

## Central bank continues to boost economy



The Bank of the Lao PDR will continue to implement its current monetary policy to ensure constant economic growth for the remainder of the 2008-2009 fiscal year.

The Lao economy expected to continue to show steady growth at rate of 7.5 percent this financial year, according to socio-economic development figures from the government.

The inflation rate remains in the single digits, and exchange rates are set to remain stable.

The Bank's governor, Mr. Phouphet Khamphouvong, spoke at a meeting of cabinet and provincial governors held yesterday at the International cooperation and Training Centre in Vientiane.

Mr. Phouphet said the bank would carry on with the implementation of current initiatives regarding monetary policy, exchange rate stabilization, promotion of greater use of the national currency (kip) and credit release to achieve set goals.

These initiatives are aimed at stabilizing the value of the kip and increasing public confidence in the banking system.

The central bank has set several targets for this fiscal year.

One of these priorities is to maintain a single digit inflation rate in key commodities. According to policy, the inflation rate should remain lower than the level of economic expansion.

Fluctuations in the value of the kip against the US dollar and Thai Baht should not exceed 5 percent.

The bank will try to increase foreign currency reserves to ensure supply is great enough to purchase imports for duration of more than five months.

Meanwhile, it will continue effort to improve the banking system and strengthen financial institutions.

The bank will attempt to raise mobilization of funds by 25.15 percent and 31.36 percent for credit, to a point where they account for 21.43 percent and 12.08 percent of gross domestic product (GDP) respectively.

Over the past 10 months, the bank has carried on with the implementation of more relaxed monetary policy in order to boost economic growth.

The bank has cut official rates by full percentage point twice, from 7 percent to 6 percent in January, 2009 and to 5 percent in February.

The bank has sold bonds to the value of 189.9 billion kip and US\$ 56.5 million.

It provided loans of 786 billion kip for some infrastructure development projects and also made loans to other investment projects worth a total of US\$ 65 million.

The bank evaluated that in the fiscal year until July this year; the value of the kip has strengthened 1.35 percent compare to the US dollar, but has weakened 0.003 percent against the Thai Baht.

The inflation rate over the 10 months period was 1.95 percent.