

Governor's Statement No. 13

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Statement by the Hon. **SOMDY DOUANGDY**,
Governor of the Bank for the **LAO PEOPLE'S DEMOCRATIC REPUBLIC**

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Governor of the Bank for the Lao People's Democratic Republic

Mr. Chairman
Fellow Governors
Ladies and Gentlemen

It is my honor to represent Government of the Lao People's Democratic Republic at the 2018 Annual Meeting of the Board of Governors of the World Bank Group and International Monetary Fund. First of all, please allow me to express my sincere gratitude to Mr. Chairman, the President of the World Bank Group, the Managing Director of IMF, and the management at all level for their immense effort. I would like to extent our special thanks to the Government of Indonesia and the people of Bali for their warm hospitality and excellent arrangement.

Moreover, I am deepest saddened to learn about the tragic earthquakes and tsunami that struck the Central Sulawesi, Indonesia on the 28th September 2018, causing loss of lives and extensive damage to properties of Indonesian people. On behalf of the Government of the Lao People's Democratic Republic and the entire Lao people as well as on my own behalf, I would like to convey my deepest condolences and heartfelt sympathy to the Government and People of Republic of Indonesia, especially the victims and affected families. I am confident that Indonesia will be able to overcome the difficulties of this disaster and restore the affected area to normalcy. Mr. Chairman,

Global economy remains uncertain and complex partly due to volatile political and economic situation in the US, EU and some Middle-East countries, directly and indirectly reflecting their economic growth as well as the growth in Asian countries. Global growth is projected to edge up to 3.1% in 2018, as the cyclical momentum continues, and then slightly moderate to an average of 3% in 2019-20. Growth in advanced economies is projected to slow, as labor market slack diminishes and monetary policy accommodation is gradually unwound, moving closer to subdued potential growth rates, which remain constrained by aging populations and weak productivity trends.

Growth in the East Asia and Pacific (EAP) region strengthened marginally to 6.4% in 2017, largely reflecting a significant improvement in the external environment. Regional growth is projected to gradually slow to 6.2% in 2018, and to 6.1% on average in 2019-20, broadly in line with previous forecasts, with the structural slowdown in China outweighing a modest further cyclical pickup in the rest of the region. Risks to the forecast have become more balanced, especially because of the potential for further upside surprises to growth in advanced economies, but are still tilted on the downside. Highly leveraged economies and countries with high or rapidly rising fiscal deficits are particularly vulnerable to financial and real disruptions.

Ladies and Gentleman,

Lao PDR's GDP growth averaged 7.8 percent over the last decade, with income per capita reaching \$2,270 in 2017. Notwithstanding the flooding-related disasters of mid-2018,

economic growth is expected to remain robust in 2018, at 6.5 percent. The economic growth in 2018 was expected to be contributed mainly from service sector (3.11%) regard to the policy to promote tourism (The visit Laos) launched in 2018 which aimed to raise the number of tourists, followed by industrial sector (2.47%). Meanwhile, the average inflation rate for the first 6 months of 2018 is 1.73% which slightly higher than 2017 at 0.83% due to the increased of global oil price and food price. Nevertheless, the projection of inflation rate in 2018 is expected to remain in the single digits and under the economic growth.

To support economic growth and maintain price stability, the expansionary monetary policy has been implemented. Bank of Lao PDR (BOL) keeps maintaining the reserve requirement ratio at 5% for Kip and 10% for foreign currencies; setting daily reference rate for commercial banks and exchange bureaus and intervening market as the lender of last resort when necessary. In this regard, the exchange rate of the Lao kip has depreciated in line with the trend of the US dollar. For the first 8 months of 2018, Kip depreciated against US dollar on average of 1.09% and depreciated 2.96% against Thai baht. While, the deposit growth was recorded at 7.67% covered 49.82% of GDP for the first 6 months of 2018 whereas the credit growth was recorded at 6.68% covered 52.45% of GDP.

The Government is seeking to maintain macroeconomic stability by taking actions to improve domestic revenue collection, controlling expenditure and strengthening public debt management. As a result, there will be fiscal consolidation, with the deficit expected to decrease to below 5 percent in 2018. The government is strengthening revenue administration and efficiency through the introduction of electronic tax payments, while adjusting current spending in the first half of 2018. Progress is partly offset by an increase in capital spending and settling public commitments. Fiscal consolidation is expected to slow down the accumulation of public debt this year, though not enough to reverse the rising debt/GDP ratio.

Moreover, BOL will further conduct a prudent monetary policy in a manner that creates favorable economic conditions to boost domestic production in non-resource sectors and thereby contributing to sustainable economic growth and the accumulation of gross official reserve for guarding against unfavorable external shock.

Mr. Chairman

Lao PDR and the World Bank/IMF have established long and excellent relations. Over 50 years, the World Bank/IMF have continued to play an important role in providing financial and technical assistance and economic policy advice to support of the implementation of National Socio-Economic Development Plan that aims to develop and assist the transition of the country for the development programs with the stated goal of reducing poverty. With valuable support provided, the livelihood of the people has been improved. Since the establishment of relationship, the World Bank has particularly provided enormous financing support to Lao PDR in active ongoing support to programs. The Government will continue to seek cooperation and support from the Bank for accelerating the socio-economic development to achieve the SDGs and to graduate from LDCs by 2020 as well as to facilitate the integration to the regional and global level.

Taking this opportunity, I would like to extend my profound thanks to the Bank and the Fund for their significant engagement in Lao PDR to provide valuable financial and technical assistance for socio-economic development. We also highly value IMF's engagement in important areas of capacity building focused on strengthening macroeconomic management.

In conclusion, on behalf of the Government of Lao PDR, I would like to express our sincere appreciation to the Management and staff of the Bank and the Fund, for the assistance given to the Lao PDR and contribution to promoting the socio-economic progress and development and macroeconomic stability in Lao PDR. Let me conclude by wishing this meeting a great success.

Thank you