Assessing the impact of tariff uncertainty on the garment, footwear and travel goods sector in Cambodia

Follow-up survey findings

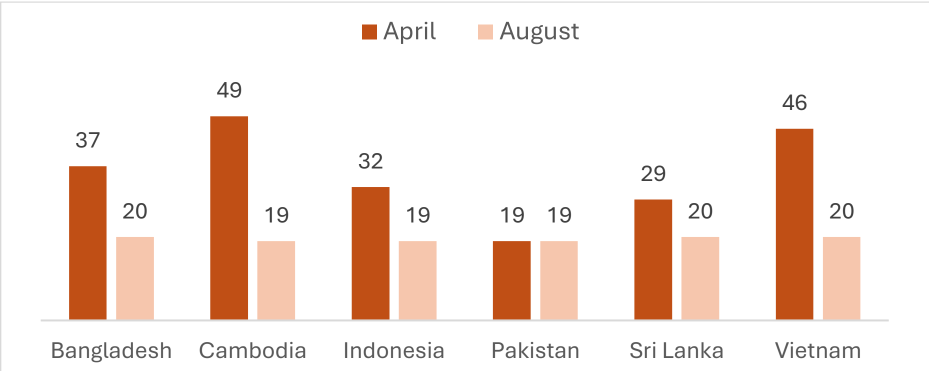
January 2026

Background

The garment, footwear, and travel goods (GFT) sector remains a cornerstone of Cambodia's economy. In 2025, the sector comprised 1,810 firms and employed over 1.11 million workers, around 75 per cent of whom were women. It is the country's largest source of foreign exchange, accounting for 51.8 per cent of total exports in 2025[1]. The United States has been Cambodia's main GFT export market, representing more than 38 per cent of GFT export revenue in 2024, followed by the European Union at nearly 28 per cent, with the remainder distributed across Japan, Canada, the United Kingdom, China, and ASEAN markets.[2]

This high degree of export dependence makes the sector particularly vulnerable to shifts in global trade policy. In April 2025, the US announced "reciprocal tariffs" on imported goods, initially proposing a 49 per cent tariff on Cambodian exports. Following several rounds of negotiations, a final tariff framework was agreed in August 2025, setting the tariff rate at 19 per cent – lower than initially proposed, but still significant for a highly export-oriented sector.

Figure 1: *Changes in reciprocal tariffs between April and August 2025 across key garment-exporting countries*



Taking the pulse of Cambodia's export-oriented GFT sector

The recent tariff adjustments underscore the importance of monitoring how global policy developments are reflected in factory-level conditions. Following the announcement of new US. tariffs, Better Factories Cambodia (BFC) launched a Factory Pulse Tracker Survey to document factories' reported operational conditions during a period of heightened uncertainty. The first wave of this survey, conducted in late May 2025, provided early insights into factory order books, operational sustainability, and buyer relations. Nearly

[1] Cambodia Ministry of Commerce. Trade Statistics in 2025.
[2] Hurry, N., Roy, R., and Jolicoeur, D., (2025). Cambodia Garment, Footwear and Travel Goods Sector Brief: Issue 4 (March 2025). Published by TAFTAC and EuroCham. https://eurocham-cambodia.org/wp-content/uploads/2025/10/69294-en_cambodia-gft-sectoral-brief-issue-4_final.pdf

half of the 203 respondent factories anticipated difficulty sustaining current operations beyond three months with existing orders, while 27 per cent reported that buyers had requested price reductions for 2025 orders. Despite these challenges, 65 per cent of respondents expressed optimism about the near-term outlook.

To assess how reported conditions evolved as the tariff context stabilized, BFC conducted a second survey round in November 2025. As in the first round, the survey was administered anonymously over a 15-day period using an online platform across the 756 factories registered with BFC. A total of 205 submissions were fully completed and deemed valid for analysis. While the respondent sample differs from that of the first survey round, approximately half of the participating factories responded to both rounds. The follow-up survey captured updated factory perspectives on orders, production, business outlook, and workforce dynamics in the contexts of the finalized tariff framework and the influx of returnee migrant workers from Thailand, providing a more current picture of how firms are adjusting to evolving market conditions. The analysis that follows highlights key trends and shifts between the two survey waves, offering actionable insights for stakeholders across Cambodia's GFT sector.

Key findings

- Order commitments remain broadly stable, but uncertainty is increasing for some firms. Most factories report medium- to long-term orders similar to earlier findings, yet a notable share cite tariff-related order reductions and rising uncertainty about future demand.
- Buyer relationships remain largely intact, though pricing pressure affects some exporters. Buyer discontinuation has eased, and new markets are being explored, but some factories face higher discount demands.
- Labour disruptions remain limited, but recruitment challenges are intensifying. Job terminations and grievances are contained, yet shortages of skilled sewing workers and high turnover continue to constrain operations despite the return of migrant workers from Thailand.
- Factory sentiment is improving despite ongoing adjustment pressures. Expectations have become more positive between survey rounds, suggesting growing confidence in factories' ability to adapt amid demand and labour uncertainties.

Factory profile and export orientation

Approximately 95 per cent of the 205 respondent factories are foreign owned (Figure 2a), with over half owned by Chinese companies. About 72 per cent of respondent firms received both compliance assessments – which are mandatory under the BFC programme – and advisory support (Figure 2b).[3]

Figure 2a: *What is the ownership of the factory?*
n=205

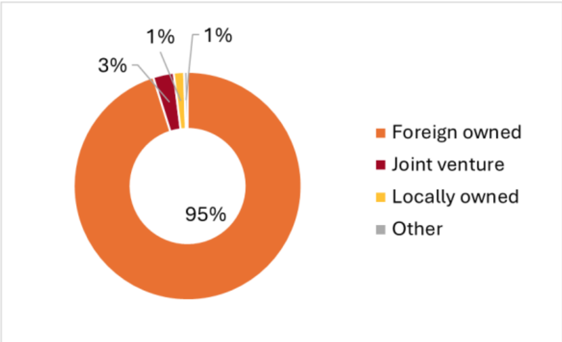


Figure 2b: *Which type of BFC support has your factory received this year?*
n=205

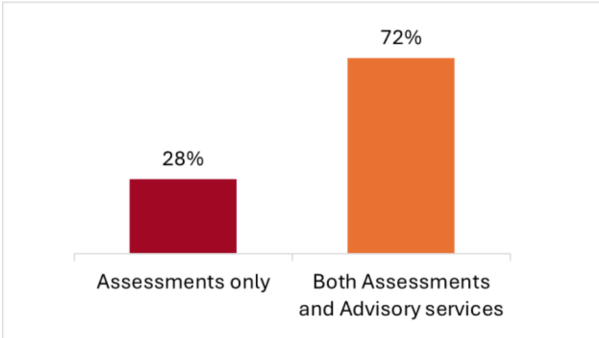


Figure 3a shows the distribution of factories by export intensity – measured as the share of total sales from direct exports – in Q3 2025 (second survey round), compared to Q1 2025 (first survey round). While export intensity remains high in both survey rounds, between Q1 and Q3 2025 the distribution of export intensity becomes less concentrated at the highest range (81-100%), with a corresponding increase in the share of firms in intermediate export categories.

Figure 3a: *In Q3 2025, what percentage of your factory's total sales were direct exports?*
n=205

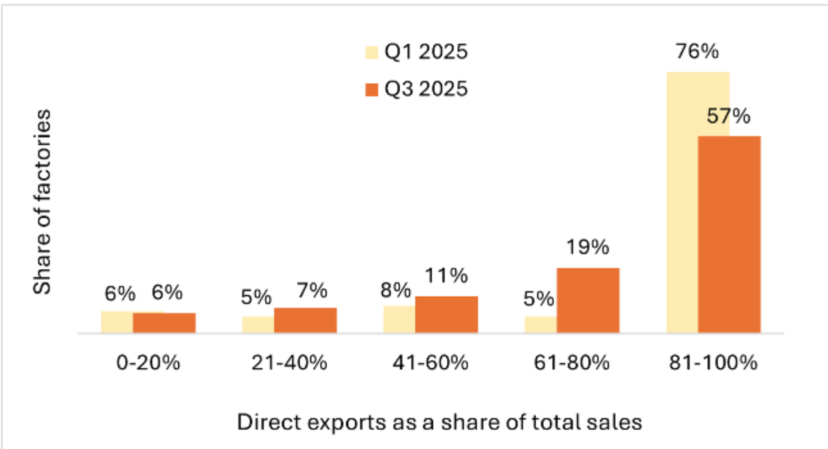


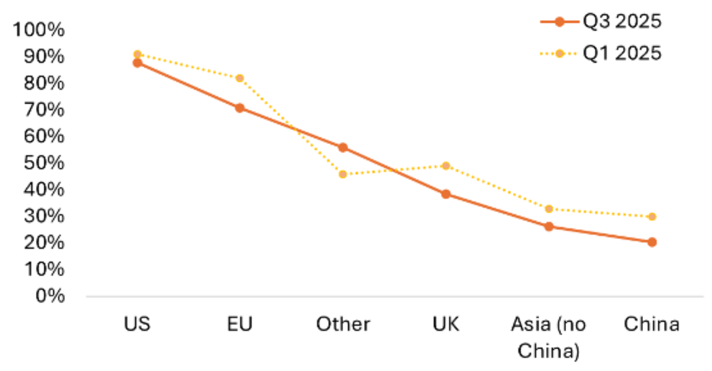
Figure 3b presents the share of factories reporting exports to major destination markets in Q3 2025 (second survey round), compared to Q1 2025 (first survey round). Across both survey waves, exports remain strongly concentrated in traditional markets, particularly

[3] As of December, BFC conducted assessments among 519 factories and provided advisory support to 267 factories in 2025.

the US and the EU. Between Q1 and Q3 2025, the share of factories reporting exports to most destinations declined. The only category showing an increase over this period is “Other” markets, which include destinations such as Canada and Australia, and – to a lesser extent – Africa and South America.

Figure 3b: *Top reported destination markets*

n=205



Share of factories reporting export sales to each market in Q3 2025, compared to Q1 2025

The patterns presented in Figures 3a and 3b, as well as in subsequent figures comparing the two survey rounds, should be interpreted with appropriate caution. The surveys represent repeated cross-sections rather than a panel of the same factories, and observed differences over time may therefore partly reflect changes in the composition of respondents.[4] In addition, the data are self-reported and may capture perceived rather than actual performance, particularly where responses were provided by factory focal points who may not have had direct access to detailed sales or production information. Therefore, shifts observed across survey rounds may reflect a combination of changes in underlying commercial conditions, reporting practices, and respondent perceptions.

Business performance

Figure 4a shows reported year-on-year changes in production volumes, comparing Q3 2025 with Q3 2024 (second survey round). Figure 4b presents the corresponding comparison for Q1 2025 and Q1 2024 (first survey round).

[4] Although the survey was administered anonymously and all reporting is presented in aggregate form, factories were given the option to voluntarily disclose their factory name or ID. Based on this information, at least half of responding factories appear in both waves. However, the data do not constitute a panel.

Figure 4a: *How has your factory's production volume changed in Q3 2025 compared with the same period in 2024? n=205*

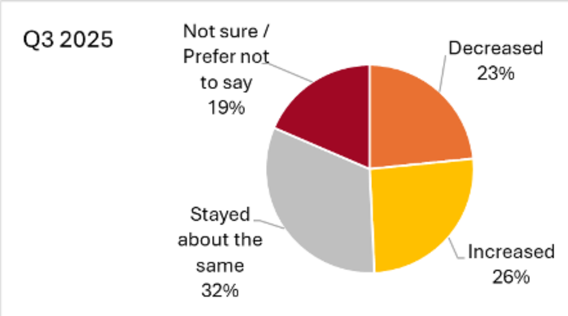
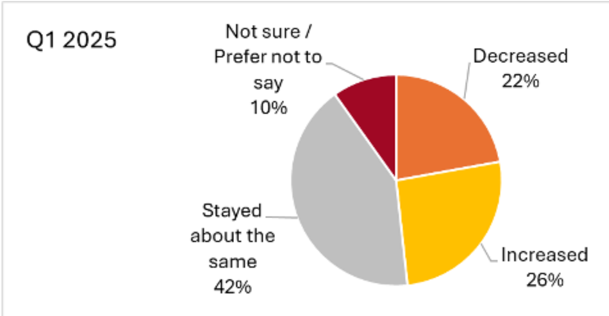


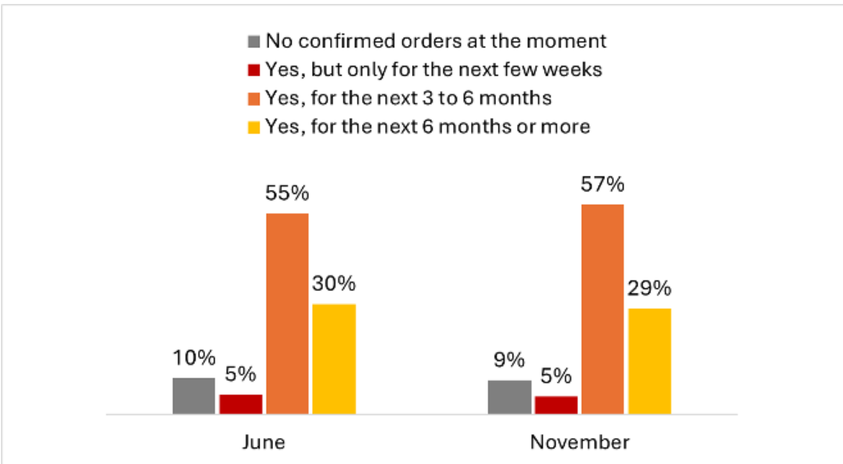
Figure 4b: *How has your factory's production volume changed in Q1 2025 compared with the same period in 2024? n=205*



The distribution of reported increases and decreases in production remains broadly similar across the two survey rounds. By contrast, responses indicating "no major change" declined in the second round, with 32 per cent reporting stable production in Q3 2025 – 10 percentage points lower than in the first survey round. At the same time, the share of factories reporting uncertainty or choosing not to report increased to 19 per cent in Q3 2025, compared with 10 per cent in Q1 2025.

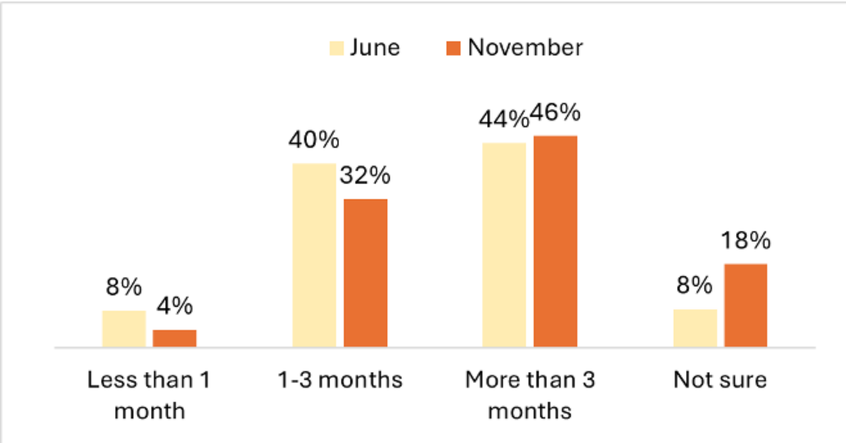
Existing order commitments provide some reassurance. At the time of the second survey round (November 2025), most factories had secured medium- to long-term orders, with 57 per cent reporting commitments for the next three to six months and a further 29 per cent reporting orders extending beyond six months (Figure 5). A similar pattern was observed in the first survey round (June 2025).

Figure 5: *Do you currently have confirmed orders for production? n=205*



When asked about the most significant challenge they were currently facing, around 17 per cent of factories cited a reduction in orders linked to recent tariff changes, resulting in operational instability. Figure 6 provides an overview of factories' ability to sustain operations based on current orders and available raw materials.

Figure 6: *Based on your current order pipeline and available raw materials, how long can your factory sustain operations at current levels?*
n=205



At the time of the second survey round (November 2025), 46 per cent of factories reported having sufficient orders to maintain operations for more than three months, broadly in line with the first survey round (June 2025). At the same time, the share of factories with short-term order visibility (up to three months) declined, while the proportion of respondents reporting uncertainty increased from 8 to 18 per cent. Taken together, these findings suggest that while immediate operational pressures may have eased for some factories, confidence in medium-term planning remains weak amid continued uncertainty in demand conditions.

Buyer relations

At the time of the second survey round, 83 per cent of factories reported no buyer discontinuation since June 2025 (Figure 7a). This leaves 17 per cent experiencing buyer losses, a modest improvement relative to the first survey round, when 22 per cent of respondents reported discontinuation. In terms of new buyer outreach (Figure 7b), around one quarter of factories reported securing new buyers since June 2025, whereas half of the sample is actively seeking new markets, a trend broadly consistent with the first survey round.\

***Figure 7a**. Since June 2025, have any buyers discontinued sourcing from your factory?*
n=205

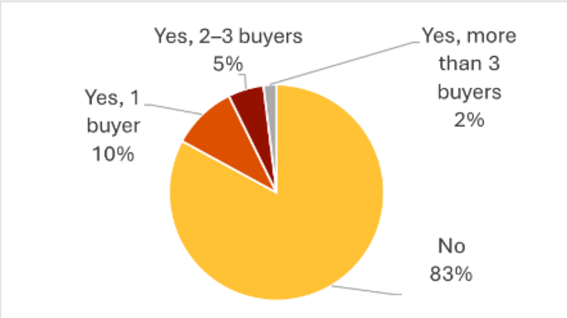


***Figure 7b.** Since June 2025, have you actively sought or secured new buyers or markets?*
n=205

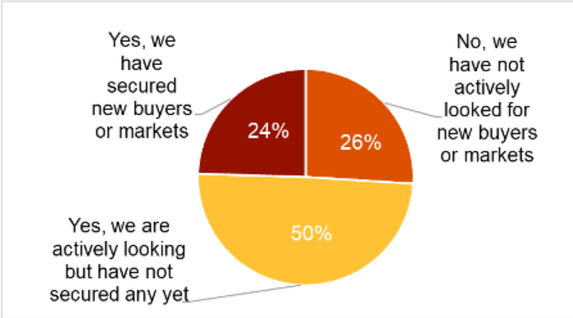
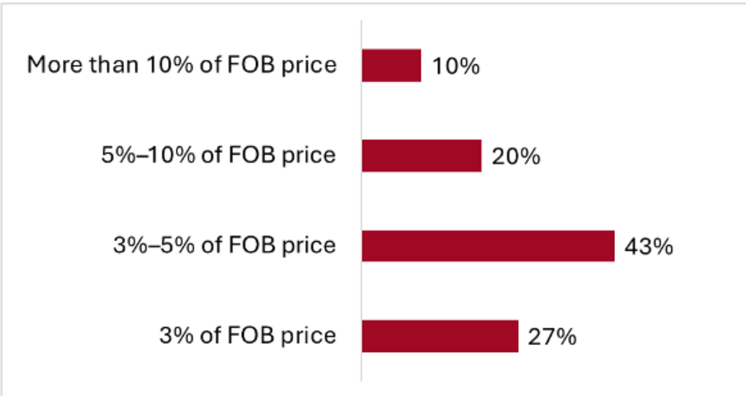


***Figure 8.** If applicable, what discount did buyers request on the Free on Board (FOB) price?*
n=49



When asked whether buyers had requested price discounts, nearly three quarters of respondents reported receiving no such requests. Among those that did, 43 per cent reported discounts in the range of 3-5 per cent of the Free on Board (FOB) price, while 30 per cent reported discounts greater than 5 per cent of the FOB price (Figure 8). These figures should be interpreted with caution. Anecdotal evidence from local stakeholders suggests that buyer pressure may be underreported in the survey, as price negotiations and requests to share tariff-related costs are often handled at headquarters rather than by factory management staff responding to the survey. Additional exploratory analysis, corroborated by stakeholder feedback, indicates that such pressures are particularly pronounced among US. buyers. In addition, anecdotal evidence suggests that price adjustments extend beyond explicit FOB discounts to include broader cost-sharing arrangements and, in some cases, quality-related adjustments in materials and inputs. These pressures were described as uneven across buyer segments, with factories supplying mid-range and lower-end brands facing stronger negotiation pressure than those supplying major or high-end brands.

Worker dynamics

The early effects of tariff changes on workers appear to have remained broadly stable. Only 7 per cent of factories reported terminations or retrenchments since June 2025, similar to the share reported in the first survey round. Moreover, reports of worker grievances declined slightly, with 9 per cent of factories reporting grievances in the second survey round, compared with 15 per cent in the first survey round.

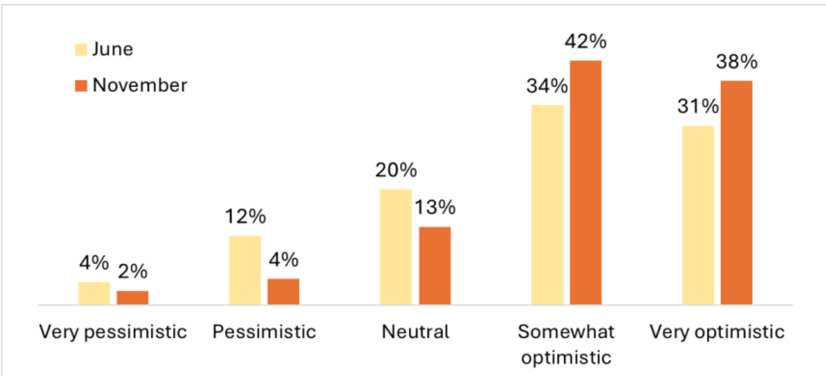
The second survey round also asked whether factories had hired returning migrant workers from Thailand since July 2025. Around 84 per cent of factories reported doing so, collectively hiring approximately 7,000 migrant workers. Despite this sizeable inflow, labour constraints remain a significant challenge for many factories. When asked about their most pressing current constraint, around 22 per cent of factories cited difficulties in hiring additional skilled sewing workers, largely due to intensified competition in local labour markets following the establishment of new factories.

Survey responses indicate that recruitment challenges are particularly acute for skilled and technical roles, especially in more remote locations or during periods of expansion. Several factories reported being forced to hire less-skilled workers, increasing training needs and adjustment costs. High worker turnover further compounds these challenges, with some firms noting that trained workers subsequently leave, disrupting production and reducing productivity.

Factory responses and expectations for the future

Despite ongoing challenges related to demand uncertainty, labour recruitment, and worker retention, factories' expectations for the future have improved.

Figure 9: *How do you feel about your factory's prospects over the next 3 months? n=205*



As shown in Figure 9, sentiment shifted in a more positive direction between the first (June) and second (November) survey rounds. The share of factories reporting pessimistic or neutral expectations declined markedly, while the proportion expressing optimism increased.

This improvement in sentiment is consistent with the range of adjustment measures reported by factories to strengthen operational resilience, worker recruitment, and retention, often with the support of the Ministry of Labour and Vocational Training (MLVT) and BFC. In addition to actively seeking new buyers and markets, factories reported expanding recruitment through multiple channels, including hiring via government-supported systems such as the MLVT's Labour Automated Central Management System (LACMS) platform, collaboration with authorities to facilitate access to migrant labour, and worker referral schemes offering financial incentives. Recruitment efforts have also increasingly relied on digital platforms, including Facebook, TikTok, and factory websites. To address ongoing skill shortages, many factories are increasingly investing in training and on-the-job mentoring by supervisors and experienced staff. At the same time, factories reported measures to improve worker retention, including enhancements to compensation, working conditions, and employee welfare, such as reducing excessive overtime and providing additional benefits or care packages during public holidays.

While uncertainty remains elevated for a subset of firms, the overall shift toward greater optimism suggests growing confidence in factories' ability to adapt to current pressures and stabilise operations in the months ahead.