

# Economy of Lao PDR

31 May 2016

寮國台灣商會聯合總會

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- ▶ Economic performance
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# Overview of Lao PDR



- ▶ Situated in the center of Southeast Asia, sharing common border with China, Vietnam, Cambodia, Thailand and Myanmar
- ▶ Divided into 17 provinces and 1 prefecture which include the capital city, Vientiane
- ▶ 6.77 million population as of 2013
- ▶ The terrain is mostly rugged mountains, which gives the country tremendous hydroelectric potential. Forest and woodland cover 47% of the country's land area. These resources all play a significant part in inducing foreign investment to the country
- ▶ Land-linked, not Land-locked
- ▶ Political stability and strong social order
- ▶ Became member of ASEAN in 1997
- ▶ Became member of WTO in 2013
- ▶ 6 friendship bridges across the Mekong river
- ▶ GDP per capita of 1,671 USD (FY 2013-2014)

# Seventh National Socio-Economic Development Plan

## Objectives:

- ▶ The Seventh National Socio-Economic Development Plan (2011-2015) has set the objectives and economic targets as following:
  - Sustainable economic growth and reduce poverty and inequality, and guide the country to graduate from its Least Developed Country status by 2020
  - Broad-basing the growth process: diversify and deepen economic activities; significantly scale-up human capital; improve labor productivity; and promote inclusion groups and more remote areas

## Key Economic Targets:

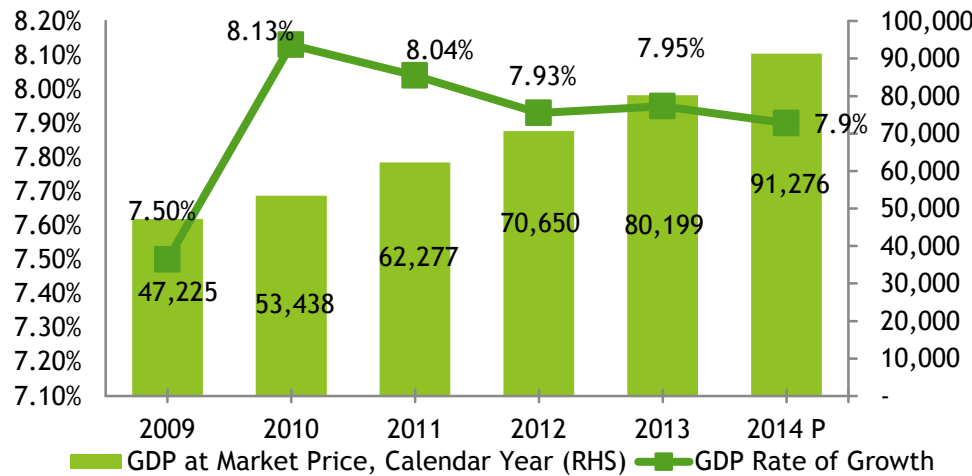
- ▶ The goal set for GDP growth is at least 8% per year
  - ▶ *The agriculture-forestry sector is expected to grow at least at 3.5% annually, reducing its share to 23% of GDP by 2015*
  - ▶ *The industrial sector is expected to grow at 15% and increase its share to 39% of GDP in 2015*
  - ▶ *The service sector is expected to grow at 6.5% and have a share of 38% of the GDP in 2015*
- ▶ The plan aims to keep inflation below the rate of economic growth
- ▶ It aims to maintain a stable exchange rate: the year-to-year fluctuation in the value of the Kip against major currencies is slated to be no more than 5%
- ▶ Bank deposits are to grow by about 25.6% per year
- ▶ The share of private consumption in the GDP is aimed at 75%, total investments at 32%, public investment at 8%, exports at 35% and imports at 50%
- ▶ The target for domestic revenues plus grants is 18-20% of the GDP per year
- ▶ Expenditure is targeted at 20-22% of GDP
- ▶ The government projects a budget deficit of no more than 3-5% of the GDP

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# High and Sustained GDP Growth

GDP (in billion Kip) & GDP Growth (2009-2014P)



Lao PDR's has consistently demonstrated high and sustained GDP growth with 6-year average growth of 7.9% (2009-2014)

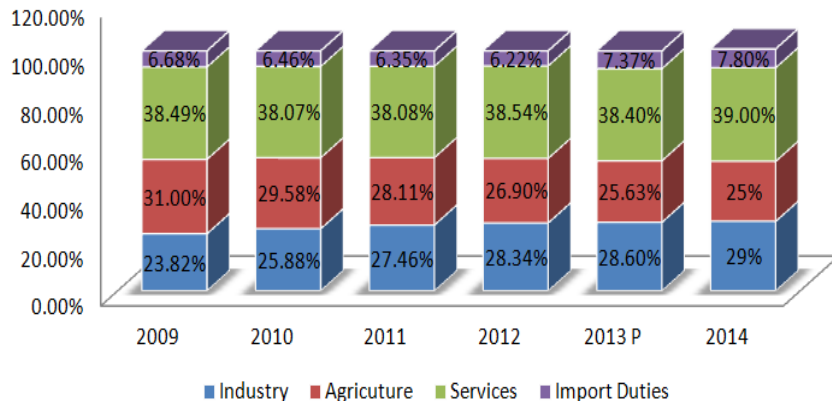
Total GDP in 2014 is Kip 91,276 billion, with yoy growth rate of 7.9%

Four main GDP contribution include service, industry, agriculture, and import duties

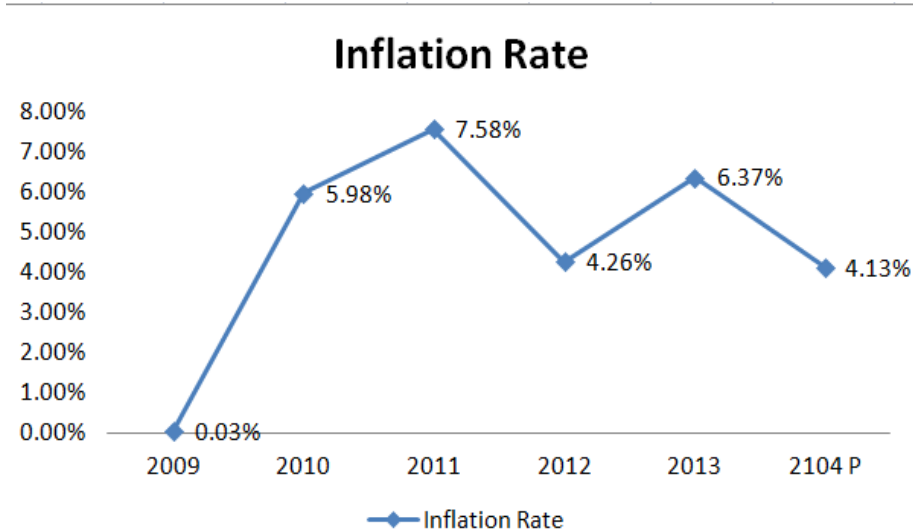
Gradual increase in the contribution of service and industry sectors leads to aggregate contributions to GDP of 68% in 2014, comparing with 62.3% in 2009

Such increase is due to public policy to promote commercialization in order to gradually transform Lao PDR from an agricultural-based country to be an industrial-based and modern country

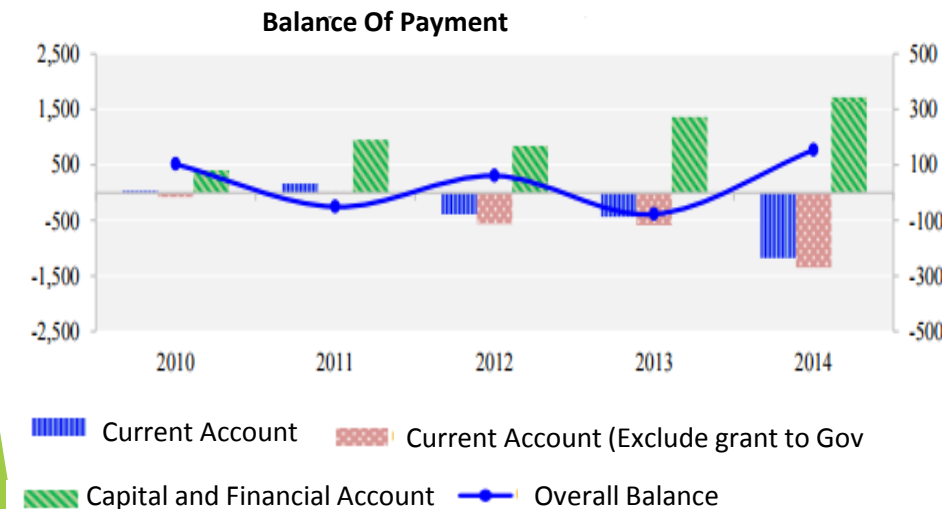
GDP Breakdown by Sectors (2009-2014P)



# Well-managed Inflation with Deficit Policy



- ▶ Stable macroeconomic since the Asian financial crisis has been proven by the fact that annual inflation peaked at 134% in 1999 then successfully managed to drop to 7.2% in 2005 and has remained at single digit level and lower than GDP growth rate
- ▶ In 2014, an average annual inflation rate was 4.13% and remains stable as targeted



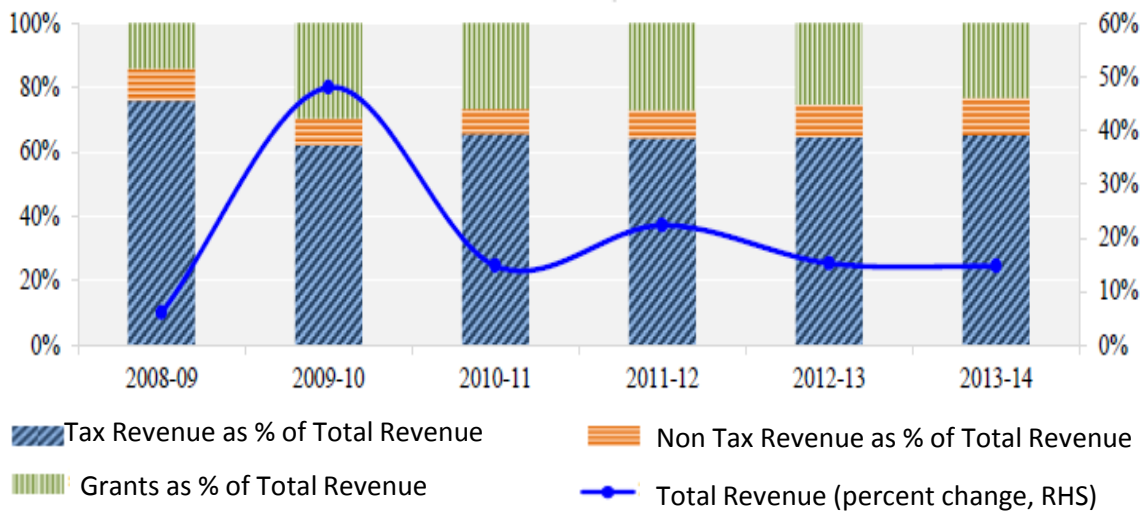
- ▶ In 2014, overall balance registered a surplus of USD 153.78 million with following two major contributors:
  - ▶ Surplus in capital and financial account of USD 1,719 million
  - ▶ Deficit in current account of USD 1,178 million

Remark: P stands for Preliminary Data



# Tax Revenues Soar from Tax System Reforms

Government's Total Revenues and Grants



► In 2013/14, government's total revenues achieved Kip 17,272 billion, equivalent to 25% of GDP, increasing by 15% comparing with 2012/13

► Tax revenues accounted for 16% of GDP, rose by 16% from 2012/2013, thanks to ongoing reforms of tax system and administration, mainly focusing on revenues collection through banking system and requirement for the tax invoices

► Non-tax revenues increase to 3% of GDP, growing by 29% from 2012/2013

(in Kip billion)	2008/09	2009/10	2010/11	2011/12	2012/13	2013/2014
<b>Total Revenues</b>	<b>7,031</b>	<b>8,538</b>	<b>10,181</b>	<b>12,428</b>	<b>14,674</b>	<b>17,272</b>
- Tax revenues	6,208	7,502	9,108	10,915	12,659	14,665
- Non-Tax Revenues	823	1,036	1,073	1,513	2,015	2,607
<b>Grants</b>	<b>1,143</b>	<b>3,562</b>	<b>3,709</b>	<b>4,565</b>	<b>5,294</b>	<b>5,197</b>
<b>Revenues and Grants</b>	<b>8,174</b>	<b>12,100</b>	<b>13,890</b>	<b>16,993</b>	<b>19,968</b>	<b>22,470</b>

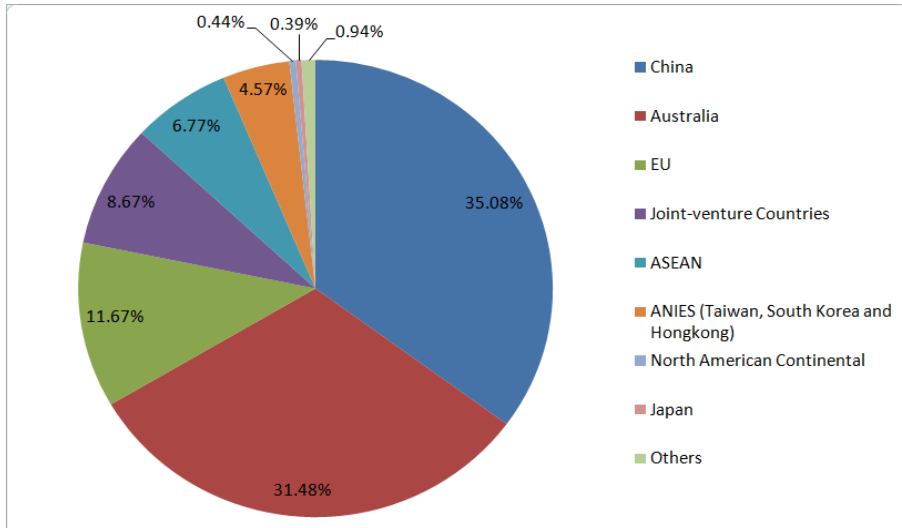


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# Great FDI Capital Inflows to Hydro Power Projects

## Foreign Direct Investment

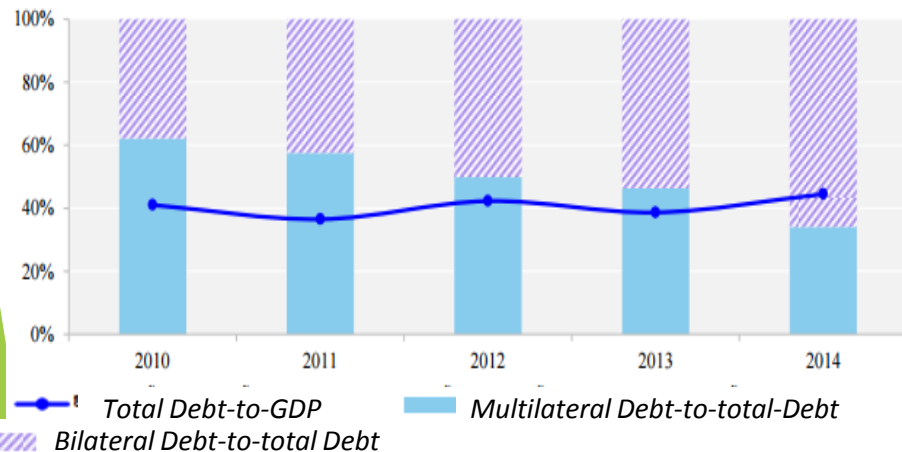


► The financial and capital account in 2014 marked a surplus of USD 1,719 million, increasing 100.16% from 2013, driven by ongoing FDI capital inflows mainly to mining and hydro power areas

► FDI broken down by countries of investors

- China 35.08%
- Australasia 31.48%
- EU 11.67%
- Joint-venture 8.67%
- ASEAN 6.77%

## Outstanding External Debt (2010-2014)

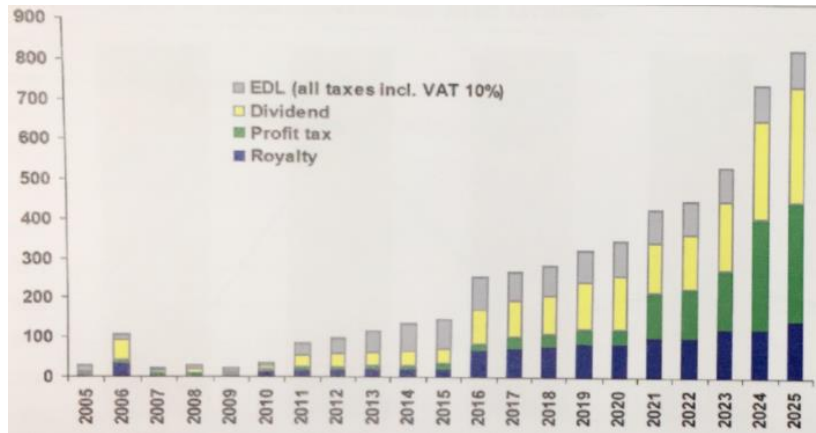


► In 2014, total outstanding external debt of Lao PDR recorded at USD 5,185 million or 44% of GDP (increased by 24%)

□ 66% of total debts are bilateral debt and the remainings are multilateral ones

# Substantial Regional Power Demand

Projection of Government Revenues from Power Sector (2005-2025) (in USD million)



Source: World Bank Staff Estimate

## Regional Power Demand (in MW/Year)

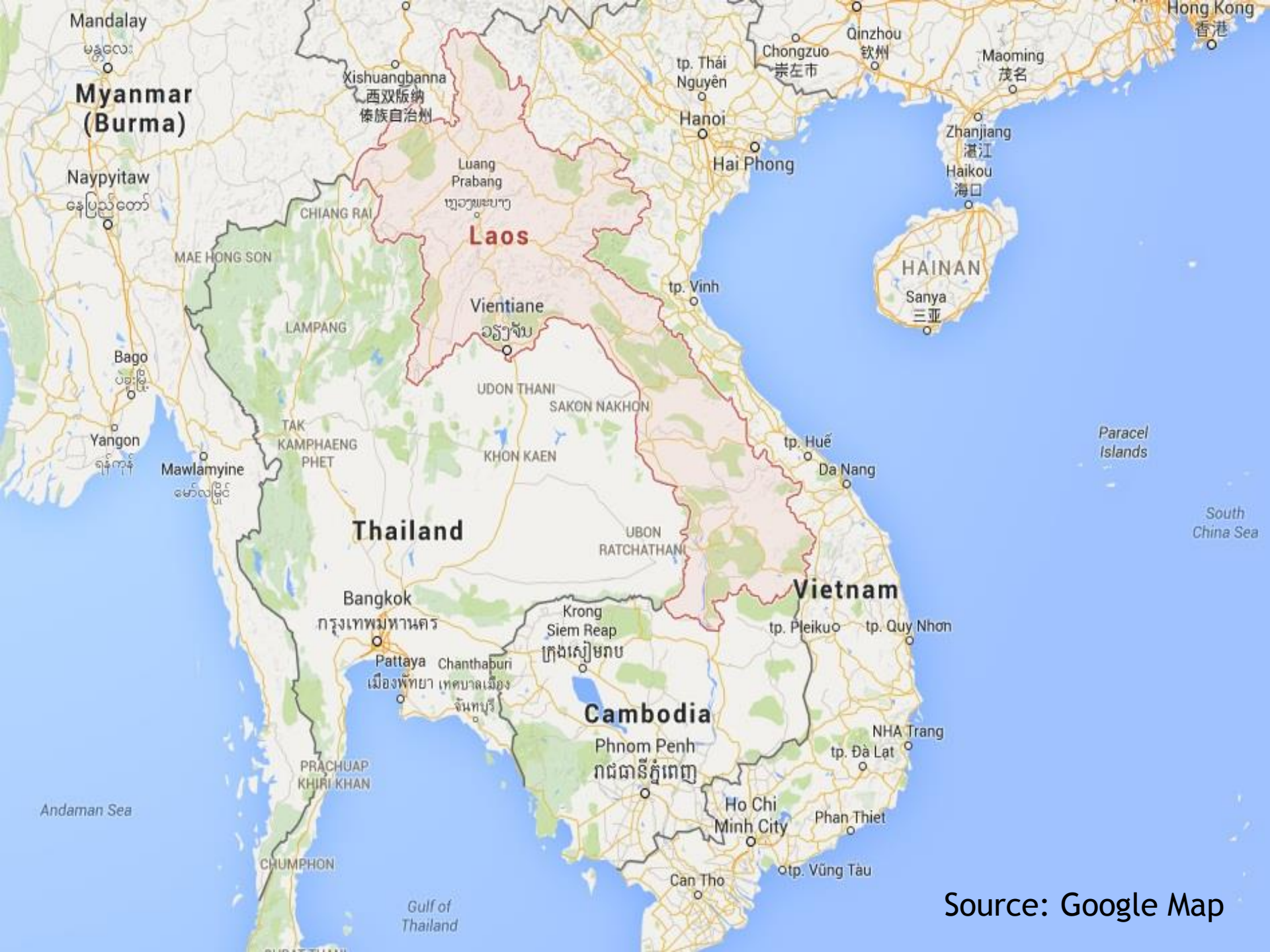
Country	2010	2020	CAGR
China	40,000	115,000	11.1%
Vietnam	17,000	48,000	10.9%
Thailand	23,000	36,000	4.6%
Cambodia	200	3,000	31.1%
Lao PDR	559	2,905	17.9%
Total	80,759	204,905	9.76%

Source: ADB, Laos Power Development Plan

CAGR: Compound Annual Growth Rate

Lao PDR government's plans and policies for the power sector involve rapid and simultaneous development on several fronts with a view to:

- Expand the generation, transmission, distribution and off-grid development to increase the domestic electrification ratio for the country to target of above 90% by 2020
- Increase government revenues from Independent Power Plant (IPP) export investments and honoring power export commitments with neighboring countries by promoting a producer development carried out by private sector
- Promoting 500kV grid development within the Greater Mekhong Sub-region (GMS) to integrate the power systems of Lao PDR and its neighbors



**Myanmar (Burma)**

**Laos**

**Thailand**

**Vietnam**

**Cambodia**

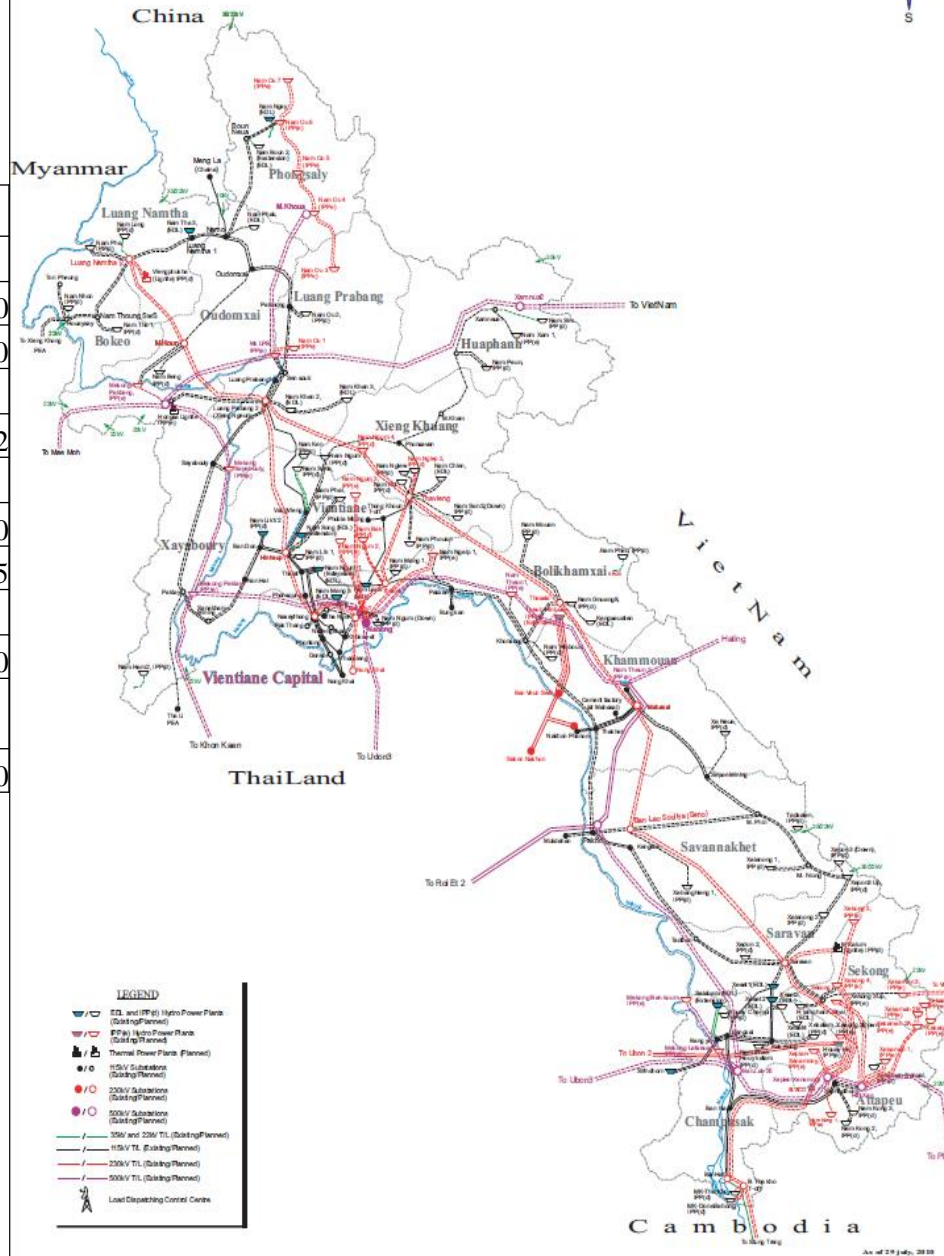
Source: Google Map



# Power Development Plan 2010-2020 Map 2020 from EDL.pdf

## In Operation

<i>Bolikhamxay</i>	MW
- Theun-Hinboun	220
- Theun-Hinboun Expansion	220+60
<i>Champasack and Attapu</i>	
- Houay Ho	152
<i>Vientiane</i>	
- Nam Lik 1-2	100
- Nam Ngum2	615
<i>Khammuon</i>	
- Nam Theun 2	1080
<i>Vientiane and Xiangkhouang</i>	
- Nam Ngum5	120



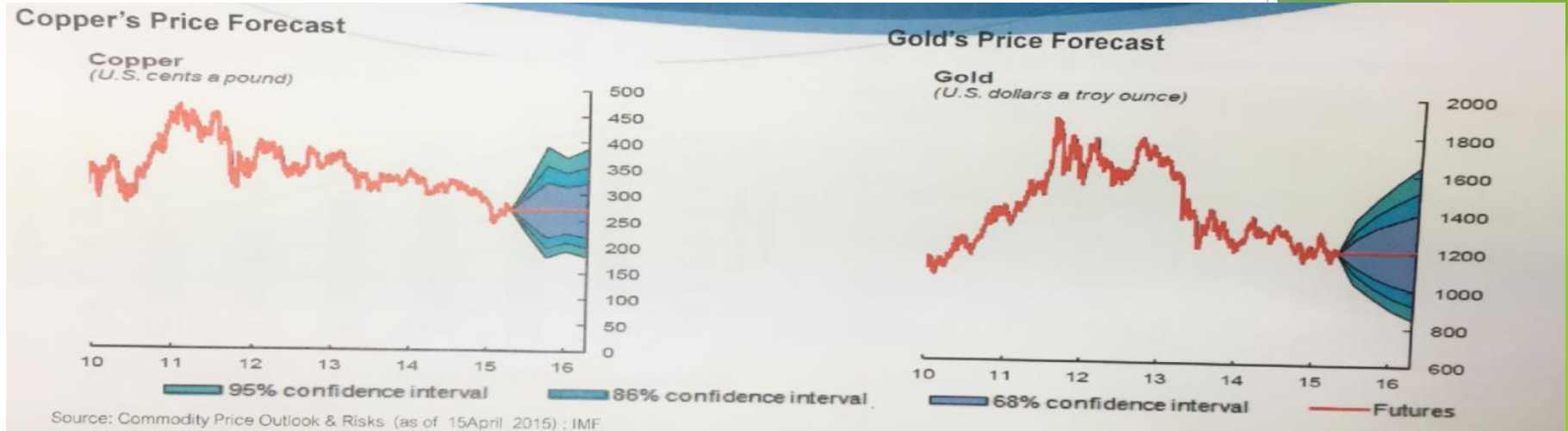
<u>Concession Agreement</u>	<u>MW</u>
<i>Xekong</i>	
- Xekaman 3	250
<i>Attapu</i>	
- Xekaman 1	322
<i>Xayaboury</i>	
- Hongsa Coal-Fired	1878
- Xayaboury (Mekong)	1285
<i>Xiangkhouang</i>	
- Nam Ngiep 2	180
<i>Luangphabang Phongsaly</i>	
- Nam Ou 2.5&6	120
	240
	180
<i>Attapu &amp; Champasack</i>	
- Sepain Xenamnoy	410

# PROPOSED RAILWAY LINKS IN LAO PDR.





# Strategic Advantage Location for Commercial Extraction of Minerals



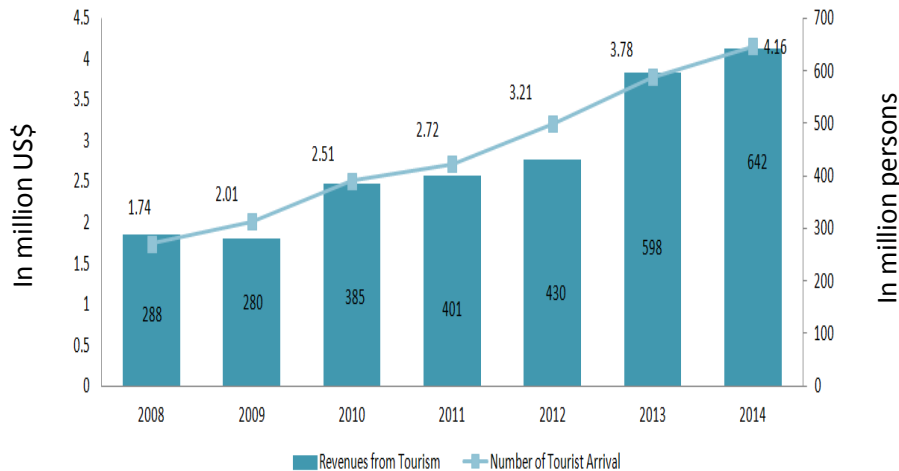
## Key Mineral Reserve (tons)

Resources	Reserves
Potash	326,197,210
Bauxite	442,576,847
Lignite	384,532,231
Copper Ore (0.5-1.0% Cu)	152,623,073
Gold Ore (0.56-3.43 g/Ton)	44,402,904,212
Limestone (Cao>50%)	1,708,146,577
Tin Ore	32,439,097

- ▶ Located in the Greater Mekhong Sub-region with numerous geological belts, Lao PDR has a very promising mineral potential for commercial extraction
- ▶ A number of these discoveries have already been developed to become successful international industrial-scale mine operation, thus confirming the potential for broad-scale commercial extraction

# Rapid Growth of Tourism Sector

Revenues from Tourism and Number of Tourist Arrivals (2008-2013)



- ▶ Lao PDR has experienced a high growth in the tourism sector in recent years, with more than 564.11% increase in annual tourist arrivals in 2014 in comparison to 2000
- ▶ Tourism is important to Lao PDR in terms of GDP contribution and foreign currency revenues as accounted for 5.64% of 2014 GDP with foreign currency receipt of USD 642 million

Top 10 Nations of Tourism Generating Markets (2014)

Nation	Number of Arrivals	Share (%)
1. Thailand	2,043,761	49.14%
2. Vietnam	1,108,332	26.65%
3. China	422,440	10.15%
4. South Korea	96,085	2.31%
5. U.S.A	61,460	1.47%
6. France	52,146	1.25%
7. Australia	44,964	1.08%
8. Japan	44,877	1.08%
9. United Kingdom	39,061	0.93%
10. Germany	29,800	0.71%
11. Taiwan	5,478	0.13%
12. Others	26,021	0.62%

Source: Tourism Development, Ministry of Information, Culture and Tourism

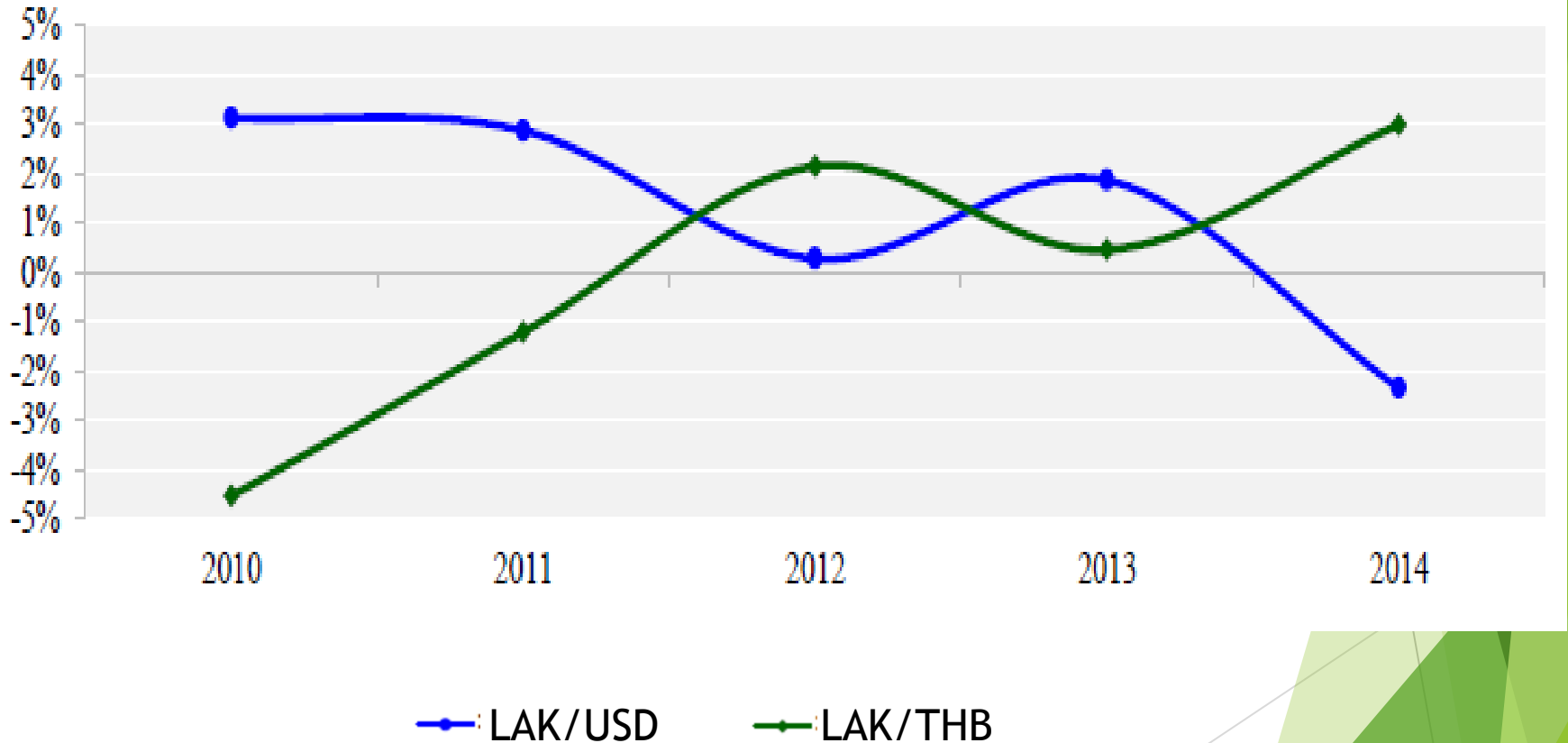
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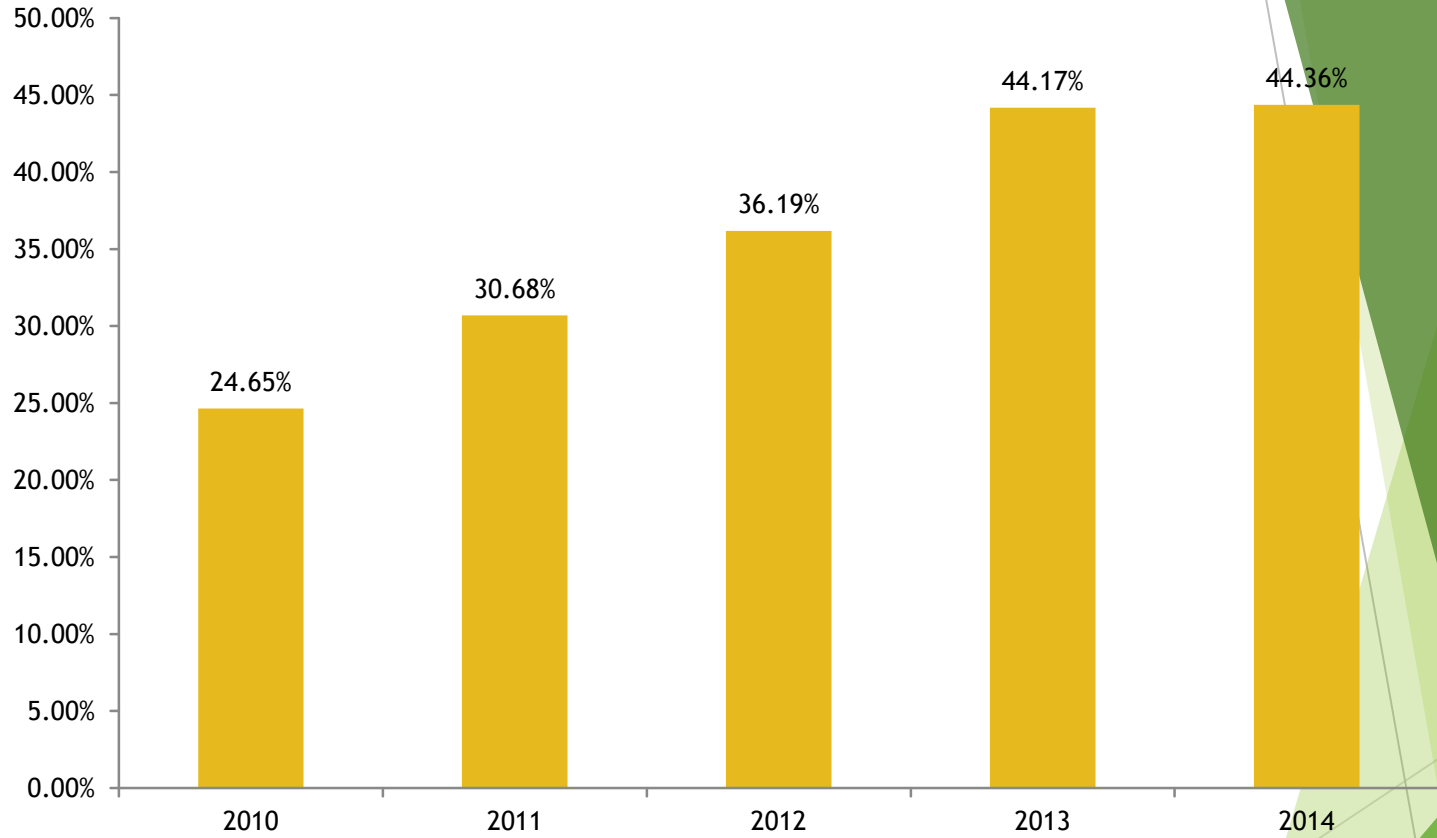
# Key Economic Summary of Lao PDR

Items	2010	2011	2012	2013	2014P
<b><u>Real Sectors (in %)</u></b>					
GDP growth rate	8.13	8.04	7.93	7.95	7.9
GDP at market price (Kip million)	53,438	62,277	70,650	80,199	91,276
Annual inflation rate (average)	5.98	7.58	4.26	6.37	4.13
<b><u>Public Finance (in % of GDP)</u></b>					
	<b><u>2009/2010</u></b>	<b><u>2010/2011</u></b>	<b><u>2011/2012</u></b>	<b><u>2012/2013</u></b>	<b><u>2013/2014</u></b>
Revenue and grants	12.10	13.89	16.99	19.97	22.47
-Revenue	8.54	10.18	12.43	14.68	17.27
-Grants	3.56	3.71	4.56	5.29	5.20
Total expenditures and net lending	24.97	24.25	25.51	30.70	27.93
Current expenditures	12.97	11.69	13.26	19.78	17.49
Capital and on-lending net	12.00	11.56	12.25	10.91	10.44
Overall cash balance	-2.32	-1.95	-1.46	-4.23	-3.15
Overall cash balance (excluding grant)	-8.99	-7.90	-7.92	-10.83	-8.87
<b><u>Monetary Sector (in %)</u></b>					
	<b><u>2010</u></b>	<b><u>2011</u></b>	<b><u>2012</u></b>	<b><u>2013</u></b>	<b><u>2014</u></b>
Annual growth rate of Money Supply M2	39.47	28.71	31.05	17.02	25.22
<b><u>External Sector in % of GDP</u></b>					
	<b><u>2010</u></b>	<b><u>2011</u></b>	<b><u>2012</u></b>	<b><u>2013</u></b>	<b><u>2014</u></b>
Overall Balance	1.50	-0.71	0.67	-1.80	1.32
Current Account Balance	0.43	1.96	-4.16	-3.56	-10.11
(Including Official Balance)					
Current Account Balance	-1.16	0.11	-6.02	-4.98	-11.54
(Excluding Official Balance)					
Trade Balance	-4.59	-2.66	-8.64	-7.16	-13.80
-Capital and Financial Accounts	5.87	7.94	6.85	6.50	14.75
External Debts Outstanding	41.04	36.52	43.76	39.52	

# Exchange Rates Movements 2010-2014 (YoY)

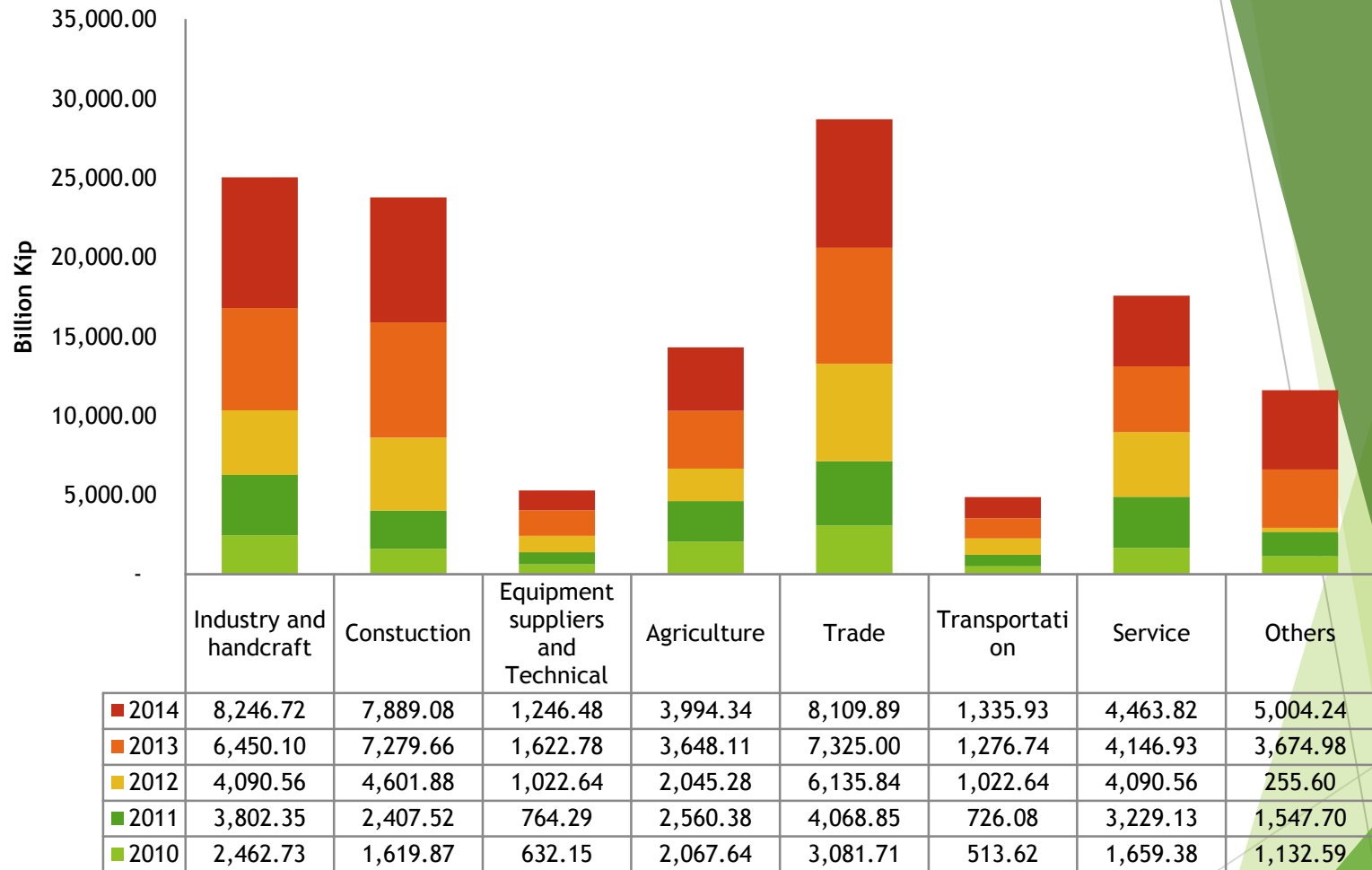


## Credit Per GDP

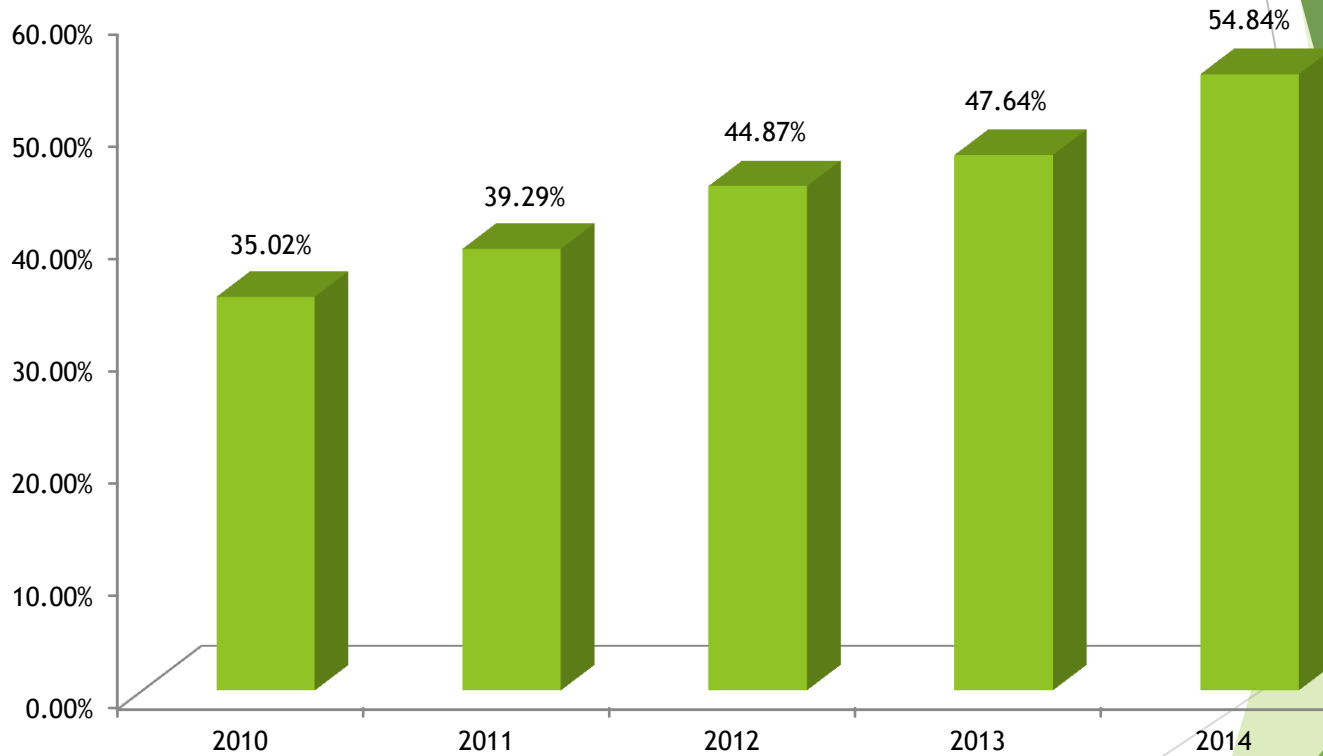




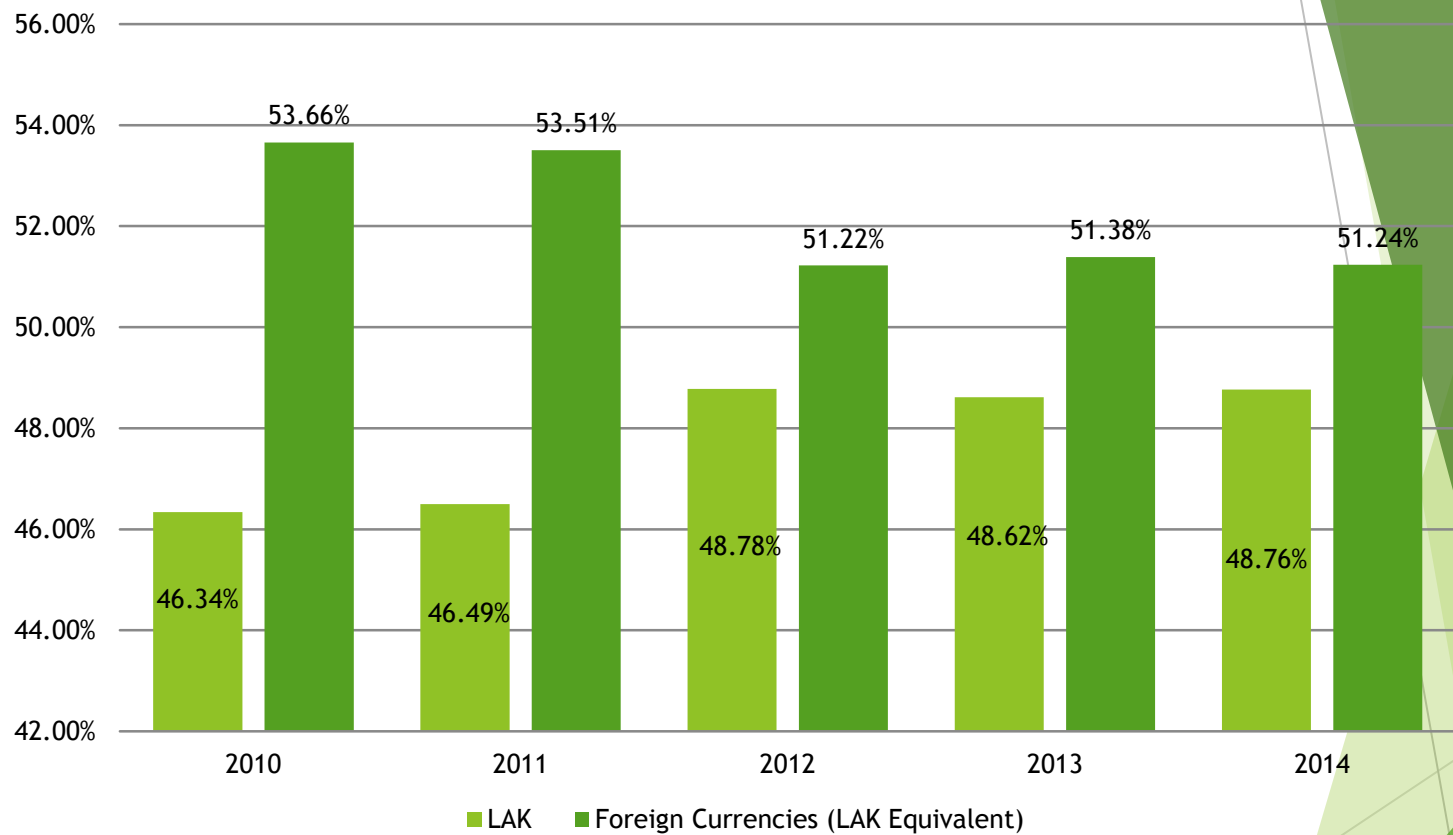
## Credit break down by sector



## Deposit Per GDP



## Deposit of commercial bank



THANK YOU VERY MUCH  
FOR YOUR ATTENTION

Q&A