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MONTHLY

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# FOREWORD

From CEO  
Michael Tan



As 2022, which has been described by many as post-Covid recovery year, draws to a close, the Kingdom of Cambodia appears to be ending on a more optimistic note with reports in December of higher export volumes and trade figures with its trading partners, and having recorded more robust FDIs and an uptick in the number of non-SEZ projects.

## CAMBODIA GROWS IN OTHERWISE GLOOMY GLOBAL ECONOMY

Although the World Bank forecasts a 5.2% economic growth for Cambodia in 2023, its caution of headwinds ahead is in line with general sentiments that the global economic outlook in the new year remains gloomy at best. Businesses and investors should anticipate more thundery showers and expect an overall turbulent ride in the new year, with the long tails of disruptions in logistic and supply chain, rising protectionism amidst increasing geopolitical uncertainties, among other known unknowns and unknown knowns, to weigh heavily on the external environment that Cambodia relies on for its trade and FDIs.

## EXCITING EVENTS ON THE HORIZON

Nevertheless, as one of the most open and business-friendly emerging economies in the Asia Pacific region, the Royal Government of Cambodia looks set to continue its pursuit of FTA partners, open new trading / export markets, reform its national policies and continue its commitment in green solutions and renewables.

If anything, 2023 will be an exciting year for Cambodia as it gets ready for the National Assembly Elections – which incidentally is the only country, or at least one of the very few, whose election is predictably set to be in the same window every 5 years of the mandate – which will set the stage for the next generation of leaders to take the Kingdom and its people onto a path towards becoming the next ‘Tiger’ economy of the region.

On behalf of my team at Aquarii, I wish all our partners, friends and supporters, a happy, safe, healthy and successful year ahead.

Happy  
New  
Year



Happy New Year From the Aquarii Team

## WORLD BANK: CAMBODIA RECOVERING BUT STILL FACES CHALLENGES IN 2023

The World Bank forecast a total economic growth of 4.8% in 2022, thanks to a rebound in tourism, with Cambodia's economic growth projected to accelerate to 5.2 percent in 2023



World Bank presents Economic Update in Phnom Penh

The report said that Cambodia's garment industry, travel goods and footwear exports have been resilient. The services sector, especially travel and tourism, has done well since the introduction of the "Living with COVID-19" strategy in late 2021, and total international visitor arrivals have steadily increased, reaching 1.2 million in the first nine months of 2022. Business and consumer confidence have also risen and both domestic and foreign investment have increased.

Economic growth will increase due to hiring supports rising domestic consumption and as inflation recedes. However, prospects for faster growth face serious risks due to developments beyond Cambodia's borders.

### "Global growth outlook is gloomy"

Global trade growth slowed in the second half of 2022 and is projected to slow sharply in 2023. The economies of developing countries such as Cambodia are particularly vulnerable to rising inflation, slower global economic growth, decreased availability of energy supplies, and higher interest rates.

Cambodia's manufacturing sector depends on export markets to thrive and would be negatively affected by an extended growth slowdown in its two largest export markets, the United States and the European Union. Similarly, investment and capital inflows would likely diminish as a result of a sustained slowdown in its largest source of foreign direct investment, China.

The World Bank said that to shield its economy from a possible drop in external demand, Cambodia could take steps to strengthen its fiscal position and promote its domestic economy, particularly its globally attractive tourism industry.

"Revenues are up, thanks to the economic recovery and administration improvements. Broadening the tax base will help ensure the resources needed to promote Cambodia's economy and weather slowing growth among major trading partners. Tourism and hospitality are particularly promising areas for growth. Looking further into the future, Cambodia's economy is expected to advance to a growth rate of around 6 per cent and participation in recently concluded trade agreements can also boost agriculture and agro-processing industries. *Read more [here](#)*



# KEY AREAS OF TRANSFORMATION FOR CAMBODIA IN 2023: WB

## 1) Foster Productivity

A focus on firms and their workers is key to unleashing productivity says the World Bank.

Policy reform in target areas can help the country meet its potential, including investing in human capital through health and education; supporting more efficient resource allocation through improved market institutions and PIM; easing the regulatory burden for firms thereby reducing informality and its negative impact; and improving the performance of key services inputs to strengthen domestic linkages.



**A busy port in Cambodia  
KT/Chor Sokunthea**

## 2) Diversify the economy

When the pandemic disrupted the cross-border flow of goods, services, and capital, Cambodia was ill-positioned to absorb the shock without alternate products, markets, and financing sources, a WB report said.

"Cambodia's growth-generating process has been insufficiently diversified. In 2018, five products—garments, footwear, rice, cassava, and tourism—accounted for 80 percent of its total exports."

Diversification of exports can continue driving growth during the recovery from COVID-19. A cross-cutting and medium-term policy agenda to diversify Cambodia's trade is structured on upgrading in manufacturing GVCs, creating value addition in agriculture, and increasing competitiveness to export modern services.

## 3) Seek investment

Harnessing domestic investment can help finance the next phase of growth. Policy areas include promoting FDI into productive and export sectors; promoting higher domestic savings rates; improving financial inclusion through greater access to savings institutions; supporting digital access through digital technologies; lowering the costs of savings accounts; and supporting financial sector stability and development more broadly. [Read more here](#)



## NON-SEZ PROJECTS WORTH \$2.7B REGISTERED IN 10 MONTHS



CDC sees a surge in new projects.  
KT/Chor Sokunthea

Cambodia saw a surge in new projects outside special economic zones (SEZ) approved by the Council for the Development of Cambodia (CDC) in January-October 2022 compared to the same period in the previous year due to the new investment law and international market access under the trade pacts, with the projects generating around 100,000 new jobs for local people.

The CDC issued final registration certificates for 116 new non-SEZ private investment projects in the ten months of this year, an increase of 24 projects year-on-year, the Ministry of Economy and Finance's Socio-Economic Trends reported.

"In the first 10 months of 2022, the investment situation showed a real improvement, with a total of 116 private investment projects, an increase of 24 projects and a total investment of \$2,758 million, an increase of 136.6 percent compared to the same period last year," the ministry said.

**“With trade pacts with China and RCEP and the successful management of the Covid-19 pandemic have led to the resumption of all socio-economic activities. These are catalysts in attracting new investment to Cambodia”**

The relocation of manufacturers from other countries following the US-China trade war is another factor that helped new investment in Cambodia. The trade pacts – RCEP, Cambodia's bilateral free trade agreements with China and South Korea, and other trade preference schemes – EBA and GSP provide a bold and favourable incentive to investors.

In October 2021, Cambodia launched new investment law, which is a law to provide specific advance incentives and protection to investors. This came after Prime Minister Hun Sen said the government had made Cambodia a hub for investment and enhancement of competitiveness.

*Read more [here](#)*



## COMPOSABLE AND DIGITAL BANKING TO DRIVE MORE FINANCIAL INCLUSION IN CAMBODIA: EXPERTS



The Temenos Regional Forum had leaders from the government & digital banking sector

Temenos Regional Forum Cambodia concludes that the continued adoption of Cloud Services, Composable Banking, Next-Generation Digital Banking, and Financial Inclusion has reshaped the perspectives of the Cambodian banking community on what's possible and continues to help it leapfrog ahead on the digital frontier.

Keynote speaker H.E. Dr. Kong Marry, Under Secretary of State at the Ministry & Secretary General at Digital Economy & Business Committee, commented on the Kingdom's rapidly growing economy over the last 20 years, adding that digital banking was central to the next stage of digital adoption.

"Showcasing this success the World Bank most recently increased Cambodia's level of development of government technology measured by the GovTech Maturity Index (GTMI) which has been upgraded to Grade B from C for 2022 – on par with Thailand and Vietnam."

Nick Edwards, Temenos Deputy Regional Director, APAC, & General Manager of ASEAN said Banks around the world, APAC and here in Cambodia are responding to changing macro-economic forces and customer expectations by evolving their business models beyond the traditional, vertically integrated model.

"Banks are embracing technology and new market entrants and changing their product distribution strategies to become embedded in everyday interactions." *Read more [here](#)*

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## SOLAR POWER HAS HUGE POTENTIAL TO PROVIDE SOLUTION TO INCREASING POWER DEMANDS: EXPERTS

Cambodia has 'huge potential' for expanding its solar energy sector as it looks to transition its energy mix away from fossil fuels, even with a four-fold increase in estimated power demand expected by 2040 in line with Cambodia's economic development, according to Natharoun Ngo Son, country director for Energy Lab.



Guest speakers talk solar energy at the discussion held by EuroCham

Experts at the recent EuroCham Green Business Committee also said that the recent power development plan (PDP) set out by the Cambodian government, and the rapid increase in the cost of coal power since 2019, is providing the push and pull factors needed to kickstart the country's nascent solar sector

“It's much more expensive to produce electricity from coal power. And that's the opportunity. Cambodia has a huge potential for solar energy.”

Cambodia is capable of producing about 45GWs of power and currently it's producing 450MWs – that's not even 0.1% of total capacity. But this has to expand in order to meet the increasing electricity demands.

Cambodia recently signed a cooperation deal with Singapore to act as a transmission hub for green energy from Laos to the city state, and fellow panellist Morten Kvammen, from consultancy Misca Advisors, said this could presage the country becoming a solar energy exporter.

“The energy transition is real. There's a long way to go in terms of developing all of the necessary capacity, but the fact is solar is cheaper power [than coal], and Cambodia has a great solar resource that can be developed efficiently and at a low cost”, he said. [Read more here](#)



[Indochina Research Ltd. \(IRL\)](#) is the only research firm that specializes in integrated market research solutions in the Indochina region including Cambodia, Laos, Myanmar and Vietnam, offering a broad range of marketing research and brand consultancy services to clients in all key consumer and business sectors.

## SUSTAINABLE GARMENT INDUSTRY IS 'CRITICAL' FOR CAMBODIA'S ECONOMIC DEVELOPMENT



A sustainable garment footwear and travel (GFT) goods sector is 'critical' to Cambodia's future growth even as the Kingdom looks to diversify its economy into producing higher value products, according to H.E Dr Huot Pum, the Under Secretary of State at the Ministry of Economy and Finance (MEF).

However, others cautioned over the impact of global economic headwinds on the local economy, saying that Cambodian factories are already seeing a drop in orders as a result of geopolitical factors.

Pum said the government aims to change the GFT sector's way of doing business to one which is more sustainable, more high-tech, and with more value-added, which can re-skill workers in those sectors to move to the middle management level. He also added that this is why in March this year, the MEF published its 'GFT Sector Development Strategy 2022-2027', which contained five goals: to promote investment in value-added products and supporting industries, better working conditions, increased diversification of GFT products, and improved skills training.

Fellow speaker Massimiliano Tropeano, a garment and sustainability expert, agreed that the economy was not yet diversified enough but said that the short-term outlook for Cambodia's GTR sector was positive, with production now equal or even higher than its 2019 levels and export growth potentially reaching 17% in 2022.

However, he said that according to the WTO, demand has lost momentum in the second half of 2022, which was not a phenomenon Cambodia is facing alone but its impact is already tangible in terms of how many orders the garment factories have received in the last three months. He also said that some production managers are now saying this is now a serious situation."

Also speaking, Ken Loo, general secretary of industry group the Textile, Apparel, Footwear & Travel Goods Association in Cambodia (TAFTAC), was also downbeat over the short-term outlook for GFT firms due to the failure to restore the lapsed General System of Preferences (GSP) agreement with the US.

[Read more](#)



## CAMBODIA, THE NEXT ASIAN TIGER?

Leading public and business figures have come together to say that key opportunities and developments could see Cambodia become Asia's next stand-out success story

*For full article from Khmer Times, click [here](#)*

### ATTRACTIVE INVESTMENT DESTINATION

While expressing his confidence in the fast-growing Cambodia economy, Anthony Galliano, President of AmCham, said that the country deserves to be recognised as one of the world's most attractive investment destinations given its historical economic achievements and by being one of the most promising prospects in the region.

As a result of almost near-perfect governmental management of the Covid-19 pandemic, in maintaining a balance of health and social safety and economic security and stability, Cambodia also emerged as one of the least blemished economies with one of the lowest mortality rates due to the pandemic, Anthony pointed out.

According to him, some of the advantages of investing in Cambodia include 100 percent ownership of companies of foreign investors except in some categories such as cigarette manufacturing, movie production, rice milling, gemstone mining and processing.

Other advantages include low corporate tax, minimum capital requirement of just \$1,000 to set up a company and a youthful population of around eight million under 25 years, Anthony said, adding that "Cambodia is perhaps the safest place on earth to live in."

### CURRENCY PROTECTION

According to the AmCham President, dollarisation has protected the Khmer Riel and limited the inflationary pressures, while other regional currencies have depreciated as the US dollar is the strongest it has been in two decades.

"Cambodia has an open economy and a stable government and it continues to provide investment incentives. The country has entered into and continues to enter into key trade treaties, and is continually and rapidly upgrading its infrastructure, particularly roads and ports," Anthony said, while listing out reasons why the country can be the next 'Tiger' economy from the region.

The International Monetary Fund (IMF) is projecting that Cambodia will be the region's fastest-growing economy by 2025. The Kingdom has a remarkable near zero unemployment rate and is finally creating better jobs with rising incomes," Anthony said.

## PROMISING GROWTH

Vichet Lor, Phnom Penh President of Global Real Estate Association (GRA), agreed with the view that the high level of dollarization has helped the country to attract large foreign investments as it protects investors from major currency fluctuations.

Being a fully liberalised economy, Cambodia attracts foreign investment to key infrastructure projects such as roads, airports, oil drilling and mining, Lor said, adding that the Kingdom is also having one of the lowest corporate taxes in Asia and will continue to be so for the foreseeable future with the introduction of the New Investment Law that offers tax incentives and tax holiday for up to nine years.

The stability of the economy is also underscored by the fact that the Gross National Debt is only about 40 percent of the GDP prompting financial institutions like ADB, IMF and World Bank to rate Cambodia as financially safe for the medium term, Lor further said.

Another huge advantage of Cambodia becoming the next 'Asian Tiger' is that it has a young population of about 70 percent under the age of 40 and its unemployment rate is near zero. In Vichet's opinion, a bi-lingual or tri-lingual population in Phnom Penh increases the competitiveness and attractiveness of FDIs. After, Singapore and Malaysia, Cambodia is considered to have the largest English-speaking population in the region.

The revised Taxation Law to be adopted by the National Assembly soon will further enhance investor confidence in Cambodia. Emerging capital markets including Cambodia Securities Exchange (CSX) will take the economy to greater heights. The country also has many unexplored areas for growth such as in fintech and e-commerce that could attract more investment in the near future. The absence of restrictions in foreign currency exchanges or transfers has also boosted the country's standing in attracting investments from abroad. A rising tax collection year on year has provided the government with more room and flexibility to invest.

## PROMISING FUTURE

Cambodia's Special Economic Zone (SEZ) policy is also playing a leading role to stimulate the manufacturing sector as the country has greatly benefitted from the Free Trade Agreements with China and South Korea besides the Regional Comprehensive Economic Partnership (RCEP) Agreement.

Now, with the proposed launch of the commercial court in 2023 to hear trade disputes. "The hosting of the South East Asian (SEA) Games next year and the inauguration of the new Phnom Penh International Airport, which is the world's 9th largest airport, likely in 2023, will further cement Cambodia's position as an investment destination with adequate infrastructure and facilities to accommodate a burgeoning economy.

# YOUNG ENTREPRENEURS ASSOCIATION OF CAMBODIA TO ACCELERATE SME GROWTH



The MoU Ceremony in December

The Young Entrepreneurs Association of Cambodia (YEAC) has signed a Memorandum of Understanding with Canadia Bank to provide unsecured loans with special terms exclusively for its members.

The strategic partnership is also part of the Government-led Business Recovery Guarantee Scheme (BRGS) under Credit Guarantee Corporation of Cambodia (CGCC)

Mr. Raymond Sia Say Guan, Canadia Bank's CEO and Executive Board Director, is confident that the collaboration between Canadia Bank and YEAC will positively impact the growth of SMEs and local businesses across Cambodia.

“With the signing of this partnership agreement, we will contribute to the growth of SMEs and business communities as a whole.”

He said that one of YEAC's priorities is to ensure that its members have adequate access to affordable financing, and these unsecured loans that Canadia Bank will provide exclusively for its members, will help a lot of businesses to have access to the fund they need to strengthen and expand their business operations.

"YEAC is an organization that empowers young entrepreneurs by providing them with competitive advantages such as capacity-building and supportive policy and business regulatory environment. The SME growth will, in turn, fuel Cambodia's economic progress by driving more productivity, creating jobs, and other exciting opportunities in the workforce, he added. [Read more here](#)

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## CHINA-SOUTH ASIA EXPO: DEPUTY PRIME MINISTER ASKS FOR MORE TRADE WITH CHINA



FTAs have seen a growth in exports from Cambodia in 2022

The Regional Comprehensive Economic Partnership (RCEP) and the Cambodia-China Free Trade Agreement (CCFTA) are expected to enhance trade growth in 2023 as well, with both having already helped enhance trade growth this year,” Penn Sovicheat, under-secretary of state at the Ministry of Commerce said.

Cambodia can use its specialisation in producing garments, shoes, travel goods, part components, bicycles, etc. and export them to different parts of the world in 2023 as well. He said the country’s agricultural products have already garnered a reputation in many markets abroad, especially in Europe, the US and China.

“ We stand to gain more market access to our products due to the signing of these free trade agreements ”

According to the estimates of several experts, Cambodia is set to register 5-6 percent GDP growth on the back of exports. Cambodia’s export surged 18.1 percent to \$20,457 million in the January-November period of this year, as compared to the same period last year. In its recent Cambodia Economic Update report, the World Bank pointed out that RCEP and the CCFTA have enhanced Cambodia’s agricultural production and agro-processing industries.

According to experts, Cambodia’s government’s effective handling of the Covid-19 pandemic situation and vaccination drive, followed by the reopening of the economy and the free trade agreements have boosted the country’s competitiveness in exports.

While attending the World Bank’s Cambodia Economic Update in Phnom Penh this month, World Bank’s senior country economist Ly Sodeth was quoted as saying in a report that RCEP and CCFTA have helped boost Cambodia’s agriculture and agro-processing industries. [Read more here.](#)



**PhillipBank**



CEO MR. CHAN MACH

## COMPANY OVERVIEW:

Phillip Bank was established in Cambodia 10 years ago in 2009. Upon the completion of the merger with KREDIT Microfinance in 2020, we currently have 89 branches nationwide, with plans to expand our network to other major cities in Cambodia and to introduce more exciting products to meet the needs of our customers. We aim to be a premier, safe and secure commercial bank that responds to all of our customers' banking need and to live up to our tagline.

## SERVICES:

### PERSONAL SERVICES:

- PHILLIP BANK ONLINE: Off-site Account Opening, Mobile App & Bakong, Virtual Mastercard, E-Saving Account, Internet Banking and ATM Cards
- DEPOSIT: Savings Account, Current Account, Future Account, Term Deposit Account and Parent-Child Account
- CREDIT: Car Loans, Housing Loan, Personal Loan and Micro Loan(s)
- SERVICES: Local Transfer. Fast Payment, Banker Cheque, Standing Instruction, International Remittance and Local Inter Bank Remittance

### BUSINESS SERVICES:

- BUSINESS DEPOSIT: Savings Account, Current Account and Term Deposit Account
- BUSINESS CREDIT: MSME Loan, Corporate/ SME Loan
- BUSINESS SERVICES: Internet Banking. Fast Payment, Trade Finance, Payroll Service, Banker Cheque and Standing Instruction
- BUSINESS TRANSFER: Local Transfer, International Remittance and Local Inter Bank Remittance



Phillip Bank Scholarship Ceremony

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