Impacts of Changing Economic Conditions on Lao Households

Evidence from Rapid Monitoring Phone Survey
Rapid Monitoring Phone Survey
Economic Conditions and Household Welfare Monitoring

Mobility, Inflation, and Survey Round

Mobility is relative to baseline - Jan 3 – Feb 6, 2020
Rapid Monitoring Phone Survey

- **Method**: High Frequency Phone Surveys (HFPS) for regular monitoring of household welfare

- **Tracked indicators**: (i) employment, farm and family businesses, (ii) income; (iii) shocks and coping strategies, (iv) food security, (v) health and education, (vi) government measures and assistance.

- **Sampling**: Random Digit Dialing, with a mix between heads of household and members of household. Respondents are at least 18 years old.

- **Sample size**: ~ 2000 respondents. Representative at national, urban/rural.

- Administered by Indochina Research (IRL)
Employment and Income
• Labor market has continued to recover from COVID-19 with more workers shifting from agriculture to services in the second half of 2022
• Non-farm employment is yet to recover to the pre-pandemic level
• Household income has also gradually recovered from COVID-19
• But the increase was not sufficient to outweigh the impact of inflation. About 60% of workers and households saw their income declined or stagnated in 2022, implying real income losses.
Impact of Inflation and Coping Strategies
Inflation has affected nearly 90% of households, with significant impact increasingly felt across the board.
Inflation eroded household purchasing power, forcing them to adopt various coping strategies. Most of families adopted *consumption-based coping strategies* - reducing food consumption or switching to cheaper/self-produced/wild food.

### % of affected households

<table>
<thead>
<tr>
<th>Strategy</th>
<th>%</th>
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<tbody>
<tr>
<td>Grew and harvested own food</td>
<td>87.5%</td>
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<tr>
<td>Use cheaper food</td>
<td>77.1%</td>
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<tr>
<td>Relied on savings</td>
<td>72.3%</td>
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<tr>
<td>Hunted or gathered food</td>
<td>68.7%</td>
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<tr>
<td>Reduced food consumption</td>
<td>65.7%</td>
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<tr>
<td>Additional income generation</td>
<td>56.9%</td>
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<tr>
<td>Assisted by friends or family</td>
<td>45.4%</td>
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<tr>
<td>Sale of assets</td>
<td>38.7%</td>
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<tr>
<td>Loan from friends or family</td>
<td>22.8%</td>
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<tr>
<td>Took a loan from a financial inst.</td>
<td>18.4%</td>
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<tr>
<td>Credited purchases</td>
<td>17.8%</td>
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<tr>
<td>Assisted by government</td>
<td>5.6%</td>
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- **Consumption-based**
- **Asset-based**
- **Income-based**
- **Loan-based**
- **Assistance-based**
Coping strategies vary across groups. Rural households tend to rely on self-produced and wild food, as well as selling their assets (cattle and livestock) and seeking additional jobs. Better-off households tend to rely on their savings.
Consumption-based coping strategies have undermined food security. While food security improved following the cropping season, 60% of households still experienced a certain degree of food insecurity, with the share increasing to 76% among low-income households.
• For about half of family businesses, their profitability was negatively affected by inflation and kip depreciation.
• At the same time, more than one-third of family businesses were able to make more profit (mainly agriculture and construction).
• The negative impact was more pronounced among female-run businesses, urban businesses, and businesses owned by richer households.
87% of Lao households engage in some form of agricultural activities. Almost all of them are crop producers.

Fuel price inflation was one of the major challenges for crop producers, after weather-related problems.

Composition of households with agricultural activities:
- Households with no crop production: 3%
- Households producing crops for sale: 97%
- Households producing crops for consumption only: 64%

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Most important challenge for crop production:
- Input shortages: 20%
- High input prices: 14%
- High fuel prices: 12%
- Lack of cash: 18%
- Water supply issues: 25%
- Weather-related problems: 20%
- Pest, disease, animal problems: 3%
- Labor issues: 4%
• For one-third of crop producers that grew crops for their own consumption only, the impact of inflation is largely negative through rising input prices
• Nearly half of subsistence crop farmers were affected by higher cost of seeds and fuel
For two-thirds of crop producers that grew crops for sale, 74% and 53% were affected by rising costs of fuel and labor.

The impact of inflation could be positive if crop prices rose by more than input prices. 84% of crop producers reported an increase in crop prices and 52% increased production of their main crop.
Human Capital
Inflation has compressed household budgets, forcing households to reduce their investment in human capital—especially among rural and low-income families.
The share **low-income families** reducing education spending rose considerably during the second half of 2022.
Children from low-income households showed higher instances of dropping out of school, mainly due to financial reasons.

**% Children 6-17 Dropping out of school (Round 6)**

- All National: 4%
- Urban Location: 2%
- Rural Location: 5.5%
- Top 60% Income group: 2.7%
- Bottom 40% Income group: 6.9%

**Reasons for dropping out of school (%)**

- Family cannot afford the expenses: 46.5%
- Children need to work to support family: 22.3%
- Children need to help with household chores: 15.4%
- Children do not want to study: 5.7%
- Others: 5.2%
- School is far: 4.8%
What is the pressing issue that the government should address first?