

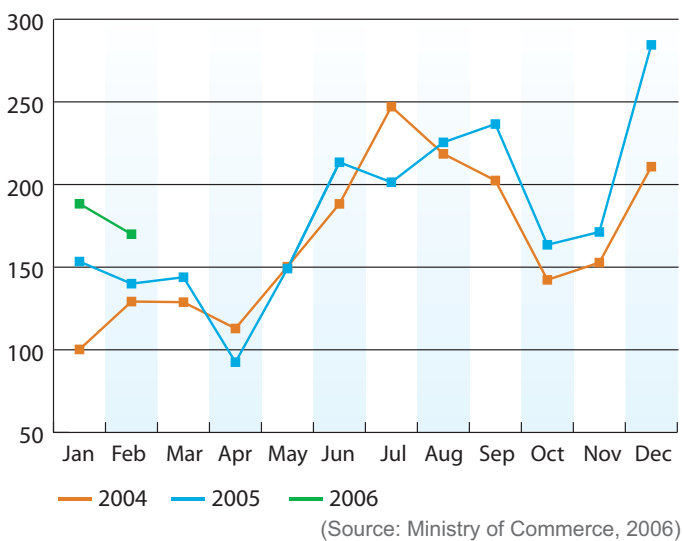
## Cambodian garment industry: One year later

On the first of January 2005 the Multi-Fiber Arrangement (MFA) expired. More than a year later the impacts are still being felt around the world. This fact sheet sets out how the Cambodian export garment industry has fared.

### Are exports still on the rise?

In 2005, the aggregate value of exports of the Cambodian garment and textile industry increased considerably. The value of exports increased to \$2.175 billion in 2005. This is 9.66%<sup>1</sup> higher than in 2004. Figure 1 shows that 2005 export trends resemble those of 2004.

**Figure 1:** Total export value of Cambodian garment and textile 2005 compared to 2004 (millions USD)

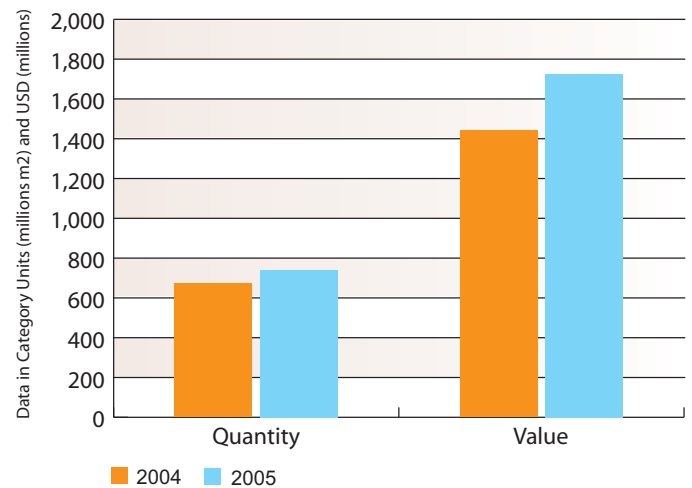


Just as in 2004 and 2005, total export value decreased in January 2006. This fall occurs each year in Cambodian exports.

In 2005, the US was the main market for Cambodian garment exports. Just over 71% of exports were shipped to the US, and 22% to Europe<sup>2</sup>.

US data on Cambodian garment imports shows that the quantity of imports from Cambodia increased by just over 10% in 2005. The value of those same garments grew by nearly 20%. Cambodian exports to Europe fell by 15%<sup>3</sup>.

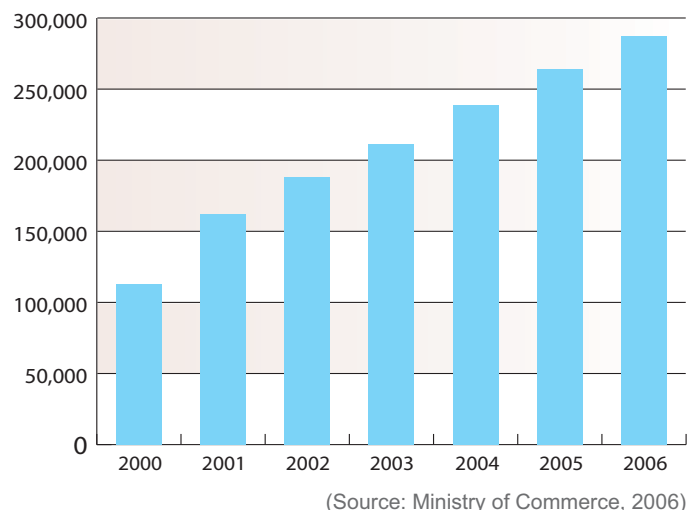
**Figure 2:** Increases in quantity and value of exports to the US (2004-2005)



### What does it mean for jobs?

From the 1st January 2005 until 30th April 2006, nearly 30,000 new jobs were created in Cambodia's garment industry. The total number of employees in the industry in April was 293,600. This is a 11% growth in employment. In 2005 average wages were constant at US\$72 per month which is above the minimum wage of US\$45 a month. This represents a 6% decrease in real wages when adjusted for inflation<sup>4</sup>.

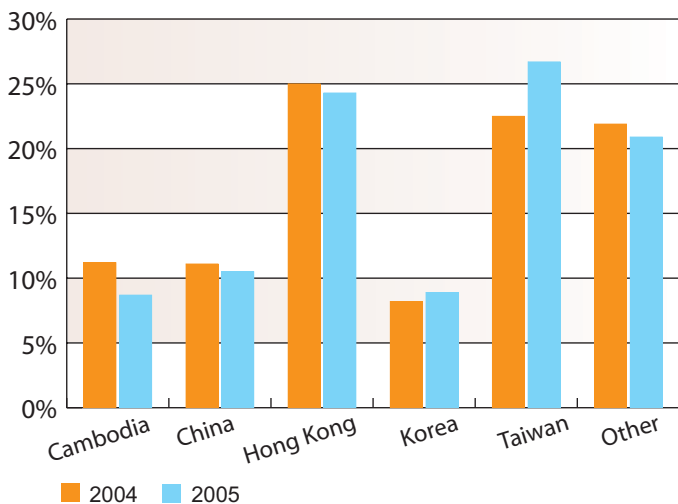
**Figure 3:** Workforce evolution 2000-2006 (January each year)



## Has the end of the MFA led to increased factory closings?

In 2005, the number of operating factories in the Cambodian garment industry increased by 28, or approximately 13%. Domestic ownership decreased. Foreign ownership, particularly from Taiwan, is on the rise<sup>5</sup>.

**Figure 4:** Changes in factory ownership 2004-2005 (December each year)



(Source: Ministry of Commerce, 2006)

## Increased price pressures in the garment industry?

Manufacturers are reporting increased pricing pressure. A rough measure of price is to divide the value of exports by the number of pieces exported. (This can also be affected by changes in the number and type of products made in Cambodia). Using this approach prices per piece in Cambodia fell by 4.47% in 2005 compared to 2004. The fall in the US prices (3.24%) was greater than the European prices (0.6%)<sup>6</sup>. A leading international buyer has confirmed this trend citing a 60% increase in pieces made in Cambodia with a 7% average price reduction per piece. Although competition appears to have increased, Cambodia is still one of the big winners after the end of the Multi-Fiber Arrangement. A recent World Bank study ranks Cambodia 7th in the world for relative increases in export value since the end of the MFA<sup>7</sup>.

## What is the overall picture in Cambodia?

- In 2005, exports increased substantially beyond 2004 levels.
- 30,000 new jobs have been added and employment is increasing steadily.
- Net growth of factories is considerable, despite some factories closing.
- Domestic factory ownership is decreasing. Foreign investment, particularly from Taiwan, has grown.
- There is increased price pressure with an average decrease of 4.47% per piece.
- Real wages have decreased by 6%.

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<sup>1</sup> Ministry of Commerce, 2005

<sup>2</sup> ibid

<sup>3</sup> ibid

<sup>4</sup> National Institute of Statistics, 2006

<sup>5</sup> ibid

<sup>6</sup> ibid

<sup>7</sup> World Bank, Global Economic Prospects: Economic Implications of Remittances and Migration 2006