



Golden Opportunity...Gold and Gold Jewelry in Cambodia

Cambodia is a South East Asian country with rich natural resources and consistent economic growth rates. During the past 5 years, the country's average economic growth was at approximate 7 percent per year (Asian Development Bank, 9 May 2018). Its government's policy on economic development and foreign investment promotion has boosted number of middle-class Cambodians. Cambodian consumers' spending behavior has changed as well. They have shifted toward quality products and increasingly preferred brand-name products. However, Cambodian consumers' fondness for gold and gold jewelry consumption remains the same. Gold is an asset preventing risks from different crises especially during political instability, gold and gold jewelry is the most secure asset. Thus, Cambodian consumers demand for gold and gold jewelry always increase.

Cambodian Consumers Inclination for Collecting Gold and Gold Jewelry

Even though, financial and political systems in Cambodia has currently become more stable, people still feel insecure in Cambodian riel and believe that gold is the best saving method for wealth preservation. Cambodians earning more income or surplus income usually buy gold and gold jewelry to store at home and bank deposit. Canadia Bank Plc., a joint-venture of a Canadian company and National Bank of Cambodia, offers gold deposit. It is the largest bank of the country with over 50 branches nationwide. More than half of deposit accounts with the bank are fixed deposit in gold. They are followed by fixed deposit in US dollar. This distinctly reflects Cambodians' preference in gold accumulation.



Moreover, popularity of gold investment speculation among Cambodians have been increasing. It is mainly buying gold bars from gold trading companies when gold prices decrease and sell back to original traders when gold prices rise. Some Cambodians, particularly new generations, have turned to buying and selling gold futures. Thus, online gold buying/selling and gold future buying/selling services were launched by companies seeing growth potential in the market such as Golden FX Link Capital Co., Ltd., with company registration capital of US 5 million dollars in Cambodia. The company has been granted a permission to operate the business since 2016. Regarding gold jewelry, Cambodians still prefer 24k gold jewelry to accumulate as asset and wear during festivals or important occasions to demonstrate their status. They also like Italian style 18k and 14k gold jewelry for daily use and giving as a gift.

Cambodia Gold Import

Cambodia has gold mines but most of them are invested by foreign companies. The mines have currently been under a survey and there has not been clear information of commercial value

of recovered gold. Gold excavated by the companies is usually exported for smelting into bars. Thus, almost entire gold supplies in Cambodia need to be imported. During the past 5 years, Cambodia gold import grew positively. In 2017, Cambodia imported gold total US 2,952 million dollars, over 3.5-fold growth from the previous year. Singapore was the largest import source with the import value of US 2,110 million dollars. The country had no gold import from the source in 2016. Thailand followed Singapore with the import value of around US 842 million dollars, a 28.50 percent growth from the previous year. Gold was mainly imported for asset accumulation, instead of cash saving, and speculation. It was also used for gold jewelry production. Since gold imported from any sources are not subjected to duties and VAT, the country's import of gold has been constantly growing.

Companies in Cambodia importing gold and buying/selling gold in the country are required to obtain business registration from the Ministry of Commerce and a permission for trading gold related products with National Bank of Cambodia. Ly Hour Exchange is Cambodia's largest gold trader and importer. There are other well-known companies such as Liberty Gold (Cambodia) Import Export Co., Ltd., and Ly Heng Money Exchange. Cambodia has almost 4,000 business operators obtaining business registration for gold and gold jewelry nationwide. More than half of them are located in Phnom Penh.

Cambodia Gold Jewelry Production

Some imported gold supplies are used in gold jewelry production. Most of gold jewelry manufacturing businesses are of small scale, household industry, with shops selling gold jewelry. They have their own goldsmiths, focusing on handicrafts. Their jewelry products are of simple styles.

Hundreds of gold jeweler businesses are located in the Olympic Market and Psah Thmey Market (Central Market). They are mostly small-scale businesses with around 1-5 goldsmiths. Only a few of them have 10-20 goldsmiths. 24k gold ornaments are primarily manufactured. Some of



the businesses produced 18k gold jewelry to be set with gemstones while some others produced gold jewelry with purity under 9 karat (with high percentages of silver or other metals). Gold plated silver jewelry products are also produced. Italian style white gold and tri-color gold jewelry products are mostly imported through Hong Kong and Singapore.

In addition, the government has also planned to become one of ASEAN' leading gem and jewelry manufacturer and supplier in the near future. Investments from overseas enterprises have been incited. Moreover, as an underdeveloped country, Cambodia has been granted Generalized System of Preferences (GSP) status from the US and the EU. Thus, the country is exempted from import duties. The advantage attracts more foreign companies to start establishing companies manufacturing and distributing jewelry in Cambodia, for instance, Hong Kong Jewelry Cambodia

Co., Ltd., a joint-venture company of Hong Kong and Cambodia manufacturing and supplying diamond jewelry, gold jewelry, and silver jewelry, which are sold domestically and internationally.

Cambodia Gold Jewelry Import

In the past, Cambodia's gold jewelry market consists of only local business operators who produced gold jewelry with simple patterns. Each business operator has different standards but their products could be sold because consumers had a few choices. However, Cambodian consumers, nowadays, have become interested in standardized, and attractive modern products. They also have more choices because some Cambodian traders sell imported gold jewelry. Furthermore, more jewelry distribution companies have also been set up by foreign companies such as Lukfook Jewellery Cambodia, a leading company from Hong Kong. The company opened a shop selling diamond and gold jewelry in Phnom Penh. As a result, manufacturers in the country have started to upgrade their jewelry manufacturing to better meet demand of modern customers.



In 2017, Cambodia's gold jewelry import value was at US 22.56 million dollars, a 1.49-fold growth compared to that of 2016. Singapore was the import source with the highest share and the import value of US 11.41 million dollars, over 9.09-fold growth. Thailand was in the second place with the import value of US 8.74 million dollars, more than 2.13-fold growth. The third largest import source was Hong Kong with the import value of US 1.83 million dollars, a 57.57 percent decrease. Gold jewelry products imported from ASEAN countries have been enjoying a 0 percent duty rate whereas gold jewelry products imported from countries outside of ASEAN are subjected to 7 percent duty rate. However, gold jewelry products imported from any sources are subjected to 10 percent import VAT. Therefore, gold jewelry from ASEAN countries may have more potentials in Cambodia market than that from countries outside of ASEAN. Additionally, transportation within ASEAN countries is cheaper and less complicated.

Gold and Gold Jewelry Trading in Cambodia

Normally, gold prices in Cambodia are quoted according to gold prices in the global market especially those of London market from benchmark prices of London Bullion Market Association (LBMA). Gold trading in Cambodia uses "chi" and "domlung" as weight units. 10 chi is equal to 1 domlung and 1 domlung is equivalent to 1.2 troy ounce or 37.49 grams. Thus, 1 chi is equal to 3.749 grams. Gold purity is indicated in parts of 1000, for example, 24k gold refers to gold with 99.999% purity.

Cambodian consumers are fond of 24k gold jewelry which is called "Tuk Dorp Meas" in Cambodian. When a customer buy a gold bar or a gold jewelry piece, a shop will give a receipt and a certificate indicating type and weight of the product. These are important documents which have to be kept for selling the product back to the shop in the future. Generally, when a customer

sells a piece of plain gold jewelry back to a shop, US 5-10 dollars (goldsmith's charge) will be deducted from a seller. Customers selling gold bars back to shops will get prices according to benchmark prices announced on that day.

Most of the country's gold and gold jewelry trading areas are located in Phnom Penh. The



Olympic Market is where gold and gold jewelry trading center is situated. Gold and gold jewelry products are also available in major tourist places such as the Psah Thmey Market, Russian Market and NGO Stores. The gold jewelry products sold in these markets mainly contain gold purity of 14k and higher. Gold jewelry products with purity under 14k are usually sold in the Old Market (Phsar Chas).

The Bright Future of Gold and Gold Jewelry in Cambodia

At present, around 25 percent of 15 million Cambodians are consumers with purchasing power. The number is on the rise following the country's economic development. In addition, fondness for accumulating gold and gold jewelry among Cambodians as mentioned is likely to support the country's gold and gold jewelry growth to thrive in the coming decades. As Cambodia has to rely on imported gold supplies, the country has been exempting duties and VAT for imported gold. This is a golden opportunity for foreign gold traders to export more gold supplies to Cambodia. Regarding gold jewelry, new generations of Cambodians like imported trendy brand-named products. Despite duties and VAT levied on imported gold jewelry products, Cambodians consumers' demand for the products has remained strong. Therefore, gold jewelry import value increased as the country's import statistic of 2017 shows that gold jewelry import increased 1.49 folds. However, gold jewelry products from ASEAN countries have an advantage in Cambodia over countries outside of ASEAN because they are not subjected to import duties. Thus, a bright future is apparent in this market.

Additionally, Cambodia has a large number of workforce and low wage rates. The workforce are ready to learn to develop their skills. Since the government has also set a plan to become one of ASEAN leading manufacturer and supplier of gem and jewelry, the country has been encouraging investments from foreign countries. Furthermore, Cambodia's having been granted GSP status from developed countries as a less developed country is another advantage which will attract more foreign investors to found companies manufacturing and supplying gold jewelry in Cambodia. These may, consequently, enable Cambodia to achieve its goal of becoming one of ASEAN primary gold jewelry manufacturer and supplier in the future.