



Lao PDR Economic Monitor: April 2015 - Towards Building Inclusive and Stable Growth

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The Lao PDR economy continued its robust expansion with growth around 7.5 percent in 2014, with domestic demand fueled by robust activity in construction, forestry and services, according to the World Bank's latest Lao PDR Economic Monitor. The report also identifies policies Lao PDR can adopt to benefit from increased regional integration through the coming ASEAN Economic Community (AEC), and highlights the importance of creating productive jobs to drive inclusive growth. The report notes that Laos continued economic growth takes place in a macroeconomic environment which is gradually improving but remains fragile. While investment in the power sector is expected to remain strong, overall GDP growth is projected to slow to about 6.4 percent in 2015 due to a flat output in mining, efforts to reduce the fiscal deficit and a slowdown in credit growth. Given existing macroeconomic vulnerabilities, a moderate temporary deceleration of economic growth associated with reduced fiscal and financial sector risks is welcome. "The Government has taken some steps to restore macroeconomic stability, but it is critical that these efforts continue," said World Bank Country Manager for Lao PDR, Sally Burningham. "In the longer term, efforts to create a conducive business environment and create more productive jobs can help the country to grasp opportunities from regional integration, as well as foster shared prosperity and reduce poverty." The report indicates that the fiscal deficit in FY14/15 is expected to decline slightly to 4.2 percent, as improved tax administration offsets lower resource revenues and controls on spending remain tight. Public debt is estimated at 60 percent of GDP by end-2014. Credit growth has slowed, but continued monitoring of the financial sector is necessary to safeguard stability. With regard to the ASEAN Economic Community, the report suggests that creating a conducive business environment and ensuring the effective implementation of reforms will best equip Lao PDR to benefit from increased regional integration. As a member of the AEC, Laos may expect to see new opportunities for foreign investment, lower costs for some imports, and potential future inflows of professional services that Lao PDR lacks. The report also suggests that more jobs could be created through promoting diversified private sector investments in sectors such as agriculture, manufacturing and services. Building job-relevant technical skills and strengthening early childhood education would help ensure that the workforce has the skills required to fill the jobs that are available. Media Contacts
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