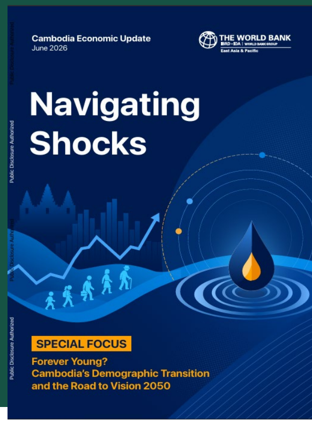
MONTHLY BULLETIN

JULY 2026 |#04



In this Issue

This month's bulletin highlights the spillover effects of the War in the Middle East on Global Economy mainly through three primary channels: energy, supply chains, and finance. It also examines Cambodia's economic performance amid the energy shock, economic projections from international institutions, and its vulnerability to oil price volatility, which significantly affects the rural economy and agricultural sector.

Additionally, this edition includes key economic data on July's commodity and oil prices and exchange rates, and concludes with a summary of recent training activities and events organized by the APM Center.

About APM Center

The Akkak Pundit Sapheachar AUN Pornmoniroth Center for Policy Studies and Training (APM Center) was established to advance knowledge, foster innovation, and enhance capacity among a wide range of stakeholders to support economic development and the development of the banking sector in Cambodia through its research and human resource development initiatives. The center operates under the technical and financial guardianship of the Agricultural and Rural Development Bank (ARDB).

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Akkak Pundit Sapheachar Aun Pornmoniroth Center

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AGRICULTURAL AND RURAL DEVELOPMENT BANK
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+855 93-294-793 / +855 78-824-411
www.apmcenter.ardb.com.kh
info_apmcenter@ardb.com.kh

NEWS SPOTLIGHT

The War in the Middle East and Its Spillover Effects on the Global Economy: A Synthesis of International Monetary Fund (IMF) Reports

By: Khim Tepsopheaktra

Before the outbreak of the conflict, the global economy was projected to continue its recovery, with growth expected to reach 3.4% in 2026. In an adverse scenario, a sharper rise in energy prices, together with expected higher inflation and tighter financial conditions, could reduce global economic growth to 2.5% while increasing inflation to 5.4% this year. Under a more severe scenario, where energy supply disruptions persist into the following year, global growth could slow further to 2% in both this year and next year, with inflation projected to exceed 6% (Gourinchas, 2026). As shown in Figure 1, the economic consequences of the conflict depend heavily on the duration and intensity of the energy shock. A short disruption could temporarily increase energy prices, whereas a prolonged disruption could weaken global economic growth and intensify inflationary pressures. This suggests that the conflict's impact extends beyond the energy market itself, as higher energy prices can be transmitted through production, transport-ation, trade, and financial markets. These effects are transmitted through several interconnected channels, with energy-market disruption representing the most immediate.

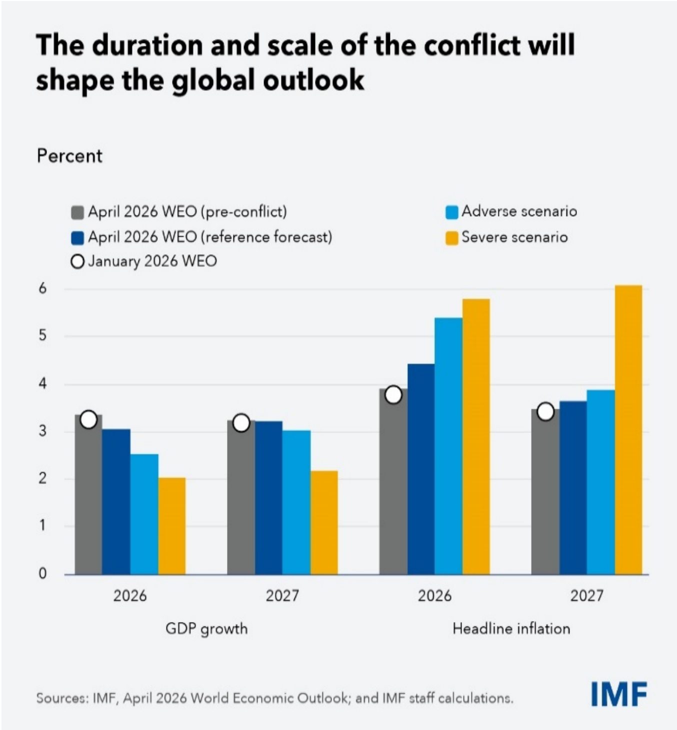


Figure 1: Global Economic Projections: Pre-Conflict vs. Conflict Scenarios for GDP and Inflation (IMF, 2026)

Energy Market Disruption:

Damage to regional infrastructure, together with the effective closure of the Strait of Hormuz, which handles approximately 25-30% of the global oil trade and around 20% of the global liquefied natural gas (LNG) trade, has severely disrupted energy supplies (Adrian et al., 2026). As shown in Figure 2, the limited capacity to reroute oil shipments means that even temporary disruption can create a substantial gap between global oil demand and available supply. By the end of May, more than 1.1 billion barrels of crude oil failed to reach international markets (Natal & Sadikov, 2026). Likewise, disruptions to oil supply have reduced regional production of refined petroleum products, particularly diesel and jet fuel, further tightening global energy supplies. Rising oil and natural gas prices have increased production, transportation, and logistics costs across industries, contributing to higher inflation worldwide (Adrian et al., 2026).

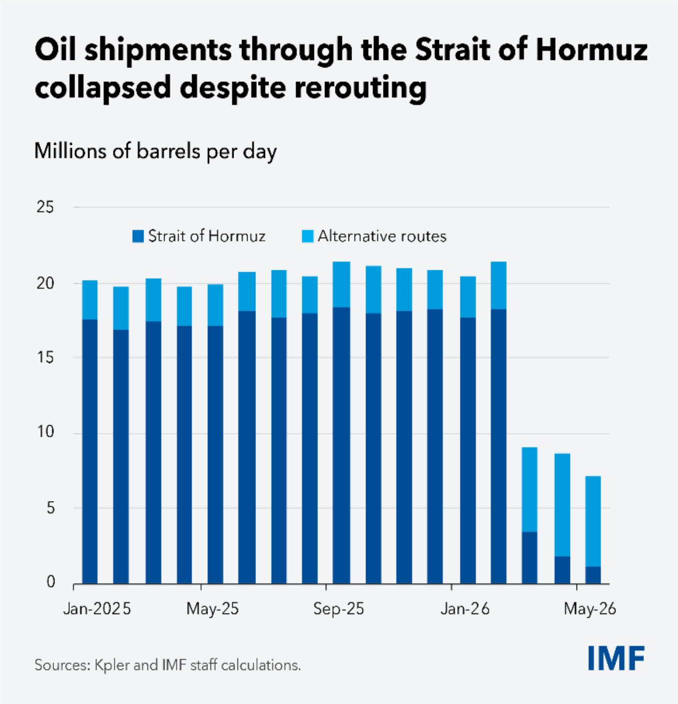


Figure 2: Impact of Supply Chain Disruption on the Strait of Hormuz Oil Shipments and Rerouting Capacity (IMF, 2026)

For instance, in Asia, where net energy imports account for approximately 2.5% of GDP, higher energy prices are projected to push inflation up to 2.6% (Pescatori & Srinivasan, 2026).

Supply Chain Disruption and Food Security:

The rerouting of oil tankers and container ships has increased shipping costs and delivery times, adding further pressure to global trade. Noticeably, fertilizer supplies are particularly vulnerable, as approximately one-third of global fertilizer shipments pass through the

Strait of Hormuz. Prolonged disruptions could reduce agricultural productivity and worsen food insecurity, especially in low-income countries where food represents a large share of household consumption (around 43%). Beyond agriculture, shortages of critical industrial inputs, including helium for semiconductor production and sulfur for electric vehicle battery manufacturing, could further disrupt global manufacturing networks (Adrian et al., 2026).

Financial Market Instability:

The conflict has contributed to falling equity prices, higher bond yields, a stronger US dollar, and tighter global financial conditions. These developments increase borrowing costs, raise debt-service burdens, and complicate refinancing for governments and firms. At the same time, persistent inflationary pressures could lead to wage-price spirals if households and businesses adjust expectations upward, forcing central banks to accelerate monetary tightening (Ibid). Compared with the 2022 commodity shock, the current environment may be more challenging because ongoing supply constraints make inflation reduction more costly, increasing the risk of slower economic growth.

Nevertheless, the economic impacts are uneven across countries. Energy-importing economies, particularly in Asia and Europe, face higher import costs and greater inflationary pressure, while some oil-exporting countries may benefit from higher energy revenues. However, low-income developing countries are the most vulnerable because of limited fiscal capacity, low foreign exchange reserves, and high exposure to rising commodity prices (Gourinchas, 2026). For instance, under a severe scenario, major Asian economies could experience a cumulative output loss of around 2 percentage points by 2027 (Pescatori & Srinivasan, 2026).

Policy Responses and Ways Forward:

To manage these risks, the reports recommend a balanced policy response combining monetary, fiscal, and structural measures. Hence, central banks should accommodate temporary energy-driven inflation if inflation expectations remain stable, but should respond quickly if inflation becomes persistent. Fiscal support should target vulnerable households and viable businesses, while broad subsidies and price controls should be limited because of their high fiscal costs and potential distortion of market signals. Over the longer term, strengthening energy security, investing in renewable energy and efficiency, expanding social protection systems, and maintaining international cooperation will be essential to improve resilience and reduce the risk of further economic fragmentation.

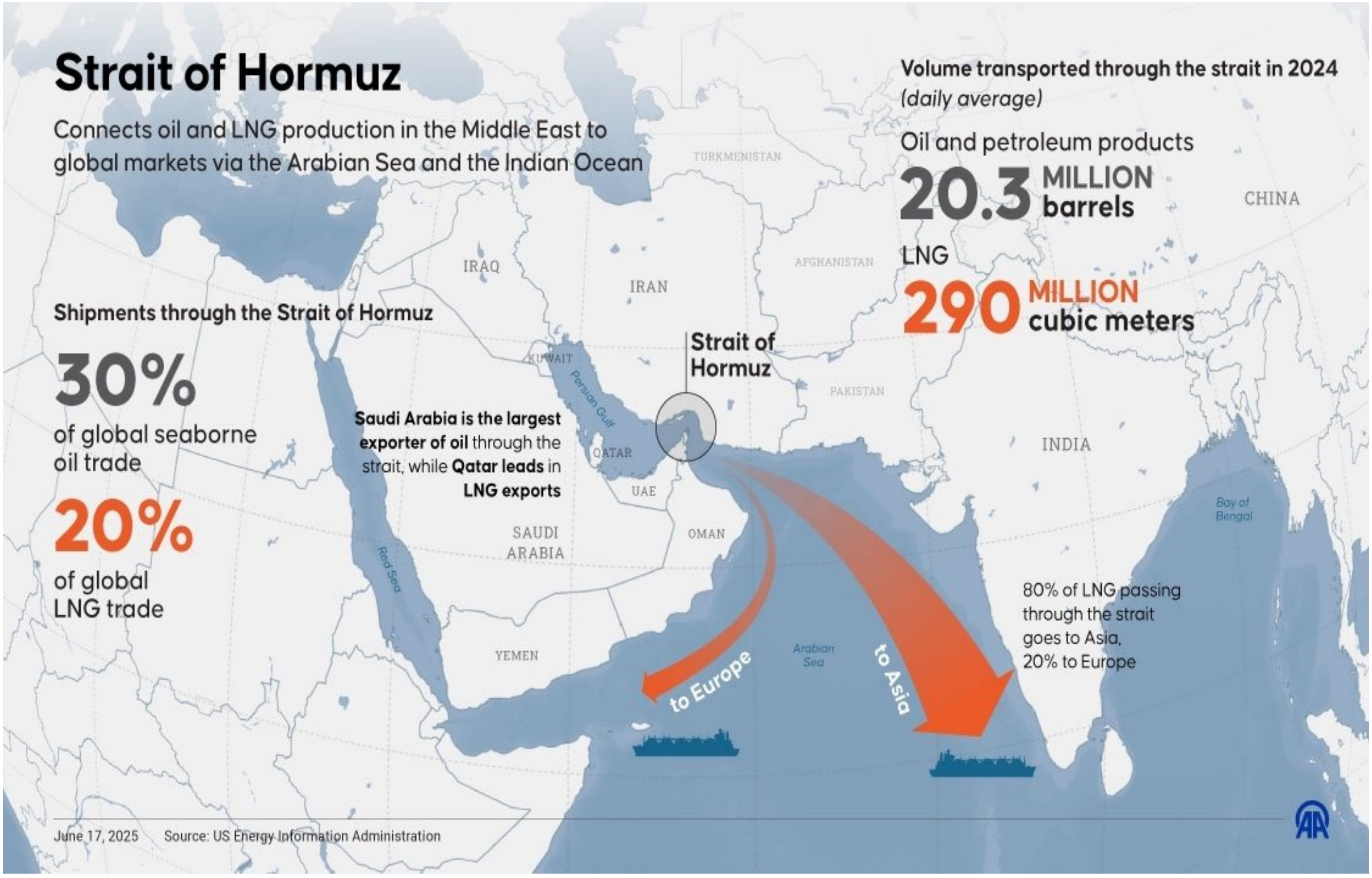
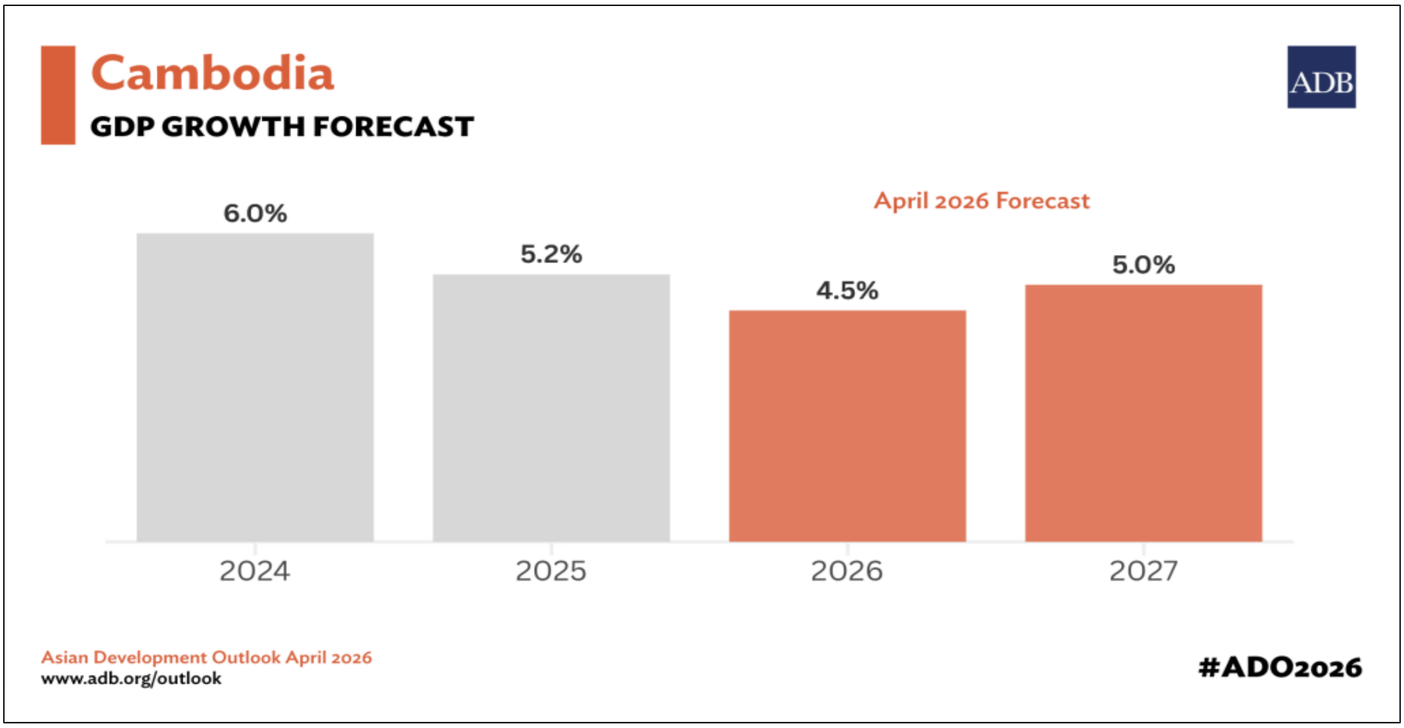


Figure 3: The Illustration of the Strategic Role of the Strait of Hormuz, (US Energy Information Administration, 2025)

FEATURED RESEARCH



Cambodia's Economic Performance Amid Energy Shock and Its Vulnerability to Oil Price Uncertainty

By: Khim Tepsopheaktra, Heng Sokvatey, Heav Muyhour, Nguon Sambathvirya, Heng Chamroeun

Overview of Cambodia's Economic Growth and Projection

Cambodia's economy is navigating a period of moderation amid significant external pressures, with growth estimated at 5.2% to 5.3% in 2025, down from 6.0% in 2024. Growth was primarily anchored by a 7.9% expansion in industrial output, driven by garment and non-garment manufacturing. For 2026, growth projections signal a further slowdown, with the World Bank forecasting 3.9% and the Asian Development Bank (ADB) projecting 4.5% under a scenario of early Middle East stabilization. This deceleration is attributed to a "triple challenge" of high fuel prices, falling remittances, and tightening domestic credit.

While growth is expected to reaccelerate to 4.9% or 5.0% in 2027 as manufacturing capacity increases and external conditions potentially improve, the economy remains sensitive to global volatility (ADB, 2026; World Bank, 2026).

Central to these headwinds is a severe energy price shock triggered by geopolitical tensions in the Middle East, which has unmasked Cambodia's extreme vulnerability due to its near-total reliance on imported petrol and petroleum pro-ducts. Since Cambodia imports nearly all of its fuel, higher international oil prices quickly translate into higher domestic costs for transportation, production, and food.

In March 2026 alone, retail fuel prices rose sharply, with gasoline prices surging by 43-45% and diesel prices by over 70% relative to pre-conflict levels, representing the sharpest single-month increase since 2008. Because diesel accounts for approximately 69% of Cambodia's fuel imports, this impact is particularly significant as diesel is closely linked to the movement of goods and agricultural production. Therefore, higher diesel prices affect farmers not only through fuel expenditure but also through the cost of mechanized services, transportation, and the transport of agricultural inputs and products. According to the World Bank, fuel, fertilizer, and pesticide expenses make up a significant portion of farming costs. As a result, farmers are especially affected when energy prices increase, as their production costs rise substantially (World Bank, 2026).

Consequently, this price volatility ended a period of relative price stability, pushing headline inflation to 5.8% in April 2026 as businesses faced rising operating costs that eroded profit margins (Cambodia Investment Review, 2026; World Bank, 2026). Eventually, this energy shock has affected poor and vulnerable households the most because they spend a larger share of their income on basic goods and services. At the same time, household purchasing power has been further weakened by a sharp decline in remittances following the return of nearly one million Cambodian migrant workers from Thailand in mid-2025 due to border tensions. As a result, annual remittances fell from an average of 6% of GDP during 2019-2024 to only 3.6%-4% of GDP in 2025, reducing an important source of income for many rural households (World Bank, 2026).

Although global oil prices have moderated following the reopening of key shipping routes, uncertainty remains high.

In the following part, this paper discusses how oil price volatility significantly affects the costs of agricultural inputs, transportation, the basic food basket, farmers' vulnerability to the shock, and government intervention on these matters.

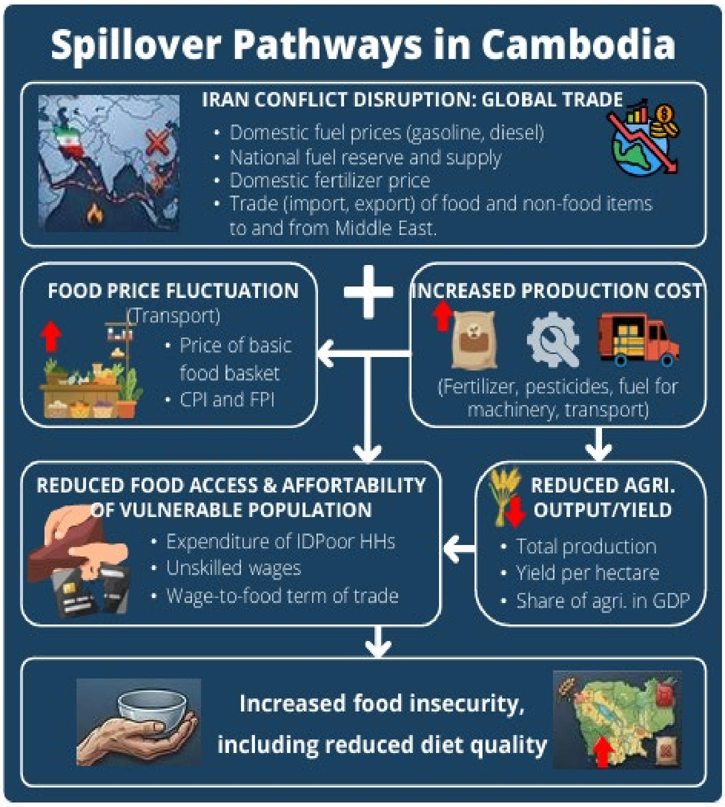


Figure 4: Spillover Pathways in Cambodia from the Iran Conflict (WFP, 2026)

Impacts on Agricultural Inputs, Costs and Production Pressures

The escalation of conflict in Iran and the broader Middle East has significantly increased risks to global energy, fertilizer, and agrifood systems. The Food and Agriculture Organization of the United Nations (FAO) estimates that global fertilizer prices could average 15-20% higher during the first half of 2026 if the crisis persists. Rising fertilizer and fuel prices have consequently increased production costs for farmers and may reduce fertilizer application, leading to lower crop yields and heightened food security risks through both domestic supply constraints and reduced global agricultural output (FAO, 2026).

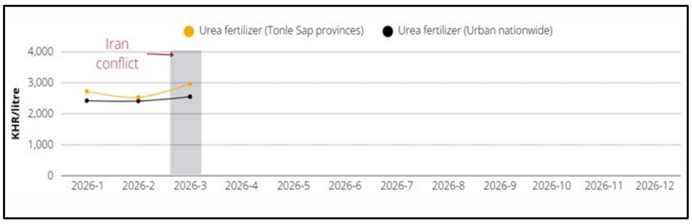


Figure 5: Urea Fertilizer Price (Tonle Sap Province & Cambodia Urban Nationwide) Before and After the Iran conflict (WFP, 2026)

According to the World Food Programme's (WFP) Situation Update Report (WFP, 2026), as shown in Figure 5, urea fertilizer prices in the provinces around the Tonle Sap increased to KHR 2,965 per kilogram in March, representing a 17.1% month-on-month (MoM) and 18% year-on-year (YoY) increase. Nationwide, average urban fertilizer prices rose from KHR 2,413 per kilogram in February to KHR 2,553/kg in March, an increase of 6% MoM. In addition, prices for imported chemical fertilizers increased by approximately 25%-30%, significantly raising the cost burden on farmers who depend on these inputs to sustain agricultural yields. Likewise, a standard 50kg bag of fertilizer consequently rose from around KHR 130,000 to KHR 150,000, increasing the upfront cost of farm production (Cambodia Investment Review, 2026).

These increases are particularly concerning given Cambodia's structural reliance on imported agricultural inputs. In 2025, the country spent approximately US$636 million on fertilizer and pesticide imports, including around US$419 million on chemical fertilizers alone (Ibid). This dependence means disruptions in global supply chains or increases in international input prices can quickly translate into higher domestic agricultural production costs. Hence, some farmers are adjusting their production choices in response to rising input costs, increasingly shifting toward lower-cost rainy-season rice instead of more fertilizer-intensive dry-season, high-yield varieties. This change may reduce the production of export-grade rice and weaken Cambodia's rice export capacity. Meanwhile, some farmers are seeking alternative income sources, reflecting growing concerns about the long-term viability of farming as a primary livelihood under current cost pressures (Ibid).

Transportation Costs and Food Inflation

Beyond agricultural inputs, higher energy prices have substantially increased transportation and logistics costs, generating significant cost-push inflation across Cambodia's food supply chain. In March 2026, Phnom Penh recorded a sharp acceleration in transport inflation, with transport costs increasing by 15.4% MoM and 12.9% YoY. As transportation is an essential component of food distribution, these higher logistics costs were rapidly passed on to consumers, contributing to rising food prices. As shown in Figure 6, around the Tonle Sap region, the average cost of a basic food basket increased by 3.4% MoM, reversing the relatively stable price trend observed in previous months. Average food basket costs reached KHR 103,500, with slightly higher prices in urban than rural areas, primarily driven by increases in some essential commodities (WFP, 2026).

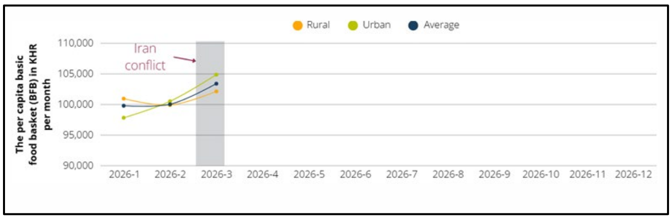


Figure 6: The Per Capita Basic Food Basket in KHR (WFP, 2026)

Disruptions to international trade have further reinforced these inflationary pressures. Supply uncertainties triggered a 108% MoM increase in Cambodia's non-food imports, primarily fuel and liquefied natural gas from Middle Eastern suppliers. The resulting surge in energy imports reversed earlier trade surpluses into a substantial trade deficit while simultaneously increasing the cost of imported goods, including food products, thereby amplifying domestic inflationary pressures (World Bank, 2026).

Household Welfare Impacts and Farmers' Vulnerability

The combined effects of rising production costs, higher food prices, and higher prices of imported goods have disproportionately affected low-income households. Food accounts for a substantial share of household expenditures in Cambodia, while fuel expenditures represent around 4% of household budgets.

Under a scenario of a 60% increase in fuel prices, household consumption is projected to decline by approximately 8%, with poorer households experiencing the largest welfare losses. Around 80% of these losses are estimated to indirectly arise through higher prices of goods and services, underscoring how energy shocks are transmitted throughout the broader economy (World Bank, 2026).

These pressures are particularly acute for Cambodian farmers, who operate on exceptionally narrow profit margins. Energy and agrochemical inputs account for approximately 43% of total crop production costs, meaning that a 30-40% increase in global oil prices could raise overall crop production costs by around 40%. Such cost escalation would reduce farm profitability, threaten rural employment, weaken agricultural exports, and heighten food security risks. These vulnerabilities are compounded by structural weaknesses within Cambodia's agricultural sector with a 62.3% concentration in rice output. The persistently depressed rice prices have left farmers with limited financial buffers to absorb external shocks. Consequently, fluctuations in global energy markets continue to pose significant risks to rural livelihoods and Cambodia's agricultural resilience (World Bank, 2026).

Government Intervention:

In response to the 2026 energy shock, the Royal Government of Cambodia has implemented a series of immediate fiscal and regulatory interventions designed to stabilize domestic prices and shield vulnerable populations. Primary among these measures are reductions in import duties and taxes on fuel products to lower retail costs, alongside a temporary freeze on retail electricity tariffs to protect the manufacturing sector and households from rising energy costs. To further manage the crisis, authorities have tightened fuel market oversight, implemented energy-saving measures within the public sector, and utilized contingency pricing strategies. While price controls or interventions can be popular during emergencies and offer short-term stability, they distort crucial market signals. Instead of softening the economic impact, suppressing price changes actually prevents people from lowering their consumption. Although broad fuel subsidies, tax relief, and price ceilings can temporarily ease inflationary pressures, they are costly, disproportionately benefit wealthier households, and are often difficult to phase out. Crucially, rising energy prices create a compound fiscal burden by increasing the cost of existing programs while creating pressure for additional relief measures.

Ways Forward:

To address these issues and the gap in these short-term emergency responses, the World Bank recommends a targeted, temporary, and job-focused policy response that protects vulnerable house-holds and supports economic activity while maintaining fiscal discipline. Thus, priorities include safeguarding household incomes, sustaining domestic demand, preventing financial sector stress, and preserving fiscal space for long-term investments in education, healthcare, skills development, and adaptive social protection. Additionally, the government is encouraged to build on existing measures, such as temporary electricity tariff freezes, duty reductions, NSAF livelihood grants, and assistance for returning migrants. Further actions could include strengthening targeted cash transfers, expanding labor-intensive public works, providing agricultural input support, maintaining financial sector oversight, and reducing logistics and business costs through low-cost reforms.

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EVENTS AND ENGAGEMENTS

OUR TRAINING PROGRAM

➢ Our Monthly Lecture Series

July 31, 2026

The APM Center successfully hosted its Monthly Lecture Series on **"Fostering Forest-positive Commodity Value Chains in Cambodia,"** featuring a keynote lecture by **Associate Professor Dr. Chou Phanith**, an environmental economist and leading researcher in agriculture and environmental sustainability at the Royal University of Phnom Penh. The lecture highlighted environmental governance, conservation finance, ecosystem service valuation, climate-smart agriculture, and multi-stakeholder collaboration in advancing sustainable commodity value chains.

UPCOMING EVENT

➢ Monthly Lecture Series on “Global Trends Affecting the Cambodian Economy”

August 20, 2026

The APM Center is preparing its Lecture Series on “Global Trends Affecting the Cambodian Economy”, featuring a lecture by **H.E. Prof. Bundit Sapheacha Dr. Sok Siphana**, Senior Minister in Charge of Special Missions (Multilateral Trade and Economic Affairs) of the Royal Government of Cambodia. The lecture will provide a valuable platform for understanding the rapidly evolving global environment and its implications for Cambodia.

DATA DASHBOARD

AGRICULTURAL COMMODITY PRICE MONITOR: JULY 2026

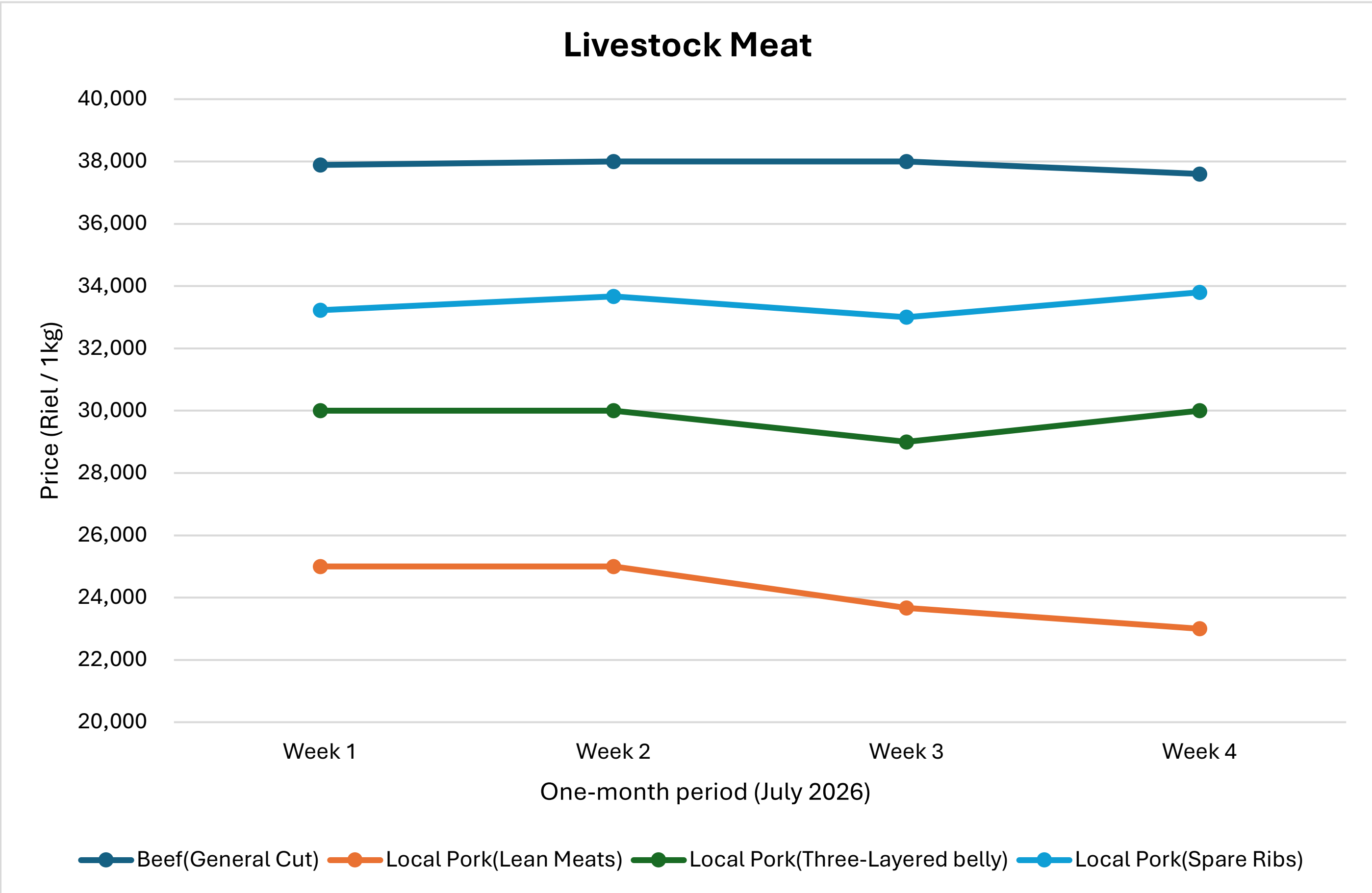
By: Khim Tepsopheaktra

The July 2026 Agricultural Commodity Price Monitor highlights a generally stable agricultural market, despite minor price fluctuations in local commodities. Overall prices of essential commodities such as meat products, eggs and poultry, cereal and grain, and ingredient commodities remain stable week to week, with only minor shifts. While chili prices rose, other vegetables and fruits remained stable. Likewise, gasoline and diesel prices have risen since late June.

Cambodia

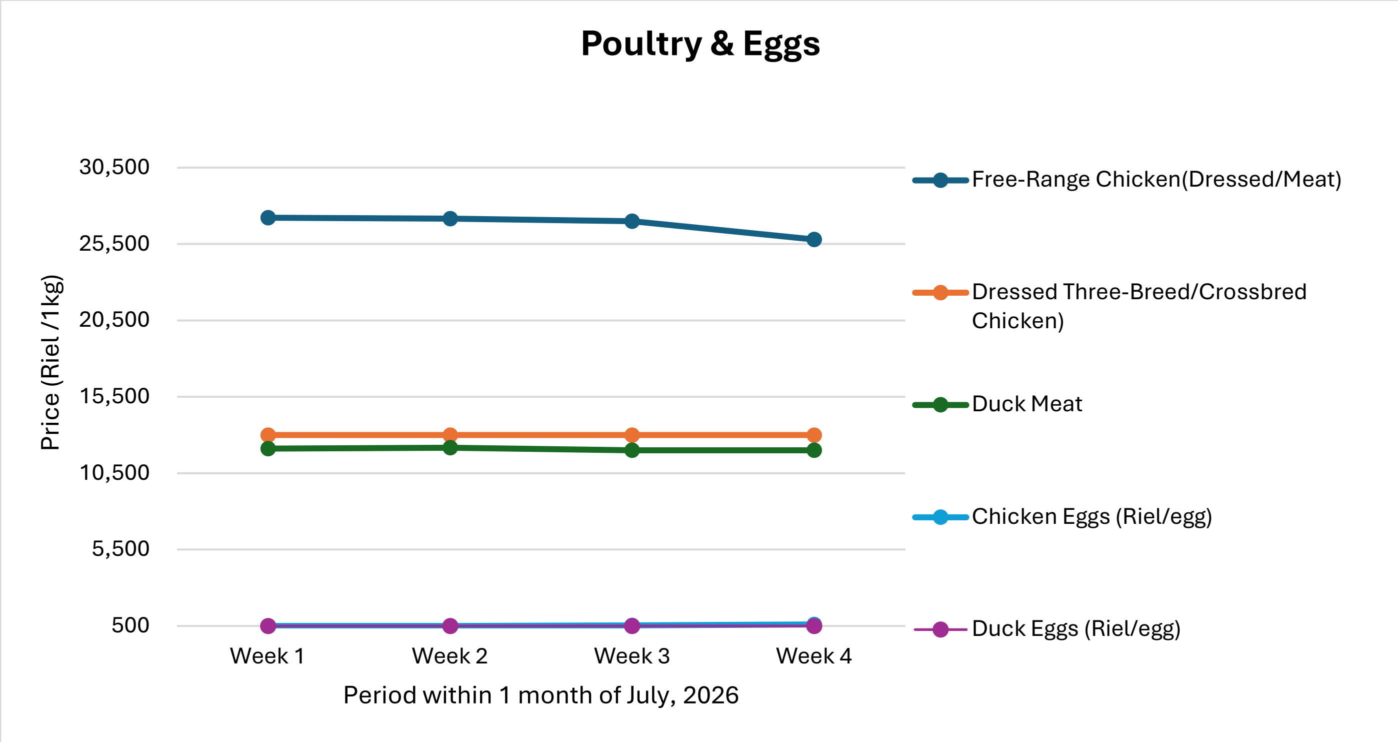
MEAT PRICE

1. *Livestock Meat*



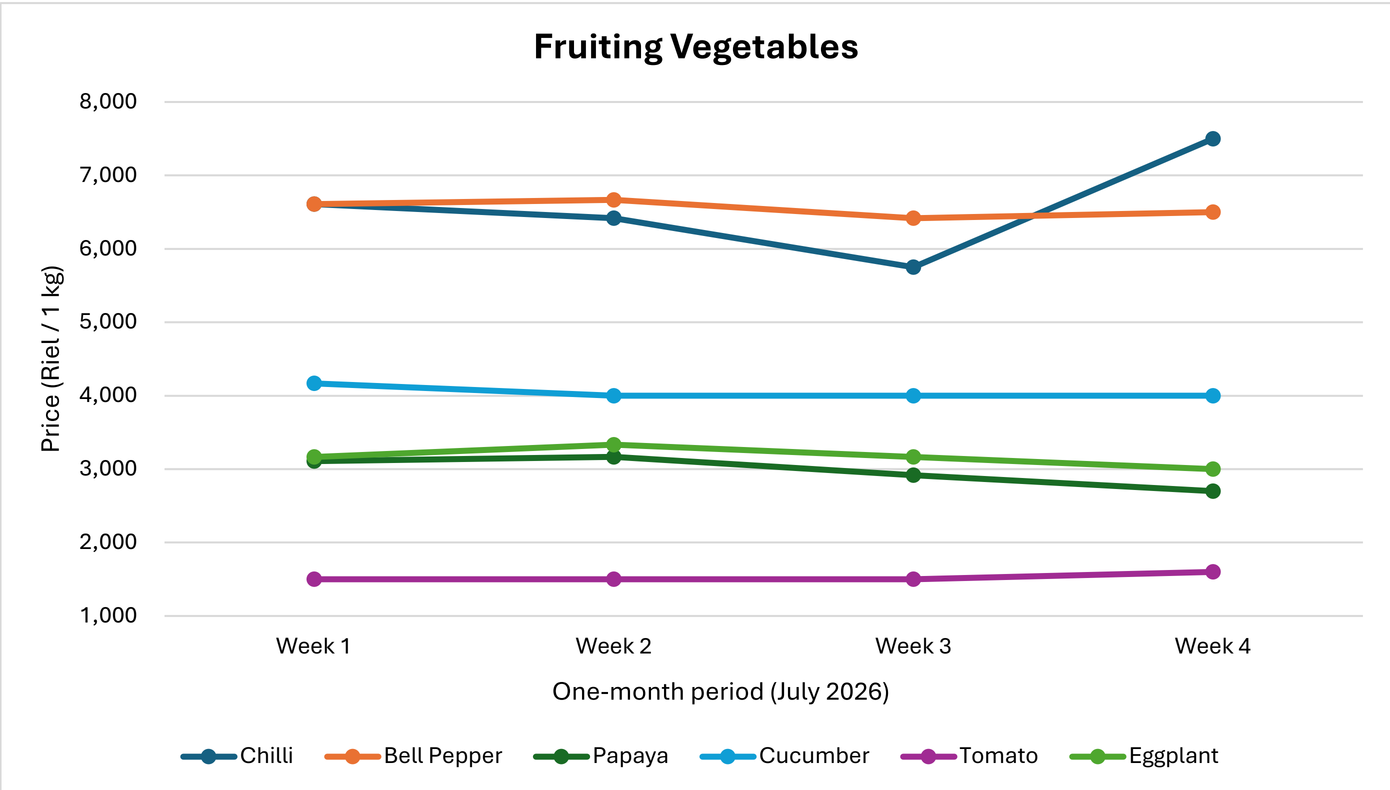
Source: Department of Government Policy Support of ARDB, 2026

2. Poultry and Eggs



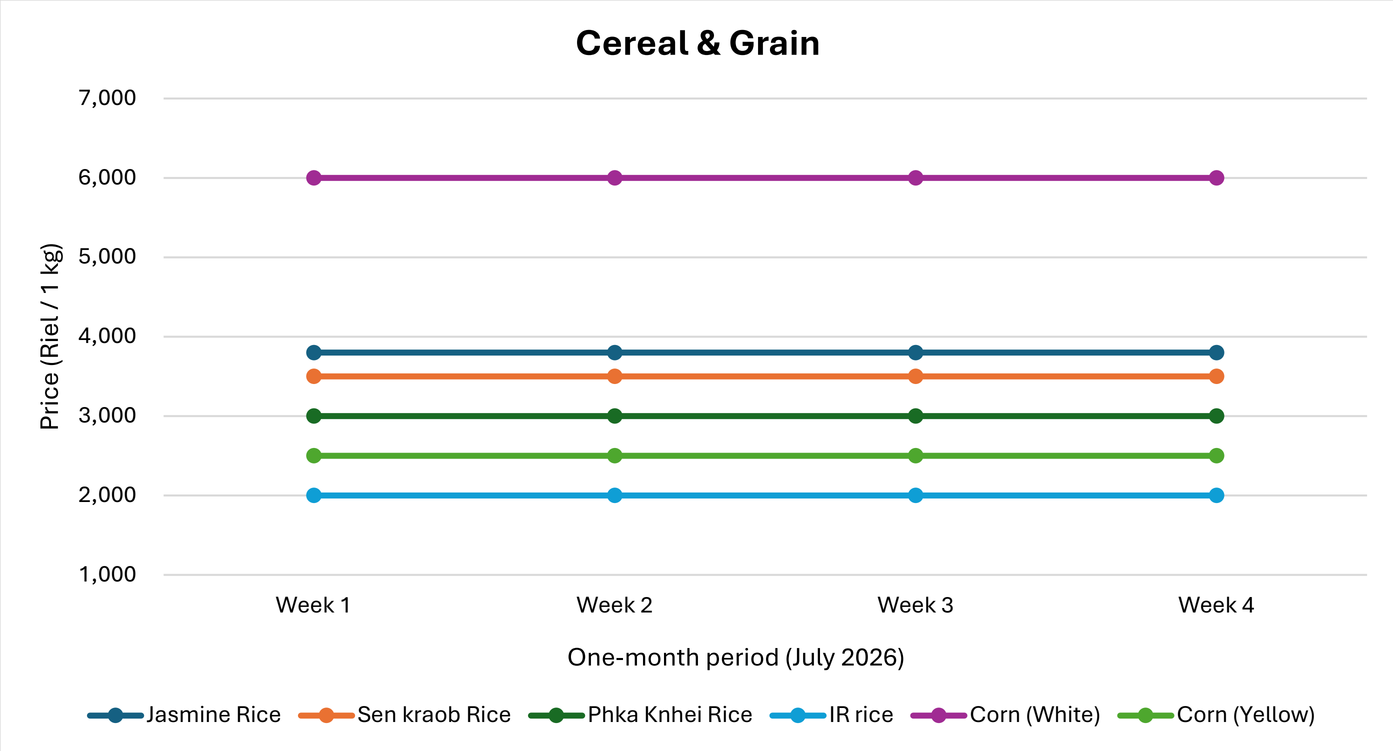
Source: Department of Government Policy Support of ARDB, 2026

3. Fruits and Vegetables



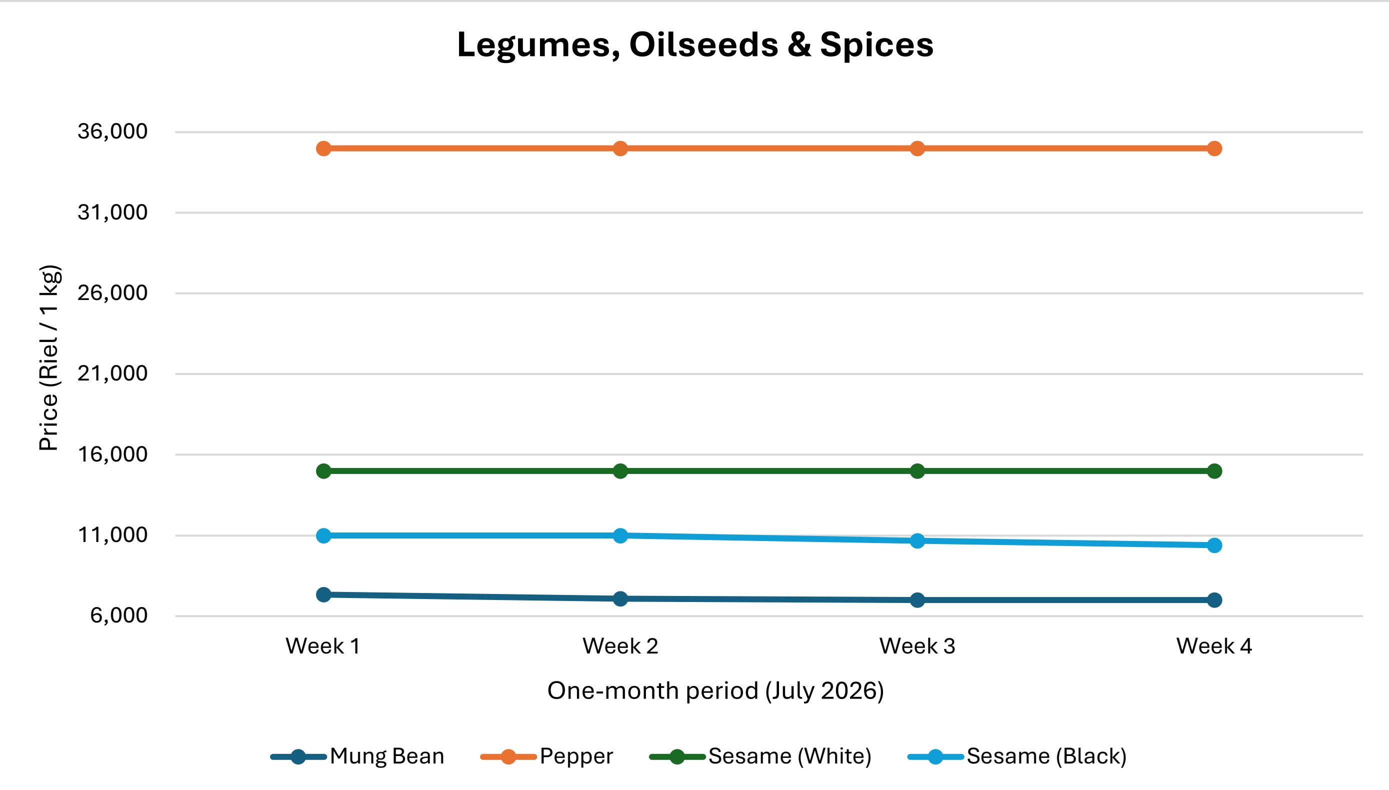
Source: Department of Government Policy Support of ARDB, 2026

4. Cereal and Grains



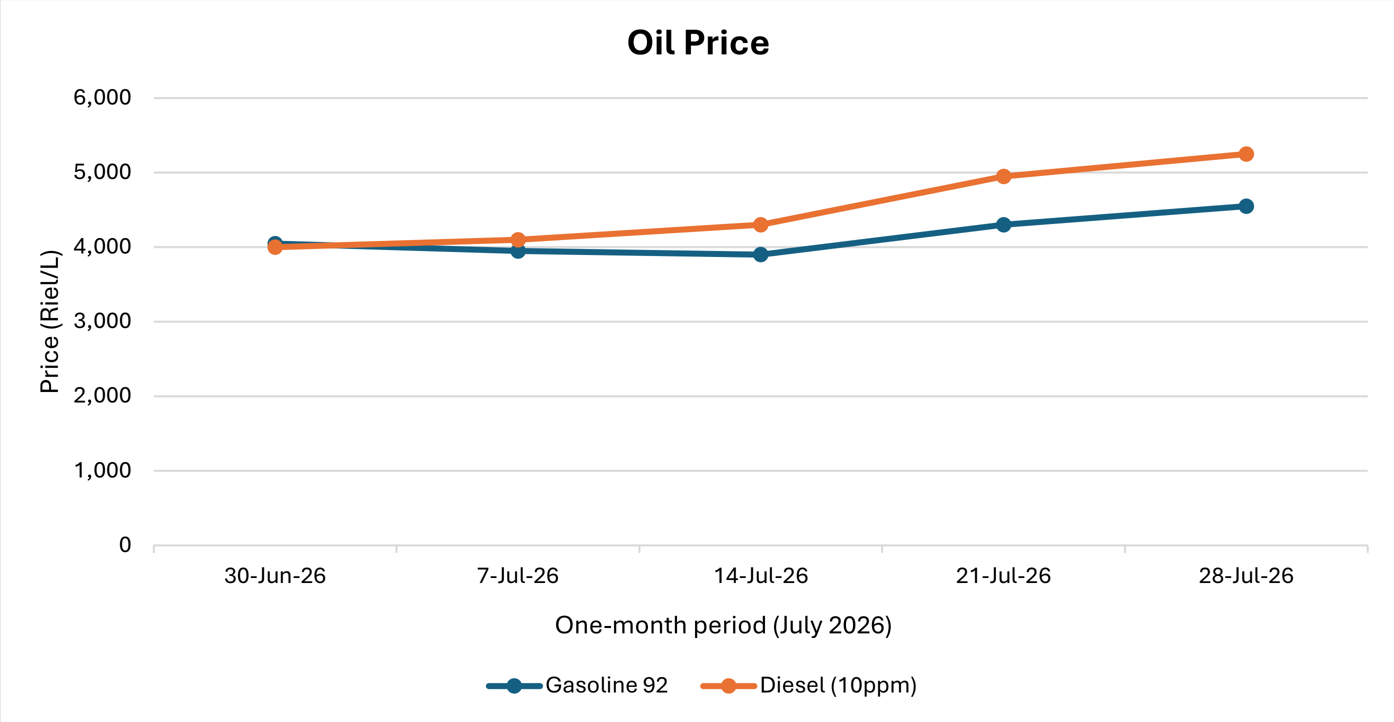
Source: Department of Government Policy Support of ARDB, 2026

5. Legumes, Oilseeds & Spices



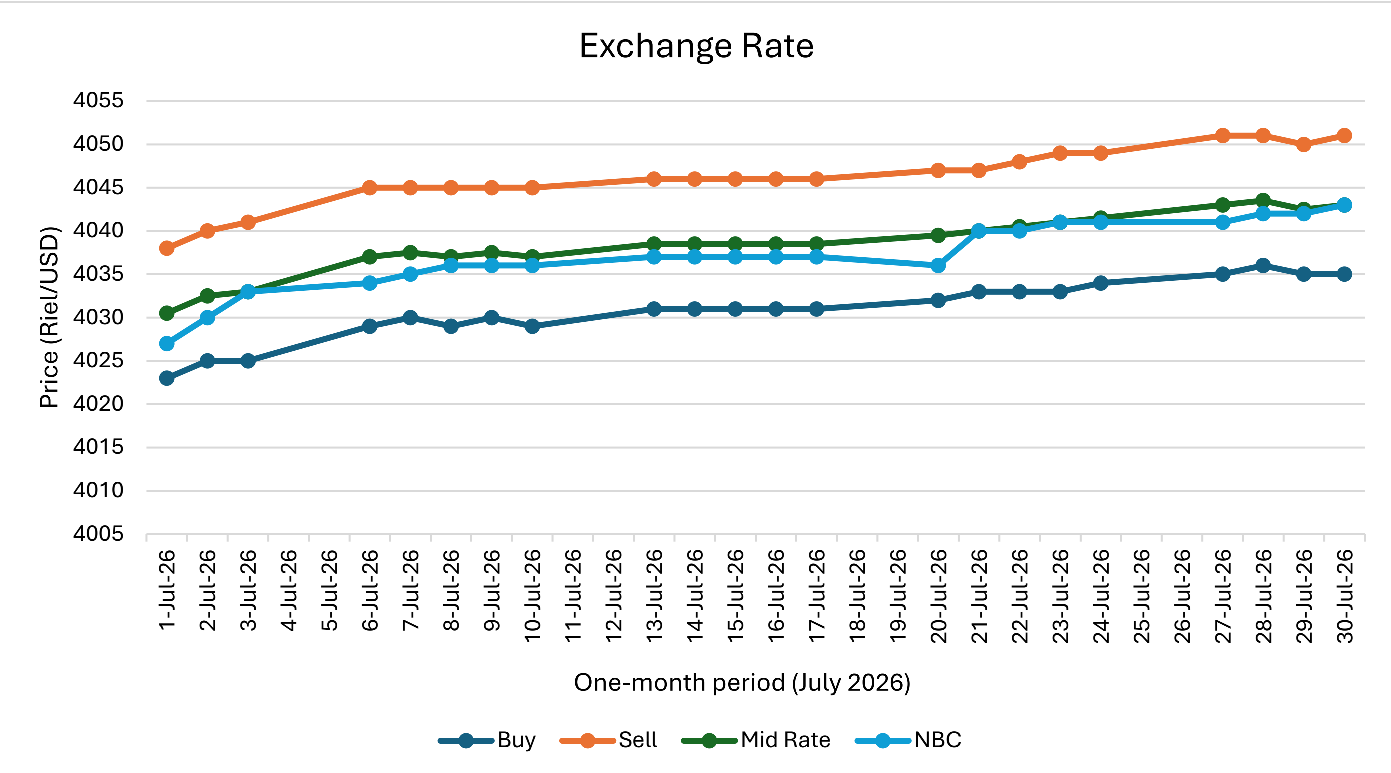
Source: Department of Government Policy Support of ARDB, 2026

OIL PRICE



Source: Ministry of Commerce, Cambodia (2026)

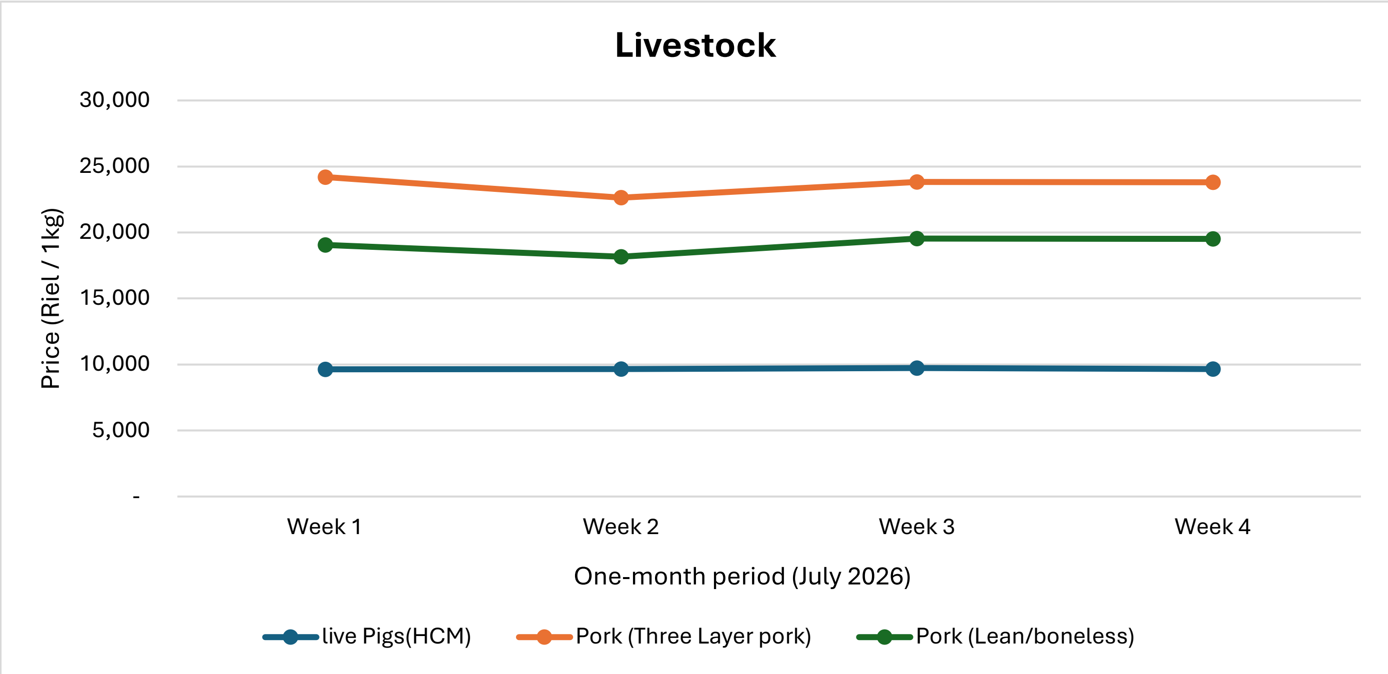
EXCHANGE RATE



The buy and sell prices are excerpted from the ARDB Bank's exchange rate (2026)

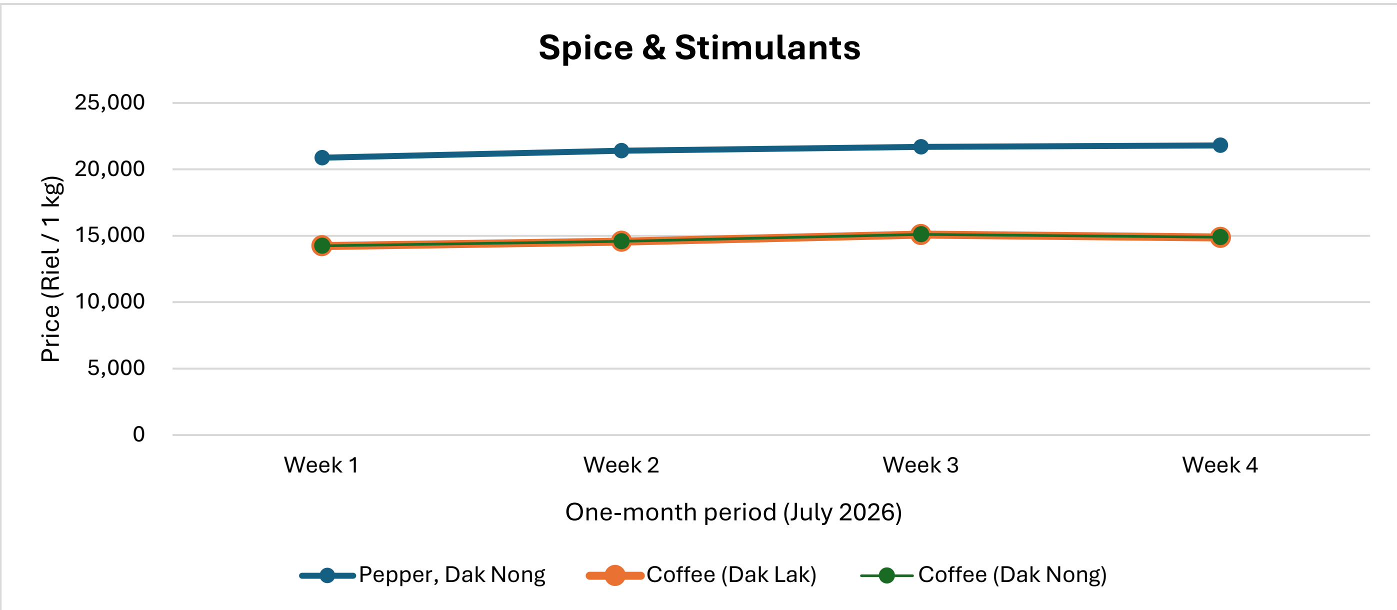
Vietnam

LIVESTOCK



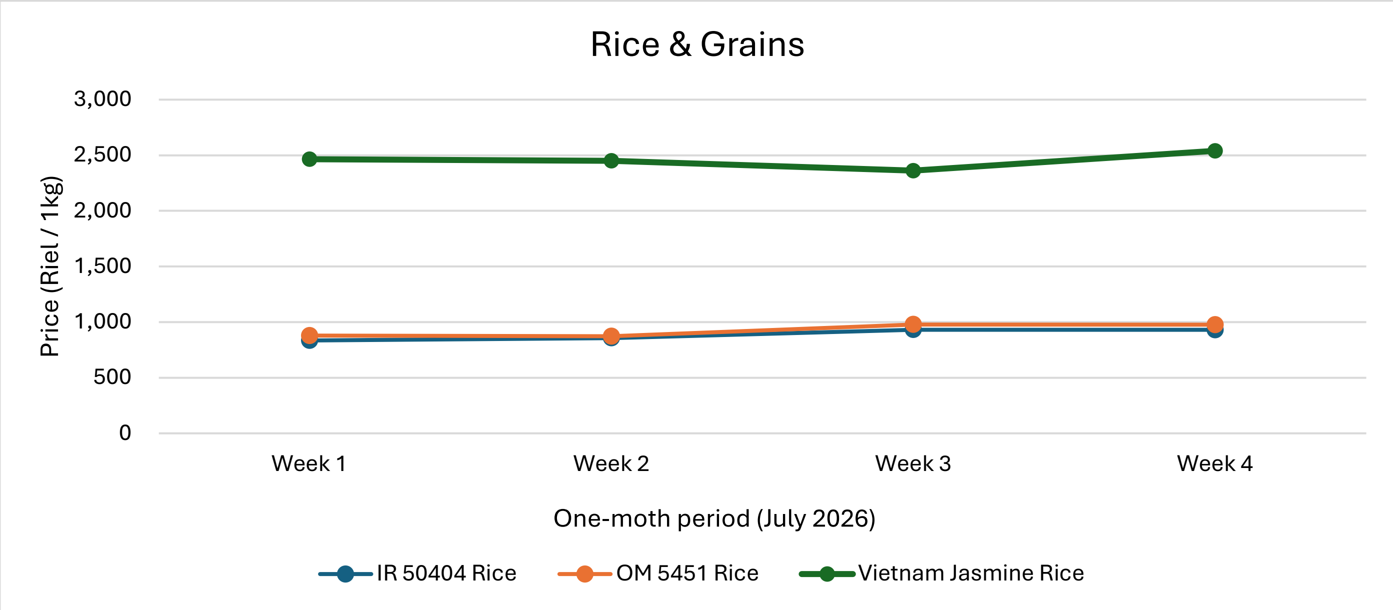
Source: https://vietnambiz.vn/ (2026)

SPICE & STIMULANTS



Source: https://vietnambiz.vn/ (2026)

RICE & GRAINS



Source: https://vietnambiz.vn/ (2026)