, except for Brunei, Cambodia, and Lao PDR (IEA's energy consumption data in 2023). ASEAN aggregate is the weighted average of ASEAN economies' energy consumption in 2023.

Figure 17. Domestic Retail Oil Price



Source: Ministry of Commerce

Figure 18. Scenario Analysis: Macroeconomic Impacts of Oil Price Shocks



Source: MEF; Oxford Economics; AMRO staff projections

Note: 1) The global oil price assumptions for 2026 are USD95/bbl in the baseline scenario, USD120/bbl for the adverse scenario and USD80/bbl for the upside scenario. For all three scenarios, the global oil prices assumptions in 2027-2030 are the same, which are 77.5, 60, 58.7 and 60.8 USD/bbl, respectively. 2) The GDP growth and current account forecasts are generated using the Global Economic Model provided by Oxford Economics, incorporating assumptions on global oil prices, global economic growth, and growth prospects in major economies, among other external variables. The model-based results are further supplemented with country-specific adjustments, taking into account recent high-frequency indicators, policy developments, and structural features of the economy. 3) The inflation forecast is based on an econometric oil price pass-through framework, which estimates the transmission of international oil price movements to domestic CPI components.

20. Uncertainty surrounding the Cambodia–Thailand border conflict also poses downside risks to the near-term outlook. Although the likelihood of escalation has declined as both countries prioritize addressing high oil price shocks, a severe scenario involving renewed clashes could push growth down sharply. Remittances could decline further from an already low base, weighing on household purchasing power, while tourism receipts may fall amid disrupted travel and weaker confidence. Investor sentiment could deteriorate, leading to reduced investment and potential project delays or withdrawals, particularly among Japanese and Korean investors near border areas. Fiscal pressures would also rise due to increased social and security-related spending.

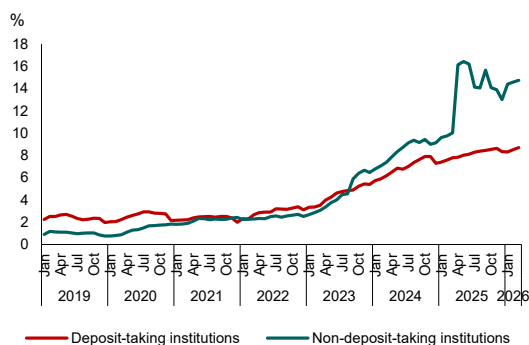
21. Despite elevated downside risks, some upside risks remain. Easing global geopolitical tensions could help moderate inflationary pressures and lower production costs. The de-escalation of tensions with Thailand and the reopening of border crossings could support

tourism, trade, and labor mobility. In addition, if the US refrains from introducing a new round of higher tariffs, Cambodia's export sector could benefit. Continued strong FDI inflows would also support manufacturing growth and facilitate industrial upgrading, strengthening medium-term growth prospects.

B.2 Intensified Bank Sector Vulnerabilities

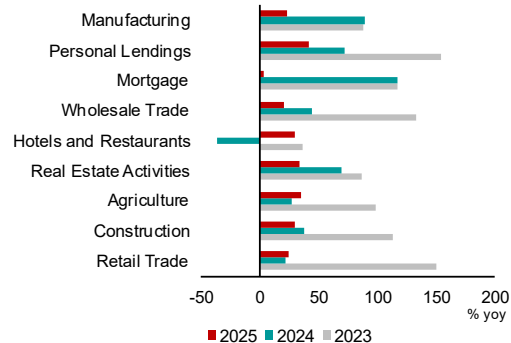
22. Elevated NPL ratios are the main concern for the banking sector (Figure 19). The recent border conflict, energy price shock and continued weakness in the real estate market could pressure asset quality further and heighten credit risks. The conflict has affected vulnerable households and businesses, potentially weakening repayment capacity and weighing on banks' credit performance. Rising NPL ratios over the past two years have already prompted tighter credit standards, and lending may become more selective if uncertainty persists, further constraining credit growth. The expiry of the NBC's loan forbearance measure at the end of 2025 might push the NPL ratio higher, putting pressure on capital adequacy. Weaknesses in the real estate sector complicate bad loan resolution through collateral liquidation, while declining property prices may weaken collateral values and increase credit risks. This is particularly important given that real estate-related loans account for around one-third of total bank lending, linking sectoral developments closely to banking sector's health (Figure 20).

Figure 19. NPL Ratios



Source: NBC; AMRO staff calculations

Figure 20. Sectoral NPL Growth in Deposit-taking Institutions



Source: NBC; AMRO staff calculations

23. Softened public confidence presents another vulnerability for the banking system. Recent episodes of deposit withdrawals from a few small banks call for more urgent policy actions to restore depositors' confidence. Experience in other countries shows that mass deposit withdrawals—often triggered by concerns over asset quality, profitability, or solvency—can quickly escalate into liquidity risks. In a highly digitalized environment, the risk of fund movement may occur more rapidly than expected. Even unverified concerns could encourage precautionary withdrawal behaviors, particularly if banks restrict withdrawals or transfers for operational reasons, which may be perceived as distress signals.

24. Volatile global financial conditions could also pose risks to Cambodia's banking sector. First, uncertainty surrounding global monetary policy—particularly in major economies such as the US—could affect funding costs for institutions reliant on external financing,²⁰

²⁰ This risk factor is particularly relevant for non-deposit taking institutions (NDTI), which rely more heavily on external funding because they do not have a deposit base, although NDTIs account for only a relatively small share of the financial system. In

potentially weighing on net interest margins and profitability. The recent energy price shock may further increase policy uncertainty among central banks. Second, the Cambodian banking system has large exposure to foreign assets, and this has increased substantially in recent years (see Annex 1 “Assessing USD Liquidity Conditions in Cambodia’s Banking System”). Volatility in international markets has important impact on the liquidity and profitability of the banking system, particularly amid elevated NPLs.

B.3 Persistent Risks and Structural Challenges

25. Cambodia’s limited export diversification could intensify challenges associated with its scheduled graduation from LDC status by end-2029. While graduation marks an important milestone, the gradual withdrawal of preferential trade arrangements and concessional financing may weigh on export competitiveness and increase borrowing costs, as observed in other graduating economies. The continued reliance on a narrow range of export products, low domestic value added, and a limited number of key trading partners could heighten vulnerability to external shocks. Over time, difficulties in adjusting to a more competitive post-LDC environment could weigh on potential.

26. The persistence of online scam activities poses reputational and economic risks. Despite strong policy commitment by the authorities to address scam activity, there are implementation challenges given the covert and adaptive nature of these activities. Following crackdowns on large compounds, operations may become more fragmented and less visible, complicating enforcement. If incidents persist or re-emerge, they could weigh on investor confidence and the country’s international reputation. In addition, the continued presence of such activities may divert resources from productive sectors, undermining sustainable growth.

Authorities’ Views

27. The NBC viewed that online scams’ impact on long-term growth prospects is expected to remain limited. The government has committed to crackdown online scams and has recently enacted Law on Combating Online Scams. Recent actions against large-scale scam compounds reflect a strong policy commitment, while ongoing coordination with regional and international partners supports the effectiveness of these measures, given the transnational nature of such activities. Any associated reputation or economic effects are assessed to be short- and medium-term risk, and the impact on investor confidence and long-term growth prospects is expected to remain limited.

C. Policy Discussions and Recommendations

C.1 Managing External Shocks While Maintaining Fiscal Sustainability

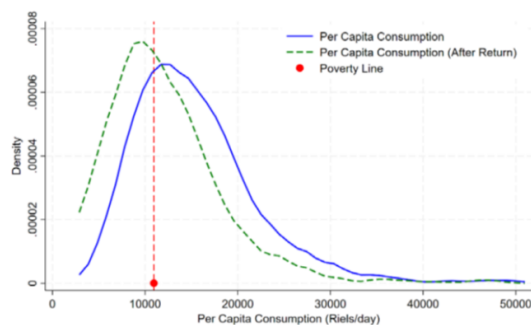
28. The 2026 Budget’s expansionary fiscal stance is appropriate in response to the oil price shock, but should remain temporary and well targeted. The sharp surge in retail oil prices since early March 2026 is expected to increase inflation and fiscal costs. To contain domestic fuel prices, the authorities have introduced temporary tax exemptions and reductions—including lowering the VAT on gasoline, fully absorbing VAT on diesel and LPG, eliminating import duties on gasoline and diesel, and reducing excise taxes—resulting in

contrast, deposit-taking institutions (DTIs), which constitute the majority of the financial sector, continue to benefit from stable customer deposits as a reliable source of funding.

foregone fiscal revenue of around 0.1 percent of GDP per month in 2026. The government is also extending subsidies to the state-owned electricity enterprise to absorb the oil price shock without increasing electricity tariffs. While these measures have helped mitigate the immediate impact of higher oil prices, they are fiscally expensive and disproportionately benefit higher-income households. They should be withdrawn once conditions stabilize, as planned. Staff welcome the authorities' plan to provide temporary and well-targeted cash transfers to vulnerable households using the IDPoor system once domestic fuel prices exceed predefined thresholds. This can help cushion real income losses of vulnerable households in a more efficient and equitable manner without undermining the medium-term fiscal path.

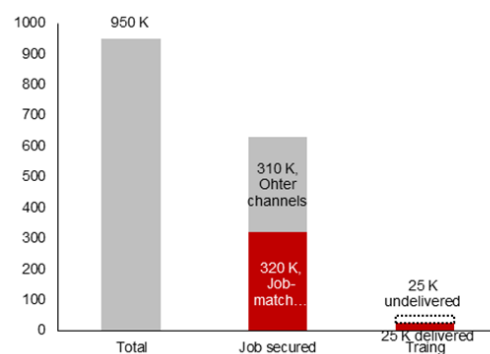
29. Expedited labor market and social protection measures will help mitigate the impact of the border conflict. Nearly one million migrants returned to Cambodia following the border conflict, many of whom are vulnerable due to low education levels and concentration in low-skill sectors (Figure 21). With the support of the government's vocational training programs and job-matching initiatives, two-thirds have secured employment but the remaining still require support (Figure 22). Additional efforts should focus on structural measures such as employer-linked apprenticeships and hiring incentives. Facilitating enrollment in the National Social Security Fund will strengthen social protection and reduce vulnerability to future shocks. At the same time, accelerating social assistance for affected households—leveraging existing delivery systems—will be critical to ensure timely and efficient support.

Figure 21. Consumption Distribution Before and After Return



Source: Cambodia Development Resource Institute (CDRI) in collaboration with ADB, 2025, Demographic and Economic Profile of Returned Migrant Labourers

Figure 22. Employment and Training Support



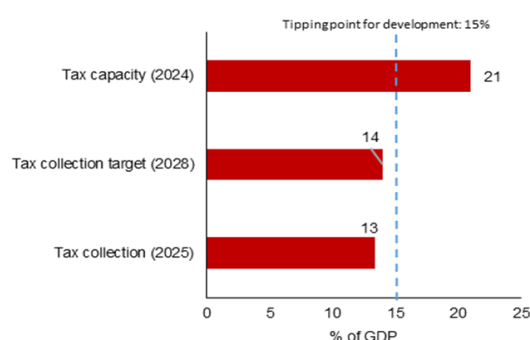
Source: MEF; Ministry of Labour and Vocational Training; AMRO staff calculations

30. Gradual fiscal consolidation and fiscal reserve rebuilding should remain priorities over the medium term. Maintaining adequate fiscal reserves is essential to safeguard Cambodia's policy space for future shocks in the context of a highly dollarized economy. Under staff's baseline scenario, government savings—down to 8 percent of GDP from about 14 percent before the pandemic—are projected to gradually increase, contributed by continued fiscal consolidation to rebuild buffers over time. The authorities plan to unwind temporary fiscal measures as pressures from recent shocks ease. Growth-friendly fiscal consolidation can be achieved through well-designed revenue mobilization measures, improved spending efficiency, and prudent fiscal risk management.

31. Strengthening revenue collection is critical to rebuilding policy space and financing Cambodia's development needs. Cambodia's tax-to-GDP ratio remains well below potential, with tax revenue at 13.3 percent of GDP, significantly below the estimated tax capacity of

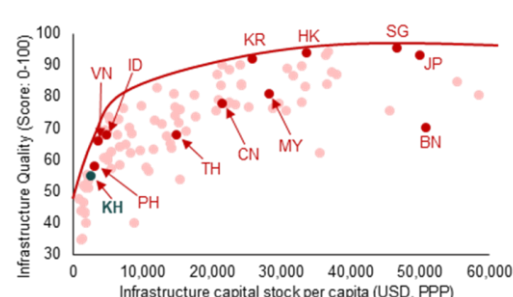
around 21 percent, indicating substantial tax gaps (Figure 23).²¹ Persistent shortfalls in recent years partly reflect extensive tax incentives introduced to attract investment and support growth. The Revenue Mobilization Strategy (RMS) III, approved in 2025, provides a comprehensive framework to strengthen revenue collection, targeting current revenue of around 16 percent of GDP, including tax revenue of about 14 percent, while enhancing the clarity, fairness, and predictability of the tax system. However, durable tax capacity building must go hand-in-hand with broader institutional and economic development—including sound governance and deeper financial markets—to ensure that higher revenue translates into effective public service delivery and sustainable growth. By raising durable and predictable domestic revenue, the authorities can continue financing priority development spending and responding to future shocks, while gradually reducing reliance on concessional financing as Cambodia moves beyond LDC status.

Figure 23. Tax Gaps



Source: MEF; IMF 2025 Article IV staff report for Cambodia; AMRO staff calculations

Figure 24. Public Investment Efficiency Gaps



Source: AMRO, ASEAN+3 Fiscal Policy Report 2024

Notes: 1) Infrastructure capital stock per capita is estimated using the capital stock of public and public-private partnership (PPP) investment, proxied by the gross fixed capital formation (GFCF) of the general government and the accumulated annual PPP investment; 2) The infrastructure quality score is estimated by combining survey-based assessments from business executives and objective infrastructure-related statistics, which are normalized to a 0–100.

32. In the near-term, the authorities should focus on revenue measures with minimal economic distortion, while ensuring equity and fairness. Rationalizing tax expenditures—one of the main drags on revenue—will require phasing out ineffective incentives and strengthening the management framework. Near-term priorities include improving data quality and availability to enhance costing, maintaining a regularly updated and comprehensive tax expenditure inventory, and gradually integrating tax expenditure reporting into the budget process. A life-cycle management framework should cover ex-ante cost-benefit analysis, monitoring, periodic review, and sunset clauses, supported by stronger governance and transparency. This could initially focus on large incentives and projects before being scaled up more broadly.²² In parallel, the further digitalization of tax administration and enhanced information sharing with third parties can support the implementation of personal income tax. As conditions permit, introducing a capital gains tax on immovable property and advancing excise reforms as planned in the RMS could further strengthen revenue mobilization.

²¹ Tax capacity is the level of tax revenue that an economy can sustainably mobilize given its structural characteristics. The estimated tax capacity was disclosed in the IMF 2025 Article IV staff report for Cambodia. Tax gap is the difference between actual tax revenue and estimated tax capacity. According to empirical evidence, the development tipping point refers to the level of tax-to-GDP beyond which countries transition to stronger revenue, better public services, and faster, more sustained growth.

²² See Andriansyah, Hong, and Nam (2021), “Policy Considerations in Using Tax Incentives for Foreign Investment”, AMRO Policy Perspectives Paper, for further discussion.

33. Enhancing spending efficiency through public financial management (PFM) reforms can help reallocate resources toward priority expenditures. Recent PFM reforms include the shift to program-based budgeting, the introduction of performance information in budget documents, and government function reviews. Further efforts should build on this momentum and focus on further refining performance indicators, strengthening their use in budget decisions, and institutionalizing spending reviews to systematically assess program effectiveness and inform resource reallocation. Given capacity constraints, starting with a limited number of priority areas, such as education, health, and wage bills, could yield quick gains, establish credibility, and avoid reform fatigue. Capital expenditure is critical to support long-term growth and should be protected. Meanwhile, public investment management reform is needed to reduce spending efficiency gaps (Figure 24). The priorities include strengthening coordination across central and subnational governments, improving project appraisal, upgrading project database, and enhancing domestic procurement and project implementation.

34. Public debt management should remain prudent, with careful attention to costs and risks associated with domestic bond issuance. Cambodia has made initial progress in developing a domestic government bond market, but it remains small, bank-dominated, and illiquid, resulting in relatively high borrowing costs compared with concessional external financing. The pilot issuance of USD-denominated government bonds could broaden demand in a highly dollarized financial system, particularly as reliance on concessional financing declines following graduation from LDC status. However, associated cost-risk trade-offs, including currency and rollover risks, should be carefully assessed and managed within the medium-term debt management strategy. External concessional financing should remain the primary funding source in the near-term given its lower cost and longer maturities. Over time, broadening the investor base and improving market liquidity will help deepen the riel-denominated bond market and gradually reduce borrowing costs.

35. Strengthening fiscal risk management is critical to address emerging vulnerabilities and safeguard fiscal sustainability. The MTFF 2027–29 highlights that the financial sector is one of the key sources of fiscal risks, reflecting the continued rise in NPLs.²³ Increasing vulnerabilities could create fiscal risks through both explicit support measures such as government-backed SME credit guarantee schemes implemented mainly through the state-owned Credit Guarantee Corporation of Cambodia (CGCC), as well as implicit expectations of public support for the financial sector in a highly dollarized environment. Strengthening the identification and timely monitoring of fiscal risks related to the financial sector, together with close coordination between the Ministry of Economy and Finance (MEF) and the NBC (for example, through systematic data sharing and joint monitoring) under the recently established financial stability subcommittee, will enhance preparedness. While fiscal risks from public-private partnerships (PPPs) and state-owned enterprises are assessed as low in the MTFF, further quantification and disclosure of these risks will strengthen assessment and enhance transparency. Furthermore, continued capacity building and institutional enhancement of the MTFF are critical to reinforce the reliability of the fiscal framework and support fiscal sustainability.

²³ The MTFF also emphasizes that the NBC plays a key role in regulating the banking system, maintaining monetary stability, and consistently formulating and implementing monetary policies with a high degree of effectiveness and prudence.

C.2 Ensuring Monetary Stability amid Elevated Oil Prices

36. Amid subdued credit growth, the NBC should maintain an accommodative policy stance and strengthen credit intermediation. Although credit growth has recovered modestly, it remains subdued. Policy support could include maintaining accommodative LPCO rates with flexibility, preserving an appropriate interest rate corridor to strengthen transmission, and keeping RRRs low. Enhanced communication between the NBC and MEF is essential for effective central bank liquidity management and government cash management (see Box B “Impact of Government Deposit Fluctuations on Banking System Liquidity”). The NBC could further support lending to SMEs and productive sectors by introducing targeted liquidity facilities, expanding eligible collateral, and strengthening coordination with credit guarantee schemes²⁴. At the same time, amid energy price shocks, the NBC should remain cautious and flexible, balancing growth support with safeguarding macro-financial stability. To further strengthen the monetary policy framework, the NBC should consider better managing the interest rate corridor and conducting LPCO auctions on a more frequent basis, helping with policy transmission.

37. Further development of the interbank market is essential to strengthen monetary policy transmission and improve liquidity management. A deeper interbank market, particularly in money and bond markets, will help channel central bank liquidity into credit and enable the NBC to more effectively carry out liquidity-absorbing and supplying operations. It will also allow banks to better manage liquidity and foreign exchange risks through collateralized trading in both KHR and USD. A more vibrant interbank market will also support domestic government bond issuance. These securities can, in turn, serve as eligible collateral in the interbank money market, further facilitating banks’ liquidity management.

38. Given the high degree of dollarization in Cambodia, maintaining exchange stability is critical to addressing external shocks stemming from higher energy prices. Rising energy prices have highlighted Cambodia’s vulnerability. A prolonged period of high energy prices could elevate inflation, disrupt supply chains, and widen trade deficits, putting depreciation pressure on the riel. If second-order effects from elevated global energy prices begin to broaden domestic inflation, the NBC should be ready to intervene in the foreign exchange market to prevent excessive riel depreciation, while safeguarding reserve adequacy.

Box B. Impact of Government Deposit Fluctuations on Banking System Liquidity²⁵

Government deposits²⁶ in the banking system have been increasing rapidly since November 2024 (Figure B1). They were mainly driven by stronger revenue, increased domestic borrowings, and contained spending. Those deposits are maintained for government cashflow and liquidity management, helping cover timing mismatches between revenue collection and expenditure payments, and they also serve as a fiscal buffer to respond to shocks. As a highly dollarized economy, Cambodia historically maintains large government deposits, especially after 2017. By April 2026, government deposits reached USD7.2 billion, an all-time high for Cambodia, around 14 percent

²⁴ Those targeted measures to support credit intermediation to SMEs and productive sectors may be viewed as quasi-fiscal measures. Such credit-channeling interventions could raise concerns about compromising the central bank’s core mandate. Typical potential downsides include credit risk mispricing and moral hazard, that may arise from these targeted measures. The NBC should have an exit plan in design before implementation of such targeted measures.

²⁵ Prepared by Guohua Huang, Senior Economist; and Wenzhe Li, Senior Economist.

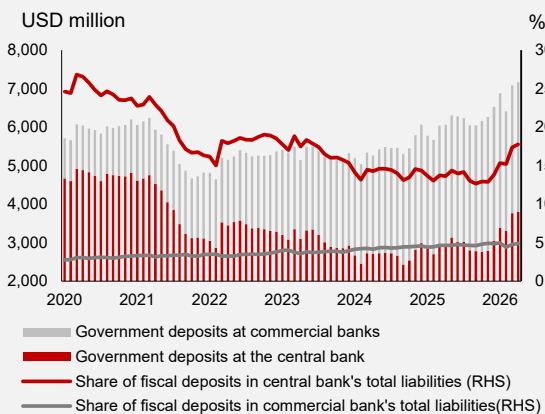
²⁶ Government deposits in this note refer to banks’ liabilities to the central government, based on the depository corporate survey and central bank survey conducted by the NBC.

of annual GDP. Of this sum, USD3.8 billion (or 53 percent) is deposited at the central bank, while the remaining 47 percent is at commercial banks.²⁷

Fluctuations in government deposits held by the central bank and commercial banks directly impact banks' liquidity. Two situations apply.

- First, when government deposits at the central bank increase²⁸ due to tax collection or domestic borrowings,²⁹ some of the excess reserves held by commercial banks that hold taxpayer accounts will be transferred to the Treasury account at the central bank. Once transferred, these reserves are held in the government's account at the central bank and no longer available to the banks for liquidity purposes. From October 2024 to April 2026, government deposits at the central bank increased by USD1.3 billion, drawing down on banks' liquidity.
- Second, when fiscal authorities increase deposits at commercial banks, the aggregate bank's liquidity does not change in theory, because the banks holding government deposits could lend the additional liquidity to other banks. In practice, however, interbank transactions may not fully redistribute liquidity across the banking system because of banks' liquidity preferences and counterparty considerations. As a result, banks with ample liquidity may not lend effectively to those facing liquidity shortages, leaving the liquidity associated with those deposits inactive in the interbank market. From October 2024 to April 2026, such government deposits increased by USD464 million.

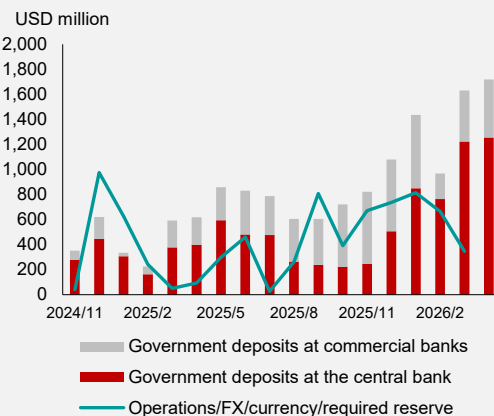
Figure B1. Government Deposit Balance and Share in Banks' Liabilities



Source: Haver; CEIC; NBC; AMRO calculations

Note: Total liabilities in Figure B1 are calculated as total assets minus shares and other equity; the line in Figure B2 includes all liquidity injected through central bank operations (as indicated by Claims on Other Depository Corporations and Other Liabilities to Other Depository Corporations in the central bank survey), as well as changes in foreign reserve accumulation, currency in circulation and required reserves.

Figure B2. Accumulated Changes in Government Deposits and Central Bank Operations



Rising government deposits have emerged as an unintended source of liquidity tightening in the banking system. Over the same period, liquidity generated by central bank operations and other autonomous factors grew by less than USD400 million³⁰, barely enough to offset the liquidity absorbed by the growth in government deposits at the commercial banks (Figure B2), let alone those held at the central bank. Government deposits as a share of the central bank's total liabilities rose by 4.3 percentage points after November 2024 to around 17.7 percent in April 2026, while the share at commercial banks remained stable (Figure B1).

In the near term, enhanced government cash and debt management as well as stronger coordination between the MEF and the NBC, supported by regular information sharing and well-defined operating procedures, would be mutually beneficial. For the NBC, more reliable

²⁷ Commercial banks or banks in this note refer to Other Depository Corporations as defined by the NBC.

²⁸ In this paragraph, we only analyze deposit increases; deposit decreases have the opposite effect.

²⁹ Government external borrowings and aid inflows are largely matched by corresponding expenditures.

³⁰ This data is updated to March 2026.

cashflow forecasts from MEF and a coordinated timetable of government cash and debt operations can help limit fluctuations in government balances at the central bank. This would improve the predictability of system liquidity, reduce the need for costly sterilization measures, and support more effective monetary operations. For the MEF, further consolidation of government cash balances within a Treasury Single Account framework would strengthen fiscal oversight and cash management for budget financing. At the same time, improved cash flow forecasting can support closer alignment between debt operations and cash conditions which are impacted by revenue collection, expenditure execution, and financing. This would allow the MEF to maintain smaller precautionary buffers, reduce idle balances, avoid abrupt spending controls and payment delays, and cut overall financing costs by smoothing short-term liquidity fluctuations through appropriate cash management tools.

Looking ahead, operationalizing the financial reserve fund could provide the authorities with a mechanism to recycle excess liquidity back into the banking system.³¹ The Public Financial System Law (PFSL) authorizes the fund—potentially using part of existing government deposits as its initial endowment—to conduct short-, medium-, and long-term investments. In this context, the MEF and the NBC could aim to maintain a more stable and optimized level of government deposits that supports smooth budget execution while minimizing liquidity pressures in the banking system. Excess balances could then be gradually reinvested with commercial banks to improve the liquidity condition, for example, through financial reserve fund placing deposit with banks. The effectiveness of such investments depends on several important prerequisites, including the reserve fund operating actively and professionally, the existence of adequate governance and risk management frameworks, etc. Cambodia could therefore adopt this approach cautiously, beginning with conservative instruments, short maturities, clear counterparty limits, and close MEF–NBC coordination, while retaining sufficient balances at the NBC for daily operational needs.

C.3 Addressing Rising NPLs and Safeguarding Financial Stability

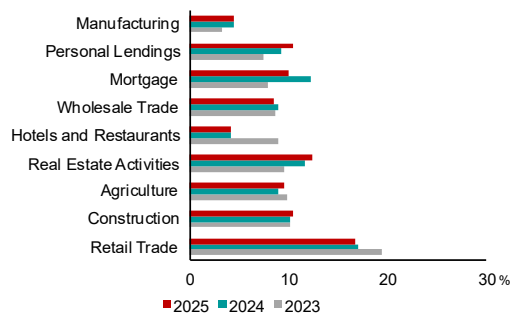
39. The continued rise in NPLs calls for decisive and timely policy actions to accelerate resolution and strengthen capital buffers. The NBC should closely monitor sectoral NPL trends, ensure adequate provisioning, and enforce proper valuation and recognition of NPLs to maintain financial discipline and system stability (Figure 25). At the same time, legal and procedural constraints that delay NPL resolution should be addressed to facilitate timely workouts. Ensuring that asset transfers occur at transparent, market-based valuations is important to avoid weakening credit discipline. Strong governance and oversight will also be needed to mitigate risks such as moral hazard. Private AMIs may face limited capital and enforcement capacity; therefore, fiscal support could be considered if private AMIs prove insufficient. Meanwhile, ensuring the full implementation of the new capital adequacy framework can further enhance banks’ resilience to potential shocks and asset quality deterioration. In addition, remaining uncertainty regarding asset classification and provisioning underscores the need for proper asset classification and adequate provisioning to strengthen capital buffers.

40. Strengthening liquidity oversight and the bank resolution framework should be near-term priorities to safeguard confidence. First, on liquidity front, recent bank liquidations and a deposit withdrawal incident highlight the urgency of proactive policies and effective implementation. Strengthening banks’ US dollar liquidity is critical in a highly dollarized economy (see Annex 1 “Assessing USD Liquidity Conditions in Cambodia’s Banking System”). While the liquidity coverage ratio is an important monitoring tool, more frequent data reporting to the NBC can enhance liquidity surveillance to detect vulnerable

³¹ The Financial Reserve Fund, as defined in the 2023 Public Financial System Law, is a state saving mechanism to support intervention in economic or financial crises and emergencies. It is to be financed through budgetary allocations, surpluses, and other sources, but has not yet been established.

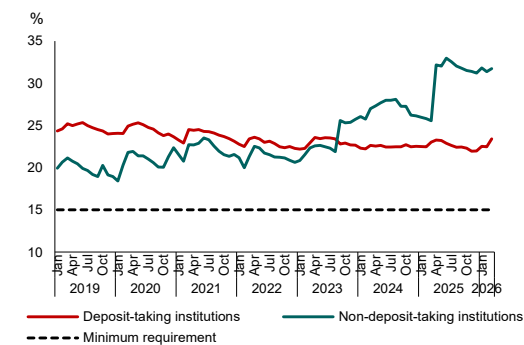
banks, especially when public confidence worsens. The revision of the ELA framework is a welcome development, enabling the NBC to act as lender of last resort during periods of stress; however, strong supervisory oversight is essential to ensure its prudent use and mitigate risks. Second, efforts should be made on effective bank resolution. While the banking system's average total capital ratio is well above regulatory requirements (Figure 26), some small banks' capital remains under pressure from legacy NPLs (see Annex 2 "Banking reverse stress test"). In this context, the NBC should establish a bank resolution framework to enable an orderly exit of potentially insolvent banks.

Figure 25. Share of NPLs by Sector in Deposit-taking Institutions



Source: NBC; AMRO staff calculations

Figure 26. Capital Adequacy Ratios



Source: NBC; AMRO staff calculations

41. The NBC should adopt a well-calibrated plan for establishing the deposit protection scheme, and further strengthen financial stability through macroprudential measures. Recent policy progress by the NBC on deposit protection scheme is welcome. However, the full implementation of these measures should be carefully calibrated and supported by clear policy communication³² to avoid undermining confidence during periods of financial distress.³³ Amid current elevated NPLs, it's important to prioritize timely resolution through AMLs and expedited court procedures. Macroprudential measures could include countercyclical macroprudential toolkit—such as loan-to-value and debt-to-income ratios—to strengthen risk management across borrower segments as credit conditions normalize. Introducing a Domestic Systemically Important Banks (D-SIB) framework will strengthen oversight of the institutions that matter most to system stability. Complementary guidance for weak banks, aligned with the recently adopted early supervisory intervention framework, will extend that discipline to institutions with persistently low profitability.

42. Enhancing oversight of the real estate sector and payment systems is key to mitigating systemic risks. The Non-Bank Financial Services Authority (NBFSA) has made progress in drafting a new real estate development law and in strengthening data management and financial surveillance to support a financial stability report on the non-banking sector. Addressing data gaps will improve risk identification. Given overlapping borrowers across banks and non-bank entities such as developers and pawnshops, strengthening data sharing through the Credit Bureau of Cambodia will reduce information asymmetries, better capture borrower indebtedness, and enhance market discipline. Meanwhile, the NBC could further

³² This consideration applies not only to the deposit protection scheme, but also to broader financial sector reforms, including macroprudential tools, the D-SIB framework, and guidance for weak banks which are discussed here.

³³ Note that partial coverage of deposits could inadvertently undermine depositor confidence in an environment of fragile confidence. Thus, deposit insurance schemes should, in general, be introduced in a period of relative stability.

strengthen regulation and supervision in the licensing of payment service providers,³⁴ ensuring that customer funds are fully backed by safe and liquid assets to protect customers' legitimate interests.

43. There is a need for stronger collaboration among key stakeholders to address underlying risks. The NBC and MEF should coordinate closely on arrangements to address banking sector vulnerabilities, recognizing that AMIs and the deposit protection scheme may entail some degree of risk sharing. Besides, the NBC, MEF, NBFSA, and other relevant authorities should strengthen coordination and data sharing to monitor risks across the financial sector, including real estate and non-bank activities. In particular, the NBFSA, in collaboration with the NBC, should accelerate the registration and supervision of non-bank financial institutions to improve credit information sharing and reduce information asymmetries. The recent activation of the Sub-Committee on Financial Stability as the primary inter-agency coordination mechanism among the NBC, MEF and NBFSA is a welcome step. It should serve as a dedicated platform to discuss emerging macro-financial risks, coordinate policy responses, monitor early warning indicators, and address cross-cutting issues that could pose risks to financial stability.

C.4 Enhancing Growth Drivers and Building Economic Resilience

44. Cambodia must prioritize energy and food security to strengthen resilience to external shocks. A heavy reliance on imported petroleum products exposes the economy to price volatility and supply disruptions. Recent oil price increases highlight the need to diversify the energy mix, including developing liquefied natural gas infrastructure, expanding renewable energy, and strengthening strategic fuel reserves. On the food side, a high dependence on imported vegetables and fruits makes inflation vulnerable to supply disruptions, particularly from neighboring countries. Strengthening domestic production and processing capacity is therefore important in managing inflation. Rising fertilizer prices also pose risks to agricultural output, underscoring the need to improve supply resilience through more efficient import and distribution systems.

45. Strengthening energy infrastructure is essential to support Cambodia's structural transformation and upgrading in global value chains. Cambodian manufacturing remains concentrated in low value-added segments, partly reflecting infrastructure constraints. High electricity costs and uneven supply reliability can deter investment in higher value-added industries such as electronics, automotive parts, and food processing (see Annex 3 "Electricity as a Structural Constraint to Cambodia's GVC Upgrading"). Sustained investment in power generation, transmission, and distribution—together with reduced dependence on imported coal, expanded solar energy, and development of energy storage systems—will help reduce production costs and improve competitiveness. PPPs can continue to play an important role in financing large-scale energy investments, but should be carefully designed and managed within a strong PPP framework to ensure affordability and mitigate fiscal risks.

³⁴ According to the NBC, the existing regulatory framework already provides comprehensive customer fund protection. Under Cambodia's 2017 Prakas on the Management of Payment Service Institutions, Payment Service Institutions (PSIs) must legally segregate customer funds from their own operational assets. These funds are safeguarded in commercial bank trust accounts or low-risk, liquid investments. Crucially, if a PSI becomes insolvent, these segregated funds are protected and frozen exclusively to settle customer claims. Furthermore, commercial banks must continuously monitor and reconcile these trust accounts to ensure complete balance integrity and protect user interests.

46. Digital and cross-border payment developments have supported Cambodia's financial modernization, but cybersecurity risks remain. The NBC's Bakong system serves as a core platform linking banks' mobile services, promoting financial inclusion and local currency usage. QR payments have expanded rapidly, supporting retail sales and online businesses.³⁵ Cross-border QR payment linkages have expanded across the region, supporting tourism and strengthening regional cooperation.³⁶ However, rapid growth in digital payments underscores the need to strengthen cybersecurity³⁷ and ensure prudent liquidity management for real-time settlement and system stability.

47. Cambodia's updated climate strategy supports sustainable growth and strengthens resilience to external shocks. In 2025, the authorities released Cambodia's Third Nationally Determined Contribution and the Cambodia Climate Change Strategic Plan 2024-2033, reaffirming their commitment to climate resilience and sustainable growth. The strategy also supports macroeconomic resilience by promoting renewable energy, reducing reliance on imported fossil fuels, and enhancing energy security. Continued efforts to reduce deforestation³⁸ are also essential to meet the Pentagon Strategy's target of 60 percent forest cover by 2050.

C.5 Strengthening Capacity Building Through Technical Assistance (TA)

48. Authorities should continue to strengthen capacity for macroeconomic policy making and financial supervision.³⁹ AMRO has collaborated closely with Cambodian authorities through various TA consultancy programs, particularly in capacity building for the NBFSA. In addition, a newly launched TA pilot project for MEF, under AMRO's Structural Policy Improvement and Review Instrument with Technical Assistance (SPIRIT),⁴⁰ aims to strengthen domestic revenue mobilization by supporting the authorities in enhancing their capacity to assess and improve tax incentives, carbon pricing, and non-tax revenues. Furthermore, given the rapid rise in NPLs and the potential risks to financial stability, the NBC may benefit from a TA consultancy on the regulatory and operational frameworks required to set up AMIs, and on the well-calibrated design and implementation of a deposit protection scheme. An additional TA program on implementing a risk-based supervision approach and strengthening the stress testing program is also recommended.

³⁵ As of end-2025, transactions in riel reached 1.4 billion (KHR470.3 trillion, up 29 percent yoy), while transactions in US dollar totalled 2.3 billion (USD363.4 billion, up 23 percent), sourced from the NBC's Annual Report 2025.

³⁶ As of end-2025, total transactions reached 226,000 (up 44 percent yoy), equivalent to KHR104 billion (up 115 percent yoy), sourced from the NBC's Annual Report 2025.

³⁷ The NBC has updated the Technology and Cyber Risk Management Guidelines to ensure the safety, security, and operational resilience of all banks and financial institutions in January 2026. In addition, the NBC has launched the Integrated Payment System (IPS) which includes Bakong Module a prefunded mechanism and Deferred Net Module and has expanded credit use of overdraft facility (OD) to facilitate seamless real-time settlement within the Bakong Module.

³⁸ Cambodia has been one of the most rapid deforestations of any country in the past two decades, losing 30 percent of forest cover. See World Bank (2023), "Cambodia Country Climate and Development Report."

³⁹ This paragraph was jointly prepared with the AMRO TA team.

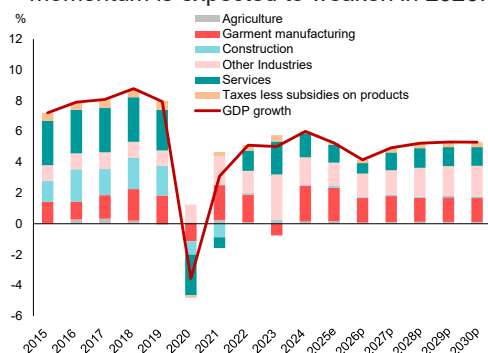
⁴⁰ See <https://amro-asia.org/amro-launches-spirit-pilot-to-boost-capacity-building-in-cambodia>.

Appendices

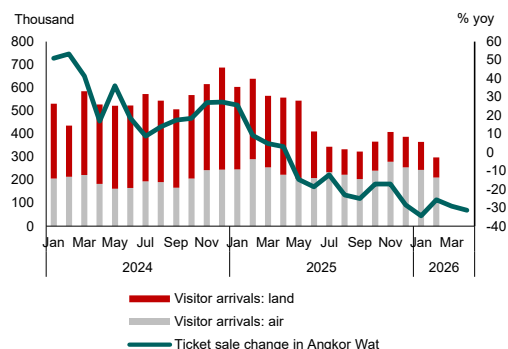
Appendix 1. Selected Figures for Major Economic Indicators

Figure 1.1. Real Sector

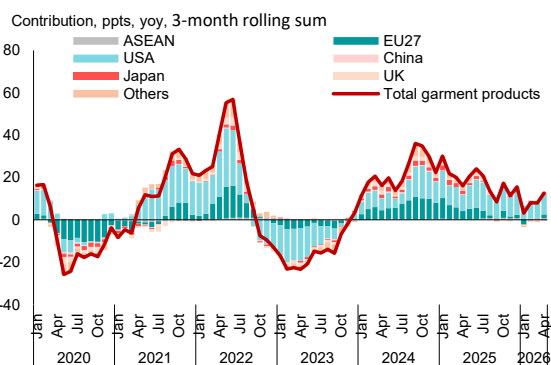
Real GDP growth was resilient in 2025 but growth momentum is expected to weaken in 2026.



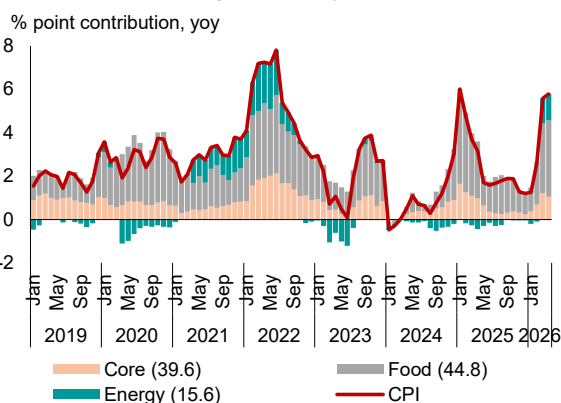
Visitor arrivals by land and Angkor Wat ticket sales have both declined broadly since 2H 2025.



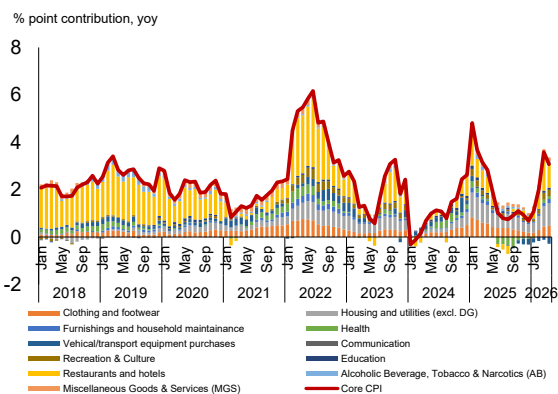
Garment exports maintained momentum in 2025, driven by strong demand from the US and EU.



Consumer price inflation stabilized in 2H 2025, before picking up in early 2026.



Core CPI inflation also moved in line with the headline inflation trend.



Transportation costs transmitted to food prices rapidly.

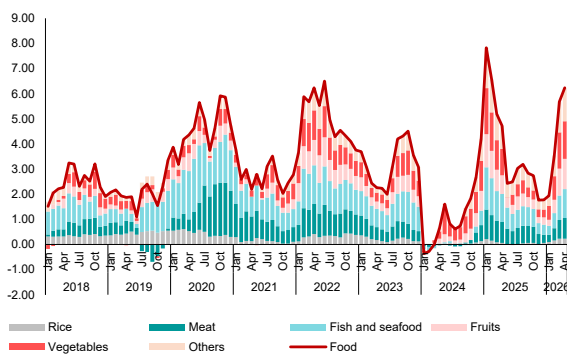
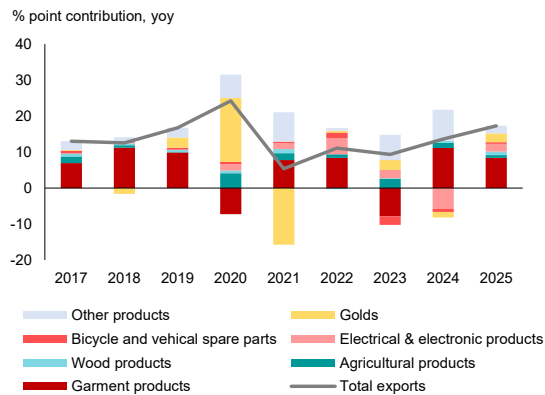


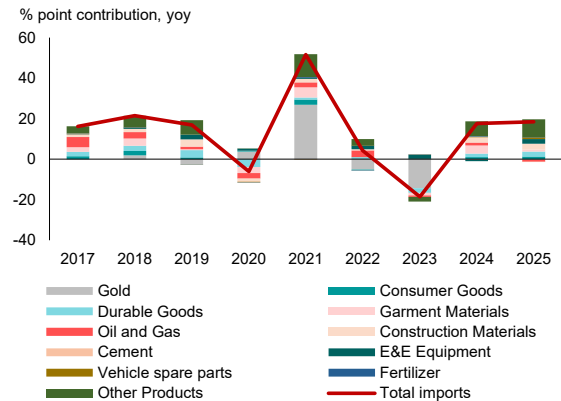
Figure 1.2. External Sector

Goods exports increased by 17.3 percent in 2025 compared with 2024, largely supported by garment exports.



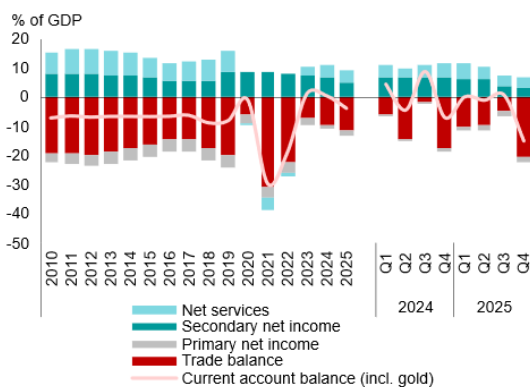
Source: GDCE; AMRO staff calculations

Goods imports grew by 18.4 percent in 2025 compared with 2024, with support from almost all sectors except for oil and gas.



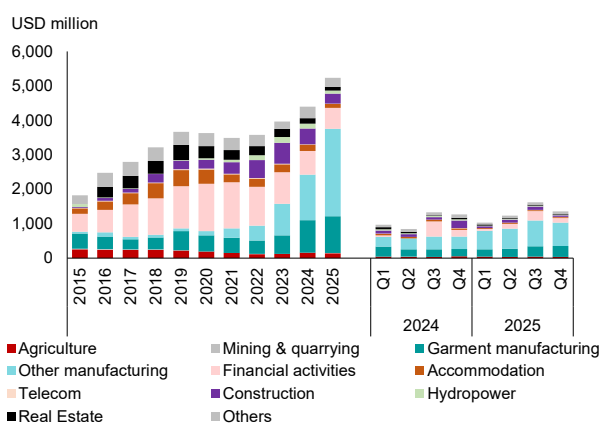
Source: GDCE; AMRO staff calculations

The current account balance recorded a small deficit in 2025, driven by widened trade deficits.



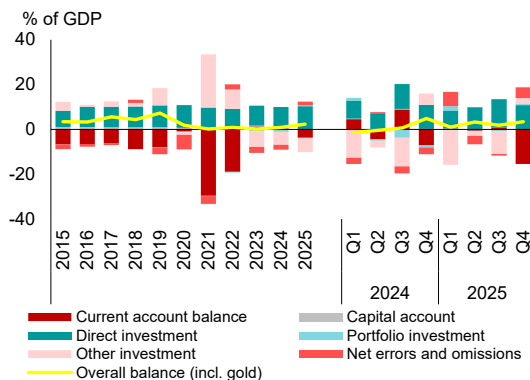
Source: GDCE; AMRO staff calculations

FDI inflows remained robust in 2025, mainly reflecting inflows to the manufacturing sector.



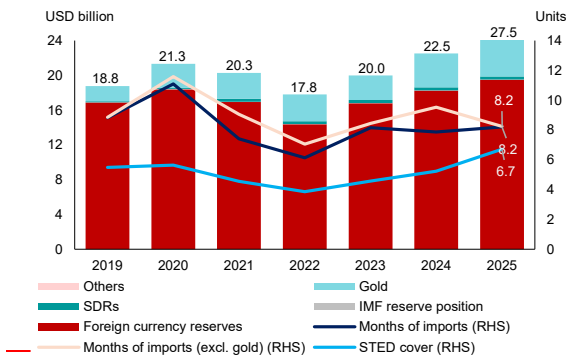
Source: NBC

The overall BOP balance registered a modest surplus in 2025, mainly driven by the FDI inflows.



Source: NBC; AMRO staff calculations

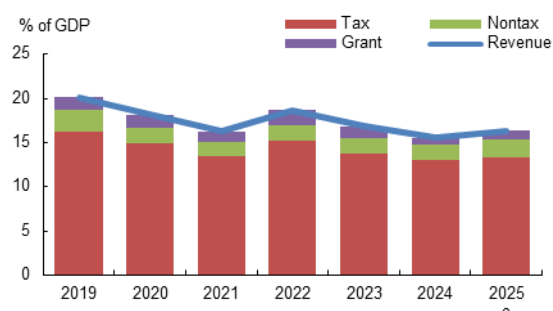
Gross international reserves increased to USD27.5 billion in 2025, equivalent to 8.2 months of imports.



Source: NBC; AMRO staff calculations

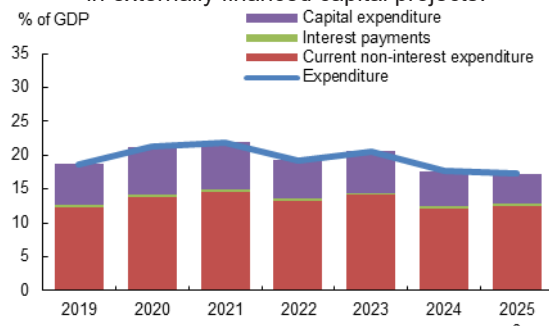
Figure 1.3. Fiscal Sector

Fiscal revenue improved in 2025, contributed by robust consumption-based tax and nontax revenue.



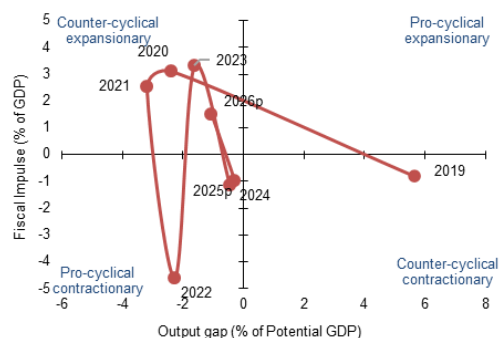
Source: MEF; AMRO staff calculations

Expenditure execution was slow in 2025 due to delays in externally financed capital projects.



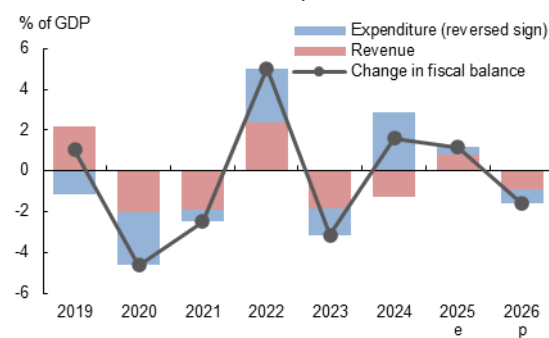
Source: MEF; AMRO staff calculations

Fiscal policy is projected to become expansionary in 2026 after the contractionary fiscal policy in 2025.



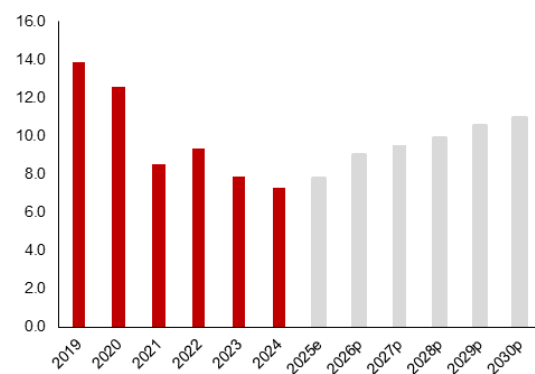
Source: MEF; AMRO calculations

The widening of the deficit in 2026 is expected to be driven by both moderating revenues and a temporary increase in expenditures.



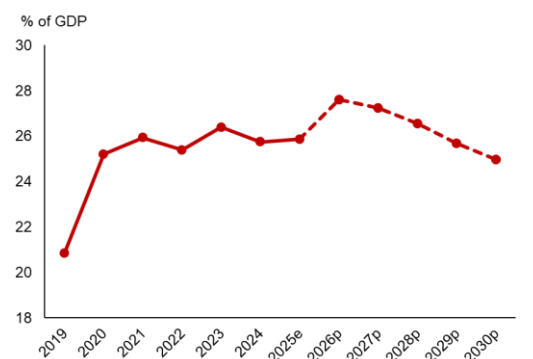
Source: MEF; AMRO staff calculations

Government savings are projected to gradually increase, supported by sustained fiscal consolidation.



Source: MEF; AMRO staff projections

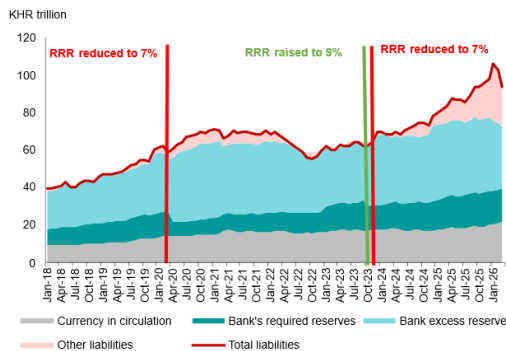
Public debt is projected to gradually decline.



Source: MEF; AMRO staff projections

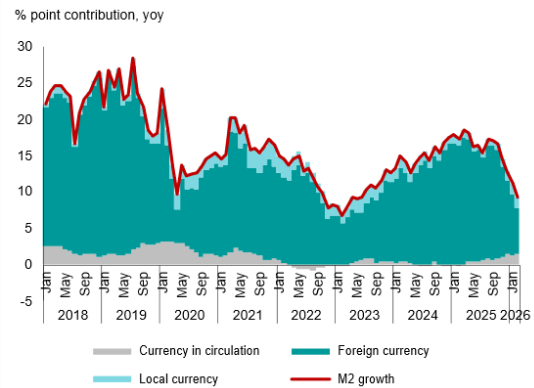
Figure 1.4. Monetary and Financial Sector

Bank reserves continued to increase, reflecting moderate deposit growth.



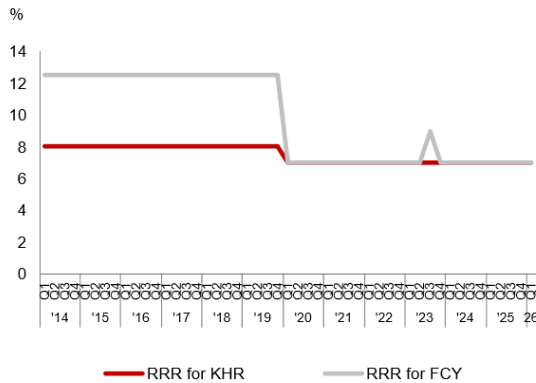
Source: NBC and AMRO staff calculations

Broad money (M2) growth started slowing in early 2025 after accelerating in 2023.



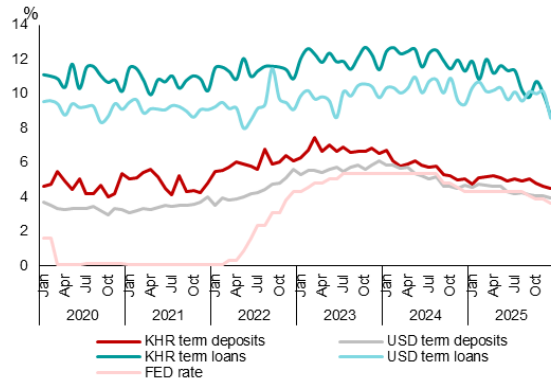
Source: NBC and AMRO staff calculations

NBC maintained RRR for riel and foreign currencies at 7 percent until the end of 2025.



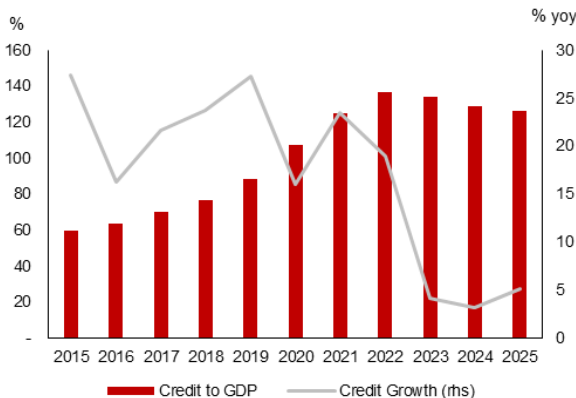
Source: NBC; AMRO staff calculations

The bank's deposit rates for USD and KHR declined in 2025, in line with lending rates and movements in the FED rate.



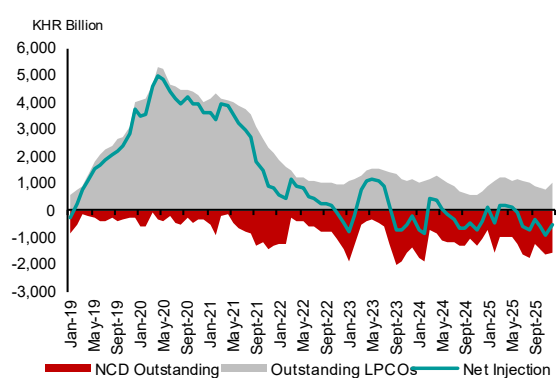
Source: NBC; AMRO staff calculations

Credit grew by 5.4% in 2025, while the credit-to-GDP ratio remained at 127.8%.



Source: Haver/IMF; AMRO staff calculations

NBC maintains accommodative liquidity in banking system through the combination of LPCO and NCD.



Source: NBC; AMRO staff calculations

Appendix 2. Selected Economic Indicators for Cambodia

	2022	2023	2024	2025	Projections	
					2026	2027
Real Sector and Prices	(In percent change, unless otherwise specified)					
Real GDP growth	5.1	5.0	6.0	5.3	4.2	4.9
Agriculture	0.6	1.1	1.0	1.2	0.6	0.9
Industry	8.2	5.4	9.9	8.7	7.0	7.2
Services	3.6	6.0	4.3	3.2	1.9	3.4
GDP deflator	2.2	2.3	2.4	2.1	3.1	2.5
CPI inflation (average)	5.3	2.1	0.8	2.5	4.5	2.4
Core inflation (average)	4.4	2.0	1.0	1.9	2.7	2.4
External Sector	(In USD millions, unless otherwise specified)					
Current account balance	-7,581.8	552.3	222.4	-1,905.0	-4,603.8	-4,292.2
(Including gold, in percent of GDP)	-19.2	1.3	0.5	-3.8	-8.5	-7.4
(Excluding gold, in percent of GDP)	-8.5	-0.1	-0.2	-5.9	-9.0	-7.9
Trade balance	-8,826.3	-2,986.2	-4,495.6	-5,573.0	-7,305.2	-7,527.6
Exports	23,178.9	23,564.4	26,751.7	31,359.2	34,206.6	37,512.7
Imports	32,005.2	26,550.6	31,247.3	36,932.2	41,511.8	45,040.3
Services, net	-435.7	1,318.1	1,879.1	2,132.1	1,843.3	2,078.5
Primary income, net	-1,550.8	-953.4	-358.8	-904.4	-1,174.7	-1,260.4
Secondary income, net	3,230.9	3,173.9	3,197.7	2,440.3	2,032.7	2,417.4
Financial account balance	6,806.6	515.8	1,039.0	1,760.8	3,592.2	3,495.6
(In percent of GDP)	17.2	1.2	2.2	3.5	6.6	6.0
Foreign direct investment, net	3,428.3	3,807.4	4,222.8	4,961.4	4,340.3	4,665.1
Portfolio investment, net	-126.1	-350.0	-489.5	146.8	-238.0	-285.3
Other investment, net	3,504.3	-2,941.6	-2,694.4	-3,347.4	-510.1	-884.2
Capital account balance	209.3	139.5	125.6	187.7	169.6	169.6
Error and omissions	911.9	-1,134.4	-954.2	1,405.3	0.0	0.0
Overall balance	345.9	73.2	432.8	1,448.9	-842.0	-627.0
(In percent of GDP)	0.9	0.2	0.9	2.9	-1.6	-1.1
Gross international reserves	17,805.2	19,998.4	22,511.3	27,529.9	26,687.9	26,582.2
(In months of imports)	6.1	8.2	7.9	8.2	7.1	6.5
(In months of imports, excluding gold)	7.1	8.2	7.9	8.3	7.1	6.6
External debt	22,762.7	22,998.2	20,977.0	26,089.4	28,271.2	30,057.1
(In percent of GDP)	57.6	54.3	45.3	51.6	52.1	51.5
Fiscal Sector	(In percent of GDP)					
Revenue and grants	18.6	16.8	15.5	16.3	15.4	15.4
Tax revenue	15.2	13.7	13.0	13.3	12.5	12.5
Non-tax revenue	1.7	1.8	1.9	2.0	2.0	2.0
Grants	1.7	1.3	0.7	1.0	0.9	0.8
Expenditure	19.2	20.5	17.7	17.3	18.0	16.9
Current non-interest expenditure	13.2	14.2	12.2	12.5	12.2	12.1
Interest payments	0.3	0.3	0.3	0.3	0.3	0.4
Capital expenditure	5.7	6.1	5.2	4.5	5.5	4.4
Overall fiscal balance	-0.6	-3.7	-2.1	-1.0	-2.6	-1.5
Primary balance	-0.3	-3.5	-1.9	-0.7	-2.3	-1.2
Public debt	25.4	26.4	25.7	25.9	27.6	27.2
Monetary and Financial Sector	(In percentage change, end-period)					
Private sector credit	18.5	3.5	3.1	4.7	5.0	5.0
Broad money	8.2	12.5	17.5	12.8	10.8	8.8
Reserve money	-4.8	30.4	6.7	4.8	5.5	6.2
Loan-to-deposit ratio (average, in percent)	138.1	126.9	111.3	103.3	97.8	94.4
NPL ratio (end of period, in percent)	2.8	5.1	7.1	8.3	8.7	9.0
Memorandum Items						
Nominal GDP (KHR billion)	161,972.0	174,027.0	188,766.0	202,802.0	217,666.2	234,068.6
Nominal GDP (USD million)	39,485.7	42,335.6	46,352.6	50,530.8	54,253.3	58,313.8
GDP per capita (USD)	2,344.8	2,477.2	2,673.2	2,874.3	3,044.5	3,230.7

Source: National authorities; AMRO staff estimates

Note: 1) Cambodia's balance of payments follows BPM6, and signs of financial accounts have been reversed. 2) Numbers in red denote AMRO staff estimates. 3) Loan-to-deposit ratios are calculated by dividing private sector credit by the deposit component of broad money. 4) NPL ratio refers to those of DTIs.

Appendix 3. Medium-term Projections for Cambodia

	2023	2024	2025	Projections				
				2026	2027	2028	2029	2030
Real Sector and Prices	(In percent change, unless otherwise specified)							
Real GDP growth	5.0	6.0	5.3	4.2	4.9	5.2	5.3	5.3
Agriculture	1.1	1.0	1.2	0.6	0.9	1.0	1.0	1.0
Industry	5.4	9.9	8.7	7.0	7.2	7.4	7.5	7.4
Services	6.0	4.3	3.2	1.9	3.4	3.8	3.7	3.7
GDP deflator	2.3	2.4	2.1	3.1	2.5	2.4	2.4	2.5
CPI inflation (average)	2.1	0.8	2.5	4.5	2.4	2.5	2.6	2.7
Core inflation (average)	2.0	1.0	1.9	2.7	2.4	2.3	2.3	2.4
External Sector	(In USD millions, unless otherwise specified)							
Current account balance	552.3	222.4	-1,905.0	-4,603.8	-4,292.2	-4,139.8	-4,371.1	-4,735.1
(Including gold, in percent of GDP)	1.3	0.5	-3.8	-8.5	-7.4	-6.6	-6.5	-6.5
(Excluding gold, in percent of GDP)	-0.1	-0.2	-5.9	-9.0	-7.9	-7.1	-6.9	-6.9
Trade balance	-2,986.2	-4,495.6	-5,573.0	-7,305.2	-7,527.6	-7,756.6	-8,311.6	-8,984.1
Exports	23,564.4	26,751.7	31,359.2	34,206.6	37,512.7	41,112.1	44,955.3	49,076.8
Imports	26,550.6	31,247.3	36,932.2	41,511.8	45,040.3	48,868.7	53,266.9	58,060.9
Services, net	1,318.1	1,879.1	2,132.1	1,843.3	2,078.5	2,376.0	2,701.3	3,057.3
Primary income, net	-953.4	-358.8	-904.4	-1,174.7	-1,260.4	-1,252.2	-1,334.0	-1,429.0
Secondary income, net	3,173.9	3,197.7	2,440.3	2,032.7	2,417.4	2,493.0	2,573.1	2,620.7
Financial account balance	515.8	1,039.0	1,760.8	3,592.2	3,495.6	3,282.2	3,610.6	4,016.2
(In percent of GDP)	1.2	2.2	3.5	6.6	6.0	5.2	5.3	5.5
Foreign direct investment, net	3,807.4	4,222.8	4,961.4	4,340.3	4,665.1	4,711.0	5,078.5	5,479.0
Portfolio investment, net	-350.0	-489.5	146.8	-238.0	-285.3	-363.3	-438.4	-432.9
Other investment, net	-2,941.6	-2,694.4	-3,347.4	-510.1	-884.2	-1,065.5	-1,029.5	-1,030.0
Capital account balance	139.5	125.6	187.7	169.6	169.6	169.6	169.6	169.6
Error and omissions	-1,134.4	-954.2	1,405.3	0.0	0.0	0.0	0.0	0.0
Overall balance	73.2	432.8	1,448.9	-842.0	-627.0	-688.0	-590.8	-549.3
(In percent of GDP)	0.2	0.9	2.9	-1.6	-1.1	-1.1	-0.9	-0.8
Gross international reserves	19,998.4	22,511.3	27,529.9	26,687.9	26,582.2	26,412.1	25,821.2	25,524.7
(In months of imports)	8.2	7.9	8.2	7.1	6.5	6.0	5.4	5.0
(In months of imports, excluding gold)	8.2	7.9	8.3	7.1	6.6	6.0	5.4	5.0
External debt	22,998.2	20,977.0	26,089.4	28,271.2	30,057.1	31,735.7	33,466.1	35,302.2
(In percent of GDP)	54.3	45.3	51.6	52.1	51.5	50.5	49.4	48.3
Fiscal Sector	(In percent of GDP)							
Revenue and grants	16.8	15.5	16.3	15.4	15.4	15.3	15.2	15.1
Tax revenue	13.7	13.0	13.3	12.5	12.5	12.5	12.5	12.5
Non-tax revenue	1.8	1.9	2.0	2.0	2.0	2.0	2.0	2.0
Grants	1.3	0.7	1.0	0.9	0.8	0.8	0.7	0.6
Expenditure	20.5	17.7	17.3	18.0	16.9	16.5	16.3	16.3
Current non-interest expenditure	14.2	12.2	12.5	12.2	12.1	11.8	11.5	11.5
Interest payments	0.3	0.3	0.3	0.3	0.4	0.4	0.4	0.3
Capital expenditure	6.1	5.2	4.5	5.5	4.4	4.3	4.4	4.4
Overall fiscal balance	-3.7	-2.1	-1.0	-2.6	-1.5	-1.3	-1.1	-1.2
Primary balance	-3.5	-1.9	-0.7	-2.3	-1.2	-0.9	-0.7	-0.8
Public debt	26.4	25.7	25.9	27.6	27.2	26.5	25.7	25.0
Monetary and Financial Sector	(In percentage change, end-period)							
Private sector credit	3.5	3.1	4.7	5.0	5.0	5.0	5.0	5.0
Broad money	12.5	17.5	12.8	10.8	8.8	10.9	8.8	10.7
Reserve money	30.4	6.7	4.8	5.5	6.2	7.0	7.8	8.6
Loan-to-deposit ratio (average, in percent)	126.9	111.3	103.3	97.8	94.4	89.4	86.3	81.8
NPL ratio (end of period, in percent)	5.1	7.1	8.3	8.7	9.0	9.2	9.5	9.8
Memorandum Items								
Nominal GDP (KHR billion)	174,027.0	188,766.0	202,802.0	217,666.2	234,068.6	252,255.8	272,007.3	293,599.0
Nominal GDP (USD million)	42,335.6	46,352.6	50,530.8	54,253.3	58,313.8	62,813.5	67,713.4	73,053.5
GDP per capita (USD)	2,477.2	2,673.2	2,874.3	3,044.5	3,230.7	3,436.2	3,658.2	3,898.3

Source: National authorities; AMRO staff estimates

Note: 1) Cambodia's balance of payments follows BPM6, and signs of financial accounts have been reversed. 2) Numbers in red denote AMRO staff estimates. 3) Loan-to-deposit ratios are calculated by dividing private sector credit by the deposit component of broad money. 4) NPL ratio refers to those of DTIs.

Appendix 4. Balance of Payments

	2019	2020	2021	2022	2023	2024	2025
	(In USD millions, unless otherwise specified)						
Current account	-2,935	-348	-10,893	-7,582	552	222	-1,905
Trade balance	-7,255	-2,011	-11,205	-8,826	-2,986	-4,496	-5,573
Exports, f.o.b.	14,986	19,055	19,521	23,179	23,564	26,752	31,359
of which, garment exports, f.o.b.	10,792	9,871	11,390	12,990	11,281	13,920	16,187
Imports, f.o.b.	22,242	21,066	30,726	32,005	26,551	31,247	36,932
Services, net	2,812	-257	-1,432	-436	1,318	1,879	2,132
Receipts	6,086	1,767	657	2,318	4,188	4,958	5,327
Payments	3,274	2,025	2,090	2,754	2,870	3,078	3,195
Primary income, net	-1,645	-1,109	-1,489	-1,551	-953	-359	-904
Receipts	651	610	331	346	488	609	681
Payments	2,296	1,718	1,820	1,897	1,442	968	1,585
Secondary income, net	3,153	3,029	3,234	3,231	3,174	3,198	2,440
of which: official transfer	532	449	510	479	494	443	332
Others	2,622	2,580	2,724	2,752	2,679	2,755	2,108
Capital and financial account	6,725	3,275	12,261	7,016	655	1,165	1,949
Capital account	355	259	204	209	140	126	188
Financial account (net)	6,370	3,016	12,056	6,807	516	1,039	1,761
Direct investment	3,561	3,498	3,391	3,428	3,807	4,223	4,961
Other investment	2,821	-385	8,717	3,504	-2,942	-2,694	-3,347
Errors and omissions	-1,123	-2,290	-1,285	912	-1,134	-954	1,405
Overall balance	2,668	637	83	346	73	433	1,449
Memorandum items:							
Exports of goods and services	21,072	20,823	20,178	25,497	27,753	31,709	36,687
Imports of goods and services	25,516	23,091	32,816	34,759	29,421	34,326	40,127
Trade account (percent of GDP)	-19.8	-5.8	-30.5	-22.4	-7.1	-9.7	-11.0
Current account (percent of GDP)	-8.0	-1.0	-29.6	-19.2	1.3	0.5	-3.8
Capital and financial account (percent of GDP)	18.3	9.4	33.3	17.8	1.5	2.5	3.9
Overall Balance (percent of GDP)	7.3	1.8	0.2	0.9	0.2	0.9	2.9
International reserves (USD million)	18,763	21,334	20,265	17,805	19,998	22,511	27,530
In months of imports of goods and services	8.8	11.1	7.4	6.1	8.2	7.9	8.2
Nominal GDP (USD million)	36,685	34,818	36,790	39,486	42,336	46,353	50,531

Source: National authorities; AMRO staff estimates

Note: Cambodia's balance of payments follows BPM6, and signs of financial accounts have been reversed.

Appendix 5. Statement of General Government Operations

	2021	2022	2023	2024	2025	2026BL
	(In percent of GDP)					
Total Revenue and Grants	16.2	18.4	16.8	15.8	16.6	15.0
Total Domestic Revenue	15.1	17.0	15.7	15.0	15.6	14.8
Central Govt	13.6	15.4	14.3	13.8	14.4	13.7
Local Govt	1.5	1.6	1.4	1.2	1.1	1.1
Current Revenue	15.1	16.9	15.5	14.8	15.3	14.5
Total Tax Revenue	13.5	15.2	13.7	13.0	13.3	12.6
Tax Revenue Central	12.3	13.9	12.6	11.9	12.3	11.7
<i>Domestic Taxes</i>	10.8	12.3	11.1	10.5	11.1	10.6
Direct Taxes	3.9	4.5	4.5	4.0	3.8	3.9
Indirect Taxes	6.9	7.8	6.6	6.5	7.3	6.7
VAT	4.0	4.5	4.3	4.2	4.4	4.0
Excise	2.9	3.3	2.3	2.3	2.9	2.7
<i>Trade Taxes</i>	1.4	1.6	1.5	1.5	1.2	1.1
Tax Revenue Local	1.2	1.2	1.1	1.0	1.0	0.9
Non-tax revenue Central	1.3	1.4	1.5	1.7	1.9	1.8
Non-tax revenue Local	0.3	0.3	0.3	0.2	0.2	0.2
Grants	1.1	1.7	1.3	0.7	1.0	0.2
Total Expenditure	21.9	19.2	20.5	17.7	17.3	18.8
Current Expenditures	14.9	13.4	14.5	12.4	12.8	12.6
Wages and Salaries	5.6	5.4	5.6	5.4	5.2	4.9
Non-wages	8.1	6.7	8.0	5.2	5.7	5.8
Interest Payment	0.3	0.3	0.3	0.3	0.3	0.3
Domestic	0.0	0.0	0.0	0.0	0.0	0.0
Foreign	0.3	0.3	0.3	0.3	0.2	0.3
Other current expenditure	1.2	1.3	0.9	1.9	1.9	1.8
Capital Expenditures	6.9	5.6	6.1	5.3	4.5	6.3
Domestic Financed	3.4	2.1	2.7	2.3	2.3	3.0
Foreign Financed	3.5	3.5	3.4	2.9	2.2	3.2
Current Balance (excl. grant)	0.0	0.0	0.0	0.0	0.0	0.0
Primary Balance (excl. grant)	2.1	6.3	3.6	3.1	3.5	2.2
Fiscal Balance (incl. grant)	-5.6	-0.6	-3.7	-2.1	-1.0	-2.6
Fiscal Balance (excl. grant)	-5.6	-2.3	-5.0	-2.9	-0.7	-3.8

Source: National authorities; AMRO staff estimates

Appendix 6. Debt Sustainability Analysis⁴¹

1. Cambodia's public debt is projected to decline gradually over the medium term while remaining at a low level with gross financing needs (GFNs) expected to stabilize (Table 6.1). The debt trajectory reflects a weaker macroeconomic environment than previously envisaged. Growth is projected to remain subdued in 2026, weighed down by border closures, elevated global oil prices, and continued weakness in the real estate sector, before recovering gradually thereafter. On the fiscal side, policy is expected to turn more expansionary in 2026 in response to heightened security needs and the oil price shock. Public debt is projected to reach 27.6 percent of GDP in 2026, driven by fiscal deficits and the expansion of domestic borrowing, which can contribute to fiscal reserve rebuilding. Over the medium term, primary deficits are projected to decline to around 0.8 percent of GDP after the withdrawal of temporary fiscal measures in 2026. Public debt should then decline gradually, supported mainly by real GDP growth and the real interest rate, and partially offset by primary deficits. The GFN-to-GDP ratio is expected to stabilize in line with a broadly stable path for fiscal deficits and debt amortization (Figure 6.1).

2. Overall, Cambodia's public debt sustainability risk is assessed to be low (Figure 6.4). Public debt and GFN indicators remain well below the relevant benchmarks under both baseline and stress scenarios (Figure 6.2). Debt profile characteristics further mitigate near-term risks (Figure 6.3). While a large share of public debt is external, it is owed predominantly to bilateral and multilateral official creditors on concessional terms and with long maturities, which keeps interest costs low and rollover risks limited. External financing needs are mainly driven by the current account deficit and private sector debt, but are buffered by a high level of international reserves. Short-term public debt exposure remains minimal, and the maturity profile is smooth, reducing refinancing pressures. Nevertheless, as public debt is projected to continue rising gradually under the baseline amid persistent primary deficits, maintaining fiscal prudence and strengthening medium-term revenue mobilization will be important to preserve fiscal space and sustain low debt-related risks.

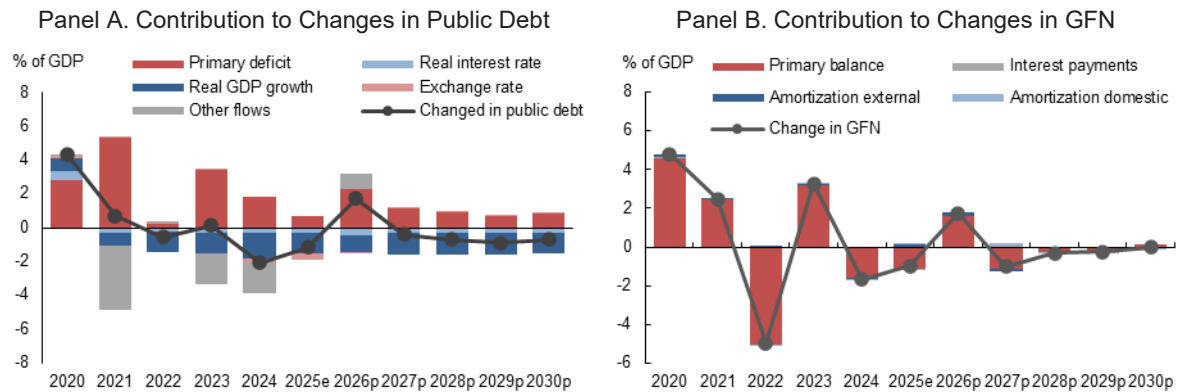
Table 6.1. Macroeconomic and Fiscal Indicators

	2020	2021	2022	2023	2024	2025p	2026p	2027p	2028p	2029p	2030p
Macroeconomic indicators (Percent)											
Real GDP growth	-3.6	3.1	5.1	5.0	6.0	5.3	4.2	4.9	5.2	5.3	5.3
GDP deflator	-0.8	2.6	2.2	2.3	2.4	2.1	3.1	2.5	2.4	2.4	2.5
Effective interest rate	1.6	1.4	1.3	1.2	1.1	1.1	1.2	1.4	1.4	1.5	1.5
Fiscal indicators (Percent of GDP)											
Revenue	18.1	16.2	18.6	16.8	15.5	16.3	15.4	15.4	15.3	15.2	15.1
Expenditure	21.3	21.9	19.2	20.5	17.7	17.3	18.0	16.9	16.5	16.3	16.3
Fiscal balance	-3.2	-5.6	-0.6	-3.7	-2.1	-1.0	-2.6	-1.5	-1.3	-1.1	-1.2
Primary balance	-2.8	-5.3	-0.3	-3.5	-1.9	-0.7	-2.3	-1.2	-0.9	-0.7	-0.8
Public debt	25.2	25.9	25.4	26.4	25.7	25.9	27.6	27.2	26.5	25.7	25.0
Gross financing needs	3.9	6.4	1.5	4.7	3.1	2.1	3.9	2.8	2.6	2.3	2.3

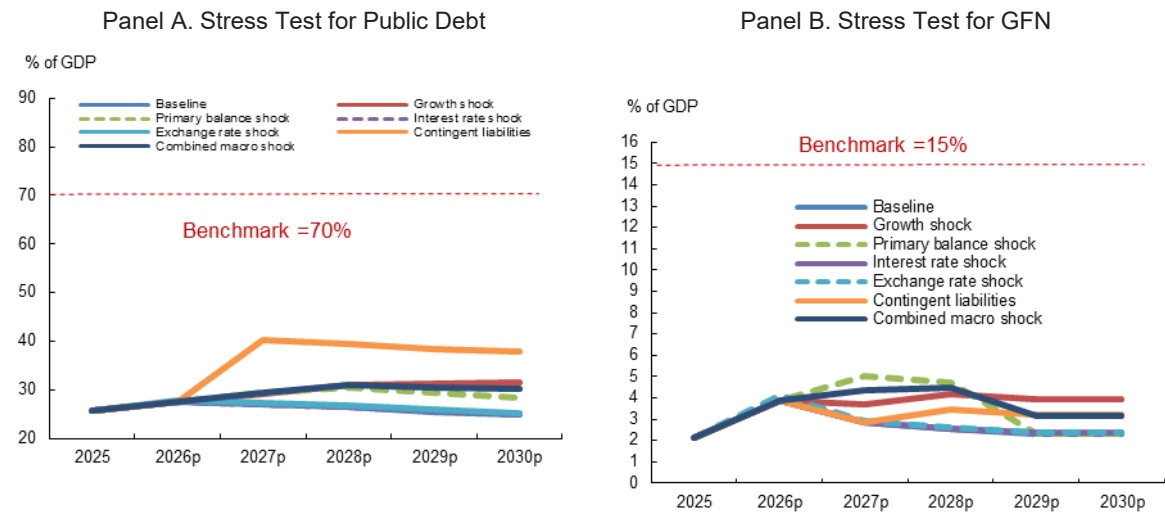
Source: MEF; National Institute of Statistics (NIS); AMRO staff estimates

Note: The macroeconomic and fiscal indicators for 2025-2030 are based on AMRO staff estimates and projections.

⁴¹ Prepared by Guohua Huang, Senior Economist. Cambodia's debt-carrying capacity is assessed to be medium according to the Composite Indicator, with a benchmark of 55 percent for the present value of the debt-to-GDP ratio. Adjusting this to nominal value terms by accounting for a 33 percent grant element arising from concessional loans, the nominal value benchmark for the debt-to-GDP ratio is set at 70 percent. Public debt comprises domestic and external debt incurred by and/or guaranteed by the central government. Subnational governments are legally prohibited from borrowing.

Figure 6.1. Public Debt and GFN Dynamics

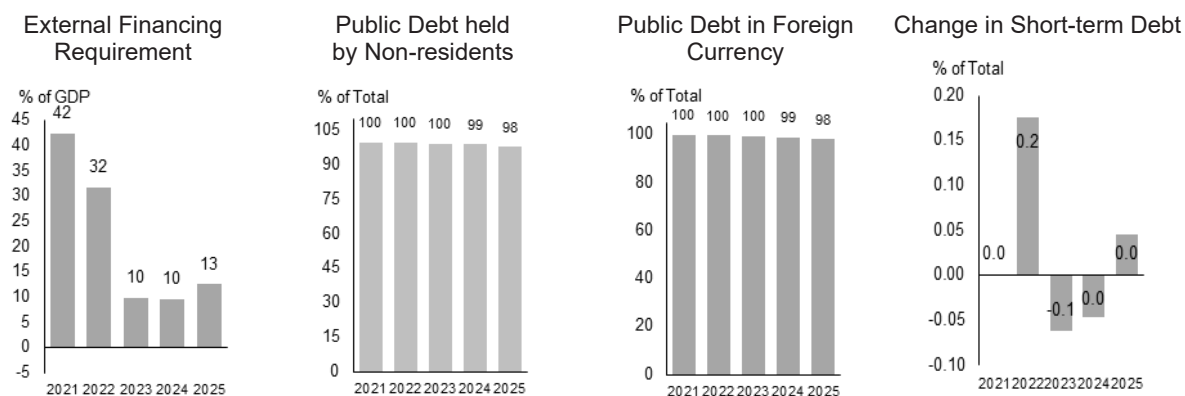
Source: MEF; AMRO staff estimates

Figure 6.2. Macro-fiscal Stress Test

Note: The scenarios for the stress test are as follows: 1) Real GDP growth shock: one standard deviation or -3.6 percentage point shock to 2027 and 2028; 2) Primary balance shock: one standard deviation or -2.2 percent of GDP shock to 2027 and 2028; 3) Interest rate shock: +0.4 percentage point shock for new external financing; 4) Exchange rate shock: one-time +0.8 percentage point shock in 2027; 5) Contingent liability shock: realization of 13 percent of GDP contingent liability, which is 35 percent of the outstanding capital stock of PPP as of end-2025; 6) Combined shock: a combination of growth (half size), primary balance (half size), interest rate, and exchange rate shocks.

Source: MEF; AMRO staff estimates

Figure 6.3. Debt Profile Vulnerabilities



Note: 1) Public debt held by non-residents is based on the jurisdiction of issuance; 2) Short-term debt is based on the original maturity; 3) External financing requirements = current account deficit + amortization of public external debt + amortization of private external debt.
Source: Department of Budget and Management; AMRO staff estimates

Figure 6.4. Heatmap of Public Debt Sustainability

	2020	2021	2022	2023	2024	2025	2026p	2027p	2028p	2029p	2030p
Public Debt											
Gross Financing Needs											

Note: For Public Debt and Gross Financing Needs, the cell is highlighted in green if the benchmark is not exceeded under all shocks or the baseline, yellow if exceeded under any specific shock but not the baseline, and red if exceeded under the baseline.
Source: AMRO staff estimates

Appendix 7. Data Adequacy for Surveillance Purposes: A Preliminary Assessment

Criteria/ Key Indicators for Surveillance	Availability ⁽ⁱ⁾	Reporting Frequency/ Timeliness ⁽ⁱⁱ⁾	Data Quality ⁽ⁱⁱⁱ⁾	Consistency ^(iv)	Others, if any ^(v)
National Accounts and Labor Market	- GDP numbers on the production and expenditure side have been made available - Unemployment and labor market data are available on the website	- The dissemination of GDP data is on an annual basis - The latest finalized GDP numbers by production and expenditure are for the year 2022. - Data on the labor market has a lag of more than one year	- National Accounts statistics are compiled broadly in accordance with SNA93 standards. Data collection techniques remain weak due to resource constraints - The GDP data does not include output related to public infrastructure projects	- Revisions are frequent but becoming less significant. Officially, the statistical discrepancy is also shrinking	- Data quality of the National Accounts data could be improved using a more comprehensive Supply Used Table (SUT) based on the latest survey - The GDP data on the expenditure side remains relatively weak with underestimated gross fixed capital formation
Balance of Payments (BOP) and External Position	- BOP data is published on the NBC website - Import and export data is published by the MEF	- BOP data is released on a quarterly and yearly basis with a time lag of one to two quarters - Trade data is released monthly with a time lag of one month	- Since 2019, the BOP has been published in conformity with the BPM6 but some coverage limitations exist - Import data published by the MEF is incomplete, as it covers only major items	-	-
State Budget and Government/ External Debt	- Budget implementation data is released on the MEF website - Budget implementation data does not include local government budget operation - Contingent government liability statistics are not yet available	- Budget implementation statistics are published monthly with a time lag of one to three months	- The data coverage is limited to the budget and is not fully integrated with activities related to the disbursement of external loans and grants	- The breakdown of budget implementation data from TOFE is different from the one provided by the GD of Budget	-
Money Supply and Credit Growth	- CPI data for Phnom Penh is published by the NIS - National CPI data is yet to be made available - Monetary statistics have been released on the NBC website - Data on credit breakdown by sector is also available	- CPI data is released monthly with a time lag of one to two months - Monetary and credit data is published monthly with a time lag of three months	- The compilation of the CPI suffers from insufficient coverage - The authorities plan to release CPI data with much wider coverage and plan to rebase the CPI data - The actual amount of dollars and other foreign currency-denominated bills circulating in the economy has not been captured in the official monetary statistics	-	- Regular and timely (schedule-based) publication of headline and core inflation, and monetary and credit data, would strengthen economic monitoring
Financial Sector Soundness Indicators	- Foreign assets and liabilities for the banking sector in aggregate are published by the NBC - A detailed breakdown of the composition of foreign assets and liabilities of the banking sector is not yet available	- Yearly data is released on the NBC website with a time lag of three to six months	- Indicators are generally based on reports from banks and MFIs - In addition to banking indicators, data on microfinance activities is lacking	-	- The availability of more comprehensive and more frequent data, including a detailed breakdown of assets and liabilities, would help in the analysis of financial sector soundness as a whole

Notes:

- (i) Data availability refers to whether the official data are available for public access by any means.
- (ii) Reporting frequency refers to the time intervals at which the available data are published. Timeliness refers to how up-to-date the published data are relatively with the publication date.
- (iii) Data quality refers to the accuracy and reliability of the available data given the data methodologies are considered.
- (iv) Consistency refers to both internal consistency within the data series itself and its horizontal consistency with other data series of either same or different categories.
- (v) Other criteria might also apply, if relevant. Examples include but are not limited to potential areas of improvement for data adequacy.

Source: AMRO staff compilation. This preliminary assessment will form the "Supplementary Data Adequacy Assessment" in the EPRD Matrix.

Appendix 8. Climate Clipboard – Risks, Responses, and Opportunities⁴²

A. Physical risks								
Sources of risk	Potential macro-financial impact							
- Floods (acute) - Drought (acute) - Heatwaves (acute) - Sea-level rise (chronic)	- The 2025 U.N.'s Index for Risk Management (INFORM) ranks Cambodia as the world's topmost drought-exposed country and seventh-most flood-exposed country (UN's INFORM Risk Index Mid 2025). - Cambodia's agricultural areas will also be exposed to higher risks of drought (due to rainfall variability) and heatwaves (it is in the top 23 countries with acute exposure to extreme heat, World Bank (2023), "Cambodia Country Climate and Development Report"). - Sea level rise across Cambodia's four coastal provinces is projected to increase by 0.07–0.36 meters until 2050 and by 0.36–1.07 meters until 2100. Recent analysis suggests that a total area of about 25,000 hectares would be permanently inundated by a sea level rise of one meter (World Bank (2024), "Climate Risk Country Profile: Cambodia").							
B. Transition risks								
Sources of risk	Potential macro-financial impact							
- Increased use of renewable energy and large-scale displacement of coal in industries - Risk of difficulties in financing to respond to climate change - Applying energy efficiency technologies	- Expanding the use of relatively expensive renewable energy could have an impact on inflation and GDP growth. - Limited concessional loans or international aid contribute to the slower pace of climate change implementation plans. - As imports increase in the process of introducing environmentally friendly equipment, the current account may worsen, and it may take time to train personnel to utilize it							
C. Adaptation response framework and strategies								
Adaptation framework	Key initiatives/strategies	Estimated financing needs						
Cambodia's Third Nationally Determined Contribution (NDC 3.0, Aug 2025) National Adaptation Plan (Jul 2021) Cambodia Climate Change Strategic Plan 2024 -2033 (CCCSP, May 2025) - Building Climate-resilient Infrastructure and Communities - Strengthening disaster risk management systems and early warning mechanisms - Sustainable Water Resource Management National Action Plan for Disaster Risk Reduction 2024–2028 (Sep 2024) National Action Plan on Drought Management and Adaptation 2025–2030 (Jun 2025) Climate Resilient and Integrated Water Resources Management (IWRM) Action Plan 2026–2030 (Jun 2025)	- Implementation of climate change adaptation in Cambodia focuses on the following areas: i) Food, water, and energy security ii) Reduce sectoral, regional, gender vulnerability, and health risks iii) Resilience of critical ecosystems iv) Low-carbon planning and technologies v) Improve capacities vi) Promote adaptive social protection vii) Strengthen coordination frameworks viii) Strengthen collaboration on regional and global processes	- USD9.37 billion by 2035 (NDC) <table><tr><th colspan="2">Financing sources</th></tr><tr><th>Domestic</th><th>External</th></tr><tr><td> - Annual budgets for climate change expenditure (Latest figure in 2023: KHR2,769 billion (2.1 percent of GDP)) - Private funding from financial markets, such as green bonds, sustainable bonds, and sustainable-linked bonds </td><td> - Financial support from bilateral (Australia, China, EU, Japan, Korea, US, etc.) and multilateral partners (ADB, UN agencies, the World Bank, Global Climate Fund, etc.) </td></tr></table>	Financing sources		Domestic	External	- Annual budgets for climate change expenditure (Latest figure in 2023: KHR2,769 billion (2.1 percent of GDP)) - Private funding from financial markets, such as green bonds, sustainable bonds, and sustainable-linked bonds	Financial support from bilateral (Australia, China, EU, Japan, Korea, US, etc.) and multilateral partners (ADB, UN agencies, the World Bank, Global Climate Fund, etc.)
Financing sources								
Domestic	External							
- Annual budgets for climate change expenditure (Latest figure in 2023: KHR2,769 billion (2.1 percent of GDP)) - Private funding from financial markets, such as green bonds, sustainable bonds, and sustainable-linked bonds	Financial support from bilateral (Australia, China, EU, Japan, Korea, US, etc.) and multilateral partners (ADB, UN agencies, the World Bank, Global Climate Fund, etc.)							
D. Mitigation response framework and strategies								
Nationally Determined Contribution (NDC 3.0)	National framework / Strategies	Estimated financing needs						
Reduce GHG emissions by 55 percent in 2035 (conditional) and 16% (unconditional) relative to business-as-usual Sources of GHG emissions (Unit: Million t-CO2)	NDC 3.0 (Aug 2025) LTS4CN (Dec 2021) Cambodia Climate Change Strategic Plan 2024 -2033 (CCCSP, May 2025) Key mitigation strategies in CCCSP: - Promoting renewable energy	- USD22.68 billion by 2035 (NDC 3.0) - Public financing needs reach to USD9 billion between 2025 and 2050 (LTS4CN) <table><tr><th colspan="2">Financing sources</th></tr><tr><th>Domestic</th><th>External</th></tr><tr><td></td><td></td></tr></table>	Financing sources		Domestic	External		
Financing sources								
Domestic	External							

⁴² Prepared by Xiaotian (Tina) Liu, Associate Economist.

Source: Cambodia's NDC (Dec 2020)		- Enhancing energy efficiency - Sustainable transport - Sustainable land use and forestry - Waste management - Low-carbon industry - GHG inventory and MRV (Measurement, Reporting, Verification) - Mobilizing climate finance for mitigation	- Annual budgets for climate change expenditure - New public borrowing - Economic services spent - Policy reform in the transportation sector	- Financial support from bilateral and multilateral partners - International green finance, e.g., green bond (the country's first green bond was issued in 2023)
Long-term commitment				
Being a carbon-neutral economy by 2050 with the forestry and other land use sector providing a total carbon sink of 50 Megatons of Carbon Dioxide Equivalent (MtCO₂e) (Long Term Strategy for Carbon Neutrality, LTS4CN, Dec 2021)				
E. Enabling regulations for climate resilience				
E.1. Policy/ Legal frameworks		E.4. Carbon pricing frameworks		E.5. Sustainable finance frameworks
A General Secretariat (GSSD) was established to support the operations of the National Council for Sustainable Development (NCSD) and to coordinate the development of policies, strategic plans, action plans, and legal instruments concerning sustainable development, including the green economy and climate change		- The Cambodian Government issued Operations Manual for the Implementation of Article 6 of the Paris Agreement on Climate Change in Cambodia (Article 6 Operations Manual) in Jan 2024 - The Article 6 Operations Manual provides a detailed framework for issuing and transferring of Internationally Transferred Mitigation Outcomes ("ITMOs"), which are referred to as authorized Greenhouse Gas Emission Reductions ("GHG ERs") in the Article 6 Operations Manual - Article 6 of the Paris Agreement allows countries to cooperate voluntarily in the implementation of their NDCs - Before setting up the formal carbon credit market framework, Cambodia has had a voluntary carbon offsetting market where the Ministry of Environment acts as a seller on behalf of the government - This market welcomes all sectors to purchase carbon credits from programs for Reducing Emissions from Deforestation and Forest Degradation, fostering conservation and sustainable management of forests, and enhancing forest carbon stocks (REDD+ programs)		Cambodian Sustainable Finance Principles Implementation Guidelines (Feb 2019) - The aim of the basic guidelines is to serve as a basis for the Cambodian banks and microfinance institutions (MFIs) in developing their own sustainable finance approaches, in line with the Cambodian Sustainable Finance Principles - The intention of the guidelines is to encourage banks to seriously consider the impact of climate change when conducting business - This Principle also aims to build knowledge of sustainable finance within banks/ MFIs and across the banking sector, among banks/ MFIs' customers, and among the communities the banks/ MFIs serve - Cambodian Sustainable Finance Roadmap (under development) - Guideline on International Reserve Investment and Green Bond Investment with integration of Environmental, Social, and Governance Framework (ESG) (under development) - Guideline on the Incorporation of Social and Environmental Risks in Banking and Financial Institutions' Risk Management Framework (under development)
E.2. Fiscal framework				
- Since 2017, the Ministry of Economy and Finance has included guidance on climate change in annual budget circulars, and in 2019 climate change was recognized as a key challenge to be addressed both in the debt policy and in the budget of the Government - Key ministries have also started to integrate climate change in the way they prioritize activities for the national budget with technical support from partner organizations				
E.3. GHG accounting framework				
No national-level GHG accounting framework as of June 2025				
E.6. Financial system				
Initiatives	Guidelines	Status		
1. Taxonomy	Cambodia Green Finance Taxonomy and Market is under development	The NBC and the International Finance Corporation (IFC) in Cambodia signed a Cooperation Agreement on the Development of the Cambodia Green Finance Taxonomy and Market on December 19, 2023. Under this agreement, the NBC, in collaboration with the IFC, jointly organized a meeting with relevant ministries and institutions from April 29 to May 3, 2024, to collect input for the development of a Green Finance Taxonomy suitable for the Cambodian context alongside a consultation workshop on the development of the Cambodia Green Finance Taxonomy was co-organized on May 3, 2024. Culminating this multi-year effort, the NBC and IFC officially launched the Sustainable Finance Taxonomy on April 27, 2026. In its initial phase, the taxonomy provides the banking sector with a standardized classification framework targeting green investments in energy, transport, and construction.		

2. Risk management assessments	No national guidelines have been established as of June 2025	- Banks/ MFIs are requested to seek to develop and implement an environmental risk management system (Feb 2019, The Association of Banks in Cambodia) - Development of environmental risk reporting framework and criteria (relevant key performance indicators (KPIs) to monitor and report on progress against the bank/MFI's environmental commitments) - Ensuring that the necessary systems are in place to collect the relevant data - Developing E&S policies (general E&S Policy and specific E&S policies, as applicable), approved by top management, that adequately address environmental issues - Establishing E&S governance structures, aligned with the existing operating model for the management of other risk categories—particularly credit risk, transaction approval, and new client acceptance - The NBC is developing "Climate Risk Assessment and Analysis Framework" The NBC completed a preliminary assessment of climate-related risks in the banking sector to inform proportionate regulation.
3. Climate-related financial disclosures	No national guidelines have been established as of June 2025, but relevant international standards have been adopted	- Volunteer reporting (particularly by international firms) based on international disclosure standards, such as Recommendations of the Task Force on Climate-related Financial Disclosures (June 2017) - The adoption of the IFRS S1 (General Requirements for Disclosure of Sustainability-related Financial Information) and IFRS S2 (Climate-related Disclosures) from 1 January 2024 onwards - The NBC is developing "Sustainable Finance Reporting and Disclosure Framework"
4. Data availability	No specific data set is available for the impact of climate change on the financial system	In regard to the climate risk stress test, the NBC is studying the feasibility of conducting this type of stress test, as well as the data collection.
5. Capacity building	Various initiatives being led by GSSD of NCSD and NBC	- GSSD of NCSD leads in coordination, integration, capacity building and knowledge management, stakeholder engagement and awareness, legal frameworks, and NDC review. - The NBC has engaged in the capacity building program by co-organizing and conducting some training related topics with some international development partners, such as i) The British Embassy in Cambodia on Environmental, Social, and Governance Risk Assessment and Governance; ii) IFC in Cambodia on Building a Sustainable Finance Roadmap; iii) the UNESCAP and the Securities and Exchange Commission of Cambodia on the issuance of sustainable sectoral bonds; and iv) KPMG Vietnam and KPMG Cambodia on the integration ESG to the banking sector in Cambodia, etc.
F. Potential opportunities from the low-carbon transition		
Investment in renewable energy, such as solar panels	Improving power-related infrastructure, such as power grid	Developing industrial policies to promote climate-friendly industries

Source: National authorities; media reports; AMRO staff compilation

Appendix 9. Summary of Key Policy Measures in 2025-2026⁴³

Category	Announcement Date	Policy Measure Name	Key Points	Effective Period
US Tariffs	April 2025	Decision No. 52 on Ad Hoc Working Group establishment	To coordinate, negotiate, and promote bilateral trade relations between Cambodia and the US	April 2025-present (as of June 2, 2026)
	August 2025	Sub-Decree No. 139 & Prakas No. 632 MEF on the Implementation of Customs Duty on Goods Imported from the United States	Implement no customs duty on designated US-origin goods, excluding used goods.	August 2025 – present
Border Conflict	July 2025	Initiative support for displaced people	• Coordination among institutions to take actions: Committee for Disaster Management, line ministries, subnational authorities, and civil society partners • Reception centers for ~650,000 displaced persons (7 provinces near the border area), providing transportation, food, and initial assistance, etc.	July 2025-present
		NBC's Directive on THB-KHR exchange rate	Maintain market-rate THB-KHR exchange stable at all licensed institutions.	July 2025-present
	October 2025	Ministry of Labor and Vocational Training's reintegration program for returnees	Providing job fairs, skills assessments, information hotlines, and expanding the TVET program for returning migrant workers	October 2025- present
		Decision No.113 on Ad Hoc Working Group establishment to restore livelihoods and infrastructure damaged	To task with studying, examining, and assessing the impact on livelihoods and the actual condition of damaged infrastructure	October 2025-present
	December 2025	NBC's Announcement No. B38.026.001 & Instruction No. B37. 025.027 on instructing banks and financial institutions to provide debt relief to citizens affected by the ongoing conflict	Offering loan forgiveness, penalty waivers, suspension of interest payments, and deferment of principal repayment, especially for frontline personnel	December 2025 - May 2026
Oil Price Volatility	March 2026	Circular No. 04 on energy saving measures across all ministries and subnational administrations	It's such energy saving mandates across public institutions to reduce fuel consumption	March 2026-present
		Ministry of Commerce's Announcement No. 0961 on fuel price relief	• Discount USD 0.65/liter • Additional USD 0.1 /liter cut (gasoline >USD 90/bbl; diesel >USD 100/bbl) • Zero customs duties on fuel imports • Frequently retail price updates (less than 10days)	March 2026-present
		GDCE's announcement on customs duty reductions on electric vehicles, renewable energy equipment and key consumer appliances, to promote green technology adoption	Significant reductions in customs duties and export taxes for specific goods, primarily focusing on EVs, PHEVs, renewable energy components, batteries, solar products, etc.	March 2026-present
	April 2026	MEF Instruction No. 005 on expenditure review	Reviewing budget expenditures and identifying areas for cost savings, particularly the 30 percent freeze on non-prioritized expenses and overseas missions	April 2026-present
		MEF's Instruction No. 006 on the State-borne VAT on the supply of diesel and LPG	No VAT charged, to ease cost-of-living pressures arising from sustained increases in international fuel prices	April 2026-present
Banking Sector Issues	January 2026	NBC's Announcement No. B29.026.028 on Prince Bank liquidation order	Placed under liquidation and appointed Morison Kak MKA Audit-Accounting Co., Ltd. as the official liquidator to oversee the process	January 2026-present
	February 2026	NBC's Announcement No. B39.026.262 on Panda Bank provisional administration	Placed temporary administration and appointed Morisonkak MKA Audit-Accounting Co., Ltd as the temporary administrator and liquidator	February 2026-present
	March 2026	NBC's Prakas No. B37.026.204 on Emergency Liquidity Assistance for Deposit-Taking Banking and Financial Institutions	• Formal "lender of last resort" mechanism • Collateralized liquidity support for solvent institutions • Temporary funding for transient shortfalls	March 2026-present
	April 2026	NBC's Announcement No. B14.026.510 on revocation of the payment service provider license of H-Pay Services Ltd	Revoked license and appointed Rich & Partners as the liquidator	April 2026-present

⁴³ Prepared by Sokheng Hour, Associate, with inputs from Vithyea You, Associate.

Annexes: Selected Issues

Annex 1. Assessing US Dollar Liquidity Conditions in Cambodia's Banking System⁴⁴

This Selected Issue analyzes Cambodian banks' US dollar liquidity buffers using a proxy measure based on liquidity held at the NBC. The analysis shows that, in recent quarters, commercial banks have reduced their US dollar liquidity placements at the central bank, while building sizable foreign asset holdings. As long as these assets remain highly liquid and banks can redirect part of their overseas assets to the domestic market when needed, they can serve as investment vehicles that generate higher returns while preserving a liquidity buffer for the domestic banking system. Policymakers should continue to monitor and safeguard US dollar liquidity conditions and address potential liquidity pressures proactively. The NBC's ongoing de-dollarization policy is an important long-term structural hedge against the vulnerabilities associated with US dollar liquidity dependence.

Introduction

1. Cambodian banks are prone to US dollar liquidity risk given the highly dollarized nature of the economy. Like commercial banks in other economies, those in Cambodia face many micro-prudential constraints, including capital adequacy, asset quality, and liquidity. However, they are also exposed to US dollar liquidity constraints during periods of domestic financial distress. As 83.4 percent of broad money (M2) was denominated in US dollars at end-2025, the National Bank of Cambodia's (NBC's) ability to act as lender of last resort (LOLR) is more constrained than that of most other central banks. The NBC effectively conducts local currency liquidity supply through Liquidity Providing Collateralized Operations (LPCO) and Marginal Lending Facility to promote KHR liquidity within the banking system. Furthermore, the NBC has reduced the reserve requirement rate for USD to align it with the reserve requirement applied to KHR deposits.

Decreasing US Dollar Liquidity at the Central Bank amid Heightened NPLs

2. Commercial banks' US dollar liquidity held at the NBC has gradually declined since 2021. Commercial banks draw on three main sources of US dollar liquidity. The first is their dollar-denominated assets held at the central bank, including required reserves, excess reserves, and NCD investments denominated in USD. The second is their foreign asset holdings. The third comprises other sources, including liquidity asset holdings at other banks, and loans to be repaid in the short term. Although the last two are recognized under liquidity coverage ratio (LCR) regulations and some qualify as high-quality liquid assets (HQLA), it is difficult to estimate their level of liquidity based on public data. For simplicity, we introduce here the concept of "US dollar liquidity at the central bank"⁴⁵, defined as USD excess reserves⁴⁶ plus USD-denominated NCD holdings. Banks can use this liquidity without significant restrictions or approvals to meet their daily USD deposit drawdown needs. By the end of 2025, all commercial banks⁴⁷ in Cambodia had USD6.8 billion in such liquidity, only 12 percent of their total USD deposits. By March 2026, this share declined further to 10.4 percent by staff estimation, a historical low (Figure A1.1). Even if KHR is included in the estimation, the picture does not materially change. A decline in US dollar liquidity at the central bank does

⁴⁴ Prepared by Wenzhe Li, Senior Economist.

⁴⁵ This concept is proposed solely as an analytical measure for the purposes of this report to gauge USD liquidity risk as a supplement to established regulatory liquidity metrics.

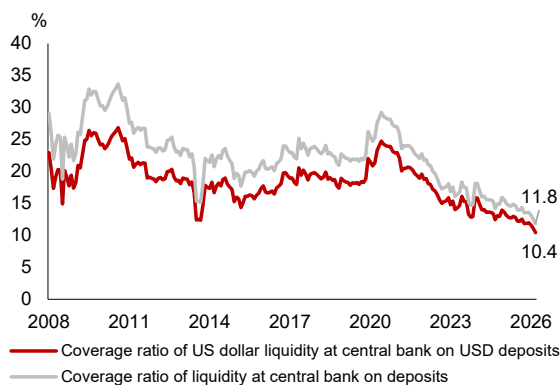
⁴⁶ Excess reserves are the precautionary balances that banks and other deposit-taking financial institutions (BFIs) maintain with the NBC above and beyond the mandatory reserve requirement, held across the following accounts: current account at NBC (USD-denominated), settlement account at NBC (USD-denominated), and Bakong account (USD-denominated).

⁴⁷ In this note, commercial banks or banks refer to Other Depository Corporations as defined by the NBC.

not necessarily indicate US dollar liquidity tightening, as banks may instead have a strong appetite for overseas USD assets.

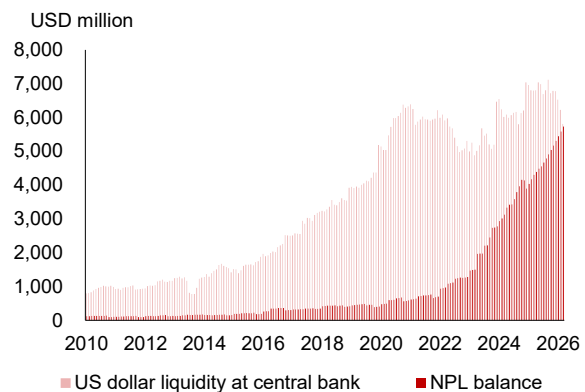
3. A high level of NPLs potentially complicates issues further. NPLs reduce banks' cash inflows through lower interest and principal payments. In this case, once additional buffers such as HQLA have been depleted, the central bank can provide temporary liquidity support through the LOLR function or a deposit insurance scheme. However, in a dollarized economy, with limited LOLR function in US dollars (Berg and Borensztein, 2000) and no deposit insurance scheme, liquidity shortage must be met partially or fully from the stressed bank's own US dollar holdings at the central bank. In the most extreme scenario, the cash outlay could deplete those holdings further. Even though there is no direct connection between NPLs and US dollar liquidity risk, herding behavior of depositors might still exacerbate the potential liquidity weakness of stressed banks through a long transmission channel. Since 2023, NPLs have risen sharply (Figure A1.2). The rapid accumulation of NPL could heighten strains on US dollar liquidity in the event of financial distress⁴⁸.

Figure A1.1. The Ratio of Banks' US Dollar Liquidity at the NBC to Deposits



Source: Haver; CEIC; NBC; AMRO calculation

Figure A1.2. NPL Balance and Banks' US Dollar Liquidity at the NBC



Source: Haver; CEIC; NBC; AMRO calculation

Note 1: Monthly US dollar liquidity is estimated by assuming same ratio of USD-denominated NCD in central bank's other liabilities to other depository corporations, as well as same ratio of USD-denominated excess reserves in total excess reserves as end of 2025.

Note 2: NPL after August 2025 are calculated by assuming a monthly growth rate that is the same as the average rate of previous seven months, which was 2.6 percent per month.

Banks' Growing Overseas Investments

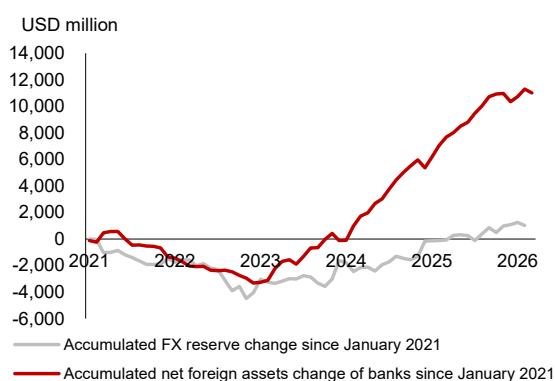
4. Banks are accumulating foreign assets overseas at the same time. Data show that Cambodian banks have significant sums of US dollars to invest. From 2024, banks have been accumulating net foreign assets at a much faster pace than the central bank's accumulation of FX reserves, pointing to dollar net outflows. In 2024-2025, banks' net foreign assets increased by USD10.5 billion, three times the FX reserve increase in the same period (Figure A1.3). This has not happened at this scale earlier. Figure A1.4 shows that banks have increased their overseas asset holdings sharply while simultaneously repaying foreign liabilities. The net effect is that banks are deploying their US dollar liquidity offshore. This behavior is individually rational: banks facing increasing domestic credit risk and limited domestic lending opportunities seek safer returns abroad. But it is collectively destabilizing, as it drains domestic US dollar liquidity. In an extreme situation, these assets might not be readily available to provide a liquidity lifeline for banks. However, some market participants

⁴⁸ Conceptually speaking, an NPL balance is not a claim payable in cash on demand, whereas the liquidity measure is intended as a buffer against deposit withdrawals, so the size of NPL itself does not correspond to the narrowly defined measure of dollar liquidity, and the role of this comparison in Figure A1.2 is limited.

are of the view that many of those foreign assets are now in the form of trade settlement funds and short-term deposits, which could be liquid and can serve as one additional liquidity back-up in addition to US dollar liquidity at the central bank.

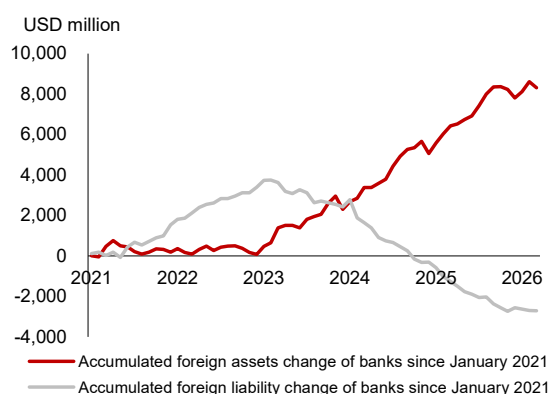
5. Another way to look at this issue is that if banks redirected even a fraction of these overseas assets to the domestic market, the domestic US dollar liquidity picture would improve substantially. Figure A1.5 illustrates a scenario in which one quarter of banks' net foreign assets is added to US dollar liquidity (we call this new measure "liquidity plus"). Under this assumption, the coverage ratio of "liquidity plus" to total US dollar deposits would have bottomed out in 2023 and begun recovering, signaling to depositors that the system's dollar liquidity is improving robustly, which would strengthen depositors' confidence and provide additional buffer against elevated NPLs.

Figure A1.3. Banks' Net Foreign Assets and FX Reserves



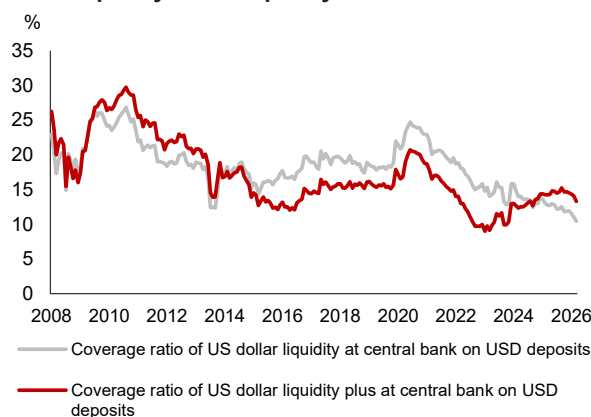
Source: Haver; CEIC; NBC; AMRO calculation

Figure A1.4. Banks' Foreign Assets and Liabilities



Source: Haver; CEIC; NBC; AMRO calculation.

Figure A1.5. Coverage Ratios of Banks' US Dollar Liquidity and "Liquidity Plus" at the NBC



Source: Haver; CEIC; NBC; AMRO calculation
Note: "Liquidity plus" adds one-quarter of banks' net foreign assets to US dollar liquidity (for illustrative purposes).

Policy Implications

6. Policymakers have several options to retain US dollar liquidity in Cambodia and preempt USD liquidity risk. The first is to build a vibrant interbank market (e.g. interbank lending, FX swap), which will allow banks to manage their US dollar liquidity more effectively by borrowing from and lending to one another. A complementary approach would be to expand the supply of domestic dollar-denominated assets—such as USD government bonds issued

by the central government—that banks could hold as an alternative to offshore investments⁴⁹. This would provide banks with a liquid, low-risk instrument. Besides, a deposit insurance scheme is also essential to provide another line of defense against liquidity risk in the banking system. The NBC could also consider currency swap arrangements with other economies, including participation in CMIM to address short-term dollar liquidity risk. The NBC's ongoing de-dollarization policy—promoting KHR adoption, expanding the KHR payment ecosystem—is a structural long-run hedge against the US dollar liquidity vulnerability documented in this analysis.

References

Berg, A., and E. Borensztein (2000) “The Pros and Cons of Full Dollarization” *IMF Working Paper*. WP/00/50. <https://www.imf.org/external/pubs/ft/wp/2000/wp0050.pdf>

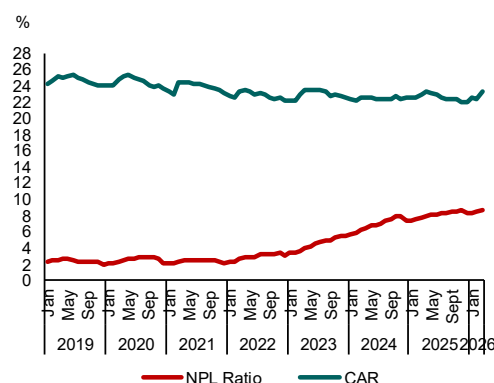
⁴⁹ However, the government might need to balance the trade-off between issuing dollar assets and its de-dollarization policy.

Annex 2. How Resilient Is Cambodia's Banking Sector Amid Rising NPLs⁵⁰

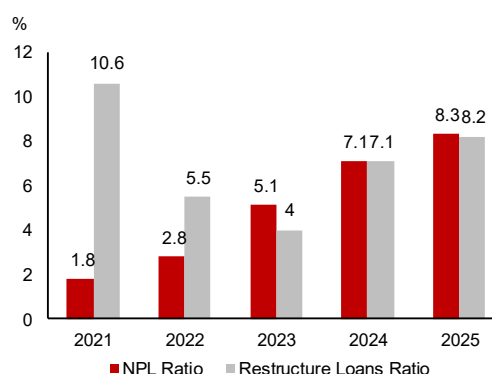
This Selected Issue revisits and significantly expands upon AMRO's 2024 reverse stress test exercise⁵¹ for Cambodia's banking sector, providing a more in-depth assessment of credit quality and capital adequacy amid the continued rise in non-performing loans (NPLs). The stress test results indicate that, under scenarios in which the banking sector's NPL ratio⁵² increases to 24 percent or 18.6 percent in 2026, the capital adequacy ratios of certain banks would decline below the corresponding regulatory thresholds of 15 percent and 17.5 percent, highlighting pockets of vulnerability within the banking system. In addition, our scenario analyses highlight the vulnerability of several small banks, which may have limited buffers to absorb further deterioration in asset quality.

Background

1. Elevated NPLs since 2023 have raised concerns over banks' capital levels, although the sector's average capital remained above regulatory requirements. Despite the overall adequacy of capital buffers, asset quality has continued to deteriorate amid the downturn in the credit cycle and the expiry of COVID-19 regulatory forbearance measures in 2023, contributing to a steady rise in NPLs. The average NPL ratio among deposit-taking institutions (DTIs) rose to 8.3 percent by end-2025,⁵³ compared with 7.1 percent in 2024 and 5.1 percent in 2023 (Figure A2.1). In addition to the withdrawal of the National Bank of Cambodia's (NBC's) second-phase forbearance measures, subdued credit growth in productive sectors, persistent weakness in the real estate market, and other near-term risks—including the border tensions—could further place additional pressure on banks' asset quality (Figure A2.2).

Figure A2.1. DTIs' CAR and NPL Ratio

Source: NBC; AMRO staff calculation

Figure A2.2. NPL Ratio and Restructured Loans Ratio

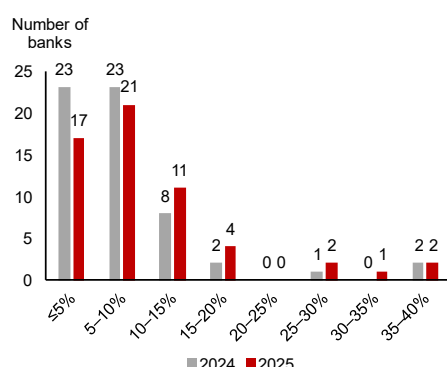
Source: NBC; AMRO staff calculation

2. Asset quality pressures persisted in 2025, as rising restructured loans ratio and increasing NPL ratios reflected heightened credit risk. Restructured loans to total loans ratio increased in 2025, while the NPL ratio continued to rise. Some institutions' credit quality performance did not improve in 2025, as a greater number of banks recorded higher NPL ratios compared to 2024, reflecting the slow pace of NPL resolution (Figure A2.3). The increase in NPLs was observed across diverse sectors, although the largest share remained concentrated in retail trade, agriculture, and real estate-related activities, including real estate, construction, and mortgages (Figure A2.4). This reflects the vulnerability of these sectors and explains the continued caution among banks in extending credit to these activities. Moreover,

⁵⁰ Prepared by Vithyea You, Associate.⁵¹ See San and Tsang (2024).⁵² The banking sector examined in this study comprises 58 deposit-taking institutions (DTIs).⁵³ NPL ratio continued was 8.3 percent for DTIs and 13 percent for non-deposit-taking institutions (NDTIs) in December 2025.

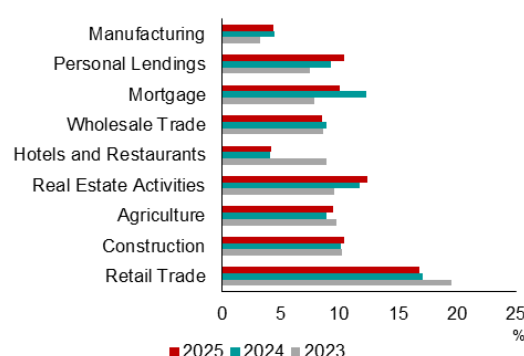
the rise in restructured loans to approximately 9 percent in 2025 points to elevated latent credit risks, as a share of these loans may subsequently deteriorate into NPLs.

Figure A2.3. Changes in the NPL Ratio Distribution between 2024 and 2025



Source: NBC; AMRO staff calculation

Figure A2.4. Share of NPLs by Sector in DTIs



Source: NBC; AMRO staff calculation

3. Against this backdrop, banking sector's capital adequacy assessments and reverse stress tests on capital are conducted to evaluate banks' resilience under adverse conditions. Capital stress testing provides key benefits for assessing the resilience and stability of the banking sector. First, it offers a forward-looking perspective that enables regulators to take timely and pre-emptive actions by assessing the solvency of financial institutions under adverse economic scenarios. Second, it condenses complex information—such as intricate business models, hidden exposures, and opaque balance sheets—into interpretable metrics (Schuermann, 2014). As a result, stress tests enhance transparency in the financial sector and support effective policy formulation and communication.

Methodology

4. The analysis employs a two-step approach comprising: (i) a capital adequacy assessment; and (ii) a reverse stress test. The first step evaluates the adequacy of banks' capital buffers and assesses the overall resilience of the banking system based on prevailing capital positions. The second step applies reverse stress testing to identify plausible adverse scenarios that could place the financial system under severe stress and potentially undermine financial stability.

5. Following Cihak (2004), two approaches are applied: a threshold-based approach focusing on critical outcome variables and a worst-case scenario approach assessing the plausibility of adverse events with other assumptions.⁵⁴ The reverse stress test was conducted at the system level using two CAR thresholds: 17.5 percent and 15 percent. The 17.5 percent threshold, referred to as Scenario 1, incorporates the 2.5 percent Capital Conservation Buffer (CCB) and indicates the point at which banks' lending capacity may become constrained. Meanwhile, the 15 percent threshold, referred to as Scenario 2, represents a severe stress level requiring strong supervisory intervention. The threshold-based approach estimates the level of stress that would reduce the system-wide CAR to 17.5 percent, while the worst-case scenario approach estimates the stress required to lower the CAR to 15 percent. The exercise also estimates the capital needed to absorb further increases

⁵⁴ The assumptions for the reverse stress test including (i) credit growth of 5 percent, (ii) risk-weighted assets growing at the same rate compared to 2024, (iii) total regulatory capital in 2025 based on total regulatory capital in 2024 after-tax profit/loss, and (iv) loan loss provision at around 60 percent, same similar to the provision coverage ratio 2025.

-The capital requirement includes the minimum Tier 1 of 11 percent, CAR of 15 percent, and CAR 17.5 percent (include capital conservation buffer of 2.5 percent).

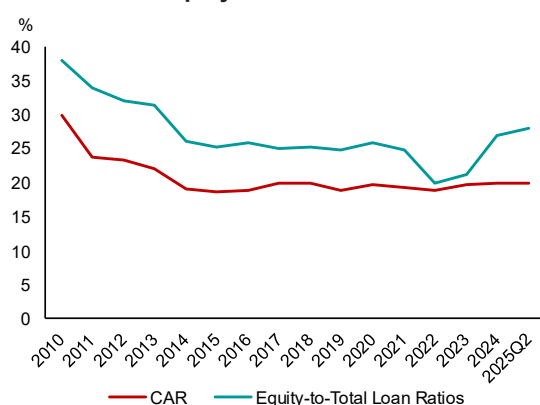
-Due to data limitations, such as the absence of publicly available data on the likelihood of an increase in NPLs, the quality of NPL data, and financial soundness indicators by banks, the stress test for individual banks cannot be obtained.

in NPLs while maintaining solvency and lending capacity and assesses the vulnerability of individual DTIs based on their capital positions. The reverse stress test was also conducted at the individual DTI level, with the equity-to-total loans (E/L) ratio⁵⁵ used as a proxy for banks' capital adequacy ratios (CARs) in this exercise.

Capital Adequacy Assessment

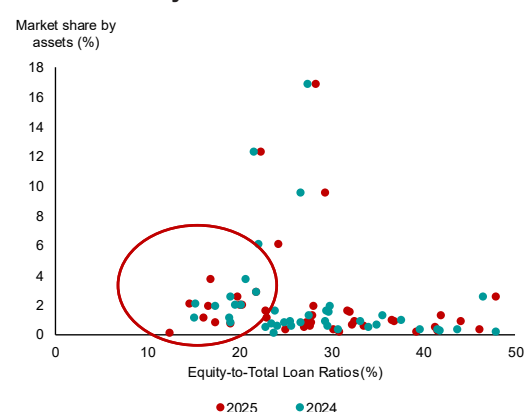
6. The capital levels of some small DTIs remain vulnerable if additional losses materialize. In general, capital adequacy is assessed using the CAR; however, individual CAR data are not publicly available. Therefore, we use the equity-to-total loan (E/L) ratio as a proxy, which is generally higher than the CAR across all periods but follows a similar trend (Figure A2.5). Figure A2.6 presents the individual DTIs' E/L ratios, showing that some small DTIs recorded relatively low ratios in 2025, with several also deteriorating compared to 2024. This suggests that the capital buffers of some small DTIs remain relatively thin, limiting their capacity to absorb additional shocks if losses increase further and timely capital injections are not secured.

Figure A2.5. Co-movements between the CAR and Equity-to-Total Loan Ratio



Source: Haver Analytics; AMRO staff calculation

Figure A2.6. Changes in DTIs' Equity-to-Total Loan Ratios by Market Share: 2024 versus 2025



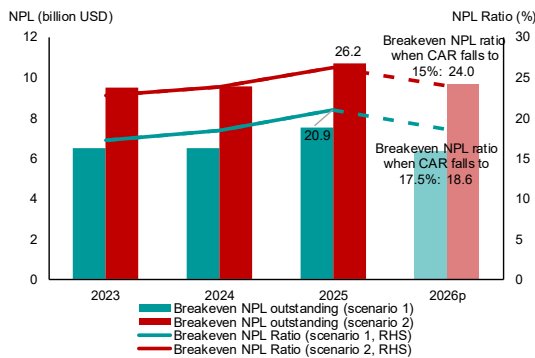
Source: NBC; AMRO staff calculation

Results of Capital Reverse Stress Test

7. The reverse stress test suggests that the banking system continues to maintain adequate capital buffers to absorb further losses from asset quality deterioration. Based on 2025 data, the 2026 reverse stress test results indicate that the banking sector, particularly DTIs, can absorb an NPL ratio of up to 24 percent, namely, the breakeven NPL⁵⁶ ratio, before the CAR declines to the regulatory minimum at 15 percent. The sector could also withstand an NPL ratio of up to 18.6 percent—equivalent to additional losses of approximately USD6.3 billion—before the CAR falls to the regulatory minimum of 17.5 percent (Figure A2.7). The exercise was also conducted separately for the top ten DTIs, with the results indicating that these institutions generally maintain sufficient capital buffers to withstand credit risk shocks (Figure A2.8). Nevertheless, continued vigilance remains warranted amid prevailing economic and financial headwinds.

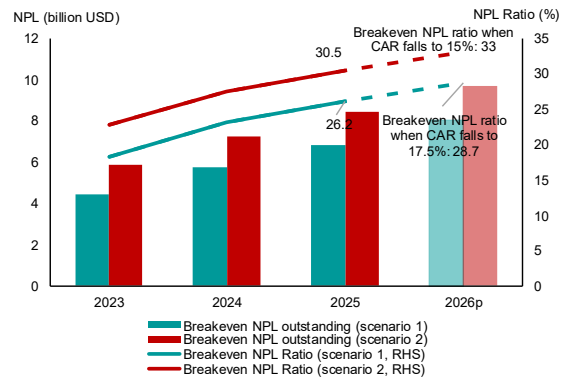
⁵⁵ The data were obtained from publications available on the NBC website up to 2025 and subsequently projected by AMRO for the current assessment.

⁵⁶ "Breakeven NPL" refers to the estimated level of stress—measured by the amount of NPL outstanding and the NPL ratio—that would reduce CAR to 17.5 percent and 15 percent.

Figure A2.7. Breakeven NPL Ratios for All DTIs under Different CAR Threshold Scenarios

Source: NBC; AMRO staff calculations

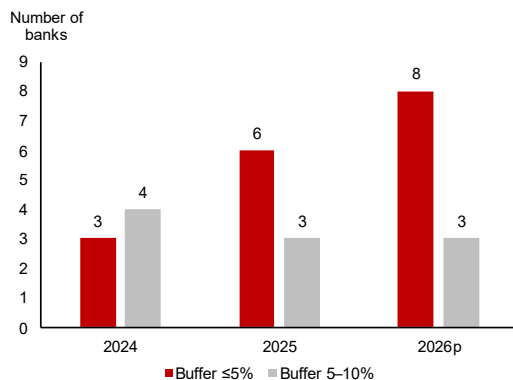
Note: Scenario 1 refers to the CAR threshold of 17.5 percent, while Scenario 2 refers to the 15 percent threshold.

Figure A2.8. Breakeven NPL Ratios for Top 10 DTIs under Different CAR Threshold Scenarios

Source: NBC; and AMRO staff calculations

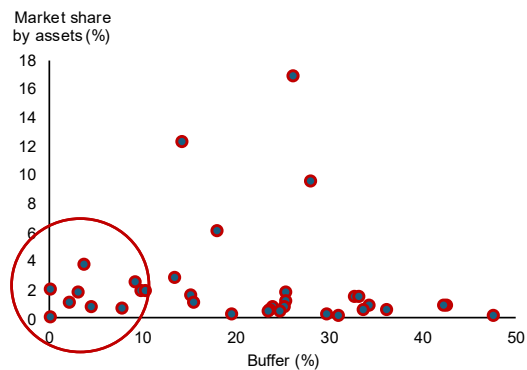
Note: Scenario 1 refers to the CAR threshold of 17.5 percent, while Scenario 2 refers to the 15 percent threshold.

8. The reverse stress test results indicate that a few small DTIs remain vulnerable due to limited capital buffers against shocks.⁵⁷ The findings also point to uneven loss-absorbing capacity⁵⁸ across DTIs, with several institutions showing weaker resilience to rising NPLs. The number of vulnerable DTIs increased from 2024 to 2025 and could rise further in 2026 if asset quality deteriorates further (Figure A2.9). A few DTIs are already close to the minimum CAR threshold of 15 percent, limiting their capacity for additional lending and loss absorption (Figure A2.10). While the banking system remains resilient at the aggregate level, the financial soundness of some smaller DTIs could come under pressure if economic and financial conditions remain subdued.⁵⁹

Figure A2.9. Number of Banks with Low Buffers above the 15% CAR Threshold

Source: NBC; AMRO staff calculation and projection.

Note: 1. Actual and 2026p, 2. Loss-absorption capacity, referred to as the “buffer” reflects the additional capacity of DTIs to withstand a further increase in the NPL ratio.

Figure A2.10. Bank Size and Loss-absorption Capacity under the 15% CAR Threshold (2025)

Source: NBC; AMRO staff calculation and projection.

Note: Loss-absorption capacity, referred to as the “buffer” reflects the additional capacity of DTIs to withstand a further increase in the NPL ratio.

⁵⁷ The projections incorporate bank-specific characteristics using publicly available bank-level variables. Nevertheless, the exercise is subject to limitations due to the lack of specific granular data on individual banks, which may be considered confidential by the authorities.

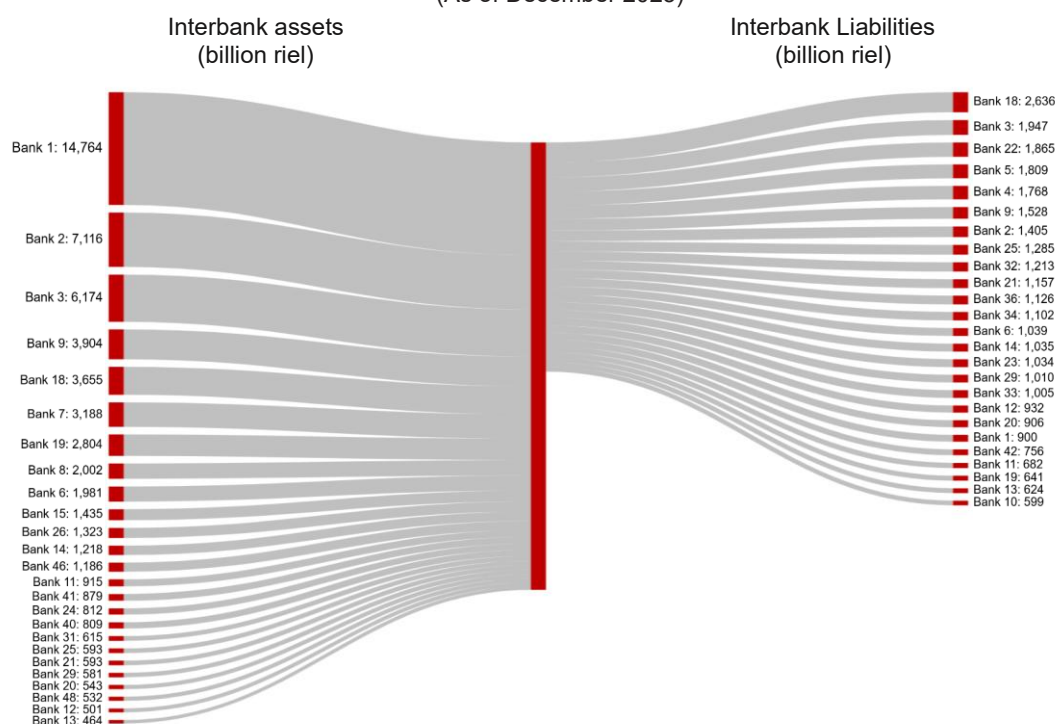
⁵⁸ Loss-absorption capacity is referred to as the “buffer” in the chart (Figure A2.10 and A2.11), reflecting the additional capacity DTIs have to withstand a further increase in the NPL ratio.

⁵⁹ Ideally, this analysis should complement authorities’ stress tests, given their greater access to supervisory information and data. In addition, the analysis may overstate the breakeven NPL threshold for the individual institution, because it uses the equity-to-loan (E/L) ratio as a proxy for the CAR, while the E/L ratio is generally higher than the actual CAR.

Interbank Exposures and Contagion

9. A few DTIs dominate interbank placements, reflecting their relatively larger balance sheet size. Interbank exposures can act as channels of risk transmission across institutions, as a counterparty default may generate immediate losses for creditor banks, potentially triggering further asset deterioration and amplifying systemic contagion within the banking system. Figure A2.11⁶⁰ shows that interbank exposures are unevenly distributed, with some institutions exhibiting higher interconnectedness. While many DTIs have limited system-wide exposure, their relative exposure to individual balance sheets remains significant. The larger size of interbank assets relative to interbank liabilities may reflect placements by the 25 DTIs with non-resident financial entities outside the domestic banking sector, which are not observable from the published data. Overall, the figure suggests that interconnectedness within the banking system remains limited, reducing the potential spillover effects from contagion risk. Nevertheless, the concentration of large exposures among a few DTIs in the interbank market could constrain liquidity conditions for other banks and heighten concerns related to systemic importance.

Figure A2.11. Interbank Exposure of Top 25 DTIs
(As of December 2025)



Source: NBC and AMRO calculation

Note: Interbank assets consist of placements with and amounts due from banks, while interbank liabilities refer to amounts owed to banks as reported in DTIs' balance sheets.

Conclusions

10. Our exercise indicates that the banking sector remains under pressure from legacy asset quality issues and emerging risks, with vulnerabilities expected to persist in 2026. While the banking sector overall maintains sufficient capital buffers to absorb additional credit losses, smaller banks remain more vulnerable due to lower capital levels, weaker profitability, and higher NPL ratios, which reduce their resilience to shocks. Interconnectedness risks remain contained overall, although interbank exposures are concentrated among a few DTIs,

⁶⁰ The data were obtained from the NBC Supervision Annual Report 2025.

making these institutions potential channels for spillover risk, while smaller DTIs maintain relatively limited linkages.

11. Policy efforts should focus on addressing rising NPLs and safeguarding financial stability. This includes closely monitoring sectoral NPL trends, ensuring adequate provisioning and proper asset valuation, and strengthening surveillance of banks' capital positions and loss-absorbing capacity. Measures to improve the timely resolution of distressed assets should also be prioritized by addressing legal and procedural constraints that delay NPL resolution.

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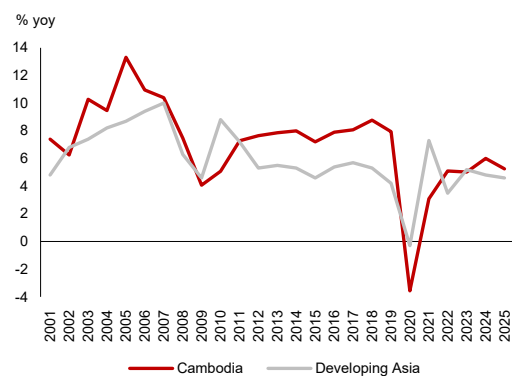
Annex 3. Electricity as a Structural Constraint to Cambodia's GVC Upgrading⁶¹

Cambodia's economic performance has been relatively robust, yet deepening its industrial integration into global value chains (GVCs) remains difficult. This Selected Issue examines the role of the electricity sector as a structural factor in this transition. Despite notable progress, Cambodia's electricity system continues to face constraints that weigh on the more electricity-intensive, higher-value production stages underpinning deeper GVC participation. Expanding solar energy generation and improving grid quality could ease these constraints and support gradual industrial upgrading.

Background

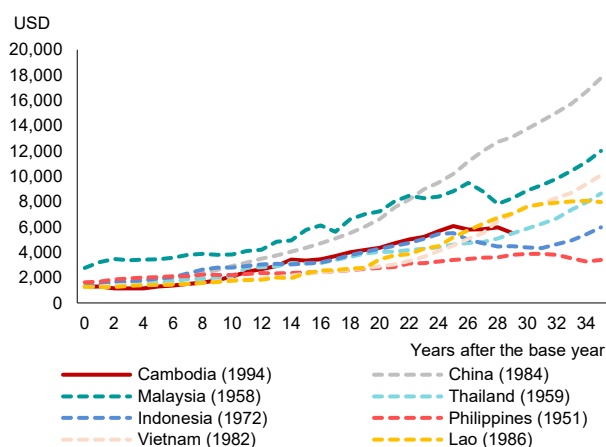
1. Cambodia's economic growth has been relatively robust, but has yet to translate into deeper industrial upgrading. Cambodia's GDP has risen steadily from a low base over recent decades, generally outpacing developing Asia (Figure A3.1). In terms of GDP per capita, however, convergence has been more moderate as compared to regional peers (Figure A3.2). Cambodia's export structure remains concentrated in relatively low value-added and labor-intensive sectors. Garments, footwear, and travel goods (GFT) still dominate merchandise exports, while deeper integration into higher value-added manufacturing segments—such as electronics, machinery, automotive parts, and advanced food processing—remains limited (Vu, 2024). As Cambodia prepares to graduate from least developed country (LDC) status by 2029, the need to strengthen domestic competitiveness and move up the global value chain (GVC) is pressing.

Figure A3.1 Real GDP Growth



Source: United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP) via CEIC; NIS
Note: 1) Developing Asia includes 38 developing economies representing more than 95 percent of the population of the Asia-Pacific region (including the Central Asian countries).

Figure A3.2 Selected Economies: GDP per Capita Comparison



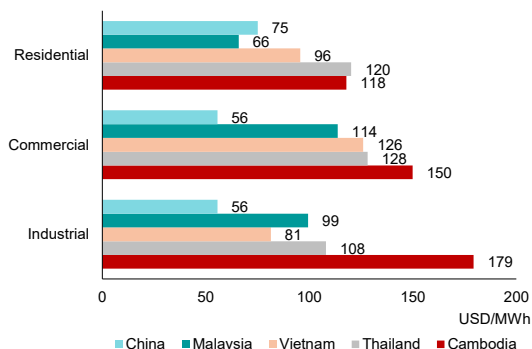
Source: Penn World Tables (PWT); AMRO staff calculations
Note: 1) Parentheses indicate the base year that the sample periods start. Series are normalized to initial income levels by aligning each economy to the year when GDP per capita was closest to Cambodia's 1994 level. 2) GDP per capita is measured in constant 2017 international dollars using Penn World Table 11.0 (rgdpe/pop), adjusted for cross-country price differences and inflation using PPP exchange rates from the International Comparison Program (ICP).

2. Electricity costs and supply reliability together are important structural constraints in Cambodia's industrial upgrading. Cambodia's electricity tariffs remain among the highest in ASEAN, particularly for industrial users (Figure A3.3). This is a disadvantage directly relevant to investment location decisions given that competing destinations such as Vietnam offer industrial tariffs roughly half those in Cambodia. In terms of reliability, despite significant improvements in electrification and generation capacity, survey evidence based on the latest

⁶¹ Prepared by Chunyu Yang, Economist; and Xiaotian (Tina) Liu, Associate Economist.

available data as of 2023 suggests that electricity supply remained a concern for some firms (Table A3.1). Cross-country firm-level evidence from the World Bank Enterprise Surveys, covering 84 developing countries, including Cambodia, over the period 2006–2019, suggests that firms exposed to power outages have revenue-based total factor productivity levels that are approximately 11 percent lower than comparable unaffected firms (Apeti and Ly, 2024).

Figure A3.3 Electricity Price Comparison (2024)



Source: Climatescope by BloombergNEF

Table A3.1 Firm Survey on Production Constraints in Cambodia

Item	%	Item	%
Firms identifying electricity as a major constraint	11.6	Firms experiencing electrical outages	42.8
Manufacturing	21.3	Manufacturing	55.7
Garments	22	Garments	82.9
Other Manufacturing	20.8	Services	38.5
Services	8.3	Item	Count
Retail	10.5	Average number of electrical outages in a typical month	0.9
Other Services	6.9	Manufacturing	1.4
		Garments	2.3
		Services	0.7

Source: World Bank Enterprise Survey 2023

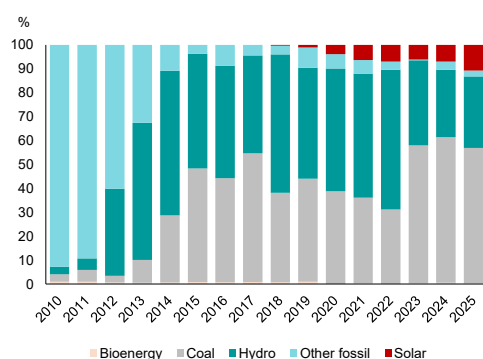
3. This Selected Issue discusses in which way electricity is holding back Cambodia's GVC upgrading. This analysis provides another lens on Cambodia's manufacturing sector by linking electricity intensity, export products, and the smile curve framework. The findings suggest that Cambodia's manufacturing sector is concentrated in less electricity-intensive segments—mainly assembly activity—while more electricity-intensive and higher value-added production stages remain limited.

Cambodia's Electricity Sector: Progress and Remaining Challenges

4. Cambodia's electricity system comprises a combination of domestic generation and imports. Domestic supply is generated mainly from coal-fired plants, hydropower, solar, a small amount of fuel-oil generation, and biomass. Electricity imported from Vietnam, Thailand, and Laos supplements the national grid, especially during periods of peak demand and seasonal shortfalls. Total domestic power-source capacity reached 5,259 megawatts (MW)⁶² in 2025, with renewable energy accounting for 63.2 percent of capacity (Electricity Authority of Cambodia, 2026). Electricity delivered to the grid reflects a mixed structure in which coal and hydropower remain major sources (Figure A3.6), while the share of solar has expanded rapidly in recent years (Figure A3.4). However, in terms of average electricity generation, the country is still one of the lowest among regional peers (Figure A3.5).

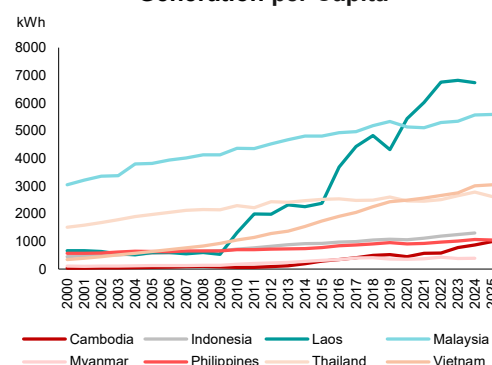
⁶² A megawatt measures the power capacity of an electrical system, providing an indication of how much electricity can be produced at any given moment.

Figure A3.4 Structure of Electricity Generation



Source: Ember

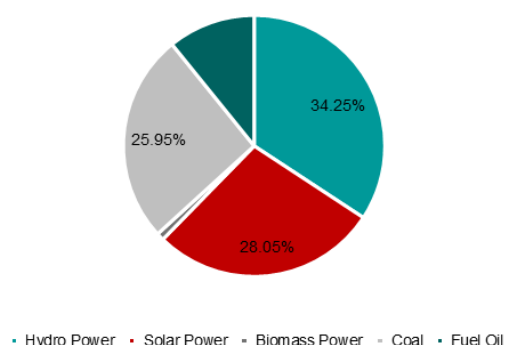
Figure A3.5 Selected Economies: Electricity Generation per Capita



Source: Ember

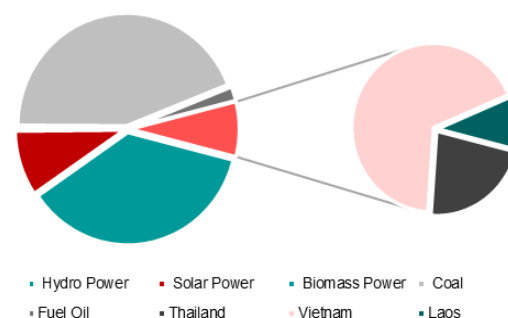
5. Cambodia has made significant progress in expanding electricity access and generation capacity over the past decades. Electrification and installed capacity have expanded rapidly: total power-source capacity reached 5,932 MW in 2025, up from 5,183 MW in 2024, while electricity delivered rose 12 percent from 19,972 gigawatt-hour (GWh) to 22,361 GWh in the same period. Licensed electricity coverage reached 14,557 villages, 99.9 percent of all villages nationwide, among which 14,438 villages were electrified by year-end 2025. At the same time, household electricity access broadened year by year and reached 95.9 percent of total households in 2025.

Figure A3.6 Sources of Electricity Capacity (2025)



Source: Electricity Authority of Cambodia (EAC)

Figure A3.7 Sources of Electricity Delivered (2025)



Source: EAC, AMRO staff calculations.

6. Despite this progress, Cambodia's electricity sector continues to face structural weaknesses.

- **Supply depends heavily on imports and is exposed to external shocks.** While electricity imports from Vietnam, Thailand and Laos accounted for just 7.9 percent of total supply in 2025 (Figure A3.7), down from 8.3 percent in 2024, domestic electricity coverage still calls for attention. This reliance on imports leaves domestic supply exposed to cross-border transmission constraints, partner-country generation conditions, and policy decisions beyond Cambodia's control. Coal-fired generation, meanwhile, remains a significant source of dispatchable power, accounting for 47.7 percent of domestic electricity delivered in 2025. With few domestic resources, this dependence increases Cambodia's exposure to external shocks.
- **Hydropower dominates domestic power generation, and this brings reliability challenges.** Hydropower was the largest renewable source in Cambodia in 2025,

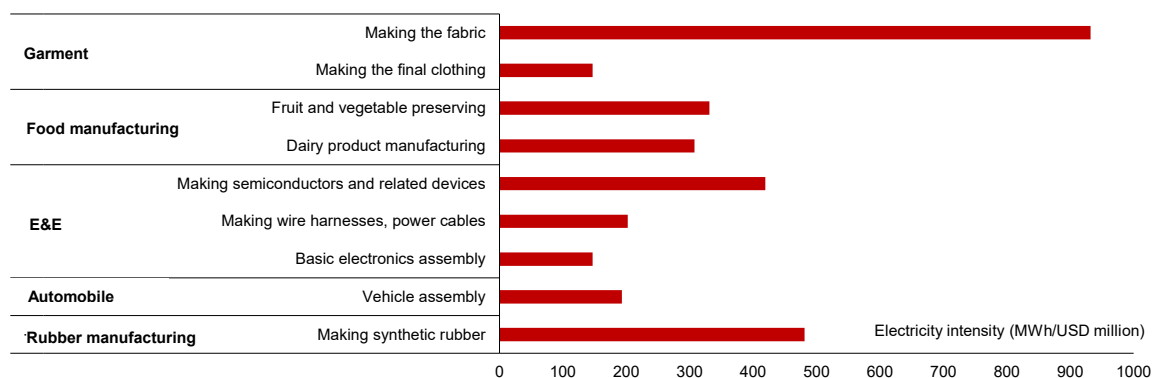
accounting for 39.7 percent of domestically delivered energy. Strong growth in this segment has resulted in a higher clean-energy share in the domestic energy mix, but this also increases exposure to drought, rainfall volatility, and broader environmental issues. Meanwhile, most of the current plants are not built with pumped hydropower energy storage and offer less flexibility in managing supply during wet and dry seasons. Therefore, diversification within the renewable energy portfolio is also important.

- **Weak power infrastructure continues to undermine supply reliability and keep energy costs high.** The heavy reliance on fossil fuel-based generation, a fragmented power supply system, and structural inefficiencies in power generation and transmission infrastructure limit grid capacity and push costs up. The transmission grid remains fragmented and strained, with a weak backbone contributing to overloaded substations, bottlenecks, and a high degree of technical losses that hold back the full utilization of solar resources (ADB, 2025).

Cross-Industry Electricity Intensity and Cambodia's Position in GVCs

7. Electricity requirements vary substantially across different manufacturing sectors and across different production stages within a sector. Based on U.S. Manufacturing Energy Consumption Survey (MECS) data, 63 garment assembly consumes only around 147 megawatt hour (MWh) 64 of electricity per USD 1 million of value added,⁶³ reflecting its labor-intensive nature, while upstream textile production consumes around 932 MWh, more than six times higher (Figure A3.8). Similar patterns are observed in electronics and automotive manufacturing, where downstream assembly activities are relatively less electricity-intensive, while upstream stages such as semiconductor fabrication, paint shops, metal stamping, and complex component manufacturing require substantially greater and more stable power supply (Appendix A3.1; Alby et al., 2014).

Figure A3.8 Illustration of Electricity Intensity



Source: US MECS 2018; AMRO staff calculations

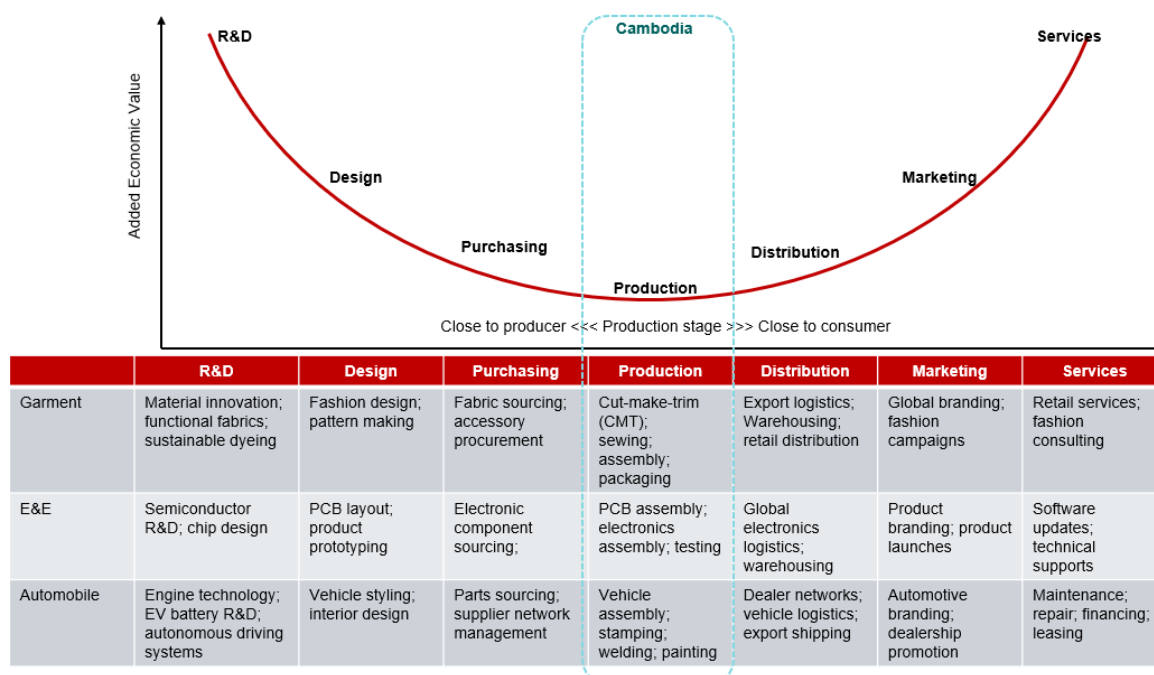
Note: 1) Electricity intensity is calculated using data from the US Manufacturing Energy Consumption Survey (MECS) by multiplying sectoral energy intensity per dollar of value added by the share of electricity in total energy consumption. Results are expressed as MWh of electricity consumption per USD 1 million of value added. 2) This figure is extracted from Appendix A3.1 and may contain some simplifications for ease of display and illustration. For more detailed descriptions and classifications, please refer to Appendix A3.1.

⁶³ See <https://www.eia.gov/consumption/manufacturing/data/2018/#r3>. The MECS is a U.S. national sample survey that collects information on the stock of U.S. manufacturing establishment, its energy-related building characteristics, and energy consumption and expenditures. It is widely used in the literature to benchmark relative energy intensity across manufacturing industries due to its detailed sectoral coverage and comprehensive representation of industrial value chains.

⁶⁴ A megawatt hour (MWh) represents how much electricity that system delivers over a period of one hour. For example, if a 1 MW solar array runs continuously at capacity for one full hour, it theoretically produces 1 MWh of electricity.

⁶⁵ Original data from the MECS are reported in British thermal units (Btu). Electricity equivalents are converted using 1 MWh = 3,412 thousand Btu.

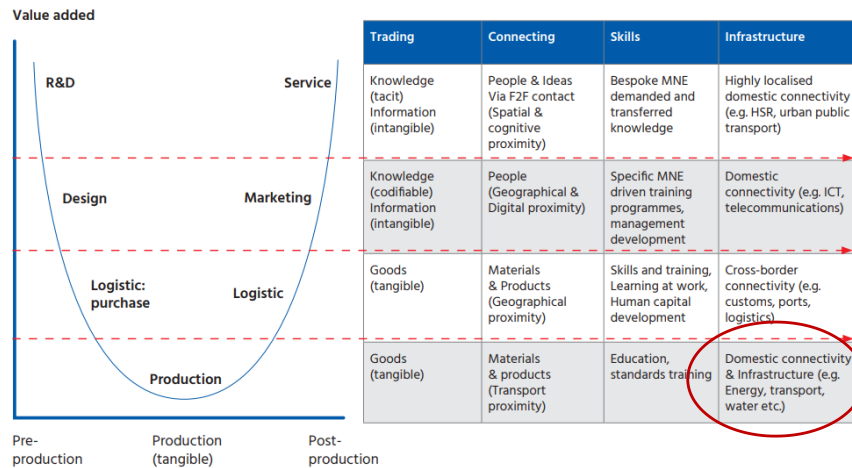
Figure A3.9 Smile Curve Illustration



Source: AMRO staff's illustration based on Fernandez-Stark and Gereffi (2019).

8. The variation in electricity intensity across production stages reflects, in part, the distribution of value added along manufacturing chains. Under the smile curve framework (Baldwin et al., 2014), value added is highest at the upstream end, covering research and development, components, and materials processing, falls to a trough at the assembly stage in the middle, and recovers at the downstream end toward branding, marketing, and after-sales services (Figure A3.9). In this regard, sustaining growth in value capture requires moving away from the assembly middle toward either end of the chain (Shih, 1996; Baldwin et al., 2014). However, the two ends differ in their electricity requirements. The downstream functions (branding, marketing, and after-sales) and the most upstream knowledge functions (research and development and design) are skill- and service-intensive rather than electricity-intensive. By contrast, the upstream production functions that lie between these knowledge activities and final assembly, namely materials processing and component manufacturing, are markedly more electricity-intensive (Figure A3.8; Appendix A3.1). For an economy at Cambodia's stage, the realistic, investment-led upgrading path runs through these production functions rather than through research, design, or branding. The electricity constraint therefore binds directly on Cambodia's relevant upgrading margin: as the country moves from assembly toward deeper processing and component manufacturing, its electricity demand rises and its exposure to electricity cost and reliability constraints intensifies accordingly. Consistent with this, Crescenzi and Harman (2022) emphasize the importance of improving domestic infrastructure to facilitate upgrading from production to higher value-added stages along the smile curve (Figure A3.10).

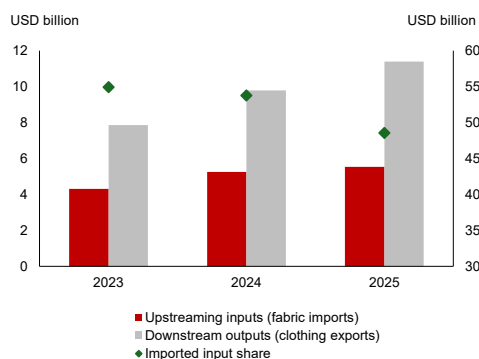
Figure A3.10 The Policy Choices along the Smile Curve



Source: Crescenzi and Harman (2022).

9. Cambodia's export structure remains concentrated in sectors with relatively low electricity intensity, reflecting an industrial base still anchored in labor-intensive assembly. In the garment sector, the upstream fabric production stage not only requires substantially higher electricity inputs (Figure A3.8), but also generates significantly greater domestic value added. However, all fabric used in Cambodia is imported, with fabric imports alone accounting for around 50 percent of the value of every garment exported (Figure A3.11). This partly explains Cambodia's relatively low domestic value-added share of gross exports compared to other major textile-exporting economies in the region (Figure A3.12). In the automobile sector, following the full implementation of the new Law on Investment in 2023, which provides more generous tax incentives (Hernando and Tep, 2024), some major car manufacturers have established or expanded plants in Cambodia. However, production activity remains concentrated in Completely Knocked Down (CKD)⁶⁶ operations for the domestic market, which carries relatively low electricity intensity and generates limited domestic value added given that nearly all major components are imported (Figure A3.13). For these two sectors, together with the electrical and electronics (E&E) sector where Cambodia also mainly participates in labor-intensive assembly activities, Cambodia's position along the smile curve remains largely concentrated in the production stage with relatively limited participation in higher value-added segment (Figure A3.9).

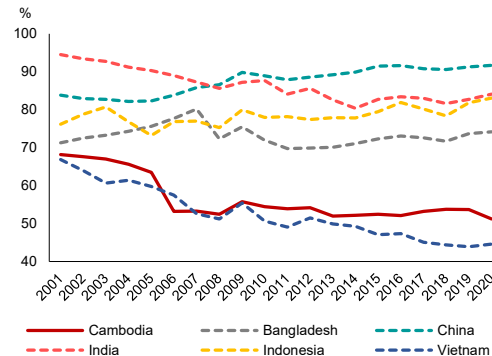
Figure A3.11 Fabric Imports and Clothing Exports



Source: GDCE; AMRO staff calculations

Note: The fabric imports shown in the chart exclude imported fabric used in the production of bags, luggage, and footwear rather than in clothing production.

Figure A3.12 Selected Economies: DVA Share of Exports in the Textile Manufacturing Sector

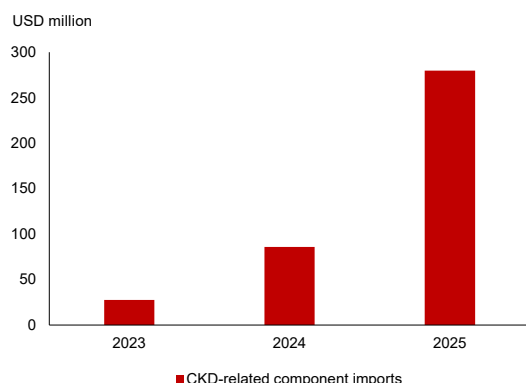


Source: OECD Trade in value-added (TiVA) Database.

Note: DVA = Domestic Value Added.

⁶⁶ This refers to the process of importing a vehicle in disassembled parts and reassembling it locally, representing the most basic form of participation in the automotive value chain.

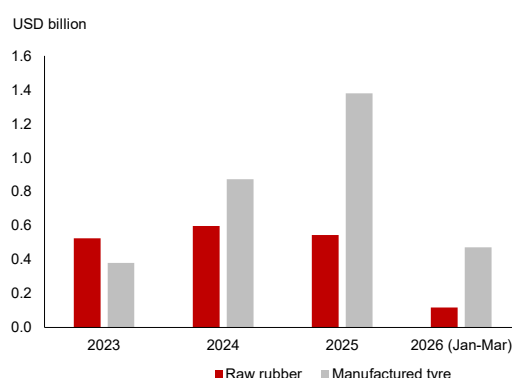
Figure A3.13 CKD-related Component Imports



Source: GDCE; AMRO staff calculations

Note: CKD-related component imports are approximated using the following HS6 codes: 840820 (diesel engines), 870710 (vehicle bodies), 870790 (other vehicle bodies), 870829 (body panels), 870830 (brakes), 870840 (gearboxes), 870850 (drive axles), 870870 (road wheels), 870894 (steering columns), 870899 (other parts and accessories), and 940120 (vehicle seats).

Figure A3.14 Exports of Rubber and Tyres



Source: GDCE; AMRO staff calculations

Note: Raw rubber exports comprise three HS6 codes representing unprocessed natural rubber in primary forms: 400121 (smoked sheets, RSS), 400122 (technically specified natural rubber, TSR/TSNR), and 400129 (other natural rubber). Manufactured tire exports comprise 401110 (new pneumatic tires for motor cars) and 401120 (new pneumatic tires for buses and lorries).

10. Having said that, recent rapid expansion of tyre exports illustrates that more reliable electricity supply, where available, can serve as an enabler of industrial upgrading. From 2023 to 2025, tyre exports increased nearly fourfold (Figure A3.14), driven by the rapid establishment of tyre factories across several special economic zones (SEZs). A key enabling factor is that these SEZs benefit from more reliable electricity supply than the general grid. For example, the Sihanoukville SEZ, home to the first major tyre factory, operates its own dedicated 100 MW coal-fired power station,⁶⁷ providing more reliable and stable electricity than general grid, which is essential for tyre production. Looking ahead, Cambodia's substantial domestic natural rubber base, evidenced by its raw rubber exports (Figure A3.14), positions the country to capture greater domestic value added in tyre manufacturing, if linkages between domestic rubber producers and SEZ-based tyre factories deepen.

Strengthening Electricity Supply to Support Industrial Upgrading

11. Boosting solar energy generation could help ease electricity-related constraints on industrial upgrading. Solar power accounted for 10.2 percent of total electricity delivered in 2025, with 8.9 percent from solar power stations and 1.3 percent from rooftop solar. With strong solar resource potential and a high solar irradiation range (Jayakumar and Sreekumar, 2021), Cambodia can benefit further from solar. With the prices of solar panels and batteries having fallen dramatically over the past few years, solar could become a cheap electricity source. In addition, solar has a shorter construction period than coal-fired and hydro power stations, potentially making solar projects more attractive to investors.

12. Strengthening infrastructure and building energy storage are essential to support higher renewable penetration. Renewable energy development still faces constraints such as limited grid flexibility, insufficient storage, transmission bottlenecks and financing frictions. A more integrated backbone, reduced transmission losses, and better-connected domestic networks will help lower-cost generation reach firms and households more reliably. Further integration into the ASEAN Power Grid framework, including deeper cross-border interconnections and synchronization with neighboring power systems⁶⁸, could also help

⁶⁷ See https://www.gem.wiki/Sihanoukville_SEZ_power_station

⁶⁸ For example, Cambodia and Lao PDR have taken another step towards deepening regional energy cooperation, signing a joint framework aimed at boosting cross-border electricity interconnection and accelerating ASEAN's renewable energy ambitions. See <https://kiripost.com/stories/cambodia-and-laos-partner-to-accelerate-asean-power-grid>.

diversify electricity supply sources, enhance energy security, and improve access to lower-cost electricity.

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Appendix A3.1 Electricity Intensity by Sector

A. Garment				B. Food Processing			
NAICS code	Sector	Typical Activities	Electricity Intensity (MWh/USD mn)	NAICS code	Sector	Electricity Intensity (MWh/USD mn)	
315	Apparel Manufacturing	Making the final clothing/garment, e.g. knitting, cut and sew, accessories	147	3115	Dairy Product Manufacturing	308	
316	Leather and Allied Products	Making the footwear, handbags, luggage, and other leather or travel-related final products	161	311	Food Manufacturing (broad)	314	
314	Textile Product Mills	Making other textile-based products that are not clothing	188	3114	Fruit and Vegetable Preserving and Specialty Food Manufacturing	331	
313	Textile Mills	Making the textile/fabric itself, e.g., yarn spinning, fabric weaving, dyeing	932	3116	Animal Slaughtering and Processing	445	
				3112	Grain and Oilseed Milling	709	
				311221	Wet Corn Milling	1579	
C. E&E							
NAICS code	Sector	Typical Activities	Electricity Intensity (MWh/USD mn)				
334	Computer and Electronic Product Manufacturing	Making electronic and computer products, including basic electronics assembly such as printed circuit board assembly, solar panels, consumer electronics, and other electronic components	147				
335	Electrical Equipment, Appliance, and Component Manufacturing	Making electrical equipment and components, including wire harnesses, power cables, lighting equipment, motors, transformers, and other electrical devices commonly used in automotive and industrial production	202				
413	Semiconductor and Related Device Manufacturing	Making semiconductors and related devices, including semiconductor wafers, integrated circuits (chips), sensors, and other advanced electronic components used in computers, smartphones, vehicles, and industrial equipment	419				
D. Automobile							
NAICS code	Sector	Typical Activities	Electricity Intensity (MWh/USD mn)				
111	Automobile Manufacturing	Making automobiles through vehicle assembly operations, including complete or knock-down (CKD) vehicle assembly, where imported components are assembled into finished vehicles.	193				
363	Motor Vehicle Parts Manufacturing	Making motor vehicle parts, including brake systems, steering and suspension components, electrical systems, metal stamping, and other intermediate automotive components used in vehicle production	Likely higher				
Embedded in 336111	Automotive paint shop operations	Vehicle coating and curing processes within automobile manufacturing plants, including electrocoating, primer, painting, and oven-curing processes that require large and stable electricity and thermal energy inputs	Substantially higher process-level intensity				
E. Rubber Manufacturing							
NAICS code	Sector	Typical Activities	Electricity Intensity (MWh/USD mn)				
326	Plastics and Rubber Products	Making synthetic rubber and related chemical materials, including synthetic rubber production, polymerization, and upstream chemical processing used as inputs for tyres	481				

Source: U.S. MECS 2018, AMRO staff calculations.

Note: Electricity intensity is calculated using data from the U.S. Manufacturing Energy Consumption Survey (MECS) by multiplying sectoral energy intensity per dollar of value added by the share of electricity in total energy consumption. Results are expressed as MWh of electricity consumption per USD 1 million of value added.



Address: 10 Shenton Way, #15-08
MAS Building, Singapore 079117

Website: www.amro-asia.org

Tel: +65 6323 9844

Email: enquiry@amro-asia.org

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