

Cambodia: Asia's mini-tiger

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by Tim Johnston



Could frontier market Cambodia become a serious contender for Asian tiger status? The country certainly has a buzz about it: flights into the capital are filled with businessmen, the once rural outskirts of Phnom Penh are fast turning into one big construction site, and the roads of the city centre are gridlocked with Lexus four-wheel drives.

According to a UBS note to its clients today, the country is starting to make a roar, albeit small. And when it comes to manufacturing, Cambodia is fast becoming a 'mini tiger'.

According to Jonathan Anderson at UBS in Hong Kong, Cambodia's manufacturing base has significantly benefitted from the globalisation boom of the past decade.

The country has quietly established itself as a "mini-tiger" in textile processing and assembly, a fact generally overlooked by most investors including ourselves.

So is Cambodia poised to take on official emerging market status? Not yet.

Cambodia's manufacturing sector is growing at an astonishing rate - in real terms (the Cambodian currency) it has more than quadrupled in the last decade, but as a manufacturing economy it still has some way to go: manufacturing still represents less than 15 per cent of GDP according to the latest figures from the ADB.

But Cambodia is quietly attracting more and more attention. In 2008, Leopard Capital launched the country's first dedicated fund, and although the \$34m raised was a long way short of the \$100m it was aiming for (it was after all the middle of the global crisis), it plans to launch another \$50m fund later this year to be split between Cambodia and Laos.

In today's UBS note, Anderson has taken a look at the extent to which developing economies dependent on manufacturing have expanded their manufacturing exports relative to GDP over the last decade. The standouts were Cambodia, Czech Republic, Hungary, Slovak Republic, Thailand and Vietnam, all of which increased their exports by more than 25 percentage points.

While Cambodia becoming a tiger overnight may be premature, the note certainly offers some food for thought.