

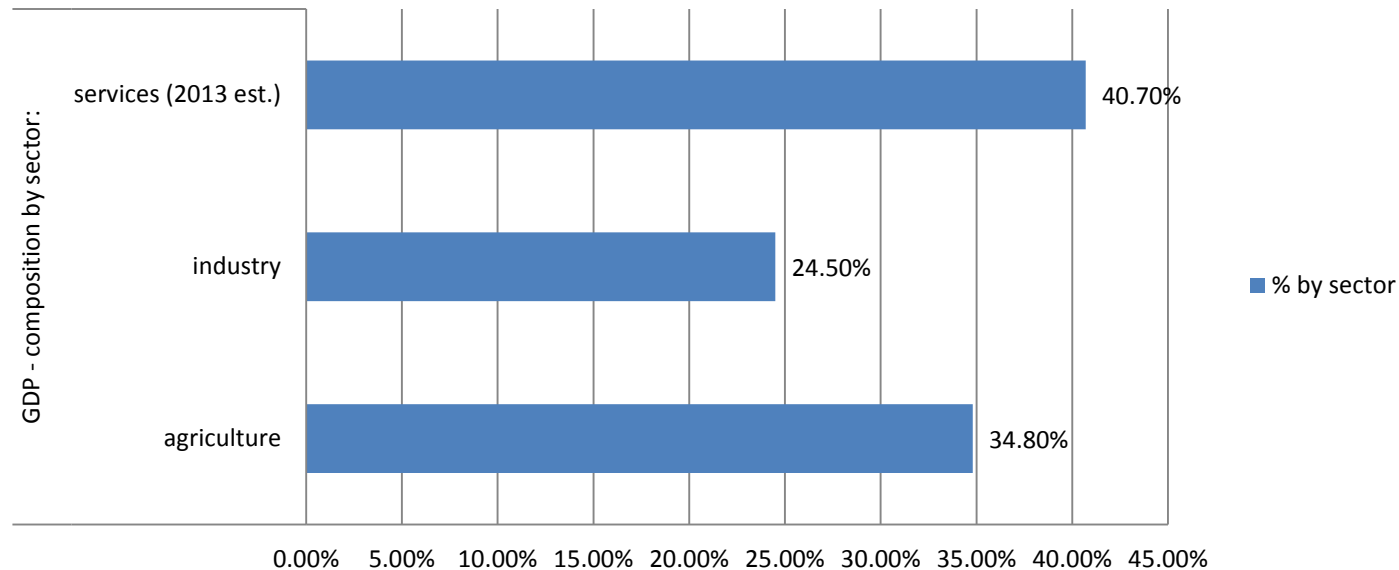
The Light Manufacturing Sector

Outline

- Introduction – macroeconomic trends
- Light manufacturing
- Selected LM priority products

GDP by sector

2013 GDP estimate \$39.64 billion



(source: index mundi 2014)

Real GDP growth = 7% in 2014;

Project growth of real GDP =7% in 2015.

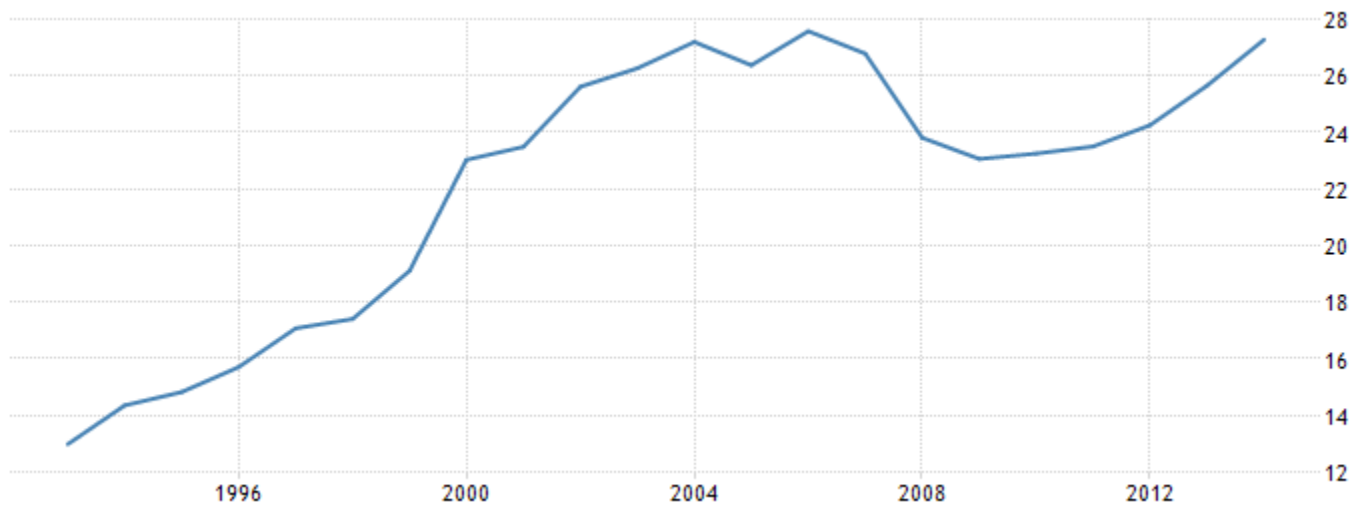
Nominal GDP at current value =approximately US\$15.35 billion (2014)

Projected approximately US\$ 18.61 billion(2015)

(source: CDC country overview 2015)

Industry in Cambodia

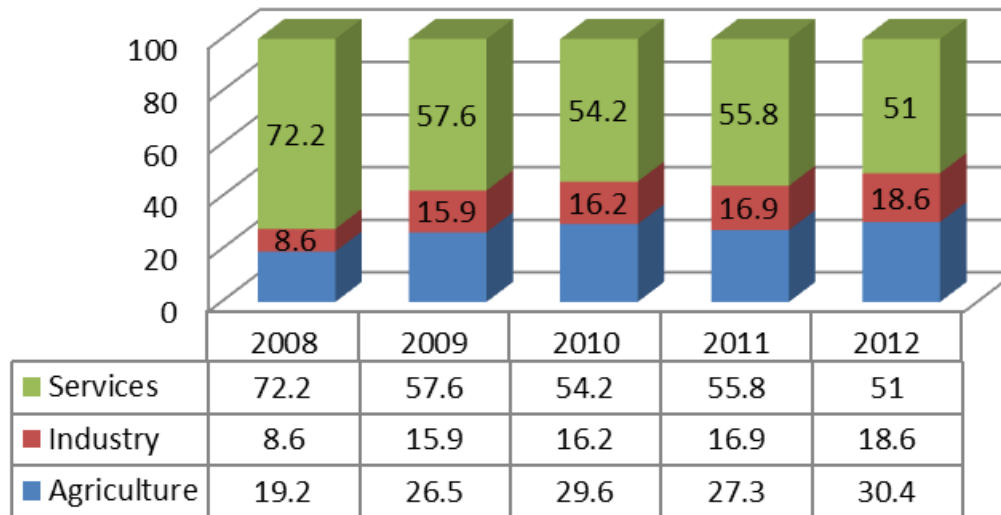
(value added as % of GDP) at 27.27 in 2014



Employment by Sector %

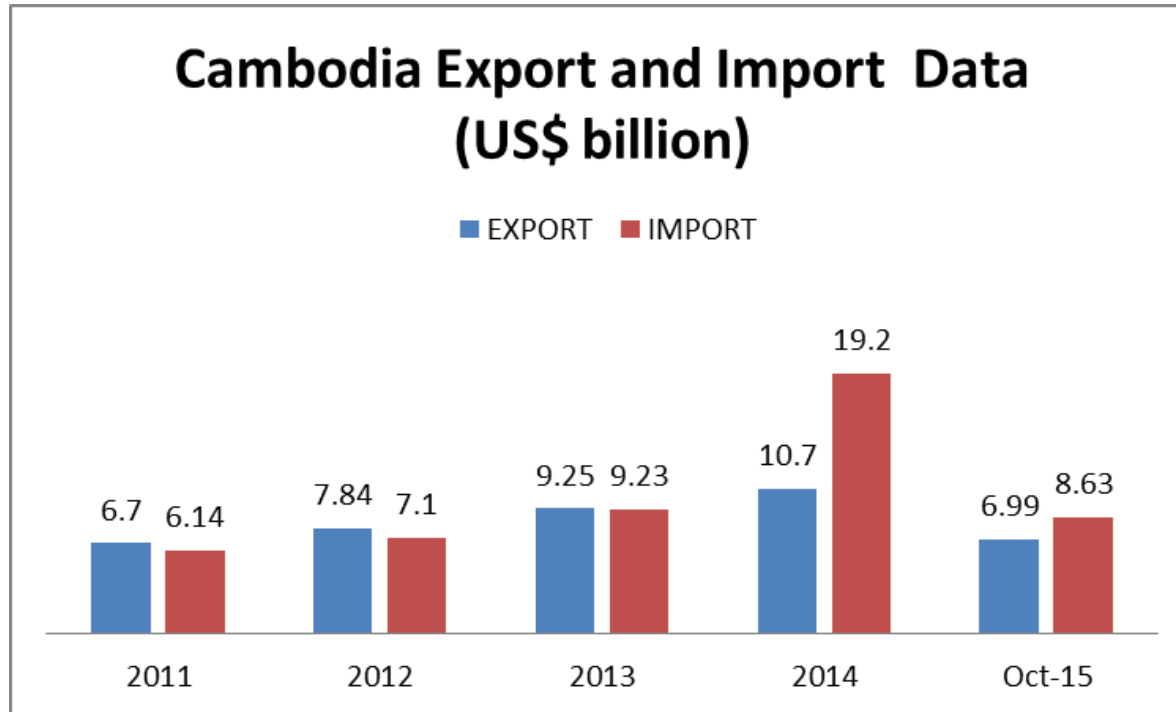
Share of Employment by Sector

(source: WB@Statista 2015)



Export and Import

(source: General Department of Customs and Excise of Cambodia)



Trends as of July 31st, 2015

Exports = US\$ 5.35 billion (increase by 20.5% vs. 2014)

Imports = US\$ 6.70 billion (increase of 17.2% vs. 2014)

Apparel accounted for more than 80% of the total exports.

Major imports: textiles, petroleum product, and vehicles; significant imports for industrial input products and daily commodities.

Opportunities in Manufacturing Sector

- Cambodia remains attractive to source labour due to relatively low salaries and ASEAN geographical location
- Cambodia enjoys low tariff due to global policies on General System of Preferences (GSP)/ Duty free Quota Free (DFQF)/ Everything But Arms (EBA)
- Enabling Environment: impressive industry regulatory framework in place (CTIS 2014 – 2018 and IDP 2015 – 2025); incentives by RGC in SEZ
- New prospects in ASEAN Economic Community

Priority Sectors (IDP 2015-2025)

- New industries markets with high value-added products: machinery/mechanic/electronic/electric equipment/ transport assembly and natural resource processing
- Drugs and medical equipment production, construction materials, packaging equipment for export, furniture manufacturing and industrial equipment, etc.
- Agro-industrial products
- supporting industries serving regional production chains linked with either global markets

Skills development in Cambodia

National Employment Policy 2015-20125

Goal 2: To enhance skills and human resource development:

- To enhance and expand the development of soft skills
- To improve the quality of, in compliance with national, international and ASEAN standards, and access to education and technical and vocational education and training
- To improve relevance of education and TVET to labour market needs

Light Manufacturing

Definition

- LM uses partially processed materials to produce items of relatively high value for end-users or intermediates for use by other industries

Source: Sheffrin (2003) Economics, Principle and Action

Business Environment

- Growing sub-sectors in global trade: furniture, leather products, cereals, vehicles, plastics, electrical equipments
- Cambodia seen as location for new production bases: China+ 1 policy by Chinese, Japan, Korea, Taiwan companies; preferred choice by proximity to key industrial areas, e.g. Thailand, Singapore, and established industrial zones (EPZ) vs. Myanmar
- Sector growth : very fast sector growth 20-25% yearly
- High FDI due to liberal rules for foreign investors ; proximity to manufacturers in neighboring countries ; lower cost and difficulty of cross-border investment
- Developing and growing local consumer markets

Light manufacturing sector growth

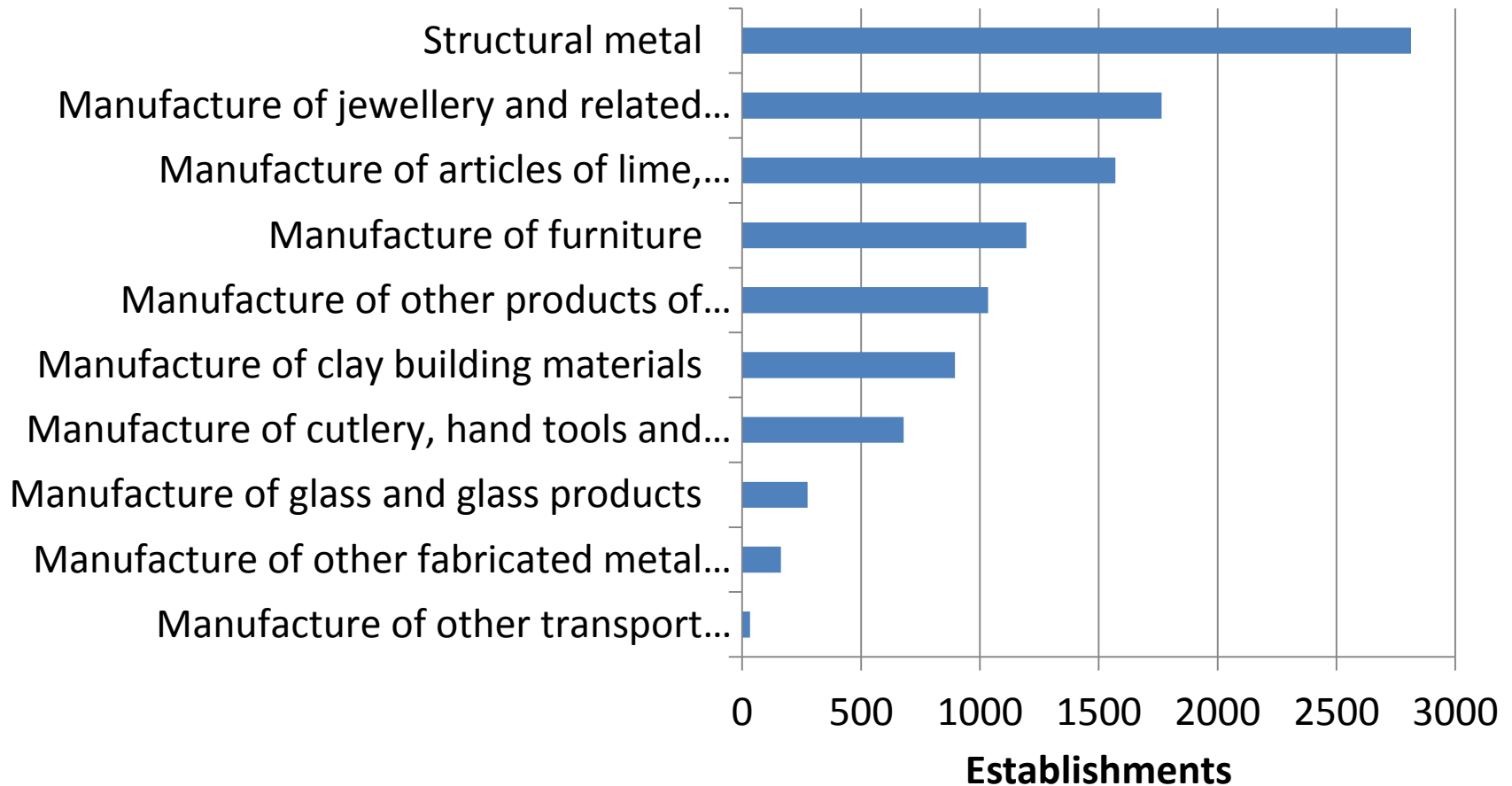
- 'Other' items share of total exports rose to 19.5 percent in 2014 from less 1% in 2004.
- Labour intensive stages of LM production outsourced to Cambodia SEZs, e.g. wire harnessing, producing parts for appliances, auto body components, bicycle
- Parts and raw materials are sourced from Thailand, Vietnam, China and Malaysia.
- Bicycle manufacturing, electronics and electronic manufacturing and assembly, and a mix of other light manufacturing products.
- Electrical and electrical equipment exports was approximately \$2.3 million in 2012.
- Bicycle exports showed a 55% increase to \$1.8 million (2013); \$300 million (2015)

Global/Asian demand for manufactured goods

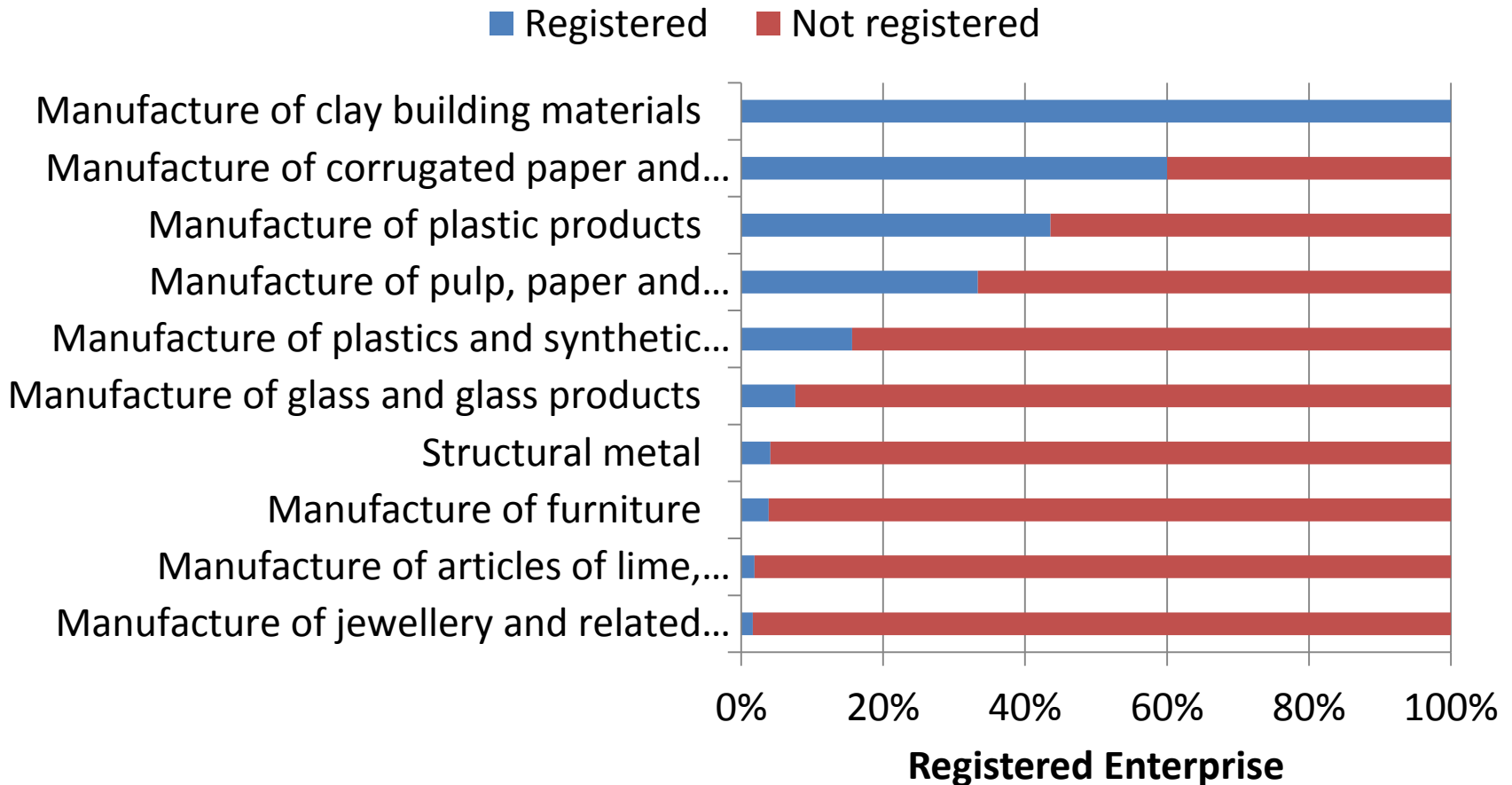
- New global middle class will grow mainly from the Asia Pacific region with stronger demand for cars, better healthcare and more complex equipment, such as automobiles, mobile devices and technologies, and computers (*Singapore Economic Devt Board*)
- ASEAN could be the 5th largest automobile market with volume forecast at 4,710,000 units by 2019. Sales of home appliance in ASEAN growing: 11.5 million units (1st 6 mos. 2013 where volume spiked by 20% vs. 2012 (*Frost & Sullivan*))
- Asia's future growth powered by increased infrastructure spending, and rising domestic demand. (ADB). Estimated \$8 trillion for telecom, transport, water and sanitation (*McKinsey*)

No. of Establishments in LM

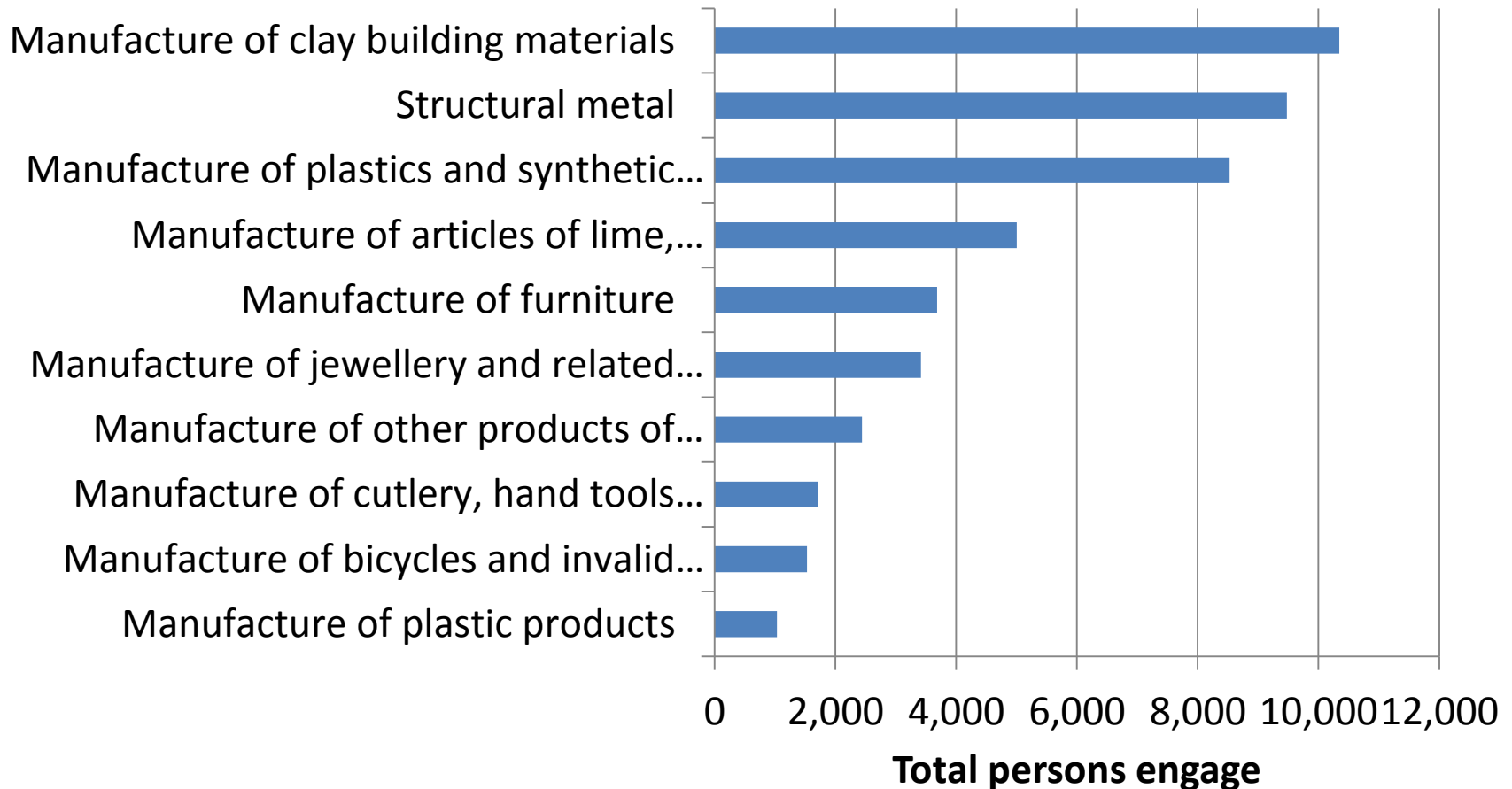
(NIS 2014)



Registration w/ government (NIS 2014)



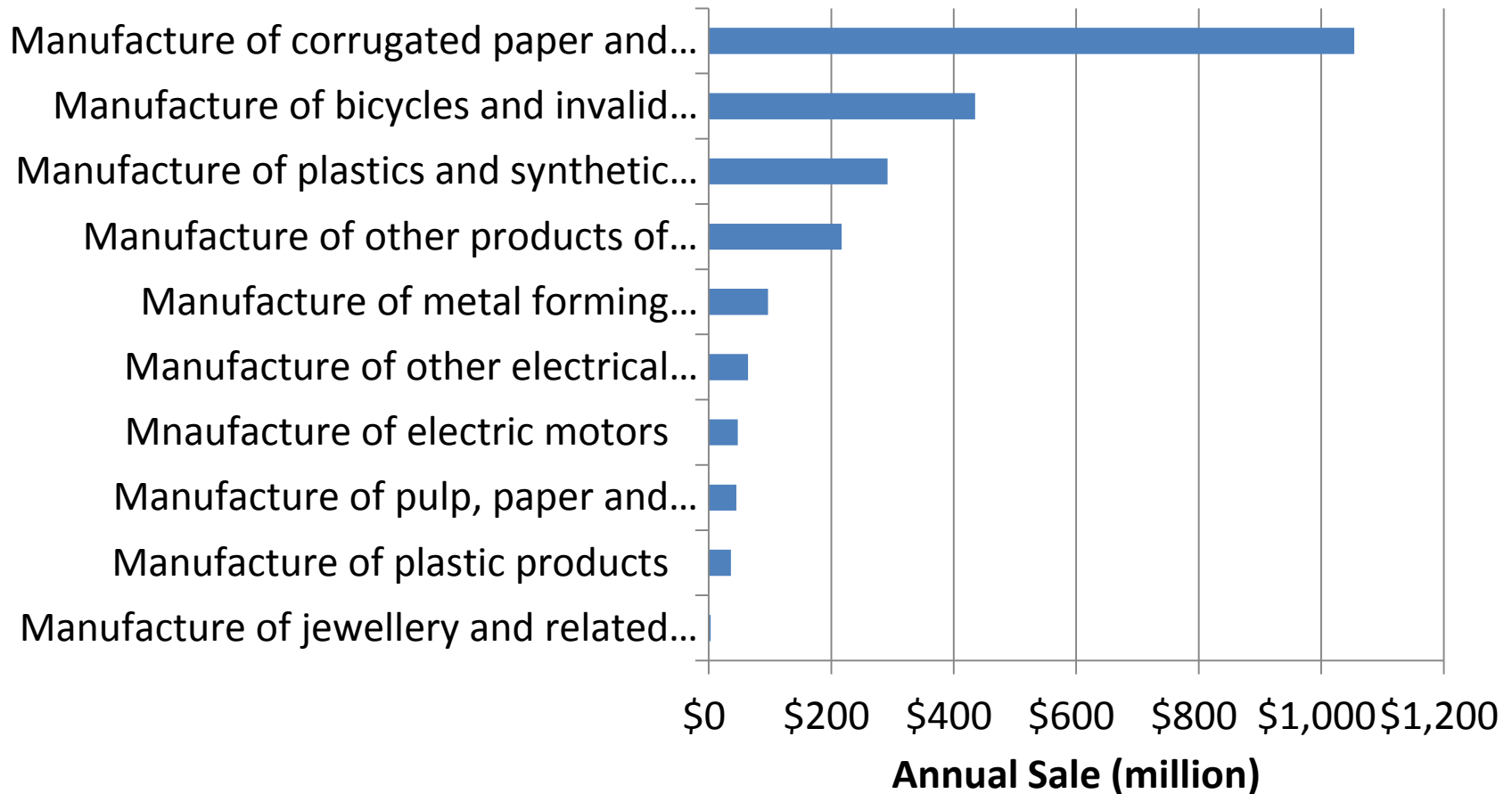
Number of persons engaged (NIS 2014)



LM Annual Sale (million US\$)

Group	Sale
Manufacture of other electrical equipment	669,969
Structural metal	427,322
Manufacture of bicycles and invalid carriages	333,023
Manufacture of furniture	123,918
Manufacture of pulp, paper and paperboard	30,744
Manufacture of other fabricated metal products n.e.c.	9,342
Manufacture of plastic products	8,321
Manufacture of cutlery, hand tools and general hardware	4,526
Manufacture of clay building materials	4,211
Manufacture of paints, varnishes and similar coatings, printing ink and mastics	3,213

LM Export Value (million US\$)



Top 5 LM Products

(selected by PAC Meeting 12/07/15)

	Products
1	Structural metal
2	Manufacture of plastics and synthetic rubber in primary forms
3	Manufacture of bicycles and invalid carriages
4	Manufacture of clay building materials
5	Manufacture of furniture

Based on most number of employment and persons engaged, compliance to government registration, annual sales, export value and export-market potential

Thank you!!!