The Implementation of Monetary Plan in the First 8 Months of 2018 and Plan for 2019

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Key Challenges in Implementing Monetary Policy

- Exchange rate volatility and an increase in global oil price;
- The chronic budget deficit.

The Implementation of Monetary Policy

The Bank of the Lao PDR has implemented the monetary policy by using indirect monetary policy tools such as:

- Policy rate of the BOL;
- Reserve requirement;
- Open market operation.

The Implementation of Exchange Rate Policy

- Daily reference rate of kip against US dollar;
- Spread between buying and selling rate at 0.50% for Euro, 0.75% for Thai Baht, and 2 % for other currencies;
- Intervening market as the lender of last resort when necessary;

Outcome (as of the first 8 months of 2018)

- Kip depreciated 3,71% against US dollar and 3,17% against Thai Baht (planed ±5%);
- Inflation rate: on average of 1.96% ;
- Foreign reserve covered 3,11 months of imported goods (planed 5 months);
- Money supply M2 increased by 10,33% (planed 25%);
- The deposit growth rate: 10,62%; covered 56,05% of GDP (planed 66% of GDP);
- The credit growth rate: 7,38%; covered 49,27% of GDP (planed 55% of GDP);
- NPL: 3,09% of the total credit (planed 3% of total credit).

Key Challenges

- Exchange rate volatility and an increase in global oil price;
- Wider gap between buying and selling exchange rate of commercial banks and market rate;
- The use of foreign currencies were still circulating in Laos' economy;
- The open market operation and inter banking system has been immerging;
- The foreign reserve was not able to cover the imported goods as planned;
- The NPL has been higher than expected plan.

Policy Measures

- Continue to conduct exchange rate policy, intervene market as lender of last resort when necessary;
- Improve and develop monetary policy tools in accordance with the current situation;
- Coordinate with MOF to issue bonds to finance its budget and invest in security market together with solving problem on triangle debt;

Monetary Plan for 2019

- Exchange rate to be stable (±5% against major currency);
- International reserve to cover 3 months of imported goods;
- Money supply M2 to increase around 20% compared to the previous year;
- Commercial banks' total deposits to cover 59,80% of GDP;
- Commercial banks' loans to cover 71,29% of GDP and NPL rate within 3% of the total credit.

Implementation Plan

Continue to conduct the above mentioned monetary policy and regulations that have implemented in the previous year and revising it when necessary.

Thank You