



AMRO Annual Consultation Report

Lao PDR - 2025

ASEAN+3 Macroeconomic Research Office (AMRO)

November 2025

Acknowledgments

1. This Annual Consultation Report on Lao PDR has been prepared in accordance with the functions of AMRO to monitor and assess the macroeconomic status and financial soundness of its members; identify relevant risks and vulnerabilities; report these to member authorities; and if requested, assist them in mitigating these risks through the timely formulation of policy recommendations. This is being done in accordance with Article 3 (a) and (b) of the AMRO Agreement.
2. This Report is drafted on the basis of the Annual Consultation Visit of AMRO to Lao PDR from July 16 to 30, 2025 (Article 5 (b) of the AMRO Agreement). The AMRO Mission team was led by Nguyen Thi Kim Cuc (Mission Chief) and joined by Sumio Ishikawa (former Group Head and Lead Economist, Mission Advisor), Poh Lynn Ng (Desk Economist), Akifumi Fujii (Economist), Ravisara Hataiseree (Fiscal Specialist), Naoaki Inayoshi (Economist), Trung Thanh Vu (Associate Economist), Thai Yangsingkham (former Associate), and Kittiya Manivong (Associate). AMRO Director Yasuto Watanabe and Chief Economist Dong He also participated in key policy meetings with the authorities. The AMRO Annual Consultation Report on Lao PDR for 2025 was peer-reviewed by a group of economists from AMRO's Country Surveillance, Financial Surveillance and Fiscal Surveillance teams; endorsed by the Policy and Review Group; and approved by Chief Economist Dong He.
3. The analysis in this Report is based on information available up to September 10, 2025.
4. By making any designation of or reference to a particular territory or geographical area, or by using the term "member" or "country" in this Report, AMRO does not intend to make any judgments as to the legal or other status of any territory or area.
5. On behalf of AMRO, the ACV team wishes to thank the Lao PDR authorities for their comments on this Report, as well as their excellent meeting arrangements and hospitality during our visit.

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Executive Summary

1. Macroeconomic conditions in Lao PDR have significantly improved. The economy is expected to sustain moderate growth, driven by robust electricity and service sectors. Monetary tightening, fiscal consolidation, and foreign exchange (FX) measures have brought inflation down to single digits and stabilized the kip. The launch of the Lao Foreign Exchange, a market-based digital platform enabling direct trading among individuals and small businesses, reduced reliance on the parallel market and helped unify exchange rates. Stronger exports and services, continued debt suspension to a major creditor, and mandatory FX repatriation and conversion improved the balance of payments, lifting official reserves to USD 2.6 billion in June 2025. Higher revenue and controlled spending have supported fiscal surpluses and lowered the debt-to-GDP ratio.

2. Notwithstanding recent gains, risks of depreciation and an inflation resurgence persist, given the elevated external debt service burden. To meet its financing needs, the government has relied on debt suspension and short-term foreign currency (FCY) bond issuances to domestic banks. Sizable repayments that are due once suspension ends may put renewed pressure on the kip and may result in a resurgence in inflation. The higher reliance on short-term borrowings from domestic banks has raised refinancing risks for the government. It has also increased banks' exposure to the public sector, which may constrain their ability to extend credit to the private sector, given their low capital buffers.

3. Fiscal risks also arise from possible materialization of contingent liabilities at state-owned enterprises (SOEs), especially in the electricity sector. Electricity sector reforms are underway, including a plan to increase tariffs to cost recovery level over five years. In the meantime, electricity SOEs are likely to continue incurring losses, posing contingent liability risks.

4. Rising external and structural challenges weigh on Lao PDR's growth outlook. The direct impact of the new 40 percent U.S. tariff is expected to be limited, as the United States (U.S.) accounts for a small share of Lao exports. However, a larger concern is with indirect spillovers from global trade tensions. A sharper slowdown in major trading partners, including China - Lao PDR's largest export market and investor - Thailand and Vietnam, could significantly affect its exports, foreign direct investment, and tourism. While growth is expected to remain moderate contingent on stable macroeconomic conditions, competitiveness has been constrained by limited domestic value added and a narrow export base. Climate change further compounds the vulnerabilities, considering the country's limited resources for mitigation and adaptation.

5. AMRO recommend the authorities maintain a well calibrated policy mix to safeguard macroeconomic stability.

- **On the fiscal front, a comprehensive debt restructuring plan is critical.** Reliance on ad hoc debt suspension and short-term FCY bond issuances to domestic banks is not sustainable. Strategic restructuring negotiations with major creditors should be prioritized to establish a more manageable FCY debt service profile.
- **The Bank of Lao PDR (BOL) should maintain a tight monetary policy stance.** The BOL should remain cautious about further easing measures, given fragile inflationary expectations and the need to safeguard exchange rate stability, at the same time factoring in the effects of ongoing electricity tariff reforms. Looking ahead, strengthening the monetary policy framework will be critical.
- **FX management policies should continue to be implemented effectively.** Repatriation and conversion regulations should continue to support reserve accumulation and build investor confidence. Greater exchange rate flexibility will help align commercial bank

rates more closely with prevailing market conditions and maintain the exchange rate unification achieved through the 2024 policy package. Efforts to promote the use of the kip should be carefully designed, clearly communicated, and implemented consistently across sectors.

- **Banking sector vulnerabilities need urgent attention.** Policymakers should focus on measures to enhance banks' asset quality and capital buffers, and strengthen risk management and supervision.

6. Fiscal consolidation must continue to achieve a sustainable debt trajectory without undermining growth prospects over the medium term. The government should explore all avenues to better mobilize domestic revenue, including broadening the tax base and strengthening tax administration. Enhancing spending efficiency is essential to rebuild fiscal space and ensure that consolidation supports sustainable development. Public and public guaranteed debt must be strictly managed to adhere to borrowing and guarantee ceilings, and to regain access to international bond market on better terms. Over the longer run, developing the domestic government bond market is crucial for sustainable financing.

6. Accelerating electricity sector reforms is important to mitigate debt vulnerabilities and contingent liability risks. AMRO welcomes the recent SOE reforms, particularly the increase in electricity tariffs. This is an essential step toward improving the financial positions of SOEs, the government, and domestic banks. At the same time, the government could consider expanding targeted support to cushion the impact of the higher tariffs on vulnerable households.

7. Structural reforms must be accelerated to boost medium-term growth prospects. Key priorities include raising productivity, diversifying the economic and export base, and focusing budget resources on infrastructure and connectivity, health care, education, and skill developments. These reforms are essential to foster more resilient and sustainable growth.

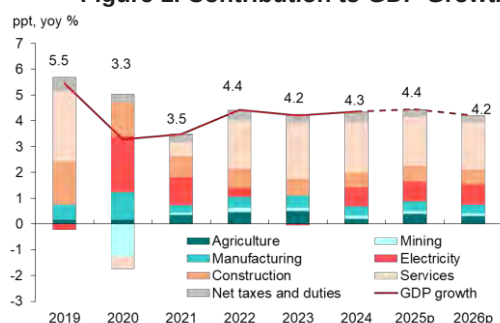
A. Recent Developments and Outlook

A.1 Real Sector Developments and Outlook

1. Lao PDR's economy has grown moderately amid persistent headwinds. In the first half of 2025, real GDP expanded by 4.5 percent, following full-year growth of 4.3 percent in 2024 (Figure 1). The industrial sector gained momentum, driven by a rebound in electricity generation, increased potash production, and strong construction activity. Services also expanded, supported by continued double-digit growth in tourist arrivals, as underpinned by promotional efforts and improved connectivity, including the Lao-China Railway. Alongside a projected rebound in agricultural production, these developments are expected to support continued moderate growth of 4.4 percent in 2025 and 4.2 percent in 2026. While the United States' trade tariffs and their spillovers are expected to weigh on external demand,¹ exports will be supported by solid shipments of agricultural and mining products, as well as robust electricity generation as new wind energy capacity comes online. Foreign direct investment is also expected to remain robust, particularly in the renewable energy and potash mining sectors.

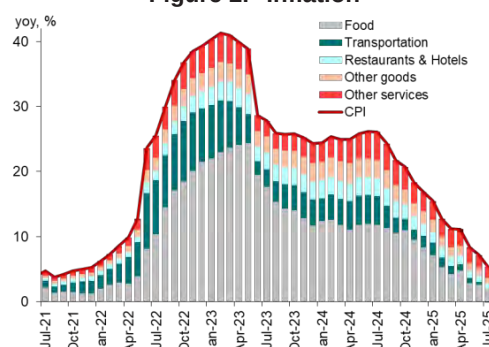
2. Inflation has eased, supported by tighter macroeconomic policies. Consumer price inflation moderated to an average of 23.1 percent in 2024, down significantly from its peak of 31.2 percent in 2023 (Figure 2). By August 2025, inflation had declined further to 5.0 percent. The easing of inflationary pressures was supported by continued monetary tightening, fiscal consolidation and new foreign exchange (FX) regulations that helped to stabilize the kip. Headline CPI inflation is projected to average 8.5 percent in 2025 and ease further to 7.6 percent in 2026. Meanwhile, adjustments to electricity tariff rates since early 2025 will likely exert some upward pressure on overall prices.²

Figure 1. Contribution to GDP Growth



Source: Lao Statistics Bureau; AMRO staff estimates

Figure 2. Inflation



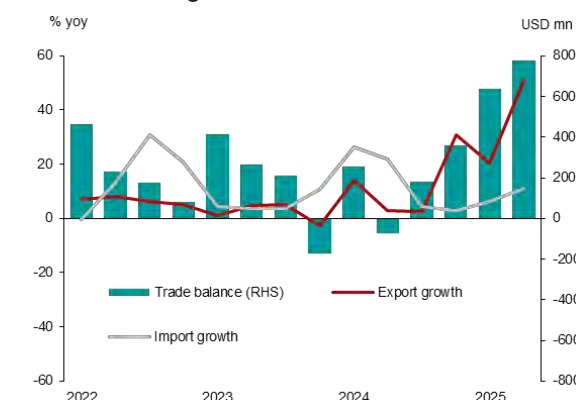
Source: Lao Statistics Bureau; AMRO staff estimates

A.2 External Sector and Balance of Payments

3. The current account is projected to remain in surplus in 2025, supported by strong goods exports and services receipts. Building on the double-digit growth momentum in 2024, exports continued to expand at a strong pace in the first half of 2025 (Figure 3). The robust growth in external demand was driven by a rebound in exports of electricity and stronger shipments of agricultural products,³ potash, and solar cells. In addition, the services account continued to benefit from the expansion in tourism and transport receipts. However, the primary income deficit remains substantial, due to high interest payments on external debt.⁴ In the first half of 2025, the current account recorded a surplus equivalent to about

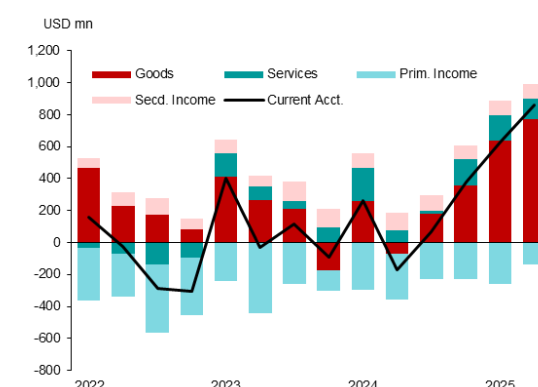
17.8 percent of GDP, following a surplus of 3.5 percent in 2024. This sharp increase can be attributed in part to the front-loading of exports ahead of the implementation of U.S. trade tariffs.

Figure 3. Trade Balance



Source: BOL

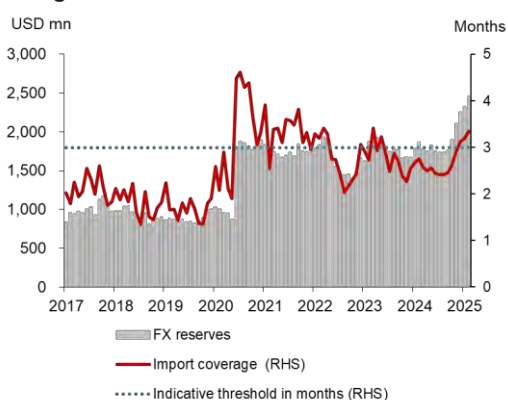
Figure 4. Current Account



Source: BOL

4. Recent improvements in the balance of payments have been underpinned by current account surpluses, continued debt suspension and FX measures. The balance of payments recorded a higher surplus of USD524 million in the first half of 2025, following a surplus of USD424 million in 2024, driven mainly by an improvement in the current account (Figure 4), and continued suspension of debt repayment to a major bilateral creditor. The external position was also supported by continued inflows FDI, although the levels have normalized compared with a large one-off transaction in 2023. The enforcement of FX repatriation and conversion requirements introduced in March 2024 likely made residents bring back assets from abroad, contributing to higher “other investment” inflows and a decline in uncaptured outflows, recorded as net errors and omissions, which fell to an estimated 1.5 percent of GDP in 2024 from 4.2 percent in 2023. Against this backdrop, FX reserves⁵ increased to USD2.1 billion as of end-2024 and further to USD2.6 billion in June 2025, sufficient to finance 3.1 months of imports (Figure 5).⁶ Looking ahead, the balance of payments outlook remains uncertain as it hinges on Lao PDR’s continued ability to suspend its debt obligations.

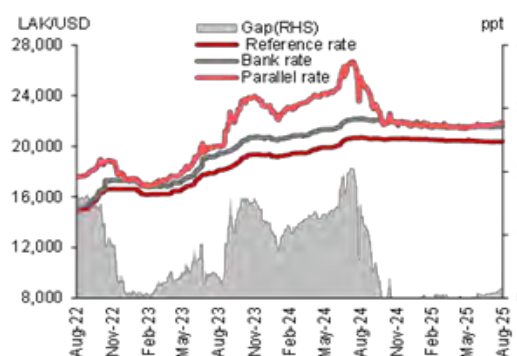
Figure 5. Gross International Reserves



Source: BOL; CEIC; AMRO staff calculations

Note: The authorities updated gross international reserves data in July 2023 by including an FX swap transaction with the People’s Bank of China in July 2020 as part of Lao PDR’s foreign assets. The new statistic is higher than the previous record, registered in July 2020, by USD501 million. However, full information on the FX swap agreement and its activation has not been disclosed. Data is obtained up to June 2025.

Figure 6. Exchange Rates



Source: BOL; AMRO staff calculations

Note: Bank rates are set by commercial banks and could fluctuate within a certain band from the reference rate, which the BOL sets every day. The gap is defined as the percentage difference between the commercial bank and parallel rates.

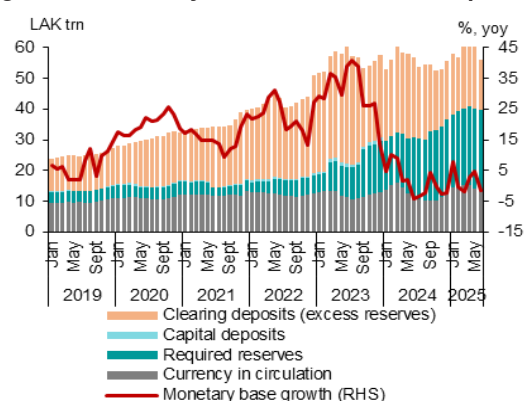
5. The Bank of the Lao PDR (BOL) has introduced a series of policy measures aimed at improving FX supply. In March 2024, the central bank introduced regulations mandating exporters to repatriate and convert a portion of their FX earnings into kip. Compliance among exporters improved from H2 2024,⁷ contributing to increased FX supply among banks and supporting the BOL's buildup of its official reserves. The launch of a centralized and transparent Lao Foreign Exchange (LFX) platform in August 2024 has enabled direct FX trading among Lao individuals and small businesses.⁸ The platform has reduced reliance on the parallel market and contributed to a convergence of the official and parallel kip exchange rates (Figure 6). At the same time, the BOL has narrowed the trading band for commercial bank exchange rates from ± 7.5 percent to ± 6.5 percent since March 2025.

6. Balance of payment surpluses and FX measures have contributed to a more stable kip. Notably, the kip began to stabilize from the second half of 2024 and appreciated against both the U.S. dollar and Thai baht through early 2025. However, downward pressure on the kip re-emerged in mid-2025, as reflected in a widening gap between the commercial bank and parallel market rates. This likely stemmed from lower FX supply due to seasonal declines in tourism and agricultural activity during the rainy season, amid heightened FX demand from both the government and private sector to service their external debt obligations and increased stockpiling among fuel importers.⁹

A.3 Monetary Conditions and Banking Sector

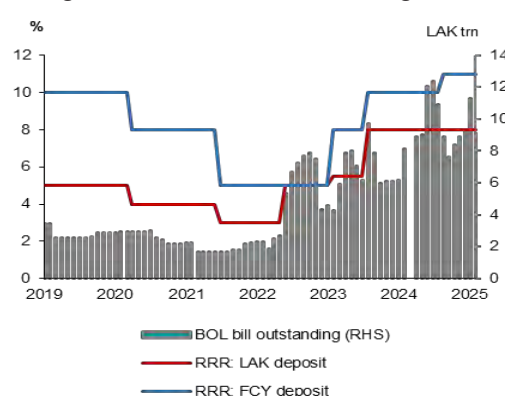
7. The monetary base extended its contraction into early 2025, thanks to the BOL's aggressive liquidity absorption efforts. After peaking at year-on-year growth of 40.8 percent in July 2023, the monetary base began to decelerate, contracting by 1.4 percent in June 2025 (Figure 7). Since June 2024, the BOL has issued seven-day, three-month, and six-month bills and deposits at high interest rates to mop up excess liquidity (Figure 8). In March 2025, however, the central bank suspended the deposit facility while switching from full allotment operations to interest rate auctions and amount quoting for the remaining tenors, in order to better align interest rates with market conditions. Although the BOL hiked its policy rate to 10.5 percent in 2024, the rate has been lowered to 9.0 percent by August 2025, to boost domestic economic activity. The partial reversal of its tightening cycle has been supported by moderating inflation, a more stable kip, and a positive real interest rate. The reserve requirement ratio (RRR) for kip deposits was maintained at 8 percent in 2024, while the RRR for FCY deposits was raised from 10 percent to 11 percent.¹⁰ In addition, the implementation of the Treasury Single Account (TSA) contributed to more effective liquidity management.¹¹

Figure 7. Monetary Base Growth and Components



Source: BOL; CEIC; AMRO staff calculations
Note: Monthly data is as of June 2025.

Figure 8. BOL Bills Outstanding and RRR



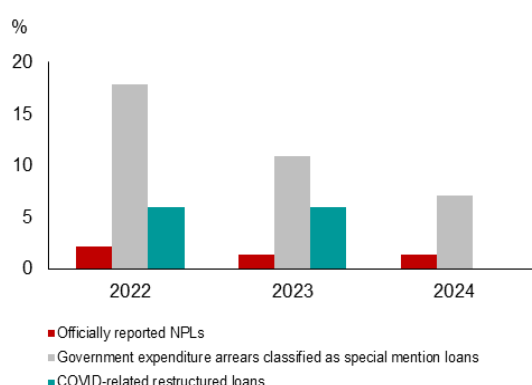
Source: BOL; CEIC; AMRO staff calculations
Note: Monthly data is as of June 2025.

8. Kip liquidity conditions have eased, while FCY liquidity remains ample. Following the BOL's aggressive monetary tightening from mid-2024, the 12-month deposit and lending rates in kip rose to 7.3 percent and 10.5 percent in June, respectively. Higher kip interest rates, combined with easing inflation, a more stable kip exchange rate, and lower interest rates on FCY deposits, have enhanced the appeal of kip-denominated savings. Kip deposits continued to expand at a double-digit pace, posting 23.1 percent in June 2025. The improvement in kip liquidity conditions was reflected in a decline in the loan-to-deposit (LTD) ratio from above 100 percent in Q4 2024 to 89.3 percent in June 2025, driven by a slowdown in kip loan growth. Meanwhile, FCY liquidity remains high, underscored by a low LTD ratio of 56.7 percent in June 2025. Against this backdrop, several banks have increased their holdings of FCY-denominated government and BOL bonds.¹²

9. While aggregate data suggest the banking sector remains broadly sound, bank-level data reveal deteriorating asset quality, especially among local banks, accompanied by low provisions and thin capital buffers.

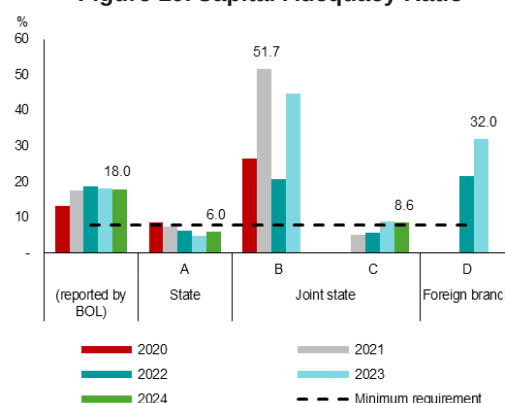
- a. **Profitability.** Bank profitability¹³ has improved compared with the pandemic period, but moderated since the second half of 2024, likely due to slowing loan growth¹⁴ and a narrowing interest margin.¹⁵ The weakening in loan demand was attributed to elevated lending rates and labor migration abroad.
- b. **Asset quality.** The system-wide non-performing loan (NPL) ratio remained broadly unchanged at 1.4 percent by end-2024.¹⁶ However, some banks, including the largest state-owned bank¹⁷, faced increases in NPLs (Figure 9) and loan impairment because of the phase-out of regulatory forbearance on loans affected by the COVID-19 pandemic, banks' continued exposure to legacy government arrears,¹⁸ and growing stress in the electricity and hospitality sectors.¹⁹ Some banks, notably the largest state-owned bank, have significantly low loan-loss reserves compared with regional peers.²⁰
- c. **Capital adequacy.** The capital adequacy ratio (CAR) of the overall banking system stood at 18 percent at end-2024 (Figure 10). However, some banks continue to report low CARs.²¹ Against this backdrop, local banks have taken steps to meet the new capital requirement,²² primarily through additional shareholder contributions.²³

Figure 9. Loans at Risk



Source: BOL; LMOF

Figure 10. Capital Adequacy Ratio



Source: BOL; CEIC; banks' financial reports

Note: The dashed line denotes an 8 percent threshold.; As of Q1 2025, the system-wide CAR reported by BOL was 17.8 percent.

10. The adoption of Basel II²⁴ and International Financial Reporting Standards (IFRS) 9 is progressing at varying speeds across banks. Most banks have applied the basic standardized approach for credit, market, and operational risks under Basel II. However, the rollout of advanced approaches²⁵ under Pillar 1 has not yet been fully achieved. For Pillar 2, the BOL has issued Decision 1115/BOL on the Internal Capital Adequacy Assessment Process (ICAAP) and is working with banks to implement the ICAAP and supervisory review process. A regulation on liquidity coverage ratio has also been issued and implemented. For Pillar 3 on market discipline, some banks have begun publishing information, but full Basel-aligned disclosure practices have yet to be adopted. Furthermore, banks face challenges in adopting Basel II and IFRS 9 due to the limited availability of historical data and the absence of valid domestic credit rating agencies. The BOL plans to identify domestically systemically important banks (D-SIBs), initiate a gradual transition to Basel III, and adopt IFRS 9 by 2026. To support these plans, BOL is revising regulations on loan classification, loan-loss provisioning, and corporate governance for commercial banks. The central bank has also benefited from various technical assistance programs to enhance its regulatory and supervisory capacity.²⁶

A.4 Fiscal Sector

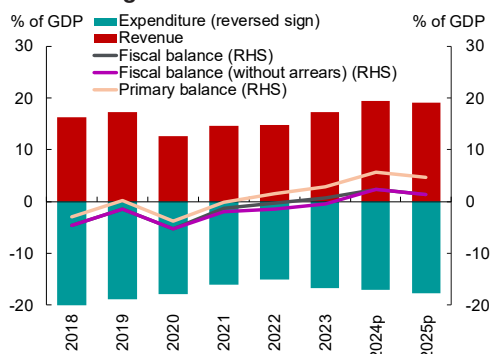
11. The fiscal balance posted a strong surplus in 2024, supported by robust revenue performance and contained expenditure. Revenue collection exceeded the budget, rising to 19.4 percent of GDP from 17.4 percent in 2023.²⁷ Key drivers included the restoration of the value-added tax (VAT) rate to 10 percent,²⁸ higher excise tax rates,²⁹ export duties,³⁰ and a notable increase in corporate income tax (CIT) following the expiry of tax incentives in the natural resource sector and recovering demand. Non-tax revenue also rose in line with the tourism rebound, supported by higher registration and service fees, such as visa services, collected in both kip and U.S. dollar. Meanwhile, budget expenditure increased modestly to 17.1 percent of GDP in 2024 due to higher external interest payments,³¹ while foreign-financed capital disbursement remained subdued. As a result, the fiscal surplus widened significantly to a historic high of 2.3 percent of GDP in 2024 (Figure 11) from 0.7 percent in 2023, marking a contractionary fiscal stance led by revenue-driven consolidation.

12. The fiscal balance is expected to remain in surplus in 2025. Revenue is projected to reach 19.1 percent of GDP, still outperforming the budget, supported by the full-year impact of the VAT rate restoration, a digital services tax,³² a broader VAT base³³ and ongoing tax modernization.³⁴ These revenue gains will help finance the 2025 general election, civil service allowance adjustments, greater public investment, social welfare and debt servicing. Budget expenditure is forecast to rise to 17.8 percent of GDP. AMRO projects a continued fiscal surplus of 1.3 percent of GDP in 2025, in line with Lao PDR's five-year fiscal consolidation goals.³⁵ Preliminary budget outturn in the first half of 2025 suggested a fiscal surplus of LAK 11.5 trillion, driven by strong revenue collection of LAK37.7 trillion, which made up 55 percent of the budget plan³⁶, as expenditure disbursement remained sluggish, especially capital spending, which totalled LAK26.2 trillion, or 37 percent of the budget.

13. Public debt has declined from its peak, fostered by macroeconomic stabilization and improved fiscal performance.³⁷ Public debt fell to 89 percent of GDP in 2024 from a peak of 104 percent in 2023 (Figure 12).³⁸ The reduction was supported by a record-high primary surplus and stronger growth, while kip depreciation continued to push up the debt-to-GDP ratio, albeit to a lesser extent than in the previous years. The debt ratio is projected to decline further, reaching 62 percent of GDP by 2029, conditional on continued economic growth and sustained primary surpluses (Appendix 6). To improve debt and liquidity

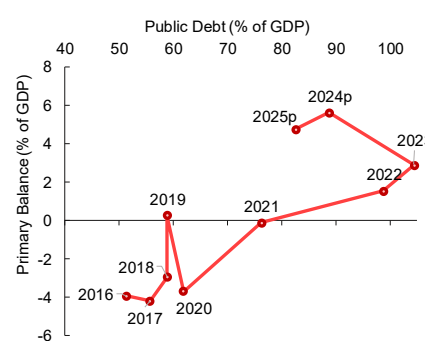
management, the government fully implemented a Debt Management and Financial Analysis System (DMFAS) in 2024, strengthening the accuracy of the debt database and raising operational efficiency in public debt servicing. In addition, since the launch of TSA consolidation in July 2024, the Ministry of Finance and BOL have made progress in strengthening cash management, with about 72 percent of government deposit accounts consolidated by end-June 2025. This has enabled automatic tax transfers from commercial banks, improving liquidity management.

Figure 11. Fiscal Balance



Source: LMOF; AMRO staff projections
Note: The "fiscal balance" indicator (grey line) is based on actual interest payments and excludes unpaid interest payment obligations. The "fiscal balance (without arrears)" indicator (pink line) reflects the fiscal balance with full interest payment obligations as estimated by AMRO.

Figure 12. Debt-to-GDP and Primary Balance



Source: LMOF; AMRO staff projections

14. Gross financing needs (GFNs) are projected to remain elevated over the medium term, even as fiscal consolidation is underway. GFNs declined to 7 percent of GDP in 2024 from 11 percent in 2023,³⁹ supported by the strong primary surplus. However, the GFN-to-GDP ratio is expected to rise again in 2025 and remain elevated over the medium term, reflecting continued reliance on short-term domestic borrowing. In September 2023, Thai credit rating agency TRIS downgraded the sovereign rating of Lao PDR to non-investment grade.⁴⁰ The ensuing loss of access to the Thai bond market, coupled with a lack of long-term institutional investors in the Lao domestic market, prompted the authorities to increase their use of short-term instruments to meet financing needs. The share of FCY bonds of one-year maturity issued through the Lao Securities Exchange (LSX) rose sharply from an average of 66 percent during 2021–2023 to 91 percent in 2024 and further to 93 percent in the first half of 2025. Meanwhile, the share of kip-denominated bonds with one-year maturity remained elevated at around 60 percent over the same period.

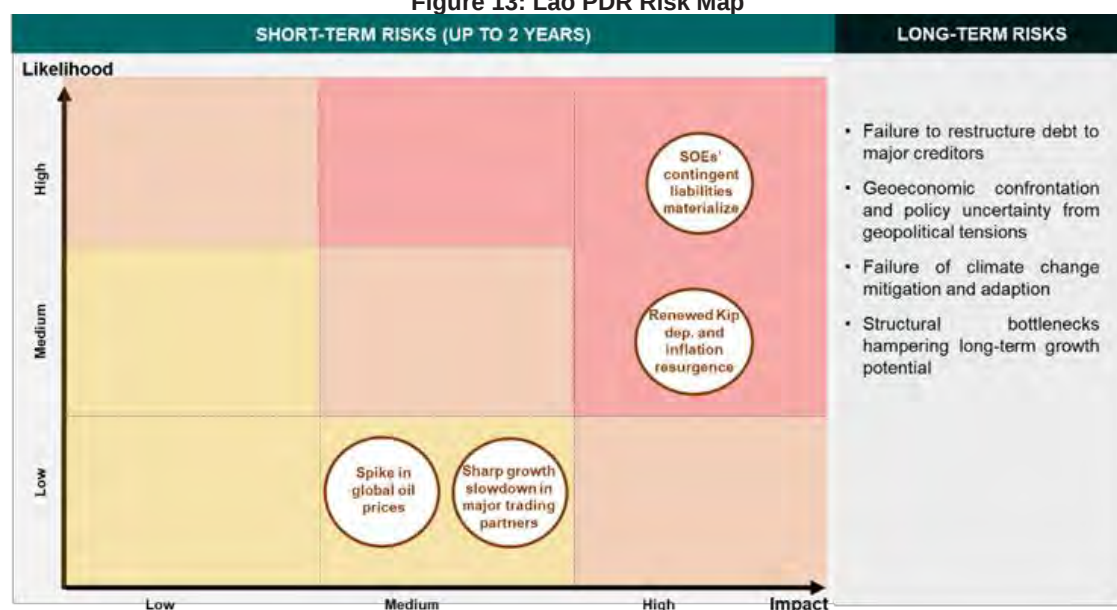
15. The government continued to suspend principal repayments to a major bilateral creditor, while fully meeting interest payments by relying more on domestic short-term borrowing. In 2024, the government repaid USD0.9 billion out of the scheduled USD1.7 billion FCY debt service. The remaining USD0.7 billion was suspended or rolled over. The partial repayment was funded through tax and nontax revenues,⁴¹ domestic borrowing and on-lending repayments from SOEs.⁴² As the progress in a planned asset sale to a Thai company remains uncertain,⁴³ more than 90 percent of scheduled principal repayments to the major bilateral lender continued to be suspended in 2024 and 2025, while interest payments have been made in full.⁴⁴ Part of the debt owed to domestic banks was also rolled over,⁴⁵ mostly with a new maturity of one year.⁴⁶ In 2025, the government faces larger external debt service obligations. In particular, the external debt service schedule in the Thai bond market increased fourfold compared with the average of previous years to about USD380 million in 2025. Out of this amount, the government repaid THB1.1 billion (about USD34 million) in March and THB6 billion (about USD185 million) in June. The remaining obligation of USD162 million is due in December.

B. Risks, Vulnerabilities and Challenges

16. The escalation of global trade tensions could significantly affect Lao PDR, primarily through a slowdown in the Chinese economy. Although the U.S. has imposed a 40 percent tariff on Lao imports, its direct impact is likely to be muted as the U.S. is still a relatively small market for Lao PDR. While solar panel exports have increased significantly in recent years, the U.S. market accounted for less than 3 percent of total exports in 2024,⁴⁷ and involves limited domestic value added.⁴⁸ A more substantial risk stems from the indirect effects of increasingly aggressive global protectionist policies on growth in Lao PDR's key trading partners. China, in particular, accounts for nearly a quarter of Lao exports and 60 percent of its FDI inflows. A growth slowdown in China, whether from trade tensions or other domestic challenges, would therefore have considerable spillover effects on the Lao economy (Selected Issue 1). Moreover, weaker growth in Thailand and Vietnam would also weigh on Lao PDR's economic prospects, given that both countries are major destinations of Lao exports and key sources of tourism revenue.

17. Risks of a renewed sharp kip depreciation and inflation resurgence persist. Although recent trends have shown some stabilization, risks of a renewed sharp depreciation of the kip are high amid substantial external debt repayments. Sharp kip depreciation could push up the public debt-to-GDP ratio, potentially leading to deteriorating investor sentiment and capital outflows, and exert additional pressure on the kip. Further kip depreciation, together with the risk of global oil price surges amid heightened geopolitical tensions in the Middle East, may lead to a resurgence in inflation (Figure 13).

Figure 13: Lao PDR Risk Map



Source: AMRO staff

18. Public debt remains elevated and risks to debt sustainability persist. While the debt-to-GDP ratio is expected to decline with continued economic recovery and fiscal consolidation, Lao PDR's debt profile remains vulnerable to exchange rate shocks and contingent liabilities (Appendix 6). Around 89 percent of public debt is denominated in FCY, and about one-third of external debt has been on-lent to SOEs,⁴⁹ primarily in the energy sector. Stress test results suggest that the debt ratio could return to levels above 90 percent of GDP by 2026 if the kip were to depreciate at a pace similar to the past three years.⁵⁰ The materialization of contingent

liabilities, particularly from repeated government support to SOEs in the electricity sector, may also add to debt pressures. Under a scenario of stronger consolidation with an average primary surplus of 0.5 percent of GDP higher than the baseline which could be achieved for example through revenue-enhancing measures, the debt-to-GDP ratio could drop to below 60 percent by 2029.⁵¹ However, maintaining such a surplus through higher taxes in downturns or cuts in productive spending may weigh on growth. In the baseline and all stress test scenarios, the debt-to-GDP ratio remains above the 41 percent threshold through 2029.⁵²

19. The government will continue to face high obligations of FCY debt servicing. Since rollover options in the Thai bond market are increasingly challenging due to the regulatory changes introduced by Thailand's Securities and Exchange Commission (SEC) in January 2024,⁵³ the Lao government will likely continue to rely on domestic sources to meet its elevated FCY needs, estimated at USD1 billion to USD2 billion for the next several years. Given the current ample FCY liquidity conditions, domestic banks could temporarily assist the government by providing FCY loans or buying government bonds denominated in FCY. However, the greater reliance on short-term borrowings heightens refinancing risks for the government. Additionally, banks' persistent holdings of FCY government bonds will keep their exposure to the public sector elevated, an exposure that already includes arrears clearance bonds and loans to electricity SOEs, increasing the risk of fiscal dominance. This could exert pressure on banks' liquidity position⁵⁴ and constrain their capacity to extend credit as loan demand recovers in the future.

20. Despite some progress in electricity-sector reform, challenges persist in managing contingent liabilities, especially in the state-owned power sector. Lao PDR's external public debt has increased in tandem with its renewable energy infrastructure development, particularly in hydropower. Substantial borrowing is directed to loss-making SOEs, especially EDL, which is shouldering USD3.4 billion of outstanding on-lending debt and USD1.8 billion of government guarantees.⁵⁵ Its financial health⁵⁶ remains critical to prevent additional financial burdens on the government. The government approved electricity tariff adjustments in February 2025, increasing rates for both residential and industrial consumers to EDL's cost-recovery levels by the end of 2029 and denominating industrial tariffs in U.S. dollars rather than kip.⁵⁷ While these structural changes aim to mitigate EDL's financial pressures, it continues to face operational losses and debt accumulation in the meantime.⁵⁸ Besides, in March 2025, a hydropower project company sued EDL for USD552 million of unpaid tariffs and overdue interests,⁵⁹ potentially putting more pressure on the government's fiscal situation.⁶⁰

21. Lao PDR's economic competitiveness and long-term developmental prospects remain constrained by limited domestic value added and a narrow export base. Contingent on continued stable macroeconomic conditions, growth in the medium term is projected to gradually strengthen, reaching 5.0 percent in 2029 (Appendix 2). Nevertheless, the economy still depends significantly on the primary sector and grapples with limited domestic value added. Efforts to diversify the economy and move up the value chain have been slow, impeded by structural challenges such as limited industrial capacity, infrastructure bottlenecks and a shortage of skilled labour. Looking ahead, Lao PDR's upcoming graduation from least developed country (LDC) status in 2026 could intensify these challenges due to the gradual loss of financing at concessional rates from some development partners. The looming loss underscores the urgency of structural transformation and diversification for the Lao economy.

22. Increasing climate risks are compounding Lao PDR's structural challenges. As a landlocked developing country that is highly dependent on agriculture and hydropower, Lao PDR remains disproportionately vulnerable to the impacts of climate change. In 2024, monsoon-related flooding and landslides caused damage exceeding USD279 million, equivalent to 1.8 percent of GDP.⁶¹ Given its fiscal constraints, the country does not have sufficient resources to invest in mitigation and adaptation infrastructure, exacerbating the risks and likelihood of larger losses from climate-related disasters.

C. Policy Discussions and Recommendations

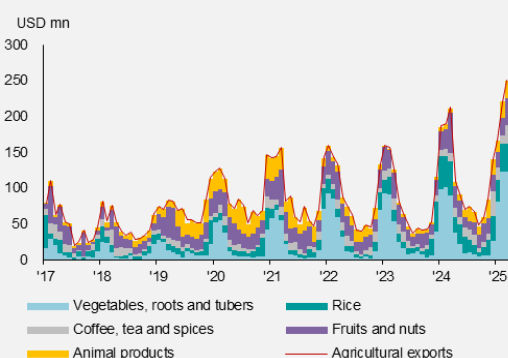
C.1 Maintaining Stabilization Efforts

23. The BOL should maintain a tight monetary policy stance, given the risks of renewed kip depreciation and resurgence of inflation. Easing inflation and the recent stabilization of the kip have created some policy space for the BOL to lower its policy rate this year to support growth. Nevertheless, the monetary policy stance would need to account for continued downward pressure on the kip stemming from high external debt repayments, and the inflationary impact of the ongoing electricity tariff reform. Close monitoring of high-frequency data, including inflation, money supply growth, kip exchange rates, and the government's budgetary operations, would be essential to guide timely and data-driven policy decisions. Looking ahead, strengthening the monetary policy framework will be critical. This includes efforts to develop the domestic interbank market, such as through continued issuance of short-term bills of different maturities, to enhance the effectiveness of liquidity management and improve the transmission of monetary policy, while also smoothing seasonal FCY demand fluctuations.⁶²

24. FX management policies should continue to be implemented effectively to support reserve accumulation and investor confidence. Repatriation and conversion rules could be better enforced through closer engagement with banks, exporters and investors, supported by transparent communication and supervisory tools, such as the Capital Flow Management System (CMS) with real-time FCY flow data. Given that prolonged FX measures could weigh on investor sentiment and increase the cost of doing business, the authorities are encouraged to conduct periodic reviews and consider relaxing the policy if FX conditions improve. AMRO welcomes the market-based LFX platform and encourages more improvements, including extended trading hours and a dedicated trading room for large transactions. With the parallel market gap widening again since May 2025, in part due to seasonal export declines, the BOL should calibrate interventions carefully and maintain flexibility in the reference rate so that bank rates would track market conditions and avoid external imbalances (Box A). To ensure public trust, efforts to promote the use of the kip should be carefully designed, clearly communicated, and consistently implemented across all sectors.⁶³

Box A. Agricultural Exports and Foreign Exchange Seasonality in Lao PDR⁶⁴

Lao PDR's agricultural production and exports exhibit a pronounced seasonal pattern, reflecting the country's monsoon-driven farming system. Agriculture exports typically rise from December to March and ease from July to October (Figure A1), mirroring rain-dependent planting and harvest windows. The pattern has become more pronounced as cassava, bananas and corn, classified as vegetables, roots and tubers, as well as rice have increased their share of total export value in recent years. These crops are highly perishable without proper storage or processing, prompting farmers to sell quickly at harvest; prices then dip during brief periods of oversupply and foreign-exchange inflows concentrate within a narrow period. While initiatives to introduce multiple cropping seasons and strengthen agro-processing activities are underway, underdeveloped irrigation infrastructure, limited post-harvest facilities and a lack of access to short-term finance continue to constrain the ability to store produce, raise farm-gate prices and spread export receipts more evenly throughout the year.

Figure A1. Agricultural Exports

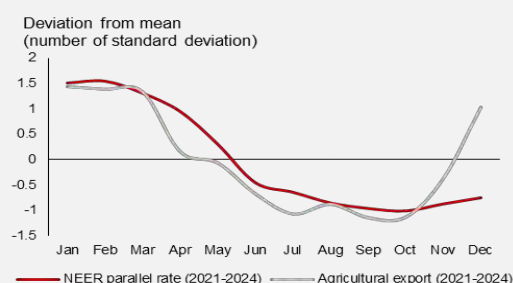
Source: Ministry of Industry and Commerce; BOL; CEIC; AMRO staff estimates

Figure A2. FX Repatriation and Conversion Requirements

Requirements			
Repatriation Sectors		% of repatriation	within days
1	Minerals	85%	90
2	Service	80%	60
3	Agriculture	75%	60
4	Electricity	20%	180
5	Other	70%	90
Sell FX to Commercial bank		% of amount	
1	Minerals	35%	within 3 days
2	Service	20%	
3	Agriculture	30%	
4	Electricity	20%	
5	Other	20%	
Banks must sell at least 30% of the FCY purchased from exporters to the BOL on the same day or following working day.			

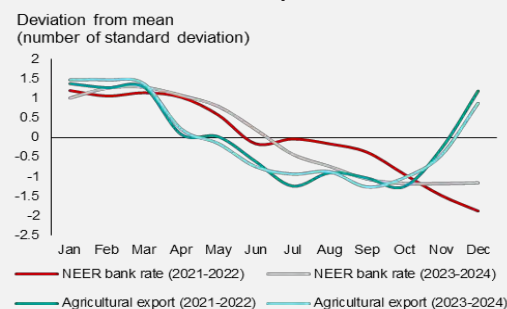
Source: BOL, AMRO staff compilations

Note: The regulations have been enforced since March 2024.

Figure A3. Agricultural Exports and NEER (Parallel Rate)

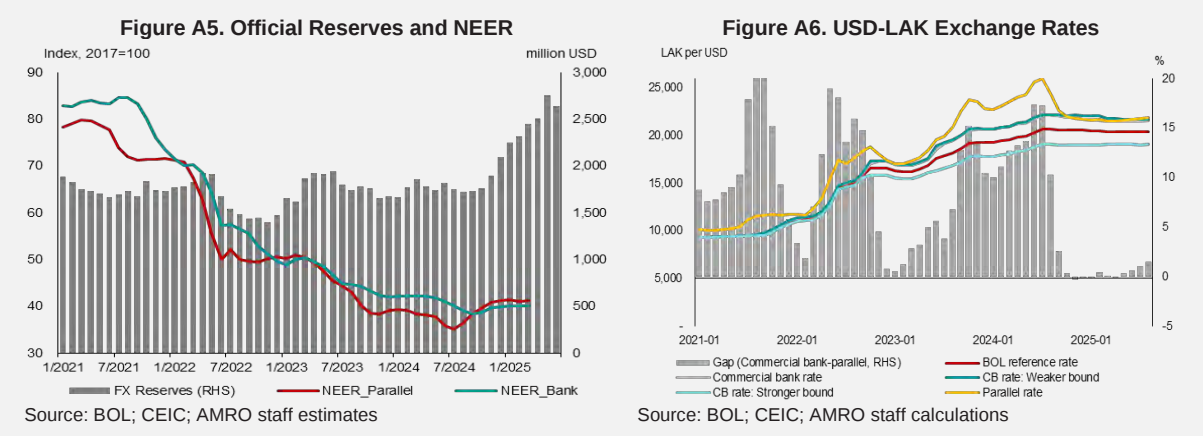
Source: BOL; Ministry of Industry and Commerce; CEIC; AMRO staff estimates

Note: Seasonality indices are calculated by averaging each month's values across the selected years to capture the common seasonal pattern, then standardized using a normalization, which expresses values as the number of standard deviations from the mean.

Figure A4. Agricultural Exports and NEER (Bank Rate)

The seasonality in agricultural exports is correlated with movements of the kip exchange rate, especially in the parallel market. Peak harvest months bring large FX inflows, while the off-season sees reduced inflows. This pattern is partly explained by farmers' behavior. After receiving foreign currency from exports, they convert much of it into kip to meet their domestic currency needs and in line with repatriation and conversion requirements (Figure A2)⁶⁵; thereby increasing FX supply in the domestic market. This mechanism underpins co-movements between agricultural exports and the nominal effective exchange rate (NEER).⁶⁶ The NEER based on the parallel market rate displays sharp seasonal swings, with pronounced depreciation during months with low agricultural exports and stronger appreciation during peak inflow periods (Figure A3), reflecting its closer alignment with actual market conditions. Since 2023, the NEER based on the commercial bank rate has also shown some co-movement with agricultural exports (Figure A4), although with a smaller amplitude.⁶⁷

FX seasonality related to agricultural exports complicates the central bank's exchange rate management. In recent years, lower FX inflows from agricultural exports during off-season months, coupled with elevated FX demand for imports and external debt repayments, have put persistent pressure on the kip. To smooth FX supply, the BOL provided liquidity to banks, but its capacity was constrained by thin reserves (Figure A5). Prior to 2022, the commercial banks' USD-LAK exchange rate was kept within a narrow 0.25 percent trading band from the reference rate, widening the gap with the parallel market and worsening shortages and depreciation pressures (Figure A6). Since late 2022, the BOL has allowed greater reference rate flexibility and widened the trading band, alongside introducing mandatory repatriation and conversion requirements and launching a market-based LFX platform in 2024. These measures helped stabilize the kip, narrow the gap from mid-2024, and support reserve accumulation. With the gap widening again from May 2025, partly due to seasonal export declines, it is crucial for the BOL to calibrate FX interventions while maintaining flexibility in the reference rate so that bank rates can track market conditions more closely. Clear communication on seasonal FX patterns will be essential to anchor expectations and deter speculative activity.



C.2 Addressing Banking Sector Vulnerabilities

25. To address existing banking sector vulnerabilities, it is critical to strengthen NPL resolution, capital buffers, and risk supervision.

- a. **NPL recognition and resolution.** The government cleared arrears primarily via bond issuance from 2021 to 2024 and annual cash repayment to banks and contractors from 2025 onward. A clear and time-bound guidance on the treatment and reclassification of loans related to government arrears should be developed by BOL in close coordination with the government and banks. The government established the Debt and Asset Administration Company (DAAC) in August 2023, with the mandate to purchase NPLs from banks.⁶⁸ However, it has not started buying NPLs yet, because of constraints in capital and operational capacity. In the medium term, the role of DAAC in NPL resolution can be strengthened by increasing investment in information technology systems and human resources, conducting pilot transactions, and improving the regulatory framework on asset classification, collateral valuation, and debt acquisition criteria.⁶⁹ Given local banks' low loan-loss coverage, the BOL should require banks to strengthen their provisions in alignment with the pace of impairment recognition and the IFRS9 adoption timeline.
- b. **Capital buffers.** It is critical to enforce minimum capital requirements and encourage banks, especially systemically important banks, to strengthen their capital positions. The plan to raise the capital of banks where the state has a share, including the biggest state-owned bank⁷⁰, and the preparation of guidelines on raising banks' registered capital are positive steps.⁷¹ As retained earnings are also a useful capital-raising tool, restrictions on dividend payouts could be imposed until banks' CAR meets the 8-percent minimum

requirement. For smaller private banks, the BOL should require robust ICAAP implementation, participation in system-wide stress tests,⁷² and prompt remediation of identified capital shortfalls.

- c. **Risk supervision and management.** AMRO supports the authorities' efforts to strengthen the banking sector's resilience and soundness by aligning with international standards and identifying D-SIBs. Timely regulatory guidance on loan classification and loan-loss provisioning in line with Basel II and IFRS 9 frameworks will facilitate banks' adoption of forward-looking risk assessments. The enforcement of such regulations will also narrow discrepancies between the system-wide and bank-level soundness indicators, notably CAR and NPL ratios. In addition, the application of tools such as the banking scorecard exercise, can enhance early risk detection and support risk-based supervision.

C.3 Securing External Debt Sustainability and Strengthening Fiscal Consolidation

26. Fiscal consolidation should remain the cornerstone of Lao PDR's fiscal strategy, with flexibility to respond to emerging risks under the guidance of a dynamic Medium-Term Fiscal Framework (MTFF). AMRO welcomes the latest 2026-2030 MTFF targeting an increase in the revenue-to-GDP ratio to 22 percent by 2030, up from 19 percent in 2024, while containing expenditure growth to gradually achieve a balanced or surplus budget. Along with the medium-term targets, transparency could be strengthened by outlining specific and credible policy measures to achieve them. Factoring in fiscal risks and scenario analysis will also improve such credibility. Regular MTFF updates will help align the consolidation path with evolving macroeconomic conditions, ensuring that fiscal policy continues to provide appropriate support to the economy. Additionally, it is critical to strengthen public financial management systems, particularly commitment controls, cash management, and arrears monitoring, to prevent the recurrence of arrears. A well-articulated MTFF will support ongoing efforts to improve Lao PDR's sovereign ratings and its plan to gain access to international bond markets.

27. Enhancing spending efficiency is essential to rebuild fiscal space and ensure that consolidation supports sustainable development. In particular, budget priorities should focus on growth-support areas, including infrastructure, healthcare and education, as well as labor reskilling and upskilling via fiscal support for research and development, and climate change mitigation. Continuous capacity building is needed to support more rigorous project assessment. Addressing implementation bottlenecks in capital expenditure, in particular foreign-financed projects, is also critical.

28. Lao PDR should pursue a comprehensive revenue strategy that broadens the tax base and strengthens administration.

- a. **Broadening the tax base.** To sustain the recent gains in tax elasticity momentum, the authorities are encouraged to rationalize existing tax incentives and increase the share of progressive, income-based taxes, supported by stronger administrative capacity to assess impacts on revenue and equity. The 2024 Investment Promotion Law marks an important step in standardizing incentives, particularly for special economic zones (SEZs). However, the current incentive regime remains overly generous and profit-based (Selected Issue 2). AMRO recommends reviewing these incentives to eliminate discretionary benefits and, in the near term, strengthening their management and oversight. Over the medium term, a switch toward cost-based incentives, such as accelerated depreciation and tax credits linked to job creation or research and development, should be pursued in tandem with

upgrading regulations and building administrative capacity. This approach would better align with national development priorities and help safeguard Lao PDR's taxation rights as it moves to adopt OECD's Global Minimum Tax (GMT) framework.⁷³ In this regard, the inclusion of a 15 percent minimum tax rate on multinational enterprises (MNEs) in the revised Income Tax Law ⁷⁴ is a welcome step toward protecting the tax base.

- b. **Enhancing tax administration.** The nationwide rollout of the Tax Revenue Information System (TaxRIS) – an integrated electronic platform for tax registration, filing and payment – has enhanced taxpayer services, reduced compliance costs and promoted voluntary compliance. Continued digitalization of tax administration should be prioritized. Efforts should also be accelerated to broaden the tax base through the initiative to issue Personal Taxpayer Identification Numbers (PTINs) to self-employed individuals and foreign workers, alongside integration with the national ID system.

29. A comprehensive external debt restructuring strategy and strict management of public and publicly guaranteed debt are essential for sustainable debt service. The government continues to face substantial medium to long-term FX needs while international reserves remain low. The reliance on ad-hoc debt suspension and high-interest, short-term domestic bank borrowing is not sustainable. Strategic debt restructuring negotiations with major creditors should therefore be prioritized to establish a manageable annual debt service profile.⁷⁵ These restructuring efforts must be anchored in a medium- to long-term balance of payments framework, including diversification of FX sources, as temporary and ad-hoc debt suspension alone merely postpones inevitable obligations. In addition, the government should strictly manage new borrowings and the issuance of guarantees and continue efforts to avoid a further increase in public and publicly guaranteed debt.⁷⁶ When the government needs to raise funds in the international markets due to its limited access to concessional financing, the most favourable options in terms of the amount, cost, tenor, and currency should be explored based on a comprehensive assessment.

30. The government should continue efforts to increase FX revenue by leveraging the electricity sector. These efforts include preparations for the asset transfer of independent power producer (IPP) projects under build-operate-transfer schemes to the Lao government from 2029 onwards. As these IPP projects have earned steady FX income from foreign utility companies, the government can enjoy similar benefits after taking ownership. To maximize gains from post-transfer operations, the government should accelerate coordination with current project owners, negotiate future electricity off-take agreements, and enhance personnel recruitment and training.

31. Developing Lao PDR's nascent domestic bond market is critical for diversifying financing sources and addressing external debt challenges. A robust domestic bond market would better mobilize local financing, including in FCY, helping the government meet external obligations. The authorities have made progress in developing the domestic bond market, with support from international organizations and bilateral donors. Notably, the LSX has introduced user-friendly platforms, such as a Mobile Trading System that facilitates government bond trading and information access. However, outstanding bonds issued in the LSX remain limited, amounting to about USD1.1 billion as of early July 2025. This is 7.5 percent of the 2024 GDP, which is lower than many other ASEAN countries.⁷⁷ Priorities for market development should include expanding the investor base through enhanced information disclosure practices, financial literacy initiatives, and strategic investor engagement to help them better understand the market appetite and build confidence. Policy

measures to attract long-term institutional investors, such as pension funds and insurance companies, could also be considered.⁷⁸

32. Accelerating electricity sector reforms is imperative for addressing public external debt vulnerabilities and contingent liabilities. With EDL accounting for a significant portion of public external debt and guarantees, restoring its profitability must be prioritized. In this regard, AMRO staff supports the February 2025 decision to increase electricity tariffs to cost-recovery levels. An improved EDL performance would strengthen the financial positions of its electricity suppliers, including EDL-GEN, the government, and the domestic banks. The cryptocurrency industry should be included in the scope of the electricity tariff increases to accelerate the recovery of EDL's financial position. AMRO commends the authorities' decision to protect the most vulnerable households to prevent a deterioration of households' purchasing power. The authorities could also consider broadening the coverage of such support by utilizing the expected increase in VAT collection from the electricity tariff adjustments. At the same time, the authorities should maintain a tight monetary policy stance to dampen the inflationary impact of the tariff adjustments (Selected Issue 3). In addition, better transparency through the timely publication of audited financial statements⁷⁹ and revenue diversification via increased electricity exports are required.

C.4 Fostering Sustainable Growth

33. The government should intensify efforts to boost the production of higher value-added goods and to actively pursue new drivers of economic activity.⁸⁰ Authorities may consider expanding support for industries such as advanced agricultural processing, eco-friendly manufacturing and more sophisticated digital services. In this aspect, the government should aim to maximize the benefits of new industrial zones, including Amata SEZ and Asia-Potash, by requiring companies to hire locals at managerial positions and to organize vocational and technical training. At the same time, there is an urgent need to address growing domestic labour shortages. Going forward, the government should promote investments in high value-added sectors while building a production and export base which is more resilient to global price fluctuations and climate shocks.

C.5 Tackling Climate Change

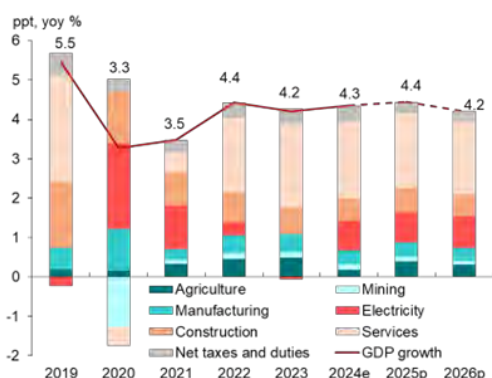
34. Lao PDR remains committed to global efforts to combat climate change. According to the implementation plan published in 2023, the country reaffirmed its commitment to climate action by updating its Nationally Determined Contribution (NDC), aiming for a 60 percent reduction in greenhouse gas emissions by 2030, which aligned with its long-term goal of achieving net-zero emissions by 2050 (Appendix 7). Complementing these efforts, the BOL in partnership with the International Finance Corporation (IFC), is developing a comprehensive roadmap to enhance green finance. This collaboration focuses on aligning Lao PDR's green activities with the ASEAN taxonomy and global standards, creating guidelines and providing training on green lending, environmental and social risk management.⁸¹ This collaboration aims to develop robust financial frameworks that support sustainable projects and stimulate the necessary private-sector investments to achieve Lao PDR's climate objectives. The authorities are encouraged to strengthen climate change actions moving forward.

Appendices

Appendix 1. Selected Figures for Major Economic Indicators

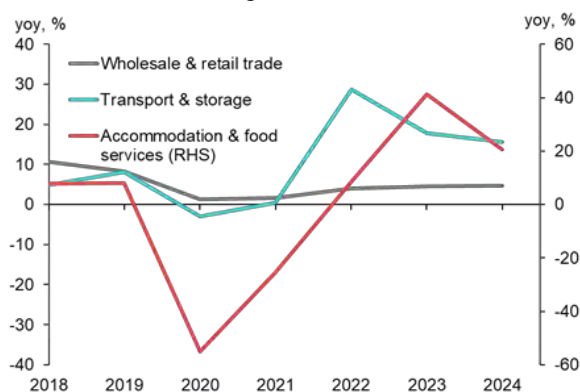
Figure 1.1. Real Sector

The real economy is projected to sustain moderate growth amid rising risks in the external environment.



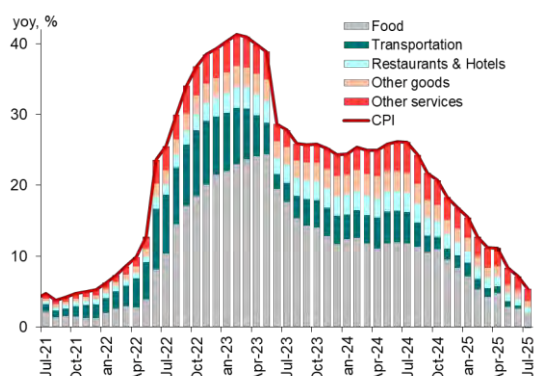
Source: LSB; AMRO staff estimates.

A few services sub-sectors are buoyed by strong tourism and logistic activities.



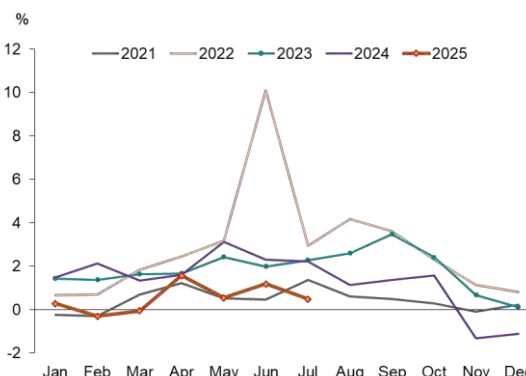
Source: LSB; AMRO staff estimates.

Headline inflation has been on a downward trend.



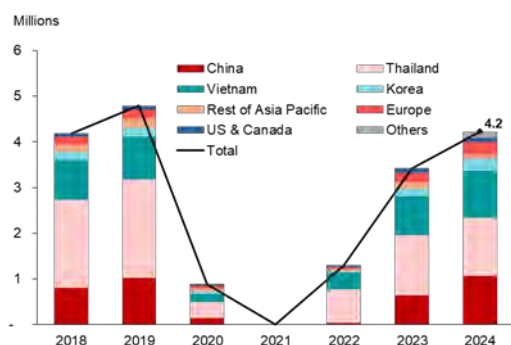
Source: LSB; AMRO staff calculations

Month-on-month inflation has slowed significantly, rising by just 0.5% in July 2025.



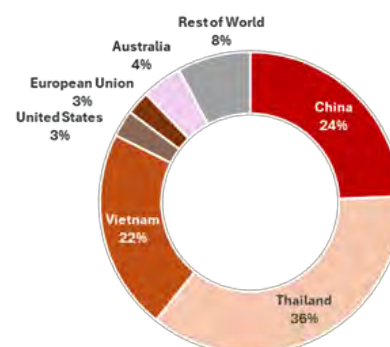
Source: LSB; AMRO staff estimates

Foreign tourist arrivals continued to grow strongly in 2024, approaching pre-pandemic levels.



Source: Ministry of Information, Culture and Tourism.

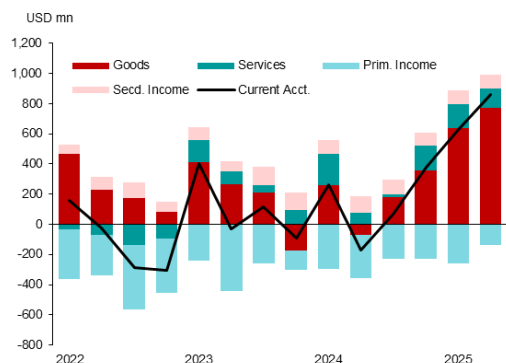
China's growth slowdown could significantly affect Lao PDR as it accounts for nearly a quarter of total exports.



Source: Ministry of Industry and Commerce, AMRO staff calculations

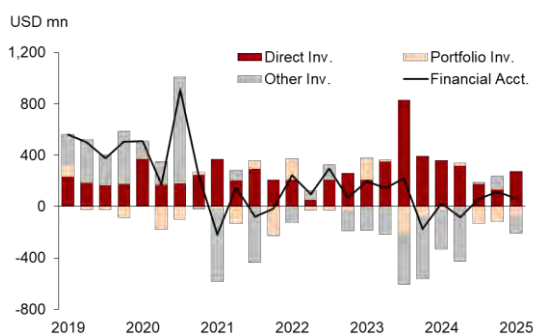
Figure 1.2. External Sector

The current account continued to register a strong surplus.



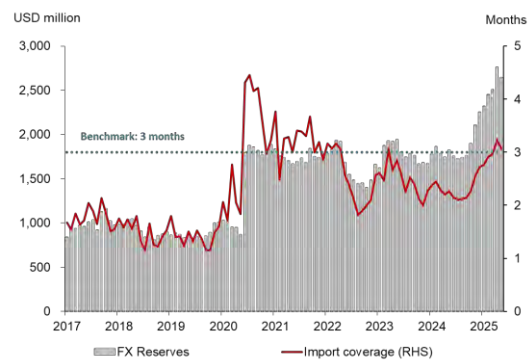
Source: BOL; AMRO staff calculations

The financial account remains supported by FDI.



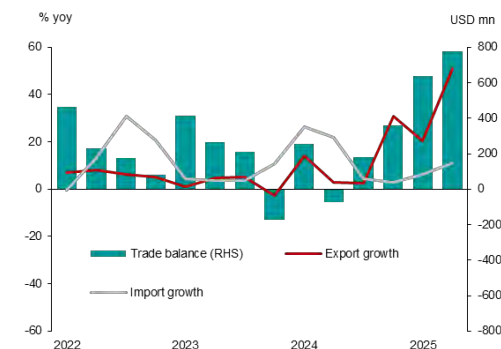
Source: BOL; AMRO staff calculations

Foreign reserves rose to USD2.6 billion in June 2025, sufficient to finance 3.1 months of imports.



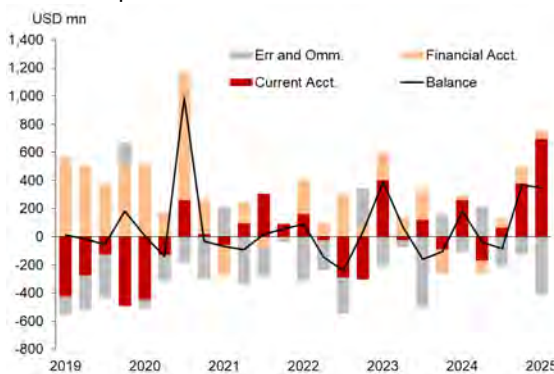
Source: BOL

The recent widening of the trade balance is in part attributed to the front-loading of exports.



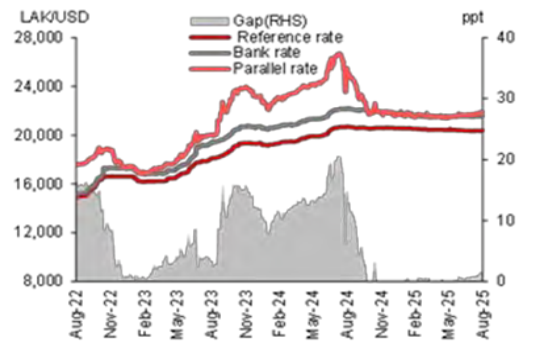
Source: BOL; AMRO staff calculations

The overall BOP registered a surplus, driven mainly by an improvement in the current account.



Source: BOL; AMRO staff calculations

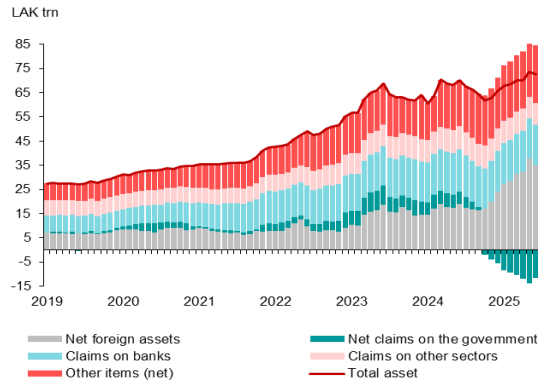
The kip has stabilized, while the gap between the parallel and commercial bank rates has closed.



Source: BOL; CEIC; AMRO staff calculations

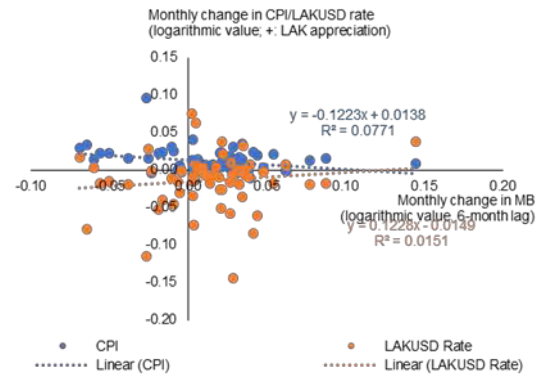
Figure 1.3. Monetary and Banking Sector

BOL's asset growth has slowed, with net claims on the government turning negative.



Source: BOL; CEIC; AMRO staff calculations
Note: Monthly data obtained up to June 2025.

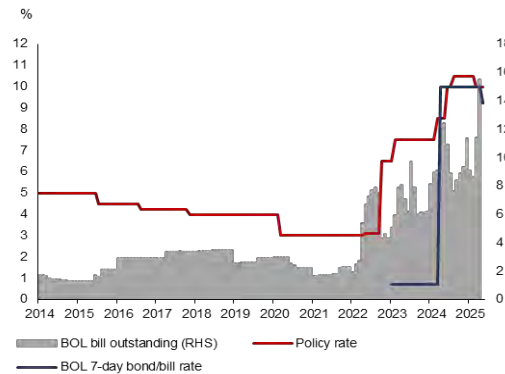
Inflation is slowing and the kip has stabilized.



Source: BOL; CEIC; AMRO staff calculations

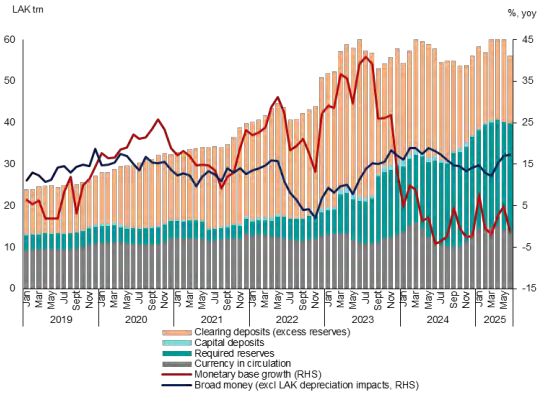
Note: Monthly data obtained from January 2019 to March 2025. The blue and yellow lines indicate an expansion in the monetary base is likely associated with higher CPI inflation and a weaker kip exchange rate with a six-month time lag.

BOL stepped up bill issuances to absorb liquidity...



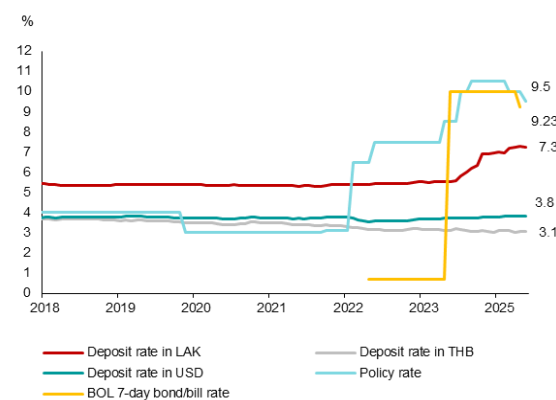
Source: BOL; CEIC; AMRO staff calculations
Note: Monthly data obtained up to June 2025.

... contributing to a contraction in the monetary base.



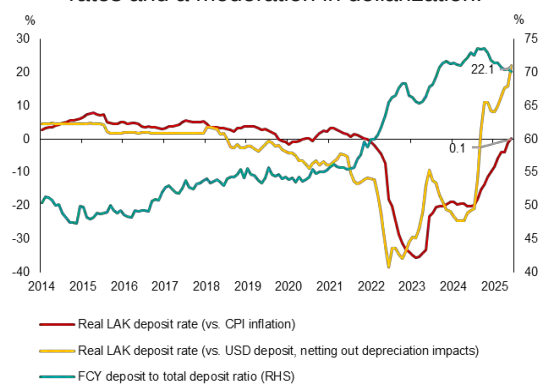
Source: BOL; CEIC; AMRO staff calculations
Note: Monthly data obtained up to June 2025.

Banks' kip deposit rates have picked up...



Source: BOL; CEIC; AMRO staff calculations
Note: Monthly data obtained up to June 2025.

... supporting an improvement in kip real interest rates and a moderation in dollarization.



Source: BOL; CEIC; AMRO staff calculations
Note: Monthly data obtained up to March 2025.

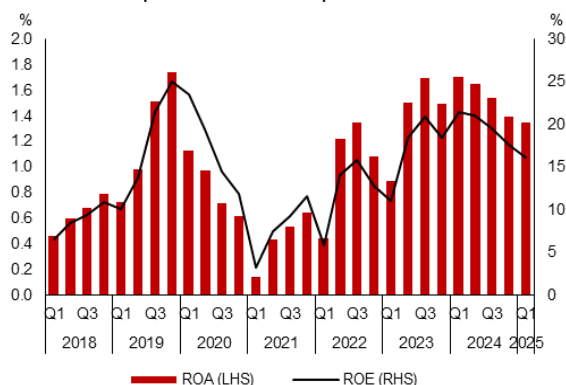
Figure 1.4. Banking Sector

Weaker kip loan growth ...



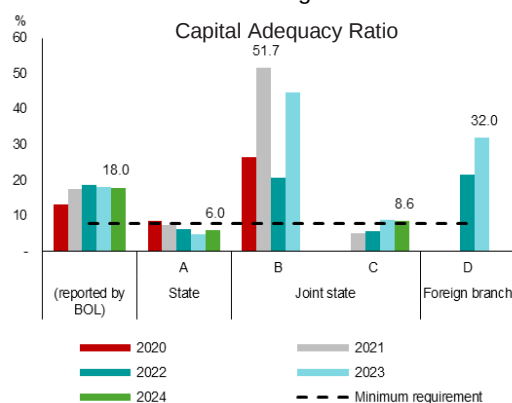
Source: BOL; CEIC; AMRO staff calculations
Note: Monthly data obtained up to June 2025.

... and narrower interest margins dampened bank profits in recent quarters.



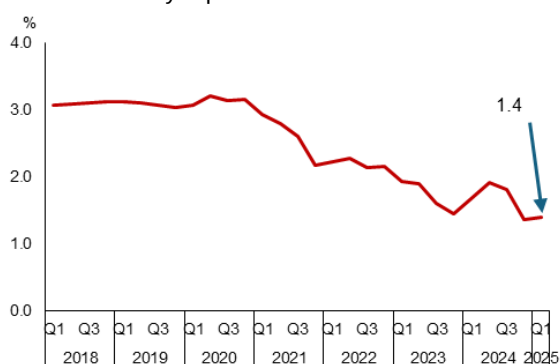
Source: BOL; CEIC; AMRO staff calculations
Note: Quarterly data obtained up to Q1 2025.

CARs remained low in the largest state-owned bank.



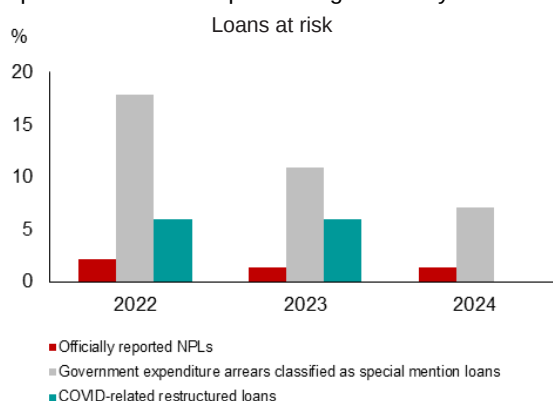
Source: BankFocus; banks' financial statements; AMRO staff calculations

Officially reported NPLs were low...



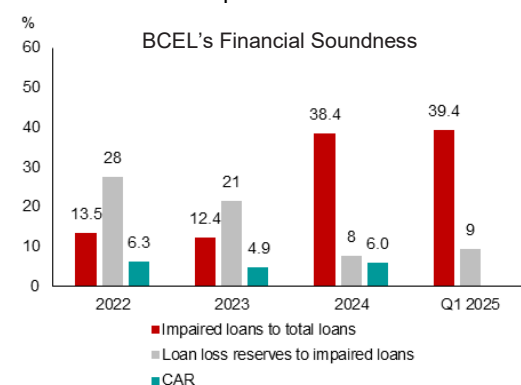
Source: BOL; CEIC; AMRO staff calculations

... but could be masked by regulatory forbearance related to government expenditure arrears and exposure to the underperforming electricity sector.



Source: BOL; CEIC; AMRO staff calculations
Note: BOL instructed banks to phase out regulatory forbearance on loans affected by the COVID-19 pandemic in early 2024. Meanwhile, the size of remaining government debt arrears related to past public investment projects stood at LAK23 trillion as of end-2022, equivalent to about 18 percent of total loans outstanding. As of end-2024, government arrears were estimated at around LAK14 trillion, or 7.0 percent of total banking sector loans

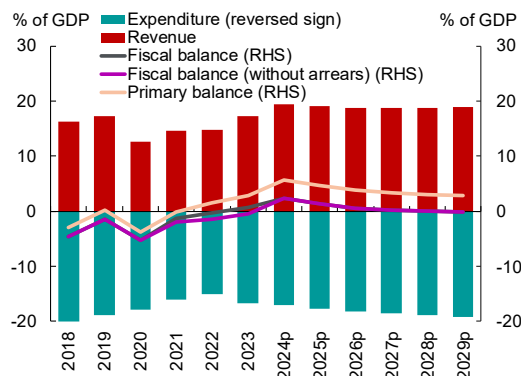
The largest state-owned bank showed a deterioration in loan quality amid low provision and capital buffers.



Source: BOL; banks' financial statements; AMRO staff calculations

Figure 1.5. Fiscal Sector

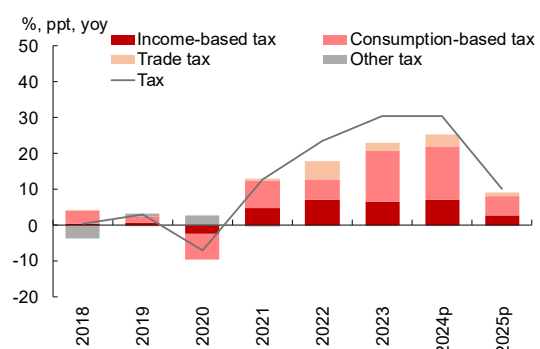
The primary balance is projected to remain in surplus over the next five years.



Source: LMOF; AMRO's staff projections

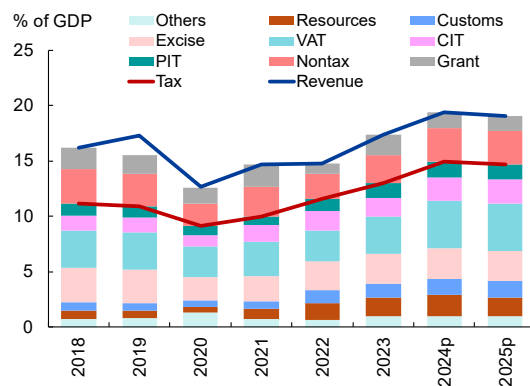
Note: The fiscal balance (grey line) is based on actual interest payments and excludes unpaid interest. The pink line shows the deficit with full interest payment obligations estimated by AMRO staff.

Consumption-based taxes remain a key driver of revenue, although growth will moderate in 2025.



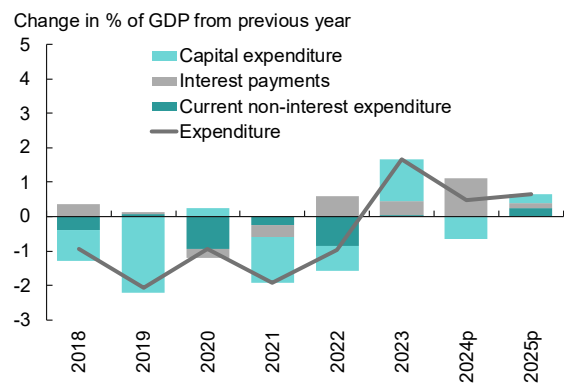
Source: LMOF; AMRO's staff projections

Tax revenue rose in 2024 on VAT restoration and stronger CIT, with momentum continuing in 2025.



Source: LMOF; AMRO staff projections

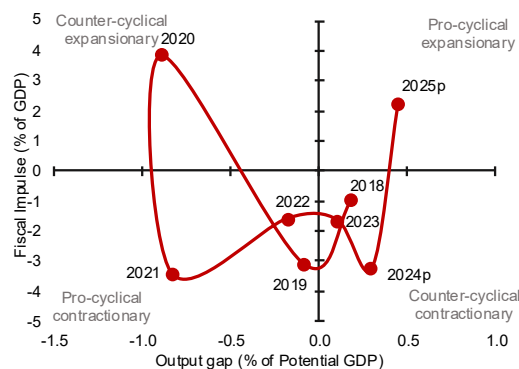
Expenditure growth from external interest payments in 2024 is expected to slow in 2025.



Source: LMOF; AMRO staff projections

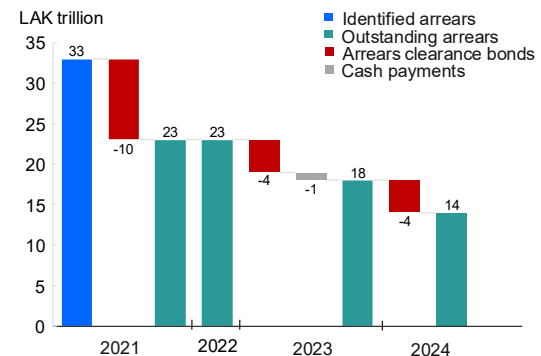
Note: Interest payments reflect actual payments and exclude unpaid interest due to some creditors.

Robust revenue in 2024 made the fiscal stance more contractionary, but a smaller primary surplus in 2025 is expected to shift it to expansionary.



Source: LMOF; AMRO's staff projections

While legacy arrears have been cleared through bond issuance and budgetary spending, strict fiscal discipline is needed to prevent new arrears.



Source: LMOF; AMRO staff compilation

Appendix 2. Selected Economic Indicators for Lao PDR

	2021	2022	2023	2024	Projections				
					2025	2026	2027	2028	2029
Real Sector and Prices	(In percent change unless otherwise specified)								
Real GDP	3.5	4.4	4.2	4.3	4.4	4.2	4.5	4.7	5.0
Agriculture	2.4	3.4	3.7	14	3.0	2.4	3.0	2.8	3.1
Industry	6.1	4.4	3.1	4.7	4.8	4.3	5.1	5.7	6.0
Services	14	5.0	5.6	5.1	4.9	4.8	5.0	5.2	5.5
GDP deflator	3.4	116	13.2	17.4	9.9	6.4	5.0	5.0	5.0
Consumer price inflation (average)	3.8	23.0	31.2	23.1	8.5	7.6	5.0	5.0	5.0
External Sector *	(in millions of USD unless otherwise specified)								
Current account balance	432	-459	405	531	528	596	728	726	694
(In percent of GDP)	2.3	-3.0	2.9	3.5	3.1	3.3	3.7	3.4	3.0
Trade balance	1419	954	721	723	815	840	940	965	1005
(In percent of GDP)	7.5	6.3	5.1	4.8	4.9	4.6	4.8	4.6	4.4
Exports	7695	8198	8370	9586	10003	10264	10809	11374	12005
(In percent change)	25.8	6.5	2.1	14.5	4.4	2.6	5.3	5.2	5.5
Imports	6275	7244	7649	8663	9188	9425	9869	10409	11001
(In percent change)	16.8	15.4	5.6	13.3	6.1	2.6	4.7	5.5	5.7
Services, net	-127	-332	380	465	399	365	340	296	227
Primary income, net	-1087	-1395	-1075	-1047	-1116	-1058	-1048	-1067	-1111
Secondary income, net	226	315	378	390	430	450	496	532	572
Financial account balance	-164	706	388	119	-129	-279	-245	60	685
Direct investment, net	1072	726	1781	988	1131	770	926	1061	1147
Portfolio investment, net	-310	71	-99	-250	-456	-292	-214	-186	-7
Other investment, net	-926	-91	-1294	-620	-803	-756	-956	-815	-455
Net Errors and Omissions	-353	-512	-598	-227	-130	-159	-179	-202	-228
Overall balance	-84	-257	197	424	276	163	309	588	1154
Gross international reserves	1737	1480	1677	2102	2377	2540	2849	3437	4591
(In months of imports of goods and services)	3.2	2.2	2.3	2.5	2.7	2.8	3.0	3.4	4.3
Fiscal Sector (General Government)	(in percent of GDP)								
Revenue and grants	14.7	14.8	17.4	19.4	19.1	18.8	18.7	18.8	19.0
Tax Revenue	10.0	11.6	13.1	15.0	14.7	14.5	14.5	14.6	14.9
Expenditure	16.0	15.0	16.6	17.1	17.8	18.2	18.5	18.8	19.2
Current non-interest expenditure	9.7	8.8	8.9	8.8	9.1	9.3	9.5	9.7	9.8
Interest expenditure	12	18	2.2	3.3	3.4	3.3	3.2	3.1	3.0
Capital expenditure	5.1	4.4	5.6	5.0	5.2	5.6	5.8	6.1	6.4
Overall fiscal balance	-13	-0.2	0.7	2.3	13	0.6	0.2	0.0	-0.2
Fiscal balance with unpaid interest payment obligations	-19	-14	-0.4	2.3	13	0.6	0.2	0.0	-0.2
Primary balance	-0.1	16	2.9	5.6	4.8	3.9	3.4	3.0	2.8
Government debt	76.2	98.8	104.4	88.8	82.5	75.9	70.9	66.3	62.2
Monetary and Financial Sector	(In percent change, end-period unless specified)								
Credit to private sector	10.6	46.7	28.2	23.2	22.5	10.1	12.6	12.1	11.6
(In percent of GDP)	43.2	54.4	56.7	57.0	60.8	60.4	61.7	62.7	63.5
Broad money	24.0	36.9	33.3	17.8	2.2	10.8	14.8	15.0	15.2
Monetary base	23.2	27.2	13.7	-2.2	2.2	15.2	10.3	10.3	10.3
Memorandum Items									
Nominal GDP (LAK billion)	184982	215609	265475	325287	373288	413756	453951	499242	550281
Nominal GDP (USD million)	18984	15061	14191	15090	16780	18164	19537	21065	22764
GDP per capita (USD)	2587	2024	1881	1973	2167	2316	2373	2436	2507
Exchange rate (LAK/USD, average)	9744	14316	18707	21556					
Exchange rate (LAK/USD, EOP)	11193	17312	20480	21757					

Source: National authorities, AMRO staff estimates

Appendix 3. Balance of Payments

Indicators	2020	2021	2022	2023	2024
	(In millions of USD unless specified otherwise)				
Current account	-304	432	-459	405	531
Trade balance	745	1,419	954	721	723
Exports, f.o.b.	6,115	7,695	8,198	8,370	9,386
Imports, c.i.f.	5,370	6,275	7,244	7,649	8,663
Services, net	-99	-127	-332	380	465
Primary income, net	-1,202	-1,087	-1,395	-1,075	-1,047
Secondary income, net	252	226	315	378	390
Capital and financial account	1,854	-162	714	390	120
Financial account (net)	1,842	-164	706	388	119
Direct investment (net)	968	1,072	726	1,781	988
Portfolio investment (net)	-257	-310	71	-99	-250
Other investment (net)	1,131	-926	-91	-1,294	-620
Errors and omissions	-726	-353	-512	-598	-227
Overall balance	824	-84	-257	197	424
Memorandum items:					
Current account (% of GDP)	-1.6	2.3	-3.0	2.9	3.5
Gross international reserves (USD million)	1,821	1,737	1,480	1,677	2,102
(In months of imports of goods and services)	3.8	3.2	2.2	2.3	2.5
Nominal GDP (LAK billion)	172,919	184,982	215,609	265,475	325,287
Exchange rate (LAK/USD, commercial bank rate average)	9,054	9,744	14,316	18,707	21,556

Source: BOL

Appendix 4. Statement of Central/General Government Operations

Indicators	2020	2021	2022	2023	2024
(In billions of LAK unless specified otherwise)					
Revenue	21,846	27,178	31,835	46,123	63,211
Tax	15,765	18,534	24,938	34,646	48,658
Income-based tax	3,179	4,227	6,174	8,221	11,500
Consumption-based tax	8,322	9,997	11,478	16,055	22,910
Trade tax	1,085	1,205	2,621	3,307	4,810
Other tax	3,179	3,105	4,665	7,064	9,438
Nontax	3,451	4,966	4,988	6,563	9,790
Grant	2,565	3,678	1,908	4,914	4,763
Expenditure	30,855	29,507	32,281	44,152	55,629
Current non-interest expenditure	17,123	17,880	19,013	23,499	28,733
Interest payments	2,609	2,163	3,806	5,769	10,705
External	2,100	1,762	2,492	4,448	8,901
Domestic	509	401	1,314	1,321	1,804
Capital expenditure	11,123	9,465	9,461	14,885	16,190
Fiscal Balance	-9,009	-2,329	-446	1,971	7,582
Primary Balance	-6,400	-166	3,360	7,740	18,287
(In percent of GDP)					
Revenue	12.7	14.7	14.8	17.4	19.4
Tax	9.1	10.0	11.6	13.1	15.0
Income-based tax	1.8	2.3	2.9	3.1	3.5
Consumption-based tax	4.8	5.4	5.3	6.0	7.0
Trade tax	0.6	0.7	1.2	1.2	1.5
Other tax	1.8	1.7	2.2	2.7	2.9
Nontax	2.0	2.7	2.3	2.5	3.0
Grant	1.5	2.0	0.9	1.9	1.5
Expenditure	17.9	16.0	15.0	16.6	17.1
Current non-interest expenditure	9.9	9.7	8.8	8.9	8.8
Interest payments	1.5	1.2	1.8	2.2	3.3
External	1.2	1.0	1.2	1.7	2.7
Domestic	0.3	0.2	0.6	0.5	0.6
Capital expenditure	6.4	5.1	4.4	5.6	5.0
Fiscal Balance	-5.2	-1.3	-0.2	0.7	2.3
Primary Balance	-3.7	-0.1	1.6	2.9	5.6
Memorandum items:					
Nominal GDP (LAK billion)	172,612	184,982	215,609	265,475	325,287

Source: LMOF; AMRO staff estimates

Appendix 5. Monetary Survey

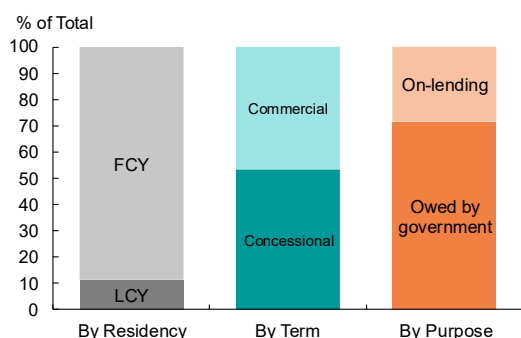
Indicators	2020	2021	2022	2023	2024
(In billions of LAK unless specified otherwise)					
Net Foreign Assets	-5,071	461	5	16,768	23,448
Assets	31,070	43,074	58,985	82,955	114,974
Liabilities	-36,142	-42,613	-58,980	-66,186	-91,527
Net Domestic Assets	116,966	138,264	189,843	236,224	274,622
Net Domestic Credit	92,110	113,712	155,239	191,570	225,862
Government	7,630	19,506	18,050	16,288	17,333
Private sector	72,301	79,963	117,316	150,394	185,287
Other items net	24,856	24,551	34,604	44,654	48,760
Reserve Money	32,469	40,011	50,902	57,894	56,647
Broad Money	111,895	138,724	189,849	252,993	298,070
Currency in circulation	12,195	13,386	12,662	13,014	13,543
Currency outside banks	9,312	10,490	9,500	9,174	9,595
Deposits	102,521	128,150	180,309	243,720	288,171
Of which: Foreign currency	56,718	75,395	119,993	173,762	206,880
Of which: Local currency	45,803	52,755	60,316	69,958	81,291

Source: BOL

Appendix 6. Debt Sustainability Analysisⁱ

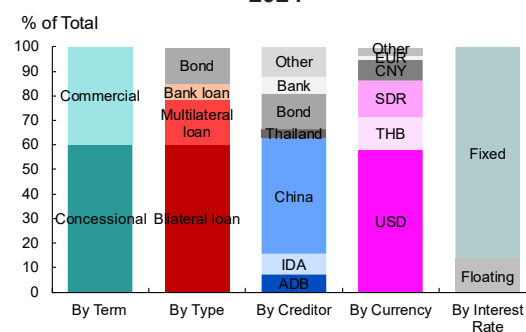
Baseline projections for public debt and gross financing needs (GFNs) are based on a gradual economic recovery, but the debt profile remains vulnerable due to its high FCY exposure. Real GDP growth is projected to improve beyond 2027 with the expansion of new hydropower and potash export projects, gradually recovering to pre-pandemic average. The GDP deflator is expected to realign with CPI inflation at around 5 percent as exchange rate pressure ease. Effective interest rates are projected to continue rising, driven by reliance on short-term borrowings from domestic banks. This impact is partly mitigated by the still sizable share of concessional, fixed-rate loans in Lao PDR's debt profile (Figure 6.1 and 6.2). The primary surplus is projected to narrow, reflecting the normalization of budget expenditures as the economy recovers (Table 6.1).

Figure 6.1. Public Debt Structure as of 2024



Source: Ministry of Finance; AMRO staff estimates

Figure 6.2. Public External Debt Structure as of 2024



Source: Ministry of Finance; AMRO staff estimates

Table 6.1. Macroeconomic and Fiscal Indicators

	2019	2020	2021	2022	2023	2024	2025p	2026p	2027p	2028p	2029p
Macroeconomic indicators (%)											
Real GDP growth	5.5	3.3	3.5	4.4	4.2	4.3	4.4	4.2	4.5	4.7	5.0
GDP deflator	1.2	2.9	3.4	11.6	18.2	17.4	9.9	6.4	5.0	5.0	5.0
Effective interest rate	3.2	2.7	2.0	2.7	2.7	3.9	4.4	4.4	4.6	4.8	4.9
Fiscal indicators (% GDP)											
Revenue	17.3	12.7	14.7	14.8	17.4	19.4	19.1	18.8	18.7	18.8	19.0
Expenditure	18.8	17.9	16.0	15.0	16.6	17.1	17.8	18.2	18.5	18.8	19.2
Fiscal balance	-1.5	-5.2	-1.3	-0.2	0.7	2.3	1.3	0.6	0.2	0.0	-0.2
Primary balance	0.2	-3.7	-0.1	1.6	2.9	5.6	4.8	3.9	3.4	3.0	2.8
Public debt	58.8	61.9	76.2	98.8	104.4	88.8	82.5	75.9	70.9	66.3	62.2
Gross financing needs	6.9	11.1	8.1	8.4	11.2	6.7	12.7	11.1	10.7	10.2	9.8

Source: LMOF; LSB; CEIC; AMRO staff estimates

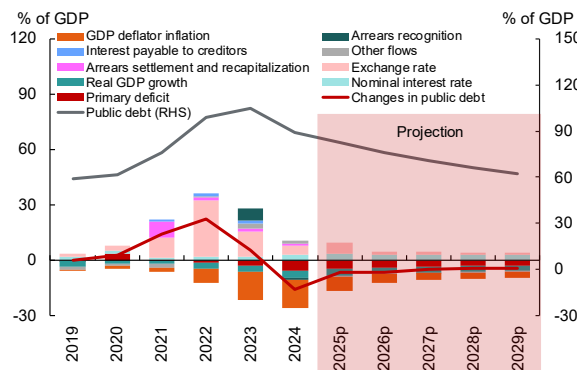
Note: (1) The macroeconomic and fiscal indicators for 2025-2029 are based on AMRO staff estimates and projections.

Lao PDR's public debt-to-GDP ratio is projected to decline over the medium term, conditional on sustained macroeconomic stability and fiscal consolidation. Public debt declined from 104 percent to 89 percent of GDP in 2024, reflecting fiscal surpluses and sustained growth despite continued kip depreciation. Under AMRO staff's baseline scenario, the debt ratio is projected to fall to 62.2 percent by 2029, though it will remain well above the indicative threshold of 41 percent for low-income countries.⁸² The debt outlook improvement assumes contained inflation, sustained moderate economic growth, and fiscal consolidation (Figure 6.3). These factors would help offset the impact of gradually rising borrowing costs amid ongoing reliance on short-term commercial borrowing due to constrained financing options.

ⁱ Prepared by Ravisara Hataiseree, Economist, and Kittiya Manivong, Associate.

GFNs are projected to rise in 2025 and remain elevated over the medium term. GFNs were lower than scheduled in the past years due to the suspension of debt repayment to a major creditor,⁸³ but rose again in 2025, as a substantial amount of Thai bond repayments came due. Looking ahead, the GFN-to-GDP ratio is projected to remain elevated, reflecting continued reliance on short-term FCY borrowings from domestic banks following the loss of access to the Thai bond market in 2023⁸⁴ (Figure 6.4). This outlook also incorporates the repayment of suspended debt to the major external creditor beginning in 2025 and extending over an 18-year period, in line with the weighted average maturity of Lao PDR's outstanding loans to that creditor. In addition, the risk of breaching the GFN threshold of 14 percent of GDP⁸⁵ could materialize if previously suspended external debt is called for repayment in larger amounts or within a shorter period than assumed in the baseline. Over the medium term, the authorities expect the GFN-to-GDP ratio to decline gradually, supported by primary surpluses and debt restructuring.⁸⁶

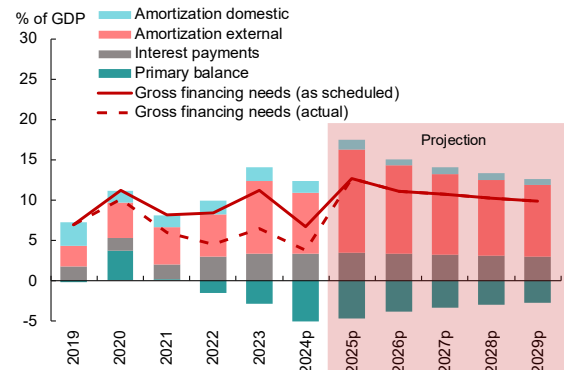
Figure 6.3. Contribution to Changes in Debt



Source: Ministry of Finance; AMRO staff estimates

Note: Arrears settlement and recapitalization refer to bonds issued to clear public investment arrears and recapitalize SOEs, while arrears recognition is about the identified public investment arrears under government verification.

Figure 6.4. Components of GFNs



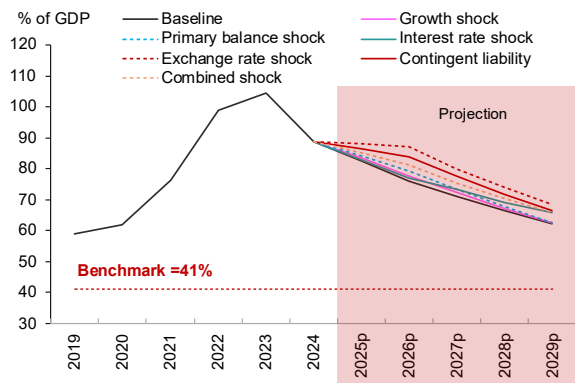
Source: Ministry of Finance; AMRO staff estimates

Note: From 2025 onward, GFNs are projected based on (i) scheduled debt repayments in the 2024 Debt Bulletin, (ii) repayment of suspended external debt, and (iii) partial realization of SOE contingent liabilities. The projections also reflect reliance on short-term FCY borrowings from domestic banks, keeping GFNs elevated.

Results of the standard Debt Sustainability Analysis indicate a high overall risk of public debt distress. The public debt-to-GDP ratio is projected to remain well above the indicative threshold under the baseline and all stress test scenarios throughout the projection period (Figure 6.5). Elevated proportions of FCY-denominated debt and debt held by nonresidents continue to heighten vulnerabilities to the exchange rate, alongside persistent rollover and interest rate risks (Figure 6.7a and b). The recognition of contingent liabilities and weaker SOE financial positions could also heighten debt sustainability risks. Despite planned fiscal consolidation, lower-than-expected revenue could worsen the primary balance, which directly affects financing needs, and push GFNs above the benchmark (Figure 6.6).

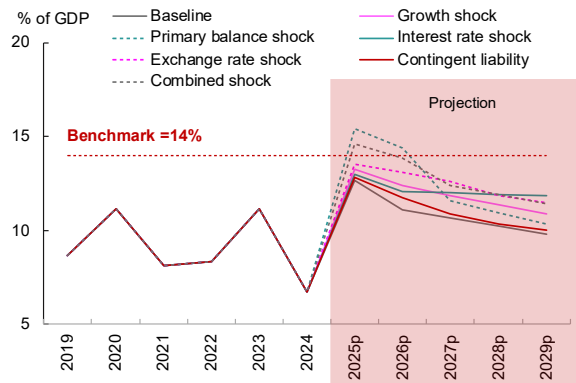
Escalating external debt repayment pressures underscore a critical need for comprehensive debt restructuring and the development of domestic capital markets. Stronger revenue collection in recent years has eased debt servicing pressures and enabled the government to resume full external interest payments in 2024. However, reliance on short-term FCY bond issuances to domestic banks, and loans from the same group of lenders to meet bond repayments in the Thai market, remain a vulnerability (Figure 6.7c).⁸⁷ If previously suspended debts come due in larger amounts than assumed in the baseline, FCY financing needs may increase further.⁸⁸ This risk emphasizes the urgency of strategic debt restructuring with major creditors to establish a more manageable debt service profile. At the same time, credible fiscal consolidation, sustained growth momentum, inflation control and exchange rate stability are essential to restore market confidence, improve sovereign credit ratings and regain access to international markets. Over the longer term, deepening the domestic bond market is crucial to secure sustainable financing (Table 6.2).

Figure 6.5. Public Debt Stress Test



Source: Ministry of Finance; AMRO staff estimates

Figure 6.6. GFN Stress Test

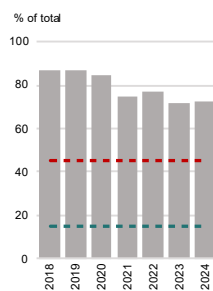


Source: Ministry of Finance; AMRO staff estimates

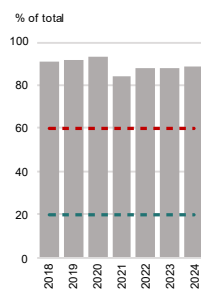
Note: The scenarios for the stress test are as follows: 1) Real GDP growth shock: one standard deviation, or a -1.5 percentage point shock in 2025 and 2026; 2) primary balance shock: one standard deviation, or a -2.7 percent of GDP shock in 2025 and 2026; 3) interest rate shock: a +5 percentage point shock from 2025; 4) exchange rate shock: a one-time shock of 15 percentage points in 2025 and 2026; 5) contingent liability shock: a one-time shock of 5 percent of GDP in 2025 and 2026; and, 6) combined shock: a combination of growth, primary balance, interest rate and exchange rate shocks, each at half the size of the individual shocks articulated in bullet points 1-4.

Figure 6.7. Debt Profile Vulnerabilities

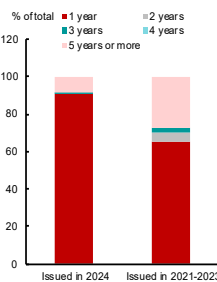
a. Public Debt Held by Nonresidents



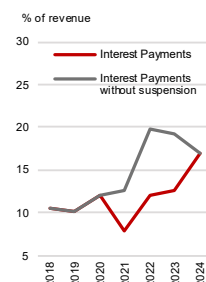
b. Public Debt in FCY



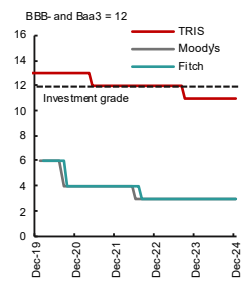
c. FCY Bond Issuance by Tenor



d. Interest Payment



e. Sovereign Credit Rating



Source: CEIC; Haver; TRIS; Ministry of Finance; AMRO staff estimates

Note: 1) --- Lower early warning (50 percent of the benchmark), --- upper early warning (75 percent of the benchmark).
2) In Figure 1.5c, FCY bonds were issued in the domestic market through the LSX.

Table 6.2. Heat Map of Public Debt Sustainability

		2019	2020	2021	2022	2023	2024p	2025p	2026p	2027p	2028p	2029
Public Debt												
Gross Financing Needs												
Debt Profile	Public Debt Held by Nonresidents											
	Public Debt in FCY											
	Sovereign Credit Rating											

Source: AMRO staff estimates

Note:

1) For Public Debt, the cell is highlighted in green if the benchmark is not exceeded under all shocks or the baseline scenario, yellow if exceeded under any specific shock but not the baseline, and red if exceeded under the baseline.
2) For Gross Financing Needs, the cell is highlighted in red due to the debt suspension with major creditors and high financing risks. Financing risks in Lao PDR remain substantial despite the GFN-to-GDP ratios under the stress test exercise falling below the 14 percent threshold in the baseline scenario and exceeding the threshold under certain shocks in 2025 and 2026. In addition to ad hoc debt suspension, reliance on short-term commercial financing to meet external debt repayments remains a key risk, compounded by TRIS' downgrading of Lao PDR's sovereign credit rating, SOEs' partial repayment of on-lending debt, the shallow domestic market, and limited access to the international bond market.
3) For Debt Profile, the cell is highlighted in green if the country value is less than the lower early warning benchmark, red if it exceeds the upper early warning benchmark, and yellow if it lies between the lower and upper early warning benchmarks. For Sovereign Credit Rating, the cell is highlighted in red if the rating falls below investment grade.

Appendix 7. Climate Change Policy Fact Sheet

Item	Sub-item	Note				
Nationally Determined Contribution (November 2023)	Emission reduction targets	(Unconditionally) Achieve 60% reduction in greenhouse gas (GHG) emissions by 2030 compared to the 2020 baseline business-as-usual (BAU) scenario. (Conditionally) Increase forest cover to 70% of total land area, adjust 50,000 hectares of water management practices in rice cultivation, develop 1 GW of renewable energy, including wind and solar power and a 300 MW biomass-fired power plant, and reduce final energy usage by 10% compared with BAU scenario.				
	Main mitigation targets	Sector	2030			
			Unconditional		Conditional	
		Target	ktCO ₂ e ⁸⁹ /year	Target	ktCO ₂ e/year	
		Forestry and other land uses	Reduce deforestation emissions	1,100	Increase forest to 70% of land area	45,000
		Energy	- Install 13 GW of hydropower - Introduce 50,000 clean energy-efficient stoves	2,875	- Install 1 GW of solar and wind power - Install total 300 MW of biomass - Reduce final energy use by 10%	3,393
		Transport	- Launch new Bus Rapid Transit system in Vientiane - Laos-China Railway, launched in 2021	325	- Achieve 30% EV penetration - Use biofuels as 10% of transport fuels	59
		Agriculture	-	-	Apply adjusted water management practices to 50,000 hectares	128
		Waste	-	-	Launch 500tonne/day solid waste management project	40
	Total	3,975			46,591	
Long-term commitments		- Aim to increase forest cover to 70% of total land area through initiatives such as REDD+ (Reducing Emissions from Deforestation and Forest Degradation), forest conservation, sustainable management of forests, and enhancement of forest carbon stocks. - Focus on enhancing climate resilience in agriculture, water resources, urban development, public health and energy by promoting climate-resilient farming systems, strengthening water resource management, increasing resilience of urban infrastructure, improving public health services, and building resilience in hydropower sector through better dam safety regulations.				
Energy transition initiatives		- New hydropower development: Across Mekong mainstream, 15 hydropower plants are under construction, and 18 more projects are planned to start construction by 2030. - Clean Cook Stove Initiative (2019-2025): Switch to clean, energy-efficient gasifier stoves to cut 558 ktCO₂e over project lifetime. 600 MW Monsoon Wind Farm (2022-2047): Exports electricity to Vietnam, to cut emissions by 1,400 ktCO₂e per year. 50 MW Solar Attapeu Power Project (SAPP): First utility-scale solar photovoltaic power plant, completed in 2023, is expected to generate 128 GWh per year and reduce emissions by 479 ktCO₂e annually over 30 years of operation. 1.2 GW Wind Farm (construction completed by 2025): Diversify and increase Lao PDR's renewable energy capacity. 2 GW Geothermal Energy Development: To use advanced geothermal systems to generate electricity. 240 MW floating solar energy: Solar power generation project completed in 2024 in Khammouane province. 14 MW floating solar energy in Vientiane: Floating solar power system on three ponds in Vientiane, completed in 2017 to reduce 6.8 ktCO₂e per year over 17 years of operation. - Reducing greenhouse gas emissions in the industrial sector: Promote the production and usage of industrial-grade solid biofuel for thermal energy method, to reduce 72.9 ktCO₂e per year				

Financing	Financing needs	2030 conditional mitigation measure	USD Mn
		Forest Cover Expansion	1,700
		Solar and Wind Capacity	1,500
		Biomass Power Plants	720
		Electric Vehicle Transition	500
		Biofuel Integration	230
		Energy Efficiency Measures	30
		Agricultural Improvements	65
		Waste Management Systems	17
		Total	4,762
	Project name	600 MW Monsoon Wind Farm: USD959 million 1.2 GW Wind Farm: USD2.15 billion 2GW Geothermal Energy Development: USD3 billion - Lao-China Railway: electrified high-speed rail network designed to cut emissions (USD5.9 billion) - Lao PDR Emission Reductions Program: to improve governance and sustainable forest landscape management (EUR65 million) - Lao Landscapes and Livelihoods Project (LLL): To promote sustainable forest management and enhance livelihood opportunities (USD57 million) - Biodiversity Conservation Corridors Project in Greater Mekong region: to scale up sustainable forest management (USD12 million) - Building Climate and Disaster Resilience Capacities of Vulnerable Small Towns: to enhance climate and disaster resilience (USD5.5 million) - Climate Smart Agriculture Alternatives for Upland Production Systems: to enhance resilience of upland communities to climate change (USD18.5 million)	
	Source of funds	- World Bank / International Development Association (IDA): supports development projects and programs. - Asian Development Bank (ADB): supports economic development and regional cooperation. - Green Climate Fund (GCF): established within United Nations Framework Convention on Climate Change (UNFCCC). - Global Environment Facility (GEF): focuses on projects related to biodiversity, climate change and land degradation. - Canadian Clean Energy and Forest Climate Facility (CCEFCF): supports clean energy and forest-related climate initiatives. - International Fund for Agricultural Development (IFAD): contributes to Lao PDR Emission Reductions Program. - Canadian Clean Energy and Forest Climate Facility (CCEFCF): supports clean energy and forest-related climate initiatives.	
Enabling framework for climate change financing	Bank of the Lao PDR and International Finance Corporation (BOL-IFC)	- Develop and define green activities for Lao PDR to align with ASEAN taxonomy and international standards. - Create guidelines and provide training on green finance taxonomy development, green-lending and management of environmental, social and governance risks. - Establish frameworks for issuing green, social and sustainable bonds, including capacity building and knowledge sharing with regional and international stakeholders.	
	MOF Climate Change Initiatives	- Environmental tax: implementation in 2026. - Carbon credit decree: the final decree was officially adopted in late May 2025, signed by the Prime Minister on May 28, 2025. - Green taxonomy: development underway with ADB assistance and IFC's Lao Green Finance advisory programme. - Climate financing: The BOL memorandum of understanding with IFC is the foundational green finance framework, aiding regulation design and green bond development. UN-Government of Laos joint programme was launched in April 2025 to advance green and climate finance.	

Source: Lao PDR NDC; UN; OECD; World Bank; AMRO staff compilation

Appendix 8. Data Adequacy for Surveillance Purposes

Criteria/ Key Indicators for Surveillance	Availability ⁽ⁱ⁾	Reporting Frequency/ Timeliness ⁽ⁱⁱ⁾	Data Quality ⁽ⁱⁱⁱ⁾	Consistency ^(iv)	Others, if Any ^(v)
National Accounts	- GDP on the production side is available on the LSB website. - Quarterly GDP data became available in 2022. - GDP on the consumption side became available in 2023, but only for nominal data as of June 23, 2023.	GDP data is published annually with a time lag of six to nine months.	Data collection techniques are weak due to resource constraints.		
Balance of Payments (BOP) and External Position	- BOP data is published on the BOL website quarterly. - Time-series data on international reserves is published quarterly and provides a monthly breakdown with a lag of three to five months. - Export and import data are reported by the Ministry of Industry and Commerce (MOIC). - Information on external positions is not published by the authorities.	- BOP data is released quarterly with a time lag of one to two quarters. - MOIC data is released every month.	- BOP data is compiled quarterly by BOL according to BPM6. Improvements in the compilation of data from merchandise trade, external debt and FDI surveys are a work in progress. - External trade data is incomplete, especially on imports, as it covers only major items whose values are based on average prices of goods specified by the authorities in the past. - A breakdown of external trade data is published by MOIC every month, and historical data is unavailable.	- Consistency of trade data among government agencies could be improved. - Large discrepancies can be seen between trade data from national sources, international financial institutions and Lao PDR's major trading partners, in particular for import data. - Large errors and omissions during several periods make the analysis and interpretation of BOP data challenging.	Ongoing efforts enhance coverage of exports and imports, narrow data discrepancies between customs, BOL and MOIC, and address understated trade deficits.
State Budget and Government Debt	- Budget implementation data is released by the Ministry of Finance (MOF). - A debt statistic bulletin is published on the MOF website.	- The budget and its implementation report are published half-yearly in the Laotian language with a time lag of six months to one year. - Debt statistic bulletin is published annually with a time lag of six months.	The use of Government Finance Statistics (GFS) standards and procedures is weak. Data coverage is limited to budget operations. Off-budget activities are excluded from the fiscal data.	Persistent off-budget expenditure.	- Implementation of PFM is ongoing. - Continued capacity building is needed to improve timeliness, coverage and accuracy of fiscal data.
Inflation, Money Supply and Credit Growth	- Inflation data is published on the LSB website. - Monetary statistics are published on the BOL website. - Data on official and effective exchange rates (parallel rate) is available on the BOL website. - Data is available regarding credit, the breakdown of claims on government, credit to SOEs and credit to the private sector.	- Headline CPI data is released monthly. - Official exchange rates are reported daily, while effective exchange rate data is available only monthly with a delay of up to four months. - Monetary and credit data is released quarterly, and the monthly breakdown is published with a time lag of three to six months.	- CPI now encompasses all 18 provinces, extending the previous coverage of 12 provinces. The number of items was also expanded to 485 from 245, with weights generated from the 2012 Lao Social Indicator Survey. - The actual amount of bills that are denominated in U.S. dollars or other FCYs and are circulating in the economy is not captured in official monetary statistics. Money supply data comprises only deposits in banks (denominated in LCY and FCY) and bills in circulation (in LCY only).	Some items in the monetary survey, such as BOL's claim on commercial banks and commercial banks' liabilities with BOL, are not internally consistent.	Policy efforts to improve consistency in the monetary survey are ongoing.
Financial Sector Soundness Indicators	Selected indicators on financial soundness (FSIs) are published on the BOL website.	Quarterly and annual data is available on the BOL website, usually with a time lag of three to six months.	FSI indicators are generally compiled based on the IMF's FSI Guide. FSI indicators are available except those related to liquidity and market risks. However, underlying data and metadata is unavailable.	Some financial indicators, such as the interest rate margin, are not consistent with levels implied in individual bank balance sheets.	—

Notes:

- (i) Data availability refers to whether the official data is available for public access by any means.
- (ii) Reporting frequency refers to the periodicity with which the available data is published. Timeliness refers to how up to date the published data is relative to the publication date.
- (iii) Data quality refers to the accuracy and reliability of the available data, taking into account the data methodologies.
- (iv) Consistency refers to both internal consistency within the data series itself and its horizontal consistency with other data series of either the same or different categories.
- (v) Other criteria might also apply, if relevant. Examples include but are not limited to potential areas of improvement for data adequacy.

Source: AMRO staff compilation. This preliminary assessment will form the "Supplementary Data Adequacy Assessment" in the EPRD Matrix.

Annexes: Selected Issues

Annex 1. Potential Impacts of U.S. Trade Tariffs on Lao PDRⁱⁱ

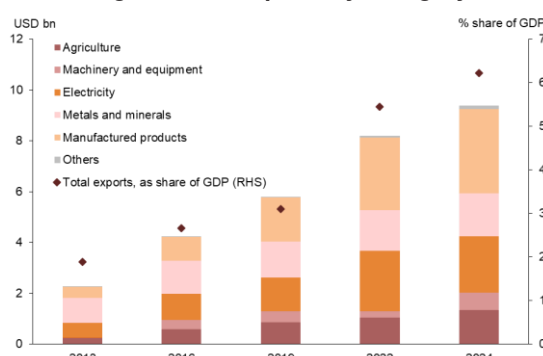
The United States has imposed one of the highest average tariff rates on Lao PDR in the ASEAN region. While Lao PDR's gross exports to the U.S. remain modest, the recent sharp rise in solar cell production raises the country's exposure to U.S. trade policy. At the same time, Lao PDR's deepening trade and investment links with China increase its vulnerability to a slowdown in the Chinese economy. This selected issue examines how U.S. tariffs and shifts in final demand from major trading partners could affect the Lao economy under different scenarios.

Recent Trade Developments

1. Lao PDR's exports have expanded rapidly over the past decade, but remain concentrated in the primary sector. Since 2013, exports have quadrupled in value to USD9.4 billion in 2024, or about 62 percent of GDP (Figure A1.1). Despite such impressive growth, the export base remains dominated by resource-based sectors, particularly electricity, agriculture, and mining, with limited downstream processing. More recently, manufactured products such as solar cells and potash have emerged as new drivers of export growth, indicating a gradual shift beyond raw material extraction. While this diversification has supported export earnings, Lao PDR's overall participation in global value chains remains limited, with much of the technology-intensive and higher value-added activities still undertaken abroad.

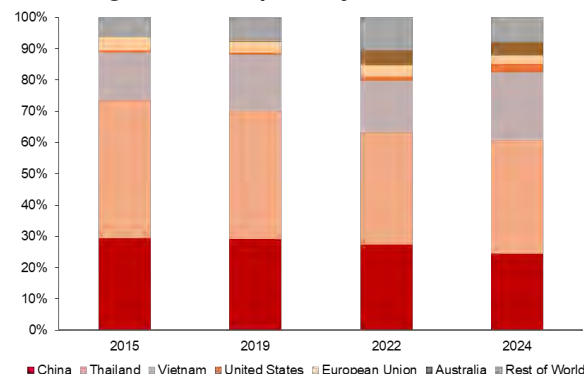
2. Although still modest in absolute terms, exports to the United States have been on the rise. Exports to the U.S. rose from 0.7 percent of total exports in 2015 to 3 percent in 2024 (Figure A1.2), driven largely since 2023 by solar cells. Lao exports to the U.S. were previously dominated by consumer products, in particular spectacle lenses and garments (Figure A1.3). This pattern started to shift in 2023, when Chinese solar firms began relocating production to Lao PDR in response to tightening U.S. scrutiny of solar panel imports from Cambodia, Malaysia and Vietnam. By 2024, photovoltaic (PV) cells were accounting for nearly half of Lao exports to the U.S. Yet, the domestic value-added content of these exports remains modest, given that most machinery and upstream inputs, such as polysilicon wafers, are imported from China.

Figure A1.1. Exports by Category



Source: Bank of the Lao PDR (BOL)

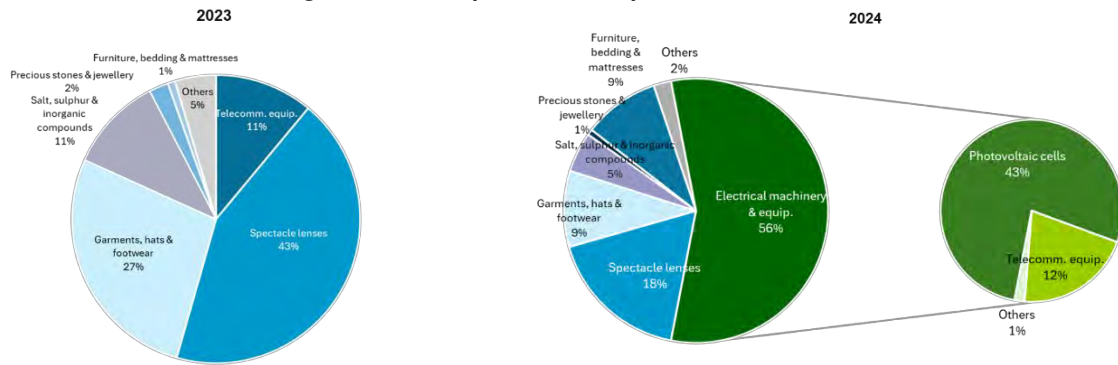
Figure A1.2. Exports by Destination



Source: Ministry of Industry and Commerce

ⁱⁱ Prepared by Ng Poh Lynn, Economist. Peh Kian Heng, Lead Economist provided valuable comments.

Figure A1.3 Composition of Exports to U.S.



Sources: U.S. Bureau of Economic Analysis, Global Trade Atlas

Transmission Channels of U.S. Tariffs

3. Lao PDR faces a reciprocal tariff rate of 40 percent, among the highest in the ASEAN region (Figure A1.4).⁹⁰ Even after accounting for exempted products, mainly of metal ores and some electronic items, AMRO estimates that the weighted reciprocal tariff rate on Lao PDR remains elevated at 36.1 percent (Figure A1.4). Given that the U.S. accounts for a small share of total Lao exports, however, the immediate direct impact of these tariffs is likely to be limited.⁹¹

Figure A1.4. Announced U.S. Reciprocal Tariffs

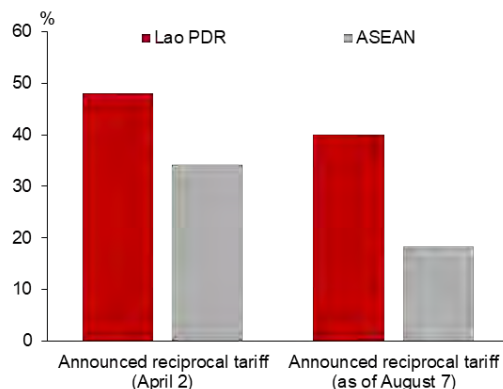
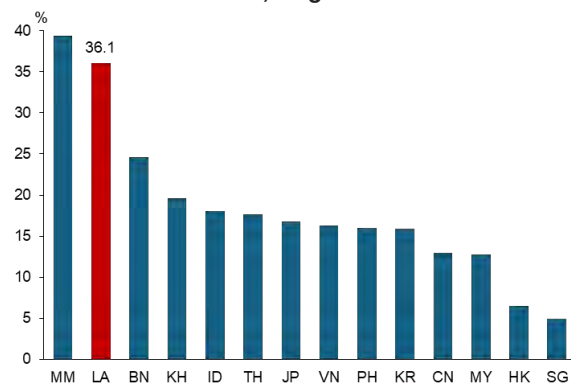


Figure A1.5. Weighted Reciprocal U.S. Tariff Rates, August 7

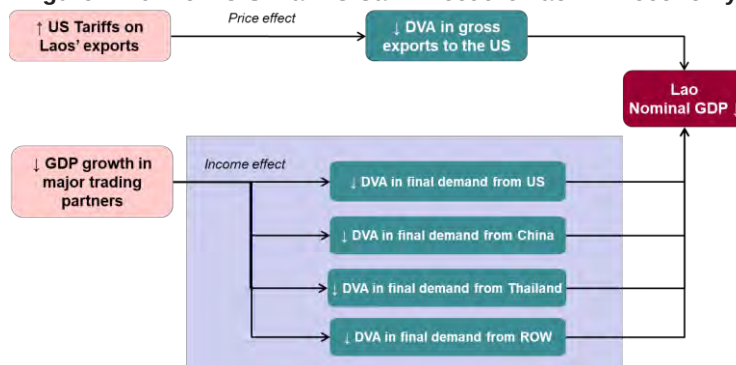


Source: U.S. International Trade Commission; S&P Connect Global Trade Analytics; news media; AMRO staff calculations

Note: The regional aggregate is the trade-weighted average of individual economies' tariffs. The weighted reciprocal tariffs exclude products exempted following the White House Executive Order 14257 on April 2 and the clarification of exceptions on April 11 up to HS six-digit codes, and include a 25 percent tariff on auto, steel and aluminium products following Proclamation 10908, Proclamation 10895 and Proclamation 10896 up to HS six-digit codes; Japanese and Korean auto products face a 15 percent tariff. Weighted tariffs after August 1 reflect the tariff rates stated in the bilateral letters and latest trade deals, with an additional 50 percent levied on copper products under HS Chapter 74, while weighted tariffs after August 7 incorporate the latest trade deals for Cambodia, Malaysia and Thailand.

4. The U.S. tariffs are expected to affect the Lao economy through two main channels, namely price and income effects. Both channels ultimately influence the domestic value-added (DVA) in Lao exports, and therefore feed directly into nominal GDP (Figure A1.6). The DVA concept provides a clearer picture of how tariffs affect Lao PDR's GDP growth by focusing on only the share of exports that contributes directly to domestic income, rather than gross exports that also include imported intermediate inputs. This prevents overstating GDP losses from weaker external demand and more accurately captures the extent to which slower growth in partner economies affects Lao PDR through the DVA embodied in their final demand.

Figure A1.6. How U.S. Tariffs Can Affect the Lao PDR economy



Source: AMRO staff illustration

- **Price effects:** Higher U.S. tariffs raise the import prices of Lao products, dampening U.S. demand. Solar panels in particular, which accounted for almost 45 percent of Lao exports to the U.S. in 2024, are highly price sensitive (Bollinger et al 2024). AMRO staff estimates suggest an overall price elasticity of demand of around 1.5 (Figure A1.7), which means that a 1 percent increase in import prices due to higher tariffs would result in a 1.5 percent decline in import demand. Based on this assumption, the tariff hike could reduce Lao GDP by 0.1-0.2 percentage points in 2025 and by 0.2-0.3 percentage points in 2026 compared with baseline projections (Figure A1.8). As most inputs to solar cell production are imported, each dollar of solar exports is likely to have limited contribution to Lao GDP, which softens the direct tariff impact.

Figure A1.7. Weighted U.S. Import Price Elasticity

Product category	Import demand elasticity	Share of Lao exports to the US, %	
		2023	2024
Solar panels	1.5	0	45
Spectacle lenses	0.6	45	20
Garments, hats & footwear	1.6	30	10
Furniture, bedding & mattresses	2.2	0	10
Salt, sulphur & inorganic compounds	0.3	15	5
Telecomm. equipment	4.3	10	10
Weighted import price elasticity		1.2	1.5

Source: AMRO staff estimates, based on Kravchenko et al. (2020), New global estimates of import demand elasticities

Figure A1.8. Impact of U.S. Tariff on Lao Real GDP Growth

Variable	2023	2024	2025f	2026f
Weighted US reciprocal tariff rate, %			10.0	36.1
Pre-tariff GDP growth, %	4.2	4.3	4.6	4.6
Price elasticity on tariff increase	1.2	1.5	1.5	1.5
DVA in gross exports to the US, %	80.5	66.8	66.8	66.8
Decline in DVA due to US tariff increase, %			15	55
Revised GDP growth, %	4.2	4.3	4.5	4.4
Effect of US tariff on GDP growth, percentage pts.			-0.1	-0.2

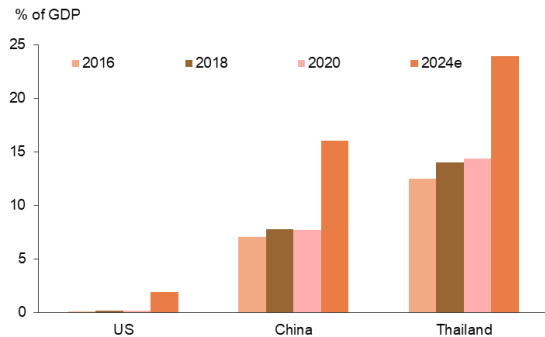
Source: AMRO staff estimates, based on data from the OECD TiVA database and MOIC

Note: From 2024, the share of domestic value-added (DVA) in gross exports to the U.S. is assumed to be much lower due to the shift toward solar panels, which are estimated to have about 35 percent local content (the minimum requirement to obtain Lao PDR's Certificate of Origin), leading to a lower weighted DVA to gross exports ratio for the U.S.

- **Income effects:** The larger concern for Lao PDR is the indirect effect of tariffs through their impact on global growth. Tariffs that weigh on global and regional growth, particularly in China and Thailand, would reduce those countries' final demand from Lao PDR, and hence the domestic value added of Lao PDR would decline. For example, gross exports data overstates Lao PDR's reliance on Thailand as a source of external demand (Figure A1.9), since much of the bilateral trade flows reflect intermediary flows. In contrast, a value-added perspective

shows that the U.S. and China account for a larger share of Lao PDR's true final demand (Figure A1.10). This suggests that a growth slowdown in the U.S. or Chinese economies would have a more material impact on Lao GDP than headline trade statistics alone would indicate.

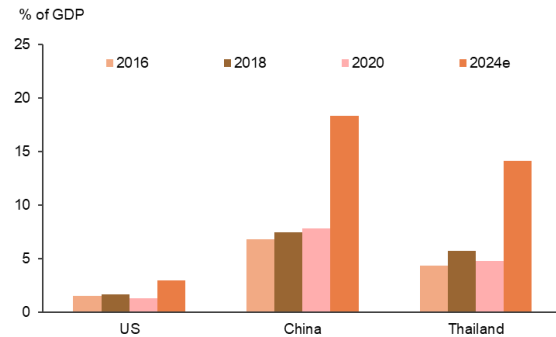
Figure A1.9. Lao PDR: Gross Exports-to-GDP Ratio



Source: MOIC; Lao Statistics Bureau; AMRO staff estimates

Note: The sharp increase in the exports-to-GDP ratio compared with 2020 is in part also attributed to the decline in Lao PDR's GDP in U.S. dollar terms. The sharp depreciation of the kip resulted in the Lao GDP in U.S. dollar terms falling to 20 percent lower in 2024 compared with 2020.

Figure A1.10. Foreign Final Demand, as Share of Lao GDP



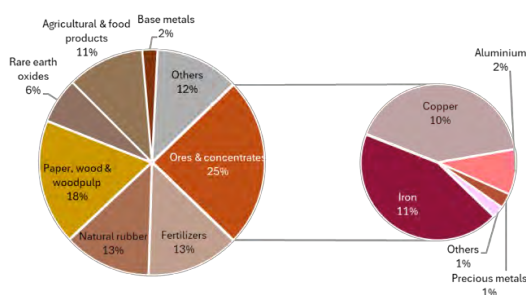
Source: OECD TiVA database; Haver; AMRO staff estimates

Note: Final demand exposure in 2024 is projected by applying the share of foreign final demand of each trading partner in 2020 to the growth of its domestic demand.

Rising Dependence on China

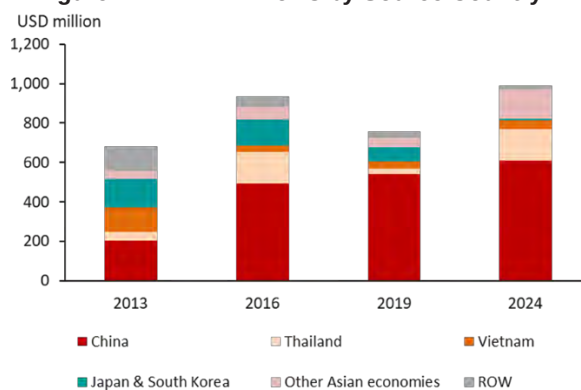
5. Among Lao PDR's major trading partners, China has become the most significant source of external risk. On the trade side, Lao exports to China are heavily concentrated in mineral ores, leaving them highly sensitive to a decline in Chinese industrial activity (Figure A1.11). On the investment side, China has emerged as the largest source of FDI inflows for Lao PDR (Figure A1.12), channelled mainly into resource-based sectors as well as infrastructure projects.

Figure A1.11. Composition of Exports to China



Source: China Customs; Global Trade Atlas

Figure A1.12. FDI Inflows by Source Country



Source: BOL

Scenario Discussion

6. To assess the potential impact of U.S. tariffs on the Lao economy, three scenarios are considered. The analysis draws on value-added final demand trade links and AMRO staff assumptions on income elasticities (Figures A1.14, A1.15), based on existing empirical literature.⁹² Income elasticity measures the extent to which slower growth in Lao PDR's major trading partners reduces their demand for Lao exports. This elasticity is dependent on the composition of exports to the partner country, for example, exports of hydropower are less

income-elastic because they are contracted, but demand for mineral ores could decline more sharply when growth slows (Figure A1.13).

Figure A1.13. Assumptions on Elasticity of Import Demand to Income Changes

Economy	Income elasticity of import demand	Factors underpinning assumptions
United States	1.2 – 1.6	Assume imports of consumer goods are fairly sensitive to declines in income.
China	1.5 – 2.0	Demand for primary commodities, esp. metals are highly vulnerable to slower industrial growth
Thailand	0.8 – 1.2	Electricity imports are bound by long-term contracts

Source: AMRO staff assumptions, based on empirical literature

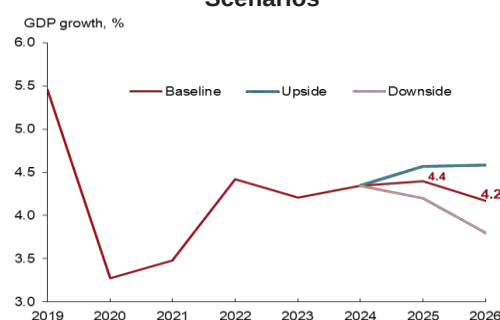
- **Baseline scenario:** With tariffs taking effect from August 2025, and a moderate growth slowdown in its major trading partners, Lao GDP growth is projected at 4.4 percent in 2025 and 4.2 percent in 2026.
- **Upside scenario:** A resolution of trade tensions and lower tariffs would support stronger external demand. Under this assumption, Lao GDP could expand by 4.6 percent in both 2025 and 2026, broadly in line with pre-tariff projections.
- **Downside scenario:** A sharper global slowdown, particularly in China, combined with high income elasticities of demand, could translate into significantly weaker external demand for Lao PDR. In this scenario, Lao GDP growth could slow to 3.8 percent in 2026.

Figure A1.14. Assumptions on Growth and Tariff Rates

Scenario	Year	US Tariff Rates, %	Real GDP Growth, %			
			US	China	Thailand	Lao PDR
Actual	2024	-	2.8	4.9	1.9	4.3
Upside	2025	10	2.5	4.8	2.9	4.6
	2026	20	2.0	4.7	3.0	4.6
Baseline	2025	10	1.5	4.5	2.1	4.4
	2026	36	1.6	4.1	1.8	4.2
Downside	2025	10	1.6	4.2	1.9	4.2
	2026	36	1.4	3.0	1.7	3.8

Source: China Customs; Global Trade Atlas

Figure A1.15. GDP Trajectories under Different Scenarios



Source: BOL

Policy Implications

7. The uncertainties surrounding the impact of trade tariffs highlight important policy priorities for Lao PDR. While the immediate impact of the new U.S. tariff is expected to be contained, the greater risk stems from indirect spillovers of rising global trade tensions. A sharper slowdown in China, one of Lao PDR's largest trading partners and investors, together with weaker regional growth could significantly affect external demand and growth. In the near term, rebuilding fiscal and external buffers will be critical to cushioning the economy against external shocks, particularly if regional growth slows more sharply. Over the medium term, Lao PDR needs to diversify its export base by developing domestic supply chains, strengthening workforce skills and promoting downstream processing in key industries. At the same time, deeper integration with ASEAN+3 and regional value chains can broaden market access and attract more sustainable investment.

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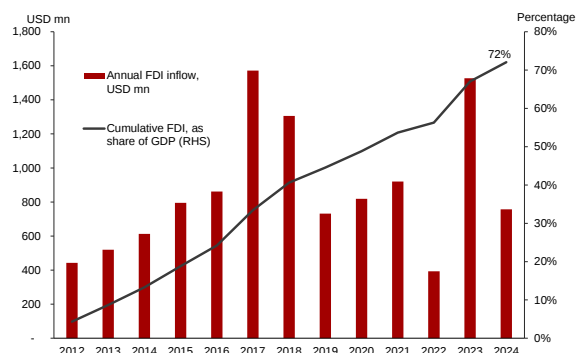
Annex 2. Amended Investment Promotion Lawⁱⁱⁱ

The 2024 amendment to Lao PDR's Investment Promotion Law updates the list of priority sectors, consolidates Special Economic Zone provisions and streamlines incentives to enhance clarity and efficiency. Yet, reliance on discretionary approvals risks policy inconsistency and weakens transparency, while the OECD/G20 global minimum tax may erode profit-based incentives. Sustaining competitiveness will require a stronger focus on structural drivers such as infrastructure, logistics and institutional efficiency. This selected issue discusses how the amended framework can strengthen investment competitiveness and align promotion policies with Lao PDR's long-term development goals.

Investment Trends and Policy Framework

1. Lao PDR attracts steady foreign direct investment (FDI), leveraging its corridor hub location, cost competitiveness and abundant resources. Compared to neighbors such as Thailand and Vietnam, Lao PDR lags behind in infrastructure development, labor skills, market size and supplier networks. That said, the Lao PDR's role as a corridor linking China, Thailand and Vietnam, reinforced by the Lao-China Railway, offers significant intra-regional trade and logistical advantages. Low costs of setup, utilities and land acquisition further raise its appeal as a cost-efficient investment destination. In addition, Lao PDR's rich endowments in renewable energy, especially hydropower, and in minerals and agriculture, provide investment opportunities across sectors. Over the past decade, FDI inflows have been resilient, cumulatively exceeding 70 percent of GDP by 2024 (Figure 2.1), concentrated in electricity, mining, real estate, manufacturing and agriculture (Figure A2.2).

Figure A2.1. FDI Inflows to Lao PDR, 2012-2024

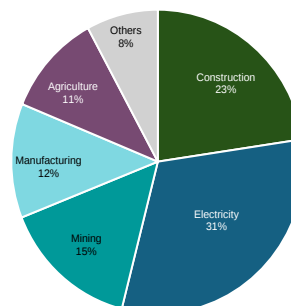


Source: BOL; AMRO staff compilation

Note: FDI inflows exclude financial and insurance activities.

Cumulative FDI stock is calculated as the sum of annual FDI inflows since 2012.

Figure A2.2. Composition of FDI inflows to Lao PDR, 2012-2024



Source: BOL; AMRO staff compilation

Note: FDI inflows exclude financial and insurance activities.

2. The government's efforts to attract investment, especially FDI, are underpinned by the Investment Promotion Law, first enacted in 2009 and amended in 2016 and 2024. The legislation provides incentives, notably tax benefits, to both domestic and foreign investors, differentiated by sector and infrastructure conditions at the investment location. Special Economic Zones (SEZs) are particularly favored, offering higher incentives, more efficient administrative procedures and better infrastructure. Implementation of investment promotion policies is coordinated by the Ministry of Planning and Investment (MPI), which streamlines approvals via a one-stop service (OSS) at national, provincial and SEZ levels. The Ministry of Finance (MOF) oversees tax policy and monitors fiscal impacts. In June 2025, the Investment Promotion and Management Committee was elevated to report directly to the Prime Minister in order to improve efficiency, expedite incentive delivery and strengthen investor confidence. The authority to

ⁱⁱⁱ Prepared by Kittiya Manivong, Associate.

approve small projects has also been decentralized to local governments, aiming to ease administrative bottlenecks and accelerate the investment approval process.

2024 Investment Promotion Law: Key Revisions

3. The Investment Promotion Law amended in 2024 contains an updated list of priority sectors to reinforce the country's focus on sustainable growth in alignment with national development goals. The revised list retains green sectors, such as eco-agriculture, agro-processing, renewable energy and eco-tourism, and technology and innovation sectors, along with activities that support infrastructure and human capital development, including health care and education. At the same time, it adds SEZ-related infrastructure development and logistics and warehousing to Lao PDR's priorities while removing rural development, policy banks and microfinance, as well as commercial centers and exhibition facilities (Table A2.1). The country has designated 21 SEZs nationwide, hosting a diverse mix of sectors, including logistics, manufacturing, agriculture, tourism, energy, real estate and services. Emerging SEZs such as Amata World aim to capitalize on the country's corridor hub location and improved connectivity through the Lao-China Railway. The newly added priority sectors thus reflect the government's efforts to diversify the economy, reduce reliance on natural resource extraction, and leverage stronger regional connectivity.

Table A2.1. Comparison of Investment Incentives in Lao PDR: Pre-2024 vs. 2024 Onwards

	Prior to 2024		2024 onwards		
Coverage	Investment Promotion Law 2016 [Non-SEZs]	Decree 188/2018 [SEZs]	Investment Promotion Law 2024 [Non-SEZs, SEZs, Special SEZs]		
Promoted sectors	(1) High and modern technology, (2) clean agriculture, (3) agro-processing and handicrafts, (4) eco, cultural and historical tourism, (5) education, sports and vocational training, (6) health care and traditional medicine, (7) public infrastructure, (8) policy banks and microfinance, (9) commercial centers and exhibition facilities		(1) Eco-agriculture, (2) agro-processing and manufacturing, (3) health care, (4) education and training, (5) digital technology and innovation, (6) eco, cultural and historical tourism, (7) public infrastructure, (8) SEZ-related infrastructure, (9) logistics and transport		
Profit/Corporate Income Tax (CIT) incentives					
Zone 1	Max 10 years (+5 years for specific sectors only) of 100% tax exemption	Max 16 years of 100% tax exemption, +5 years of 65% tax exemption	Max 10 years (+5 years for specific sectors only) of 100% tax exemption	Max 16 years of 100% tax exemption	Additional incentives as approved or endorsed by the National Assembly from time to time
Zone 2	Max 4 years (+3 years for specific sectors only) of 100% tax exemption	Max 8 years of 100% tax exemption, +5 years of 65% tax exemption	Max 4 years (+3 years for specific sectors only) of 100% tax exemption	Max 8 years of 100% tax exemption	
Other incentives					
Custom duties exemption	- Imports of materials and equipment for fixed assets - Imports of machinery and vehicles for production - Imports of materials, equipment and parts for export production and import substitution - Exports of agricultural, industrial and handicraft products		- Imports of materials and equipment for fixed assets - Imports of machinery and vehicles for production - Imports of materials, equipment and parts for export production and import substitution - Exports of agricultural, industrial and handicraft products		
VAT exemption	- Imports of materials and equipment for fixed assets - Use of domestic raw materials - Zero VAT for export factories and 50% off infrastructure VAT		- Imports of materials and equipment for fixed assets - Use of domestic raw materials - Zero VAT for export factories and 50% off infrastructure VAT		
Land rental exemption	Zone 1: max 15 years; Zone 2: max 8 years		Zone 1: max 15 years; Zone 2: max 8 years		
Reduced Personal Income Tax (PIT)			5%		

Source: Investment Promotion Law 2016, 2024; Decree on SEZs 2018; PwC Tax Summaries

Note: Zone 1 consists of poor zones and remote zones with socioeconomic infrastructure that is unfavorable to investment, while the socioeconomic infrastructure of Zone 2 is favorable to investment.

4. The amended law consolidates the incentives for SEZs and streamlines tax provisions. Incentives offered to SEZs, previously outlined under a separate legal document, Decree 188 in 2018, are now incorporated into the 2024 Investment Promotion Law. Both SEZs and specific zones, such as industrial and high-tech zones, come under a single legal framework. Regarding tax incentives, investment in priority sectors and outside SEZs remain eligible for profit tax

holidays of four to 10 years, or seven to 15 years for selected sectors, depending on local infrastructure conditions. Investment in normal SEZs may receive profit tax holidays up to eight to 16 years. However, the amended law removed the provision allowing five more years at a 65 percent CIT reduction. At the same time, it introduced a flat 5 percent PIT rate for specialists working in promoted sectors.

Remaining Gaps and Areas of Improvement in Investment Promotion

5. Considerable room remains to improve Lao PDR's overall investment promotion framework, despite the 2024 amendments to the Investment Promotion Law. First, the law permits the government to provide additional incentives for specific SEZs, subject to National Assembly approval. This broad discretion for strategic projects allows SEZs to negotiate extra tax incentives, creating risks of policy uncertainty, unequal treatment, and weakened transparency and consistency. While tax incentives in regular SEZs are already more generous than neighboring countries, the discretionary benefits available to specific SEZs and their tenants risk being excessively generous (Table A2.2). Second, the absence of clear and transparent eligibility criteria for granting incentives in priority sectors raises the risk of rent-seeking, undermines policy coherence and erodes investor confidence. Third, the implementation of the OECD/G20 global minimum tax initiative could reduce the appeal of existing tax incentives to multinational enterprises. These gaps highlight the need to strengthen non-tax factors to attract investment. Those factors include improving infrastructure and connectivity, addressing last-mile bottlenecks from production sites to rail hubs, streamlining cross-border customs procedures, and further simplifying approval processes at both central and local levels. The efficiency and effectiveness of tax incentives can be enhanced by shifting from profit-based to cost-based instruments, implemented in parallel with regulatory reforms and strengthened administrative capacity. Further improvement calls for clear eligibility criteria, embedding sunset clauses with regular cost-benefit reviews, ensuring transparency through tax expenditure reporting, and aligning incentives with strategic sectors that generate genuine FDI spillovers⁹³.

Table A2.2. Comparative Overview of SEZ Incentives in Lao PDR, Thailand and Vietnam

	Lao PDR (SEZs)	Thailand (SEZs & EEC)	Vietnam (economic & high-tech zones)
CIT	Up to 8-16 years of CIT exemption, depending on zone category. Some specific SEZs have been granted profit tax holidays of up to 30 years upon National Assembly approval.	Up to 8 years of CIT holiday; 50% cut for next 5 years; up to 15 years + 50% cut for next 10 years for targeted industries located in EEC.	2-4 years of CIT exemption; 50% cut for next 4-9 years; 10% CIT rate in disadvantaged zones over the life of the project.
Import duty/VAT	Imports of materials and equipment for fixed assets; imports of machinery and vehicles for production; imports of materials, equipment and parts for export production and import substitution; use of domestic raw materials; infrastructure development and utility bills.	BOI/EEC duty exemptions on machinery; raw-material duty relief; additional deductions on operating expenses such as power and transport.	Duty exemptions for machinery and materials tied to zone status and export production.
PIT for specialists	5% PIT rate on specialist working in promoted/priority sectors.	17% PIT rate in EEC.	No PIT incentives for specialists.
Land lease/tenure	50 years, with possible extension up to 99 years	Up to 50-year lease + 49-year renewal for targeted industries located in EEC.	70 years, with possible extension up to 99 years
Customs and one-stop service	SEZ one-stop units; customs/VAT incentives embedded in decrees; practice varies by zone.	BOI/EEC provide streamlined approvals, "green-lane" customs and R&D merits.	Export processing zones function as separate customs areas with on-site customs, guided by national templates.

Source: ASEAN Briefing, Vietnam Briefing, PwC Tax Summaries, AMRO staff compilation

Note: BOI refers to Thailand's Board of Investment, and EEC refers to the Eastern Economic Corridor.

References:

Amended Investment Promotion Law 32/NA dated November 17, 2016.

Amended Investment Promotion Law 62/NA dated June 28, 2024.

Andriansyah, Hong, S. H. (Luke), & Nam, B. (2021). *Policy considerations in using tax incentives for foreign investment*. ASEAN+3 Macroeconomic Research Office (AMRO).

Decree on Special Economic Zones 188/GOL dated June 7, 2018.

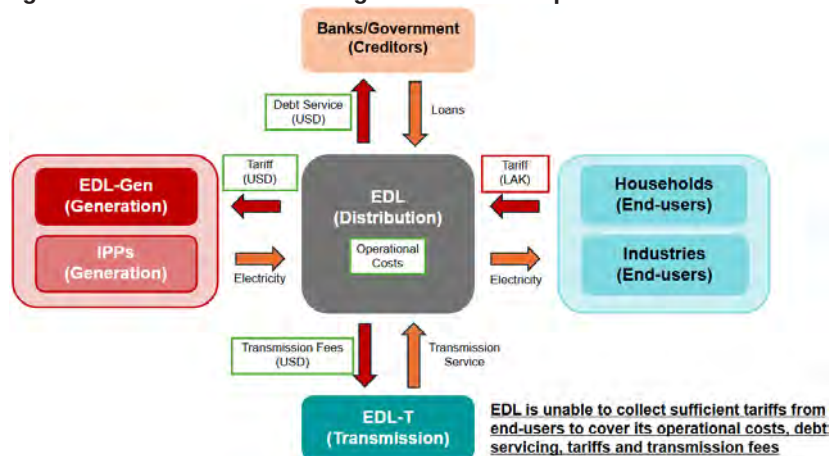
Annex 3. Impacts of 2025 Electricity Tariff Changes^{iv}

Raising electricity tariffs to cost recovery level is a crucial reform in the Lao PDR electricity sector. In February 2025, the government approved a five-year road map to increase tariffs, aiming to strengthen the financial position of electricity state-owned enterprises (SOEs). This selected issue assesses the impact of the higher tariffs on the largest electricity SOE, Électricité du Laos (EDL). It also examines the potential inflationary impacts of the reform and explores options for the government to provide more support to vulnerable households during the transitional period.

Overview of 2025 Electricity Tariff Changes

1. Improving EDL's financial position is essential to resolving the financial difficulties of electricity SOEs and safeguarding macroeconomic and banking-sector stability. EDL faces structural challenges rooted in a fundamental currency mismatch. While the company collects electricity tariffs from domestic residential and industrial users in kip, it must pay in U.S. dollars for most power purchases from EDL-Generation (EDL-Gen) and independent power producers (IPPs), and transmission fees to EDL Transmission (EDL-T) (Figure A3.1). Kip depreciation since 2022 has significantly increased these U.S. dollar obligations in kip terms. Although the government raised tariffs on industrial users in 2023, the revenue remains inadequate to cover EDL's expenses. Coupled with difficulties in securing foreign exchange to the U.S. dollar in the domestic market, EDL has been forced to delay payments to IPPs, EDL-Gen and EDL-T. These delays trigger cascading financial problems across the sector and pose broader macroeconomic risks, threatening external public debt sustainability⁹⁴ and banking-sector stability.⁹⁵

Figure A3.1. EDL's Loss-making Structure and Spillovers to Stakeholders



Source: AMRO staff illustration

2. The February 2025 electricity tariff revisions represent a critical step in reforming the electricity sector. Compared with the 2023 tariff increases, which applied to industrial users only, the road map approved in February will raise electricity tariffs for both residential and industrial users in phases from March 2025 to 2029, with industrial tariffs denominated in U.S. dollars rather than kip (Figures A3.2, A3.3).⁹⁶ Successful implementation of the new tariff structure could improve EDL's financial performance and generate positive spillovers to the government, domestic banks and electricity suppliers, including EDL-Gen. The exception is the cryptocurrency industry, which accounted for about 30 percent of domestic electricity use in 2023 (Figure A3.4), since the industry has already been charged in U.S. dollars.⁹⁷

^{iv} Prepared by Akifumi Fujii, Economist, and Naoaki Inayoshi, Economist, with statistical support from Kittiya Manivong, Associate.

3. The government has launched targeted measures to mitigate the impact of electricity tariff increases on vulnerable households. Authorities recognized that higher tariffs could disproportionately burden low-income households and erode their purchasing power, and thus exempted households consuming within the lowest monthly usage band, of 0-25 kilowatt-hours (kWh), from paying tariffs, though they remain responsible for meter maintenance costs. About 23 percent of households were exempted as of 2024, providing essential protection for the most vulnerable while preserving the momentum of the broader electricity-sector reform (Figure A3.5).

Figure A3.2. Residential Electricity Tariffs

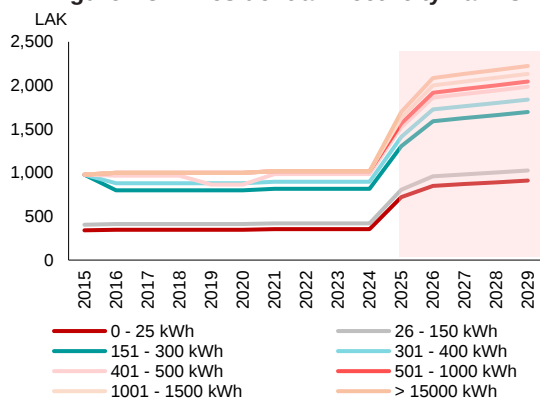


Figure A3.3. Industrial Electricity Tariffs

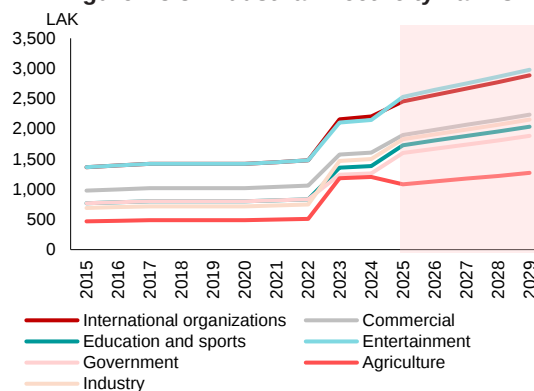


Figure A3.4. Electricity Consumption by Sector

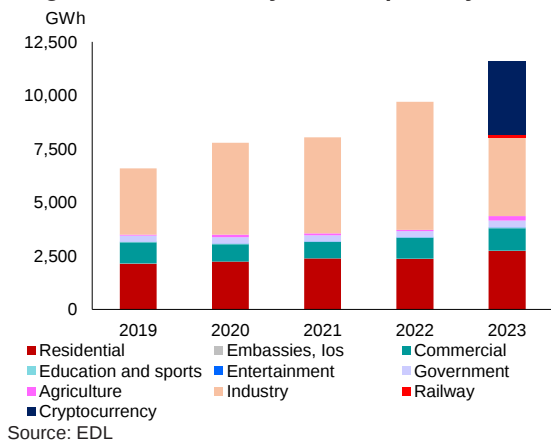
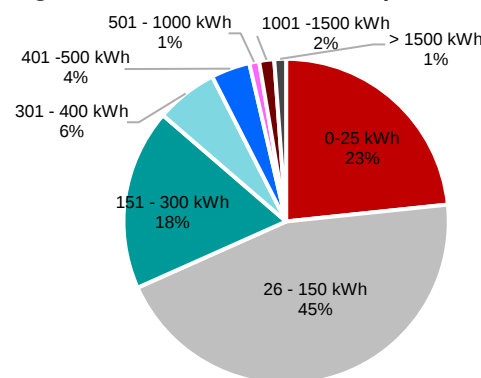


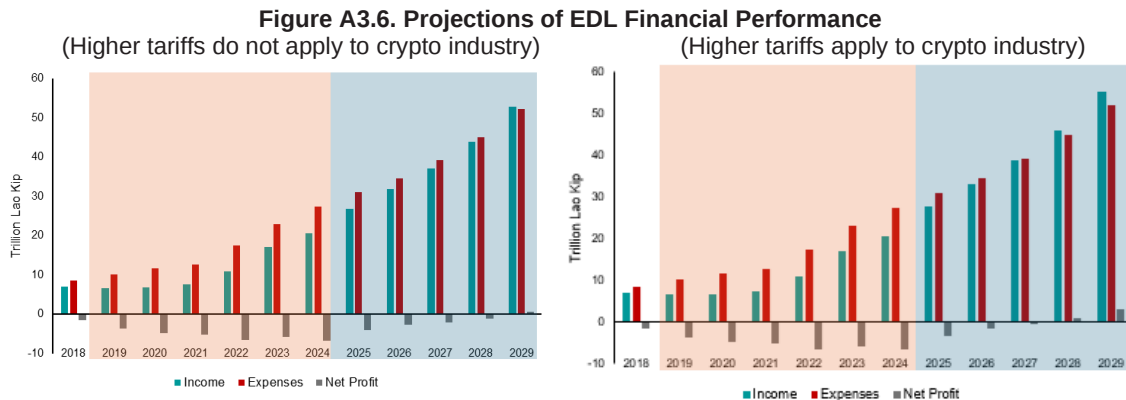
Figure A3.5. Household Consumption Brackets



Potential Impact on EDL Finances

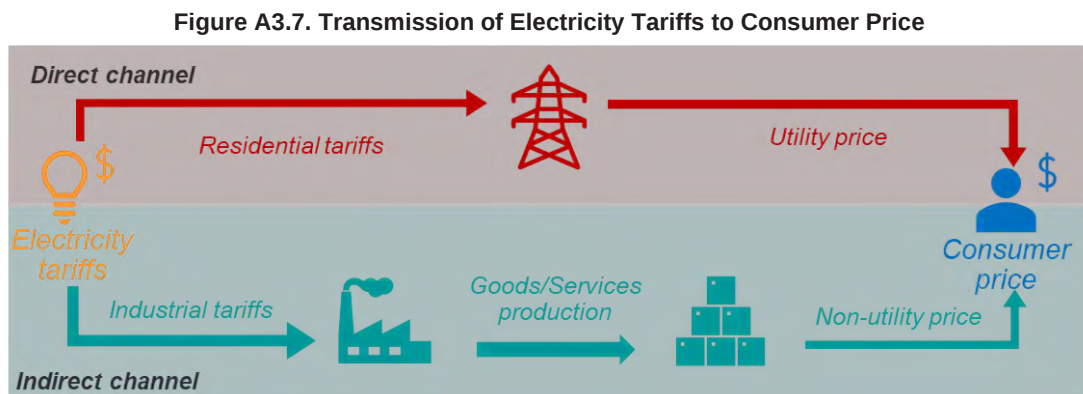
4. The electricity tariff increases would allow EDL to restore profitability over the medium term. EDL recorded a net loss in 2018—the last year it published audited financial statements. Company revenue is estimated to have grown in the ensuing years, primarily due to higher domestic electricity sales supported by overall economic expansion and the entry of energy-intensive cryptocurrency businesses. However, the sharp kip depreciation since 2022 likely raised power procurement and debt service costs,⁹⁸ deepening EDL's losses. Under such circumstances, if the approved electricity tariff changes are implemented as planned, the

AMRO staff team estimates that EDL could return to a net profit by 2029—or even earlier, should the tariff increases be extended to the cryptocurrency industry (Figure A3.6).



Potential Impacts on CPI Inflation

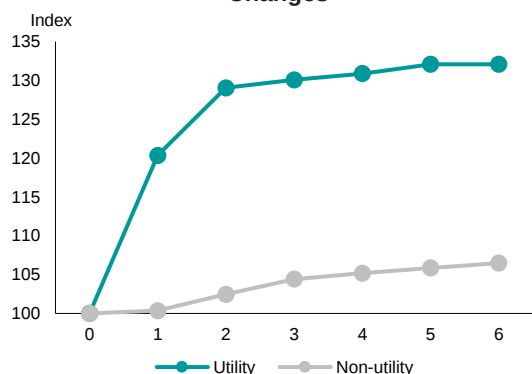
5. The tariff changes are expected to affect CPI inflation both directly and indirectly. To accurately assess the inflationary impacts, it is important to clarify how electricity tariffs relate to goods and services purchased by consumers (Figure A3.7). The direct impact stems from higher residential tariffs feeding into utility prices, which account for 5.3 percent of the CPI basket weight. More significantly, the indirect channel operates through the increased industrial tariffs raising production costs across sectors, with potential pass-through effects on the remaining 94.7 percent of CPI components, all non-utility in nature, as businesses transmit the higher input costs to selling prices.



Source: AMRO staff illustration

6. The AMRO empirical study suggests the new tariff structure could raise headline CPI inflation by an average of 1.3 percentage points annually between 2025 and 2030.⁹⁹ The timing and magnitude of inflationary pressures will vary between the two transmission channels. The direct channel will generate immediate upward pressure on utility prices following the residential tariff changes, while the indirect channel will be predominantly manifested from 2026 onward due to lagged non-utility price adjustments (Figure A3.8). Consequently, the inflationary impact is expected to peak in 2026, with headline CPI inflation rising by 2.4 percentage points (Figure A3.9). The indirect channel will exert greater overall pressure given the much larger weight of non-utility items in the CPI basket.

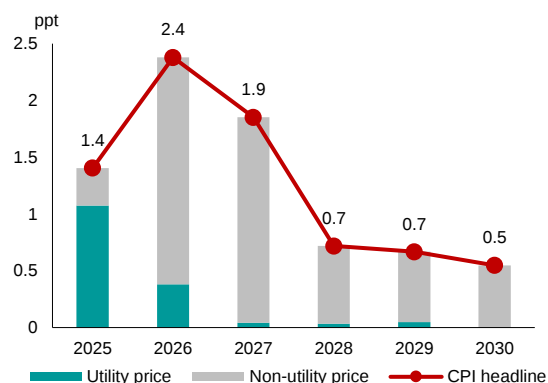
Figure A3.8. Potential Price Index After Tariff Changes



Source: AMRO staff estimates

Note: The x-axis represents the number of years following the start of the higher tariffs; 1 denotes one year after implementation begins. The pre-adjustment index value is set at 100. The non-utility price index is the weighted average of all the CPI basket items excluding electricity.

Figure A3.9. Potential Impact on CPI Inflation



Source: AMRO staff estimates

Note: Increases of both utility and non-utility prices are estimated by applying their weights in the overall CPI basket, which are 5.3 percent and 94.7 percent, respectively.

Potential Impact on Government Revenue

7. The tariff changes are projected to increase value-added tax (VAT) revenue by a cumulative 0.8-1.0 percent of GDP over the next five years. Since electricity bills incorporate a 10 percent VAT rate, higher EDL revenues will lead to a proportional rise in VAT collections. Under the planned adjustments, VAT revenue could rise by 0.8 percent of GDP cumulatively between 2025 and 2029, or up to 1.0 percent if the cryptocurrency industry is included (Table A3.1).

Table A3.1. Impact of Electricity Tariff Changes on Government Budget

Year	EDL domestic revenue (LAK trillion)			Net revenue gain of EDL				Net VAT gain of government			
	No tariff hike (A)	Tariff hike without crypto (B)	Tariff hike with crypto (C)	LAK trillion		% of GDP		LAK trillion		% of GDP	
				Without crypto (D=B-A)	With crypto (E=C-A)	Without crypto	With crypto	Without crypto (D*10%)	With crypto (E*10%)	Without crypto	With crypto
2025	19	23	24	4	5	1.0%	1.2%	0.4	0.5	0.1%	0.1%
2026	22	28	29	6	7	1.4%	1.7%	0.6	0.7	0.1%	0.2%
2027	26	33	35	8	9	1.7%	2.0%	0.8	0.9	0.2%	0.2%
2028	30	40	42	10	12	1.9%	2.3%	1.0	1.2	0.2%	0.2%
2029	36	49	51	13	15	2.3%	2.7%	1.3	1.5	0.2%	0.3%
Total	134	173	181	40	47	8.3%	9.9%	4.0	4.7	0.8%	1.0%

Source: AMRO staff estimates

Note: To estimate the impact of the higher tariffs on VAT revenue, AMRO staff first compared EDL's projected revenue under the planned tariff changes with projected revenue under a no-adjustment scenario, in which tariffs remained at 2024 levels. Applying the 10 percent VAT rate to the difference between the two estimates yields the projected VAT gain from the tariff reform.

Policy Implications

8. The electricity tariff reform is critical and should proceed as planned to restore EDL's profitability and generate positive spillovers to the broader economy. Electricity tariffs have historically been kept low due to social considerations. However, the effects have been increasingly adverse, not only on EDL's financial position but also on suppliers, banks and the government, which has provided on-lending and guarantees to EDL. Persistent delays in EDL's tariff payments to IPPs have undermined investor confidence in the electricity sector. Restoring EDL's profitability is therefore essential for ensuring the sector's long-term sustainability and maintaining macroeconomic and financial stability. In this context, extending

the tariff adjustments to the cryptocurrency industry could accelerate EDL's financial recovery and secure more VAT revenue for the government. Higher electricity tariffs could incentivize efficient energy usage and higher value-added industrial activities to offset the increased costs.

9. To cushion the impact of the higher tariffs on inflation and households' purchasing power, macroeconomic stabilization efforts should continue, and the government could consider using the additional VAT revenue to support more households. The central bank should maintain a tight monetary policy stance amid risks of renewed inflation, factoring in the effects of the higher tariffs, which may erode household purchasing power. The adverse effects could be particularly severe for low-income households, underscoring the importance of targeted mitigation measures. The AMRO staff team estimates that expanding the current support to include (i) a 50 percent reduction in electricity bills for households using 26-150kWh per month, and (ii) a 25 percent reduction for those using 151-300kWh, would cost about 1.0 percent of GDP over 2025-2029—an amount that could be fully offset by the additional VAT revenue (Table A3.2). Expanding support in this manner would allow the government to reach 86 percent of households nationwide (Figure A3.5). Two delivery mechanisms may be considered: direct cash transfers from the government, or electricity bill discounts provided through EDL. Given the administrative challenges associated with identifying household incomes, the latter may be more practical in terms of implementation. The additional VAT revenues could also be reinvested in energy efficiency programs to mitigate impacts and reduce long-term demand pressures.

Table A3.2. Budget Costs of Higher Financial Aid

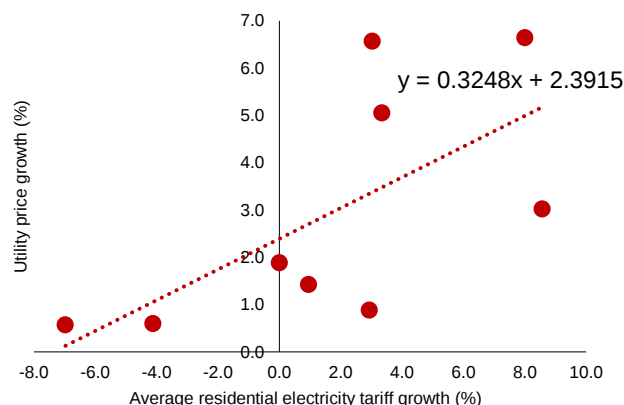
Year	Existing measure	Additional measure			
	0-25kWh per month	26-150kWh per month	151-300kWh per month	Total (LAK trillion)	Total (% of GDP)
	100% reduction (LAK trillion)	50% reduction (LAK trillion)	25% reduction (LAK trillion)		
2025	0.05	0.37	0.31	0.67	0.2%
2026	0.06	0.46	0.40	0.86	0.2%
2027	0.07	0.51	0.43	0.94	0.2%
2028	0.07	0.56	0.47	1.03	0.2%
2029	0.08	0.61	0.52	1.14	0.2%
Total	0.33	2.52	2.13	4.65	1.0%

Source: AMRO staff estimates

Technical Note: Estimating Direct and Indirect Impacts of Higher Electricity Tariffs on CPI Inflation

1. Historical data indicates a positive correlation between residential electricity tariffs and utility prices in the CPI basket in Lao PDR. Despite historically minimal adjustments, empirical evidence shows that changes in average residential electricity tariffs correlate positively with utility price growth (Figure A3.T1). From 2013 to 2021, a 1 percent increase in the average residential tariff corresponded to a 0.32 percent increase in utility prices. This transmission magnitude exceeds the 0.2 percent that was estimated based on the prevailing weight of electricity in the utility basket under the 2015 Lao Expenditure and Consumption Survey. The higher correlation likely reflects increased consumer electricity dependency since 2015. Rising household air-conditioning usage and electric vehicle ownership support this trend. While limited data availability prevents a comprehensive assessment of this transmission mechanism, the findings demonstrate that residential tariff changes directly translate into higher utility prices. This potentially heightens price awareness and inflationary expectations beyond the immediate impact on purchasing power.

Figure A3.T1. Average Residential Electricity Tariffs and Utility Price Growth



Source: EDL; LSB; AMRO staff calculations

Note: The data covers 2013 to 2021. The residential electricity tariff is a weighted average.

2. To quantify the indirect transmission mechanism, an empirical analysis is carried out to examine the relationship between industrial electricity tariffs and non-utility prices in the CPI basket. The following ordinary least square (OLS) regression model is employed to estimate the pass-through effects of industrial tariff changes on non-utility prices. All variables are converted into logs and take the first difference, such as the log difference from the previous month, so that each value represents a monthly change.

$$\begin{aligned}
 d\ln(CPI_{non-utility})_t &= \alpha + \beta_1 d\ln(Electricity_{ind})_{t-9} + \beta_2 d\ln(CPI_{non-utility})_{t-1} \\
 &+ \beta_3 d\ln(FX_{gap})_{t-1} + \beta_4 d\ln(FX)_{t-1} + \beta_5 d\ln(M2)_{t-1} + \beta_6 d\ln(CPI_{TH})_{t-1} \\
 &+ \beta_7 d\ln(Brent)_{t-1} + \mu_{month} + \epsilon_t
 \end{aligned}$$

where $d\ln(CPI_{non-utility})$ denotes the month-on-month non-utility price growth in Lao PDR and $d\ln(Electricity_{ind})$ denotes the monthly change in industrial electricity tariff in kip. The analysis also includes other covariates that are presumed to influence non-utility prices based on a past study:¹⁰⁰ $d\ln(FX_{gap})$ denotes the monthly change in the gap between the nominal effective exchange rates (NEERs) computed from the commercial bank and parallel market exchange rates ($d\ln(FX_{gap}) = d\ln(\frac{NEER_{bank}}{NEER_{parallel}})$); $d\ln(FX)$ denotes the monthly change in NEER based on

commercial banks' exchange rate; $dln(M2)$ shows the monthly change in kip-denominated broad money; $dln(CPI_{TH})$ represents the month-on-month CPI inflation in northern Thailand, which borders Lao PDR; and $dln(Brent)$ is the monthly change of Brent crude oil price in U.S. dollars. Moreover, μ_{month} is a month fixed effect, ϵ_t is an error term, and t is a month. The monthly change of industrial electricity tariff ($dln(Electricity_{ind})$) is lagged for three quarters, or nine months, with an assumption that businesses would not immediately transfer their increase in production costs to consumers. Non-utility price growth with a one-month lag ($dln(CPI_{non-utility})$), and the NEER gap ($dln(FX_{gap})$), are proxies of inflationary expectations and kip depreciation expectations, respectively. The analysis covers February 2013 to December 2023.

3. The empirical results confirm that industrial electricity tariff changes significantly influence non-utility price growth. Specifically, a 1 percent increase in industrial tariffs is found to raise non-utility prices by 0.21 percent after three quarters, significant at the 5 percent level (Table A3.T1). Other significant drivers include inflationary expectations, kip depreciation expectations, foreign exchange rates, and CPI inflation in northern Thailand. Broad money showed a positive but insignificant relationship, while Brent oil prices displayed a negative and insignificant coefficient. These findings suggest that industrial tariff increases will generate broad-based price pressures across consumer goods and services, potentially heightening inflationary expectations and eroding household purchasing power, similar to the direct utility price effect.

Table A3.T1. Empirical Results

	Dependent variable
	Non-utility price growth
Industrial electricity tariffs (β_1)	0.207** (0.083)
Inflationary expectations (β_2)	0.203* (0.109)
Kip depreciation expectations (β_3)	0.193*** (0.050)
Foreign exchange rate (β_4)	0.264*** (0.078)
M2 in LAK terms (β_5)	0.073 (0.055)
CPI inflation in northern Thailand (β_6)	0.429** (0.190)
Brent price in USD terms (β_7)	-0.008 (0.007)
Month Fixed Effect	Yes
Observations	122
R ²	0.650

Note: Numbers in parentheses give the standard error. *p<0.1,**p<0.05,***p<0.01.

End Notes

¹ In early April 2025, the U.S. announced applying “reciprocal” tariffs to nearly all trading partners, including a 48 percent tariff on Lao PDR’s exports. This rate was later lowered to 40 percent, effective August 2, 2025. As the U.S. is a relatively small trading partner of Lao PDR, the Lao government does not plan to negotiate bilaterally with the U.S. to lower tariffs, and instead plans to focus on mitigating the tariff impacts on the Lao economy. These measures could directly affect Lao exports to the U.S. market and indirectly affect exports to its major trading partners, notably China, as both destination economies are expected to slow due to the tariff effects. Despite heightened uncertainties surrounding the U.S. tariff stance, progress in U.S.-China tariff talks, and China’s stronger-than-expected GDP growth of 5.3 percent in H1 2025 support a moderate growth outlook for Lao PDR.

² The government has announced a road map to raise electricity tariffs for both residential and industrial sectors starting in 2025, with the aim of reaching cost recovery levels by 2029. This policy is expected to improve the financial position of currently loss-making electricity SOEs. However, the planned tariff adjustments are also likely to exert upward pressure on inflation. AMRO’s assessment suggests these adjustments could raise CPI inflation by 1.3 percentage points on average between 2025 and 2030, including the direct impact through utility prices and the indirect impact through the other items in the CPI basket. The impact on CPI inflation is estimated to peak in 2026 at 2.4 percentage points, primarily due to businesses’ lag in revising their non-utility prices.

³ Despite severe flooding in the latter part of 2024, agricultural exports expanded by 37.1 percent, driven mainly by an increase in shipments of cassava, coffee, maize and other products.

⁴ External debt in Lao PDR refers to all FCY-denominated debt.

⁵ These are updated numbers that the authorities published in July 2023. The new data includes the FX swap transaction with the People’s Bank of China in Lao PDR’s foreign assets, and is higher than the July 2020 statistic by USD501 million. Full information on the swap agreement and its activation has not been disclosed.

⁶ According to the BOL, this reserve figure is equivalent to 4.8 months of non-FDI-related imports, which falls short of the central bank’s target of five months. AMRO projects that reserve levels will drop to 2.7 months of imports by end-2025, after accounting for external debt repayments.

⁷ The BOL reported that the repatriation ratio, excluding the hydropower sector, increased from 36 percent and 55 percent of total export proceeds in 2022 and 2023, respectively, to 71 percent in 2024. The authorities aim to raise the compliance rate to 75 percent.

⁸ Recent efforts to strengthen the platform include the establishment of an LFX Corporation to oversee operations and governance, and a new transaction fee to support operational sustainability. While the daily buying amount is capped for both individuals and small and medium enterprises (SMEs), no ceiling restricts the selling amount, in order to expand usage. In addition, LFX has extended its operations to include Saturdays and Sundays, beyond its original weekday-only schedule.

⁹ In addition, FCY demand from domestic fuel importers reportedly rose as they ramped up fuel stock to prepare for a cut in the number of import licenses.

¹⁰ In early 2024, the BOL reduced the share of government bonds in total required reserves from 70 percent to 50 percent, and increased the minimum share of cash from 30 percent to 50 percent. In 2025, the share of government bonds in required reserves has been reduced further to zero percent for both kip and foreign currency deposits, while raising the share of cash to 100 percent.

¹¹ The introduction of a Treasury Single Account (TSA) centralizes multiple fragmented accounts of government agencies across various commercial banks in a single account at the BOL. In the past, government deposits in commercial banks could be used by these banks to expand credit, which added liquidity to the financial system. With the movement of these deposits to the central bank, excess liquidity in the banking system has been reduced.

¹² Notably, bond holdings of the state-owned BCEL increased significantly from LAK5 trillion in 2022 to LAK15 trillion in 2023 and LAK25 trillion in 2024. As of end-2024, bonds denominated in kip accounted for about 40 percent, and FCY-denominated bonds 60 percent. In terms of maturity, bonds with tenors of one to five years accounted for 54 percent of the portfolio. Bonds of more than five years made up 25 percent, and those maturing within one year, 20 percent.

¹³ The system-wide return on assets (ROA) had moderated to 1.4 percent by end-2024 compared with 1.7 percent in Q1 2024.

¹⁴ Kip loan growth more than halved from 30.3 percent at end-2023 to 14.8 percent at end-2024, then rose to 16.9 percent in early 2025. Loan growth in FCY also slowed to about 23.7 percent in late 2024, compared with about 28.4 percent in late 2023.

¹⁵ Kip lending rates increased to 11 percent in 2024 from 10 percent in 2019-2023, lagging the rise in kip deposit rates from 5.5 percent to 7.5 percent during the same period, resulting in a narrower interest margin.

¹⁶ System-wide NPL ratios experienced some increases during the year, peaking at 1.9 percent in Q2 2024.

¹⁷ BCEL’s NPL ratio rose to 2.9 percent at end-2024 from 1.9 percent at end-2023, especially in hospitality, trading, transport, and industrial sectors. Notably, the share of individually impaired loans in BCEL’s total loans increased sharply to 38.4 percent of total loans at end-2024 from 12.4 percent at end-2023. BCEL plans to establish its asset management division, underpinning its debt resolution efforts.

¹⁸ Government expenditure arrears in Lao PDR refer to delayed payments by the government, mainly for public investment projects, that were financed by commercial banks. Instead of being classified as NPLs, many of these loans are recorded as special mention loans since the borrower is expected to eventually repay. The government has cleared arrears primarily by issuing government bonds to banks and contractors since 2018. As of end-2024, government arrears outstanding were estimated at around LAK14 trillion, roughly 7 percent of total banking-sector loans. The government does not plan to issue additional bonds to settle expenditure arrears, and will repay banks and contractors, capped at LAK800 billion to LAK1,000 billion per year, through the annual budget.

¹⁹ Banks in Lao PDR, particularly state-owned institutions, are exposed to the electricity sector, mainly through loans to Electricité du Laos (EDL) and its suppliers. These loans were often provided to support infrastructure projects, but with EDL facing financial difficulties, including payment delays and liquidity issues, many of these loans are at risk.

²⁰ BCEL’s loan-loss reserves for individually impaired loans declined to 8 percent in 2024 from 21 percent in 2023. In comparison, banks in Cambodia and Vietnam typically maintain provisioning ratios of 30 to 60 percent, Indonesian banks around 60 to 80 percent, and banks in Malaysia and Singapore often more than 100 percent.

²¹ BCEL’s CAR increased modestly to 6.0 percent at end-2024 from 4.9 percent at end-2023, while Lao Development Bank’s CAR decreased to 8.6 percent at end-2024 from 8.9 percent at end-2023, slightly above the minimum requirement. Phongsavanh Bank

reported a CAR of 9.9 percent in 2024, which would be 8.5 percent if calculated by following Basel II standards. Joint Development Bank posted a CAR of 7.7 percent in Q1 2025 and plans to raise it to 8 percent by November 2025.

²² The BOL is implementing capital requirements stipulated in the amended Law on Commercial Banks 39/NA, dated July 17, 2023, which became effective on September 15, 2023. This law increased the minimum registered capital requirements for banks operating in Lao PDR. For domestic banks, the minimum registered capital went up from LAK500 billion to LAK1 trillion, and for branches of foreign banks, from LAK300 billion to LAK600 billion.

²³ For example, ACLEDA Bank Lao Ltd. increased its registered capital by LAK40 billion, from LAK460 billion to LAK500 billion. Indochina bank grew its registered capital from LAK477 billion to LAK518.9 billion in 2024, and plans to raise it to LAK1 trillion by 2035..

²⁴ The Strategic Plan for Financial Sector Development of the Lao PDR is adopting Basel II standards in three phases between 2016 and 2025 to enhance banks' risk management by aligning capital adequacy requirements with banks' profiles of credit, market and operational risks, improving supervisory capacity by moving toward a risk-based supervisory approach, and strengthening disclosure and market discipline.

²⁵ Under Pillar 1 of the minimum capital requirements, the advanced approaches, including Foundation Internal Rating-Based (FIRB) for credit risk, Internal Models Approach (IMA) for market risk, and Advanced Measurement Approach (AMA) for operational risk, were initially targeted for completion between 2021 and 2024.

²⁶ For example, AMRO has provided technical assistance for the stress testing of credit and liquidity risks and the bank scorecard, and IFRS 9 training.

²⁷ Adjusting for exchange rate effects, the revenue-to-GDP ratio would have been 15.0 percent in 2023 and 17.6 percent in 2024. The 2024 outturn was also supported by a 27 percent increase in FCY revenue, mainly from profit tax and natural resource taxes in mining and hydropower. FCY revenue accounted for an average of 16.4 percent of total revenue between 2020 and 2024. Key sources of FCY revenue include charges and fees from concessions, overflight and strategic infrastructure projects, taxes and royalties from natural resources and crypto mining, and interest receipts from SOEs.

²⁸ The VAT rate was restored from 7 percent to 10 percent starting in May 2024.

²⁹ The excise tax rate increase covers fuel-powered vehicles, liquor, beer, soft drinks, and gambling machines.

³⁰ Export duties on forest products, minerals, and mining were reintroduced in 2024 to encourage local processing prior to export and promote more efficient and sustainable use of natural resources.

³¹ The government suspended interest payments to an external creditor during 2021–2023, but no suspension of interest payments was reported in 2024, reflecting efforts to restore debt service discipline and reduce public debt levels.

³² Effective August 2024, Lao PDR began imposing VAT on digital services provided by foreign suppliers, digital platforms and e-commerce operators to users in the country.

³³ The VAT base expansion targets tourism-related businesses, including hotels, restaurants, supermarkets, and entertainment services. Micro and small enterprises will be encouraged to register under the VAT system to reduce informality.

³⁴ Tax modernization, supported by the Asian Development Bank's (ADB) Domestic Resource Mobilisation Modernisation Project, is expected to boost revenue collection in 2025 by strengthening compliance, broadening the tax base and raising efficiency through digital platforms such as TaxRIS and e-invoicing.

³⁵ Lao PDR currently adheres to fiscal commitment targets, capping the annual budget deficit at 3 percent of GDP and aiming for an average deficit of 1 percent of GDP over 2021–2025. These targets remain indicative rather than formalized fiscal rules. Under the forthcoming State Budget Plan for 2026–2030, the authorities aim to maintain fiscal discipline by achieving a fiscal surplus each year, averaging around 1 percent of GDP over the period.

³⁶ The authorities have expected the revenue collection would exceed the plan, reaching 19.9 percent of GDP in 2025 based on the preliminary revenue realization for the first nine months.

³⁷ The scope of public debt in this report and the debt sustainability analysis both refer to government debt and exclude SOE debt..

³⁸ The surge in public debt in 2023 was attributed, in large part, to the recognition of provincial-level public investment arrears that were consolidated and estimated at LAK33 trillion as of end-2022. Of this amount, LAK19 trillion has been cleared through the issuance of arrears clearance bonds in 2021, 2023 and 2024, comprising triangulation bonds issued to banks to settle loans extended to contractors, and investment bonds issued directly to contractors who undertook public investment projects without borrowing from banks. The remaining arrears of LAK14 trillion will be settled using the budget, paying in cash of LAK800 billion to LAK1,000 billion annually over an expected period of about 14 years. AMRO's estimate of public debt in 2024 is 89 percent of GDP, higher than the 81 percent reported in the 2024 Debt Bulletin, as it includes outstanding public investment and recurrent expenditure arrears equivalent to 4.5 percent of GDP, and cumulative suspended interest payments of 3.1 percent of GDP.

³⁹ GFNs are based on scheduled debt service. If calculated using actual debt service, GFNs would be 6 percent of GDP in 2023 and 4 percent in 2024.

⁴⁰ TRIS cited the sharply depreciated kip and high inflationary pressures in Lao PDR as major reasons behind the downgrade.

⁴¹ For instance, the government has collected about USD100 million from a hydropower producer which made an advance payment of taxes and royalties that are normally paid every year.

⁴² Following the COVID-19 pandemic, the government suspended debt repayment to a major bilateral lender totaling USD2.3 billion between 2020 and 2024 to address financing shortfalls. In addition, the government relied on asset sales, such as that of EDL-T, to meet its FCY financing needs. However, as borrowing options became more limited after the credit rating downgrade in Thailand in September 2023, the Lao government increased its FCY borrowing from domestic sources, particularly from commercial banks.

⁴³ The government is pursuing a short-term funding strategy that involves partially selling and privatizing power plants by establishing a super holding company. It plans to divest 35 percent equity in the proposed super holding company to Energy Absolute, a Thai alternative energy firm, for USD1 billion. However, progress remains slow and uncertain amid a liquidity shortfall faced by Energy Absolute since mid-2024. The government has engaged a legal advisor and plans to identify the legal issues surrounding the transaction by the third quarter of 2025.

⁴⁴ In 2024, debt service to the major bilateral creditor, including both principal and interest payments, was scheduled at USD377 million on concessional terms and USD255 million on commercial terms, which in total accounted for 38 percent of the Lao government's scheduled FCY debt service obligations in 2024.

⁴⁵ According to the Ministry of Finance, the government rolled over about half of the scheduled debt repayment to domestic commercial banks in 2024, which is estimated at around USD290 million.

⁴⁶ About 90 percent of the government bonds issued in 2024 has a maturity of one year.

⁴⁷ According to Lao PDR's official trade data, total exports to the U.S. amounted to USD283 million in 2024. However, U.S. import data (mirror statistics) reports a significantly higher value of USD803 million, nearly three times as much.

⁴⁸ Based on the OECD's Trade in Value Added (TiVA) data, AMRO staff estimates that final U.S. demand from Lao PDR amounted to 3.0 percent of Lao GDP in 2024. China's final demand during the same period was significantly higher, accounting for 16.0 percent of GDP.

⁴⁹ According to the 2024 Debt Bulletin, government on-lending to SOEs reached USD3.4 billion, with 92 percent extended to EDL.

⁵⁰ The scenarios for the stress test are as follows: 1) Real GDP growth shock: one standard deviation, or a -1.5 percentage point shock in 2025 and 2026; 2) primary balance shock: one standard deviation, or a -2.7 percent of GDP shock in 2025 and 2026; 3) interest rate shock: a +5 percentage point shock from 2025; 4) exchange rate shock: one standard deviation, or a 15 percentage point shock in kip depreciation in 2025 and 2026; 5) contingent liability shock: a shock of 5 percent of GDP in 2025 and 2026; and 6) combined shock: combination of growth, primary balance, interest rate and exchange rate shocks, each at half the size of the individual shocks described in bullet points 1-4. The customized exchange rate shock assumes a 26 percent kip depreciation in 2025-2026, comparable to the average magnitude of depreciation between 2022 and 2024.

⁵¹ Under the baseline scenario, public debt is projected to decline to 62 percent of GDP by 2029, supported by an average primary surplus of 3.6 percent of GDP over the period of 2025-2029.

⁵² According to [AMRO \(2022\)](#), the indicative public-debt-to-GDP threshold for Lao PDR, set at 35 percent of GDP in present value terms by the IMF and the World Bank, has been adjusted to 41 percent in nominal terms to allow for more intuitive comparison with the projected nominal ratios.

⁵³ Under the new regulations, non-resident entities seeking to issue baht-denominated bonds in the Thai market must now meet [specific requirements](#), including by obtaining an investment-grade credit rating from an international credit rating agency. Existing issuers seeking to roll over outstanding non-investment-grade bonds must obtain an exemption from these requirements from the SEC. According to the SEC, such issuers must obtain a credit rating from an international credit rating agency regardless of whether they will be awarded an investment grade or not. Currently, no Lao issuers in the Thai market—including the Ministry of Finance and EDL-GEN—possess credit ratings from international credit rating agencies. Meanwhile, the government is in the process of obtaining an international credit rating with the aim of issuing bonds in other markets, such as Singapore and Hong Kong, China, within 2025. According to the Ministry of Finance, the government could issue USD300 million to USD500 million of bonds with tenors of three to five years and a 10-11 percent coupon.

⁵⁴ Given banks' significant holdings of government debt with maturities of one year or longer, funded primarily by short-term deposits, their liquidity conditions could be at risk in the event of large deposit withdrawals or a sharp tightening in short-term liquidity.

⁵⁵ In 2024, the government issued USD135 million of new guarantees to EDL and the state-owned petroleum company, with USD55 million allocated to EDL and USD80 million to the petroleum company. While EDL has already repaid the guaranteed loan, the petroleum company has not.

⁵⁶ EDL's financial soundness has deteriorated mainly due to: (i) insufficient electricity tariffs that fall short of cost recovery levels, (ii) a currency mismatch between the tariffs EDL pays (in U.S. dollars) when procuring power and those it collects (in kip) when selling electricity, and (iii) operational inefficiencies.

⁵⁷ The February 2025 electricity tariff adjustments, the first since February 2023, expanded residential rate categories from six to eight consumption tiers and implemented U.S. dollar-denominated pricing for industrial consumers with quarterly exchange rate reviews.

⁵⁸ EDL's audited financial statements have not been published since 2018. According to EDL, it continued to operate at a loss in 2024. While the company has begun principal repayments to some creditors, it continues to negotiate for debt restructuring. The company has not called on a government guarantee so far.

⁵⁹ In March 2025, Nam Ou Power Project, owned by PowerChina, sued EDL in the Singapore International Arbitration Center. In its filing, PowerChina claimed that EDL owed USD486 million in dues between 2020 and 2024, plus USD66 million in accrued interest. The stakeholders, including EDL, the project company and creditors, are discussing a debt restructuring plan to mitigate the negative impact of EDL's unpaid tariffs on the project company.

⁶⁰ In May 2025, TRIS maintained Lao PDR's sovereign credit rating at BB+ with a negative outlook, citing risks from contingent liabilities as a key factor in its decision. For example, it estimated that the government would need to provide about USD220 million to EDL-GEN between 2025 and 2028, in addition to the USD200 million special loan extended in 2024 to support EDL-GEN's bond repayments. Since EDL-GEN is already struggling to recover adequate revenue from electricity sales to EDL, further stress on EDL's financial position could have even more severe spillover effects on EDL-GEN.

⁶¹ Notably, Typhoon Yagi in September 2024 led to severe flooding, resulting in seven fatalities and more than USD32 million in damage. Additionally, April 2024 saw record-breaking heat, with temperatures reaching 43.7°C in Tha Ngon, affecting agriculture, education and public health.

⁶² The BOL is in the process of establishing an Interest Rate Corridor which would help to guide the market and strengthen the transmission of monetary policy.

⁶³ The authorities plan to charge FCY transfer fees, pending banks' system readiness. To prevent regulatory arbitrage, a comparable fee should apply to FCY cash withdrawals at bank counters as well. The authorities are also considering an introduction of caps on FCY deposit and lending rates. Such measures should be conditional on sustained macroeconomic stabilization and strengthened confidence in the kip. Even so, they should be gradually and prudently implemented, supported by an effective communication strategy. Among countries that cap FCY deposit and lending rates, Vietnam stands out as a successful case. Between 2011 and 2015, the State Bank of Vietnam reduced the ceiling on U.S. dollar deposit rates from 5.5 percent to zero percent for institutional deposits, and to 0.25 percent for individuals. This measure formed part of a comprehensive de-dollarization strategy that included: restricting U.S. dollar lending to priority sectors; mandating the conversion of export proceeds into Vietnamese dong; and promoting dong-denominated instruments and transactions, such as domestic payment systems and government bonds. The authorities ensured consistent communication with market participants to reduce uncertainty and discourage speculative behavior. These efforts were reinforced by Vietnam's sustained external surpluses, tight capital controls and macroeconomic stabilization policies, which helped prevent deposit flight following the cap introduction.

⁶⁴ Prepared by Yangsingkham Thai, Associate, Trung Thanh Vu, Associate Economist, and Nguyen Thi Kim Cuc, Senior Economist.

⁶⁵ This behavior contrasts with exporters of other goods and services. For example, independent power producers (IPPs) do not repatriate a large share of their electricity export proceeds and convert the money into kip, instead retaining most of the funds overseas to service debt obligations.

⁶⁶ The NEER is a geometric weighted average of the kip against 18 currencies (including the currencies of Lao PDR's three largest trading partners, the Chinese renminbi, Thai baht and Vietnamese dong, together with the U.S. dollar), weighted by each currency's share in total Laotian trade. The NEER-bank rate uses the USD-LAK rate quoted by commercial banks, while the NEER-parallel rate uses the rate from the parallel market. Both NEER series and agricultural exports are rebased to 2017, with USD-LAK data drawn from the BOL and other exchange rates from national authorities.

⁶⁷ The NEER is a geometric weighted average of the kip against 18 currencies (including the currencies of Lao PDR's three largest trading partners, the Chinese renminbi, Thai baht and Vietnamese dong, together with the U.S. dollar), weighted by each currency's share in total Laotian trade. The NEER-bank rate uses the USD-LAK rate quoted by commercial banks, while the NEER-parallel rate uses the rate from the parallel market. Both NEER series and agricultural exports are rebased to 2017, with USD-LAK data drawn from the BOL and other exchange rates from national authorities.

⁶⁸ Initially founded in 2008 as a debt collection center under the BOL, the company was restructured and formally became the Debt and Asset Administration Company (DAAC) in August 2023. It is fully state-owned, with the Ministry of Finance holding a 100 percent stake. DAAC has a capital of LAK300 billion.

⁶⁹ A new regulation issued in July 2025 introduces a framework for DAAC's purchases of bad debt based on the type and collateral characteristics. Debt is now classified into five levels, of which the first type represents the highest asset quality and the fifth represents the lowest. DAAC is allowed to buy types one to three at 70 percent, 50 percent and 30 percent of the book value, respectively. For the lowest-rated debt, namely types four and five, DAAC will provide only debt collection services.

⁷⁰ In 2025, the Ministry of Finance plans to inject LAK800 billion into three banks - BCEL, LDB, and the Agricultural Promotion Bank (APB). While LAK300 billion has already been injected into LDB, the specific injection amount for BCEL and APB are yet to be confirmed. As of end-2024, LDB's CAR stood at 8.6 percent and APB's at 12.9 percent, both above the regulatory minimum of 8 percent. BCEL plans to raise LAK900 billion to reach the minimum CAR of 8 percent by 2025 through divestment and new share issuance. As part of this effort, BCEL's 2025 plan includes the divestment of its 30 percent stake in Banque Franco-Lao (BFL) and its entire 38.35 million shares in EDL-Generation Public Company. Although the expected proceeds are not disclosed, rough estimates suggest the divestments could yield LAK300–350 billion, depending on prevailing market valuations, covering 33–38 percent of the capital needed to reach the 8 percent CAR requirement. In addition, BCEL also plans to issue additional shares via the Lao Securities Exchange, with the Ministry of Finance continuing to maintain its 60 percent ownership stake in the bank. Beyond these measures, BCEL's earnings performance is another source of capital. Retained earnings lifted its CAR in 2024, and continued earnings in the first half of 2025 are expected to contribute to capital strengthening.

⁷¹ Following the issuance of Decision No. 45/PM by the Prime Minister on requirements to increase the minimum registered capital requirements, the Banking Supervision Department under the BOL is drafting Guideline No. 383/BS to outline the timeline for banks to increase their registered capital.

⁷² AMRO has provided the BOL with technical assistance on credit and liquidity risk stress testing. To strengthen this work, efforts should focus on resolving technical challenges, such as ensuring consistent data input from banks to the stress test.

⁷³ In line with GMT rules, large MNEs with revenues of more than EUR750 million and subsidiaries in Lao PDR may face top-up tax liabilities in other countries if their effective CIT rate in Lao PDR falls below 15 percent.

⁷⁴ The revised Income Tax Law was endorsed in June 2025 and is pending the President's approval. In addition to a new minimum tax rate of 15 percent, the law would raise the minimum monthly taxable income from LAK1.3 million to LAK1.6 million and impose income tax on e-commerce and digital platforms.

⁷⁵ According to AMRO staff estimates, sustainability of external public debt could be restored if Lao PDR were to restructure debt with the major creditor as follows: (1) suspend principal repayments from 2025 to 2029, (2) resume principal repayments from 2030 in equal instalments over 10 years, and (3) reduce interest rates to 2 percent.

⁷⁶ Decree 490 on the management of public debt and guarantees stipulates detailed conditions on new borrowing and guarantees, which, for instance, can be made only for high-priority projects approved by the government. The borrowed amount must also be within the ceiling set and periodically reviewed by the government.

⁷⁷ The bond market, which is equivalent to 7.5 percent of the 2024 GDP, comprises 3.2 percent in local currency-denominated bonds and 4.3 percent in foreign currency-denominated bonds. From January 1, 2024 to July 9, 2025, the LSX issued and listed government bonds totaling LAK1.3 trillion (plan: LAK3.0 trillion), USD139.7 million (plan: USD200 million), THB8.6 billion (plan: THB12.5 billion), and CNY307.4 million (plan: CNY500 million).

⁷⁸ In Lao PDR, commercial banks hold most of the government bonds, with limited subscription by long-term institutional investors such as the Lao Social Security Organization and the Deposit Protection Fund.

⁷⁹ According to EDL, the company has not been able to issue audited financial statements since 2018 as it has failed to obtain auditors' clearance.

⁸⁰ [AMRO](#) assessed Lao PDR's export competitiveness and developed a framework to identify policy measures to strengthen domestic industries.

⁸¹ This agreement focuses on: (1) aligning Lao PDR's green activities with ASEAN taxonomy and global standards; (2) developing guidelines on green lending and risk management in financial institutions; (3) setting up frameworks and standards for green and sustainable finance instruments; and, (4) enhancing knowledge sharing and capacity building with international partners.

⁸² The indicative threshold of 35 percent for the present value of debt-to-GDP ratio, suggested by the IMF and the World Bank, has been adjusted to 41 percent for the nominal value of debt-to-GDP ratio for more intuitive comparison with the projected nominal ratios. See AMRO's 2022 Lao PDR Annual Consultation Report, Box A1.2.

⁸³ Suspended external debt from 2020–2024, including interest and principal, is accumulated at USD2.3 billion, equivalent to 14.8 percent of GDP as of 2025.

⁸⁴ In September 2023, Lao PDR's sovereign credit rating was downgraded to noninvestment grade by a Thai credit rating agency, exacerbating challenges for Lao PDR to access international markets.

⁸⁵ The GFN threshold for low-income countries is applied at 14 percent of GDP, as suggested by the IMF and the World Bank.

⁸⁶ See [Public and Publicly Guaranteed Debt Statistic Bulletin 2024](#)

⁸⁷ In 2025, USD380 million in Lao government bonds is scheduled to mature in Thailand's bond market. Of this sum, USD218 million due in March and June has been repaid, leaving USD162 million due in December. Funding sources include cash balances, tax and nontax revenues, and bond issuances via the Lao Securities Exchange (LSX). Although GFNs have doubled

from 2024, surveys by securities firms indicate capacity for up to USD100 million in additional LSX bond issuances in H2 2025, with the remainder expected to be financed through other sources, including domestic bank borrowing.

⁸⁸ AMRO staff project that FCY debt service could rise above USD2 billion over the medium term, assuming: repayment of debt suspended between 2020-2024 to a major creditor, realization of contingent liabilities such as government guarantees to SOEs, and the rollover of maturing loans and bonds owed to domestic creditors to ensure repayments to other lenders, including Thai bond investors.

⁸⁹ ktCO₂e: kilotonnes of carbon dioxide equivalent.

⁹⁰ The U.S. tariff on Lao PDR reflects both the 10 percent “universal” tariff hike applied to all trading partners and an additional reciprocal tariff based on U.S. calculations of its bilateral trade deficit with Lao PDR. While Lao statistics show a small trade surplus of USD42 million with the U.S. in 2023, U.S. mirror data records a substantial trade deficit of USD259 million in the same year. Combined with concerns over Lao PDR’s deepening economic links with China, which the U.S. sees as facilitating possible tariff circumvention, this led to one of the steepest tariff rates applied to an ASEAN economy.

⁹¹ Official Lao statistics put exports to the U.S. at USD283 million in 2024, equivalent to 2 percent of GDP, while U.S. mirror data records imports from Lao PDR at USD803 million, representing more than 5 percent of GDP. This gap may reflect differences in data coverage or recording practices between the two sides, making it difficult to assess the true degree of exposure. For cross-country consistency, the AMRO analysis uses official Lao figures.

⁹² Empirical literature informs the income elasticities of import demand, with subjective adjustments by AMRO staff to reflect the structure of Lao exports to each market. For China, estimates are around 1.5-2.0 (Hong et al. 2016), consistent with Lao PDR’s reliance on resource-based exports that tend to fluctuate strongly with economic cycles. For the U.S., Gagnon (2003) estimated an income elasticity of 1.5, consistent with Lao PDR’s exports of solar panels, which are more sensitive to shifts in investment demand. For Thailand, Ghodsi et al. (2016) estimated 1.2, which is adjusted downward given that Lao exports are dominated by electricity supplied under long-term contracts, which are largely income inelastic.

⁹³ For further discussion, see Andriansyah et al. (2021).

⁹⁴ Lao PDR’s external public debt has increased in tandem with its renewable energy infrastructure development. Substantial borrowing is directed to the loss-making EDL, which is shouldering USD3.4 billion in outstanding on-lending debt and USD1.8 billion of government guarantees. EDL’s financial health is critical to prevent additional financial burdens on the government.

⁹⁵ See *Box B: State-owned Enterprises in Lao PDR Electricity Sector* and *Selected Issue 2: Leveraging Electricity Sector to Ease External Public Debt in Lao PDR* by Akifumi Fujii in AMRO Annual Consultation Report on Lao PDR 2024.

⁹⁶ However, the adjusted industrial tariffs remain below pre-pandemic U.S. dollar levels for some sectors.

⁹⁷ Between 2021 and 2024, Lao PDR piloted the licensing of cryptocurrency mining and trading activities, aiming to increase foreign-currency earnings by selling hydropower-generated electricity to crypto-related businesses. The government is now reviewing the outcomes of the three-year pilot project and considering whether to extend it. Although the cryptocurrency industry was untouched by the February 2025 electricity tariff increases, its tariff structure is expected to be reassessed if the government decides to continue the licensing initiative.

⁹⁸ In supplying electricity to domestic users, EDL buys electricity from EDL-Gen and IPPs according to power purchase agreements. Most of its payment obligations are billed in U.S. dollars, while electricity tariffs collected from domestic users are in kip. Much of the company’s debt is also denominated in U.S. dollars. The depreciation of the kip since 2022 has inflated EDL’s payment obligations, exacerbating the currency mismatch.

⁹⁹ See the technical note for details of the empirical study.

¹⁰⁰ See *Selected Issue 1: Inflation Dynamics: The Impact of People’s Sentiments* by Naoaki Inayoshi in AMRO Annual Consultation Report on Lao PDR 2024.



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