

The business forecast for 2015



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Description BANKING:
IN CHANNY, CEO OF ACLEDA BANK

In 2015, even more confidence will return to Cambodia's economy, with greater political and social stability. There's no doubt that every industry will grow strongly next year. 2015 will also open up a greater market for all, with the ASEAN Economic Community. I see it as an opportunity rather than a threat, since we will be able to deal with the whole ASEAN population of 600 million plus.

We'll start the year positively. As you have seen, Cambodia received the award for the world's number one rice for the third year in row. The accolade can help to boost agricultural exports, especially milled rice. Cambodia has been the centre of peace in the region, and this will benefit the services industry, especially with an increase of tourists visiting Cambodia, which will be of benefit to all industries, including the growth of the banking industry.

The minimum [garment] wage, to be enforced in 2015, will benefit the labour force in the garment industry, and those workers will be an addition to the growing number of customers at banks and licensed microfinance institutions for their payroll services.

TELECOMMUNICATIONS:
THOMAS HUNDT, CEO OF SMART AXIATA

The telecoms industry is amid an ongoing transition from voice call-centric services towards data usage and value-added services. With more and more Cambodians owning smartphones, the galloping increase of internet consumption will be the key industry driver during 2015, while the usage of voice calls will taper out and the usage of SMS will further decline as a result of the spreading messenger apps being used. The evolution of the business models as well as of the networks in line with this changing user habit will be one of the key challenges for the industry during the coming year.

RICE:
VAN DAVID, SENIOR ADVISER AT THE CAMBODIA RICE FEDERATION

2015 will remain a challenging year for Cambodian rice exports, with continued price softening and the unloading of massive volumes of rice by Thailand on a gradual basis.

Major challenges still linger for the Cambodian rice industry, primarily access to finance for working capital so that millers can have easy loans to buy paddy. Donors are trying, with the government, to come up with the "warehousing receipt" concept, using paddy stock as collateral for loans, but this has been in discussion for two years now and I don't see how the donors or the government can move on this, considering the collateral management agents they had to hire to manage the paddy warehouse may not have the in-depth knowledge and the local network to ensure paddy sent into those warehouses will be of good quality.

We heard the government, via the Ministry of Economy and Finance, is working on a \$300 million Chinese loan to establish a series of silos and warehouses to cater to the rice sector, but considering the magnitude of such a project, I certainly don't see it being operational in 2015, especially when the Ministry of Economy and Finance has yet to sign the MoU with the Chinese.

INSURANCE:
SOLENE FAVRE, CEO OF FRENCH INSURANCE COMPANY PREVOIR KAMPUCHEA MICRO-LIFE INSURANCE (PKMI)

2015 will be very important for PKMI as the government projects to implement compulsory insurance for all companies in Cambodia. It is a long process and it is not yet confirmed, but we are already working on possible products that could be complementary to the government's insurance.

SMALL TO MEDIUM BUSINESSES:
SENG TAKANEARY, PRESIDENT OF THE CAMBODIAN WOMEN ENTREPRENEUR ASSOCIATION

In 2015, we will have an increased opportunity to engage in business partnerships on investment with our neighbouring countries or ASEAN members. These opportunities will come with better business matching, business networking and improved logistics. In mid-December, the Ministry of Industry and Handicraft organised a national ASEAN integration conference that identified challenges for Cambodian SMEs, including the lack of application of the investment law, a lack of product standards, the need for greater capacity building, a lack of innovation, a need for more mentors and a need to get more out of information technology. The success of SMEs in 2015 will hinge on overcoming these constraints and challenges.

CONSTRUCTION:
THIERRY LOUSTAU, CEO OF CONSTRUCTION FIRM LBL INTERNATIONAL

In 2014, the construction industry became the second-largest contributing sector to GDP growth in Cambodia, after garments but before tourism. Despite some instability in the post-election year, construction projects received more attention from international players, which brings with it a more professional approach.

Increased competition between banks and lower interest rates has encouraged local investments and property acquisitions. I foresee the same momentum for 2015, with strong support from local investors combined with international developers mainly from Taiwan, Japan and ASEAN.

High-rise condominium projects will continue their development ... but I am anticipating more hotels, factory extensions, head offices, residential compound developments and renovation of existing buildings this year.

The main challenge will be the concentration of the construction in Phnom Penh without parallel development of the infrastructure.

REAL ESTATE:
JAMES PADDEN, SURVEYOR AT CBRE CAMBODIA

Domestic growth forecasts over 7 per cent for the foreseeable future are expected to create growth in all key real estate sectors.

There is a significant pipeline of condominium projects that have thus far sold well, particularly to foreign buyers focused on capital appreciation. In order for this momentum to be maintained, we need to see a growing number of Cambodians embrace city centre condo living – a trend previously seen around the region, particularly in Bangkok, and starting to emerge in Phnom Penh.

Last year was strong for the sector and we see this continuing in 2015. With tourism having grown on average 19 per cent per year over the past decade there is opportunity for resort property in the coastal regions. There has been significant interest already in resorts such as Allia Koh Russey.

Likewise in retail, Aeon Mall has been a runaway success. With Parkson Mall due to open its doors in the fourth quarter of 2015, we see this as key in fulfilling the maturing retail tastes within Cambodia.

GARMENTS:
SREY CHANTHY, INDEPENDENT ECONOMIST

The Cambodian market is doing very well right now, and the healthier economies of the US, EU and Japan will keep demand strong. Cambodia can stay competitive with Vietnam in the garment sector due to increasing productivity, but I'm more worried about Myanmar. Garment industries are very easy to set up worldwide, and even in Myanmar they would need only six to seven months to set up and start training workers. I don't think higher wages will price out garment manufacturers from Cambodia, however. If the garment industry can keep its promise to increase wages and provide some training, productivity will be much better. As for political instability and protests, there will be less than last year.

STOCK MARKET:
LAMUN SOLEIL, DEPUTY DIRECTOR OF THE CAMBODIA SECURITIES EXCHANGE'S MARKET OPERATIONS DEPARTMENT

This year will be our most exciting since the PPWSA's listing in 2012 for two main reasons. First, we will implement "continuous trading" and "trading before settlement", which will allow investors to continuously and actively trade using frozen deposited cash or securities. Second, long-prepared companies will be ready for listing this year, which will more than double our listed companies. We will also more actively promote the public awareness about the stock market and educate investors through media and events.

MACRO ECONOMY:
CHAN SOPHAL, SPOKESMAN FOR THE CAMBODIAN ECONOMIC ASSOCIATION

Cambodia should have no problem seeing her GDP grow by around 7.5 per cent in 2015 as the economy continues strongly. Given the cool political climate, investment by foreigners and locals will keep rising, fuelling trade and economic activities.

Significant investment in agriculture in the past decade should yield higher outputs. Lower oil prices, likely to continue in the year to come, will be conducive to the rising mechanisation in the country. The likely reduced electricity prices will also help further.

This year will also see a continuing boom in the real estate sector, which is likely to go on until the national elections in 2017, when businesses and people will again adopt a wait-and-see attitude. A challenge is how to keep the likely bubble in check and avoid a potentially damaging burst.

TOURISM:
NG KIM EANG, PRESIDENT, CAMBODIA ASSOCIATION OF TRAVEL AGENTS

I am very optimistic about Cambodia's tourism industry in the year to come because of the return to political stability and the growth of both the micro and the macro economies of the country. This will empower the outbound travel of Cambodians as well as inbound tourists.

The country also has good connections – both diplomatic ties and flight linkages – within the region and Asia-Pacific, which play an important role in generating the growth of the tourism industry. Another positive aspect is that Cambodia will permit a few more airline companies to operate as local carriers in addition to the Airlines Operation Certificates issued to three airlines in 2014.

JAPANESE INVESTMENT:
HIROSHI SUZUKI, CHIEF ECONOMIST AT THE BUSINESS RESEARCH INSTITUTE FOR CAMBODIA

I expect Japanese foreign direct investment (FDI) to Cambodia to increase. Many Japanese companies are facing difficulties, especially higher cost of labour, in neighbouring countries such as China, Thailand and Vietnam and are thus seeking their next destination. Cambodia is one of the best candidates for them. Even though the Japanese yen is depreciating against the US dollar, the intention of Japanese companies to expand their production in ASEAN is still strong because of the strong trends in higher growth, improved infrastructure and lower labour costs in these countries.

[Interviews have been edited for length and clarity.]

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