

Lao People’s Democratic Republic

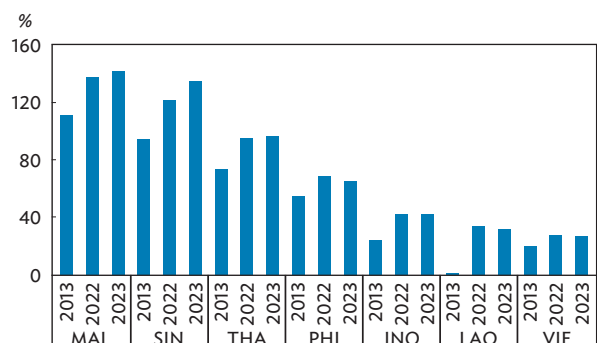
Size and Composition

The Lao People’s Democratic Republic’s (Lao PDR) bond market reached a size of USD4.1 billion at the end of 2023, growing 4.8% year-on-year (y-o-y) from USD3.9 billion in 2022. The Lao PDR’s bond market as a share of gross domestic product (GDP) stabilized at around 32.0% at the end of 2023 from 33.6% a year earlier (Figure 1). With the government’s continued efforts to further develop the local currency (LCY) bond market and reduce reliance on foreign currency (FCY) financing, available data show that the share of LCY bonds to total bonds increased to 36.0% in 2023 from 31.1% in 2022—while nearly tripling from 12.7% in 2018 (Figure 2).¹⁷ Meanwhile, the share of FCY bonds declined to 64.0% of the total in 2023 from 68.9% in 2022.

Continuing last year’s momentum, onshore bond issuance through the Lao Securities Exchange (LSX) increased significantly in 2023. Total bond issuance through the LSX rose 144.3% y-o-y to USD199.8 million in 2023—nearly all of which was government issuance—from USD81.8 million in 2022. In 2023, the Government of the Lao PDR issued bonds denominated in both

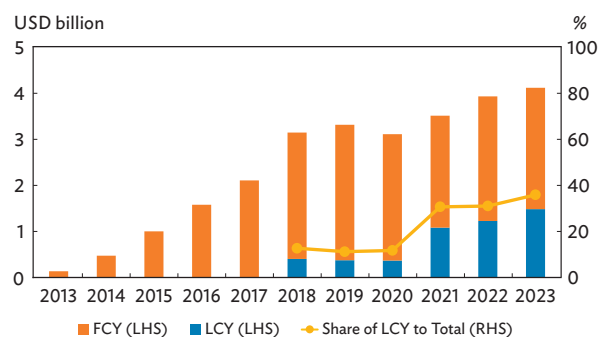
Lao kip and foreign currencies via the LSX to support cash flow management and strengthen debt management. Issuance of LCY government bonds surged 166.1% y-o-y to LAK3.7 trillion (USD180.3 million) in 2023 from LAK1.4 trillion in 2022 (Figure 3). Meanwhile, issuance of FCY government bonds increased 17.5% y-o-y

Figure 1: Bond Markets as Share of Gross Domestic Product in Select Members of the Association of Southeast Asian Nations



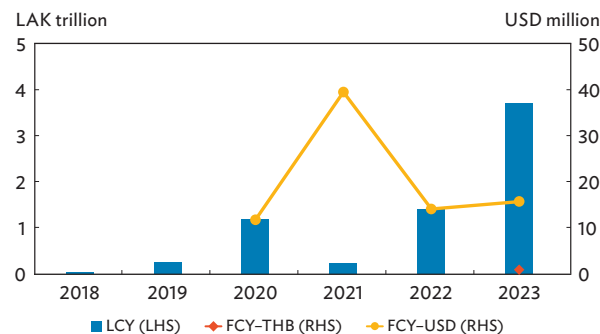
INO = Indonesia, LAO = Lao People’s Democratic Republic, MAL = Malaysia, PHI = Philippines, SIN = Singapore, THA = Thailand, VIE = Viet Nam.
 Note: Data for gross domestic product are from CEIC Data Company.
 Source: AsianBondsOnline calculations based on various sources.

Figure 2: Composition of Total Bonds Outstanding in the Lao People’s Democratic Republic



FCY = foreign currency, LCY = local currency, LHS = left-hand side, RHS = right-hand side, USD = United States dollar.
 Notes:
 1. FCY data include bonds issued in the Lao Securities Exchange, Singapore Exchange, and the Thai Bond Market Association.
 2. Figures computed based on 31 December 2023 currency exchange rates to remove currency effects.
 Sources: Lao Securities Exchange, Ministry of Finance Lao PDR, Singapore Exchange, and Thai Bond Market Association.

Figure 3: Government Bonds Issued Through the Lao Securities Exchange



FCY = foreign currency, LAK = Lao kip, LCY = local currency, LHS = left-hand side, RHS = right-hand side, THB = Thai baht, USD = United States dollar.
 Source: Lao Securities Exchange.

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¹⁷ LCY bonds are bonds denominated in Lao kip, while foreign currency bonds are denominated in currencies other than Lao kip. Definitions do not take into account where the bonds were issued (i.e., onshore or offshore).

to USD16.5 million in 2023—most of which were denominated in US dollars—from USD14.0 million in 2022. In September 2023, the government issued its first THB-denominated bonds through the LSX, financing THB28.8 million (USD0.8 million). The LSX witnessed its first corporate bond issuance in June 2023 as Souvanny Home Center raised USD3.0 million worth of USD-denominated bonds.

Local Currency Bond Market Size and Issuance

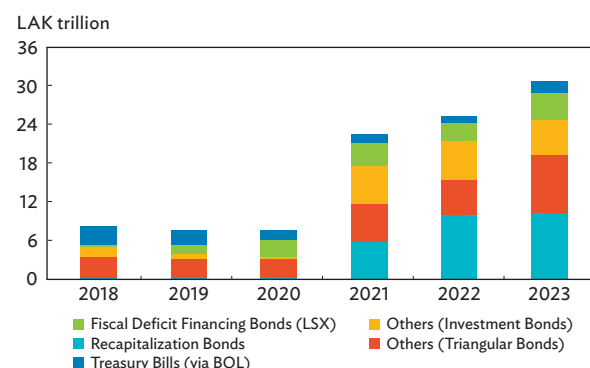
LCY bonds outstanding increased 21.2% y-o-y to LAK30.6 trillion at the end of 2023 from LAK25.3 trillion a year earlier, driven by the issuance of triangular bonds and fiscal deficit financing bonds.¹⁸

All LCY bonds outstanding at the end of 2023 were government-issued. Triangular bonds outstanding increased 65.4% y-o-y to LAK9.1 trillion at the end of December from LAK5.5 trillion a year earlier, while fiscal deficit financing bonds increased 43.9% y-o-y to LAK4.1 trillion from LAK2.8 trillion during the same period. At the end of 2023, recapitalization bonds and triangular bonds collectively comprised over 60% of the Lao PDR's LCY bond market. Specifically, recapitalization bonds (LAK10.2 trillion) accounted for one-third of total LCY bonds outstanding at the end of December 2023, followed by triangular bonds (29.7%, LAK9.1 trillion), investment bonds (17.8%, LAK5.5 trillion), fiscal deficit financing bonds issued via the LSX (13.3%, LAK4.1 trillion), and Treasury bills (5.9%, LAK1.8 trillion) (Figure 4).

The remaining average maturity of outstanding LCY bonds listed on the LSX in 2023 were mostly short-term, though the market's average remaining tenor has improved since 2022. At the end of 2023, nearly all (99.4%) LCY bonds outstanding had remaining tenors of more than 1 year to 3 years (Figure 5). The average size-weighted tenor of LCY bonds outstanding was 1.0 years in 2023, up from 0.6 years in 2022.

Total onshore LCY bond issuance rose 49.1% y-o-y to LAK9.8 trillion in 2023 from LAK6.6 trillion in 2022. All LCY bond issuance in the Lao PDR bond market in 2023 came from the government, while the

Figure 4: Composition of Local Currency Bonds Outstanding in the Lao People's Democratic Republic

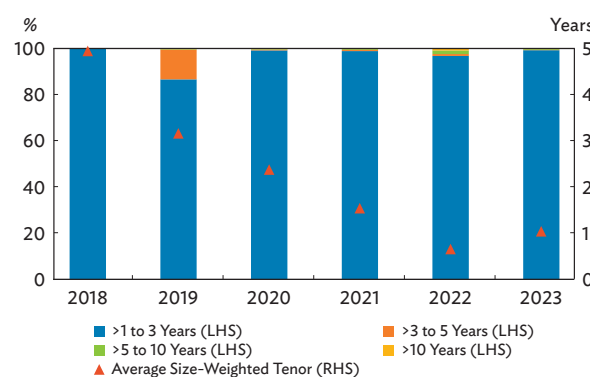


BOL = Bank of the Lao People's Democratic Republic, LAK = Lao kip, LSX = Lao Securities Exchange.

Note: There are no available data for local currency corporate bonds.

Source: Ministry of Finance Lao People's Democratic Republic.

Figure 5: Maturity Structure of Local Currency Bonds Outstanding Issued Through the Lao Securities Exchange



LHS = left-hand side, RHS = right-hand side.

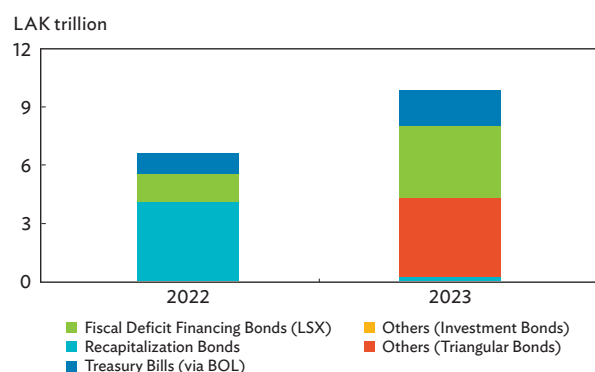
Note: Data only include government bonds as there are no local currency corporate bonds issued through the Lao Securities Exchange.

Source: Lao Securities Exchange.

49.1% y-o-y increase was largely driven by triangular bond issuance totaling LAK4.1 trillion during the year (Figure 6). Issuance of fiscal deficit financing bonds surged 166.1% y-o-y in 2023 to LAK3.7 trillion from LAK1.4 trillion in 2022. Treasury bill issuance also increased 68.6% y-o-y to LAK1.8 trillion from LAK1.1 trillion during the same period. Meanwhile, issuance of recapitalization bonds contracted 93.9% y-o-y to LAK0.3 trillion in 2023 from LAK4.1 trillion in 2022.

¹⁸ Triangular bonds are Lao kip-denominated bonds issued for the repayment of expenditure arrears on completed public investment projects. Ministry of Finance, Government of the Lao PDR. 2023. Public and Publicly Guaranteed Debt Statistic Bulletin. Vientiane.

Figure 6: Local Currency Bond Issuance in the Lao People's Democratic Republic

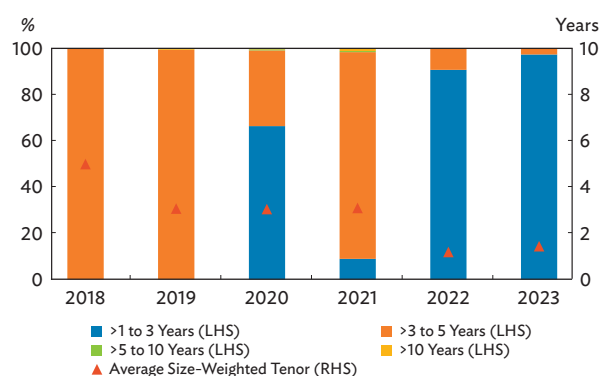


BOL = Bank of the Lao People's Democratic Republic, LAK = Lao kip, LSX = Lao Securities Exchange.

Note: There are no available data for LCY corporate bonds.

Source: Ministry of Finance Lao PDR.

Figure 7: Maturity Structure of Local Currency Bonds Issued Through the Lao Securities Exchange



LHS = left-hand side, RHS = right-hand side.

Note: There is no local currency corporate bond issuance via the Lao Securities Exchange.

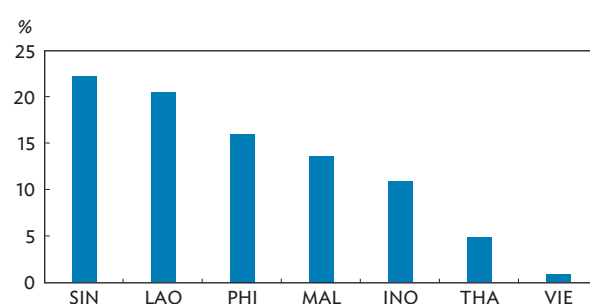
Source: Lao Securities Exchange.

LCY government bond issuance through the LSX in 2023 mainly comprised short-term tenors. In 2023, 97.4% of total LCY bonds issued through the LSX had tenors of more than 1 year to 3 years, while the remaining 2.6% had tenors of more than 3 years to 5 years (**Figure 7**). The average size-weighted tenor of LCY bond issuance in 2023 was 1.4 years, up slightly from 1.2 years in 2022 but still below the average for 2019–2021 of 3.1 years.

Foreign Currency Bond Market Size and Issuance

Total FCY bonds outstanding reached USD2.6 billion at the end of 2023, slightly down from USD2.7 billion a year earlier. The Lao PDR continued to have the second-highest FCY-bonds-to-GDP share among all members of the Association of Southeast Asian Nations at 20.5% (**Figure 8**). The Thai baht remained the predominant currency in the Lao PDR's FCY bond market, with THB-denominated bonds comprising 80.5% of total FCY bonds outstanding at the end of 2023 (**Figure 9**). FCY government bonds outstanding declined 6.7% y-o-y to USD1.1 billion at the end of 2023 from USD1.2 billion in 2022. The annual decline was primarily driven by reduced issuance and a large volume of maturities of FCY government bonds, resulting in a lower corresponding share of FCY government bonds to total FCY bonds of 40.5% in 2023 versus 42.2% in 2022. Meanwhile, FCY corporate bonds outstanding

Figure 8: Foreign Currency Bonds Outstanding as a Share of Gross Domestic Product in Select Members of the Association of Southeast Asian Nations



INO = Indonesia, LAO = Lao People's Democratic Republic, MAL = Malaysia, PHI = Philippines, SIN = Singapore, THA = Thailand, VIE = Viet Nam.

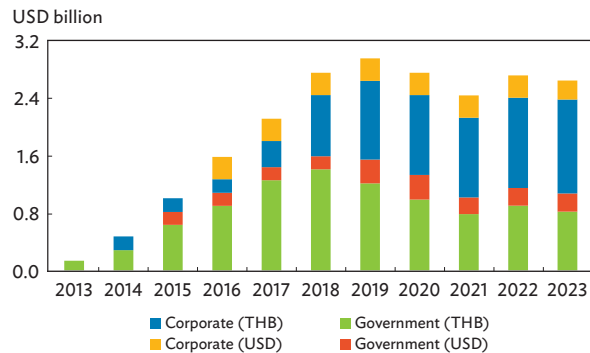
Notes: All data as of end-December 2023. Data for gross domestic product are from CEIC Data Company.

Source: AsianBondsOnline calculations based on various sources.

(USD1.6 billion) comprised 59.5% of total FCY bonds outstanding at the end of 2023 on marginal growth of 0.3% y-o-y.

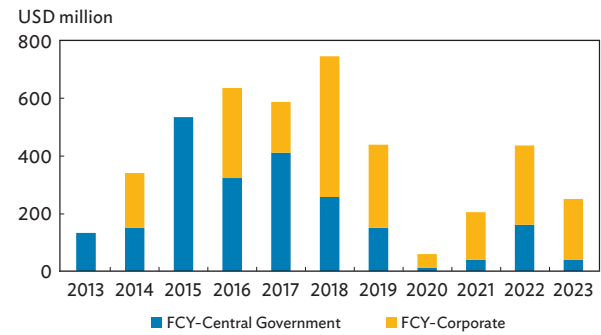
The average remaining maturity of outstanding FCY bonds in the Lao PDR market was less than 5.0 years at the end of 2023. At the end of December 2023, nearly half of total FCY bonds outstanding had remaining tenors of more than 1 year to 3 years, 33.5% had tenors of more than 3 years to 5 years, and 21.2% had tenors of more than 5 years to 10 years (**Figure 10**). The average size-weighted tenor of FCY bonds outstanding was 4.6 years in 2023, up slightly from 4.0 years in 2022. The average

Figure 9: Composition of Foreign Currency Bonds Outstanding in the Lao People's Democratic Republic



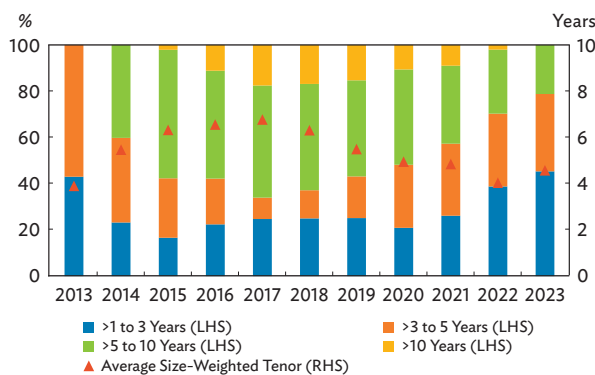
THB = Thai baht, USD = United States dollar.
 Note: Figures computed based on 31 December 2023 exchange rates to remove currency effects.
 Sources: Lao Securities Exchange, Singapore Exchange, and Thai Bond Market Association.

Figure 11: Composition of Foreign Currency Bond Issuance in the Lao People's Democratic Republic



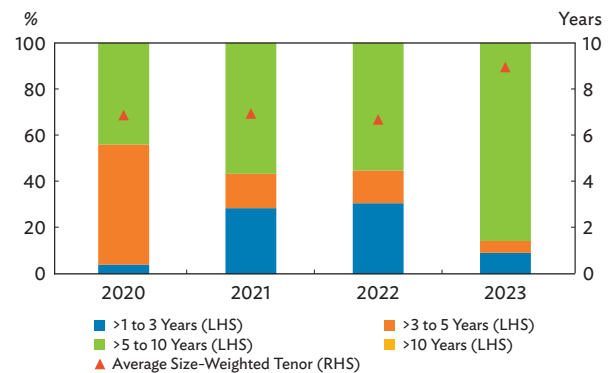
FCY = foreign currency, USD = United States dollar.
 Note: Figures computed based on 31 December 2023 exchange rates to remove currency effects.
 Sources: Lao Securities Exchange, Singapore Exchange, and Thai Bond Market Association.

Figure 10: Maturity Structure of Foreign Currency Bonds Outstanding Issued in the Lao People's Democratic Republic



LHS = left-hand side, RHS = right-hand side.
 Note: Figures were computed based on 31 December 2023 exchange rates to remove currency effects.
 Sources: Lao Securities Exchange, Singapore Exchange, and Thai Bond Market Association.

Figure 12: Maturity Structure of Foreign Currency Government Bonds Issued Through the Lao Securities Exchange



LHS = left-hand side, RHS = right-hand side.
 Notes: All bonds issued in 2020–2022 were denominated in United States (US) dollars. Bonds issued in 2023 were denominated in US dollars and Thai baht.
 Source: Lao Securities Exchange.

has remained below 5.0 years since 2020, which will have implications for refinancing needs in the coming years.

Total onshore government FCY issuance increased 17.5% y-o-y in 2023, and the average tenor length also increased compared with 2022. The Lao PDR's total FCY bond issuance, including both onshore and offshore issuance, declined sharply by 42.6% y-o-y to USD249.8 million in 2023 from USD434.9 million in 2022 (Figure 11). The higher-interest-rate environment and the depreciation of the Lao kip against the US dollar discouraged FCY bond issuance. However, the Government of the Lao PDR was able to issue more FCY

bonds onshore through the LSX in 2023. The government issued USD16.5 million of FCY bonds via the LSX in 2023, up 17.5% y-o-y from USD14.0 million in 2022. These bonds were denominated in either Thai baht or US dollars, with tenors ranging from 1 year to 10 years and coupon rates of 5.0%–8.0%. The average size-weighted tenor of government FCY issuances via the LSX was 9.0 years in 2023, compared with 6.7 years in 2022 (Figure 12). Meanwhile, the first FCY corporate bond issuance onshore via the LSX was the USD3.0 million 4-year bond issued by Souvanny Home Center in June 2023.