

Cambodia's business registrations dip, but GDP growth is stable

22 January 2014

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Last year's national election and opposition demonstrations against the results were the reasons behind an 11 per cent decline in the number of new business registrations in Cambodia for 2013, according to the Ministry of Commerce.

The most recent figures released from the National Bank of Cambodia, however, indicate that the ongoing political turmoil — the opposition Cambodia National Rescue Party still refuses to take its seats in parliament until a variety of election-related grievances is addressed — has not crimped economic growth.

Official data from the ministry showed that nearly 3,000 new business registrations were received during 2013, down from 3,386 in 2012. Of the 2013 registrations, foreign businesses accounted for 1,448, an 8.9 per cent decrease from the 1,590 foreign registrations in the year before last. Local registrations fell 14.25 per cent, from 1,796 in 2012 to 1,540 in 2013. Ken Ratha, spokesman for the commerce ministry, said July's elections protests, which were driven by the opposition party until a ruling party crackdown last month, factored significantly in the drop.

"Of course the election contributed to the decline. Businessmen and investors — especially foreign — keep watching the situation here and are concerned with political stability."

Ratha added that "procedure tightening," such as the enforcement of customs duties in November, may also have played a role in the slumping figures. Foreign business registrations largely originated from China, Japan, Korea, Malaysia, Singapore and Vietnam, with a primary focus on the agriculture and tourism sectors, according to the data. Grant Knuckey, CEO of ANZ Royal Bank, echoed Ratha's view.

"I suspect the post-election period uncertainty would be the major driver of this. In a less certain environment, some prospective businesses will not go ahead. One could also speculate that the tougher enforcement environment around tax and customs duties may also have played a role in driving down registrations, but it would be difficult to prove that correlation," he said, adding that he remains optimistic.

So does the National Bank of Cambodia, whose data from an annual report released last week show that Cambodia achieved seven per cent GDP growth in 2013, on track with IMF and World Bank outlooks.

The NBC attributed the solid growth to a stable exchange rate, a "manageable" four per cent inflation rate over five years, increases in government revenues, decreasing budget deficits and a favourable investment climate.

"Such a performance comes from an increase in investments in the country, particularly in construction and tourism sectors," the report said.