Cambodia

CRT-5

August 22, 2018

Region: Asia

[Country Risk Criteria Procedures](#)

[Guide to Best's Country Risk Tiers](#)

- The Country Risk Tier (CRT) reflects A.M. Best's assessment of three categories of risk: Economic, Political, and Financial System Risk.
- Cambodia has high levels of economic and political risk, and a very high level of financial system risk. The economy has grown at a rapid pace recently, with 2018 GDP growth estimated at 7.0% for 2018, although it is expected to moderate toward 6% over the medium term. Inflation has been relatively modest and is forecast to remain around 3.0% over the short term.
- The map depicts the region surrounding Cambodia. Almost all of Southeast Asian countries are classified as CRT-3 to CRT-5, with the notable exception of Singapore, which is CRT-1.

Vital Statistics 2017		
Nominal GDP	USD bn	22.25
Population	mil	16.0
GDP Per Capita	USD	1,390
Real GDP Growth	%	6.9
Inflation Rate	%	2.9
United Nations Estimates		
Literacy Rate	%	77.2
Urbanization	%	21.2
Dependency Ratio	%	55.6
Life Expectancy	Years	64.9
Median Age	Years	25.3
Insurance Statistics		
Insurance Regulator	The Insurance and Pension Division of The General Department of Financial Industry	
Premiums Written (Life)	USD mil	18
Premiums Written (Non-Life)	USD mil	75
Premiums Growth (2016 - 2017)	%	13.3
Regional Comparison		
	Country Risk Tier	
Cambodia	CRT-5	
Laos	CRT-5	
Malaysia	CRT-3	
Myanmar	CRT-5	
Thailand	CRT-3	
Vietnam	CRT-4	

Source: IMF, UN, Swiss Re, Axco and A.M. Best

Country Risk Tier 1 (CRT-1) Very Low Level of Country Risk

Country Risk Tier 2 (CRT-2) Low Level of Country Risk

Country Risk Tier 3 (CRT-3) Moderate Level of Country Risk

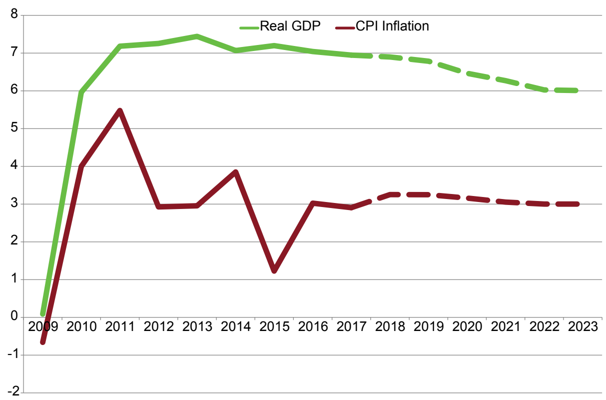
Country Risk Tier 4 (CRT-4) High Level of Country Risk

Country Risk Tier 5 (CRT-5) Very High Level of Country Risk

Regional Summary: Southeast Asia

- Southeast Asia largely consists of the countries located north of Australia, west of New Guinea, east of India, and south of China.
- The region is particularly vulnerable to trade protectionist policies, given its reliance on exports to fuel economic growth. To diminish some of the vulnerability to external conditions, most of the region's countries are trying to implement structural changes which encourage economic diversification and capital market development. Improving infrastructure and shrinking bureaucracy would also bolster the prospects for sustainable economic growth.
- Additional headwinds for the region include political turmoil/uncertainty, poverty due to growing income inequality, endemic corruption, bureaucracy, susceptibility to natural disasters, and the volatility of capital flows and exchange rates owing to ongoing monetary policy normalization in developed countries.
- Growth in the region has been supported by improving global conditions as well as growing domestic demand and increased levels of government spending, particularly on infrastructure.

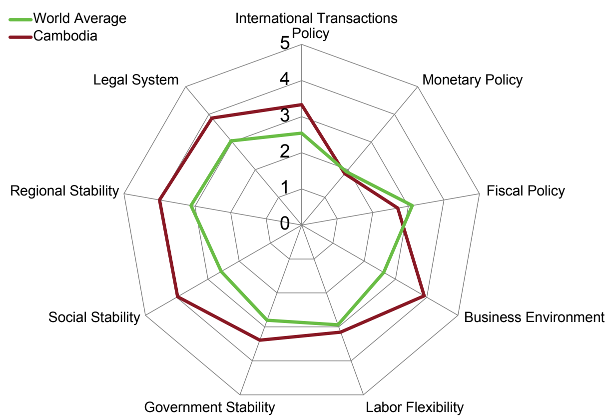
Economic Growth (%)



Source: IMF World Economic Outlook and A.M. Best

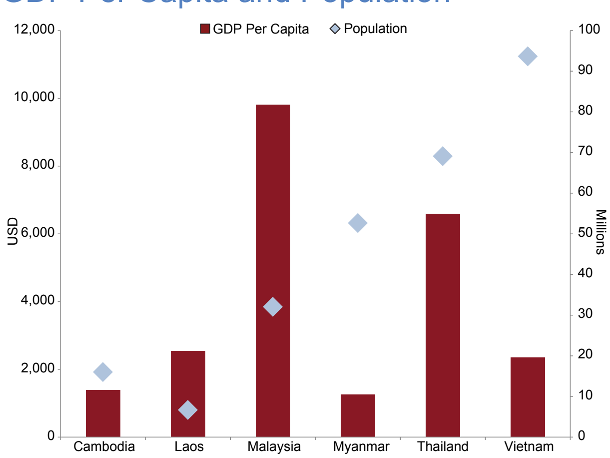
Political Risk Summary

Score 1 (best) to 5 (worst)



Source: A.M. Best

GDP Per Capita and Population



Source: IMF and A.M. Best

Economic Risk: High

- Cambodia was reclassified by the World Bank from a low-income country to a low middle-income country in 2016, which diminished its eligibility to receive international aid.
- The country has grown consistently and strongly, driven by a robust global economy, sustained FDI inflows, and high government spending in the construction sector.
- Poverty has declined, but the population is still vulnerable, with a large portion of the population remaining poor. Income distribution is highly unequal, and job prospects are inadequate. Poor infrastructure at times hinders the efficiency of business operations.
- Cambodia has a young workforce, but a weak public education system has resulted in a shortage of skilled labor. Other pressing challenges include health care and sanitation, as a large portion of the population does not have access to a piped water supply system.

Political Risk: High

- The main opposition party, the Cambodia National Rescue Party (CNRP), was dissolved in November 2017 and its leader jailed by the politicized Supreme Court. This move has resulted in international sanctions against the country and the potential for increased tariffs on exports, as the government is becoming increasingly authoritarian.
- Labor strikes have been common and sometimes disruptive. The risk of anti-government protests has increased, although protests are unlikely to be sustained or have the capacity to threaten government stability or impact policy decisions. Political uncertainties have dampened business confidence and investment.
- Corruption is rampant, while the rule of law is weak. Cambodia is ranked 161 out of 180 countries in the Corruption Perception Index.
- The judiciary in Cambodia is opaque and subject to bribery and political interference. Judicial independence is ranked 122 out of 137 countries by the World Economic Forum.

Financial System Risk: Very High

- The Insurance and Pension Division of the Department of Financial Industry regulates the insurance industry.
- The tax regime is generally friendly to businesses and focused on attracting investment. A hike to the corporate tax rate—to ensure the country's competitiveness—is unlikely. Tax reform will be focused on enhancing tax collection efficiency and broadening the tax base.
- Cambodia's government budget deficit has widened and is estimated to continue to expand owing to the government's higher social spending.
- The pace of bank credit growth has moderated thus far in 2018. The IMF endorsed recently introduced credit risk assessments and capital buffers to build up resilience.
- FDI inflows have been strong, but their prospects are uncertain given the political backdrop.