

Highlight News / August 26/2021



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Cambodian monetary policy to maintain exchange rate stability



Cambodia News | 25 August, 2021

The National Bank of Cambodia (NBC) will be maintaining exchange rate stability over the next quarter. The decision was announced as part of the 56th Monetary Policy Committee meeting results. That meeting was held last weekend. At the meeting, the current state of the global economy was discussed along with present macroeconomic challenges to financial stability in Cambodia and how they can be addressed via monetary policy. Chea Chanto, governor of the NBC and chairman of the Monetary Policy Committee, stated that the maintenance of prices and improvement of monetary policy over the next quarter informed the decision by the committee to maintain exchange rate stability and that intervention in foreign exchange markets would be availed of if deemed necessary. The NBC will continue to provide liquidity through liquidity-providing collateralised operations (LCPO) transactions every two weeks to meet the short-term riel liquidity needs of banking and financial institutions. The reserve requirement rate of 7 percent will also be maintained for both dollars and riels. In an extensive interview granted to Khmer Times last March, the NBC governor discussed the monetary policy tools which Cambodia uses to effectively stabilise the nation's financial situation at various times, particularly when challenges arise. He noted that over the last two decades, exchange rate

stability has been maintained and recognised as an important factor in the Kingdom's macroeconomic steadiness. The governor cited how in 2020, the value of the riel against the dollar was stabilised quite well despite a slight depreciation (of less than 1 percent). He noted that the depreciation was relatively lower than that of other regional currencies and was the result of weakened domestic economic activities and low inflow of foreign direct investments at the time. Both then and now, the NBC minimises volatility in the exchange rate, by making use of a number of tools to absorb or inject liquidity from or into the market. These include foreign exchange interventions via LCPOs to inject liquidity or and the absorption of riels through Negotiable Certificate of Deposits.

Source : <https://www.khmertimeskh.com/50922563/cambodian-monetary-policy-to-maintain-exchange-rate-stability/>

Cambodia to change to electronic system to manage National Budget



Cambodia News | 25 August, 2021

Cambodia's commitment to reform public financial management through a financial management information system (FMIS) is on the right track. This positive progress has been raised in a meeting on the Public Financial Management Reform Commission held on Monday chaired by Aun Pornmoniroth, Minister of Economy and Finance, via video conference. In the meeting, Pornmoniroth highly appreciated and thanked the efforts of all

technical and financial experts to realise this achievement, even though Cambodia is under the challenging circumstances of the Covid-19 pandemic. Pornmoniroth urged all officials to continue promoting and implementing all efforts to achieve the goals already set. FMIS was formed to fully support the public financial management reform programme initiated by the Ministry of Economy and Finance. This programme aims to improve the good governance and transparency in the National Budget Management especially in the national budget expenditure with improvement of the standards of management and accountability in the mobilisation of all government current and capital resources. The FMIS project's main task is to improve the country's financial information system. In order to ensure the success of the FMIS project, the Information Technology Department of the Ministry of Economy and Finance was created to handle it as an essential project in Cambodia. It hopes to transform all financial processes from a mainly manual one to a much more robust computer-based system. "The FMIS has been strengthened and expanded by continuing to implement these new work procedures in ministries and institutions and the implementation of the projects to 25 provincial administrations," Pornmoniroth said. Under this system, the compliance level of the International Public Sector Accounting Standards Board (IPSASB) Cash Basis report has been improved. Meanwhile, regulations for the management of state property and its titles have been continuously improved. Since 2020, FMIS

has officially launched 358 sites with a total number of 1,662 users.

Source : <https://www.khmertimeskh.com/50922444/cambodia-to-change-to-electronic-system-to-manage-national-budget/>

AIPA adopts resolutions to strengthen Asean community building



Laos News | 26 August, 2021

Some 28 resolutions have been adopted at the 42nd General Assembly of the Asean Inter-Parliamentary Assembly (AIPA) which wrapped up on Wednesday. The resolutions are linked to the capacity building of women entrepreneurs, cyber security, human security, parliamentary diplomacy, the promotion of SMEs, and post-pandemic economic recovery. The resolutions concern mitigation of the impacts of climate change and localising the sustainable development goals. The AIPA videoconference, which took place from August 23-25, also approved Georgia, Ukraine and Pakistan as observers of the AIPA. The conference took the theme "Forging Parliamentary Cooperation in Digital Inclusion towards ASEAN Community 2025". A message delivered from Lao President Thongloun Sisoulith at the conference reaffirmed Laos' support for Asean cooperation frameworks to contain the spread of Covid-19 and revitalise the region's economies. President Thongloun said in his message that the theme of the meeting highlighted the need for the AIPA to push for the 10-nation bloc to accomplish its goals as outlined in the Asean Community Vision to

2025. He also called for member countries to further implement the Asean digital master plan 2025 to modernise Asean community building and narrow development disparities among Asean member states. The president said the AIPA provided an opportunity for Asean parliamentarians to exchange their views on various issues and discuss ways to strengthen cooperation for their mutual benefit. National Assembly President Dr Xaysomphone Phomvihane led the Lao delegation attending the 3-day conference. On Monday, Dr Xaysomphone called for the AIPA to strengthen cooperation in research and development, applying digital inclusion towards Asean Community building. In his speech at the meeting, the Chairman of Vietnam's National Assembly, Vuong Dinh Hue, said the theme of the conference emphasised the need to further build on the vital role of the AIPA and its Member Parliaments in accelerating digitalisation, ensuring stable growth, and fostering sustainable Asean economic recovery. The Vietnamese leader urged AIPA Member Parliaments to complete the legal framework and remove barriers to facilitate the implementation of digital transformation policies in order to build digital e-governments. In recent years, the world, including the Asean region, has faced enormous challenges because of the Covid-19 pandemic, resulting in fatalities and disruptions to the regional supply chain. In Laos, the Covid-19 outbreak has severely impacted economic growth and prevented many poor people from rising above poverty. However, the epidemic is also a catalyst for

Asean's endeavours to accelerate economic digitalisation, effectively harness the 4th Industrial Revolution, narrow the digital gap, and ensure digital equality across the region.

Source : https://www.vientianetimes.org.la/freeContent/FreeConten_AIPA166.php

World Bank cuts Vietnam GDP growth projection to 4.8 pct



Myanmar News | 25 August, 2021

The World Bank has lowered its growth forecast for Vietnam this year by two percentage points to 4.8 percent as Covid-19 weighs on the economy. "Whether Vietnam's economy will rebound in the second half of 2021 will depend on the control of the current Covid-19 outbreak, the effective vaccine rollout, and the efficiency of the fiscal measures to support affected business and households, and to stimulate the recovery," Rahul Kitchlu, the bank's acting country director for Vietnam, said in a report released Tuesday. In December the bank had forecast growth of 6.8 percent, but the latest wave of Covid with over 365,000 cases since the end of April has caused it to lower its projection. In July retail sales fell by 19.8 percent year-over-year, the largest drop since April 2020, while the purchasing managers' index also declined significantly, it said. The merchandise trade balance turned into a deficit over the past few months and foreign investors have demonstrated some caution, it said. The resurgence

of the infection has forced exporters to close factories temporarily or delay production. But the bank assured that while downside risks have heightened, economic fundamentals remain solid in Vietnam, and the economy could converge toward the pre-pandemic GDP growth rate of 6.5-7 percent from 2022 onward. Credit rating company Fitch Ratings said recently the renewed outbreaks would act as a setback to Vietnam's recovery and pegged its growth for this year at 6 percent. The economy grew at an annualized 5.6 percent in the half of the year.

Source : <https://e.vnexpress.net/news/business/economy/world-bank-cuts-vietnam-gdp-growth-projection-to-4-8-pct-4345936.html>

Jump in COVID-19 cases to weigh on Vietnam's economic recovery, says Fitch Ratings



Vietnam News | 25 August, 2021

An escalation in COVID-19 cases and deaths in July-August will undermine Vietnam's previously strong recovery from the pandemic shock and may temporarily set back the positive rating momentum, said Fitch Ratings. Fitch Ratings economists affirmed Vietnam's rating at "BB" in April 2021 and revised the Outlook to Positive from Stable following the resilience of the country's growth and public finances to the pandemic shock at that time. The Vietnamese authorities had succeeded in keeping

the number of COVID-19 cases low prior to the latest outbreak. The economy expanded by 5.6% year-on-year in the first half of 2021, accelerating from 2.2% in the first half of 2020. However, over 95% of Vietnam's cumulative COVID-19 cases occurred after June 30, 2021, forcing a large part of the country into a lockdown, which was endured only briefly in 2020. Therefore, restrictions to curb the spread of the disease will weigh on activity in the third quarter of this year and could persist if the outbreak is not brought under control, according to Fitch Ratings. "This poses significant risks to our current forecast that growth will average 6% in 2021. However, we still expect Vietnam's gross domestic product (GDP) performance over 2020-2021 to be the strongest among Fitch-rated sovereigns in the ASEAN," said economists. They added that some lost growth momentum may be made up in subsequent quarters as output and social activity normalize, although the risk of further outbreaks will linger as Vietnam's vaccination rates remain low. Public finances will also be affected. Government officials have indicated plans for a relief package worth roughly US\$5 billion (around 1.4% of GDP), focused on reducing taxes and fees for small and medium enterprises (SMEs). "However, we expect Vietnam's public debt/GDP ratio to remain well below the median for 'BB' sovereigns in 2021-2022," said economists. Exports have been an important support

for Vietnam's economy during the crisis. The tourism sector's share of GDP fell to 3.5% in 2020 from 9.3% in 2019, and Fitch Ratings economists believe tourism earnings will remain at very depressed levels well into 2022 as a result of the pandemic. However, goods exports have been strong, with merchandise exports rising by 26.2% year-on-year between January and July this year. Economists cited anecdotal evidence as saying that some factories producing exports have been disrupted by the recent outbreak, but they expect the impact on output to be temporary. One risk to exports appears to have been resolved in July when the United States announced a deal had been reached over Vietnam's exchange-rate policies. "We had expected the Biden administration to downplay currency tensions with trade partners in Asia, but argued that Vietnam was among the most exposed to macroeconomic risks if the US opted to escalate the matter," said economists. They said if the agreement results in the appreciation of the local currency, this could pave the way for faster growth in per capita GDP in US dollar terms. "When we affirmed Vietnam's rating in April, we said sustained high growth that reduces the GDP per capita gap vis-à-vis Vietnam's peers while maintaining macroeconomic stability could lead to a sovereign rating upgrade. "Nonetheless, it is not clear whether market forces will put upward pressure on the Vietnamese dong in the near term. Strong

import growth in recent months has already reversed the record trade surplus in 2020; in the second quarter of 2021, Vietnam posted its largest quarterly goods trade deficit since 2011. A loosening of the credit policy designed to cushion the impact of the pandemic may have been one of the factors supporting import growth. Financial system credit rose by 15.2% year-on-year in the first half of 2021, faster than the nominal GDP growth of 6.7%. "We expect this trend to be sustained in 2H21 as the authorities guide banks toward lower lending rates and accept faster system credit growth," said Fitch Ratings economists. They said in April that a material reduction in risks posed to the sovereign balance sheet from weaknesses in the banking sector could be a trigger for a sovereign rating upgrade. However, the adverse effects of the recent COVID-19 outbreak could reduce the likelihood of this, at least in the near term.

Source : <https://english.vov.vn/en/economy/jump-in-covid-19-cases-to-weigh-on-vietnams-economic-recovery-says-fitch-ratings-885400.vov>

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