



**UNDER EMBARGO UNTIL 12.00 HRS., BANGKOK TIME, THURSDAY, 28 APRIL 2016**

## LAO PEOPLE'S DEMOCRATIC REPUBLIC

GDP (current US\$, billions):	\$12.00	Population (thousands):	6,689
Share of GDP in developing Asia-Pacific:	0.04%	GDP per capita (current US\$):	\$1,793.47
Share of GDP in South-East Asia:	0.3%	Average inflation (2015)	1.3%

- In the Lao People's Democratic Republic, economic growth moderated to a still high rate of 6.4% in 2015 compared with almost 8% per year in the preceding five years. The economic expansion was driven by the operation of a new hydropower plant and increased mining output.
- Monetary and fiscal policies were tightened to secure macroeconomic and financial stability in 2015. The country's booming construction and real estate sectors had for years been underpinned by rapid increases in money supply and credit as well as steady growth in government spending. Credit growth fell to about 15% in 2015 from more than 30% in the previous few years. At the same time, the Government restrained public wage increases and rationalized off-budget capital expenditures.
- Economic growth is expected to pick up to about 7% in 2016 and 2017, broadly in line with the official medium-term target.
- Hydropower and mining will continue to drive growth, despite some concerns over economic performance in major export markets, such as China and Thailand. The construction of a high-speed railway from Vientiane to the Chinese border and the upgrade of the main airport will also support the economy.
- After abating due to lower oil prices and moderate money supply and credit expansion, inflation is expected to rise from 1.3% in 2015 to 2% in 2016 and 2.3% in 2017.
- Economic diversification remains a priority, as the resource sector has limited capacity to absorb labour. The agricultural sector employs about two thirds of those employed, and overall labour productivity is low. Development of tourism and labour-intensive manufacturing, such as garments, will help expand employment opportunities.
- Lack of diversification in the past has also meant that high economic growth did not sufficiently translate into poverty reduction. Targeted social expenditures are needed to narrow the gap between rich and poor households in terms of access to education and health services.