

Central bank to keep kip stable



The Bank of the Lao PDR has vowed to keep its strong kip policy unchanged despite a call to devalue the national currency, according to the bank's governor.

Mr. Phouphet Khamphounvong affirmed the bank's strong kip policy as an annual meeting with business operators held on Thursday at the International Cooperation and Training Centre in Vientiane. Representatives of exporting firms including garment companies and travel agents urged the government to devalue the kip to enable them to survive amid the world economic recession.

Exporters wanted the kip to have a value of 9,000 kip per one US dollar, saying that otherwise many of them would be forced to close as they were unable to shoulder increasing production costs due to the rising strength of the kip.

Exporters earn US dollars but pay their operating costs and local expenses in kip. This means they have to pay more in US dollars to maintain the same production capacity. They also say they have already suffered from the devaluation of Vietnamese dong.

Mr. Phouphet said a devaluation of the kip would be more negative than positive as this would lead to inflation. Inflation was on the rise worldwide, he added.

He also said devaluation would lower the value of the kip against the Thai baht up to 280 kip per Thai baht if the US dollar continued to be worth 32 to 33 baht. Now it is 254 kip per 1 Thai baht.

Devaluation of the kip would lead to a lack confidence in the national currency and would cause people to convert the kip into foreign currencies to protect their savings.

Mr. Phouphet said the government's policy was to encourage Lao people to use the national currency so devaluation was counterproductive.

He said the stability of the kip was necessary to ensure economic growth, adding that devaluation of the Vietnamese dong had not led to a boost in exports as many had claimed.

The central bank would keep the value of the Lao kip at a two percent variation against major currencies including the baht and US dollar.

Another senior bank official said the Lao economy was different from Vietnam's and it was not appropriate to follow Vietnamese policy in the management of currency exchange. Laos was reliant on imports, she explained.

"If our national currency is strong, it enables us to purchase more goods," she said, adding that Laos needed to import more technology for industrial growth.

She said the central bank acknowledged the negative forces exporters were facing, but it was impossible to devalue the kip. She pointed out that exporters contributed only a small portion of GDP.

Prime Minister Bouasone Bouphavanh said he would like businesses to improve their strategies so they could operate more efficiently in the current business climate.