

Talking Points
For H.E Phonevanh Outhavong, Vice-Minister of Planning and Investment
for the official visiting and bilateral meeting with International Monetary
Fund (IMF)

Hanoi, Vietnam
11 Feb 2025 (15:00 – 16:00)

IMF Office

Dear

- **Mr. Jochen M. Schmittmann IMF Regional Resident Representative for Cambodia, Lao PDR, Vietnam;**
- **Mr. Bukhodir Burkhanov, UN Resident Coordinator to Lao PDR**
- **Distinguished guess,**
- **Ladies and gentlemen,**
- **Very Good Afternoon,**

1. Protocol

- First of all, I would like to sincere thanks and gratitude to the International Monetary Fund (IMF) for your warmly and hospitality welcome our delegation to the well-known of the charming city of the Hanoi as the capital city of Vietnam. It is my great pleasure to be here and representative for the Ministry of Planning and Investment to having a great collaboration and constructive bilateral discussion with you.

2. Lao PDR-International Monetary Fund Cooperation

In 2022 Technical Mission has come to work with MoF and BoL. This mission is conducting once a year to following Macro-economy situation and economic growth in lao PDR.

- Lao People's Democratic Republic's Technical Assistance report on government finance statistics (GFS) mission. There has been a progress on a gradual basis in the timeliness of GFS compilation and dissemination to the IMF due to an improvement in coordination between the Fiscal Policy and Law Department and data providers on the provision of source data, but these data are still not reconciled in a more regular and timelier basis. Monthly budget execution data which is used for GFS compilation, such as other allowances and subsidies in expenditure in particular, are aggregated and prepared according to source data from the data providers. The Annual budget for FY2022 including fiscal package including fiscal measures for coronavirus disease 2019 (COVID-19) pandemic response was submitted to the National Assembly in Nov/Dec 2021. The report recommends to coordinate with relevant departments including the Budget Department in the reporting system and/or the Inter-ministerial Committee

to collect data for COVID-19 related spending for tracing and monitoring the spending.

3. Macro-Economic

Although the world economy is growing at a slower pace, the economic growth of Emerging and Developing Asia is still at a high level and has a positive effect on the Lao PDR.

- Lao's economy is steadily recuperating from the COVID-19 pandemic's effects despite facing financial and monetary challenges, ongoing depreciation of the Kip currency, a doubledigit inflation rate, a labor shortage, and natural disasters. According to the final report of the Lao Statistic Bureau (February 2014), Lao economics in 2023 grew at 4.2%, exceeding the target set by the National Agenda on addressing economic-financial difficulties (2021-2013) with a minimum annual growth rate of 4.0%. The key sectors driving this economic growth included construction (contributing 16.0% to growth), wholesale & retail trade; repair of motor vehicles & motorcycles (contributing 14.9% to growth), agriculture (contributing 11.9% to growth), manufacture (contributing 10.3% to growth), taxes on products, net (contribution of 9.1%), accommodation & food service activities (contributing 8.6% to growth), and transportation & storage (contributing 7.1% to growth). Although the Lao PDR economy had continued to grow, the Gross Domestic Product (GDP) per capita had decreased from 2,595 US dollars in 2021 to 1,832 US dollars in 2023 due to the Lao kip depreciation.
- Lao PDR exports increased, albeit at a slower pace, in line with the trend of slowing global economic growth.
 - o Particularly in the economies of major trading partners. The value of exports in 2023 reached USD 8.37 billion, an increase of 2.1% compared to 2022. The industrial sector, electricity, mineral products, and minerals continued to be the main exports, accounting for 88.7% of the total export value. The major export with an increased value-added included electricity export, valued at 2,382 million dollars, increased by 1.0%, and mineral product exports totaled USD 1,075 million, an increase of over two times. The major products included iron ore, gold ore, coal, lignite, and ash. In 2023, there was a significant decrease in major exports, such as the manufacturing export of USD 2,769 million, which decreased by 7.0%⁸. The mineral product, valued at USD 1,196 million, experienced a 1.4% decrease in export, comprising mixed gold, gold, and copper. For the agricultural product, valued at USD 835 billion, experienced a 4.3% decline, encompassing bananas, cabbage, and casava. Additionally, the livestock export, valued at USD 41 million, saw a 69.6% decrease in 2023. In the export market, the value of Thailand's export dropped by 1.9% to USD 2,883

million from 2022, while China's export surged by 11.9% to USD 2,503 million, and Vietnam's exporting climbed by 2.6% to USD 1,390 million. The export value to these three countries accounted for 81.0% of Lao PDR's overall export value, an increase from 79.7% in 2022.

- Credit to the economy slowed down by September 2023 compared to last year's period, while the average of money supply M2 continued to increase.
 - o By the end of September 2023, money supply M2 increased by 31.2%¹⁷ compared to the same period last year. The increase in M2 could be attributed to the high foreign currency deposits, which were a result of the public's high confidence in holding foreign currencies as a hedge against the risk of exchange rate fluctuations, as well as the high interest rates on foreign currency deposits. Meanwhile, the amount of loans to the economic sector increased by 28.1%, following the trend of deposit volumes, especially foreign currency loans. This situation indicated a high demand for foreign currency in savings and investments within the country. However, the increase in loans was regarded as a positive sign for investment trends and Lao economic growth. Among them, the industrial sector had the highest increase in credit distribution by sector at 29.8%, followed by the trade sector at 19.0%, the construction sector at 14.5%, and the service sector at 13.4%.

4. Debt Management

The government will strictly implement debt management policies, aiming to reduce the public debt to GDP ratio by about 5 percentage points by 2025. The government will continue to balance repayment obligations and new disbursements with an aim to limit new debt cumulation. The target is to reduce the public debt to GDP ratio from 94 percent in 2023 to 89 percent in 2025 and avoid the issuance of guarantees. This will be mainly achieved through strict implementation of borrowing and financing policies. Borrowing for new projects will be limited by prioritizing efficient projects that yield sufficient financial returns to repay the associated debt. The government is exploring non-debt sources of finance such as surplus revenue, repayment from on-lending loans to SOEs, and use of potential assets. However, new borrowing will still be required to fulfil debt service obligations if nondebt sources of finance prove insufficient. At the same time, in order to increase market access with lower costs, the country will need to address macroeconomic difficulties to support sovereign credit ratings improvement. Debt restructuring is one of the key policies. Laos will continue to negotiate with key creditors to defer (or rollover) the existing debt stock and debt service, which would improve liquidity and lessen pressures on debt service.

5. Closing:

Before closing, I would like to highlight the remarkable and significant assistance from the IMF and the longest standing of multi-lateral cooperation and also played a crucial role to encourage Lao's National Socio-Economic Development Plan. We would appreciate for your continuously and generosity support sharing the commitment in the long-term inclusive and sustainable economic development.

Finally, I would like to sincere thanks and gratitude the commonwealth for your dedication, value contribution and generosity support and assistance to Government of Lao PDR. I also would like to deeply extreme sincere thanks for your invitation us to have a significant ex-chance point of view which we have gain a lot knowledge and experience that would bring back to our home country and applied to our proficiency works.

I Thank you!