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Inflation Trends and their Economic Impacts in Cambodia: A Comprehensive Analysis

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A B S T R A C T

This article offers a cone of these inflationary challenges and policy trends in Cambodia between the period of 2000 and 2024. Inflation in Cambodia has been at moderate levels most of the time which averaged at 3.49%. However, some inflationary shocks occurred during particular world crises such as, the Afghan war (15.39 %) or the 2022 pandemic (5.34%). Although a weak correlation appeared between inflation and growth, sources of inflation such as global agricultural prices as well as global economic recession met high dollarization and heavy imports leading to a significant inflation rate. These findings suggest a strong role for monetary policies, economic structure change, and spending for long term policies to help combat inflation in this country. The range of 2% and 4% inflation stable for the next decadal period corroborates with Cambodian more developed economy, but global shocks and an internal lack remain obstacles or challenges. Recommended government strategies could be reduced dollarization and developed domestic supply as well supply side sources of inflation when following targeted green policies.

Keywords: Inflation, Cambodia, Economic Growth, GDP Growth, Monetary Policy, Fiscal Policy, Dollarization, Global Shocks, Developing Economies, Agricultural Sector, Pandemic (COVID-19), Inflation Trends, Inflation Forecasting, Structural Reforms, ASEAN Economies, Green Policies, External Shocks, Commodity Prices, Inflation Management, Economic Stability, Inflation and GDP Correlation

1. Introduction

Inflation represents a persistent increase in the general price on goods and services. As defined by Mankiw (2019) Inflation: 'erodes purchasing power, distorts spending and investment decisions, creates uncertainty in the planning process'. On the other hand, moderate and predictable inflation is often associated with economic growth. According to Blanchard (2017), some inflation is essential for economic expansion and therefore it must be able to facilitate consumption and investment and curtail the inclination to keep money idle in hoarded form. For this reason, one of the fundamental goals of macroeconomic policy is to keep inflation within an acceptable range so that growth in the economy could be achieved without a threat to the stability of prices.

Cambodia, a Southeast Asian nation, has gone through an overwhelming economic change during some years. There is a noticeable change on the economic structure of the country from agriculture-oriented economy to one which is more industrial and service inclusive over time. The agricultural sector constituted about 25.3% of GDP, industry 32.8% and services 41.9% as of 2023 [11]. Such an increase is an indication of her efforts in availing means to extend her economic base in the sense of less dependence on agriculturally based activities. Between 2015 and 2019 Bustling growth characterized the Cambodian economy with Gross Domestic Product (GDP) increasing at the average annual rate of about 7% [31]. This growth stemmed from the outstanding contribution from activities of the garment and footwear manufacturing sector, construction and the growing tourism. The inflation rate that existed in this period was stable with averages of 2% to 3% per year which meant that positive effects on the economy and the right money and policies were in place [2].

The beginning of the covid world-wide pandemic which was in the year 2020 coincided with a downturn, since the economy shrunk by 3.1% which was the first time this kind of incorporation occurred in the last two decades [31]. At this point, inflationary pressures were caused to be slight as the inflation graph stood to be just at 2.94% in the year 2020 which stood higher in the year 2019, recording the percentage of 1.94% [18]. The recession due to the pandemic, as well as global logistics issues caused inflation control to deteriorate by cutting consumer spending. In the following recovery phase, the economy was strong, with growth rates of 3.0% in 2021 and 5.2% in 2022 [31]. The inflation rate stood at 2.92% in 2020 and 5.34% in 2022, where the increase in 2022 was said to be caused by increased prices of commodities globally as well as issues in the global supply chain [18]. According to the IMF, inflation fell to an average of 1.6% year-on-year in the first half of 2024 since commodity prices on an international scale were low while local demand was also lacking, but for the entire year it is likely to be around 1.5% which would eventually reach 3%, long term prediction [13].

The effectiveness of inflation management as well as economic recovery in Cambodia has to a great extent been aided by sound fiscal and monetary policies. Strategical initiatives such as the Phase I of the Pentagonal Strategy are geared towards ensuring that by 2050, Cambodia will become a high-income nation with self-sufficient goals in its economy's structural plurality, competitiveness and private sector growth [16]. Such macroeconomic strategies have aims of controlling the effects of trepidation on the economy and ensuring that the economy remains stable at all times. Things are however not easy. The economy of Cambodia for instance is still weak to many outside forces such as the economic statuses of other nations and insecurity which have direct impact in the pricing of Imports and the demand for Exports. The economy also becomes ever more unstable looking forward on account of wants moving up such as the improving of basic physical facilities and economic outlook [31]. Policymakers inside Cambodia must comprehend the workings of inflation as the economy of the country keeps on changing. The years between 2015 and 2024 show how growth in the economy relates to inflation pressures, and demonstrates the need for growth with a strategy focus in order to be able to support proper functioning and effective stability of the economy.

2. Research Objectives

The research objectives are as below:

- Analyze inflation trends from 2000 to 2024;
- Forecast Inflation Trends for the next 10 years
- Examine the relationship between inflation and GDP growth.

3. Literature Review

As we all know inflation is the most common phenomenon across economies which means there is a persistent increase in the general price level of goods and services. The issue of inflation rise has been a focus of analysis within diverse theoretical perspectives. For example, the Cost-Push Inflation theory and the Quantity Theory of Money (QTM). This review in terms of its purpose is such a development.

3.1 Quantity Theory of Money

The Quantity Theory of Money believes that there is a direct causal relationship between money supply and price levels within an economy. Written in a more mathematical context:

$$\boldsymbol{M.V = P.Y}$$

Where:

- M: Money supply (total quantity of money in circulation).
- V: Velocity of money (how many times a unit of currency is used in transactions over a period).
- P: Price level (average price of goods and services in the economy).
- Y: Real GDP (real output, or total goods and services produced, adjusted for inflation).

3.2 Rearranging for Price Level (PPP):

$$\boldsymbol{P = \frac{M.V}{Y}}$$

In this equation, it is suggested that controlling the velocity and thereby the output, any increment in the amount of money changes the price level in the same proportion. . Recently, the QTM has been reassessed by some economists as to its relevance to the current economies. . An empirical study that was conducted in 2022 brought together ideas on the economic theory of inflation and asserted that QTM is fundamental but considering the nature of the economy today, there are many features that should be developed over time [6]. Here, it is worth emphasizing that financial innovation and policy measures aimed at changing the velocity of money and the stability of the money demand function deserve attention.

However, criticisms of the QTM assert that money supply and velocity will always be a function of other endogenous variables including payment technology and the demand for money or liquidity preference [1]. Such variation presents a challenge to the formulation of economic policies as it makes it difficult to determine with certainty what will be the effect of the change in the money supply on the general level of prices and therefore monetary policies need to be flexible.

3.3 Cost Push Inflation Theory

Cost-Push inflation is the inflation that results from an increase in the price of input factors resulting from a rise in their demand. This includes an increase in wages paid to employees, an increase in the price of raw materials, and even increase in the ease of access to goods. When costs of production rise, it is possible for the producers to shift this burden to the consumers, and this may generate increased price levels in general **[4]**.

$$CPI_t = CPI_{t-1} + (\Delta C + \Delta W + \Delta T$$

Where:

- CPI_t: Consumer Price Index at time ttt (current period).
- CPI_{t-1}: Consumer Price Index at time t−1 (previous period).
- ΔC: Change in production costs (e.g., raw materials, energy).
- ΔW: Change in wages (e.g., wage increases due to labor demands).
- ΔT: Change in taxation or tariffs that increase costs.

3.4 Integration of Theories

There appears to be an overlap between QTM's treatment of money supply in relation to price levels and the Cost-Push Inflation theory which looks at inflation from the supply-side. In practice, inflation dynamics often times are a result of both demand-pull and cost-push factors. In order to understand inflation in a broader context, it seems logical that these theoretical perspectives are combined in order to capture the realities of contemporary economies. Therefore, such integration has been given more attention recently, arguing that one theoretical framework is too constricting in the design of policy measures. In their 2022 review article World Scholars Review accompanied a more comprehensive economic model with the Peterson Institute recommendation, with a review of economic theories of inflation considering the need to assess a number of factors, including monetary supply, production costs and inflationary expectations.

The Quantity Theory of Money and Cost-Push Inflation theory offer explanations on the relations between the economy and inflation. Recent studies have instead focused on globalised economy complexities with interdependencies of factors relating to money velocity, costs of production, market behaviors, etc. To maintain the equilibrium, policymakers have to factor in both demand and supply-side factors basing on the prevailing trends to consider the changes in the economy due to inflation.

3.5 Inflation in Developing Economies (2015–2024)

Although inflation is reviewed as an issue, it is not for developing economies that are more in trouble, as it affects their economic stability, growth, and the majority. Many research works have attempted to tackle complex aspects of these regions' inflation, including its causes, effects, and policy tools deployed in counteracting its effects. During the last decade, developing economies have gone through diverse experiences inflation wise. World Bank (2019) provided evidence for declining trends in inflation rates across emerging markets and developing economies since 1970 until 2017 primarily attributing this to monetary policy strategy and economic changes in general. However, after 2020, COVID 19 again disturbed these trends and due to such fiscal measures as the pandemic response and broken supply chains inflationary pressures emerged [30]. Exchange rates, commodity prices and government expenditure are the apologetic contributors of the developing countries' inflation. As clarifying some empirical results, Ha, Kose and Ohnsorge (2019) pointed at these elements: global oil price and international interest rate as the influencing factors of domestic inflation. Lastly, spatial factors such as market structure and reliance on imports contribute to inflation [29].

The interaction dynamics of inflation and economic growth in the developing economies have been studied exhaustively with empirical findings suggesting a non linear relationship. Inflationary pressures on economic growth tend to be low, but a high incidence of inflation may be a hindrance to development. According to the analysis published in the IOSR Journal of Humanities and Social Science (2017), high rates of inflation have detrimental effects on the growth of the economy of developing countries, therefore managing inflation is a key to such countries [15]. Countries with developing economies have attempted to manage inflation through the use of broad monetary and fiscal policies. There has been a reasonable amount of success with the adoption of inflation targeting frameworks. Noting anti-inflationary policies have been successful, there are many structural factors which impede the success of such policies including underdeveloped financial markets and fiscal dominance [30]. Prolonged geographical economic barriers together with supply shortages has forced many regions particularly development ones such as Sub Saharan Africa and Middle East to grapple with high inflation, according to International Monetary Fund (IMF) Many geopolitical and local economic factors compound on these challenges including but not limited to trade agreements and international treaties [26].

Between the years 2021 and 2023, the world saw a rise in inflation, with the developing nations in focus. Reasons such as the COVID-19 outbreak, war, and climate change added onto existing inflationary woes. Droughts, for example, have affected food output in several areas, causing food prices to rise which puts a huge inflationary pressure on developing economies which allocate a larger portion of their spending to food items [7]. However, the outlook is not too rosy as the United Nations only predicts the developing economies to grow by 2.7% in the year 2024 with inflation coming down, but still worrying due to the lens of geo or trade conflict [21]. Although it cites the need for structural reforms and the acceleration of green transitions in order to manage inflation more efficiently, the IMF has invested the question of sustainable growth [7]. The inflationary conditions of third world countries is the byproduct of various international and local forces working in tandem. With factors such as the coronavirus and supply chain disturbances resulting in record inflation, a fuel prices surge globally, the last few years aren't the best of times to say there are no exciting problems that emerged in the fight against inflation. Continuously researching and having relevant solutions will become useful for developing economic growth in the said region.

3.6 Ethical Considerations

Even purchasing power and the cost of living can be negatively influenced by inflation. Inflation in the cambodia economy always must be taken into account during the formulation of the lag. This is hostile as it means not only improvement but also persistence of literature which dollarization economics, fiscal policy and external economy, aid in determining the inflaiton of both dollar and riel in cambodian economy . For example, Cambodia's economy has one of the highest degrees of dollarization. Despite ending over 99 of the economic polices, the riel is still dominantly a second currency. Extremely so considering how after one loses value, its impact on inflation is even more pronounced. There will be a serious lack of current empirical evidence on what causative factors will be part of this negative framework for Cambodia's macroeconomic dollarization. What policies can assist when inflation is primarily designed in the context of a highly dollarized economy should be known as well.

The influence of fiscal policy on inflation in Cambodia is still an area of research that is yet to be fully fleshed out. Due to the government's active engagement, there is an immense need to conduct investigations in order to find out the effects of government fiscal measures on inflation and how much they can be used to promote price stability Furthermore, certain questions need to be comprehensive concerning the worrying issue of such developed nations engaging in aggressive final cost adjustments as it pertains to changes in their competitiveness. Nevertheless, some studies confirm the importance of government expenditure and taxation in influencing economic growth. Some studies do explore some elements of inflation but fail specifically to elaborate on the achievements or challenges that government expenditure and tax policies encounter as they seek to influence or control the price level in their respective countries.

Inflation can affect an economy in varying degrees across the different sectors. In Cambodia, there are not enough empirical studies assessing the impact of inflation on agriculture, manufacturing or service sectors. This sectoral analysis is useful also for determining the most inflation prone areas so that specific strategies can be formulated to reduce their impact on the economy. Also, the gauging of inflationary perceptions in the general population and the markets is critical for the formulation of appropriate policies. On the contrary, in Cambodia, longitudinal studies that observe inflation expectations dynamics are missing. This is an important question which could assist in designing intervention policies aimed at expectation stabilization and thus, better economic performance in the country.

It is noteworthy that a large part of the economic activities of the Cambodians are carried out outside of the market which makes the measurement of inflation rather challenging. There is scant evidence on the extent to which informal economic activities impact inflation measures. Filling such a gap is useful in enhancing our comprehension of inflation trends and policies that are able to deal with inflation comprehensively. There is lack of relevant information even though the existing studies have been enlightening on the factors causing and effects of inflation in the economy of Cambodia. Addressing these gaps by focused studies of dollarization, fiscal policy effectiveness, external economy, sectors affects on focus, inflation expectation and undeclared economy will improve the understanding of inflation issues in Cambodia. Such studies are fundamental in the establishment of adequate and workable methods aimed at the attainment of price stability and sustainable economic growth.

4. Methodologies

This research analyses trends in inflation rates and its relationships with GDP growth for Cambodia in the period from 2000 to 2024. This is flash establishment of the dataset with its analysis tools and the software information with a focus to the depth of the processes.

The main dataset for this research analysis was the annual inflation rate for Cambodia that was obtained from Macrotrends which is a reputed economic data base and is publicly available. The dataset included data for a period of 25 years, precisely targeting the years 2000 to 2024 with a focus to allow enough temporal scope to investigate long-term trends and patterns. The corresponding time-series data on GDP growth of Cambodia for the same time period were obtained from World Bank and IMF reports to support consistency and reliability [18; 23]. The data set comprises the following:

- Annual rates of inflation (Changes in the CPI percentage) (Used in country reports).
- GDP growth (Constant annual rates of growth of real GDP).

The assumptions made regarding the nature of the data needed to be set out.

- Completing the data entries in cases of missing or outliers.
- Bringing the data's format into a standard one for comparison purposes.
- Authenticity of data items through comparison with official records.

4.1 Software Used

Descriptive Statistics Cambodia's inflation rates were analyzed using descriptive statistics to detect the trends, seasonality and outliers. Central tendencies were measured using: Mean and median inflation rates so as to centralize the tendency. Standard deviation to consider the ability of the rates of inflation to vary. Trend of the variables studied was represented using line graphs for ease of detection of the changes which took place in the period under study.

As a result of the analysis of inflation in its description aids in its contextual analysis of and even provides possible explanations of the evolution of the trends over time **[9]**. Correlation Analysis There exists a correlation between inflation and the GDP growth, and measuring the correlation analysis so as to ascertain the direction and degree of the correlation. The linear relationships were measured by using Pearson's correlation coefficient (r), which was interpreted as:

- $r > 0.7$: Strong positive correlation.
- $0.3 < r < 0.7$: Moderate positive correlation.
- $r < 0.3$: Weak or negligible correlation (Frost, 2020).

Regression Analysis Linear regression analysis was utilized to assess the predictive relationship between inflation (independent variable) and GDP growth (dependent variable). The model is represented as:

$$\boldsymbol{GDP\ Growth = \beta_0 + \beta_1(Inflation) + \varepsilon}$$

Where:

- *β_0: Intercept.*
- *β_1: Slope coefficient indicating the impact of inflation on GDP growth.*
- *ε: Error term.*

Panel data tell us about the intricate nature of the linkage between inflation and growth as well as the issue of causation **[27]**.

4.2 Lur Influence of Organizational Culture on Lur Sustainability Outcomes

An object-oriented language popular in data analysis, was used for both data procession and analysis. There were also used libraries like pandas, NumPy and matplotlib for performing cleaning and visualization operations. SciPy. Stats and stats model libraries were employed in the statistical part of the correlation and regression analysis making the computations accurate and quick [22]. There is a multitude of excellent libraries in python and that in itself makes it more than simplified and suitable for big data analysis as well as conducting graphics and quantitative data statistical analysis for the sake of greater intuition.

A comprehensive raw dataset, effective analytical tools, and modern software provide credibility and dependability to the study's results. This methodology facilitates a detailed understanding of the inflation rates in Cambodia alongside descriptive statistics, correlation, and regression analyses of the relationship with the GDP growth. Subsequent researchers can expand on these methods by using more variables in their analysis such as unemployment rates or exogenous economic disturbances.

5. Findings

5.1 Inflation Trends

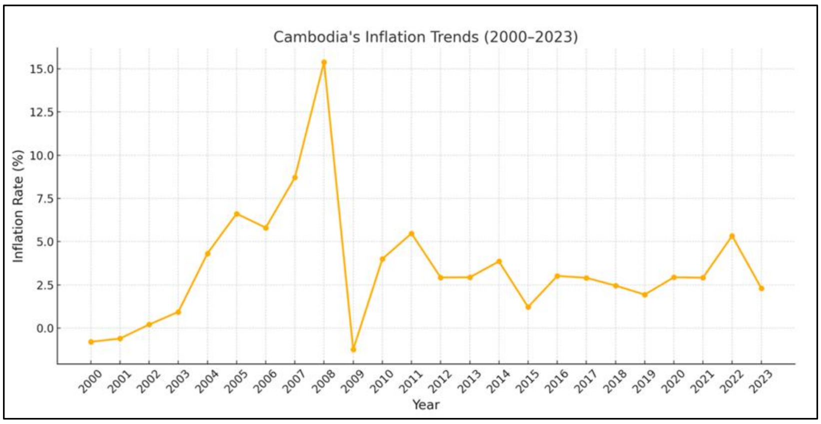

Figure 1: Cambodia's Inflation Trends (2000–2023)

As seen in Figure 1 above, Cambodia's inflation trend from the year 2000 to the year 2023 is depicted. The analysis captures years characterized by inflation as well as periods of deflation (negative inflation) as well as specific years in which inflation increased substantially.

The three periods which were observed by the aforementioned figure are the years 2000, 2001, and 2009, when the countries inflation rate was lower than century average meaning the country experienced economic recession. Economists confirm that inflation occurs towards the end of a cycle or period causing people to spend less and invest in the economy. 9/11 mark the days the World experienced terror attacks and a global financial meltdown. Which in turn means that in 2009 during the financial crisis the World was able to experience a Form of economic bombardment. But over the years the country was able to record growth. The year 2008 for example was when the country was on a rapid inflation growth with recording a rate of 15.39%. By the year 2011 global shocks such the Arab spring would act as a driving force to cause global inflation the Arab nations presented a potential supply in agriculture which whenever in harmony with the oil being present in the region acting as an economic force.

During the years 2012 to 2019 the inflation rate was on average between the range of 2-4%. Such situation could be described the period of economy quietness in Cambodia regarding the development achieved and the monetary policy implemented. But, the post covid period shows, as well it seems to be well explained by the pandemic supply chain, the graph provides evidence of increase in the inflation level in 2022 when it rose to 5.34%. This is open to both the pandemic's impact on the supply chain and the global inflation phenomenon. In the beginning of 2023 however the level of inflation as measured reduced to 2.31% confirming that indeed a trend to the level obtaining before the advent of corona was in fact taking place as the economy improved. Other factors in the US supporter rate range, Turkey had the other inflation rates where overall, people experienced moderate inflation around 3.49%. But in a larger picture, there are episodes of substantial departure from the average as a result of external factors or conditions in the country. The trend display is typical in third world countries for instance, the global market is responsible for now inflation is going up, now going down and is not stable for the economy.

Such external pressure should rather motivate the efforts of policy makers to manage inflation and reduce prices instead of erecting barriers. As these recent indications suggest a return to some degree of stability, the core inflation number informs the reader that indeed, inflation was well controlled, but costs would have to be paid for that. This is the reasoning attributed to why this graph is beneficial as it is able to display a clear history of the inflation of Cambodia which makes this a useful tool of analysis for other macro-economic conditions and future economic policy.

5.2 Forecast Inflation Trends for the next ten years

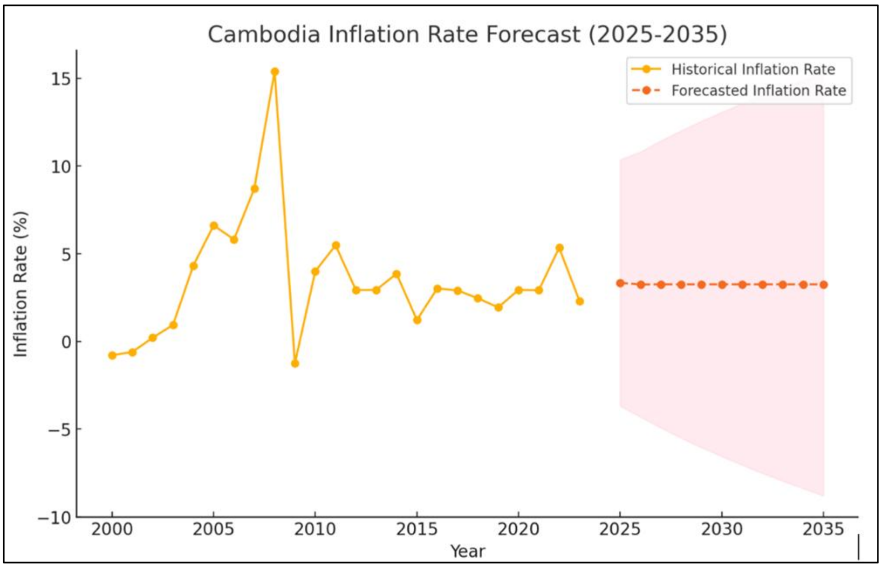

Figure 2: Cambodia Inflation Rate Forecast

The graph depicting inflation trends in Cambodia since the year 2000 is aimed at providing historical and forecasting information about inflation trends in the country for the year 2023 and through time series modeling period of 2025 - 2035 Report. The results provide interesting information on what the inflation patterns across the country have been and may be in the future. It has experienced numerous fluctuations in the inflation rate peaking at 15.39 percent in 2008 during the global financial crisis and rising oil prices. Such trends were shaped by the structure of Cambodia economy which depended on agriculture and imported goods making the economy susceptible to external shocks. Inflation has, since 2008, moved between 5% and 2% at most other times almost with the exception of a few instances. This marks a time of enhanced fiscal soundness, continuous economic expansion, and greater consolidation within ASEAN economies. The other dissimilarity of both periods is the Pandemic 2020 – 2023 impact which has tremendously affected the whole world seemed to not impact the inflation along with greater effect of COVID on the economy increasing inflation rates to a marginally raised 5.34 % in 2022.

The prediction indicates an expected stable annual inflation rate somewhere between two and four percent. This demonstrates the increasing economic maturity of Cambodia and improved measures aimed at curbing inflation. The shaded area in the graph represents the confidence interval of the forecast, indicating that it is more likely than not that the rate will fall between two and four per cent though it is equally understood that the rate can deviate owing to unexpected economic shocks in the graph it also indicates where the potential risks potentially lie even though other economic facilities may not under or over furnish a high degree of uncertainty.

The predicted achieving of the target of inflation is in tune with the ongoing level of economic development in Cambodia, bettering infrastructure and manufacturing and services sectors growth. At the same time forecasts present some potential risks associated with the external elements. Forecast accuracy though measures the strength of relationships will forever be impaired by global commodity prices, supply chains or wars if one disrupts. Sound policies on money supply and spending balanced will ensure sufficient moving off inflation up in line with the forecasts. The forecasters appearance can be used by the Premiers to build program how the back stock will hedge the economy and lead policies to boost local sector, make less depend on import goods and decreasing buying rate to sustain all the pressures to inflation on one level.

The evidence points to the conclusion that Cambodia is on a permanent inflation sphere with a few anticipated difficulties stemming from external dependencies and world economy settings. This prediction assists them in long-term planning to maintain the sustainable economic outlook while keeping inflation in check. The inflation outlook for Cambodia is good, with moderate trends likely due to good fiscal administration, stable agricultural production and managed levels of external debt. Some risks do exist in the real education global shocks and internal structural changes which should be within the vigilance of the economic managers.

5.3 Relationships between Inflation rates and GDP growth rates

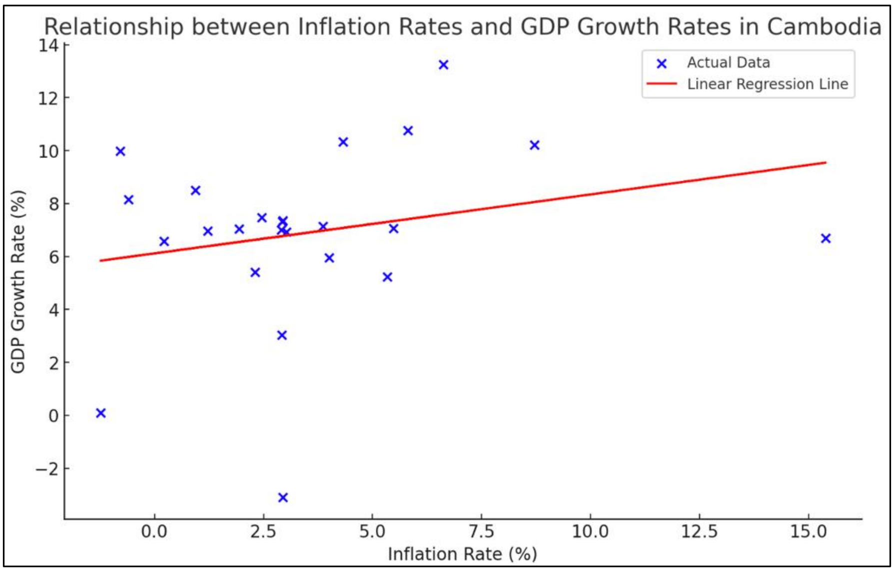

Figure 3: Relationships of Inflation and GDP growth

5.4 Results from Regression Analysis

GDP Growth Rate=0.223×Inflation Rate+6.116. This implies that for every 1% increase in inflation, the GDP growth rate is expected to rise by approximately 0.223%, holding other factors constant.

5.5 R-Squared Value

R2=0.053R2 = 0.053R2=0.053. This means that only 5.3% of the variation in GDP growth rates can be explained by inflation rates, indicating a weak predictive power and a minimal relationship.

The finding suggests that there is a weak positive correlation (r≈0.23) implying inflation appears to rise with an increase in the GDP but this relationship does not hold meaning statistically. Further, the low R-squared value also indicates that is not a major determinant of GDP growth in Cambodia. Foreign direct investment, the volume of trade, as well as contributions from various sectors like agriculture and manufacturing are likely to be more important.

The structural analysis related to the economics situation stresses that the Cambodian economy is largely influenced by factors such as export stimulated demand, regional economic unions and foreign capital which may weaken the effect to inflation on the GDP growth. In particular, low rates of inflation on average in the 2010s period were achieved with controlled growth in the GDP which indicates appropriate policies were in place. But there were sharp inflations in 2008 and 2022 which correspond to world economic recession.

Managing inflation is critical for macroeconomic stability, but the focus should be on policies that promote more widespread growth, including increasing productivity, enhancing the diversification of exports, and developing infrastructure. The risk of inflation is always present, especially during recessionary times or periods of global disturbance. As most countries understand the importance of low inflation for maintaining credibility of investors and for reasonable growth. The data about inflation rates and GDP growth rates in Cambodia appears to be weak correlation, implying that the presence of inflation in itself hardly supports any economic growth. Policymakers and scholars need to adopt a holistic view by integrating the structural as well as the external dimensions to the development processes.

6. Discussions

6.1 Looking into the influence of inflation trends on policy making in a country.

Considerable inflation trends are directly linked to the design and implementation of fiscal and monetary measures. For Cambodia, pre COVID-19 World Bank's supported regional estimates puts moderate inflation forecasts at within the range of between 2-3% per year. However, it seems to me that the policymakers in such economies should be more concerned with bolstering the economy and creating better economic control in order to advocate for more investments in their countries. As we are all aware, for the moderating economies of the region, higher inflation recorded post-pandemic (5.34% in 2022) also suggests that due to pandemic related ruptures of the supply chains coupled with uncertainty in global economic activity called for the nation to come up with more dynamic fiscal policies. Slashing government expenditure and altering lending rates could be possible solutions as to how inflation can be curbed or otherwise controlled.

The spike in inflation certainly has an up-surging impact particularly on the agricultural sector which still remains pivotal for Cambodia's continued growth and development, looking after the key price stabilising goods such as fertilizer and necessary commodities is critical for a country's economy. It is all too clear, along with the other confines discussed above of important issue or criteria that cannot be overlooked is the extent of dollarisation in Cambodia which obviously augers poorly for the implementation of monetary policy. It is notable that the dual currency approach emphasised limiting the excessive use of external currencies while reinforcing the Cambodian Riel in order to be able to effectively advocate proper inflationary control mechanisms. Participation of Cambodia into ASEAN and its high rate of import clearly puts the country under pressure of global inflation. It is recommended that the policies should be geared towards stimulating local production so as to reduce import aggressiveness thereby reducing the effects of external pressures. Renewable energy sources and climate-resilient agriculture should be prioritized by policymakers as an effective way to control inflation caused by climate changes and fluctuations in commodity price.

6.2 Comparative Analysis: Cambodia and Other Southeast Asian Economies

Economic growth and inflation trends of Cambodia Philippines and Thailand (CPHT) as reflected in inflation trends of Cambodia (2-5% range post 2010s) are similar to that of Vietnam Thailand who have also been able to keep slow inflation growth owing to efficient monetary management. Cambodia's agricultural sector and garment manufacturing industries on the contrary face challenges of global inflation because Thailand and Malaysia have much stronger financial systems that can absorb global inflation in a more robust manner. Singapore and Malaysia have done quite well in implementing inflation targeting frameworks among Do consider Scope. Targeting Cambodia geographical area would allow it to reap the benefits as it is prone to external shocks. As economies like Indonesia evolve into a more industrialized and technology orientated era, Cambodia will have to face the repercussions of the same as the focus on agriculture, garment manufacturing whichever will be aversive to inflation because global price swings whenever will happen will have a pernicious impact on CambodiaNow because globalization of markets and also wars tills forty years'-lookup almost all parts of Southeast Asia get affected, uniform inflation phenomenon develops. COVID impact on the international supply chain, problems emerging from the blockades have caused inflation jumps in certain nations, even the most affected nations have several terms and practices which has brought them back to normal managing inflation, for example, the Phillipines has tighten interest rates, Cambodia can also adopt such measures managing inflation targeting If Not Adjusted, Natural Bias, Inflation rates in most of the economies in the ASEAN region are primarily pegged, vice versa to that of Cambodia which has a coinage system that is linked to that of the US dollar. It has made bolstering inflation management within Cambodia difficult.

According to Outlook on Cambodia's Economy 2015, inflation in Cambodia should remain around 2 to 4 percent which is dependent on both import mechanisms as well as local reforms. It also mentions that Vietnam and Singapore are probably bound to be catching up with such stability owing to increasing government investment in technology and infrastructure. This expectation however should not undermine the opportunities that these countries have for pool drainage policies of stimulating growth within economies that face inflationary pressures and suffer from external shocks. In comparison context between Southeast Asian countries during the difficult period of inflation can improve some of the aspects of economic integration and sustainable development of the country and region as a whole.

7. Conclusion and Recommendations

7.1 Conclusion

The inflation trends in Cambodia from 2000 until the year 2023 are very turbulent and yet full of opportunities to say the least. The findings point out the following important information. Cambodia had, on the whole, a rather moderate inflation averaging 3.49 percent annual, however, the country's inflation registered some sharp increases which are notable – for example 15.39 percent in 2008 due to the energy crises and 5.34 percent in 2022 due to the repercussions of the outburst of the global pandemic. Through regression analysis, it is deduced that inflation only had a weak linkage with GDP growth while foreign direct investment, external trade and structural reforms are the ones that have most emphatic relations with economic sustainability. The sharply increasing dollarization and likely Cambodia's vulnerability to commodity price shock and disruption of supply chain is not so comforting taking into account the fact that the economy is highly import and agriculture dependent. Also, the high dollarization in the country makes the situation of controlling inflation even more complicated as it diminishes the efficiency of their monetary policies. Due to the aggressive fiscal and monetary policies that were implemented, inflation has been relatively low in the recent period. but there still seem to be limits on addressing solutions to structural issues such as poor infrastructure and lack of much desired economic diversification and while there will be a degree of variation, inflation is expected to stabilize anywhere between 2 to 4 percent over the next ten years, dry globalization will only further worsen the situation as Cambodia will become able to mature economically. Additionally, however, factors such as commodity price change as well as political tensions will deem possible future threats.

7.2 Recommendation

Concentrate on building up local production and agriculture and with view also reduce the vulnerability through expansion into advanced value adding sectors like technology and eco-friendly energy. Also work out de-dollarization strategies, which include promotion of the Cambodian riel and confidence building in the local currency. Last but not least, ensure that inflation control measures are synergistic with the goals for environmental sustainability by encouraging the use of green technologies and renewable energy.

Moving forward, Cambodia will need to pay close attention to inflation in the moderate range, through structural change and reduction of external dependence as this will help keep the economy stable and growing. Finally, strengthened proper financial measures, industry diversification and appropriate pick of investments will make the country stronger and more secure in the future.

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