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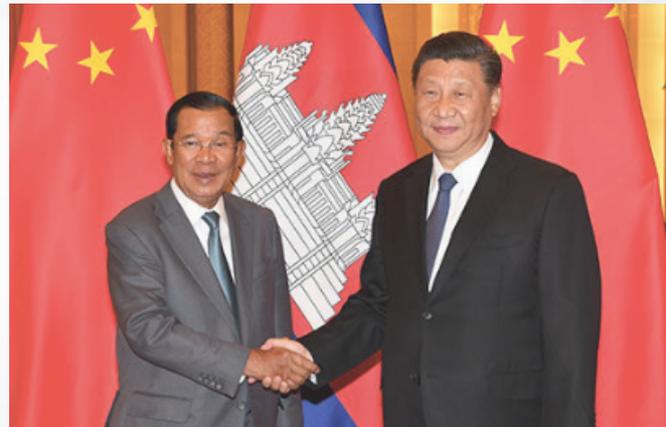
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IMF 2023 REPORT FINDINGS

The IMF has forecast Cambodia's GDP growth to be 5.5% in 2023, supported by the continued recovery of tourism and ongoing policy support.

IMF said inflation peaked in 2022 and should be lower in 2023, and decline further thereafter, assuming it remains mostly confined to imported goods. Meanwhile, the most pressing risks are from rising private debt; conditions in key large economies; and inflation. Read more [here](#).

FISCAL DEFICIT EXPECTED TO NARROW



Cambodia's public finances are expected to gradually improve. Spending pressures and lower-than-expected tax revenue resulted in a fiscal deficit of just over 7% of GDP in 2021. Public debt-carrying capacity remains vulnerable to further shocks to exports and growth, but risks of external and overall debt distress remain low, so long as public debt is constrained in the future and the increase in private debt is not associated with an increase in contingent liabilities of the sovereign.

IMF said growth outlook is broadly favourable, notwithstanding downside risks from slower external demand and rising domestic vulnerabilities including elevated levels of private debt. They encouraged the National Bank of Cambodia to rein in credit growth by gradually restoring monetary conditions to pre-crisis levels. They saw merit in normalizing prudential conditions to pre-pandemic settings and the importance of implementing corporate insolvency, debt and bank restructuring, and deposit protection frameworks.

IMF SUPPORTS FISCAL PLANS



IMF directors supported the authorities' current fiscal plans to provide insurance against downside risks to aggregate demand while maintaining a steady reduction in fiscal deficits over the medium term. Social protection measures should continue to be used to protect the poor against the effects of inflation, coupled with offsetting cuts elsewhere.

They also noted the importance of policy frameworks to ensure resilience over the longer term. They encouraged efforts to enhance spending efficiency and strengthen revenue mobilization, including by broadening the tax base and rationalizing exemptions. "The recent issuance of the first domestic government bond is a welcome development."

STRUCTURAL CHANGES NEEDED



The IMF welcomed the progress made in implementing anti-corruption action plans and encouraged continued efforts to strengthen governance frameworks more broadly. They emphasized the need for structural measures to boost productivity to help raise living standards and to durably restore external balances, given the pegged nominal exchange rate.

They also underscored the importance of improving data quality through capacity development and encouraged the authorities to build on recent efforts to strengthen climate adaptation and mitigation.

RCEP TO HELP CAMBODIA GRADUATE LDC STATUS BY 2028

Cambodia's trade with the Regional Comprehensive Economic Partnership (RCEP) member countries reached \$28.4 billion in the first 11 months of 2022, a year-on-year increase of 7 percent, according to the latest Ministry of Commerce [report](#)



RCEP was signed in 2022

Following the release of the report, the Cambodian Ministry of Commerce's Undersecretary of State and Spokesman Penn Sovicheat said that RCEP – which is the world's largest free trade pact – will help Cambodia to graduate from its least developed country (LDC) status likely by 2028 and to achieve its goals of becoming an upper-middle income country in 2030."

The report said the kingdom's export to the RCEP member countries was valued at \$5.67 billion during the January-November period last year, up 5 percent, while its import from the RCEP member countries totaled \$22.73 billion, up 7 percent. The Southeast Asian kingdom's top five trading partners under the RCEP are China, Vietnam, Thailand, Singapore and Japan.

Entered into force on Jan. 1, 2022, the RCEP free trade agreement comprises 15 Asia-Pacific countries including 10 ASEAN member states — Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam — and their five trading partners of China, Japan, South Korea, Australia and New Zealand.



[Indochina Research Ltd. \(IRL\)](#) is the only research firm that specializes in integrated market research solutions in the Indochina region that includes 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.

SPEEDWIND: DISTRIBUTION SECTOR HAS IMPROVED THROUGH, INNOVATION & INVESTMENT

Dalton Wong Chairman & Founder of award-winning company Speedwind Distributions said, over the past 10 years, we had seen the distribution sector evolve from a purely traditional pickup-and-drop system to that a very structured system.

"In the past, because of a lack of exposure, talent, and availability of technology in the market, the availability of reliable delivery and distribution services in the Kingdom was very limited. As a result, the service standards were very low and the costs of distribution were relatively high, leading to all-around inefficiency." *Read more [here](#).*



Mr. Dalton Wong of Speedwind talks about improvements in Cambodia's distribution sector

“ However, throughout the years, many companies have taken steps to change this through investment and perseverance. ”

Dalton Wong said distribution is key to supply chain management, which is essentially the flow of supplies from a starting point to the destination. "

A successful distribution company is able to distribute from a start point to a destination in the fastest and most cost-efficient way. This was made difficult as in the past there was a constant factor of uncertainties, such as unreliable payment methods, lack of suitable transportation, inaccurate delivery addresses, and the security of the cargo whilst on route.

"Cambodia's Government has been instrumental in helping improve the above challenges, such as by ensuring the availability of internet in all the provinces and introducing new roads and highways that connect major destinations and trade routes directly."

"The government, as well as the fast-moving banking system, have also helped by investing in technology and delivering services that allow payments and refunds to be made across provinces. Now, together with investment from companies in their own operations, distribution services are offering better value and faster services than ever in the Kingdom.



CAMBODIA'S E-COMMERCE MARKET COULD REACH \$1.78 BILLION BY 2025



E-commerce was resilient to the effects of the pandemic

According to Statista, the e-commerce market in Cambodia is expected to expand by 13.51% annually between 2023-27 which may take the market volume to \$2.10 billion in 2027.

Penn Sovicheat, Undersecretary of State and Spokesman at the Ministry of Commerce said the e-commerce sector has shown remarkable growth during the pandemic and will continue exponentially in the coming years

According to the Commerce Ministry iTrade Bulletin, at \$263.30 million fashion accounted for the lion's share of the e-commerce market revenue. It was closely followed by the electronics segment at \$254.4 million. At \$230.5 million, sales and purchases of beauty, health, personal and household care products contributed the third largest share. The rest of the revenue came from food, furniture, beverages, and media, among others.

“ **Increased reach and use of the Internet in recent years have given a big boost the e-commerce in the Kingdom** ”

Since 2020, the e-commerce sector has registered consistent growth. The market value of e-commerce in Cambodia is estimated to reach \$1.11 billion in the year just gone by, \$1.28 billion in this year, \$1.50 billion in the next year and \$1.78 billion in 2025.

The market value increased to \$970 million in 2021, up 19 percent from \$813 million in 2020, according to the Ministry of Commerce's iTrade Bulletin.

In 2022, according to the Khmer Enterprise estimates, among 17.06 million people, there were 22.06 million mobile phone connections, 13.44 million internet users, and 12.6 million social media users in Cambodia. The previous year, among 16.8 million people, there were 21.18 million mobile phone connections, 13.3 million Internet users, and 12 million social media users. Read more [here](#).

CAMBODIA PLANS \$4 BILLION UPGRADE FOR ITS FIRST HIGH-SPEED RAILWAY



Plans are in line with an expansive new railway system in the ASEAN

Cambodia has announced its plan to invest \$4 billion to upgrade the existing northern Phnom Penh-Poipet railway line into the first high-speed railway line in a step towards modernizing Cambodia's transportation network and promoting socioeconomic growth. It will feature 33 stations, electric locomotives and carriages, and will be able to reach speeds of 160km p/hour

The new railway line is expected to be a viable alternative to the current system and provide passenger and freight services between Cambodia and Thailand. It is also planned to link into China's belt and road policy of high-speed trains in ASEAN and extend from Bangkok to Cambodia's border, connecting to mainland China and Singapore.

“ The northern Phnom Penh-Poipet high-speed rail will importantly serve transportation and promote socioeconomic growth, especially in the provinces and cities along the rail ”

In 2022, trade between Cambodia and Thailand reached \$4 billion, with Thailand being the second largest destination for Cambodian exports. The new railway line will play a crucial role in promoting trade between the two countries and boost economic growth in the region.

The upgrade of the Phnom Penh-Poipet railway line is a significant step forward for Cambodia's transportation network and will play a crucial role in promoting economic growth in the region. With this investment, Cambodia is positioning itself as a key player in the Southeast Asian transportation network and setting the stage for further modernization.

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CAMBODIAN TRADE WITH INDONESIA GREW BY OVER 45% IN 2022

According to the General Department of Customs and Excise (GDCE), the amount of goods traded between Cambodia and Indonesia in 2022 was US\$948.533 million, up 48.27% from the previous year. Cambodian imports made up 96.12% of the total, up 1.08 percentage points from the previous year.



Cambodia and Indonesia continue to enjoy fruitful cooperation

According to the General Department of Customs and Excise (GDCE), the amount of goods traded between Cambodia and Indonesia in 2022 was US\$948.533 million, up 48.27% from the previous year. Cambodian imports made up 96.12% of the total, up 1.08 percentage points from the previous year.

“ In 2022, Cambodia exported \$36.839 million worth of goods to Indonesia and imported \$911.694 million worth of goods from Indonesia. ”

These numbers were up 15.9% and 49.96% from the previous year, respectively. This increased the trade deficit between the Kingdom and Indonesia by 51.8%, from \$576.167 million in 2021 to \$874.854 million in 2022.

Last year, December was the best month for both two-way trade and Cambodian exports to Indonesia, with May coming in second with \$96.20 million and \$94.60 million, respectively. September and July were the best months for imports, with \$5.19 million and \$4.16 million, respectively, according to GDCE statistics.

Foreign investors from Indonesia and other countries have been encouraged by the kingdom's FTAs, especially its bilateral agreements with China and South Korea and the Regional Comprehensive Economic Partnership (RCEP). [Read more here.](#)

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CHANGES TO TAX THRESHOLD WILL EASE BURDEN CAUSED BY EXTERNAL FACTORS: DFDL



Clint O'Connell from DFDL discusses the new tax changes

According to DFDL, recent income tax and tax on salary threshold changes enacted by the government are proactive measures against inflationary pressures, rising living costs, and a rising minimum wage.

"The monthly progressive tax on salary thresholds for resident employees and the annual progressive tax on income thresholds are intended to provide relief to those most vulnerable to external economic circumstances out of their control."

Speaking on how the changes could impact economic growth and mobility for taxpayers, Mr. O'Connell said for most taxpayers – who will receive a bit of extra cash due to these changes – may go to paying for increased living costs.

"The additional cash in circulation will no doubt help to some extent with spending in the local economy, although we note that in the current environment, most taxpayers are being fiscally conservative with any spare cash that they receive."

“

“With respect to the annual progressive tax on income rates, this will provide some relief to the SME sector in Cambodia – individuals and sole proprietorships being most impacted by this change.”

”

According to Mr. O'Connell said, the key takeaway for investors considering these changes is that there can be continued optimism and faith in the pro-active and fiscally prudent stance of the Royal Government in taking appropriate action where necessary to support businesses and vulnerable workers during difficult economic times. We saw this throughout the Covid-19 period, and we will continue to see it in the future," he added. Read more [here](#).



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OPINION: CAMBODIA IS THE EMERGING MARKET YOU CAN'T AFFORD TO IGNORE

CEO of Quantum Engineering and Manufacturing and recently selected ASEAN Top 40 Under 40, Richard Yim, said investing in Cambodia is a great choice if you're looking at emerging markets.

"Cambodia is home to more than 16 million people and in recent years, the country's economy has expanded and undergone significant changes. As a result of this, the market has and will continue to become more appealing to entrepreneurs and investors."

For full article from Cambodia Investment Review click [here](#)

STRONG ECONOMIC FOUNDATION

Cambodia's GDP has increased by 7.6% annually on average during the last decade. This has resulted in a far higher quality of life than in many other nations in the area. In a recent report, the Asian Development Bank (ADB) reaffirmed its optimistic growth prediction for Cambodia's economy in 2023 at 6.2%. The Cambodian government has also prioritized making the country's business climate conducive to the country's fast economic expansion. Some of the changes they've made include making it easier to start a company and modernizing the judicial system.

Real estate and construction has been a major driver of Cambodia's economy over the last 10 years. This has led to Cambodia moving up the ranks to the 15th spot in the region as the easiest country to conduct business in. Investment projects totaling \$2.43 billion are now being carried out in Cambodia by the bank.

In 2021, the Asian Development Bank loaned and granted Cambodia a total of \$327.1 million, with an additional \$5 million leveraged via co-financing. The Asian Development Bank (ADB) has \$1.17 billion in concessional loans and \$43.9 million in grants in the works to aid the country's economic development and recovery from the COVID-19 epidemic between 2022 and 2025.

GREAT NATURAL RESOURCES

The abundance of natural resources in Cambodia, such as oil, gas, wood, and arable land, is expected to be a major factor in the country's significant GDP growth anticipated over the next several decades. All economic expansion and progress rests on these resources. Because of its favorable geology, Cambodia is rich in a wide range of minerals that might make substantial contributions to the economy. Iron ore, copper, and gold are some of Cambodia's most important minerals. Oil, one of Cambodia's most valuable commodities, is found in large quantities here. Cambodia has a lot of oil within its borders, but the country has yet to start commercializing it.

PROVEN AGRICULTURE AND TOURISM SECTORS

Cambodia is gifted with fertile terrain in addition to its abundant natural resources. According to World Bank data, around 22 percent of Cambodia's land was suitable for farming. Since the early 1990s, when the government first began to actively promote agriculture, Cambodia's quantity of arable land has grown gradually. Approximately 35% of Cambodia's GDP in 2012 came from agriculture, making it one of the country's primary economic sectors.

Tourism is another important sector of the Cambodian economy. More than 10 million tourists visit Cambodia every year, making the industry a significant driver of the country's GDP. This is predicted to increase in the years to come as more and more people learn about the country's fascinating culture and travel there to see its breathtaking temples, picturesque beaches, and storied landmarks.

RISING MANUFACTURING SECTOR

"An increase in Cambodia's manufactured product exports and a gradual recovery in the construction and service sectors have supported economic growth in 2022 despite the drop in agricultural growth caused by surging fuel and fertilizer prices and heavy rains," said ADB Country Director for Cambodia Jyotsana Varma. In addition, companies looking to reduce their manufacturing expenses should consider setting up shop in Cambodia since it has some of the lowest labor prices in the region. The minimum salary for workers in Cambodia's textile industry rose from \$100 to \$177 per month in 2014.

More firms are opening agro processing facilities in Cambodia, reducing the nation's reliance on imports. The minimum wage has been continuously raised by the government since that time. Even with the increase in the minimum wage, labor costs are extremely low. As well, businesses in Cambodia may benefit from the country's free trade agreements with other nations worldwide.

GROWING MIDDLE CLASS

The country's progress has resulted in a sizable and growing middle class in Cambodia. It is claimed that as many as half of Cambodians currently belong to the country's middle class. This is a fantastic opportunity for companies to offer their products to a rapidly expanding clientele. A massive increase in the number of mobile phones — 19 million in total — has also been noted by industry experts.

International brands and malls are targeting the growing middle class in Cambodia. Not to be overlooked is the rapid rate at which Cambodia is urbanizing, with Phnom Penh's annual growth rate sitting at about 6%. This gives businesses a lot of options to take advantage of the rising market in cities.

PHILLIP TRUSTEE OFFERS CUSTOMIZED TRUST OPTIONS FOR FOREIGN INVESTORS



Phillip Trustee is an associate company of Phillip Bank

Phillip Trustee (Cambodia), an associate company of Phillip Bank, has been launched to provide four key services to foreign investors, namely:

- Holding property
- Fund retention
- Sale and Purchase Agreement
- Escrow service.

These services are designed to enable foreign investors to own tangible assets and grow businesses in Cambodia.

Mr. Ong Teong Hoon, Director of Phillip Bank said, “with Phillip Trustee, we believe that our expertise and resources, combined with the growing demand for trust services in Cambodia, will allow us to succeed in this new venture.”



We are excited to enter the trust sector in Cambodia and offer our services to foreign investors



Phillip Trustee is able to leverage the resources and facilities of Phillip Bank, which has more than 10 years of experience in financial management in Cambodia. The trust company will work closely with foreign investors to determine the appropriate trust structure for their needs and investment purposes. Individual trusts can be customized for the benefit of the trustor, as well as for certain individuals or families. Social trusts, intended for charitable purposes, can also be accommodated by Phillip Trustee.

“The trust law in Cambodia provides a unique opportunity for foreign investors to safely and securely own assets and grow their businesses in the country. Phillip Trustee, as an associate company of Phillip Bank, is committed to supporting foreign investors in utilizing the trust law to their advantage and facilitating the growth of their businesses in Cambodia,” Mr. Ong Teong Hoon further commented.

“Our team of experts will work closely with investors to determine the appropriate trust structure for their needs and investment purposes, ensuring that all necessary tax and legal requirements are met. We look forward to helping foreign investors take advantage of the trust law in Cambodia and achieve their investment goals,” he added. Read more [here](#).



IPS CONFIDENT OF HEALTHY REAL ESTATE SECTOR AS DEVELOPERS DIVERSIFY PROJECTS



The Real Estate sector remained stable through COVID-19

IPS have said they are confident 2023 will bring back the bigger deals essential for a healthy sector, despite concerns over the amount of stock due in the market, as inbound foreign investment continues its post-pandemic recovery in a generally stable market. [Read more here.](#)

“The market has weathered the pandemic storm quite well and is currently in a good place. There’s a lot of stock, which is a concern, but good projects will always do well and we’re seeing a bit more sophistication in terms of product from developers hoping to stand out from the crowd,” IPS said.

IPS said there are a number of examples of well-known high-quality office buildings in the city and residential properties that are largely vacant, which suggests the purchasers are not investing for the rental yield, but purely for capital gain or even for other reasons.

“ Opportunities include ODOM, Times Square 306, and Circle Village with additional projects coming soon. New projects in Siem Reap include Rose Apple Square and Angkor Grace are also popular ”

Talking about his advice for real estate in Cambodia, he advised investors to remain cautious but be brave, seek professional advice and guidance, negotiate hard and do their due diligence.

“There are plenty of good opportunities in the market, but you have to understand real estate in Cambodia and the nuances of doing business here. If you want to make a splash in the commercial market, do your research, find a trusted agent, and focus on relationships with advisors, and good opportunities will be introduced in time,” Fitzpatrick added.

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GOVERNMENT PUTS OUT ADDITIONAL MEASURES FOR TOURISM RECOVERY

The Royal Government of Cambodia has extended a waiver of monthly payment of all types of taxes, except Value Added Tax (VAT) for another three months from January to March 2023 for hotels, guesthouses and tour agency firms that were listed with the General Department of Taxation (GDT) and have business activities in Siem Reap.



Tourists enjoy Angkor Wat

The statement also indicated that the government would also track seriously the situation of the Covid-19 pandemic, regional and global economic trends. RGC is ready to release more measures to recover the economy with resilience, sustainability and inclusiveness under its strategies and program for recovered economic growth during the pandemic period.

According to a statement from the government, Cambodia's economy has been recovering in almost all sectors in both garment and non-garment industries as well as service sectors, while business activities in tourism destinations including Phnom Penh, coastal areas and some provinces have gained remarkable growth thanks to the sharp rise in domestic tours, business and investment.

"However, the growth of the number of international tourists has still been slow in the short and medium runs to come due to the uncertainties of the global economy," the release said, adding that relevant ministries and institutions are required to effectively implement the set of guidelines under their respective competences. The uncertainties of the global economy would continue to put pressures on tourism with some destinations that are generally dependent on international tourists," the statement pointed out. Businesses in tourism would also be urged to develop skills of their staff themselves and find a possibility to get loans from Skill Development Fund (SDF).

