

Highlight News / June 21, 2022



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Advisory Institute for Trade and Investment by TCC (AiTi)



Cambodia's GDP to grow at 5% in 2022, but inflation threat looms large



Cambodia News | 20 June, 2022

Cambodia's economy is expected to grow at around five percent this year as against three percent last year, but the inflationary pressures being witnessed across the world can cut into the purchasing power of the country's households as well, said the Financial Stability Report 2021, released by the National Bank of Cambodia (NBC) recently. The growth of the Gross Domestic Product (GDP) in 2022 will be mainly supported by exports of agricultural products, transport, telecommunications and improved investment flows and remittances from overseas workers. In terms of trade and investment, the Kingdom is expected to benefit from the Regional Comprehensive Economic Partnership (RCEP) agreement, bilateral free trade agreements and the introduction of new investment law, it said. The report also stressed the uncertain conditions created by the Covid-19 pandemic, the Russia-Ukraine war, and interest rate hikes in developed countries as threats to the country's economy. Though Cambodia has only limited macroeconomic linkages to the Russia-Ukraine region, the prolonging and escalating war can cause severe damage to the world economy, especially the European Union which is one of Cambodia's main export destinations. "The crisis has weighed on the global and regional economic recovery through the rise in international commodity prices, putting upward pressure on the currently high inflation in many countries. As Cambodia imports several food items and oil from abroad, inflation may be much higher than the previous year which would put pressure on households'

purchasing power," the report said. Secondly, China's economic slowdown due to its strict Covid-19 strategy has led to more frequent lockdowns and retrenchment of China's real estate sector which may affect the economic recovery of Cambodia that heavily depends on Chinese investments and imported materials for the Kingdom's export-oriented industries. Third, the tightening of the global financial conditions as a result of persistent and soaring inflation since the second half of 2021 may affect the flow of capital into the emerging and developing countries, decelerating the economic momentum in the region as well as in Cambodia. Fourth, though the infection rate from the Omicron variant of the Covid-19 virus was low in Cambodia, the threat of the emergence of new variants still remains. The continued spread of Omicron in the region has also spillover effects on the Cambodian economy through a decline in remittances, tourism, investments and export channels. Fifth, climate change poses a significant risk to the country's agricultural production, which is vulnerable to extreme weather events. The report showed that the country's manufacturing sector bounced back in 2021 following improved external demand. Exports of garments (65.1 percent of the total exports) rose by 15.4 percent, while exports of non-garment items (excluding gold) climbed 42 percent, particularly bicycles, electrical parts and agricultural products. The construction sector which was hit hard by the pandemic too recovered marginally in 2021, recording a growth rate of 1.1 percent. Agriculture recorded a growth rate of 1.1 percent, mainly due to the government's supporting measures, favourable weather conditions and increased labour availability. The cultivated area and rice yield during the wet season went up four

percent and 10.2 percent respectively. For the tourism sector, 2021 remained a bad one with a decline of 85 per cent in the arrival of international visitors (to 196,495 visitors), putting the tourism industry and the related sectors under severe pressure. However, signs of recovery were visible in the tourism sector after the travel restrictions were lifted by November 2021.

Source: <https://www.khmertimeskh.com/501097032/cambodias-gdp-to-grow-at-5-in-2022-but-inflation-threat-looms-large/>

Plans to boost cassava exports from 2 provinces



Cambodia News | 20 June, 2022

The commerce ministry is considering the implementation of the National Policy on Cassava 2020-2025 in the provinces of Battambang and Siem Reap with provincial support. Speaking at the two regional workshops, Reach Ra, Secretary of State with the Ministry of Commerce said, in February 2022, the Minister of Commerce signed an agreement with the Guangxi Zhuang Autonomous Region to boost the export of cassava to 400,000 tonnes per year and provide trade facilitation to speed up the process. Representatives of relevant institutions, local authorities and departments of the provincial administrations also attended the event. Cambodia-China, Cambodia-Korea Bilateral Free Trade Agreement and the Regional Comprehensive Economic Partnership Agreement (RCEP) with 10 ASEAN Countries and Foreign Partners such as China, Japan, Korea, Australia and New Zealand, make up the Cambodian market for the export of

many goods, especially agricultural goods, duty-free or low-tax and quota-free. Ra stated that Cambodia exported nearly 3 million tonnes of dried cassava, cassava flour and cassava waste to international markets in 2021, especially Thailand and Vietnam. The price of fresh cassava is between 200-280 riels and the dried variety costs between 700-780 riels per kilogramme. He said that cassava was cultivated in nine districts in Battambang province, with a total yield of 3,276,073 tons on a total cultivated area of 145, 894 hectares. In the last three years, the price of fresh and dried cassava improved, bringing profits to farmers, and that the department was regularly monitoring the prices, he added. In Siem Reap province, cassava is a potential agro-industrial crop with a total cultivated area of 67,954 hectares with a yield of about 15.65 tons. Farmers sell to traders to export fresh cassava to Vietnam and dried cassava slices to Thailand. There are eight potential districts for the cultivation of cassava crops in the province. He emphasised that the workshop was not only aimed at disseminating the National Policy on Cassava 2020-2025 but also to monitor the progress and collecting input. Keynote speakers from the ministry of commerce, agriculture, forestry and fisheries shared new information and knowledge with the participants on trade promotion through the use of tools.

Source: <https://www.khmertimeskh.com/501097086/plans-to-boost-cassava-exports-from-2-provinces/>

Wait a little longer, head of fuel and gas association says



Laos News | 21 June, 2022

Despite assurances by the Minister of Finance, Mr Bounchom Ubonpaseuth, last week that fuel would be available in sufficient quantities on Monday, most petrol stations remain closed. The government's pledge to the National Assembly came to naught, with the President of the Lao Fuel and Gas Association now claiming that fuel delivery trucks have been slow to arrive. However, the government is hopeful that the fuel crisis will be resolved this week and that sufficient supplies will be available countrywide. Another reason for the late provision of fuel is misunderstanding on the part of coordinators in Laos and oil companies who sell fuel, the President of the Lao Fuel and Gas Association, Mr Sysangkhom Khotnhotha, said on Monday. Plans for the resumption of imported fuel involve multiple parties and there are numerous conditions to be met before petrol stations can open for business once more, he added. The government reached an agreement with companies responsible for fuel supply on Thursday, and issued a letter of credit pledging 200 million litres of fuel to the Lao State Fuel Company.

Source: https://www.vientianetimes.org.la/freeContent/FreeContent117_Wait_y22.php

China demand hikes

chilli pepper prices



Myanmar News | 20 June, 2022

The prices of chilli pepper are moving onwards on the back of strong demand by China when there is low supply in domestic market. The prices of chilli pepper (Moe Htaung varieties) fetch up to K7,000-K8,000 per viss (a viss equals 1.6 kg) in Yangon market. The prices stood at K4,500 to K5,400 per viss in early March. High input costs such as fertilizer and fuel oil for farming machinery were also attributed to the price rise. Cultivation of chilli pepper varieties that are primarily demanded by China costs K2.5 million per acre on an own farmland and K2.5 million for rental management. The chilli pepper can be harvested every 15 days up to six months. Yield is estimated 100 viss per acre in the early season. It can produce 400-500 viss in maximum. Myanmar's chilli pepper is primarily conveyed to Thailand and China via cross-border trade channels, while it is shipped to Viet Nam through maritime trade. It is commonly grown in Ayeyawady, Mandalay and Magway regions and Shan State. The export varieties of fresh chilli peppers are 692, 777, 999, Demon, Sunshine and Lucky one.—GNLM

Source: <https://www.gnlm.com.mm/china-demand-hikes-chilli-pepper-prices/#article-title>

Gasoline environment tax seen falling to VND1,000 per liter



Vietnam News | 20 June, 2022

HCMC – The Ministry of Finance has proposed cutting the environmental protection tax on gasoline by half to VND1,000 per liter and other fuels by 30-70% as the rising fuel prices are weighing on Vietnam's economy. The ministry has drafted a resolution for the National Assembly Standing Committee regarding further fuel environmental protection tax reductions aimed at helping the public and the business community cushion the impact of rising domestic fuel prices. According to the draft resolution, the tax on petrol would fall to VND1,000 per liter from the current VND2,000, jet fuel from VND1,500 per liter to VND1,000, diesel oil from VND1,000 per liter to VND500, and heavy fuel oil and lubricating products from VND1,000 per kg to VND300. If the National Assembly Standing Committee adopts this resolution in July, these proposed tax rates would be applicable from August 1 until the end of this year. In late March, the National Assembly Standing Committee approved the Government's proposal to cut the environmental protection tax on fuels from April 1. The tax on gasoline fell from VND4,000 to VND2,000 per liter; diesel oil, heavy fuel oil and lubricating products from VND2,000 to VND1,000 per kg; and kerosene from VND1,000 to VND300 per liter. In the newly drafted resolution of the National Assembly Standing Committee, the Ministry of Finance proposed reverting to the previous tax rates as regulated in Resolution 579 adopted by the committee in 2018. The ministry's estimates indicated the new round of fuel environmental protection tax cuts would

lead to the Government facing lost revenue of VND1.4 trillion per month.

Source: <https://english.thesaigontimes.vn/gasoline-environment-tax-seen-falling-to-vnd1000-per-liter/>

VN to increase national fuel reserves



Vietnam News | 20 June, 2022

HÀ NỘI — The Ministry of Industry and Trade has put forward a proposal to increase the country's fuel reserve by as much as four times, said Lê Việt Nga, deputy head of the ministry's domestic market department, during a conference last week in Hà Nội. Currently, the country's entire reserve can only meet domestic demand for 5-7 days. The ministry said it has been working closely with the Ministry of Finance and the Ministry of Planning and Investment to iron out all the details. Despite rising global prices and stronger demand in the domestic market since the beginning of the year, Việt Nam has not yet been forced to tap into its national reserve. The country's reserves consisted of trader reserves, refineries and national reserves. "In the event of a shortage, we prioritise the use of reserves by traders and refineries first before the national reserve. We understand that 5-7 days' worth of reserve is not a lot, and we must seek ways to improve that," said Nguyễn Thuý Hiền, deputy head of the ministry's Information and Communication Department. Answering questions regarding Việt Nam's recent initiative to ramp up petrol import from Malaysia, a country with lower-than-average fuel prices compared to other countries in the region, Deputy

Minister of Industry and Trade **Đỗ Thắng Hải** said it was unlikely to help bring down domestic prices. "Malaysia isn't that much different. We are paying the same prices for Malaysian fuel, just like any other Asian suppliers," he said. The ministry said supply was sufficient during the first half of the year for industrial and residential demand despite production disruptions at the Nghi Sơn Refinery, the country's largest supplier, and challenges in finding imports. "We give priority to domestic suppliers, but they must show commitment and fully disclose operational information. The rest will be filled by imports," he said. Nga said the ministry had instructed domestic suppliers to take measures to ensure supply is ample in all cities and provinces. Asked if the ministry supported further tax cuts on petrol products, she said there was still room to manoeuvre. "Recent environmental tax cuts have been a big help in stabilising domestic fuel price, especially when global prices were spiking," she said. She said her ministry and other governmental agencies have been working with traders and suppliers to produce a tax cut scheme, which is to be presented to the government for approval. A litre of RON95-III gasoline, the most commonly used fuel, costs VNĐ32,375 as of today compared to VNĐ23,870 at the beginning of the year, a VNĐ8,505 or a 35.6 per cent increase. Rising fuel prices were said to have put major pressure on the country's ability to rein in inflation and speed up economic recovery, with economists and industry

leaders increasingly vocal about abolishing several current fuel taxes and fees. VNS

Source: <https://english.vov.vn/en/economy/apples-iphones-likely-to-be-assembled-in-vietnam-post950734.vov>
