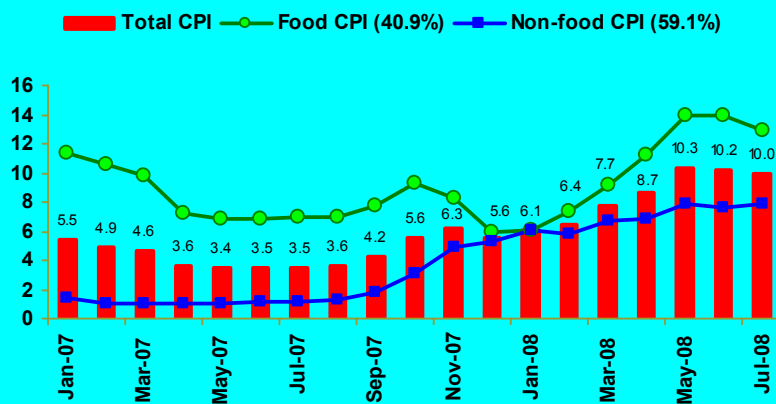




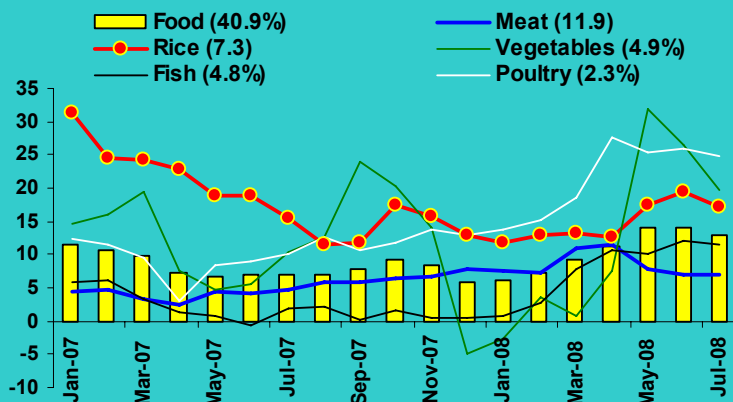
The overall macroeconomic situation in Lao PDR remains fairly stable with slightly lower inflation (10 percent in July compared to 10.3 percent in June) and stronger kip against US\$ and Thai baht. The averaged inflation for the first seven months of the year (Jan-Jul) was about 8.5 percent -- within the GOL's target of one digit inflation for 2008.

Figure 1. Food and nonfood prices (% change)



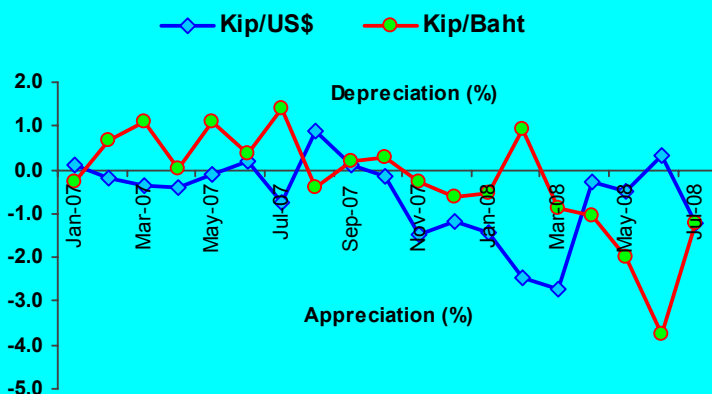
After picking up quite fast in past month, the overall inflation started to decline as food and fuel prices in the country have dropped very recently. Nonfood prices have been fairly stable during the last three months (slightly below 8 percent) but expected to decrease further due to lower oil prices in the global market.

Figure 2. Major breakdowns of food prices (% change)



Major food prices in Lao PDR (rice, meat, vegetable, fish and poultry) were lower in July but remain vulnerable to seasonality (especially flood).

Figure 3. Exchange rates (% change)



In July, the kip exchange rate appreciated by 1.2 percent against USD as well as Thai baht. Between August 2007 and July 2008, the nominal exchange rate of kip appreciated by over 10 percent against USD and 9 percent against baht.