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Will investors remain confident in a de-dollarised Cambodian economy?



Cambodia News | 24 March, 2020

The National Bank of Cambodia has launched many initiatives to boost and circulate more riels – but with US dollars making up more than 80 percent of the economy, the question remains whether investors will retain confidence in a de-dollarised Cambodian economy or not. While dollarisation has positives and negatives in any emerging economy, Jayant Menon, visiting Senior Fellow of ISEAS in Singapore and former lead economist of the Asian Development Bank, explains the main negatives are loss of seigniorage, loss of control over an independent monetary policy and the exchange-rate policy. However, the positives are increased confidence in the economy, lower inflation and macro stability. “De-dollarisation will be a good thing for Cambodia in the long run, but it has to happen naturally and cannot be legislated or forced. This is because dollarisation is not the problem, but merely a symptom,” Menon said. Menon added that the problem (or the cause) is a lack of confidence in the riel, whilst the symptom (or the effect) is the use of another currency such as the US dollar. The causes of the problem generally emanate from an underdeveloped monetary system, political and economic uncertainty and weak legal and institutional structures. “These are the problems that need to be addressed directly. When these problems are addressed, then the symptom, which

is dollarisation, will also cease to be a constraint,” Menon adds. Vice-Chairman and Chief Operations Officer of the Cambodia Securities Exchange Ha Jong Weon said that most investors (both local and international) do not have confidence in the de-dollarisation of the Cambodian economy. It is still better for foreign investors to invest in Cambodia without exchange-rate risk. High numbers of Cambodian people, particularly in Phnom Penh, receive their salary in US dollars and use the currency for most transactions. He added that in the Cambodian securities market, LOLC (Cambodia) Plc issued two bonds last year. One riel bond and one US dollar-linked bond. The interest rate of the riel bond was issued at 9 percent and the US dollar-linked-bond issued at 8 percent. So, this 1 percent difference shows that investors are more willing to buy the dollarised bond even with a lower interest rate. “Advantages of a dollarised economy are the attraction of more foreign investors and that leads to more jobs, increases numbers of foreign tourists, reduces transaction costs and eliminates exchange-rate risk. It also engenders more trust from the consumers,” Ha said. Alternatively, Ha said, the disadvantages of de-dollarisation are that GDP growth rate typically decreases in the short term, because of the decrease of foreign investment and tourism. In addition, most of the transactions in Phnom Penh are in US dollars, including salary payments and other daily purchases because many investors find the currency easier to use in their transactions. In addition, a sudden de-dollarisation

would also cause extreme volatility for the riel-to-US dollar exchange rate. For example, if investors were forced to buy large amounts of riels, this would see the riel appreciate. Then, if the central bank began to print money in response and flood the market, this would send the riel to sharply depreciate. “Cambodia’s central bank, the National Bank of Cambodia, has been trying to promote the use of local currency and to finally de-dollarise in order to enhance the effectiveness of monetary policy implementation of the central bank. They will also get a lot of US dollars in their foreign reserves when there are more riels in the market,” Ha added.

Source: <https://www.khmertimeskh.com/50705014/will-investors-remain-confident-in-a-de-dollarised-cambodian-economy/>

Retailers told to not price gouge from panic buying



Cambodia News | 24 March, 2020

Panic buying has started across Phnom Penh as Cambodian border closures due to COVID-19 causes fear of food shortages in the country, resulting in prices for some food staples to almost double. The Ministry of Commerce has declared it is working to stop opportunistic food sellers’ price gouging. A local food seller has told Khmer Times that dried fish has increased from 25,000 riels (\$6.25) to 35,000 riels (\$8.75) per kilogramme, pork has increased from 19,000 riels (\$4.75) per kilogram to around 30,000 riels (\$7.5) per kilogramme, instant

noodles increased from 20,000 riels (\$5) to 32,000 riels (\$8) per box, while other long-life products are also increasing in price. “We are very concerned about the price of daily commodities rising. The government needs to take strong action, to stop prices rising too much,” they said. The Ministry of Commerce has already stated that they have requested businesses to stop inflating prices and asked for the full cooperation of “all stores, shops and business people” to work with the Kingdom and help its people in the face of the virus. Seang Thay, a spokesperson from the Ministry of Commerce spoke to Khmer Times and said that there are measures being taken to calm any potential panic buying. “We have asked sellers not to increase the price of products to unreasonable levels,” he said. Officers representing the Cambodia Import-Export Inspection and Fraud Repression Directorate-General (Cam-control) will conduct spot checks at markets, shops, malls and stores and explain to sellers why they should desist from hiking up their prices, he added. Thaug Thyda, the founder of Thaug Enterprise, a local salt production company, told Khmer Times that she has already seen the price of salt rise along with other products in the market. She said she will attempt to keep her products at the same price and ensure continued supply in the country. “I understand why people are panic buying my products because salt is such a staple of

Cambodian life. However, we all need to be calm and support the country during this hard time," she added. Tuy Sokneng, food safety and quality assurance manager at Leang Leng, a fish sauce producer, agreed that there has been increased demand for his product recently. "We can see that our products in the supermarket are all sold out and some markets are now completely out of stock. However, we have not increased our prices and will attempt to keep them as normal," Tuy said. "We have had to increase the working hours at our factory to try and keep up with a fivefold increase in demand and have also installed various safety measures to ensure the health and safety of our workers and our products. "Our company is trying to keep the prices the same, however, we are experiencing an increase in raw material prices and this is affecting our production costs. But we are doing our very best to keep our finished product prices the same," he added.

Source: <https://www.khmertimeskh.com/50705054/retailers-told-to-not-price-gouge-from-panic-buying/>

Govt provides 100 b in financing to SMEs



Laos News | 25 March, 2020

The government's Small and Medium Enterprises (SMEs) Promotion Fund (SME PF) has injected 100 billion kip in financing for SMEs via commercial banks in the form of long-term low-interest loans. The

financing will be provided to the SMEs via four commercial banks – Lao Development Bank, Sacombank Lao, LaoVietBank and Maruhan Japan Bank Laos. A signing ceremony for the financing took place on Friday at the Ministry of Industry and Commerce between the SME PF and the four banks. Witnessing the ceremony were Minister of Industry and Commerce, Ms Khemmani Pholsena; Deputy Minister of Industry and Commerce and Chairman of the SME PF Executive Board, Somchith Inthamith and guests from the relevant bodies. The three percent interest rate financing will be lent for four main prioritised sectors – agricultural product processing industry, handicrafts, crop planting and animal raising, and tourism. The move is the government's latest effort to ease SMEs access to finance after learning many were struggling to get loans, which has been the main hindrance to their business expansion. Speaking at the ceremony, Director of the SME PF, Latthana Duangbouppha said access to finance remained the main obstacle to starting SMEs and their development. A survey conducted by the World Bank in 2018 suggested that accessing finance was one of the main six obstacles for SMEs with 36 percent saying it was the biggest issue for them, according to Ms Latthana. Many SMEs also cited the high interest rates on bank loans, demands for expensive assets as security for finance, and a complicated loan application process

as problems. “Credit (loans) that most banks release for SMEs is short-term, usually not more than one to three years,” Ms Latthana said. Banks charged high interest rates and offered short-term loans because they mobilised their capital from short-term financial sources with high interest rates, she added. Banks also factor in higher risk into rates as some SMEs do not have a business plan or employ proper management principles. Making finance accessible to SMEs is crucial for them to grow their businesses and drive the economy. SMEs are a vital segment of the Lao economy. SMEs account for about 99 percent of all registered firms in Laos, according to the World Bank. The 2013 Economic Census conducted by the Lao Statistics Bureau recorded that SMEs accounted for 82 percent of total employment. Acknowledging its importance and the issues SMEs face, the Lao government has amended relevant regulations and increased funding for the SME PF to 200 billion kip a year to offer to SMEs and also to finance technical assistance projects to help SMEs gain access to finance. The 100 billion kip provided to the four banks is part of the 200 billion kip the government provides to the SME PF. Lao Development Bank has been given 27 billion kip, Sacombank Lao 30 billion kip, LaoVietBank 30 billion kip, while Maruhan Japan Bank Laos is receiving 13 billion kip. Maximum loans to be released for micro SMEs are set at 1.5 billion

kip per an agreement, small enterprises 3 billion kip per loan and 4 billion kip for medium enterprises at the uniform interest rate of just three percent. Addressing the ceremony, Mr Somchith said the government was not charging the four banks interest, which will enable them to release low interest loans. He called for effective management of the fund from the four banks to ensure its sustainability. Strict criteria are imposed for loan applicants to reduce risk, ensure effective use and sustainability of the fund. SMEs eligible to apply for a loan must be defined in the Prime Ministerial Decree No 25, dated January 16, 2017, on SMEs categories and the SME must: Have a clear business plan, Complete SME professional training certified by the industry and commerce sector or authorised body, Hold accounts in accordance with the Law on Accounting with no non-performing debt in banks or financial institutions. Deputy Director of Sacombank Lao, Ms Monvilay Boliboun said as the bank has been a retail banking service provider; thus, it emphasises its services to SME customers striving to become a leading SME service bank in Laos. Therefore, Sacombank Lao carried out a customer survey before deciding to accept the funding. As a result, the bank is confident that it would make the most effective use of the fund in accordance with its plans. In this regard, the bank has prepared the following measures: Establish a particular team to

provide services to SMEs including offering consultancies to customers, Create specific loan products under the fund in which special conditions concerning asset guarantees will be offered with a simple application procedure unlike normal loans and procedures, Provide the fund to its five branches in order to enable them to release all the 30 billion kip within 2020, Increase cooperation with business associations and the National Chamber o

Source: http://www.vientianetimes.org.la/freeContent/FreeContent_Govt60.php

A worker returned from Thailand keeps in quarantine at Monywa hospital

 Myanmar News | 24 March, 2020

A worker returned from Thailand is kept in quarantine at Monywa hospital as he suffered illness on March 23, said Dr Kyaw Thu Swe, leader of the Special Disease Control and Vaccination Team from Sagaing Region Health Department. Health department and social welfare associations are cooperating to check the health of migrant workers returned from Thailand. "We found out one of the migrant workers had high body temperature and sent him to the hospital. We will announce it in detail later," said Dr Kyaw Thu Swe. Other workers returned with him will be stayed in home quarantine for 14 days. A total of 15 migrant workers were returned to Monywa from Thailand and they are from Ayadaw, Kani, Salingyi, Dabayin and Monywa.

Source: <https://www.mmtimes.com/news/india-import-400-000-tonnes-black-gram-myanmar.html>

Myanmar central bank cuts interest rate by a further 1%

 Myanmar News | 24 March, 2020

The Central Bank of Myanmar (CBM) slashed interest rates by an additional 1 percent today (March 24), taking total rate cuts to 1.5pc within the span of two weeks. Starting from April 1, bank deposit rates in Myanmar will be reduced a minimum of 6.5pc, while lending rates will not exceed 11.5pc for collateralised loans and 14.5pc for other unsecured loans, according to the CBM. The move comes a day after Myanmar reported its first two positive COVID-19 cases. The CBM first cut rates by 0.5pc on March 13. Those rates became effective March 16. The World Health Organization defined the COVID-19 outbreak as a pandemic on March 12. From now until April 1, the minimum deposit rate will be 7.5pc, while lending rates will not exceed 12.5pc for collateralised loans and 15.5pc for loans with other guarantees. The CBM's easing of monetary policy comes after several garment factories in Myanmar were forced to shut down due to disruption in the raw material supply chain. As of last week, at least 20 out of the 500 factories in Myanmar had closed shop, leaving more than 10,000 potentially unemployed as a result of COVID-19. U Than Lwin, senior consultant from Kanbawza Bank and former CBM official, commended the Central Bank's quick response. "We need to monitor the market now to see

if more adjustments are necessary to support the economy in the near future," he said. U Nay Lin Zin, a local trader, said a period of at least three months is needed before the impact of the reduced rates can be seen, after which further cuts could be necessary.

Source: <https://www.mmtimes.com/news/myanmar-central-bank-cuts-interest-rate-further-1.html>

Việt Nam's cashew exports to US up in two months



Vietnam News | 24 March, 2020

HÀ NỘI — Việt Nam's cashew exports to the US in the first two months of the year rose by 21 per cent in volume to 17,900 tonnes and 3.6 per cent in value to US\$126.2 million year-on-year, according to the General Department of Customs. The department said the country exported a total volume of 50,700 tonnes of cashews worldwide, a year on year increase of 6.5 per cent, but value fell 8.4 per cent to about \$357 million. The average export price of cashew nuts in the first two months decreased by 14 per cent over the same period last year to \$7,046 per tonne, it said. The US, the Netherlands and China remained the top three largest cashew export markets for Việt Nam. The department also reported that Việt Nam's total cashew exports in February reached 26,100 tonnes, earning \$185.2 million. This marked a surge of 5.7 per cent in volume and 7.3 per cent in value month-on-month, and 76.8 per cent and 50.6 per cent, respectively, year-on-year. In February, Việt Nam achieved growth in cashew

exports to many markets, including the US, the Netherlands, the UK, Germany, Canada, Thailand, Australia and Saudi Arabia, but exports to China fell sharply due to low demand during the coronavirus (COVID-19) pandemic. Việt Nam's cashew industry was expected to face difficulties in exports during the first half this year due to the COVID-19 pandemic and oversupply, said the Việt Nam Cashew Association. The purchasing price of dried cashew nuts has fallen from VNĐ33,500 per kilo at the beginning of February to VNĐ33,200 early this month in Đắk Lắk Province. In Bình Phước, the price of raw cashew nuts was only VNĐ27,000-29,000 per kilo, lower than the VNĐ34,000 posted before Tết. By mid-March, the domestic price of raw cashew nuts had fallen VNĐ6,000 per kilo compared to the end of February. The association said the COVID-19 pandemic posed many risks and unpredictable fluctuations on the cashew market at home and abroad. The cashew harvest has arrived in Việt Nam, Cambodia and West Africa, with countries relying on high yields, especially Cambodia and the Ivory Coast. Raw cashew exporting companies in West African countries were facing pressure to sell raw cashew to pay off debts while banks have limited credit for them. Meanwhile, Tanzania was expected to harvest 350,000 tonnes of cashew this year. Mozambique had an inventory of 140,000 tonnes of cashew, according to the association. Việt Nam was also expected to have high cashew output this year, which would likely

push prices down, said the association. It has recommended local cashew export processing enterprises to consider carefully before signing of contracts to buy raw cashews without an outlet. They should monitor the market closely to make suitable production and business plans this year, including buying raw cashew, selling processed cashew, and storing raw materials and finished products. The association said this year, the domestic cashew industry would continue to improve quality and processing efficiency with the renovation of machinery and equipment for the processing stage. It would promote cooperation in the production and trade of raw and processed cashew nuts with associations in countries that had large output such as India and the Ivory Coast. Việt Nam has targeted total export value of cashew at US\$4 billion this year.

VNS

Source: <https://vietnamnews.vn/economy/654034/viet-nams-cashew-exports-to-us-up-in-two-months.html>

Foreign investors pour \$8.55b in VN in Q1



Vietnam News | 24 March, 2019

HÀ NỘI — Foreign investors poured a total of US\$8.55 billion in Việt Nam from January 1 to March 30, equivalent to 79.1 per cent of the same period last year, according to the latest report by the Foreign Investment Agency. Of the figure, \$5.5 billion was registered to invest in 758 new projects. The rest were poured to increase capital of existing projects, which was worth \$1.07 billion and to

purchase shares worth nearly \$2 billion. The realised capital was estimated at \$3.85 billion, 6.6 per cent lower than the first quarter of 2019. As of March 20, Việt Nam had 31,665 valid projects with a total registered capital of \$370 billion. The accumulated realised capital of FDI projects totalled \$215.6 billion, equalling 58.3 per cent of the total value of registered capital. The Republic of Korea was the largest foreign investor in Việt Nam with 8,702 valid projects with a total accumulated registered capital of \$68.57 billion. Japan came second with 4,494 projects worth \$59.7 billion, followed by Singapore with 2,484 projects worth \$54 billion. HCM City, Hà Nội, Bình Dương, Đồng Nai and Bà Rịa – Vũng Tàu were the top destinations for FDI which altogether attracted 21,572 projects worth \$179.26 billion. FDI was mainly poured into manufacturing and processing industry with \$216.7 billion in registered capital and real estate business with \$58.6 billion. The novel coronavirus (COVID-19) pandemic was forcing global producers to rearrange their production network to reduce dependence on China, according to Võ Trí Thành, Director of the Institute for Brand and Competitiveness Strategy. Thành said that it was providing Việt Nam with opportunities to become a hub for FDI inflow of the region and the world. According to the Ministry of Planning and Investment's forecasts, Việt Nam expected to attract \$38.6 billion FDI in 2020 if the COVID-19 pandemic was over in the first quarter of this year and \$38.2 billion if the pandemic lasted to

the second quarter, compared to \$38 billion FDI attracted in 2019. Viêt Nam targeted to attract \$39.6 billion FDI in 2020 when there was no COVID-19. In the first quarter of this year, Viêt Nam invested \$49.3 million abroad, equalling 41.1 per cent of the same period of 2019. — VNS

Source:<https://vietnamnews.vn/economy/654053/foreign-investors-pour-855b-in-vn-in-q1.html>
