

COVID 19 ECONOMIC RELIEF PLAN

LAO PEOPLE'S DEMOCRATIC REPUBLIC

KEY TAKEAWAYS

GENERAL

The Lao PDR government has already allocated LAK15.5 billion (US\$1.7 million) for implementing measures to prevent and control the spread of COVID-19 in the country. The Prime Minister's Cabinet has also endorsed a proposed 13-measure economic stimulus package that includes establishing a specific taskforce to address the adverse economic impact of COVID-19. Furthermore, a new electricity tariff, to ensure supply of electricity, in effect from May 1, 2020 through December 31, 2025, is in place.

TAXATION

(Corporate Income Tax)

- Profit tax exemption for micro-enterprises with annual income between 50-400 million kip (US\$ 5,600-44,500) for three months - from Apr to June 2020

(Personal Income Tax)

- Income tax exemption for both civil servants and employees of private sector with income less than 5 million kip (approx. US\$550) per month for three months - from Apr to June 2020

(Customs duty)

- Customs duties, taxes, and government service fees exemption for imports of goods to be used towards the outbreak

(Others)

- Deferring tax collection from tourism related businesses for three months
- Road tax payment deadline extended to 30 June 2020.
- Businesses that have not filed and paid taxes for the period of April, May, and June 2020, will be exempted from the usual penalty of 0.1 percent of the tax due for each day of delayed payment and a 500,000 kip (US\$55) fine.

BANKING

- The Bank of Lao P.D.R. (BOL) announced a reduction in the reserve requirements, from 10 to 8 percent on foreign exchange, and from 5 to 4 percent on local currency
- BOL issued a new credit policy for those impacted, asking banks and financial institutions to restructure loans and provide new loans to businesses affected by the outbreak
- BOL cut its policy rate from 4 to 3 percent for one-week loans; from 5 to 4 percent for one-two week loans; and from 10 to 9 percent for two-week to one-year loans.

Economic outlook/2021

source: ADB-Asia Development Outlook

GDP

FLOODING AND DROUGHT IN 2019 SLASHED GROWTH IN AGRICULTURE AND HYDROELECTRIC GENERATION. GROWTH COULD DECELERATE THIS YEAR AS SERVICES SUFFER UNDER COVID-19 BUT SHOULD BOUNCE BACK NEXT YEAR BECAUSE-

- INCREASE IN ELECTRICITY GENERATION
- CONTINUING PUBLIC CONSTRUCTION BOOM
- AGRICULTURAL RECOVERY FROM 2019 AND
- SERVICES RECOVERY

BY 2022, WITH THE LAO-CHINA RAILWAY COMING INTO OPERATION, IT IS EXPECTED THAT THE TOURISM AND HOSPITALITY SECTOR WILL EXPERIENCE ROBUST GROWTH

	2018	2019e	2020f	2021f	2022f
Real GDP growth, at constant market prices	6.3	4.8	3.6	5.8	5.3
Real GDP growth, at constant factor prices	6.3	4.8	3.6	5.8	5.3
Agriculture	1.3	-0.9	2.9	2.6	2.8
Industry	7.8	5.0	4.5	6.0	4.2
Services	6.8	6.7	2.9	6.8	7.1
Inflation (consumer price index)	2.0	3.3	4.8	5.0	4.9
Current account balance (% of GDP)	-11.5	-11.3	-13.4	-10.8	-10.1
Fiscal balance (% of GDP)	-4.7	-4.9	-6.0	-5.2	-4.8
Debt (% of GDP)	57.2	59.9	63.5	65.2	66.6
Primary balance (% of GDP)	-3.0	-2.9	-3.8	-3.1	-2.9
International poverty rate (US\$1.90 in 2011 PPP)^{a,b}	18.9	18.6	18.4	18.0	17.6
Lower-middle-income poverty rate (US\$3.20 in 2011 PPP)^{a,b}	52.2	51.6	51.3	50.5	49.8
Upper-middle-income poverty rate (US\$5.50 in 2011 PPP)^{a,b}	81.2	80.9	80.6	80.2	79.7

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.

Note: e = estimate, f = forecast.

(a) Calculations based on EAPPOV harmonization, using 2007-LECS and 2012-LECS. Actual data: 2012. Nowcast: 2013–2019. Forecasts are from 2020 to 2022.

(b) Projection using annualized elasticity (2007–2012) with pass-through = 1 based on GDP per capita in constant LCU.

WORLD BANK GROUP

HAS APPROVED **US\$18 MILLION** FOR LAO PDR TO HELP THE COUNTRY RESPOND TO THE COVID-19 PANDEMIC.

