

SHOE SOURCING REPORT 2019

Cambodia Shoe Production Snapshot

U.S. footwear imports from Cambodia have climbed each of the last 10 years, with shipments ballooning from effectively none in 2005 to more than 30 million pairs in 2018, making the country America's fourth-largest foreign supplier. Cambodia now provides 1.3% of all shoes imported into the U.S.

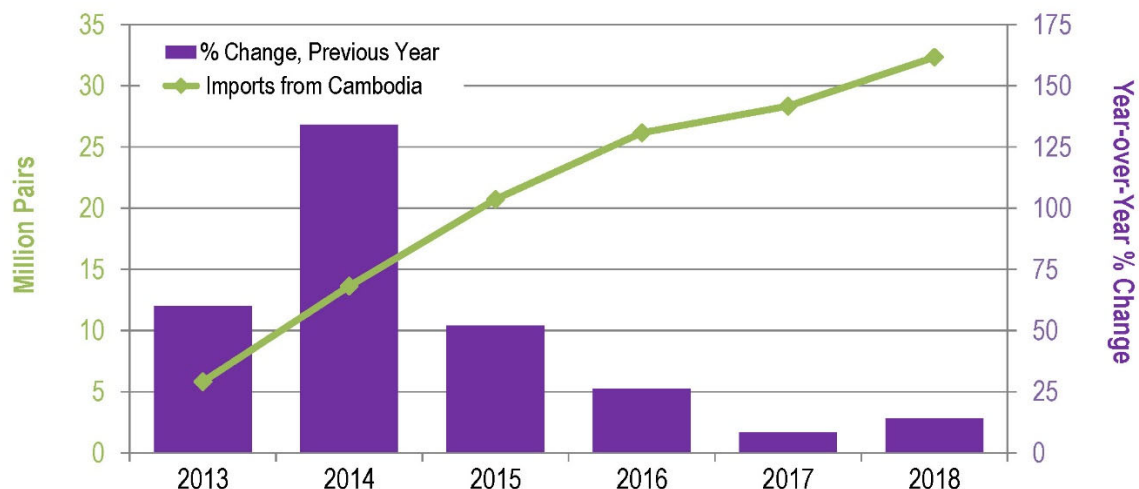
As this volume has surged, economies of scale have enabled the country to compete aggressively on cost with China. At \$9.75/pair, the average landed cost into the US is well below the average world cost landed at the US port (\$10.57/pair). In 2017, Cambodian authorities approved 117 new projects from foreign investors worth \$5.2 billion. The garment and footwear sectors accounted for 55 of these projects, worth \$269 million, or 5% of the total.

Footwear and garment workers in Cambodia earn a minimum wage of \$170/month, one of the lowest rates in Asia. But this minimum wage is up 11% from last year and 180% in six years, crimping local competitiveness in labor-intensive industries like footwear. With a population of 16.2 million and a median age of 24.3 years, the country's people are young, vibrant, increasingly urban, and poised for continued growth. Cambodia employs some 128,000 in its footwear factories. It is also important to note that the International Labour Organization's (ILO) BetterWork program has been up and running since 2001 in Cambodia, providing key industry collaboration in the areas of worker rights and protection. Labor unions are easy to form and can work to increase wages and cause production disruptions.

The average duty rate of shoes imported from Cambodia is 12.1%, higher than the average duty rate from the world of 11.3%, also crimping competitiveness. The EU continues to be the most important market for Cambodia's garment and footwear products, accounting for 46% of the sector's exports in 2017, while the US accounts for 24%.

Two challenges to also consider: reliable power only remains around the capitol area, taking up 90% of total energy use, and you may have to use air freight to compensate for longer complex supply chains elongating delivery times.

US FOOTWEAR IMPORTS FROM CAMBODIA CLIMB TO A RECORD IN 2018



Source: USITC