



Economic Growth in 2022

The Ministry of Economy and Finance has forecasted Cambodia's economic growth for 2022 to be around 5.6%, reflecting the nation's progress and determination to achieve national herd immunity against Covid-19. Cambodia's global non-gold trade exceeded \$36 billion in the first 11 months of 2021, an increase of more than 24% year-on-year. Exports of goods increased by 22.6% to \$15.613 billion, driven by textiles, bicycles, furniture, fur skins, rubber, plastics, wood planks, construction materials, wiring and wiring components, electronic components, sugar, bananas, cassava, mangoes and other agricultural produce.

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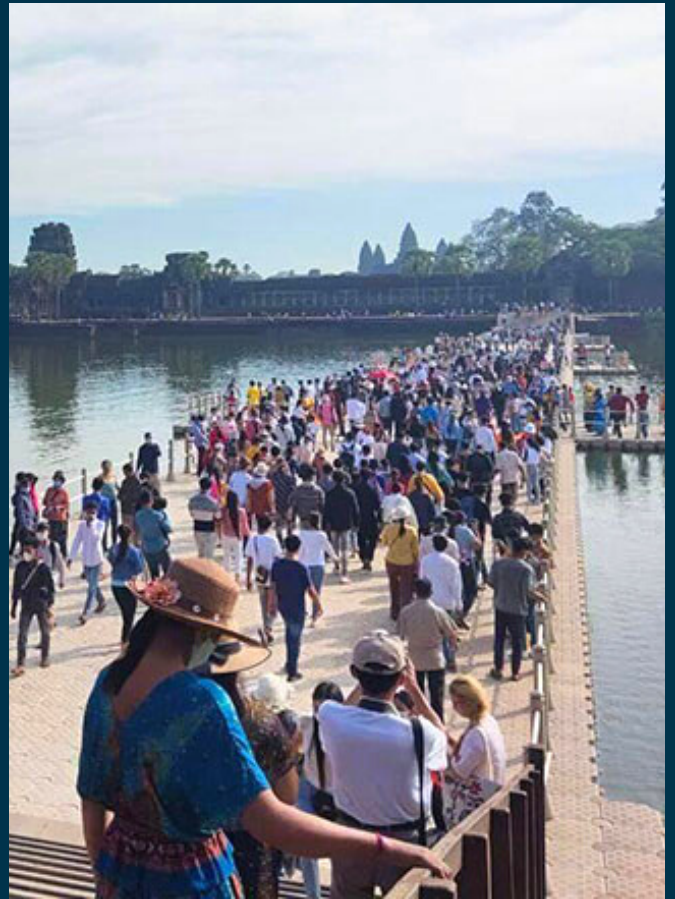
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Approved Projects in 2022

As Cambodia's economy begins to gradually show signs of recovery from the pandemic throes, and quarantine-free travel for vaccinated tourists enters its 4th month of implementation, many countries have begun to notice the Kingdom's potential for investment and trade. As of February 2022, the Council for the Development of Cambodia (CDC) granted permits to 25 projects with a total value of \$2.3 billion in various manufacturing and construction activities such as garment, travel bags, backpack and suitcases; cardboard and plastic products; pet materials; vehicle tyres; agriculture produce processing and packaging; ports and logistics; renewable energy; hotel; and hospital.



Exemption of Tax in Tourism for 6 Months

Tourism is one of the main engines of the Kingdom's economy. To help the tourism industry recover from the disruptions and challenges caused by the Covid pandemic, the General Department of Taxation (GDT) announced that business activities in the tourism industry for hotels, travel agencies, guesthouses and restaurants which are registered with GDT will be exempt from taxes for six months until 30 June. Some of the types of taxes to be exempted include the

Value-Added Tax (VAT), income tax, payroll tax, additional benefit tax, withholding tax, special taxes on certain goods and services, public lighting tax, and lodging tax. As part of its strategic framework and programs to restore and stimulate economic growth, the Royal Government of Cambodia will also extend tax exemptions to the real estate and aviation sectors over the six-month period.

Development Plan for 2021-2015 for Sihanouk Ville

In anticipation of the return of large numbers of tourists to Sihanoukville when the world re-emerges from the chaos and

disruptions caused by the coronavirus pandemic, the final draft for the Sihanoukville Development Plan for 2021-2025 that seeks to transform the province into a **“multi-purpose special economic zone”** is currently being prepared by the Ministry of Tourism with participation from the provincial government, civil servants, and major players in the province’s hotel and restaurant businesses.

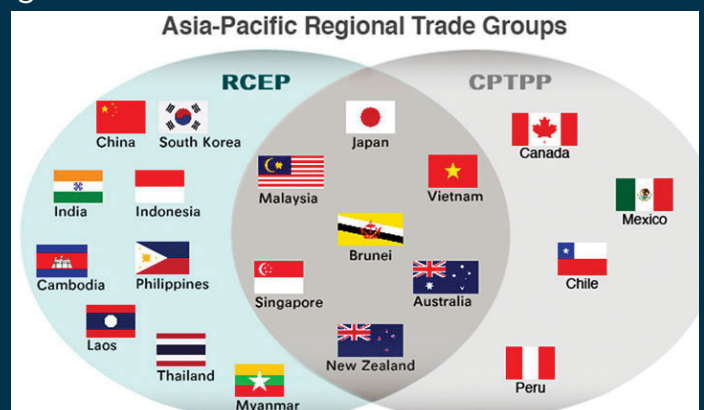
New FTA between Korea and Cambodia

Cambodia has recently been actively strengthening its economic ties with many different nations through the negotiation of Free Trade Agreements (FTAs) and bilateral investment initiatives. In February 2022, the Cambodia-Korea Free Trade Agreement (CKFTA) was promulgated into law, moving the two Asian nations into the final home stretch of the deal, which is expected to unlock billions of USD in bilateral trade and investment. Citing the South Korean trade ministry, Yonhap News Agency reported in October that under the CKFTA, together with the Regional Comprehensive Economic Partnership (RCEP), the Kingdom will lift tariffs on 93.8% of goods traded with South Korea, while South Korea will scrap duties on 95% of goods to be traded with the Kingdom. Although the US and the European Union continue to be the largest destination markets for Cambodia’s exports, the recent free trade agreements, namely the RCEP and FTAs with China and South Korea, are expected to open up more market opportunities for Cambodia’s export products.



The Regional Comprehensive Economic Partnership (RCEP)

The RCEP is the world’s largest trade pact that was signed on 15 November 2020 by the 10 ASEAN member countries and five other Asia-Pacific countries – Australia, China, Japan, New Zealand and South Korea. It entered into force in Cambodia on 1 January 2022. According to the World Bank (WB), Cambodia is ranked third among RCEP members in both real income gains and export growth. Under the RCEP, Cambodia's annual exports are expected to increase from 9.4 percent to 18 percent, contributing 3.8 percent (from 2 percent before RCEP) to its economic growth.



Two Big Investments from Singapore

Some notable investments in the Kingdom this month include Frasers Hospitality Pte Ltd, the hospitality arm of Singapore's Frasers Property Group, and HLH Agriculture (Cambodia) Co Ltd, a subsidiary of Singapore's Hong Lai Huat Group Ltd. Frasers Hospitality is set to enter the Cambodian market with the 88-room Capri by Fraser in Phnom Penh, slated to open in October. HLH Agriculture has announced the inauguration of its mixed-use Cambodia-Singapore Agricultural Hub (CSAH) in northwestern Kampong Speu province, and the signing of a Memorandum of Understanding (MoU) with the Singapore Manufacturing Federation (SMF) to boost interest from foreign players to invest in the project covering 100sq km in Oral district.



Agriculture

The Minister of Agriculture, Forestry and Fisheries reported that Cambodia exported 7.98 million tonnes of agricultural products in 2021, up 63.8% year-on-year with a value of USD 3.96 billion. Shipped to 68 countries and regions, Cambodia earned a gross revenue of \$4.96 billion from the exports of rice, rubber, cassava, mangoes, bananas, pepper, cashew nuts, corn, palm oil, and tobacco, among others.



Telecommunication

In recent years, the growth of mobile and internet users has increased noticeably in the Kingdom. The Ministry of Post and Telecommunications (MPTC) reported an increase of more than 20 million (122.84% of the total population) sim card registration while internet penetration increased to 17.32 million (105.60% of the total population). The Royal Government is pushing for better connectivity for the people and businesses by taking measures to improve the rural population's mobile and internet access. There are 5 mobile internet service providers and 35 fixed internet service providers, of which 2G mobile coverage covers 92 percent of the total population. 3G mobile coverage is 85 percent and 4G mobile coverage is 82 percent.

The sources for some of the above information include our Preferred Partners Khmer Times and Cambodia Investment Review, as well as relevant government ministries and agencies.

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