

BUSINESS CONFIDENCE SURVEY 2023

SPONSORED BY



**The smarter
way to bank.**

Executive Summary

The business sentiment in Cambodia is generally positive, with most organisations reaching their profitability targets and a majority being optimistic about the future. However, businesses are facing challenges locally, such as declining access to finance and accessibility of skilled workers. In addition, global challenges such as inflation and the war in Ukraine have not escaped Cambodia.

Companies are forecasting growth within their sector and plan to expand their operations in the country. CSR and ESG programs are important for businesses in the country, and the majority of businesses believe that these activities are important to help society and the environment, while also improving the company's image. While the Covid-19 pandemic greatly affected 2021's survey, we can now see a few changes more clearly. For example, more than three years after the withdrawal of the Everything But Arms (EBA) trade preferences, we can confirm that it has mostly had no impact on businesses [71% of respondents], while

23% mention that it has had a negative impact.

While it remains a challenge, businesses report an improvement in non-transparent practices and unofficial fees in the Kingdom. However, access to finance has deteriorated and is increasingly becoming an obstacle. The cost of human resources is becoming less of a main advantage in doing business in Cambodia, which could suggest that the country is moving away from labour-intensive industries. However, this has resulted in a decrease in the availability of skilled workers required for new industries and businesses are finding it difficult to retain skilled staff.

Businesses in Cambodia are resilient and have shown their ability to adapt to change. With the right support from the government, businesses in Cambodia are well-positioned to weather these challenges and continue to grow and prosper.

Methodology

The EuroCham Business Confidence Survey provides current and prospective investors with an inclusive and reliable overview of Cambodia's business climate, while also informing decision-makers about the overall perception of the business environment from the private sector. To ensure we gather an accurate overview of how businesses experience yearly changes, we have compared the outcome of this year's survey with the results of our 2021 survey. The Business Confidence Survey 2023 was conducted from 28 November 2022 to 22 August 2023, and reflects our respondents' outlook of the business climate for 2023 while also inviting them to share their expectations for the year ahead.

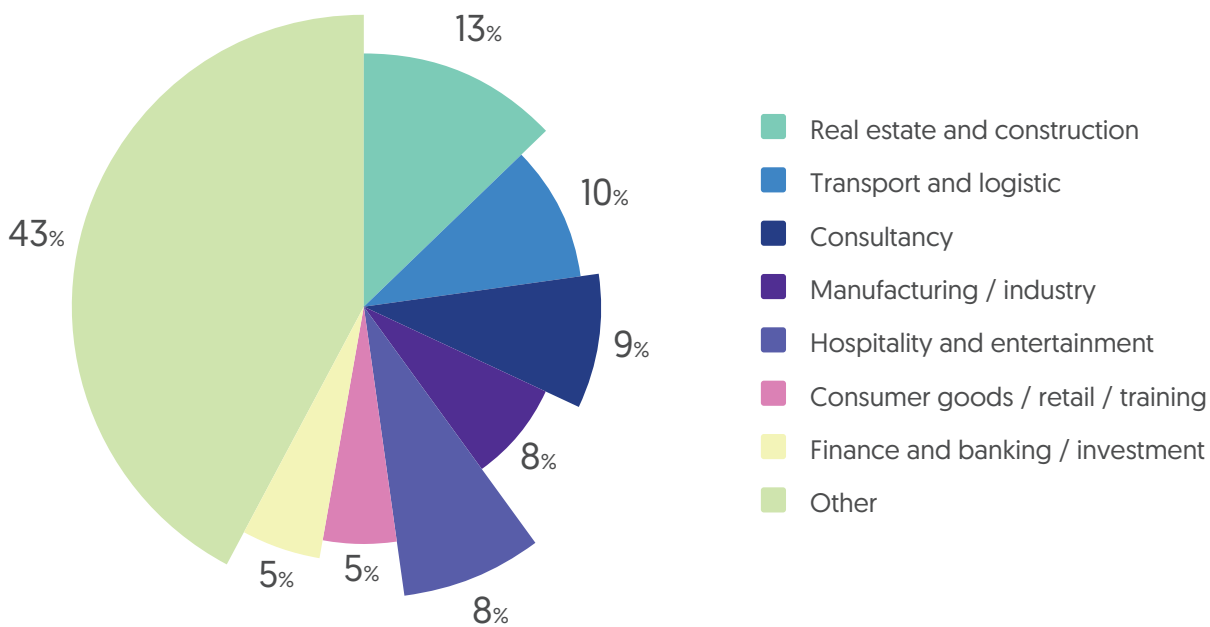
This year's survey examines business confidence in the face of global challenges such as the war in Ukraine, inflation, and climate change. Most companies are still recovering from the Covid-19 pandemic, but there have been some positive developments at the national level. The introduction of new trade agreements and updates to investment laws and policies are creating a more favourable business environment. As the EU and other global markets demand higher standards for environmental compliance, companies in Cambodia are implementing programmes and activities to enhance their reputation and contributions to society and the environment.

Respondents' Profile

The questionnaire for the Business Confidence Survey was shared among members of EuroCham Cambodia and other relevant stakeholders. We received 150 responses in total (a 35% increase compared to 2021) across more than 20 sectors; 76% of respondents are EuroCham members and 24%

non-members; the majority of respondents (52%) are locally-registered companies with international ownership. 62% of respondents are SMEs (100 or less employees) and 76% have been present in Cambodia for at least 5 years.

Respondents' Profile (sectors)



Key Findings and New Trends

The findings for the survey show businesses in Cambodia are more optimistic about growth prospects in 2023 than they were in 2021. Most companies have recovered from Covid and are now reaching or even exceeding their profitability targets. They are more willing to invest in their operations in

the Kingdom and expand activities across sectors. The view that Cambodia's main advantage is its cheap labour is declining. This could be a sign that the country is moving away from labour-intensive industries.



Regional Competitiveness

9%

of respondents feel that **Cambodia's competitiveness** is strong compared to other ASEAN countries, compared to 15% in 2021. 69% of them perceive Cambodia's competitive advantage to be average compared to other ASEAN countries.



Main Competitive Advantage

63%

Of companies feel that the **low cost of human resources** continues to be the main competitive advantage in the Kingdom. However, businesses are increasingly concerned regarding the relatively low skills/education of workers (56% compared to 49% in 2021).

Beneficial taxation rates surged as a competitive advantage, with 27% of respondents mentioning this compared to 22% in 2021.



Main Obstacles

37%

Non-transparent practices and unofficial fees remain the most significant obstacles to business operations in Cambodia, despite respondent mentions dropping from 53% in 2021 to 37% in 2023.

Availability of human resources, unfair competition and **taxation** remain key challenges for businesses in Cambodia.



Key Changes

According to respondents, **non-transparent practices and unofficial fees** have improved in the Kingdom. However, **access to finance** is becoming increasingly difficult to secure, with 18% reporting this as a major obstacle encountered in the past year compared to only 7% in 2021.



Impact of Reforms

22% consider the impact of recent policy reforms to be positive, though a **significant number** [69%] **feel reforms have had little to no impact.**



Needs from the Royal Government

45% of respondents consider **transparency of processes/fees** as the main area in their sector for the Royal Government to improve, followed by **simplification of bureaucratic procedures** [31 %] and **ease of customs procedures** [25 %].



Change in Ease of Doing Business

17% of respondents report that changes in the last 12 months have made it **easier to do business** in Cambodia [compared to 12% in 2021]. Also, only 19% found the business environment to have become more difficult [compared to 36% in 2021].



Profitability

73% reported that they **reached** their annual **profitability targets**, a massive jump compared to 21% in 2021. Furthermore, 33% **exceeded** these **targets** in 2023, also a major improvement compared to only 3% 2021. It is worth noting that these numbers are not too surprising, given that the previous survey took place during Covid.

CHANGES IN THE BUSINESS ENVIRONMENT



Major Improvements

The Royal Government's efforts have improved the legal landscape and resulted in fewer respondents asking to **establish new laws and regulations**, from 24% in 2021 to 16% in 2023. However, the introduction of too much new legislation can make it difficult for businesses and individuals to keep up with the law, which can lead to instability and uncertainty.



Business Concerns

Transparency is still a major concern for businesses in Cambodia, especially regarding **processes and fees** (39%). However, companies report a negative trend in **access to finance** in the Kingdom (19 % consider it an area who deteriorated in the past 12 months compared to only 4 % in 2021).



New Interesting Trends

Businesses are **optimistic** about future economic growth in the Kingdom and 62% of them plan to **invest further** in Cambodia in the next 12 months.

BUSINESS OUTLOOK



General Forecast

62% of respondents **forecast growth** for their business over the next 12 months, compared to 56% in 2021. The sentiment is more positive following the pandemic; however, it is still not back to pre-Covid levels (72%).



Areas of Investment

62% of respondents plan on investing further in Cambodia; most of them will be **expanding their activities** (62%) along with **marketing & communication** (46%) and **human resources** (44%).



Future Ease of Doing Business

The percentage of respondents who predict that **doing business** in Cambodia will become **more difficult** has **increased marginally** [31% compared to 29% in 2021], while those who predict it will become easier has **declined** [27% from 31% in 2021].

This suggests that there is a growing **uncertainty** about the ease of doing business in Cambodia.

GLOBAL CHALLENGES



Global Issues

46% of respondents reported that out of the current global challenges, **Covid-19** has had the greatest impact on their business operations, with **inflation** following at 25% and the **war in Ukraine** at 22%.



Covid-19 Overall Impact

79% of respondents stated that their organisation has been **negatively impacted by Covid-19**. However, the recent trend of companies meeting their profitability targets suggests that the economy is recovering.



Affected Business Areas

Sales have been hit the hardest [55%] by **Covid-19**, **inflation** [43%] and the war in Ukraine [31%] due to the decrease in demand.

Overall operations were also severely impacted by Covid-19 [53%], while **inflation** mostly impacted **finance and cash flow** [45%].

The majority responded that their business has **not been affected** by **climate change**.



Awareness of Corporate Social Responsibility and Environmental, Social and Governance

Corporate social responsibility (CSR) and environmental, social, and governance (ESG) are important concepts to businesses in Cambodia. 70% reported that their level of **knowledge** in these areas is above average, and the majority [83%] believe that **CSR/ESG activities** are **important** to help society and the environment, while also improving the image of the company.



CSR/ESG Programmes and Activities

83% of respondents stated that they are currently **implementing** or are planning to implement **CSR/ESG programmes and activities** in their business.



Measures and Activities to Reduce Environmental Impact

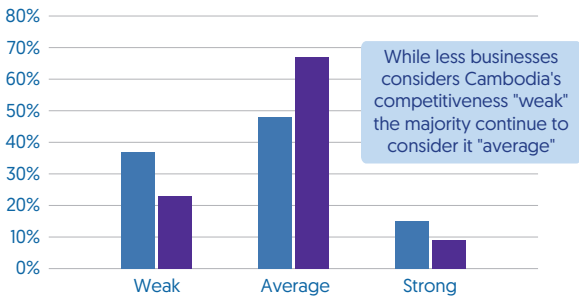
67% of respondents take measures to **reduce waste** and **recycle** along with **turning off lights** [65%], to reduce their environmental impact.

Business Environment

The perception of Cambodia's regional competitiveness has remained relatively mixed. Whilst having the competitive advantage of low labour costs, businesses find it difficult to acquire a skilled workforce. While access to finance has been a major advantage in doing business in Cambodia in previous years, there is now a need from the business community to receive more support in the area. While we see a positive trend where more companies reach or exceed their profitability targets, companies are still facing challenges such as informal practices, unofficial fees, and unfair competition. The availability of human resources has become a new and more pressing challenge in the past 12 months. Therefore, while Cambodia's business environment is improving, there are still persistent challenges to be aware of.

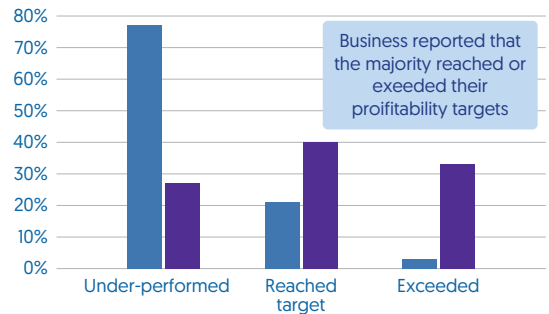
Regional competitiveness

How do you rate Cambodia's competitive advantages in comparison with other ASEAN countries (except Singapore & Malaysia)?



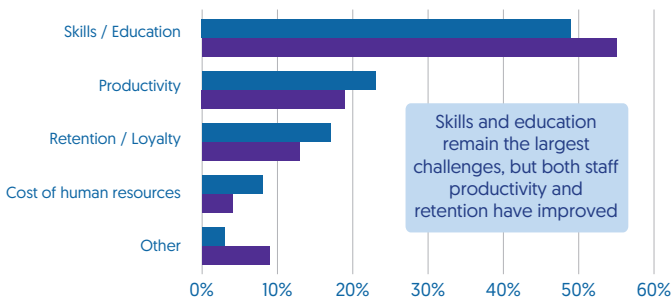
Profitability achievements

How does your company's overall profitability over the past 12 months compare to your profitability targets?



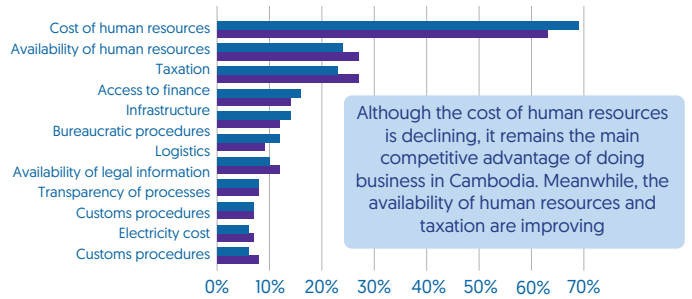
Human resources challenge

What is the main challenge that your company faces in regards to human resources?



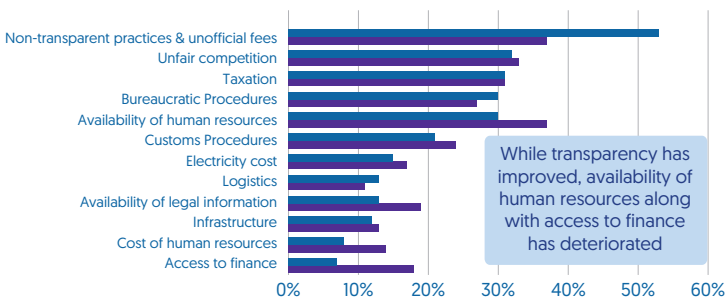
Cambodia's competitive advantage

Which of the below do you feel are Cambodia's main competitive advantages over other ASEAN countries (except Singapore & Malaysia)?



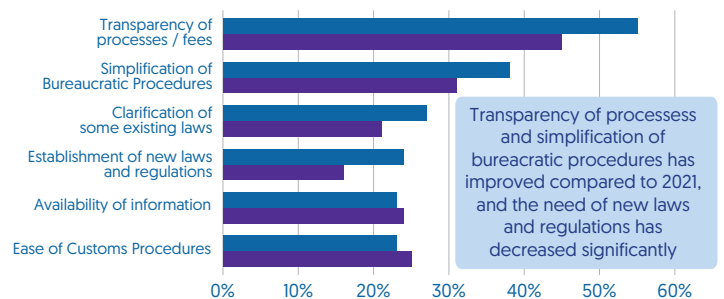
Obstacles to doing business

What have been the main obstacles your company has encountered during the past 12 months while doing business in Cambodia?



Needs from the Royal Government

In your main sector, what do you need the most from the Government?

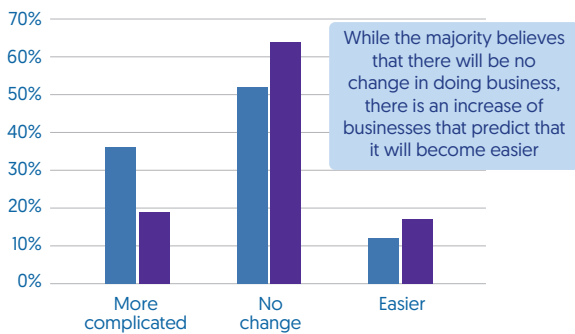


Reform Initiatives

The Royal Government of Cambodia and the private sector have jointly made progress in improving the country's business environment. However, companies have reported that access to finance has deteriorated or not improved in the past 12 months, a significant change from previous years. While access to finance remains a challenge, the Royal Government has pushed forward new initiatives to attract foreign direct investment (FDI). Nevertheless, the perception of other issues, such as non-transparency and official fees, has deteriorated. Bureaucratic procedures and unfair competition remain problematic as well.

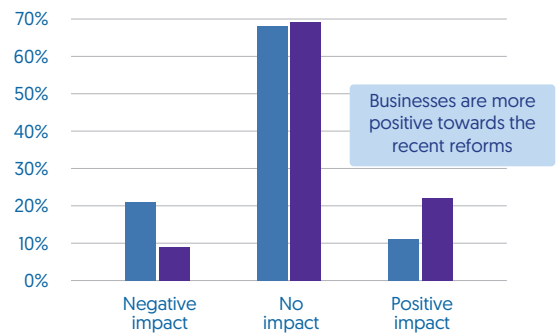
Changes in doing business

How would you rate the changes in "the ease of doing business" in the past 12 months?



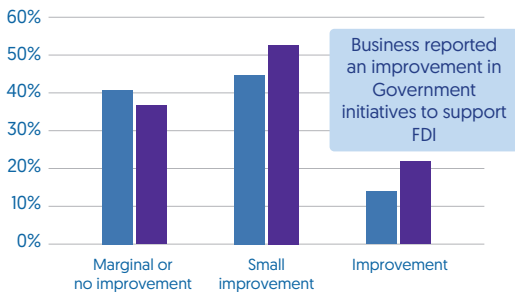
Impact of reforms

What is the impact on the business environment of the reforms made in the past 12 months?



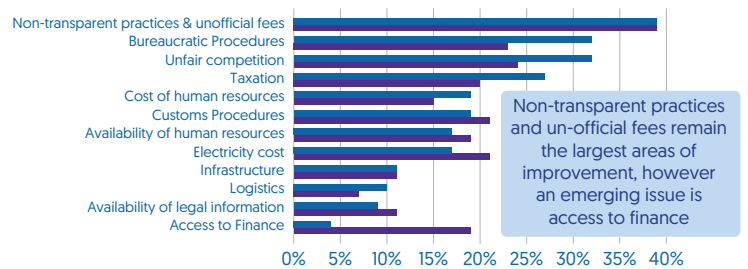
Improvement in government initiatives to support FDI

Have you seen an improvement regarding the Government's initiatives to support Foreign Direct Investment (FDI) in the past 12 months?



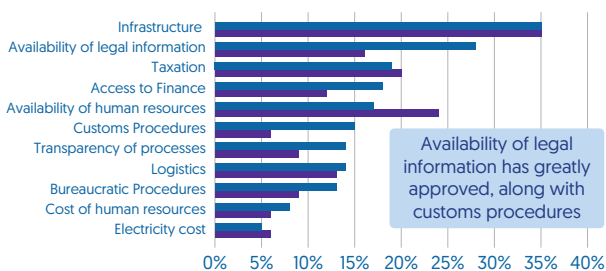
Problems in the business environment

Which of the below areas do you think have deteriorated or not improved in the past 12 months?



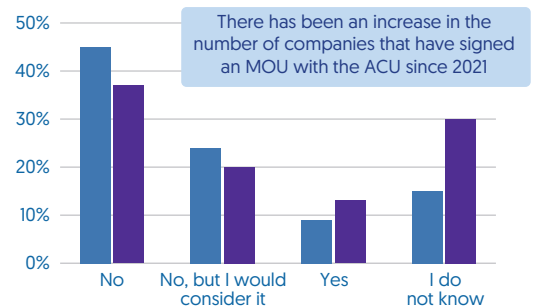
Improvements in the business environment

Which of the below areas would you consider to have improved the most in the past 12 months?



Companies having signed mou with ACU

Have you signed an agreement with the Cambodian Anti-Corruption Unit?

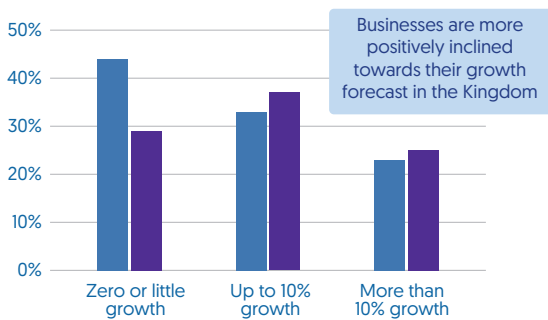


Business Outlook

Business sentiment in Cambodia is positive, with a majority of businesses reaching their profitability targets and many planning to expand their operations in the country in the coming months. Companies are also positive about the growth forecast for their sector, and there is a growing appreciation of free trade agreements such as the Regional Comprehensive Economic Partnership [RCEP]. The Royal Government's ongoing policy support, including tax breaks and investment incentives, is also having a positive impact on businesses' outlook. However, respondents predict that the ease of doing business will slightly decrease in the next year.

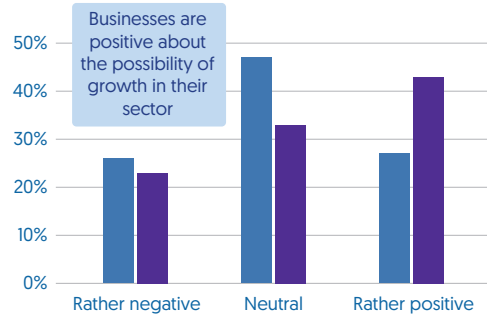
Business forecast

What is your company's growth forecast for the next 12 months in Cambodia?



Sector forecast

What is your overall forecast on the growth of your sector in Cambodia?



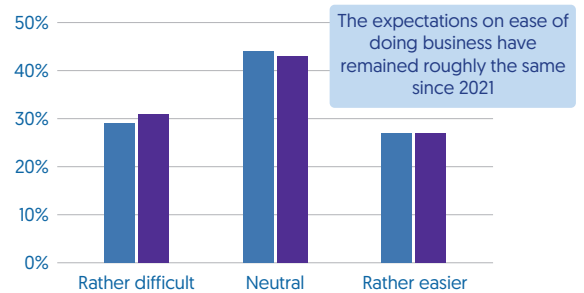
Expansion plans

Does your company plan to invest further in Cambodia in the coming 12 months?



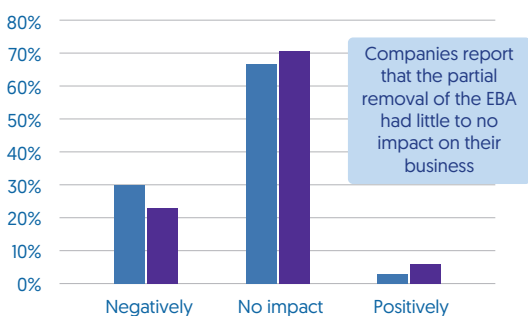
Expectations on ease of doing business

Do you think that doing business in Cambodia will become easier or more difficult in the next 12 months?



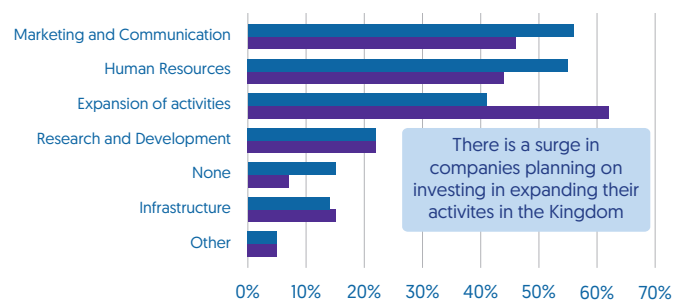
Impact of partial removal of EBA

How has your business been impacted by the partial removal of the Everything But Arms (EBA) preferential trade access granted by the European Union to Cambodia?



Areas of investment

How does your company expect to invest in the coming 12 months?

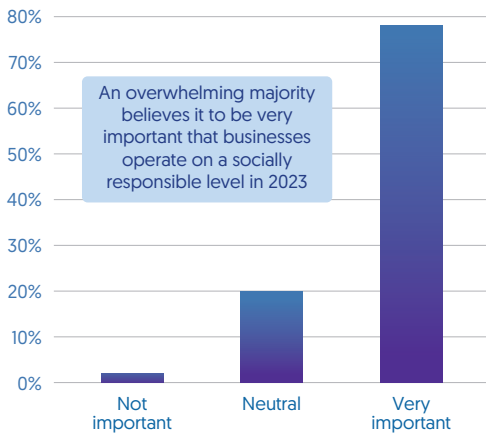


CSR/ESG

Corporate social responsibility (CSR) and environmental, social, and governance (ESG) are becoming increasingly important topics in Cambodia. The overwhelming majority of respondents are familiar with the terms and the importance of implementing CSR/ESG plans and activities in business operations. This is beneficial because the Royal Government is increasingly focused on sustainable development, and consumers are becoming more aware of the environmental and social impacts of businesses and adjusting their preferences accordingly.

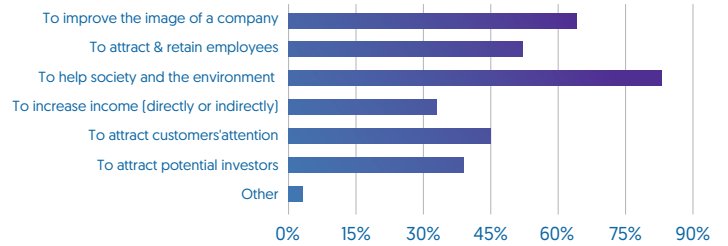
Socially responsible operations

How important is it to you that companies operate on a socially responsible level?



Reasons to get involved in CSR/ESG activities

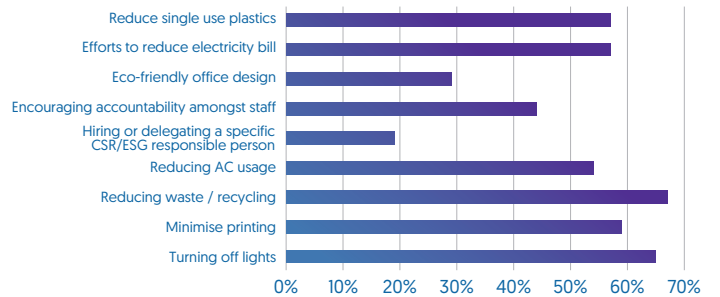
What are important reasons for companies to get involved in CSR/ESG activities in your opinion?



According to responding businesses, they are getting involved in ESG/CSR to help society and the environment along with improving company image in 2023

Measures to reduce environmental impact

Which of the below measures (if any) does your company take to reduce its impact on the environment?



Reducing waste and single use plastic are the most common environmental measures, along with efforts to reduce energy costs in 2023



Knowledge of CSR and ESG

70%

of respondents, a **vast majority**, report that they have a **strong knowledge** regarding the terms **Corporate Social Responsibility and Environmental, Social and Governance** in 2023. 23% respond that their knowledge of the topics is average, while only 7% of respondents consider their knowledge weak.



48%

CSR/ESG Implementation

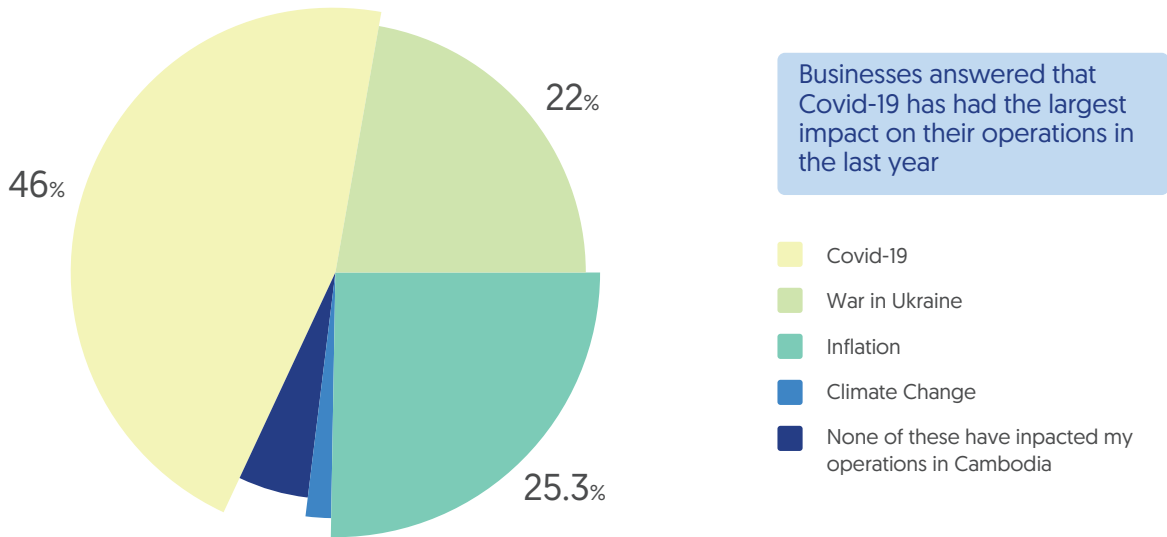
of companies are **already implementing CSR/ESG programmes** in 2023, while 35% have **plans to do so**.

Global Challenges

Businesses in Cambodia are still recovering from the long after-effects of the Covid-19 pandemic, but they are also facing new challenges, such as the war in Ukraine and inflation. According to respondents, the long-term effects of Covid-19 are still being felt by businesses along with inflation and the war in Ukraine.

Impact of global issues

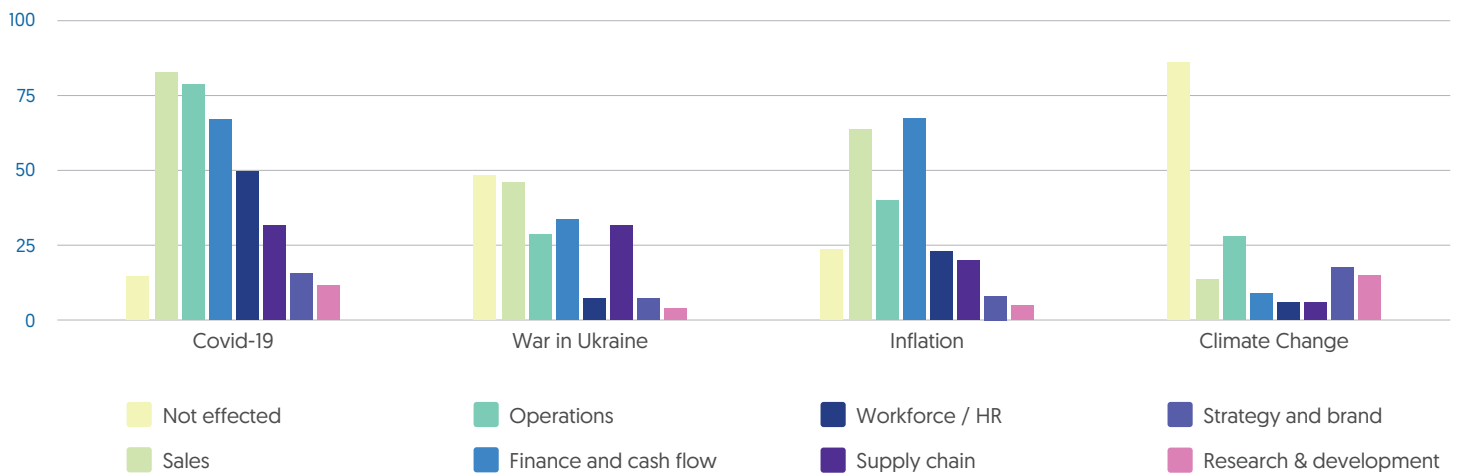
Which of the following global issues has had the greatest impact on your business operations (in Cambodia) in the last 12 months?



Business aspects affected by global issues

Which of the following aspects of your business have been impacted by the below global issues?

Despite emerging global issues, Covid-19 remains the one impacting operations the most. Inflation is a rising issue mainly impacting sales and finance/cash flow

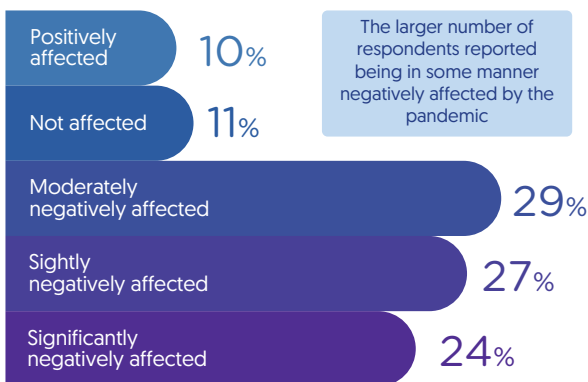


Covid-19

The Covid-19 pandemic had a devastating impact on businesses in Cambodia, and its effects are still being felt today. Despite the Royal Government's efforts to mitigate the impact, most businesses reported being negatively affected by the pandemic, with many experiencing significant revenue losses. However, the fact that most businesses have been able to fulfill their profitability targets suggests that they have largely recovered and are now optimistic about the future.

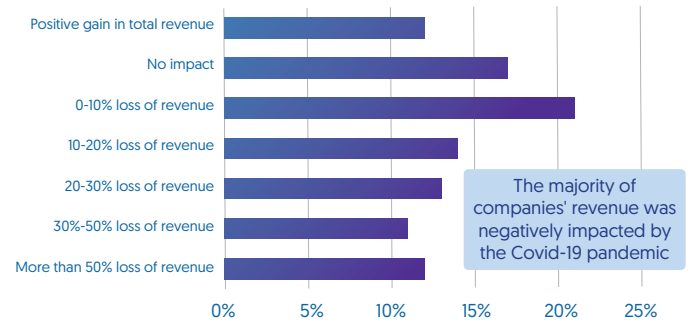
Overall impact of covid-19

With the benefit of hindsight, how was your organisation affected by Covid-19?



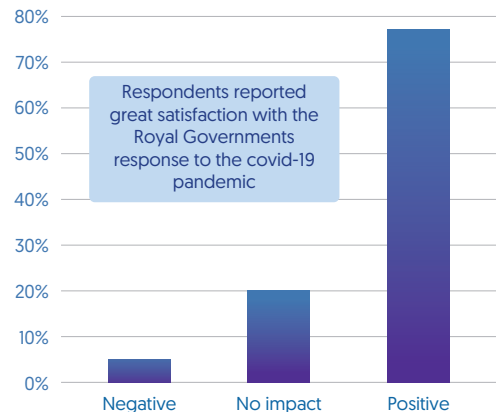
Impact of Covid-19 On Revenue

What is the estimated impact of Covid-19 on your revenue (Fiscal Year 2021)?



Government response to the Covid-19 pandemic

How would you rate the Royal Government of Cambodia's response to the Covid-19 pandemic, in terms of easing the impact to business operations in the country?



“ The open economy is a great asset, but the impact of the Covid crisis might still be felt for another year, although the Government took a cautious approach to minimise impact locally. The main challenges are still the burden of administrative procedures, a heavy and complex tax system, unfair competition between compliant and non-compliant businesses, and low skill levels among the workforce. ”

BECOME A EUROCHAM MEMBER



EuroCham Membership Types



For More Information on our Membership Benefits

Ms. Léa GALERNE

 membership@eurocham-cambodia.org
 +855 81 888 454

Mr. Chetra NOEUN

 admin.officer02@eurocham-cambodia.org
 +855 10 746 437

SCAN TO
REGISTER



MEMBER
BENEFITS



Founding Chambers and National Chapters



French Chamber of
Commerce and Industry in
Cambodia



NordCham Cambodia



German Business
Cambodia



Italian-Cambodian
Business Association



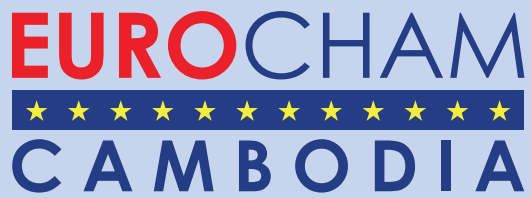
British Chamber of
Commerce of Cambodia



Benelux Cambodia



Central and Eastern European Business Association



European Chamber of Commerce In Cambodia

#30 Preah Norodom Boulevard,
3rd floor BRED Bank Building,
12210 Phnom Penh, Cambodia

+855 023 964 141
info@eurocham-cambodia.org
eurocham-cambodia.org

SPONSORED BY



**The smarter
way to bank.**