

Business

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Govt should maintain budget deficit at lower than 5 percent

Times Reporters

Economists have warned that the government should maintain a budget deficit of not more than 5 percent of Gross Domestic Product (GDP) to prevent the country from accumulating chronic debts.

The move comes after the budget deficit rose to over 5 percent of GDP last fiscal year, attributing to the country's rising demand for development projects, including unauthorised projects.

For the fiscal year 2015-16, the government has revised the state budget, reducing the national revenue target from 29.213 trillion kip to only 26.159 trillion kip and budget expenditure from 35 trillion kip to 31.946 trillion kip.

But the budget deficit is set at 5.787 trillion kip, accounting for 5.7 percent of the GDP, according to a report from the Ministry of Planning and Investment.

The government will prioritise its spending on paying the salaries of state employees, public debts and state investment projects to further boost national

economic growth.

Nevertheless the budget deficit will remain a greater challenge for the government as a result of the country's revenue shortfall. This means the government has to seek more funding from other sources including issuing bonds and asking for loans from other countries to fill in the budget deficit.

A senior economist from the National Economic Research Institute Dr Leeber Leebouapao told *Vientiane Times* yesterday that "In my opinion, the budget deficit should not be higher than 5 percent of the GDP at this time as our country is facing economic slowdown."

"If we fail to control the deficit, our chronic debts could escalate beyond our capacity to manage it."

National Assembly members commented that unauthorised projects should not be carried out as they made it hard for the government to manage the budget and its debts.

Dr Leeber accepted that borrowing money to pay debts could only address the problem

in the short-term but it was better than allowing the country's debt to rise even further.

The revenue shortfall in Laos has occurred for several years. One of the main factors behind the shortfall is that many companies (both small and large) try to avoid paying taxes to the government via various means.

Another factor was financial leakages, which if not addressed could bring greater damage to the nation while income from the mining sector has declined as a result of falling prices for commodities on the world market.

The revenue shortfall also resulted in slow payment of officials' salaries and affected development projects in Laos over the past years. For the 2014-15 fiscal year, the country's budget deficit was expected to be 5 percent of Gross Domestic Product (GDP).

In 2015-16, the Lao economy is set to grow at around 7.5 percent and the value of GDP is expected to exceed 115.452 trillion kip while income per capita should reach 16.7 million kip.

Xekong dam set to power up this week



A pipe snakes across the hills of Xekong province, part of the Houay Lamphan Gnai hydro plant.

Times Reporters

The government-owned Houay Lamphan Gnai hydropower plant will officially start commercial operation on Saturday in Thataeng district, Xekong province, after over four years in construction.

"We finished construction and started testing energy generation on September 3, two months ahead of schedule," Electricite du Laos (EDL)'s Power Plant Development Department Deputy Director, Mr Vongsakoun Yingyong, said yesterday.

The dam will generate electricity for the national power grid for supply to the southern provinces, where the demand for power is increasing rapidly.

Mr Vongsakoun said

electricity will also be sold to Thailand and Cambodia.

The dam has a capacity of 88MW and will generate 480 million kWh per year. The powerhouse is equipped with two sets of impulse turbines of 44MW each.

EDL ploughed about 1.68 trillion kip (US\$206 million) into the hydro plant through a loan from China's Exim bank. The loan is to be repaid within 15 years after the dam becomes operational.

The project contractor is the China Gezhouba Group Company Limited.

The Lao government intends to use the profits from hydropower sales to fight poverty.

In recent years, the energy sector has played a part in social development, notably in

the fields of education, human resources, health care, and job creation.

Twenty-seven power plants are currently operational with an installed capacity of about 3,304MW, including 11 plants that have an installed capacity of 405MW which are operated by EDL.

The 16 other plants, which have a combined installed capacity of 2,899MW, are operated by independent power producers.

Laos is aiming for total installed capacity of about 12,000MW by 2025, the Ministry of Energy and Mines said.

The abundant resources of the Mekong River and its tributaries give Laos the potential to produce more than 25,000MW of electricity.

Australian senate passes China-Australia FTA legislations

CANBERRA (Xinhua) -- The Australian Senate on Monday passed legislation surrounding the China-Australia Free Trade Agreement (ChAFTA), clearing the final hurdle to enact the agreement.

The Customs Amendment (China-Australia Free Trade Agreement) Bill 2015 and the complementary Customs Tariff Amendment (China-Australia Free Trade Agreement) Bill 2015 passed the Senate after being approved by the House of Representatives on October 22, 2015.

Trade and Investment Minister Andrew Robb said Australian businesses are another step closer to realising the enormous opportunities created by ChAFTA.

"The government has worked hard to ensure this high-quality agreement with our biggest trading partner

enters into force before the end of the year, and today's vote marks a significant milestone in that process," Robb said.

"Entry into force this year will see an immediate round of tariff cuts, followed by a second round of cuts on 1 January 2016, allowing the benefits of the agreement with China to flow quickly through to Australian exporters and consumers."

Following the vote, Robb acknowledged the support of the opposition, which he said continued Australia's long-standing tradition of bipartisan support for freer trade.

ChAFTA was previously objected by the opposition, which had expressed concerns over visa regulations surrounding foreign projects.

Labor had said by bringing in cheaper workers from China, large companies could pay

them significantly less than the Australian standard.

The government and the opposition struck a deal on October 21 on the changes to Australia's legislation, which will ensure that Australian workers are offered work first, and any workers coming in from China must be licensed and fairly paid as not to undermine Australian pay, conditions and standards.

This deal leads to a bipartisan support of the China-Australia trade deal.

Shadow Trade Minister Penny Wong said on Monday at the Senate that the legislation required in order for ChAFTA to be approved in Australia would simultaneously protect Australian workers and conditions, while also "delivering jobs" and scope for businesses to grow in the future.

Overseas investment up 17.1 in 9 months of 2015: data

S.KOREA (The Korea Herald, ANN) -- South Korea's overseas direct investment surged more than 17 percent on-year in the first nine months of 2015 as more money was poured into financial and insurance operations, government data showed on Tuesday.

The country's overseas direct investment came to US\$27.05 billion in the January-September period, up 17.1 percent from the US\$23.11 billion posted for the same period last year, according to the data by the finance ministry.

"Investment in China was down due to a slowdown in the world's No. 2 economy, but there were solid gains to funds going to the United States and the financial sectors that more than offsets the shortfalls," the ministry said.

Investment made into financial and insurance businesses soared 86.9 percent vis-a-vis the year before, with investments in manufacturing edging up 1.4 percent. Investments in the mining and distribution sectors rose 7.3 percent and 45 percent, respectively.

Money poured into real estate and property rental services, however, dropped 28.9 percent on-year. The data also showed 39.8 percent of all investment went to Asian countries, followed by 29.2 percent for North America and 15.1 percent for Latin America.

Investment to these three regions as well as those to the Middle East grew compared to the previous year, while numbers for Europe, Oceania and African contracted.

Exchange rates as of November 10, 2015

Banque pour le Commerce Exterieur Lao Public

Foreign Currencies	Buying	Selling
US Dollar 50-100	8,134	8,174
Thai Baht	227.3	229
Euro 50-500	8,735	8,779