

Monitoring Household Welfare in the Lao PDR

Results Snapshot from a Rapid Monitoring Phone Survey of Households

INTRODUCTION



The Lao economy faces increased challenges from currency depreciation and high inflation. Economic recovery from COVID-19 has been gradual, undermined by macroeconomic instability and external factors. The combination of the need to service large external debts, high import prices, and limited foreign exchange reserves, has led to a sharp fall in value of the local currency. The kip fell by 36 and 27 percent against the Thai baht and US dollar respectively in the year to July 2023, pushing up inflation amid high import reliance. The year-on-year inflation rate stood at 28.6 percent in June 2023, while the price of rice – a primary staple food – surged by 55.6 percent (year-on-year) and food inflation remained stubbornly high at 42.7 percent. Soaring costs are threatening household living standards.

The World Bank has conducted a series of Rapid Monitoring Phone Surveys of Households in the Lao PDR to regularly monitor household welfare. The first survey was conducted during the COVID-19 pandemic, from June 20 to July 16, 2020. Following the sixth-round survey of December 5, 2022 to January 4, 2023, the seventh and most recent round was conducted from May 29 to June 28, 2023.¹ The monitoring data offers insights into the effects of economic shocks on household well-being. This note provides a snapshot of findings from the seventh 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. The Lao kip continued to depreciate against most foreign currencies. Inflation eased but remained high, while soaring food inflation threatened household livelihoods and food security.
- Rampant inflation and rapid depreciation of the kip have resulted in labor market adjustments. Wage employment and non-farm businesses have been disproportionately affected, pushing workers to switch to or ramp up farming and agricultural business activities. As a result, despite a continued increase in overall employment, non-farm employment declined. Wage employment declined notably, while the share of self-employed workers increased.
- Kip depreciation and inflation created winners and losers in family businesses. From May 2022 to 2023, revenues improved for agricultural businesses, while non-farm businesses, especially in the service sector, did not perform well. Businesses operated by high-income households and women suffered more from the price shocks.
- Agricultural activities steadily increased over the past year, with farming and agricultural businesses offering higher returns and farm produce substituting for purchased food. About half of crop-producing households grew crops for sale. Cassava was a major cash crop for 35% of crop producers and 43% of low-income crop producers. Weather-related problems were the most cited challenge to crop production, followed by high input prices.
- Workers migrated both domestically and internationally to seek higher wages and better employment opportunities. In June 2023, 11% and 5.3% of Lao households reported having at least one member migrate to another province or country respectively during the past 12 months.
- Average household income rose by 11.5% between May 2022 and May 2023, failing to keep pace with inflation.
- Macroeconomic instability has had clear distributional consequences on household income. Around 54% of households reported that income remained unchanged or declined between May 2022 and May 2023. These were badly hit by the rising cost of living. Meanwhile, 46% of households which reported an increase in household income saw their average income growing by 35.9% in line with the year-on-year inflation rate in May 2023.
- Average household income grew faster among urban households, low-income households, and male-headed households than their counterparts. Female-headed households were hit hardest by economic difficulties and high inflation: their average household income fell by 8%.
- Around 87% of households reported that they had been somewhat or significantly affected by inflation, a figure that remained relatively stable between December 2022 and June 2023. Urban and high-income households were disproportionately affected owing to their reliance on purchased goods and services.
- To cope with food inflation, most households scaled up own-food production and foraging activities, switched to cheaper food, or reduced food consumption. Low-income families were more likely than high-income households to engage in additional income generating activities, sell their assets, use credit purchase, or borrow from family and friends to cope with rising food prices.
- The proportions of households reducing health and education spending because of inflation declined slightly from December 2022, but remains high. Of those affected by inflation, 50.7% and 51.3% of households reported reducing education spending and health care spending respectively. Reductions in both expenditures were most common among low-income families.
- The yearly dropout rate remained high at 4.4%, relatively unchanged from December 2022. As a result, the proportion of children aged 6-17 who are not enrolled in school rose from 6.5% in December 2022 to 10.9% in June 2023. Children from low-income households were more likely to drop out of school. In June 2023, around 7.1% of school-aged children from low-income families had dropped out of school in the previous 12 months, compared to 2.4% from richer families. As many as 14.3% of school-aged children from low-income households were not enrolled in school.
- Financial reasons — inability to pay for school or the need for children to work and support family — are the primary cause of school dropout. More than half of households attributed the dropout decision to financial reasons. However, this ratio declined from December 2022, as financial reasons began to be replaced by children's unwillingness to study or commute.
- Food insecurity worsened between May 2022 and June 2023, especially among urban families, who are more exposed to high food inflation. The proportion of food insecure households in urban areas increased from 57.9% to 66.6%.
- As of June 2023, almost all households had been able to access government administrative and health services over the previous 12 months.
- Respondents cited kip depreciation as the most pressing issue for the government to address in June 2023, replacing "rising fuel prices" from the December 2022 survey.

LABOR
MARKET

Employment continued to increase in the first half of 2023. The share of respondents reporting working in June 2023 was 91.3%, a steady increase from 89.6% in December 2022 and 88.2% in May 2022 (Table 1). Among those who reported not working, two-thirds were not seeking jobs or trying to start a business. About three-quarters of working respondents worked at least 35 hours per week, the threshold for being considered underemployed. Nearly half of workers held a second job to earn extra income, contributing to relatively a long average working week of 52.3 hours. Male, rural, high-skilled, and low-income workers were most likely to hold a second job.

Table 1. Employment

	Working respondents (% of respondents)			June 2023	
	May 2022	Dec 2022	June 2023	Ratio of working respondents with second job	Average hours per week
All	88.2	89.6	91.3	47.2	52.3
Male	90.4	92.5	94.1	51.6	52.8
Female	84.2	84.5	86.7	39.0	51.5
Urban	88.2	86.7	87.9	38.5	50.0
Rural	88.1	91.1	93.2	51.6	53.5
High-skilled	90.1	89.9	92.5	50.8	52.9
Low-skilled	81.6	89.1	89.8	42.2	51.5
Top 60	88.8	89.7	91.3	46.3	52.5
Bottom 40	86.8	89.2	91.5	49.3	52.1

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 and December 2022 from Round 6. High-skilled persons are those with a completed secondary education or higher. Bottom 40 refers to individuals in the bottom 40 percent of the consumption distribution, and top 60 to individuals in the top 60 percent of the consumption distribution.

Despite a continued increase in employment, sectoral shifts led to a decline in non-farm employment from the previous year. Between May 2022 and June 2023, employment shifted from services toward agriculture and industry. The share of working respondents employed in agriculture rose from 43.5% in May 2022 to 48.6% in June 2023 (Table 2), reflecting an increase in farm activities that is not driven by seasonality². Meanwhile, employment in transport, trade, and hospitality and other services declined noticeably.

Wage employment declined, while the share of self-employed workers increased. Sectoral shifts were associated with a decline in wage employment and an increase in freelance workers. Strikingly, the decline was mainly due to a decrease in formal wage employment, which previously had been relatively stable, even during the pandemic period. Between May 2022 and June 2023, the share of formal wage workers among working respondents fell from 29.9% to 25.2%, while the share of self-employed workers rose from 27.6% to 39.6% (Table 3). The share of unpaid family workers declined consistently during this period.

The shift in employment was a result of workers seeking higher returns from farms and businesses as wages failed to keep up with high inflation. The average wage grew by a mere 5.7% between May 2022 and May 2023, implying a significant fall in the average real wage of more than 30% (Table 4). In contrast, the average profit from farms or businesses earned by self-employed workers (with or without employees) rose by 42.8%, higher than the year-on-year inflation rate of 38.9% in May 2023. These trends triggered a movement toward self-employment, both in businesses and farming.

² Seasonality is a salient feature of the Lao labor market, with the demand for farm labor varying with the seasons and weather. Workers tend to move to agriculture during the planting season in May – June.

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

	May 2022	Dec 2022	June 2023
Agriculture	43.5	39.1	48.6
Industry	4.7	4.9	5.8
Construction	3.6	3.5	3.9
Transport, trade, and hospitality	14.4	16.1	11.5
Other	33.8	36.5	30.2

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

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

Worker type	May 2022	Dec 2022	June 2023
Formal wage	29.9	30.7	25.2
Informal wage	13.8	14.1	12.5
Self-employed	27.6	29.2	39.6
Unpaid family	28.8	26.0	22.7

Notes: Results are weighted. Results for May 2022 are from Round 5 and for December 2022 from Round 6.

Table 4. Income from main job (million kip per month)

	May 2022			May 2023		
	Mean	95% confidence interval		Mean	95% confidence interval	
		Lower bound	Upper bound		Lower bound	Upper bound
Wage workers - salary, compensation, commission	2.5	2.3	2.6	2.6	2.4	2.8
Self-employed workers - net profit from farms or businesses	22.9	19.9	25.9	32.7	28.9	36.4

Notes: Results are weighted and include only workers who derived positive income from the same source in both years, i.e. 500 wage workers and 543 self-employed workers.

FAMILY FARMS

Agricultural activities, either commercial or subsistence, steadily increased during the pandemic and high-inflation period. The proportion of households engaged in agricultural activities, hereafter known as farm households, rose from 73.4% in June 2020 to 82.1% in May 2022 and reached 90.2% in June 2023, with the share in urban areas jumping from 52.5% to 78.1% between June 2020 and June 2023 (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. For example, in December 2022, more than 70% of farm households reported increasing farm production to substitute for purchased food.

Rice, cassava, and vegetables are the three major crops (by cultivation area) produced by farm households. Most farm households are crop producers. Paddy rice was cited as the main crop by more than 40% of crop-producing households, especially among rural and low-income families. Vegetables were largely grown by urban households, mainly for consumption. Cassava production was more common among low-income households, with 22.2% of low-income crop producers citing cassava as their main crop.

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

Weather-related problems were most often cited as the major challenge to crop production. Nearly two-thirds of crop-producing households faced challenges in growing crops. Among these, 35% cited weather-related problems such as floods or drought as the most important challenge, while 11.9% cited high input prices. Weather problems were particularly acute in rural areas and among low-income households: 38.3% of rural crop producers cited them as major challenges, compared to 26.4% of urban crop producers. The impact of rising input prices on farming has declined slightly but remains high. Between December 2022 and June 2023, the proportion of crop producers experiencing an increase in the prices of fertilizer, seeds and fuel declined by 7–9 percentage points (Table 6). However, the issues of higher costs for farm machinery and labor persisted, with a larger share of urban crop producers experiencing price increases in June 2023 than in December 2022.

Table 5. Family Farms

	% of households		Major crop (% of crop producers)			% of crop producers facing challenges	Challenges for crop production (% of crop producers facing challenges)		
	Agricultural activities	Crop producers	Paddy	Cassava	Vegetables		Weather-related problems	High input prices	Pest, disease, animal problems
All	90.2	82.8	41.1	16.6	12.2	65.4	35.0	11.9	11.7
Urban	78.1	65.3	32.3	11.3	26.3	54.2	26.4	10.2	11.2
Rural	96.6	92.1	44.4	18.6	6.9	69.6	38.3	12.5	11.9
Top 60	86.9	77.8	38.1	13.6	14.9	62.3	32.6	11.8	11.5
Bottom 40	97.5	93.8	46.7	22.2	7.2	71.2	39.5	12.1	12.1

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 percent of the consumption distribution. Top 60 refers to individuals in the top 60 percent of the consumption distribution.

Table 6. Impact of rising input prices on farms

	% of household crop producers experiencing input price increases compared to last year									
	Fertilizer		Seeds		Gasoline/Diesel		Farm machinery		Farm labor	
	Dec 2022	Jun 2023	Dec 2022	Jun 2023	Dec 2022	Jun 2023	Dec 2022	Jun 2023	Dec 2022	Jun 2023
All	37.1	29.7	46.7	37.9	64.1	54.9	32.7	32.1	45.1	41.5
Urban	33.4	29.7	52.6	39.5	47.4	40.9	23.4	26.6	32.1	35.4
Rural	38.6	29.7	44.4	37.3	70.9	60.2	36.4	34.2	50.3	43.9
Top 60	37.7	31.2	50.0	39.6	60.2	50.3	32.4	30.5	46.6	43.1
Bottom 40	36.0	26.8	40.0	34.9	72.1	63.5	33.2	35.0	42.1	38.6

Notes: Results are weighted. Not all crop producers use each input. Bottom 40 refers to individuals in the bottom 40 percent of the consumption distribution. Top 60 refers to individuals in the top 60 percent of the consumption distribution.

Half of crop-producing households grew crops for sale, with cassava a major cash crop. Commercial agriculture was more common among crop producers from the bottom 40, who tend to rely on agriculture as their main source of income.⁴ Nearly two-thirds of these grew crops for sale, with 43.3% and 22.9% citing cassava and maize respectively as their major cash crops (Table 7). Cash crop producers faced several challenges when selling their harvests. Despite high food prices, low crop prices was still the most cited challenge – named by 19% of cash crop producers. High transportation costs and a lack of traders or markets were more likely to be cited by low-income households as major challenges to crop sale.

⁴ In contrast, crop producers from the top 60 were more likely to grow vegetables and fruit for own consumption.

Table 7. Cash crop producers

	% 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 who faced challenges)			
		Cassava	Corn/Maize	Paddy		Low crop prices	High transport cost	Lack of traders or markets	Flood/Drought
All	55.7	34.8	17.5	15.8	44.2	19.0	7.5	7.5	7.1
Urban	37.7	35.6	3.5	13.9	47.0	24.2	8.1	7.5	4.6
Rural	62.5	34.4	20.6	16.2	43.5	17.7	7.4	7.5	7.7
Top 60	51.7	29.3	14.0	15.9	42.5	19.8	5.7	6.7	7.0
Bottom 40	63.0	43.3	22.7	15.6	46.8	17.7	10.2	8.7	7.3

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

FAMILY BUSINESSES

Family business activities increased notably, yielding higher returns than wage employment during the period of high inflation. Around half of households (52.5%) owned family businesses in June 2023, a significant increase from 39.7% in December 2022. The increase was more evident among rural and low-income households, among whom a respective 66.9% and 79.4% operated agricultural businesses (Table 8). In June 2023, 59.2% of family businesses reported receiving higher revenues compared to at the same time last year, and only 26.8% experienced revenue decline. On average, profits from family businesses rose by 32.7% in the year to May 2023, almost keeping pace with the year-on-year inflation rate of 38.9%.

Table 8. 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 in previous months (million kip)		
	Dec 2022	June 2023	Higher	Stay the same	Lower	May 2022	May 2023	% change
All	39.7	52.5	59.2	14.0	26.8	23.0 [20.2,25.7]	30.5 [27.3,33.6]	32.7
Urban	39.5	46.0	52.1	14.8	33.1	21.7 [16.1,27.2]	26.5 [20.2,32.7]	22.2
Rural	39.8	55.9	62.2	13.6	24.2	23.5 [20.4,26.6]	32.1 [28.6,35.7]	36.7
Top 60	45.3	55.9	57.1	15.1	27.7	21.3 [18.2,24.5]	27.9 [24.3,31.6]	30.8
Bottom 40	26.9	44.7	65.6	10.3	24.1	28.0 [22.4,33.5]	38.3 [32.2,44.4]	37.1
Male-run			65.5	13.2	21.4	24.4 [21.2,27.6]	35.0 [31.2,38.8]	43.2
Female-run			49.0	15.2	35.8	20.5 [15.6,25.5]	22.9 [17.6,28.3]	11.8
Farm			68.4	11.8	19.8	31.5 [27.1,35.8]	44.6[39.7,49.4]	41.7
Non-farm			48.3	16.5	35.2	12.7[10.0,15.3]	13.4[10.5,16.2]	5.5

Notes: Results are weighted. Applicable businesses are those that started operating before May 2022. Average profit of 900 family businesses that reported their profits for both May 2022 and May 2023. Numbers in brackets are 95% confidence intervals. Bottom 40 refers to individuals in the bottom 40 percent of the consumption distribution. Top 60 refers to individuals in the top 60 percent of the consumption distribution.

Revenues improved for agricultural businesses, while non-farm businesses, especially those in the service sector, did not perform well. Nearly 60% of family businesses saw their profits increase in May 2023 from the previous year. The ratio was higher at 68.4% for family businesses in the agricultural sector.

Only 48.3% of non-farm family businesses reported that their profits had increased, while 35.2% experienced declining profits. This was reflected in a mere 5.5 percent increase in the average profit of non-farm businesses between May 2022 and May 2023 and the poor performance of urban and female-run businesses, which tend to operate in the non-farm sector. The average profit of female-run businesses rose by 11.8%, substantially lower than 43.2% for male-run businesses.

Table 9. Impact of kip depreciation and inflation on businesses

	Impact of shocks on business profit (% of family businesses that have been in operation for more than one year)					
	Kip depreciation			Inflation		
	Increased	Unchanged	Decreased	Increased	Unchanged	Decreased
All	36.3	21.0	42.7	47.6	18.7	33.7
Urban	35.2	20.4	44.4	48.4	18.2	33.4
Rural	36.7	21.3	42.0	47.3	18.9	33.8
Top 60	35.2	20.0	44.8	46.1	18.6	35.4
Bottom 40	39.5	24.2	36.3	52.4	19.0	28.5
Male-run	40.0	19.0	41.0	50.9	18.6	30.5
Female-run	30.2	24.3	45.5	42.3	18.9	38.8
Farm	40.7	22.2	37.1	51.0	20.5	28.5
Non-farm	32.5	16.7	50.8	44.8	15.9	39.2

Notes: Results are weighted. The kip depreciation affects business profits through changes in imported input prices or exported output prices. Inflation affects business profits through a general increase in output or input prices, which may be fueled by the kip depreciation. Bottom 40 refer to individuals in the bottom 40 percent of the consumption distribution. Top 60 refer to individuals in the top 60 percent of the consumption distribution.

Kip depreciation and inflation created winners and losers in family businesses. Kip depreciation generally affects business profits through changes in imported input prices or exported output prices. While the falling value of the kip had a negative effect on the profitability of 42.7% of family businesses, 36.3% of businesses reported that it made their businesses more profitable (Table 9). At the same time, nearly half of family businesses reported that they earned higher profits because of inflation — a general increase in output or input prices.

Non-farm businesses or those operated by high-income households and women have suffered disproportionately from price shocks. Half of non-farm businesses stated that the falling kip reduced their profits, likely through higher imported input prices, as against 37.1% of agricultural businesses, which tend to benefit from higher export prices. As businesses run by high-income households were more likely to operate in the non-farm sector, 44.8% of these said currency depreciation had reduced the profitability of their businesses. Among low-income household businesses, which mainly operate in the agricultural sector, the figure was only 36.3%. The negative impact of inflation was milder than that of kip depreciation but was similarly disproportionate. Inflation lowered the profitability of 39.2% of non-farm family businesses, but only 28.5% of agricultural businesses. Female-operated businesses were hardest hit by inflation: 38.8% of these stated that inflation had a negative effect on profitability.

LABOR MIGRATION

Workers migrated both domestically and internationally to seek higher wages and better employment opportunities. In June 2023, 11% and 5.3% of Lao households reported having at least one member migrate to or leave to find work in another province or country respectively during the previous 12 months (Table 10). Rural households, low-income households, and female-headed households were the most likely to report migration. Higher wages and better employment opportunities were cited as the main reasons for migration

by two-thirds of domestic migrants, especially among those from low-income households. The same reasons were cited by 72.6% of international migrants, with the share increasing to 88.3% for low-income migrants.⁵

Table 10. Domestic and international migration

	% of households with members migrating in the past 12 months		Reasons for migration (% of migrants)					
			Domestic			International		
	Domestic	International	Employment and income	Family	Study	Employment and income	Family	Study
All	11.0	5.3	64.9	12.0	21.5	72.6	5.0	22.4
Urban	8.9	5.1	65.9	11.0	23.1	63.7	3.3	33.0
Rural	12.1	5.5	64.5	12.4	20.8	76.3	5.7	17.9
Top 60	10.3	5.0	62.2	12.4	25.4	63.7	6.3	30.0
Bottom 40	12.6	6.0	69.0	11.4	15.2	88.3	2.7	9.0
Male head	11.0	4.8	64.9	10.7	22.5	74.1	4.6	21.3
Female head	11.2	9.8	64.7	22.0	13.3	67.3	6.4	26.2

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

HOUSEHOLD
INCOME

Average household income rose during the past year but failed to keep pace with inflation. Average household income increased by 11.5% between May 2022 and May 2023. However, it fell short of inflation, which stood at 38.9% yoy in May 2023, implying that average real household income declined substantially (Table 11).

Table 11. Household income

	May 2023 compared to same time last year			Average household income last month (million kip)						
				May 2022			May 2023			% Change
	Increased	Unchanged	Decreased	Mean	95% confidence interval		Mean	95% confidence interval		
					Lower bound	Upper bound		Lower bound	Upper bound	
All	45.6	30.5	23.2	9.0	8.2	9.7	10.0	9.2	10.8	11.5
Urban	45.2	31.6	22.5	7.3	6.4	8.1	8.6	7.5	9.8	18.6
Rural	45.9	29.9	23.7	9.9	8.8	11.0	10.7	9.6	11.8	8.7
Top 60	45.9	30.9	22.6	9.6	8.7	10.6	10.7	9.7	11.7	10.7
Bottom 40	45.0	29.5	24.6	7.4	6.1	8.7	8.4	7.0	9.7	13.8
Male head	46.4	30.6	22.3	9.1	8.3	10.0	10.3	9.5	11.2	13.3
Female head	39.0	29.8	30.7	7.5	5.1	9.9	6.9	4.9	8.9	-8.0

Notes: Results are weighted. Average household income of 1,711 households who reported their incomes for both May 2022 and May 2023 based on the recall question. Bottom 40 refers to individuals in the bottom 40 percent of the consumption distribution. Top 60 refers to individuals in the top 60 percent of the consumption distribution.

Economic instability has had clear distributional consequences on household income. More than half of households (53.7%) reported that their household income remained unchanged or declined between May 2022 and May 2023, and these were therefore badly hit by the rising cost of living. Of those households who reported increased income, their average income grew by 35.9% - in line with the year-on-year inflation

⁵ The number of Lao regular migrants in Thailand rose from 180,954 in June 2022 to 235,244 in December 2022, before declining to 215,375 in June 2023. This number includes both new regular migrants and regularization of existing irregular migrants. The number of irregular migrants is expected to have increased significantly due to higher wage differentials.

rate in May 2023. By socioeconomic characteristic, average household income grew faster among urban households, low-income households, and male-headed households than their counterparts. Female-headed households were hit hardest by economic difficulties and high inflation: 30.7% of female-headed households experienced a decline in household income between May 2022 and May 2023, with their average household income falling by 8% during this period.

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 rose in the second half of 2022, and this trend continued in 2023 across all socioeconomic groups (Table 12). Fewer households relied on non-farm business or wage incomes, those that were disproportionately affected by kip depreciation and high inflation. Despite a recent increase in outmigration, less than 10% of households reported receiving international remittances in the past 12 months. The average annual amount of international remittance was 17.4 million kip. The proportion of households receiving non-farm business income, wage income, and remittances was observed as falling across all groups except female-headed households, which diversified their livelihoods into incomes generated from wages and domestic remittances.

Table 12. 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	
	Jun 2023	Change from Dec 2022	Jun 2023	Change from Dec 2022	Jun 2023	Change from Dec 2022	Jun 2023	Change from Dec 2022	Jun 2023	Change from Dec 2022
All	82.7	5.2	29.5	-6.0	66.4	-3.2	7.1	-2.1	16.0	-0.9
Urban	65.9	9.0	38.5	-3.5	74.0	-3.2	6.4	-3.1	15.6	-0.4
Rural	91.9	3.1	24.6	-7.3	62.4	-3.2	7.4	-1.7	16.2	-1.2
Top 60	78.0	5.0	35.8	-5.3	68.6	-3.2	7.4	-1.4	15.9	-0.8
Bottom 40	93.3	5.2	15.3	-7.1	61.4	-3.2	6.4	-3.6	16.2	-1.0
Male head	84.6	5.3	28.8	-5.9	66.5	-3.9	6.7	-1.7	15.5	-1.4
Female head	67.2	6.1	34.7	-7.6	65.9	3.1	10.6	-6.3	19.8	3.8

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

INFLATION AND HOUSEHOLD SPENDING



CONSUMPTION

Around 87% of households reported that they had been affected by and had to cope with inflation, and this share remained relatively stable between December 2022 and June 2023. Moreover, 57.6% of households reported that the impact was significant (Table 13). Urban and high-income households were disproportionately affected owing to their reliance on purchased goods and services: 64.0% of urban and 59.2% of high-income households mentioned that they had been significantly affected by inflation, as compared to 54.2% of rural households and 53.9% of low-income households.

Table 13. Impact of inflation on households

	% of households affected by inflation Jun 2023			Coping strategies to address food price inflation in Jun 2023 (% of affected households)										
	Not affected	Somewhat affected	Significantly affected	Grew and harvested own food	Hunted or gathered food	Consumed cheaper food	Relied on savings	Reduced food consumption	Engaged in additional income generating activities	Received assistance from friends or family	Sold assets	Used credit purchase	Took loans from friends and family	Took loans from financial institutions
All	13.0	29.4	57.6	88.6	76.0	73.4	69.1	65.1	51.8	47.3	35.2	26.0	24.9	18.4
Urban	9.9	26.1	64.0	78.9	60.7	71.5	69.5	69.3	41.0	45.2	24.2	23.3	23.5	17.1
Rural	14.7	31.1	54.2	90.5	78.9	73.8	69.0	64.3	57.9	48.5	41.4	27.5	25.7	19.1
Top 60	12.1	28.7	59.2	85.8	71.0	71.4	68.2	62.4	48.0	45.6	32.1	23.1	22.4	17.6
Bottom 40	15.1	31.0	53.9	95.1	87.4	78.1	70.9	71.1	60.8	51.0	42.4	32.8	30.7	20.2

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

Most households responded to food price inflation by scaling up own-food production and foraging activities, switching to cheaper food, or reducing food consumption. Low-income and rural households were most likely to rely on own-food production and foraging activities to cope with high inflation. Many of them increased farm production to substitute for purchased food. Nevertheless, 71.1% of low-income households still reported reducing food consumption — about 10 percentage points higher than among high-income families. They were also more likely to be engaged in additional income generating activities, sell their assets, use credit purchase, or borrow from banks, family, and friends, to cope with rising food prices. This underscores the vulnerability of low-income households to high food inflation in Laos. Only 7.1% of households reported receiving assistance from the government to cope with high food inflation.

HEALTH, EDUCATION AND HOUSEHOLD SAVINGS

The proportions of households reducing health and education spending because of inflation declined, but remains high. Inflation forced households to use savings or reduce human capital spending. Of households who were adversely impacted by inflation in June 2023, 50.7% and 51.3% reported reducing education and health care spending respectively (Table 14). These proportions declined from 55.8% and 57.9% in December 2022.

Reductions in both expenditures were highest among low-income families. In particular, around 57% of low-income households reduced health and education spending, compared to 48% of high-income households. Inflation also depleted household savings, with 88.2% of affected 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 14. Impact of inflation on human capital spending and savings

	% of households affected by inflation	% of affected households reducing		
		Education spending	Health spending	Savings
All	87.0	50.7	51.3	88.2
Urban	90.1	46.8	46.2	89.6
Rural	85.3	52.8	54.2	87.4
Top 60	87.9	48.2	48.6	87.8
Bottom 40	84.9	56.5	57.6	89.1

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

Dropout rates remain high, with children from low-income households having higher instances of school dropout. The school dropout rate in the previous 12 months remained high at 4.4%, relatively unchanged from December 2022. As a result, the proportion of children aged 6 to 17 who are not enrolled in school rose from 6.5% in December 2022 to 10.9% in June 2023. Children from low-income households are more likely to drop out of school. In June 2023, 7.1% of school-age children from low-income households had dropped out of school in the previous 12 months, compared to 2.4% from richer families (Table 15). As a result, between December 2022 and June 2023, the proportion of school-aged children from low-income households who are not enrolled in school increased from 8.5% to 14.3%, while for those from high-income households it increased from 4.9% to 8.6%.

Financial reasons are the primary cause of school dropout. More than half of households attributed the dropout decision due to their inability to pay for school or the need for children to work and support a family. While this share declined substantially from 85.4% in December 2022, financial reasons remained particularly pronounced among urban households. A further breakdown on education spending by school and tuition fees, books and stationery, and uniform expenses underscores the adverse impact of inflation on urban households across types of education expenditure. Meanwhile, the ratios of households citing children's unwillingness to study or commute as the main reasons for school dropout rose from 7.0% and 6.0% to 19.0% and 10.4%, respectively.

Table 15. Impact of inflation on education-related spending

	Dropout in the previous 12 months (% of school-age children)	Reasons for school dropout (% of households with dropout)				Did inflation affect ...? (% of households with school-age children)			
		Financial reasons	Household chores	Distance to school	Unwillingness to study	School fee	Private tuition Fee	Books and stationery	School uniform
All	4.4	52.1	19.0	10.4	19.0	78.6	56.2	77.1	79.9
Urban	2.3	67.1	16.4	0.0	16.4	80.0	60.9	78.3	83.6
Rural	5.2	49.4	19.5	12.3	19.5	77.9	54.2	76.6	78.3
Top 60	2.4	51.1	15.0	6.6	26.0	77.9	58.0	75.8	78.4
Bottom 40	7.1	52.5	21.0	12.3	15.6	79.7	53.3	79.4	82.6

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

FOOD
SECURITY

Food insecurity among urban families worsened between May 2022 and June 2023. The share of food insecure households rose from 65.3% in May 2022 to 68.7% in June 2023. However, the situation varied across groups. For urban households, which are more exposed to high food inflation, the proportion increased from 57.9% to 66.6%. For rural households, which have less exposure to higher food prices, the share of food insecure households remained relatively unchanged at around 70% during this period (Table 17). The breakdown of food insecurity levels shows that in June 2023, food insecurity at all levels increased for urban households. Across all other groups, severe food insecurity eased from a year earlier, but mild and moderate food insecurity increased. In the same month, 56.5% of households cited “eating only a few kinds of food” (mild food insecurity), as the most common form of food insecurity — an increase from 50% in May 2022 — while the incidence of respondents or their household members being hungry but not eating (severe food insecurity) fell from 22.5% to 18.5% between May 2022 and June 2023 (Table 16).

Table 16. Food insecurity in the past 30 days, Jun 2023 (% 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								
	No Food Insecurity	Mild Food Insecurity			Moderate Food Insecurity			Severe 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	31.3	45.3	44.7	56.5	19.5	36.5	25.1	18.5	0
Urban	33.4	42.2	40.0	53.9	16.5	33.5	19.4	15.1	0
Rural	30.1	47.0	47.1	57.8	21.1	38.1	28.2	20.3	0
Top 60	36.2	40.3	37.6	50.8	15.5	31.4	20.0	14.2	0
Bottom 40	20.2	56.5	60.5	69.1	28.2	48.0	36.7	28.1	0

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

Table 17. Food insecurity in the past 30 days, May 2022 and Jun 2023 (% of households)

	May 2022				June 2023			
	No Food Insecurity	Mild Food Insecurity	Moderate Food Insecurity	Severe Food Insecurity	No Food Insecurity	Mild Food Insecurity	Moderate Food Insecurity	Severe Food Insecurity
All	34.7	20.9	21.4	23.0	31.3	23.3	26.9	18.5
Urban	42.1	23.5	20.4	14.0	33.4	24.8	26.7	15.1
Rural	30.7	19.5	22.0	27.8	30.1	22.4	27.1	20.3
Top 60	40.5	21.4	19.9	18.1	36.2	25.5	24.1	14.2
Bottom 40	21.5	19.6	24.8	34.0	20.2	18.4	33.3	28.1

Notes: Results are weighted. The level of food insecurity is determined based on the most severe form of food insecurity that a household has experienced (Table 16). Bottom 40 refers to individuals in the bottom 40 percent of the consumption distribution. Top 60 refers to individuals in the top 60 percent of the consumption distribution.

Table 18. Concerns about food security for your household May 2022 and Jun 2023 (% of households)

	May 2022			Jun 2023		
	Very concerned	Somewhat concerned	Not concerned	Very concerned	Somewhat concerned	Not concerned
All	28.5	41.2	30.3	22.6	42.0	35.4
Urban	26.0	40.2	33.8	23.3	41.4	35.3
Rural	29.9	41.8	28.4	22.2	42.3	35.5
Top 60	25.1	42.4	32.4	20.2	40.8	39.0
Bottom 40	36.1	38.5	25.4	27.8	44.7	27.4

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

Concerns about food security remain high. In June 2023, 64.6% of respondents said they were very or somewhat concerned about the food security of their households. Although the share declined from May 2022, when the country was fully reopening from COVID-19, concerns about food security remain prevalent (Table 18). The degree of food security concerns is highest among low-income households, with 27.8% of low-income respondents saying they were very concerned about food security in their households.

Most households were able to access government administrative and health services. There were no differences across different socioeconomic groups in the ratio of households facing obstacles in accessing government administrative services (Table 19). However, for those that did face challenges, the nature of obstacle differs by the type of household. Low-income and rural households were more likely to face challenges in travelling to government offices, while richer and urban households reportedly faced low-quality administrative services and understaffing. As of June 2023, 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.

PUBLIC SERVICES



Table 19: Public service delivery

	Administrative services			Health services	
	Difficulties in accessing (% of households)	Reasons for difficulties (% of households with difficulties)		Required health services (% of households)	Able to access health services (% of households needing services)
		Unable to travel to government offices	Low-quality services or understaffing		
All	2.9	13.8	56.2	45.5	98.8
Urban	3.1	5.8	69.7	42.7	100.0
Rural	2.8	18.5	48.2	46.9	98.3
Top 60	2.8	5.5	59.3	42.9	99.0
Bottom 40	3.1	30.4	49.9	51.0	98.5

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

Kip depreciation replaced rising fuel prices as the most pressing issue for the government to address (Table 20). The top three policy priorities named by respondents in June 2023 were kip depreciation (26%), inflation (21%), and rising fuel prices (14%), compared to rising fuel prices (25.1%), kip depreciation (21.5%), and inflation (18.4%) in December 2022. Kip depreciation, inflation, and food inflation were cited more frequently among urban and high-income respondents whose non-farm businesses and wage incomes, plus the cost of the consumption basket, were more affected by the falling kip and inflation than were rural and low-income households. For the latter groups, fuel price inflation, which affected farming and transportation

costs, was cited by 15.2% and 16.1% of rural and low-income households respectively as the most pressing issue for the government to address.

Table 20: Most pressing issue that the government should address first (% of respondents)

	Kip depreciation	Overall inflation	Rising fuel prices	Rising food prices	Reduced income
All	26.0	21.1	14.0	12.3	5.4
Urban	29.2	23.8	11.9	13.6	6.0
Rural	24.2	19.7	15.2	11.6	5.1
Top 60	28.5	21.9	13.1	12.9	5.2
Bottom 40	20.4	19.5	16.1	10.9	5.9

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

OUTLOOK



Rampant inflation and rapid depreciation of the Lao kip have resulted in labor market adjustments and household behavioral changes, some of which could have long-term effects on household welfare. Wage employment and non-farm businesses were disproportionately affected by the price shocks, encouraging workers to switch to or ramp up farming and agricultural business activities. Meanwhile, economic instability has accelerated outmigration as workers seek better employment opportunities and higher wages in neighboring countries. While income from farming and agricultural businesses has significantly improved and the impact of inflation on farming activities seems to have stabilized, Lao farmers are still highly vulnerable to increasing risks from natural disasters and climate change.

Most households, and vulnerable groups especially, have limited capacity to cope with inflation as they lack savings, assets, and access to formal loans. With government assistance measures constrained by limited fiscal space, households have adopted adverse coping strategies such as reducing consumption, switching to cheaper food, selling assets, and using their savings. These could have negative effects on nutrition security and livelihoods in the long term. Curtailing spending on education and health care, plus having children dropping out of school, carry a high risk of negatively affecting human capital accumulation, especially for vulnerable households.

Survey Methodology

This brief summarizes results from the Rapid Monitoring Phone Survey of Households in the Lao PDR. Fieldwork ran from May 29 to June 28, 2023, 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 share of households by urban and rural area, region, household size, and the dependency ratio, to strengthen representativeness.

One main respondent aged 18 years or older was interviewed from each household. About 63% of respondents were male and 75% were Lao-Tai. Around 32% and 48% of respondents were aged 18–34 and 35–54 respectively. 61% of the respondents were household heads, 21% were spouses, and 13% were sons or daughters.

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