

Central Bank defends issue of 100,000 kip note



Banks won't be circulating the new 100,000 kip banknote for commercial purposes due to fears it could lead to higher inflation, according to a central bank official. "The new banknote is merely a commemorative issue so banks know they can't use it for commercial purposes", Currency issue Department Director General Mr Souphat Khotyotha told *Vientiane Times* yesterday.

He made the comment after the Bank of Lao PDR issued the banknote on Monday, along with gold and silver coins, to mark Vientiane's 450th anniversary as the Lao capital and the 35th anniversary of Lao National day.

Mr Souphat also said commercial banks would not use the new banknote in their ATM machines. The Bank of the Lao PDR will distribute the commemorative banknote at its booths at the That Luang esplanade, Lao ITECC and National stadium during the That Luang Festival. The notes and coins are also available at BCEL and the Lao Development Bank in Vientiane.

He said it was common for countries to issue commemorative banknotes and coins to mark special occasions. He added that general circulation of the note would lead to higher inflation because of the limited number issued though he could not say how many would be printed.

Economists say the 100,000 kip notes will not give rise to higher inflation if people keep them as souvenirs. They also say that while the note is not in circulation it will help to curb money growth, one of the main causes of inflation. Economists say the main issue is whether purchasers of the note will consider it worth keeping.

According to the central bank's announcement, the note portrays and image Chao Xaysettha (the founder of Vientiane), the Hor Pha Keo, two elephants and frangipani flowers (the national flower of Laos).