

## **AVI COMMENTARY**

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### **Cambodia's Demographic Shifts: A Path to Economic Growth and Prosperity**

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Asia's historical economic success has frequently hinged on the demographic dividend created by a youthful population, and this trend is set to benefit Cambodia significantly in the coming years. Positioned for substantial economic transformation, Cambodia stands ready to capitalise on the shifting population dynamics across Asia even as neighbouring countries grapple with the challenges of an ageing populace. By implementing prudent policies—such as comprehensive economic reforms, improved governance, and healthier institutions—Cambodia's economy is poised for robust growth over the next two decades.

According to a 2022 report from the United Nations (UN) Department of Economic and Social Affairs, shifting demographics will create varied outcomes across Asia. The impending winners and losers will depend on each country's ability to navigate and adapt to its unique demographic landscape. Countries with younger populations are better positioned to drive innovation and economic growth while nations with older demographics face the challenge of supporting a larger, non-working population. From 1970 to 2021, Cambodia's average population age increased from 17 to 27 years. In contrast, Vietnam's average age only saw a slight increase from 30 to 32 years, while Thailand's median age nearly doubled from 16 to 39 years. South Korea experienced a rise from 17 to 43 years, and the most dramatic shift occurred in Japan, where the median age surged from 28 to 48 years. These figures underscore how countries like South Korea and Japan are grappling with an ageing populace while Cambodia enjoys the benefits of a young workforce.

A study by Mekong Strategic Capital, citing data from the UN, points to interesting demographic divergence for Vietnam. Work population growth in Vietnam will be a mere 1 per cent between 2021 and 2050; by this time, in China and Thailand, it will reduce by slightly more than 20 per cent. On the contrary, for Cambodia, the age group of 30-49 is set to increase by 24 per cent, a significantly impressive demographic dividend critical to economic growth. As more Cambodians enter the workforce, sectors such as manufacturing, technology, and services are expected to flourish. Particularly, industries that require a significant workforce will thrive, reinforcing Cambodia's role as a key player in regional supply chains and boosting its export capacity. Moreover, a growing working-age population will attract businesses, creating additional investment opportunities, job openings, and broader economic development.

Cambodia's youthful population not only positions it for domestic growth but also makes it a prime destination for retirees and medical tourists from other countries in Asia. As countries like India, China, Japan, and South Korea grapple with ageing populations, there will be

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increased demand for retirement services, healthcare, and leisure activities. A mid-2022 U.S. Census Bureau reported that Asia is home to over 450 million people aged sixty-five and older, and the number is set to rise sharply to one billion by 2050. That said, Cambodia, with its low cost of living, vibrant cultural heritage, and growing healthcare infrastructure, is likely to attract foreign retirees. First, the influx of younger individuals into the workforce supports essential sectors such as healthcare, hospitality, and tourism, which are crucial for serving the needs of retirees. Secondly, Cambodia's relatively low cost of living allows retirees to stretch their pensions and savings, leading to a comfortable lifestyle within its culturally vibrant environment. Siem Reap, renowned for the Angkor Wat temple complex, offers artistic and cultural experiences. While Sihanoukville, Kep, and Koh Kong provinces boast pristine rivers and coastal beaches, Kampot presents a serene atmosphere, ideal for tranquillity seekers. By enhancing infrastructure and tailoring services for seniors, Cambodia can tap into the growing demand for retirement and medical tourism.

To harness these demographic trends effectively, Cambodia must address a few challenges. Improving healthcare services, building robust infrastructure, and creating a favourable business environment will be key to attracting both investors and retirees. Enhancements to aviation, transport networks, utilities, and digital infrastructure will significantly bolster Cambodia's appeal as an investment location. For instance, lowering operational costs for industries like aviation—through reduced taxes and fees—can help boost tourism and trade, further supporting economic growth. At the same time, Cambodia will need to focus on education and workforce development to ensure its growing population is adequately skilled to meet the demands of a modern economy. Collaboration between the government and private sector will drive these reforms and ensure long-term success.

In short, while much of Asia faces the challenges of an aging population and shrinking workforce, Cambodia's youthful demographic positions itself as a clear winner in the region. With a growing working-age population and a favourable investment climate, Cambodia is on track to become an attractive destination for industries that rely on young labour force. In addition, its appeal as a retirement and medical tourism hub presents new growth opportunities. As Cambodia continues to invest in its infrastructure and workforce, it can take advantage of its strategic location in the Mekong region and ASEAN, as well as its abundant natural resources and ongoing developments in key sectors. With the right policies and investments, Cambodia is on a promising path toward economic prosperity in the years to come.

*The views expressed are the author's own and do not reflect the views of the Asian Vision Institute.*