



Lao PDR Economic Monitor June 2013: Sustaining Growth, Maintaining Macroeconomic Stability

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With continued resilient economic growth in the East Asia and Pacific region, Lao PDR is expected to benefit from sustained demand from its key trading partners, says World Bank Lao PDR Economic Monitor Report
Vientiane, July 2, 2013 - Resilient regional economic growth and strong domestic demand is expected to facilitate Lao PDRs robust economic growth this year. Lao PDRs economy is expected to grow at 8% in 2013, fueled by growth from the services, hydropower, construction, and food processing sectors. However, sustained domestic demand still continues to put a pressure on external balances. The World Banks latest Lao PDR Economic Monitor released today highlights recent key economic, budget and sector developments: effectiveness and transparency of mining revenues, public spending on health, and net economic benefits of sanitation interventions in Lao PDR.
The report highlights Lao PDRs recent accession to the World Trade Organization in February 2013, as an important step towards the establishment of a rules-based system of economic governance, and a necessary part of efforts to diversify away from the resource sectors.
The budget deficit is projected to rise this fiscal year following the recent wage and allowances increase coupled with expected slower growth in total government revenue. The report stresses the importance of additional efforts to strengthen the non-resource revenue base in order to counter the effects of revenue volatility arising from swings in mineral prices that affect Lao PDRs natural resource revenues.
The report also notes a concern on the low level of foreign reserves, which calls for containing of aggregate demand through fiscal and credit growth management. At the same time, exchange rate management needs to be balanced against reserves management and pressures on competitiveness.
Along with robust economic performance, the report cites the need for greater investment and improvements in spending efficiency in the social sectors, especially in priority areas such as health and education in order to promote the development of human capital. For example, public spending on health is still relatively low thus leading to high private out-of-pocket spending, which represents a financial barrier to the full utilization of health services.
The Lao PDR Economic Monitor is the World Banks regular publication presenting analysis of recent macroeconomic developments in Lao PDR and is issued in Lao and English twice a year by the World Bank Office in Vientiane.

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