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Monitoring Household Welfare in the Lao PDR

Results Snapshot from a Rapid Monitoring Phone Survey of Households

INTRODUCTION

The Lao economy continues to grapple with persistently high inflation, currency depreciation, and growth slowdown. Economic growth remains significantly below pre-COVID-19 levels, undermined by macroeconomic instability and external factors. Despite several measures to curb depreciation, the Lao kip fell by 25 percent against the US dollar over March 2023 - February 2024, feeding domestic inflation. The year-on-year inflation rate has eased but remained high at 25 percent in February 2024, primarily driven by food and transport price increases. The prolonged period of high inflation has changed the labor market landscape, affected household living standards, and undermined human capital development.

The World Bank has conducted a series of Rapid Monitoring Phone Surveys of Households in the Lao PDR to monitor household welfare regularly. The first survey was conducted during the COVID-19 pandemic, in June and July 2020. Following the seventh-round survey from May to June 2023, the eighth and most recent round was conducted from Jan 21 to Feb 20, 2024.[1] The collected data offers insights into the effects of economic shocks on household well-being. This note provides a snapshot of findings from the eighth round.

[1] The survey was funded by the Australian Government's Department of Foreign Affairs and Trade through the Lao PDR Third Public Financial Management Reform Program, implemented by the World Bank.

MAIN FINDINGS

- Macroeconomic instability has persisted. Inflation has stabilized but remains persistently high. The protracted period of high inflation has changed the labor market landscape, affected household living standards, and undermined human capital development.
- Employment continued to expand in the second half of 2023. Workers shifted from non-tradable services, which were most affected by kip depreciation and high inflation, toward the tradable sectors - agriculture and manufacturing.
- Wage growth accelerated in the second half of 2023 but was not sufficient to compensate for inflation. Wage employment and unpaid family work declined notably in 2023, while the number of self-employed workers increased.
- Family business activities increased, providing income sources that could keep up with inflation. Average profit rose by 22% in the year to December 2023, almost keeping pace with the year-on-year inflation rate of 24%. However, nearly 40% of businesses did not see their profits increase, implying that their real incomes declined significantly amid double-digit inflation. Agricultural businesses outperformed non-farm businesses.
- Agricultural activities grew steadily over the past year, with farming and agricultural businesses offering higher returns and own produce substituting for purchased food. About half of crop-producing households grew crops for sale. Cassava was a major cash crop for 33% of crop producers and for 42% of low-income crop producers.
- Pests, diseases, animal, and weather problems were most often cited as major challenges to crop production, underscoring the importance of climate adaptation measures in supporting agriculture and livelihoods.
- Growth in per capita household income accelerated in the second half of 2023. Average per capita income increased by 25% in the year to December 2023, in line with the year-on-year inflation rate of 24%. However, more than 40% of households still saw their income lag behind inflation and suffered from elevated living costs.
- The overall impact of inflation has eased, but mainly for high-income households. Low-income households appear more vulnerable and less resilient to persistent inflation. In the second half of 2023, the proportion of households that felt significant impact from inflation increased, while it declined among high-income households.
- Scaling up own-food production and switching to cheaper food remain the most common strategies for coping with food inflation. However, after a protracted period of high inflation, more households have turned to formal and long-term coping strategies such as engaging in additional income-generating activities and taking loans from financial institutions.
- Over 60% of households reduced food consumption in response to high food inflation. While the proportion of households adopting this coping strategy declined between June 2023 and January 2024 across all socioeconomic groups, it did not decrease for low-income households. This underscores the vulnerability of low-income households to persistently high food inflation. Only 10% of these households reported receiving government assistance to help them cope.
- The impact of inflation on human capital spending has eased, but to a lesser extent among low-income families. In January 2024, 34% of high-income households reported reducing education spending, compared to 45% of low-income households. Persistent inflation is expected to widen the human capital gap across income groups.
- Dropout rates remain high at 5%, with boys from low-income households having higher instances of school dropout.
- Financial reasons — inability to pay for school or the need for children to work and support the family — are the primary cause of school dropout. Financial reasons were particularly pronounced among children from urban and low-income households, while unwillingness to study was more common among those from rural and high-income families.
- Food security improved among rural and low-income families between December 2022 and January 2024, but not among urban and high-income families. Nevertheless, the prevalence of moderate to severe food insecurity was higher among the former groups.
- Respondents reported increasing difficulty in accessing government administrative services. Challenges include a lengthy process, understaffing, and difficulties travelling to government offices.
- More than half of households cited high inflation and kip depreciation as the most pressing issues for the government to address.

LABOR MARKET

Employment continued to expand in the second half of 2023. The proportion of respondents reporting working in January 2024 was 93%, a steady increase from 91% in June 2023 and 90% in December 2022 (Table 1). Male, rural, and high-skilled workers were more likely to report working than were their counterparts. Of those who reported not working, only 5% were seeking jobs or trying to start a business, a significant fall from 36% in June 2023 and 13% in December 2022. The main reasons for not seeking jobs or trying to start a business were because respondents had jobs to return to or were in retirement or motherhood. Less than 5% cited study as a reason.

Table 1. Employment

	Working respondents (% of respondents)			
	May 2022	Dec 2022	Jun 2023	Jan 2024
All	88.2	89.6	91.3	93.4
Male	90.4	92.5	94.1	95.8
Female	84.2	84.5	86.7	89.9
Urban	88.2	86.7	87.9	91.5
Rural	88.1	91.1	93.2	94.4
High-skilled	90.1	89.9	92.5	94.4
Low-skilled	81.6	89.1	89.8	91.9
Top 60	88.8	89.7	91.3	93.2
Bottom 40	86.8	89.2	91.5	94.5

Notes: Results are weighted. Respondent aged 18 years or older. “Working” is defined as working at least one hour in the seven days before the interview date. Results for May 2022 are from Round 5, for December 2022 from Round 6, and for June 2023 from Round 7. High-skilled persons are those with a completed secondary education or higher. Bottom 40 refers to individuals in the bottom 40% of the consumption distribution, and top 60 to individuals in the top 60% of the consumption distribution.

Table 2. Sector of employment (Main job, % of working respondents)

	May 2022	Dec 2022	Jun 2023	Jan 2024
Agriculture	43.5	39.1	48.6	45.0
Manufacturing	4.7	4.9	5.8	8.8
Construction	3.6	3.5	3.9	3.9
Transport, trade, and hospitality	14.4	16.1	11.5	12.6
Other	33.8	36.5	30.2	29.8

Notes: Results are weighted. *Other* mostly includes non-tradable services such as public administration, health, education, and financial services. Results for May 2022 are from Round 5, for December 2022 from Round 6, and for June 2023 from Round 7.

Table 3. Employment type (main job, % of working respondents)

Worker type	May 2022	Dec 2022	Jun 2023	Jan 2024
Formal wage	29.9	30.7	25.2	25.5
Informal wage	13.8	14.1	12.5	14.2
Self-employed	27.6	29.2	39.6	45.0
Unpaid family	28.8	26.0	22.7	15.4

Notes: Results are weighted. Results for May 2022 are from Round 5, for December 2022 from Round 6, and for June 2023 from Round 7.

Labor shifted from services toward agriculture and manufacturing. The share of working respondents employed in transport, trade, and hospitality and other non-tradable services declined notably from 52% in December 2022 to 42% in January 2024 (Table 2). Instead, workers moved toward the tradable sectors — agriculture and manufacturing — which tend to benefit from currency depreciation through higher demand for exported goods and higher prices in local currency. Increasing agricultural activities is also one of the coping strategies adopted by Lao households against high food inflation. The proportion of workers employed in agriculture rose from 39% in December 2022 to 45% in January 2024[2], and for those working in manufacturing the increase was from 4.9% to 8.8%.

Sectoral shifts were associated with a decline in wage employment and unpaid family work, and with a significant increase in self-employed workers. Strikingly, the decline in wage employment was mainly due to a decrease in formal employment, which previously had been relatively stable, even during the pandemic. Between December 2022 and January 2024, the share of formal wage workers among working respondents fell from 31% to 26%. At the same time, more unpaid family workers moved into paid employment, a result of greater financial needs to cover higher living costs, and strong demand for workers in a tight labor market. The ratio of unpaid family workers consistently declined, and the proportion of self-employed workers surged from 29% to 45% (Table 3).

Wage growth accelerated in the second half of 2023 but did not keep pace with inflation. In May 2023, the annual average wage growth was just 6%, implying a fall of more than 30% in the average real wage. Wages grew at a faster pace in the second half of 2023 but were still outpaced by persistently high inflation. At an annual growth rate of 13% in December 2023, average wages declined by 11% in real terms (Table 4). In contrast, income earned by self-employed workers from family businesses (with or without employees) grew faster and was almost able to keep up with inflation (Table 8). These trends triggered a movement toward self-employment, both in businesses and in farming.

Table 4. Average wage income (million kip per month)

	Round 7			Round 8		
	May 2022	May 2023	Change	Dec 2022	Dec 2023	Change
Salary, compensation, commission	2.46 [2.3,2.6]	2.59 [2.4,2.8]	6%	2.42 [2.3,2.6]	2.74 [2.6,2.9]	13%

Notes: Results are weighted. Outliers are excluded. Only wage workers who derived positive income in both years are included. Numbers in brackets are 95% confidence intervals.

FAMILY FARMS

Agricultural activities, either commercial or subsistence, grew steadily during the pandemic and high-inflation period. The proportion of households engaged in agricultural activities, hereafter known as farm households, rose from 73% in the 2019-20 cropping season to 90% in the 2023 cropping season, with the proportion of farm households in urban areas jumping from 53% to 78% (Table 5).[3] Among the key drivers behind this trend are an increase in own-food production during the pandemic and high-inflation period, higher demand for agricultural exports, and higher returns in agriculture than in non-farm businesses or wage employment.

Rice, cassava, and vegetables were the three major crops (by cultivation area) produced by farm households during the 2023 cropping season. Paddy rice was cited as the main crop by 46% of crop-producing households, especially among rural and low-income families. Vegetables were largely grown by

[2] This change reflects an increase in farm activities that is not driven by seasonality. Seasonality is a salient feature of the Lao labor market, with demand for farm labor varying according to season and weather. Workers tend to move to agriculture during the planting season in May–June.

[3] Farm households are those with at least one member engaged in agricultural activities either as the primary or secondary source of employment, or for subsistence.

urban households, mainly for consumption. Cassava production was more common among low-income households, with 19% of low-income crop producers citing cassava as their main crop.

Pests, diseases, animal, and weather problems were the most often cited major challenges for crop production, underscoring the importance of climate adaptation measures in agriculture promotion and livelihood support. Nearly two-thirds of crop-producing households faced challenges in growing crops during the 2023 cropping season. Among these, 25% cited pests, diseases, and animal-related problems as the most important challenges, while 19% cited weather-related problems such as floods or drought. Weather problems were particularly acute in rural areas and among low-income households: 21% of rural crop producers cited them as major challenges, compared to 14% of urban crop producers. The impact of rising input prices on farming has subsided, with only 10% of crop producers citing high input prices as major challenges for crop production.

Table 5. Family farms

	Agricultural activities in the past 12 months								
	% of households		Major crop (% of crop producers)			% of crop producers that faced challenges	Challenges for crop production (% of crop producers)		
	Agricultural activities	Crop producers	Paddy	Cassava	Vegetables		Pest, disease, animal problems	Weather-related problem	High input prices
All	89.6	82.3	46.3	14.1	13.4	63.0	24.8	19.1	9.8
Urban	77.5	64.7	32.7	9.8	29.9	52.6	20.6	13.8	9.0
Rural	96.0	91.7	51.4	15.7	7.2	67.0	26.4	21.1	10.1
Top 60	88.5	80.5	45.0	13.0	14.8	60.5	24.4	17.6	9.4
Bottom 40	94.5	90.5	51.2	18.5	7.5	73.1	26.6	25.2	11.6

Notes: Results are weighted. Major crop is that with the largest cultivation area. Respondents were asked to cite the most important challenge for crop production. Bottom 40 refers to individuals in the bottom 40% of the consumption distribution. Top 60 refers to individuals in the top 60% of the consumption distribution.

Table 6. Cash crop producers

	Commercial agricultural activities in the past 12 months								
	% of crop producers growing crops for sale	Major crop (% of cash crop producers)			% of cash crop producers that faced challenges for crop sale	Challenges for crop sale (% of cash crop producers)			
		Cassava	Paddy	Corn/maize		Low crop prices	High transport cost	Lack of traders or markets	Flood/drought
All	58.0	33.2	17.7	17.7	48.0	34.5	4.5	3.0	3.6
Urban	37.0	33.5	14.5	6.0	52.3	41.1	4.3	2.1	0.8
Rural	65.9	33.1	18.4	20.2	47.1	33.0	4.5	3.2	4.2
Top 60	56.8	30.8	17.7	17.5	47.0	34.2	3.5	2.6	3.7
Bottom 40	63.1	41.8	17.8	18.5	51.8	35.4	8.2	4.4	3.1

Notes: Results are weighted. Bottom 40 refers to individuals in the bottom 40% of the consumption distribution. Top 60 refers to individuals in the top 60% of the consumption distribution.

Cassava was the major cash crop in the 2023 cropping season. Commercial agriculture was more common among low-income crop producers, who tend to rely on agriculture as their main source of income.[4] Nearly two-thirds of these grew crops for sale, with 42% and 19% citing cassava and maize respectively as their major cash crops (Table 6). Cash crop producers, especially low-income producers, faced several challenges when selling their harvests. Despite high food inflation, low farm-gate prices were still the most cited challenge — named by 35% of cash crop producers. Low-income households were more likely to cite high transportation costs and a lack of market access, which present a major obstacle to crop sale for 8% and 4% of low-income cash crop producers respectively.

FAMILY BUSINESSES

Family business activities increased notably, providing income sources that could keep up with inflation. Around two-thirds of households owned family businesses in January 2024, a significant increase from 40% in December 2022 (Table 7). The increase was more evident among rural and low-income households, of whom a respective 78% and 82% operated agricultural businesses.[5] On average, profits from family businesses rose by 22% in the year to December 2023, almost keeping pace with the year-on-year inflation rate of 24%.

Notable improvement in average profits masks the distributional consequences of persistent price shocks. Despite an increase in average profit, nearly 40% of businesses still saw their profits remain unchanged or declined. Amid double-digit inflation, this implies that their real profits declined significantly. Agricultural businesses outperformed non-farm businesses, disproportionately benefiting rural and low-income households. While 66% of family businesses in the agricultural sector saw their profits increase in December 2023 from the previous year, only 51% of non-farm family businesses reported the same. This was reflected in a 17% increase in the average profit of non-farm businesses between December 2022 and December 2023, compared to a 26% increase for agricultural businesses.

Table 7. Family businesses

	% of households with a family business			Profit in previous month compared to at the same time last year (% of applicable businesses)			Average profit (million kip)		
	Dec 2022	June 2023	Jan 2024	Higher	Stay the same	Lower	Dec 2022	Dec 2023	% change
All	39.7	52.5	65.3	61.0	17.4	21.6	3.5 [3.2,3.7]	4.3 [3.9,4.6]	21.7
Urban	39.5	46.0	52.9	56.7	22.2	21.2	3.8 [3.3,4.3]	4.6 [4.0,5.2]	20.9
Rural	39.8	55.9	72.0	62.7	15.5	21.8	3.4 [3.1,3.7]	4.1 [3.8,4.5]	22.1
Top 60	45.3	55.9	65.2	60.2	17.7	22.2	3.5 [3.2,3.7]	4.2 [3.9,4.5]	21.6
Bottom 40	26.9	44.7	66.1	64.6	16.1	19.2	3.7 [3.0,4.3]	4.5 [3.8,5.2]	22.1
Male-run				62.1	15.7	22.2	3.8 [3.5,4.2]	4.7 [4.3,5.1]	21.2
Female-run				59.1	20.4	20.5	2.8 [2.4,3.2]	3.5 [3.0,3.9]	23.1
Farm				66.3	12.5	21.2	3.2 [2.9,3.5]	4.0 [3.6,4.4]	25.6
Non-farm				51.3	26.3	22.4	4.0 [3.6,4.5]	4.7 [4.2,5.3]	16.5

Notes: Results are weighted. Applicable businesses are those that started operating before December 2022. Average profit of 1,053 family businesses that reported their profits for both December 2022 and Decembers 2023. Numbers in brackets are 95% confidence intervals. Outliers are excluded. Bottom 40 refers to individuals in the bottom 40% of the consumption distribution. Top 60 refers to individuals in the top 60% of the consumption distribution.

[4] In contrast, crop producers from the top 60 were more likely to grow vegetables and fruit for own consumption.
[5] Agricultural businesses refer to family businesses operating in the agricultural sector, and may overlap with commercial farming in the previous section.

HOUSEHOLD INCOME

Average household income per capita rose during the past year, in line with inflation. However, more than 40% of households still saw their income lag behind inflation. Growth in per capita household income accelerated in the second half of 2023. Average income per capita rose by 25% in the year to December 2023, in line with the year-on-year inflation rate of 24% in the same month (Table 8). The ratio of households reporting improved incomes from the previous year also increased from 46% in May 2023 to 62% in December 2023. Nevertheless, a large share of households still suffered from persistently high inflation. Nearly 40% of households reported that their household income remained unchanged or declined between December 2022 and December 2023, and these were therefore badly hit by the rising cost of living.

Household income grew faster among rural households, thanks to improved farm and agricultural business incomes. Although rural households are as likely as urban households to report an increase in household income, these households tend to experience a larger increase. Average household income per capita among rural households rose by 27% in a year to December 2023, compared to 21% among urban counterparts. Female-headed households showed signs of recovery after they were hit hardest by economic difficulties in the first half of 2023. The share of female-headed households experiencing a decline in household income from the previous year almost halved from 31% in May 2023 to 16% in December 2023.

Table 8. Household income

	May 2023 compared to same time last year			Dec 2023 compared to same time last year			Average household income per capita (million kip)		
	Increased	Unchanged	Decreased	Increased	Unchanged	Decreased	Dec 2022	Dec 2023	% change
All	45.6	30.5	23.2	62.2	22.9	14.7	1.3 [1.2,1.4]	1.6 [1.5,1.7]	24.8
Urban	45.2	31.6	22.5	61.5	25.9	12.5	1.5 [1.4,1.6]	1.8 [1.7,1.9]	20.7
Rural	45.9	29.9	23.7	62.5	21.3	15.9	1.2 [1.1,1.3]	1.5 [1.4,1.6]	27.2
Top 60	45.9	30.9	22.6	62.5	22.3	15.0	1.4 [1.3,1.5]	1.7 [1.6,1.8]	24.5
Bottom 40	45.0	29.5	24.6	60.7	25.5	13.2	1.0 [0.9,1.1]	1.3 [1.1,1.4]	26.1
Male head	46.4	30.6	22.3	63.2	22.0	14.5	1.3 [1.2,1.3]	1.6 [1.5,1.7]	25.0
Female head	39.0	29.8	30.7	53.1	30.6	16.3	1.4 [1.2,1.7]	1.8 [1.5,2.1]	23.0

Notes: Results are weighted. Results for May 2023 are from Round 7 and for December 2023 from Round 8. Outliers are excluded. Average household income per capita of 1,840 households who reported their incomes for both December 2022 and December 2023 based on the recall question. Numbers in brackets are 95% confidence intervals. Bottom 40 refers to individuals in the bottom 40% of the consumption distribution. Top 60 refers to individuals in the top 60% of the consumption distribution.

Households became more dependent on farm income. Following an increase in farming activities, the number of households relying on farm income in the previous 12 months increased in 2023 across almost all socioeconomic groups (Table 9). At the same time, households became less reliant on non-farm businesses or domestic remittances, as these income sources were disproportionately affected by kip depreciation and high inflation. The proportion of households receiving wage income fell across all groups except for urban and female-headed households. International remittances fluctuated, with a falling share of households relying on them in the first half of 2023, before improving in the second half of 2023.

Table 9. Household income sources

	% of households relying on each income source during the past 12 months									
	Farm income		Non-farm business income		Wage income		International remittances		Domestic remittances	
	Dec 2022	Dec 2023	Dec 2022	Dec 2023	Dec 2022	Dec 2023	Dec 2022	Dec 2023	Dec 2022	Dec 2023
All	77.6	81.6	35.5	28.2	69.6	64.8	9.2	8.6	16.9	13.5
Urban	56.6	63.9	42.0	37.9	77.1	77.2	9.4	7.5	15.9	14.7
Rural	88.8	91.1	32.0	23.0	65.6	58.2	9.0	9.2	17.4	12.9
Top 60	73.0	80.4	41.1	30.6	71.8	65.4	8.8	8.4	16.7	14.4
Bottom 40	88.1	87.1	22.4	16.9	64.5	62.0	10.0	9.5	17.3	9.7
Male head	79.3	83.6	34.7	28.0	70.3	64.3	8.4	8.2	17.0	13.4
Female head	61.1	64.8	42.3	29.7	62.8	68.3	16.9	12.0	15.9	14.4

Notes: Results are weighted. Bottom 40 refers to individuals in the bottom 40% of the consumption distribution. Top 60 refers to individuals in the top 60% of the consumption distribution.

CONSUMPTION

INFLATION AND HOUSEHOLD SPENDING

Inflation has negatively affected 81% of households, with low-income families more likely to feel a significant impact due to their low resilience levels. More than half of households reported a significant negative impact from inflation (Table 10). Urban households, who are more reliant on purchased goods and services, and low-income households who have lower financial buffers, were disproportionately affected: 62% of urban and 56% of low-income households said they had been significantly affected by inflation, as compared to 48% of rural households and 52% of high-income households. The prolonged period of high inflation has severely hit low-income households, who are less resilient to price shocks than their counterparts. The share of these households experiencing significant impact from inflation rose from 54% to 56% during June 2023–January 2024, while the ratio declined among high-income households.

While scaling up own-food production and switching to cheaper food remain the most common coping strategies, more households have turned to formal and long-term strategies to cope with persistent inflation. Around 87% and 73% of affected households relied on own-food production and consumption of cheaper food to cope with rising prices. After a protracted period of high inflation, more households have adopted formal and long-term coping strategies. Between June 2023 and January 2024, the proportions of affected households engaging in additional income-generating activities and taking loans from financial institutions rose from 52% to 56% and from 18% to 23% respectively. At the same time, the share of households reducing food consumption declined across all socioeconomic groups except for low-income households. Around 71% of low-income households still reported reducing food consumption — about 12 percentage points higher than among high-income families. This underscores the vulnerability of low-income families to persistently high food inflation. Only 10% of these households reported receiving assistance from the government to help them cope with high food inflation.

Table 10. Impact of inflation on households

	% of households negatively affected by inflation		Coping strategies to address food price inflation in Dec 2023 (% of affected households)										
	Somewhat affected	Significantly affected	Grew and harvested own food	Consumed cheaper food	Relied on savings	Hunted or gathered food	Reduced food consumption	Engaged in additional income generating	Received assistance from friends or family	Sold assets	Used credit purchase	Took loans from friends and family	Took loans from financial institutions
All	28.5	52.9	86.8	73.0	71.0	69.9	60.1	56.4	45.6	31.9	27.9	24.1	23.0
Urban	25.1	62.1	74.5	71.9	71.5	53.2	57.6	49.2	44.7	23.8	25.1	23.1	19.0
Rural	30.3	48.0	94.1	73.7	70.7	79.9	61.6	60.6	46.1	36.8	29.6	24.7	25.5
Top 60	29.3	52.2	85.1	72.0	70.8	67.1	57.9	54.7	44.6	30.5	27.1	23.1	22.7
Bottom 40	25.0	56.0	94.4	77.8	72.1	82.7	70.2	64.3	50.3	38.5	31.6	28.6	24.8

Notes: Results are weighted. Bottom 40 refers to individuals in the bottom 40% of the consumption distribution. Top 60 refers to individuals in the top 60% of the consumption distribution.

HEALTH, EDUCATION AND HOUSEHOLD SAVINGS

Inflation forces households to use savings or reduce human capital spending, especially among low-income households. Around 36% and 37% of households reported reducing education and health care spending respectively (Table 11). Reductions in both these expenses were more common among low-income families. In particular, around 45% of low-income households reduced education spending, compared to 34% of high-income households. Inflation also depleted household savings, with 70% of households stating they had to reduce the amount that they save. Although low-income households were almost as likely as other households to report using savings, their savings levels were already much lower than those of better-off households. Thus, the longer-term consequence of high inflation — given reduced education and health spending plus a significant savings cutback — is likely to be more pronounced for this group.

Table 11. Impact of inflation on human capital spending and savings

	% of households reducing...					
	Jun 2023			Jan 2024		
	Education spending	Health spending	Savings	Education spending	Health spending	Savings
All	44.1	44.6	76.7	36.3	37.2	69.7
Urban	42.2	41.6	80.7	31.0	33.2	73.6
Rural	45.0	46.2	74.6	39.2	39.3	67.7
Top 60	42.4	42.7	77.2	34.3	35.5	69.8
Bottom 40	48.0	48.9	75.6	45.4	45.1	69.1

Notes: Results are weighted. Bottom 40 refers to individuals in the bottom 40% of the consumption distribution. Top 60 refers to individuals in the top 60% of the consumption distribution. Unlike in the previous round briefs which show percentages of affected households, this table shows percentages of all households.

The impact of inflation on human capital spending has eased, but to a lesser extent among low-income families. The proportion of households reducing education spending because of inflation continued to decline from 49% in December 2022 to 44% in June 2023 and 36% in January 2024, indicating some degree of recovery and resilience among Lao households. The decline, however, varies substantially across socioeconomic groups. While the share of high-income households that reported reducing education spending dropped from 42% to 34% between June 2023 and January 2024, low-income households showed a small decline from 48% to 45%. Although this trend likely reflects a low level of resilience among poor households, social norms which influence the priority given to education could also play a role. Persistent inflation is thus expected to widen the human capital gap across income groups.

Dropout rates remain high, with boys from low-income households having the highest instances of school dropout. The school dropout rate over the previous 12 months remained high at 4.8%, and the proportion of children aged 6 to 17 who are not enrolled in school stood at 6.6% in January 2024. Boys and children from low-income households are more likely to drop out of school: 7.1% of school-age children from low-income households had dropped out of school in the previous 12 months, compared to 3.9% from better-off families, while the dropout rates were 6.2% for boys and 3.4% girls (Table 12).

Financial reasons are the primary cause of school dropout. In January 2024, 55% of households attributed the dropout decision due to their inability to pay for school or the need for children to work and support the family, a slight increase from 52% in June 2023. Financial reasons were particularly pronounced among children from urban and low-income households, while unwillingness to study was more common among those from rural and high-income families.

Table 12. Impact of inflation on education-related spending

	% of school-age children					% of households with dropout			
	Dropped out in the previous 12 months			Not enrolled in school		Reasons for school dropout			
	Total	Female	Male	Dec 2022	Jan 2024	Financial reasons	Household chores	Distance to school	Unwillingness to study
All	4.8	3.4	6.2	6.5	6.6	55.1	14.5	7.0	16.8
Urban	1.9	1.3	2.4	6.0	4.1	62.5	0	0	5.3
Rural	6.0	4.3	7.7	6.7	7.7	54.0	16.5	8.0	18.4
Top 60	3.9	2.4	5.5	4.9	5.9	51.6	13.5	5.3	23.4
Bottom 40	7.1	6.3	8.0	8.5	8.6	60.8	16.1	9.8	6.0

Notes: Results are weighted. Bottom 40 refers to individuals in the bottom 40% of the consumption distribution. Top 60 refers to individuals in the top 60% of the consumption distribution.

FOOD SECURITY

Food insecurity among rural and low-income families declined between December 2022 and January 2024, but remained higher than it was among urban and high-income families. The share of moderate to severe food insecure households declined from 33% in December 2022 to 29% in January 2024 (Table 14). However, the situation varied across groups. The proportion hardly decreased for urban and high-income households, while the food security situation among rural and low-income families improved considerably. Incidences of "ran out of food" and "hungry but did not eat" eased from a year earlier across all groups, but were more pronounced among rural and low-income households (Table 15).

Table 14. Food insecurity prevalence rate Dec 2022 and Jan 2024

	Dec 2022		Jan 2024	
	Moderate to severe food insecurity	Severe food insecurity	Moderate to severe food insecurity	Severe food insecurity
All	32.9	7.5	28.9	2.6
Urban	27.6	4.4	26.9	2.2
Rural	35.5	9.3	32.5	3.3
Top 60	26.8	5.1	26.9	2.2
Bottom 40	46.5	13.1	36.5	3.3

Notes: Results are weighted. The level of food insecurity is determined based on the method developed by FAO for the analysis of FIES data. In the previous briefs, the level of food insecurity is determined based on the most severe form of food insecurity that a household has experienced (Table 14). Bottom 40 refers to individuals in the bottom 40% of the consumption distribution. Top 60 refers to individuals in the top 60% of the consumption distribution.

Table 16. Food insecurity in the past 30 days, Jan 2024 (% of households)

	During the last 30 days, was there a time when you or others in your household … because of a lack of money or other resources								
		Mild Food Insecurity			Moderate Food Insecurity			Severe Food Insecurity	
	No Food Insecurity	Worried about having enough food to eat	Were unable to eat healthy and nutritious food	Ate only a few kinds of food	Had to skip meal	Ate less than they should	Ran out of food	Were hungry but did not eat	Went without eating the whole day
All	40.9	38.4	41.0	49.0	23.2	38.7	12.0	6.4	0
Urban	46.4	35.9	34.0	42.2	15.8	32.4	8.7	3.6	0
Rural	38.0	39.8	44.8	53.9	27.1	42.1	13.8	7.9	0
Top 60	43.3	36.6	38.8	47.4	20.9	36.8	11.1	6	0
Bottom 40	29.7	46.8	51.0	61.4	33.8	47.6	16.4	8.7	0

Notes: Results are weighted. Bottom 40 refers to individuals in the bottom 40% of the consumption distribution. Top 60 refers to individuals in the top 60% of the consumption distribution.

Table 15. Concerns about food security for your household Dec 2022 and Jan 2024 (% of households)

	Dec 2022			Jan 2024		
	Very concerned	Somewhat concerned	Not concerned	Very concerned	Somewhat concerned	Not concerned
All	23.1	43.6	33.3	23.8	38.5	37.8
Urban	23.9	41.1	34.9	24.3	36.2	39.5
Rural	22.7	44.9	32.4	23.5	39.7	36.8
Top 60	19.7	43.0	37.4	22.2	38.0	39.7
Bottom 40	31.2	45.0	23.8	30.9	40.3	28.8

Notes: Results are weighted. Bottom 40 refers to individuals in the bottom 40% of the consumption distribution. Top 60 refers to individuals in the top 60% of the consumption distribution.

Concerns about food security have declined but remain high among low-income households. In January 2024, 62% of respondents said they were somewhat or very concerned about the food security of their households (Table 18). This figure is lower than the 67% recorded in December 2022, reflecting a decline in the number of households that were "somewhat concerned". For those that are very concerned, the share remains relatively unchanged. The degree of food security concern is highest among low-income households, with 31% of low-income respondents saying they were very concerned about food security in their households.

PUBLIC SERVICES

Accessing government administrative services has become more difficult. The ratio of households facing obstacles in accessing government administrative services jumped from 2.9% in June 2023 to 8.3% in January 2024 (Table 16). Challenges include a lengthy process, understaffing, and difficulties travelling to government offices. As of January 2024, less than half of all households had required medical services in the previous 12 months, and almost all of these households were able to access such services.

Table 16: Public service delivery

	Administrative services		Health services	
	Access difficulties (% of households)		Required services (% of households)	Able to access services (% of households needing services)
	Jun 2023	Jan 2024		
All	2.9	8.3	42.3	98.0
Urban	3.1	8.8	36.9	98.1
Rural	2.8	8.1	45.2	98.0
Top 60	2.8	8.0	41.0	98.0
Bottom 40	3.1	9.9	48.0	98.0

Notes: Results are weighted. Bottom 40 refers to individuals in the bottom 40% of the consumption distribution. Top 60 refers to individuals in the top 60% of the consumption distribution.

Table 17: Most pressing issue that the government should address first (% of respondents)

	Overall inflation	Kip depreciation	Rising fuel price	Rising food price	Reduced income
All	51.9	51.4	39.2	29.6	11.3
Urban	55.7	56.8	38.2	34.9	10.2
Rural	49.8	48.4	39.7	26.9	11.8
Top 60	52.5	53.1	40.0	29.8	11.3
Bottom 40	49.1	43.2	35.4	29.1	11.3

Notes: Results are weighted. Each respondent can report up to three issues. Bottom 40 refers to individuals in the bottom 40% of the consumption distribution. Top 60 refers to individuals in the top 60% of the consumption distribution.

High inflation and kip depreciation were the most pressing issues for the government to address (Table 17). The top three policy priorities named by respondents in January 2024 were overall inflation (52%), kip depreciation (51%), and rising fuel prices (39%). Kip depreciation and inflation were cited more frequently by urban and high-income respondents, whose non-farm businesses, wage incomes, and household costs were most affected by the falling kip and inflation. Food inflation was more likely to be a major concern among urban households.

OUTLOOK

High inflation and kip depreciation have changed the labor market landscape, affected household living standards, and undermined human capital development. Relative price changes have triggered labor reallocation away from non-tradable service sectors toward the tradable agricultural and manufacturing sectors, and away from wage employment toward self-employment. While self-employment, family farming, and businesses provide income sources that have kept up with inflation, they provide less job security and social protection than do formal wage employment. Meanwhile, economic instability has accelerated outmigration as workers seek better employment opportunities and higher wages in neighboring countries. These trends could jeopardize the prospects of labor-intensive industries.

Inflationary pressures have eased, but a protracted period of high inflation has disproportionately affected vulnerable groups, who have limited capacity to cope with inflation and low levels of resilience. The proportion of households that have reduced food consumption and human capital spending has generally declined across all socioeconomic groups, except for among low-income households. Curtailing spending on education and health care, or having children drop out of school, could have enduring long-term effects on human capital accumulation. Persistent inflation is likely to undermine human capital development and widen the gaps between socioeconomic groups. This could result in significant social scarring if left unaddressed.

Survey Methodology

This brief summarizes results from the Rapid Monitoring Phone Survey of Households in the Lao PDR. Fieldwork ran from January 22 to February 21, 2024, administered by Indochina Research. The sample was drawn using random digit dialing. The final sample of 2,000 households is nationally representative. Survey weights were adjusted to match the shares of households by urban and rural area, region, household size, and dependency ratio to strengthen representativeness.

One main respondent aged 18 years or older was interviewed from each household. About 59% of respondents were male and 75% were Lao-Tai. Around 39% and 44% of respondents were aged 18–34 and 35–54 respectively. 55% of the respondents were household heads, 24% were spouses, and 15% were sons or daughters. 86% were households composed of couples and children, while 7% were households whose head was a single female with children.

The survey instrument includes questions regarding employment, family farms, household businesses, income, nutrition, food security, shocks and coping strategies, health, education, and government measures and assistance.