

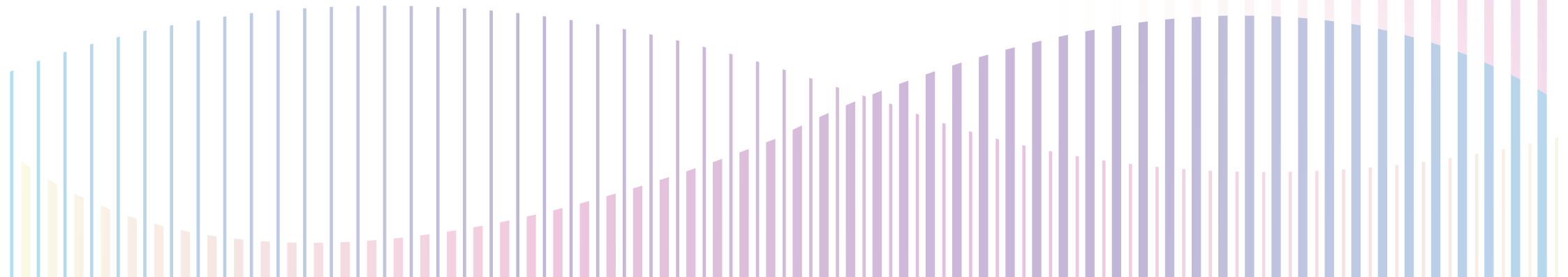


BUSINESS PULSE SURVEY H1 2024



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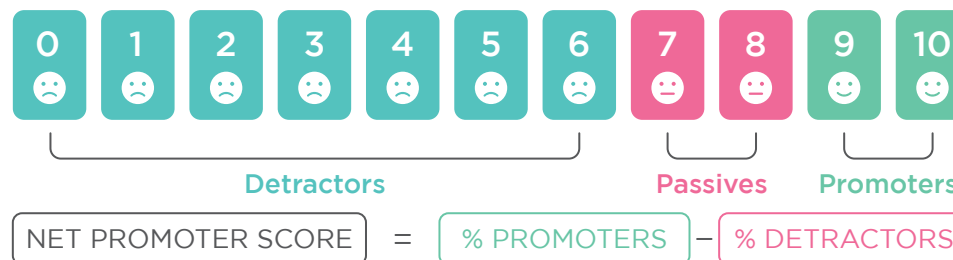
Executive Summary

The European Chamber of Commerce in Cambodia (EuroCham Cambodia) is pleased to introduce its Business Pulse Survey — a transitional upgrade from its Business Confidence Survey — covering the first half (H1) of 2024. This updated survey emphasises business performance among Cambodia’s priority economic sectors and provides a deeper understanding of their challenges and success. These sectors include Agriculture, Construction, Consumer Products, Financial Services, and Other Services (Consulting, Legal and Audit/Accounting).

The Business Pulse Survey examines the current business environment, future economic outlook, and key market factors. Where relevant, EuroCham consulted industry experts to provide deeper insights into sector-specific challenges and opportunities. Based on responses from 126 EuroCham member companies across various sectors and sizes in Cambodia, the Business Pulse Survey reveals that 55% of companies reported stable, above-target, or significantly above-target revenue performance for H1 of 2024. Despite ongoing challenges, particularly in the Financial Services and Tourism & Hospitality sectors, respondents remain optimistic, expecting business recovery and growth in the coming years.

Cambodia also received an average Net Promoter Score (NPS) of 6.51 out of 10, reflecting respondents’ likelihood of recommending the country as an investment destination to friends or colleagues. This score places most respondents in the “Detractor” category, indicating room for improvement. Although close to the “Passive”

range, the score suggests that respondents hold a neutral perspective—neither strongly endorsing nor opposing Cambodia as an investment choice.



In the H1 of 2024, the Other Services and Agriculture & Food Processing sectors led in revenue performance, while the Financial Services sector lagged due to tightened net interest margins from rising U.S. interest rates and increased non-performing loans. Looking ahead to the second half of 2024, the Other Services sector remains the most optimistic, while Real Estate & Construction and Financial Services are the most cautious. Notably, the Financial Services sector shows the most positive outlook for headcount growth in the near future.

EuroCham remains dedicated to supporting its members by providing actionable insights and targeted advocacy to strengthen Cambodia’s business environment. To maintain an accurate image of Cambodia’s evolving economy and shifting business perceptions, EuroCham will conduct the Business Pulse Survey on a rolling basis.

Introducing EuroCham's New Business Development Packages

Looking to enter one of Southeast Asia's fastest growing markets?
Ready to take your established business to the next level?

EuroCham is the voice of European business in Cambodia, operating at the crossroads of the private sector, policymakers and civil society in the Kingdom. By leveraging EuroCham's established network of business leaders and unparalleled knowledge of the Cambodian market, you can develop a strategy suited for your company's goals.

Whether you are an SME just starting your Cambodian journey or a corporation looking to stand out in a crowded market, EuroCham has a business solution for you.

New Entrants Package

- Market introduction & Company Setup Facilitation meeting
- EuroCham membership
- EuroCham Silver Annual Partnership package & visibility
- Regulatory Risk Assessment Report
- Market Research & Consumer Insight Report
- 2-days Business Matchmaking Mission
- Committee “Meet your peers” session
- 1-day Business to Government “Knock-on-door” mission
- B2B Communication Blast
- Tailored Launch Event
- 1-year Business Centre rental

Current EuroCham Members & Local companies

- Company Setup Facilitation
- EuroCham membership
- EuroCham Bronze Annual Partnership package & visibility
- Introductory Regulatory Risk Assessment
- Market Research & Consumer Insight Report
- B2B Communication Blast
- Tailored Launch Event

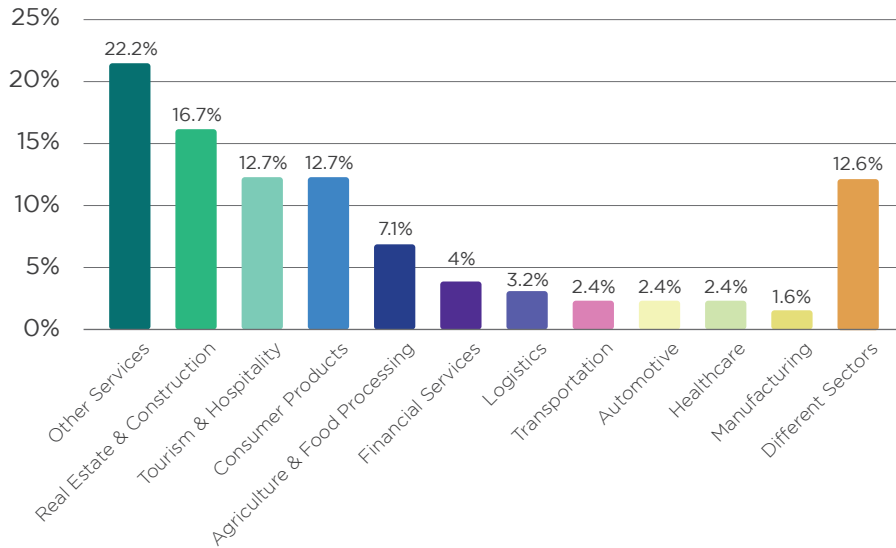
For more information, please contact
Zandre VAN STRATEN, Services Coordinator

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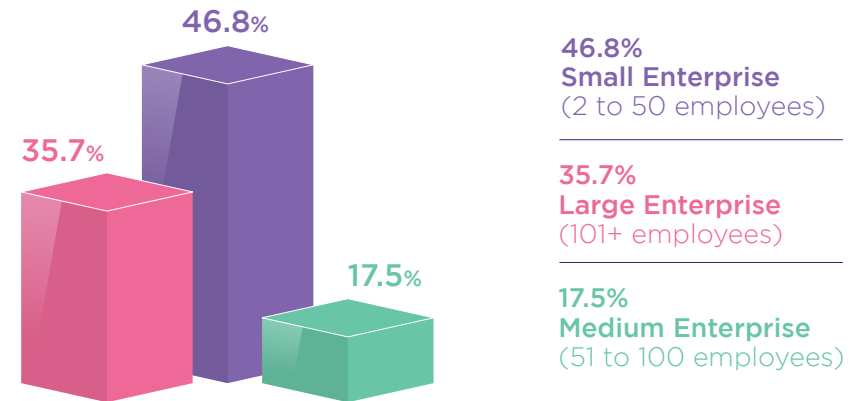
Respondent Profiles

Respondents by Sector



EuroCham’s Business Pulse Survey H1 2024 collected 126 responses exclusively from its member companies across more than 10 key sectors driving Cambodia’s economic growth. The most represented sectors were Other Services which includes Consulting, Legal, and Audit/Accounting (22.2%), followed by Real Estate & Construction (16.7%), Tourism & Hospitality (12.7%), Consumer Products (12.7%), and Agriculture & Food Processing (7.1%).

Respondents by Size



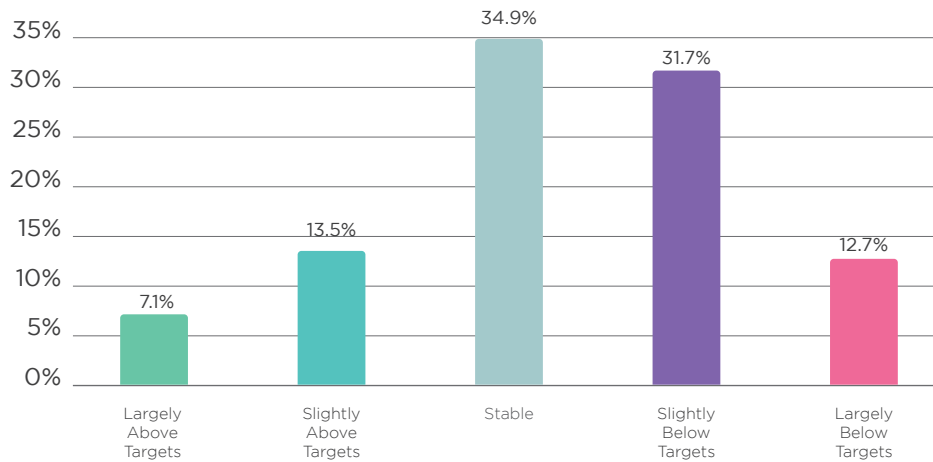
In terms of company size, 46.8% of respondents were small enterprises (2–50 employees), 17.5% were medium enterprises (51–100 employees), and the remaining 35.7% were large enterprises (101+ employees).

Business Environment

Respondents were asked to indicate how well their company's revenue performance fared during H1 2024 (above target, stable, below target). These findings will be reviewed again for the second half (H2) of 2024 to assess the overall economic climate in Cambodia.

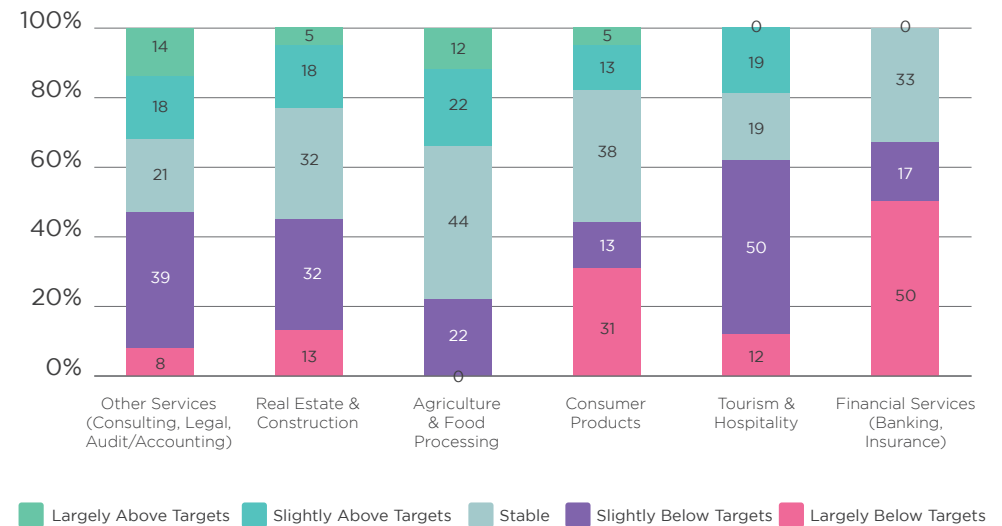
How was your company revenue performance from January to June 2024?

Revenue performance in H1 2024



Most respondents indicated that their revenue performance in H1 2024 was either stable or below target.

Revenue performance by sector in H1 2024

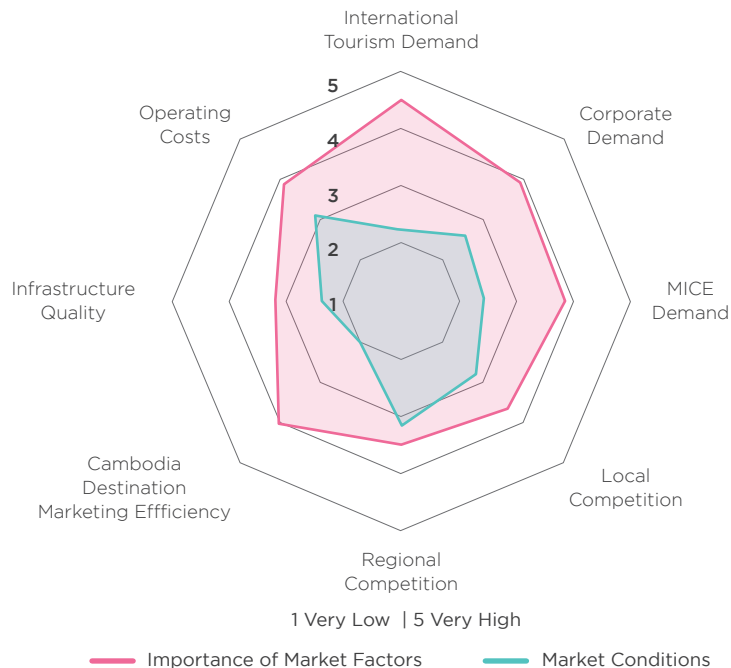


The Other Services and Agriculture & Food Processing sectors were the top revenue performers in the first half of 2024, while the Financial Services sector was the lowest performer.

Importance of Market Factors and Market Conditions from January to June 2024

Respondents were asked to assess the significance of pre-determined market factors and rate the level (1 being very low, 5 being very high) of specific market conditions in their sectors in H1 2024. This evaluation aimed to offer insights into the key drivers impacting their industries and the recent performance of these factors.

Tourism & Hospitality (H1 2024)



Although rated as very important market factors, International Tourism Demand and Cambodia Destination Marketing Efficiency were among the lowest-ranked market conditions in the country.

Expert Insight

The return of tourists after the COVID-19 pandemic has been slow, particularly with the massive absence of Chinese travellers. While the tourism sector will eventually rebound, it's important to recognise that tourism statistics encompass more than just leisure travel; they also include business and worker travellers. More sophisticated statistics are needed, and a better understanding, categorisation and analysis of these statistics are necessary for informed decision-making.

Cambodia's tourism image is also monolithic and remains largely dominated by Angkor Archaeological Park. There is a need to better promote the diversity and authenticity of the destinations and experiences as well as a more positive and assertive image of Cambodia as a tourist destination.

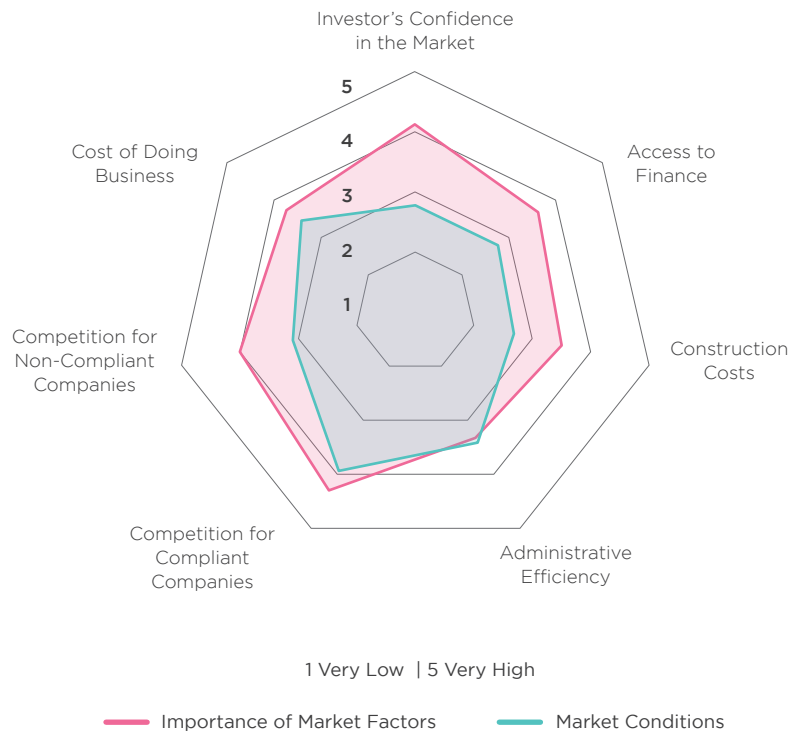


Ms. Catherine Germier-Hamel

Chairwoman of EuroCham Tourism & Hospitality Committee and Founder & CEO of Millenium Destinations.

Respondents were asked to assess the significance of pre-determined market factors and rate the level (1 being very low, 5 being very high) of specific market conditions in their sectors in H1 2024. This evaluation aimed to offer insights into the key drivers impacting their industries and the recent performance of these factors.

Real Estate & Construction (H1 2024)



Although considered very important, Investor's Confidence in the Market received a lower score when compared to other market conditions such as Cost of Doing Business.

Expert Insight

In recent years after COVID-19, the construction sector has grappled with a 20-30% increase in construction costs, straining developer abilities to complete projects. Rising U.S. interest rates and Cambodia's high economic reliance on the U.S. Dollar have also resulted in reduced lending from banks for construction projects.

While the sector has experienced about five years of average activity levels, there is optimism for an upswing in the near future. For example, we have recently seen a 30-40% price correction in prime Phnom Penh locations, which may stimulate increased activity, presenting opportunities for growth and investment.

Despite these challenges, the sector's adaptability and potential for recovery signal promising prospects for the coming years, especially with recalibrated pricing and strategic cost management.

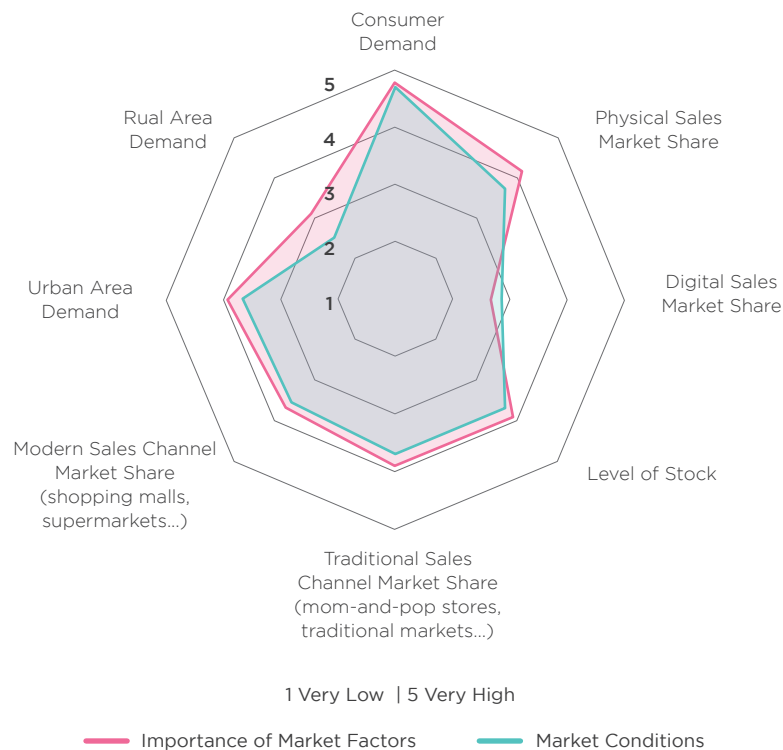


Mr. Ross Wheble

Vice-Chairman of Real Estate & Construction Committee at EuroCham Cambodia & Country Director of Knight Frank Cambodia.

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Consumer Products (H1 2024)



Consumer Product companies consider Physical Sales more important than Digital Sales, and Urban Area Demand is more significant than Rural Area Demand (despite only 25% of Cambodia's population living in urban areas).

Expert Insight

While the use of digital data is on the rise, many consumers in Cambodia continue to rely on traditional purchasing methods, particularly in general trade markets. People shop at different times, and everyday necessities are still predominantly purchased in physical spaces, regardless of whether consumers live in urban or rural areas. However, while physical shopping is still prevalent, digital payments are becoming more common. Younger generations in Cambodia, in particular, are also spending increasing amounts of time browsing consumer products online.

In Cambodia's mass market, consumers often prefer to see, touch and feel products before making a purchase at the store. Digital sales and e-commerce remain relatively small in Cambodia especially with daily necessary consumer goods such as shampoo, body soaps, detergents, etc., with modern trade — supermarkets and marts playing a more significant role in shaping consumer spending patterns in urban areas.

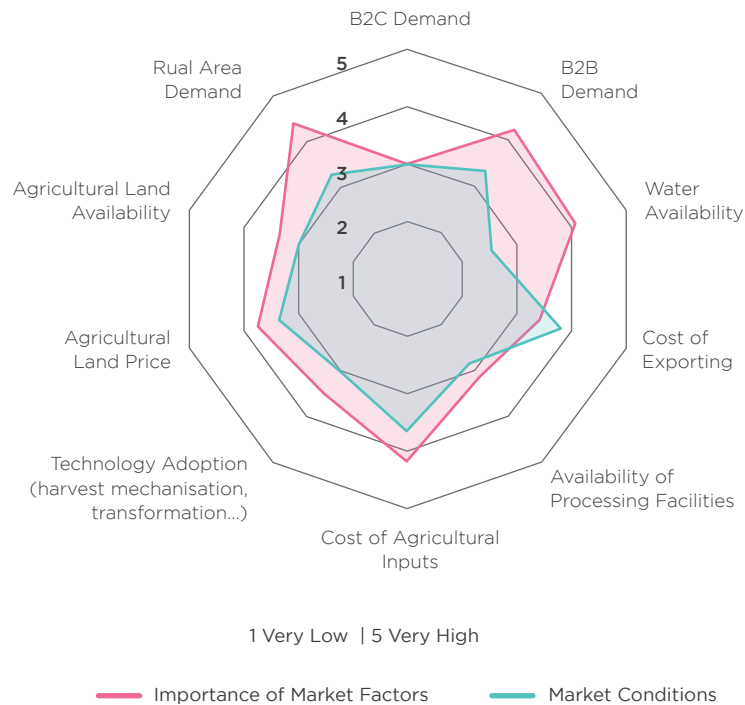


Mr. Tivea Koam

Vice-Chairman of the EuroCham Fast-Moving Consumer Goods (FMCG) Committee and Senior Communications and Corporate Affairs Manager at Unilever Cambodia and Laos.

Respondents were asked to assess the significance of pre-determined market factors and rate the level (1 being very low, 5 being very high) of specific market conditions in their sectors in H1 2024. This evaluation aimed to offer insights into the key drivers impacting their industries and the recent performance of these factors.

Agriculture & Food Processing (H1 2024)



While Agricultural Land Availability relatively met expectations, the Availability of Water and Soil Fertility in Cambodia was low for Agriculture and Agri-processing companies. Export Costs were also high.

Expert Insight

On low water availability, in the first half of 2024, Cambodia experienced prolonged high temperatures and low rainfall, resulting in lower-than-expected water levels, largely due to the El Niño phenomenon in the South China Sea. Regarding soil fertility, Cambodia still relies heavily on traditional methods like chemical fertilisers, which negatively affect soil quality and kill insects, particularly ants, that play a crucial role in transporting organic materials into the soil. To improve soil health, there is a need for new technology and a shift towards using organic fertilisers which are not only more cost-effective but also better for the environment.

The issue with export costs in Cambodia isn't primarily about the cost of exporting itself, but rather the high transportation costs of moving harvested crops to the export destinations. The distance between farming areas and ports is significant, which benefits only provinces near the ports, such as Kampot and Koh Kong. The development of the Funan Techo Canal will help alleviate this issue by providing more provinces with easier water access to export routes, thus reducing transportation costs and road congestion for agricultural crops.

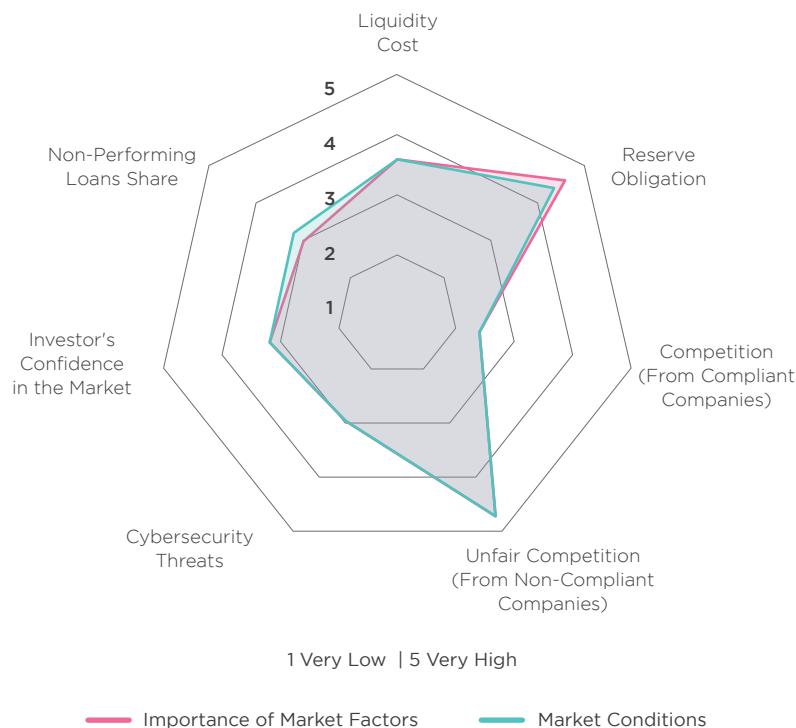


Mr. Eugene Kraamwinkel

Former Chairman of EuroCham's Agribusiness Committee & CEO of Phu Rieng Kratie Aphivath Caoutchouc Co., Ltd.

Respondents were asked to assess the significance of pre-determined market factors and rate the level (1 being very low, 5 being very high) of specific market conditions in their sectors in H1 2024. This evaluation aimed to offer insights into the key drivers impacting their industries and the recent performance of these factors.

Financial Services (H1 2024)



The importance of market factors and conditions was closely aligned among respondents from the Financial Services sector. Unfair Competition (from Non-Compliant Companies) was deemed the most important compared to other market characteristics, while the Share of Non-Performing Loans (NPLs) showed only slight variations.

Expert Insight

The authorities and the regulator are continually working to ensure and improve fair competition within the banking sector. However, the large number of financial institutions can make the task more complex in terms of monitoring the practices of each establishment. The regulatory framework exists, and it is up to each to comply with it in order to ensure fair competition.

For non-performing loans (NPLs), the market indicates that some customers are struggling to repay their loans post-COVID. Companies and family businesses have not seen the revenue they had initially forecasted, leading to a drop in income and an increased level of debt. As a result, a larger share of individual and business customers are seeking loan restructuring from their banks. In response, the National Bank of Cambodia (NBC) has introduced a new Prakas allowing banks to restructure loans up to two times without requiring provisions, and with a faster recovery timeline considering the current economic context.

The sector is expecting further challenges with NPLs in the future, but the recent Prakas aims to provide new avenues for managing this issue, potentially reversing the trend in a few months. While the next six months will be difficult, we expect conditions to improve after that.

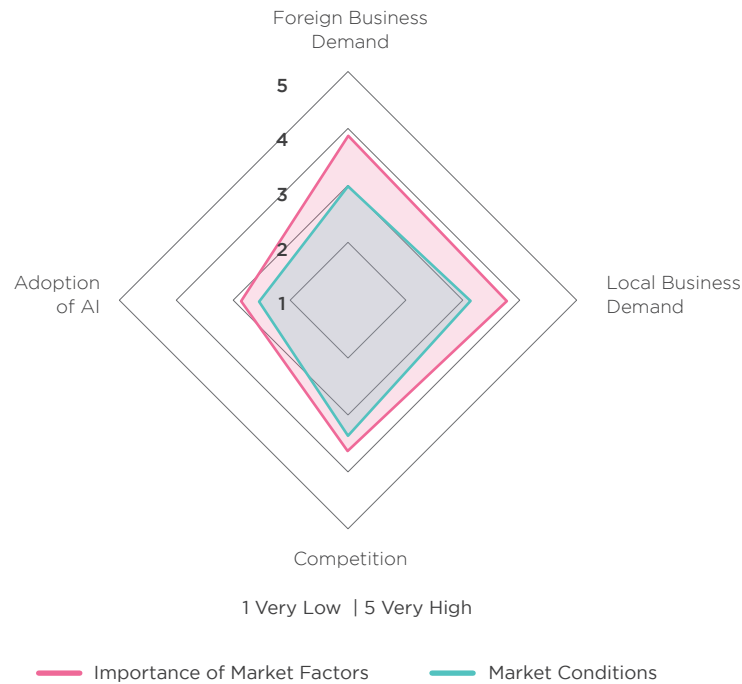


Mr. Nicolas Hollanders

*CEO of
BRED Bank Cambodia.*

Respondents were asked to assess the significance of pre-determined market factors and rate the level (1 being very low, 5 being very high) of specific market conditions in their sectors in H1 2024. This evaluation aimed to offer insights into the key drivers impacting their industries and the recent performance of these factors.

Other Services (H1 2024)



Demand from both Foreign and Local Businesses is considered equally important for respondents in Cambodia, while the adoption of Artificial Intelligence (AI) is still viewed as a low-priority issue when compared to other Market Factors and Conditions.

Expert Insight

In Cambodia, the equal emphasis on demand from both foreign and local businesses reflects its open-market economy and efforts to attract diverse investment sources. The relatively low prioritisation of AI adoption by Other Services (Consulting, Legal, and Audit/Accounting) is tied to the nature of their work, which often requires nuanced, context-specific expertise and judgment that AI may struggle to replicate. Legal analysis, strategic business recommendations, and client advisories involve subjective decision-making and ethical considerations. Therefore, these sectors require human expertise and a personal touch.

In the Cambodian context, where information is not always immediately available to the public, the use of AI raises concerns about accuracy and reliability. Additionally, these businesses handle sensitive and confidential information. Notwithstanding the above, it is crucial to support companies in adopting new technologies in order to accelerate their modernisation and foster international orientation, ultimately leading to higher productivity.



Ms. Julie Kéo

EuroCham Board Member, Consultant and Business Development Director at DFDL Cambodia.

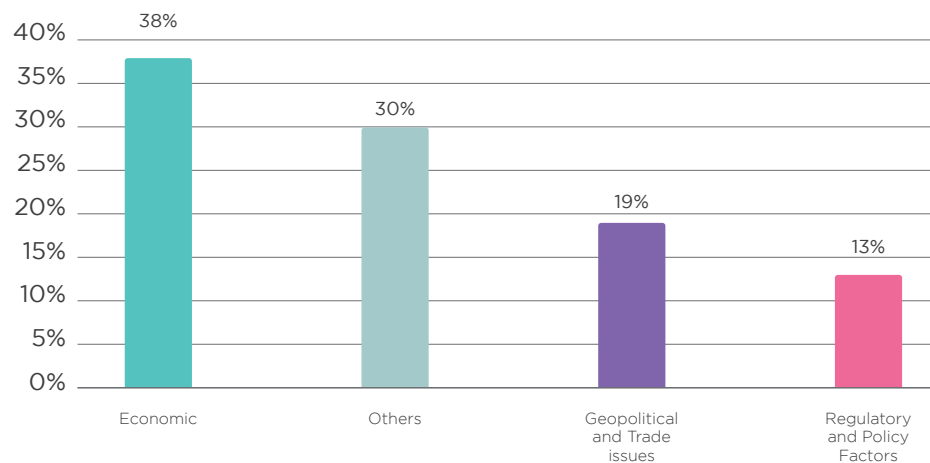
External factor impacts on businesses

Respondents were asked to identify the external factors that have impacted their businesses over H1 2024. These were open-ended questions that EuroCham categorised into four main factors: Economic, Geopolitical and Trade, Regulatory and Policy, and Other factors. This section will be reviewed again in the next Business Pulse Survey, focusing on the impact in H2 2024, to compare trends.

Economic factors outweighed all other factors and were reported most often. These include decreased consumer confidence, competition from the informal sector, shifting consumer demand, fluctuations in buyer orders, the growth of the grey market, market oversupply, and weakened purchasing power. Regulatory and Policy factors were mentioned the least, including changes in regulations, customs procedures, solar energy policies, and cross-border processes.

Geopolitical and Trade factors were the second-most reported, including conflicts in Ukraine and Israel, tensions in the Red Sea, and the impacts of sanctions and trade wars. Lastly, Other factors included little market/customer awareness of their businesses in Cambodia, business activity declines in specific sectors, and seasonal fluctuations.

Which external factors have impacted your business in the last 6 months?



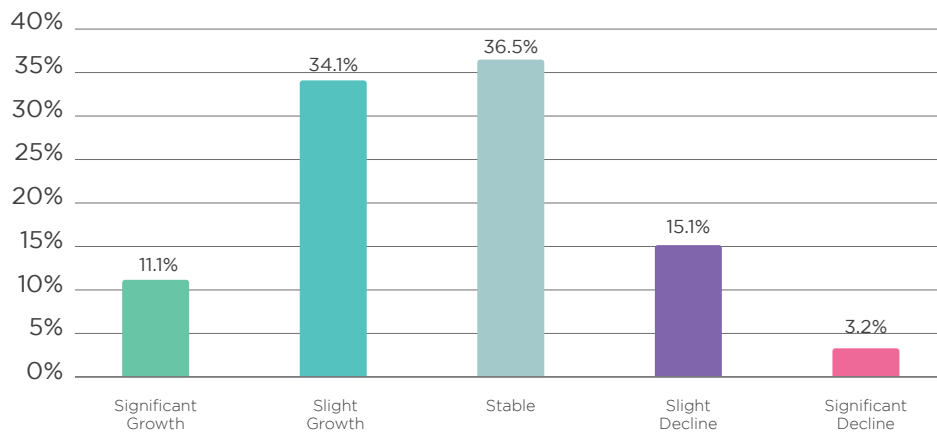
Economic factors had the most significant impact on market conditions in Cambodia, outweighing Geopolitical or Regulatory influences.

Outlook

Respondents were asked to provide their forecasts on revenue, sector growth, workforce changes, expansion potential, cost-cutting measures, and anticipated shifts in their business environments in Cambodia for H2 2024. These insights will be revisited in future Business Pulse Surveys to create an accurate comparison between expected and actual outcomes.

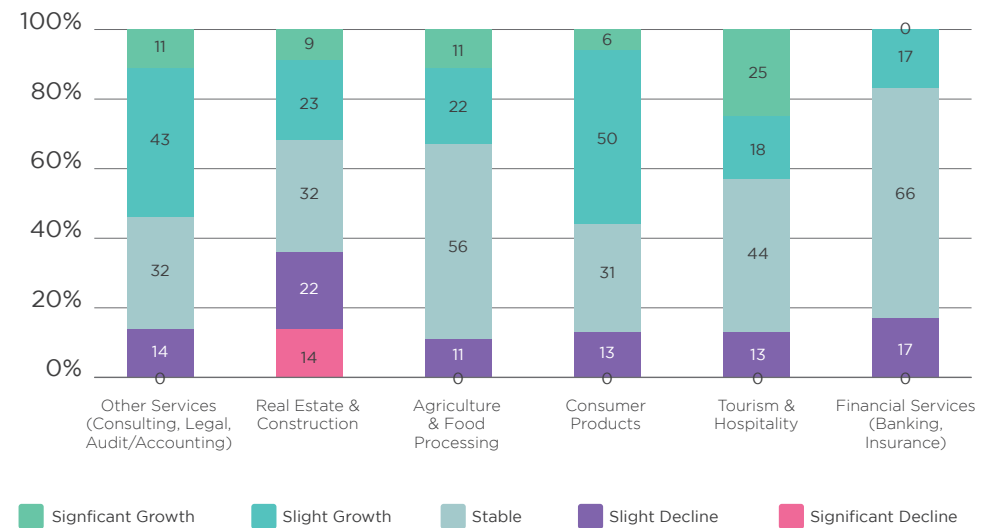
How do you forecast your revenue will evolve in the coming 6 months?

Revenue forecasted for H2 2024



The majority of respondents expected a large or slight increase in revenue growth for H2 2024, while others expected stable growth or slight declines.

Revenue forecasted by sector for H2 2024



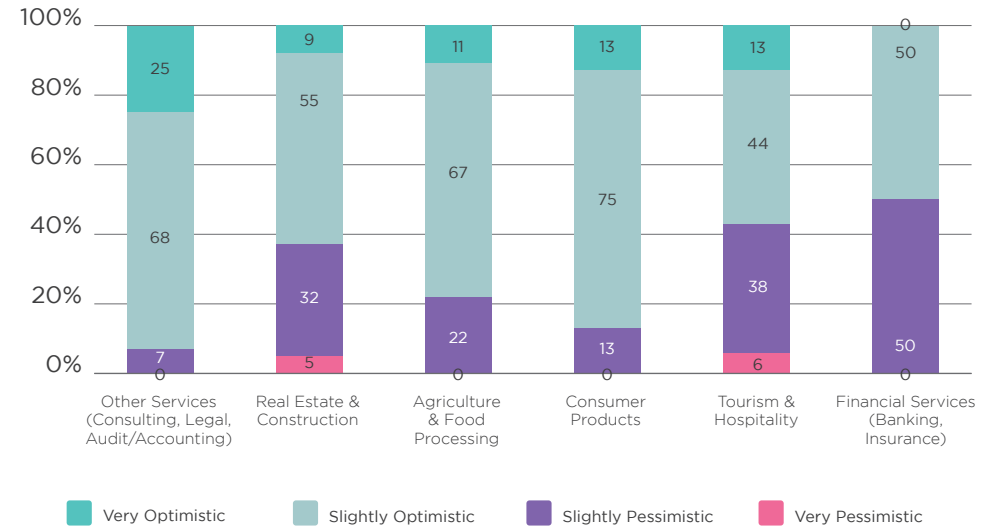
The Other Services sector remained the most optimistic, while Real Estate & Construction and Financial Services were the most pessimistic for H2 2024.

How do you feel about the evolution of your sector for H2 2024, H1 2025, and H1 2026?

Overall sector evolution forecasted for H2 2024, H1 2025, and H1 2026



Evolution forecasted by sector for H1 2025

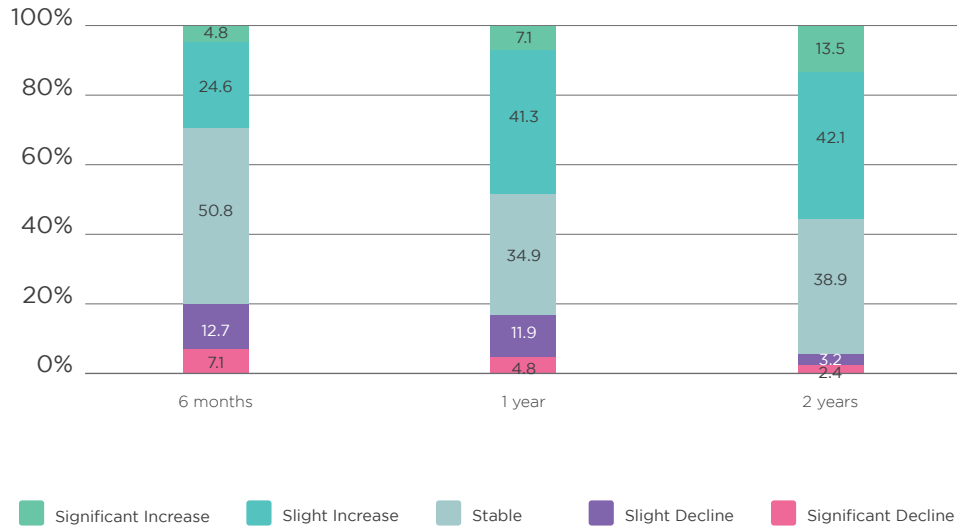


Respondents across all sectors were mostly optimistic about their sector's growth over the next 6 months (H2 2024) and 1 year (H1 2025), and most respondents were very optimistic about their sector's growth in the next 2 years (H1 2026).

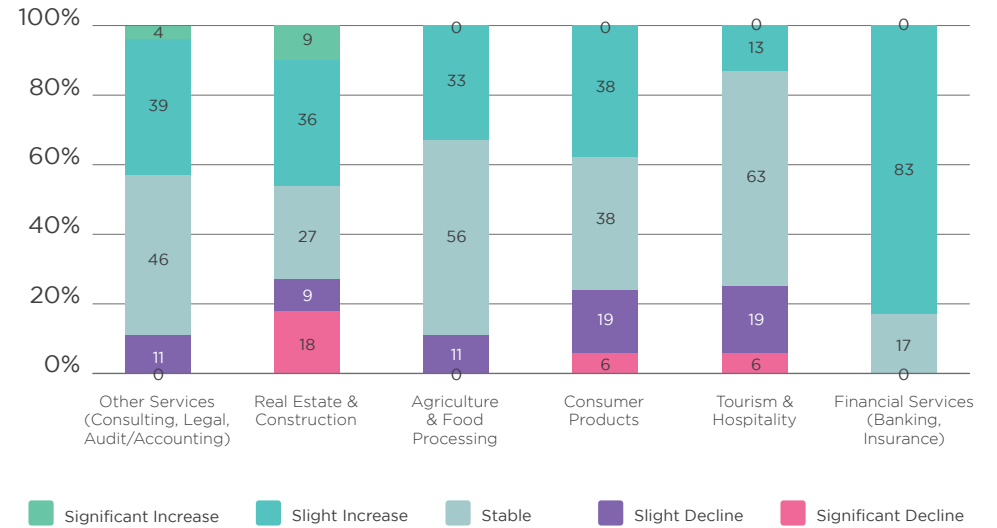
Consumer Products & Other Services emerged as the most optimistic sectors, while the Financial Services sector remained the most pessimistic for their sector growth in the first half of 2025.

How do you forecast your headcount will evolve for H2 2024, H1 2025, and H1 2026?

Overall headcount evolution forecasted for H2 2024, H1 2025, and H1 2026



Headcount evolution forecasted by sector for H1 2025

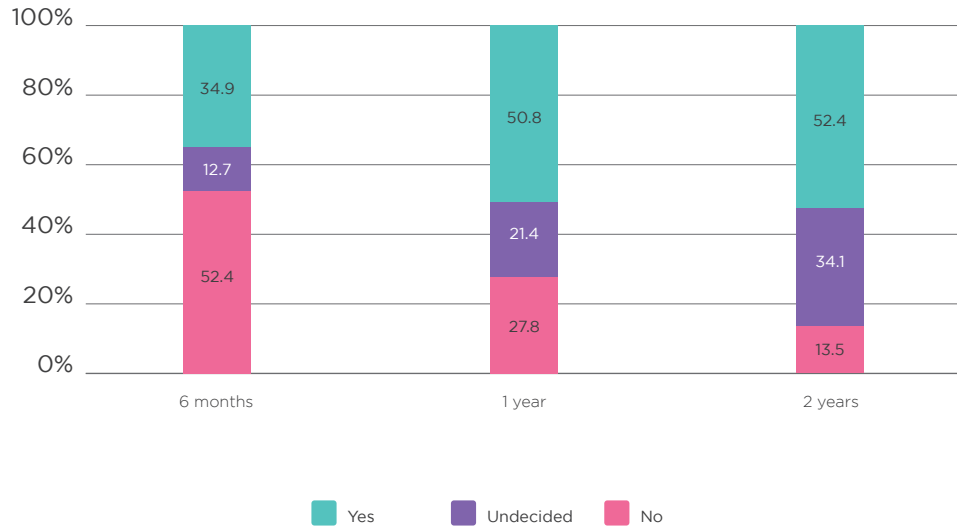


Respondents across various sectors generally expect business conditions to remain stable over the next six months. However, they expressed notable optimism about potential headcount growth within the next year, with this positive outlook strengthening further when considering the next two years.

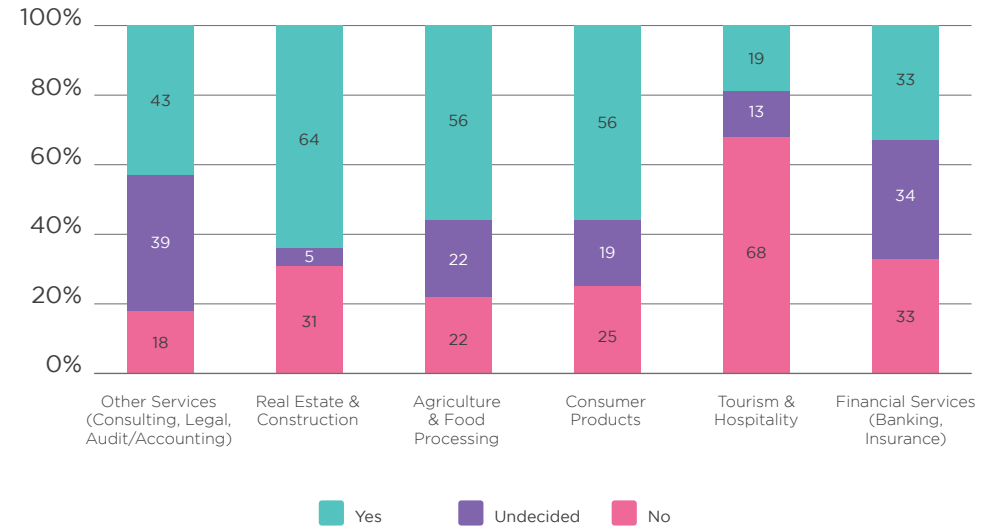
The Financial Services sector showed the most positive outlook regarding its headcount growth in the first half of 2025.

Is your company considering expanding its current operations for H2 2024, H1 2025, and H1 2026?

Consider expanding current operations in H2 2024, H1 2025, H1 2026



Consider expanding operations by sector in H1 2025

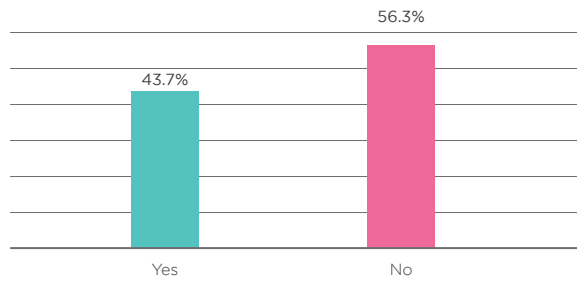


Half of the respondents did not plan to expand their operations in the second half of 2024 but anticipated growing expansions within 2025 and 2026.

Most sectors are expected to expand their operations, except for Tourism & Hospitality and Financial Services which have expressed large reservations.

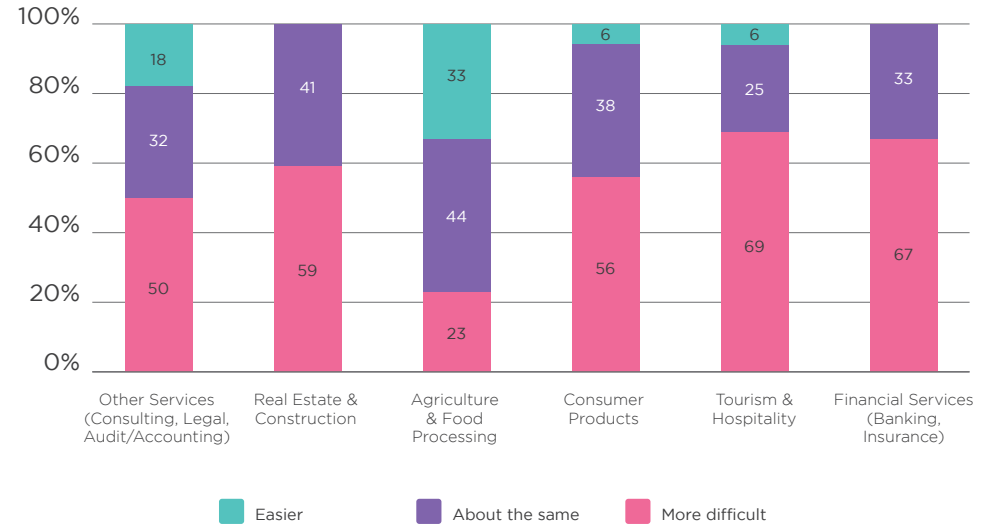
Does your company plan on cutting costs for H2 2024?

Plan to reduce cost for H2 2024



In the second half of 2024 more than half of respondents indicated they had no plans to cut costs. Among those who planned cost reductions, the most common strategies are cutting marketing costs (50%), reducing headcount (44.4%), and lowering training costs (22.2%).

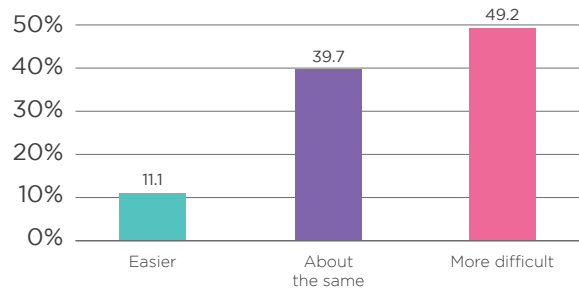
Business environment by sector in H1 2024



Except for Agriculture, and to a certain extent, Other Services, most of the sectors experienced difficulties over H1 2024.

How has your industry's business environment changed for H1 2024?

Business environment in H1 2024



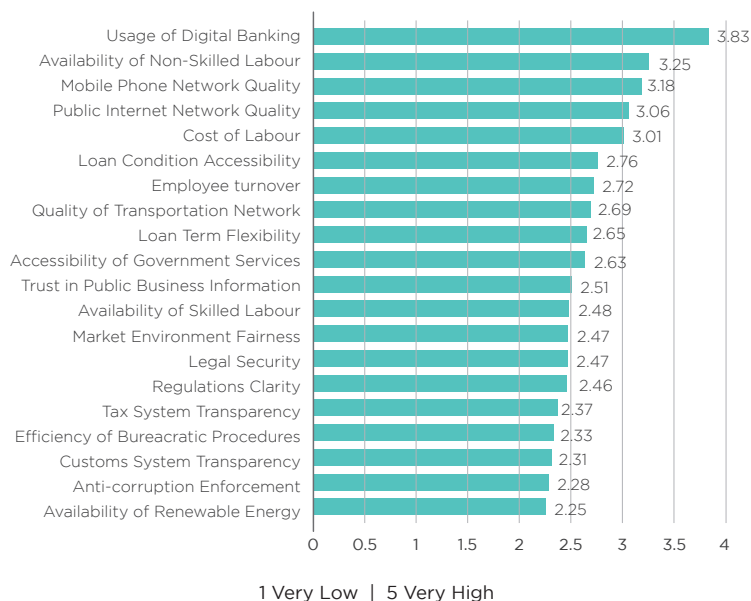
Almost half of the respondents said that business became more difficult in H1 2024.

Assessment of Factors in Cambodia

Respondents were asked to assess these domestic factors on a scale of 1 to 5, with 1 representing very low and 5 representing very high.

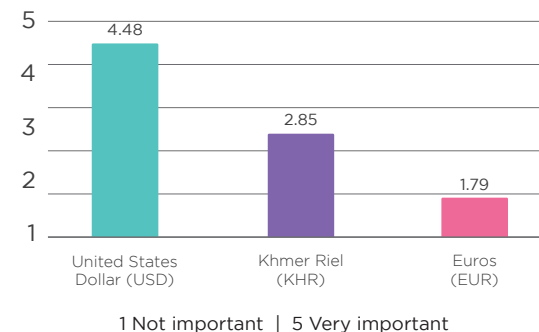
Disclaimer: EuroCham has transitioned from the Business Confidence Survey to the Business Pulse Survey for the first time. As this is the inaugural use of the new assessment, it will serve as a baseline and can only be compared to historical data.

Assessment of factors



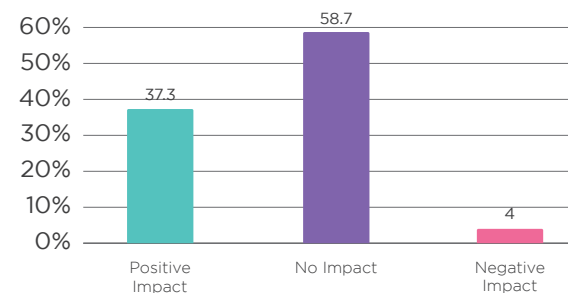
Usage of Digital Banking is the highest-rated factor in Cambodia. While the Availability of Unskilled Labour is high and Availability of Skilled Labour is low, the workforce demonstrates potential to support a wide range of industries through sufficient skills development.

How important is it for you to use USD, KHR, or EUR as currency in your bank operations?



Despite national efforts to promote the use of KHR, USD remains the most important currency for bank operations in Cambodia by far.

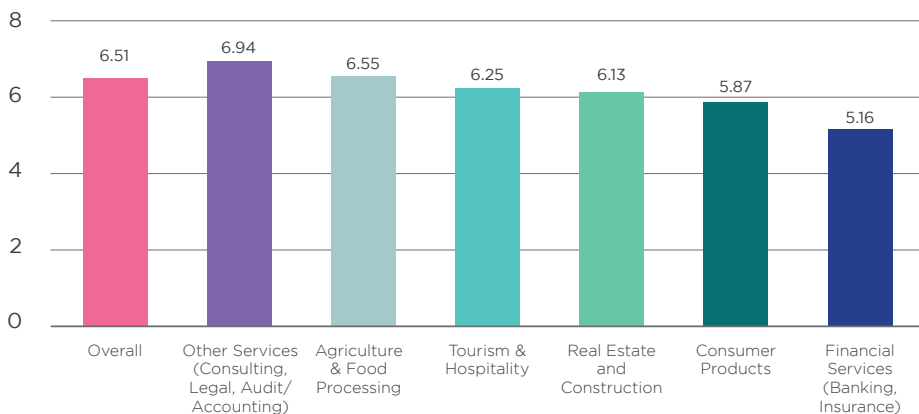
How do you perceive the reforms put in place by the new Cambodian Government since August 2023?



Most respondents believed that recent government reforms had no impact on the market, while others viewed the reforms more positively than negatively.

How likely are you to recommend Cambodia as an investment destination?

Average score by sector

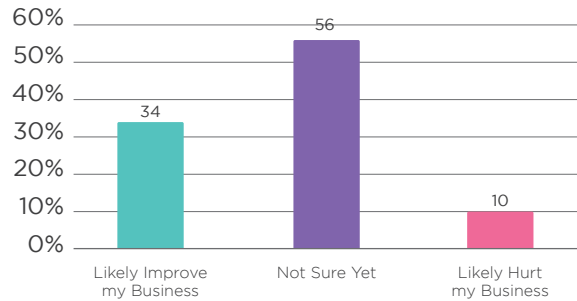


Cambodia received an average of 6.51 out of 10 as an investment destination. The "Other Services" which includes Consulting, Legal, and Audit/Accounting, is the most likely to recommend Cambodia as an investment destination.

Cambodia's Net Promoter Score (NPS) of 6.51 out of 10, reflects respondents' likelihood of recommending the country as an investment destination to friends or colleagues. This score places most respondents in the "Detractor" category, indicating room for improvement. Although close to the "Passive" range, the score suggests that respondents hold a neutral perspective—neither strongly endorsing nor opposing Cambodia as an investment choice.

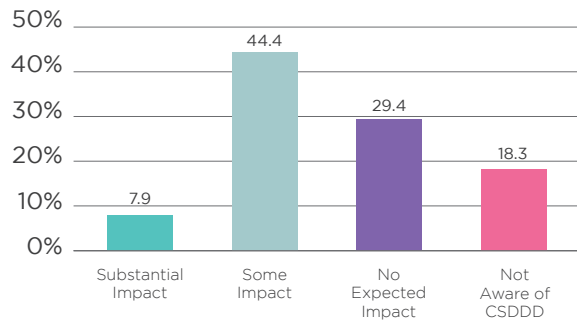
In comparison with EuroCham Vietnam's Business Confidence Indexes for Q1 and Q2 2024, Vietnam achieved an average NPS of 7.3 out of 10. Given that 7.3 falls in the "Passive" category, it suggests that while the majority of respondents are content, there is room for improvement in order to move them into the "Promoter" category. Passives are less likely to actively recommend the product or service compared to Promoters, and their loyalty is more vulnerable to competitive offerings.

How do you feel about the Funan Techo Canal?



Half of the respondents were unsure whether the Funan Techo Canal will impact their business, although more respondents expected a positive rather than negative effect.

Do you expect the EU's introduction of the Corporate Sustainability Due Diligence Directive (CSDDD) to impact your Cambodia operations?



A large majority of respondents are aware of CSDDD (81.7%). Half (52.3%) of respondents expect an impact on their operations.

Expert Insight

The Funan Techo Canal represents a significant opportunity for Cambodia, offering the potential to reduce transportation costs and decrease the country's reliance on others for key shipping routes. By providing a more direct and efficient waterway for both domestic and international trade, the canal could streamline the movement of goods, lower shipping times, and cut down on logistical expenses. However, one major uncertainty remains the toll fees that will be charged for using the canal. These fees will play a crucial role in determining the canal's effectiveness in reducing overall transportation costs.



Mr. Suy Bunthan

Chairman of EuroCham Transport & Logistics Committee and Head of Operations, DHL Cambodia.



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