

# 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, amid a challenging global economic environment and slow domestic reforms. High levels of external debt and low foreign exchange reserves have caused the Lao kip to depreciate sharply, with the currency losing 50 percent of its value over the year up to January 2023. As a result, the prices of imported goods, including fuel, food, and medicine, have been rising. Inflation reached 40.3 percent (yoy) in January 2023. While economic activities have recently picked up, the rising cost of living is 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-round survey was conducted during the COVID-19 pandemic from June 20 to July 16, 2020, when Laos had just exited an initial nationwide lockdown. The second-round survey was carried out from February 26 to March 24, 2021, one year into the pandemic. The third-round survey was conducted from April 26 to May 30, 2021, during a second lockdown. The fourth survey was implemented from October 25 to November 19, 2021, as some lockdown measures were eased. The fifth round was conducted in April 29 to May 23, 2022, against the backdrop of the receding impacts of COVID-19 and the early stages of macroeconomic instability and inflation. The sixth-round survey ran from December 5, 2022 to January 4, 2023, by when inflation had jumped to 40.3 percent, up from 12.8 percent (yoy) in May 2022.<sup>1</sup> The monitoring data helps provide insights into the effects of economic shocks on household well-being. This note provides a snapshot of findings from the sixth round.

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<sup>1</sup> The survey was funded by the Australian Government Department of Foreign Affairs and Trade (DFAT) through the Lao PDR Third Public Financial Management Reform Program, implemented by the World Bank.

## MAIN FINDINGS

- Employment picked up slightly in the second half of 2022, with workers shifting from agriculture to services. Low-skilled and rural workers benefited from the labor market recovery. Differentials across gender and income-groups are less noticeable, with male and low-income workers faring slightly better than their counterparts.
- Labor income improved, and the share of workers needing to take a second job declined.
- About 11% of family farms experienced disruptions in 2022, mainly due to natural disasters and cash and labor shortages.
- Revenues from family businesses improved in 2022, particularly for agricultural businesses, benefiting low-income and rural households.
- The share of households reporting income losses due to the pandemic continued to fall, from 43.4% of households in Apr/May 2022 to 35.1% in Dec/Jan 2022-23.
- Households became more diversified in their income sources. Between Apr/May 2022 and Dec/Jan 2022-23, rural households diversified their livelihood sources by taking up wage generating activities, while more urban households received income from businesses and international remittances.
- Almost 90% of respondents reported that their households had been affected by inflation since the beginning of 2022, with 57% experiencing a significant impact.
- In response to rising fuel prices, around 80% of affected households reduced fuel and non-fuel consumption. Low-income households were more likely to sell their assets and seek additional income generation opportunities to cope with rising fuel prices, while high-income households were able to use their savings.
- Most affected households responded to food price inflation by growing (87.5%) or foraging (68.7%) food, switching to cheaper food (77.1%) or reducing food consumption (65.7%). To cope with rising food prices, low-income households were more likely to borrow and use credit purchases than high-income households.
- More than 90% of family businesses reported facing operational challenges due to fuel and non-fuel price inflation, kip depreciation, and fuel shortages. For about half of all businesses, the same factors had a negative effect on profitability.
- About 90% of family farms reported experiencing increases in fuel and agricultural input prices. Among farm inputs, rising fuel prices had the greatest impact. Input price inflation has led to reduced crop production.
- Natural hazards are also highly detrimental to crop production in Laos. Measures to adapt agricultural practices to climate-induced shocks are therefore critical.
- Inflation adversely affected most Lao households by compressing household budgets, forcing people to borrow or use savings and to reduce their health and education spending. Of those affected by inflation, 56% and 58% of households reported reducing education spending and health care spending, respectively, while 90% said they had to reduce the amount that they save. Contractions in education and health expenditure were highest among rural and poor families living on tighter budgets.
- Children from low-income households showed higher instances of dropping out of school. Around 7% of low-income households reported that their school-age children had dropped out of school in the past 12 months, compared to 2.7 percent among better-off families. More than 70% of these households attributed this decision to either their inability to pay for school, or to the need for children to support the family by performing additional work.
- Food security in Laos improved in the second half of 2022, but improvements were less pronounced among urban and low-income families. The proportion of households facing moderate to severe food insecurity increased or remained unchanged among urban and low-income families. Concerns about food insecurity declined except for among low-income households.
- Almost all households were able to access government administrative and health services.
- Inflation and currency depreciation were cited by 90% of respondents as the *most* pressing issues that the government should address first.

<sup>1</sup> The “bottom 40” refers to individuals in the bottom 40 percent of the consumption distribution. The “top 60” refers to individuals in the top 60 percent of the consumption distribution.

## EMPLOYMENT



Employment picked up slightly in the second half of 2022, with workers shifting from agriculture to services. The share of respondents reported working in December/January 2022-23 was 89.6 percent, a slight increase from 88.2 percent in April/May 2022 (Table 1). Employment shifted from agriculture to services, reflecting a recovery in the service sectors following the border reopening in May 2022 and the return of tourists toward the end of 2022. The share of working respondents employed in agriculture declined from 43.5 percent to 39.1 percent while the share of those working in trade, transport, and hospitality and other services increased (Table 2).

Table 1. Employment status (% of respondents)

	Apr/May 2022		Dec 2022/Jan 2023	
	Working	Not working	Working	Not working
All	88.2	11.8	89.6	10.4
Male	90.4	9.6	92.5	7.5
Female	84.2	15.8	84.5	15.5
Urban	88.2	11.8	86.7	13.3
Rural	88.1	11.9	91.1	8.9
High-skilled	90.1	9.9	89.9	10.1
Low-skilled	81.6	18.4	89.1	10.9
Top 60	88.8	11.2	89.7	10.3
Bottom 40	86.8	13.2	89.2	10.8

Notes: Results are weighted. Respondent aged 18 years or older. Work is defined as those who worked at least an hour in the last seven days before the interview date. Results for April/May 2022 are from Round 5. 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.

Table 2. Sector of employment (% of working respondents)

	Apr/May 2022	Dec 2022/Jan 2023
Agriculture	43.5	39.1
Industry	4.7	4.9
Construction	3.6	3.5
Transport, trade, and hospitality	14.4	16.1
Others	33.8	36.5

Notes: Results are weighted. Others include mostly other services such as public administration, health, education, and financial services. Results for April/May 2022 are based on recall questions from Round 6.

Table 3. Employment type (% of working respondents)

	Apr/May 2022	Dec 2022/Jan 2023
Formal wage workers	29.9	30.7
Informal wage workers	13.8	14.1
Own account workers	27.6	29.2
Unpaid family workers	28.8	26.0

Notes: Results are weighted. Results for April/May 2022 are based on recall questions from Round 6.

The sectoral shift was associated with unpaid family workers moving to paid employment. Between April/May 2022 and December/January 2022-23, the share of unpaid family workers among working respondents declined from 28.8 percent to 26.0 percent while the share of paid workers increased

(Table 3). Informal wage workers in April/May 2022, some of them in construction, reported transitioning to either unpaid family work or stopping work in December/January 2022-23. Formal sector jobs proved to be highly resilient during this period, with 90 percent of formal wage workers maintaining their status.

**Low-skilled and rural workers benefited from the labor market recovery in the second half of 2022.**

Low-skilled workers experienced a 7.5 percentage point increase in the share of working respondents. The share was unchanged among high-skilled workers. The share of rural respondents reporting being in work increased by 3 percentage points, compared to a 1.5 percentage point decline among urban respondents. Differentials across gender and income-groups are less noticeable, with male and low-income workers faring slightly better than their counterparts.

**Labor income improved, and the share of workers needing to take a second job declined.**

More than one-third of working respondents reported that their labor income increased between April/May 2022 and December/January 2022-23, and 40.8 percent said that their labor income had been stable (Table 4). Income improvement was associated with a decline in the share of working respondents taking a second job to make extra income. As with the employment figures, larger shares of male, rural, low-skilled, and low-income workers experienced labor income improvement than did their counterparts. The gaps are significant for rural and low-skilled workers: the share of workers that reported an increase in labor income was 38.1 percent in rural areas compared to 29.8 percent in urban areas, and 43 percent among low-skilled workers compared to 30.2 percent among high-skilled workers. At the same time, rural workers and low-skilled workers were more likely to experience a decline in labor income, suggesting that labor income was more volatile among these groups.

Table 4. Labor income (% of working respondents)

	Labor income compared to Apr/May 2022			Share of working respondents with second job	
	Increased	Unchanged	Decreased	Apr/May 2022	Dec/Jan 2022-23
All	35.3	40.8	23.9	50.5	45.9
Male	36.8	41.1	22.1	54.7	49.3
Female	32.5	40.3	27.2	42.9	39.5
Urban	29.8	48.6	21.6	38.9	36.7
Rural	38.1	36.8	25.1	56.3	50.6
High-skilled	30.2	46.8	23.0	52.2	48.3
Low-skilled	43.0	31.6	25.3	47.8	42.2
Top 60	34.8	40.7	24.6	50.4	45.6
Bottom 40	36.5	41.2	22.3	50.8	46.7

Notes: Results are weighted. Results for April/May 2022 are based on recall questions from Round 6. High-skilled persons are those with 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.

## FAMILY FARMS

About 10.5 percent of all farms experienced disruptions in 2022, mainly due to natural disasters and labor shortages (Table 5). The share of households with a family farm rose from 73.4% in June/July 2020 to 87.0% in December/January 2022-23, with the share in urban areas jumping from 52.5% to 74.0%. This suggests that many households started engaging in agricultural activities or growing their

own food during the pandemic or the high-inflation period. Natural disasters such as flooding or drought were a major disruptor for farm operations, especially in rural areas and among high-income farm households. Labor shortage, agricultural input prices, and inability to acquire inputs were more evident in urban areas, while cash shortage was a major issue for rural and low-income households. Some farmers, particularly those from high-income households in urban areas, reported stopping farming because they found jobs in other sectors.

Table 5. Family Farms

	% of households with a family farm	% of family farms NOT able to perform normal activities since Jan 2022	% of family farms unable to perform normal farm activities, by challenge					
			Unable to sell/transport outputs	Price/transport of inputs	Labor shortage	Cash shortage	Disaster	Found other job
All	87.0	10.5	5.0	7.3	19.5	18.9	22.2	9.3
Urban	74.0	12.9	3.5	11.9	22.0	17.0	18.2	10.2
Rural	94.0	9.5	5.8	4.8	18.1	19.9	24.4	8.9
Top 60	84.2	9.1	4.6	7.5	17.8	17.2	23.8	10.1
Bottom 40	93.6	13.3	5.4	7.1	22.0	21.2	19.9	8.2

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. The share of urban households with family farms gradually increased from 52.5% in Round 1 to 67.5% in Round 5, and 74.0% in Round 6.

## FAMILY BUSINESSES

**Revenues from family businesses improved in 2022.** Nearly 40 percent of households owned family businesses in 2022, of which 40% operated in the agricultural sector and 42.3% in the trade, transport, and hospitality sectors. In December/January 2022-23, more than half of family businesses (56.2%) reported receiving higher revenues compared to at the same time last year, and only 25.1% experienced a revenue decline (Table 6). Nearly two-thirds of businesses saw their revenues return to or surpass pre-pandemic levels, representing an 18.4 percentage point improvement since April/May 2022.

**Revenue improvement was evident for agricultural businesses, benefiting low-income and rural households.** The ratio of family businesses that saw their revenues increase in 2022 and surpass pre-pandemic levels was larger among those owned by low-income and rural respondents, as well as those operated by men. These businesses were mostly in the agricultural sector, which showed signs of recovery earlier in 2022. Two-thirds of agricultural businesses saw their revenue increase in 2022, reflecting increasing agricultural activity during the June–November 2022 crop season, as against June–November 2021. In comparison, recovery became more robust in the service-sector in late 2022, while around half of businesses in the trade, transport, and hospitality sectors saw their revenue increase in 2022.

Table 6. Family Businesses

	% of households with a family business	Revenue in the current month compared to last year (% of applicable businesses)			Revenue in the current month compared to pre-COVID level (% of applicable businesses)		
		Higher	Stay the same	Lower	Higher	Stay the same	Lower
All	39.7	56.2	18.7	25.1	48.6	16.2	35.2
Urban	39.5	53.5	19.9	26.7	39.4	15.9	44.7
Rural	39.8	57.7	18.1	24.2	53.0	16.4	30.6
Top 60	45.3	53.9	18.4	27.7	46.3	14.9	38.8
Bottom 40	26.9	65.1	19.8	15.0	58.1	21.6	20.3
Male-run		59.2	17.6	23.1	51.0	17.2	31.8
Female-run		52.3	20.1	27.6	45.5	15.0	39.5

Notes: Applicable businesses are those that started operating before the previous year and before the pandemic, respectively. 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

**The share of households reporting income losses due to the pandemic continued to fall.** In April/May 2022, 43.4% of households reported experiencing income losses from the pandemic, with 21% reporting income reductions of more than half. These shares declined to 35.1% and 16.3% in December/January 2022-23, respectively (Table 7). Rural and low-income families experienced a strong rebound in household income. The share of households experiencing income reductions of more than half significantly declined among these groups.

Table 7. Total household income reduction

	Apr/May 2022 compared to pre-COVID		Dec/Jan 2022 -23 compared to pre-COVID		Dec/Jan 2022 -23 compared to same time last year	
	Less than half	More than half	Less than half	More than half	Less than half	More than half
All	22.3	21.1	18.8	16.3	19.5	13.2
Urban	22.7	20.6	17.7	17.3	16.9	15.4
Rural	22.1	21.4	19.4	15.8	20.8	12.1
Top 60	23	20.2	19.0	16.0	19.3	12.6
Bottom 40	20.8	23.1	18.3	17.1	19.9	14.7

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.

**Households have diversified their income sources.** The latest round of the survey shows that between April/May 2022 and December/January 2022-23, rural households diversified their livelihood sources by taking up wage generating activities, while more urban households received income from businesses and international remittances. Thanks to increasing agricultural activity during the 2022 crop season compared to the previous year, farm revenue became the most increased income source across all household categories except female-headed households (Table 8). The latter group diversified into incomes generated from business activities and international remittances. Among bottom 40 households, the greatest income increases were in domestic remittances.

**Household incomes from business activities were most adversely impacted.** Over one-third of all households derived income from business activities in the past year. However, 40% of them reported

reduced income from this source, with a higher share among female-headed and urban households (Table 9). While farm income was a livelihood source for 77.6% of Lao households, only 27% of respondents reported reduced income from farming activities in the past year. Overall wage incomes were more resilient than other income sources, with 17.4% of households reporting a decline in wage incomes and 5.9% experiencing a decline of more than half in the past year. The extent of wage income losses was more pronounced among female-headed and low-income households.

Table 8. Household income sources

	% of households relying on each income source									
	Farm income		Business income		Wage income		International remittances		Domestic remittances	
	Dec/Jan 2022-23	Change from Apr/May 2022	Dec/Jan 2022-23	Change from Apr/May 2022	Dec/Jan 2022-23	Change from Apr/May 2022	Dec/Jan 2022-23	Change from Apr/May 2022	Dec/Jan 2022-23	Change from Apr/May 2022
All	77.6	9.6	35.5	2.0	69.6	2.2	9.2	2.1	16.9	0.2
Male head	79.3	10.4	34.7	1.5	70.3	1.9	8.4	1.8	17.0	-0.03
Female head	61.1	-2.8	42.3	8.2	62.8	0.1	16.9	8.0	16.0	0.6
Urban	56.6	8.9	42.0	4.2	77.1	-0.4	9.4	4.5	15.9	0.1
Rural	88.8	10.0	32.0	0.9	65.6	3.6	9.0	0.9	17.4	0.2
Top 60	73.0	10.5	41.1	2.2	71.8	2.3	8.8	2.2	16.7	-0.8
Bottom 40	88.1	7.9	22.4	1.41	64.5	1.8	10.0	2.2	17.3	2.5

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.

Table 9. Household income reduction by source

	% of households deriving income from each source that experienced income reduction in Dec/Jan 2022-23 compared to same time last year									
	Farm income		Business income		Wage income		International remittances		Domestic remittances	
	Less than half	More than half	Less than half	More than half	Less than half	More than half	Less than half	More than half	Less than half	More than half
All	16.1	11.1	23.7	16.8	11.5	5.9	11.7	12.1	16.2	11.3
Male head	16.1	11.0	23.4	15.8	11.7	5.7	13.3	12.3	15.2	11.6
Female head	16.7	12.7	25.5	24.8	8.9	7.6	4.3	11.1	26.3	8.9
Urban	16.4	14.8	26.6	18.0	8.4	6.6	15.8	13.0	16.8	15.3
Rural	16.0	9.9	21.6	16.0	13.4	5.4	9.5	11.5	15.9	9.4
Top 60	17.8	10.6	24.1	16.7	11.1	4.9	11.5	12.8	16.0	11.3
Bottom 40	12.9	12.1	21.9	17.3	12.4	8.3	12.3	10.6	16.6	7.4

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.

IMPACT OF RISING  
FOOD AND FUEL  
PRICES

## CONSUMPTION

**Inflation has affected almost all households.** Ninety percent of all respondents reported that their households had been affected by inflation in 2022, with 57% experiencing significant impact (Table 10). Urban and top 60 households were disproportionately affected: 63% of urban and 57% of top 60 households were significantly affected by inflation in 2022, as compared to 53% of rural households and 55% of bottom 40 households.

**Households described trying to protect themselves from inflation in different ways.** In response to fuel price inflation, around 80% of affected households reduced fuel and non-fuel consumption. Low-income and rural households were more likely than any other group to sell their assets and seek additional income generating opportunities, while high-income households were able to rely on their savings. A small proportion of households (5.7%) reported receiving government assistance to address high fuel inflation.

**Most households responded to food price inflation by growing or foraging food, as well as by switching to cheaper food or reducing food consumption.** Poor households in rural areas were most likely to rely on subsistence agricultural activities to cope with high inflation. Nevertheless, 72% of bottom 40 households reported reducing food consumption – about 10 percentage points higher than among top 60 families. This underscores the vulnerability of low-income households to high food inflation in Laos. As with fuel price inflation, only a handful (6% overall and 8% among the bottom 40 respondents) reported receiving assistance from the government to cope with high food inflation. Low-income households were more likely than high-income households to borrow from banks, family, and friends, or to use credit purchases to cope with rising food prices.

Table 10. Impact of inflation on households

	% of households affected by inflation			Top 5 coping strategies to address <u>fuel</u> price inflation (% of affected households)					Top 5 coping strategies to address <u>food</u> price inflation (% of affected households)				
	Not affected	Somewhat affected	Significantly affected	Reduced fuel consumption	Reduced non-fuel consumption	Relied on savings	Additional income generation	Sale of assets	Grew and harvested own food	Consumed cheaper food	Relied on savings	Hunted or gathered food	Reduced food consumption
All	12.6	30.9	56.5	80.7	77.6	70.4	58.3	41.6	87.5	77.1	72.3	68.7	65.7
Urban	10.1	27.0	62.9	81.3	75.8	70.3	50.4	28.7	75.9	77.2	73.6	52.5	64.1
Rural	13.9	33.0	53.0	80.4	78.7	70.4	62.7	48.8	94.0	77.1	71.6	77.7	66.6
Top 60	11.7	31.0	57.3	81.1	76.5	72.0	55.3	39.0	85.4	76.8	75.0	64.0	62.9
Bottom 40	14.7	30.7	54.6	79.7	80.3	66.4	65.6	47.8	92.7	78.0	65.7	79.7	72.5

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.



## FAMILY BUSINESSES

Almost all family businesses reported facing operational challenges due to fuel and non-fuel price inflation, kip depreciation, and fuel shortages. The impact of high fuel prices and fuel shortages on business operations was more pronounced for businesses owned by low-income households and businesses in rural areas. More than 90% of rural firms reported that fuel shortages had impeded their operations, as opposed to 83% of urban firms (Table 11).

For about half of all businesses, the same factors had a negative effect on profitability. Profitability was more likely to be affected by inflation, currency depreciation, and fuel shortages in female-operated enterprises and businesses owned by high-income households than it was in other firms. For instance, inflation reduced the profits of 53% of female-operated businesses, compared to the figure of 42% of businesses operated by men. Fuel shortages tended to be felt more by rural enterprises, while kip depreciation and inflation impacted more urban firms.

Table 11. Impact of inflation on businesses

	Impact of shocks on business operations and profitability (% of family businesses that have been in operations for more than one year)							
	Obstacle to operations				Negative impact on profitability			
	Fuel prices	Fuel shortages	Kip depreciation	Rising price (excl. fuel)	Fuel prices	Fuel shortages	Kip depreciation	Rising price (excl. fuel)
All	93.5	88.7	91.9	93.2	45.0	52.9	49.6	46.5
Male-run	94.5	89.6	92.2	91.6	42.1	50.9	46.0	41.6
Female-run	92.2	87.6	91.5	95.3	48.8	55.5	54.3	52.8
Urban	90.2	82.9	91.6	92.5	44.7	51.3	54.7	50.1
Rural	95.3	91.8	92.0	93.6	45.2	53.7	47.0	44.6
Top 60	92.7	87.9	91.8	93.7	46.7	54.3	51.8	48.4
Bottom 40	96.8	92.0	92.2	91.5	38.7	47.5	41.3	39.0

Notes: Results are weighted. 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. Share of male and female operated businesses are 57 and 43 percent respectively.

## FAMILY FARMS

Fuel and agricultural input price inflation affected nearly all farms. About 90% of family farms reported experiencing increases in fuel and agricultural input prices. Among all farm inputs, rising fuel prices had the greatest impact. More than two-thirds of farms use fuel as an input, and the share increases to 75.2% and 77.6% for rural farms and those operated by poorer households (Table 12). The knock-on effect of inflation was also reported in higher labor costs, with 85 percent of farm households observing an increase in agricultural wage costs in the past year. Rural farms were disproportionately affected by rising prices for fertilizer, farm machinery and farm labor. It was not only that rural farms rely more on these inputs, but also a larger share of them experienced price increases.

Table 12. Impact of inflation on farms

	% of farm households									
	Fertilizer		Seeds		Diesel		Farm machinery		Farm labor	
	Usage	Experiencing price increases	Usage	Experiencing price increases	Usage	Experiencing price increases	Usage	Experiencing price increases	Usage	Experiencing price increases
All	39.7	37.1	52.5	46.7	67.2	64.3	37.0	32.7	52.9	45.1
Urban	37.4	33.4	58.4	52.6	47.5	44.9	26.9	23.4	40.8	32.1
Rural	40.6	38.6	50.1	44.4	75.2	72.0	41.0	36.4	57.8	50.3
Top 60	40.2	37.7	55.5	50.0	62.2	59.2	36.6	32.4	54.1	46.6
Bottom 40	38.7	36.0	46.4	40.0	77.6	74.5	37.7	33.2	50.5	42.1

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.

Table 13: Challenges to crop farming

	% of farm households that produced and sold the same crop last year				% of farm households with crop production				% of farm households that sold their crops			
	Compared to last year				Challenges for crop production				Challenges for crop sale			
	Production		Unit price		No difficulties	Input prices and shortages	Weather-related	Pest, disease, animal	No difficulties	Low output prices	Fuel/transport prices	Lack of traders/markets
	Increased	Decreased	Increased	Decreased								
All	52.4	25.9	84.4	5.8	29.3	26.5	17.6	12.3	52.6	17.2	11.8	9.8
Urban	51.7	23.8	81.7	3.5	42.6	20.6	12.7	10.2	48.4	20.6	13.3	10.1
Rural	52.6	26.5	85.1	6.4	23.9	28.9	19.5	13.1	53.7	16.3	11.3	9.7
Top 60	53.7	24.8	83.0	5.4	32.1	24.1	17.0	12.8	52.9	18.1	12.4	9.5
Bottom 40	50.4	27.9	86.8	6.4	23.4	31.4	18.7	11.3	52.0	15.6	10.7	10.1

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.

**Input price inflation has led to reduced crop production.** Despite an increase in crop prices, a quarter of crop-growing households reported reducing production since the previous year. The shares are almost the same across household types, with a slightly higher share of low-income households reporting lower production (Table 13). The fact that input prices rose by more than output prices could have led to households reducing crop production: 26.5% of households cited input prices and shortages as the most important challenge for crop production, while 17.2% cited low output prices as the most important challenge when selling crops.

**Natural hazards affect crop production in Laos almost as much as does high inflation.** An equal share of households reported crop production affected by natural hazards and by price inflation. The impact of hazards is almost distributionally neutral – suggesting that richer households in Laos do not

possess more adaptive capacity than poorer households when coping with environmental hazards. Measures to adapt agricultural practices in Laos to future climate-induced shocks will therefore need to be broad-based.

## HEALTH, EDUCATION AND HOUSEHOLD SAVINGS

Inflation adversely affected most Lao households by compressing household budgets, forcing people to borrow, use savings, or reduce health and education spending. Almost all households were affected by price inflation — with higher ratios of affected households among urban and high-income families. Of those who were adversely impacted, more than half reported reducing education and health care spending (Table 14). Contractions in both expenditures were highest among rural and poor families living on a tighter budget. Inflation also depleted household savings, with 90% of affected households stating they had to reduce the amount that they save. Although poor households were almost as likely as other households to report using savings, their savings levels were much lower than those of other households. Thus, the longer-term consequence of high inflation — given reduced education and health spending plus 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		
		Reduced education spending	Reduced health spending	Reduced savings
All	87.4	55.8	57.9	90.0
Urban	89.9	50.5	52.1	90.9
Rural	86.1	58.8	61.1	89.5
Top 60	88.3	50.7	54.6	90.1
Bottom 40	85.3	68.2	65.6	89.8

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.

Children from low-income households had higher instances of dropping out of school. Around 7% of low-income households reported that their children, between ages 6 to 17, had dropped out of school in the past 12 months, compared to 2.7 percent among richer families (Table 15). More than 70% of these households attributed this decision to either their inability to pay for school or to the need for children to support the family by performing additional work. These reasons were particularly pronounced among urban households. For rural households, these reasons accounted for 65.4% of the dropout while 17.5% and 6.0% cited the need for children to help with household chores, or the long commute, as the main reasons respectively. A further breakdown on education spending by school and tuition fees, books and stationery, and uniform expenses further underscores the adverse impact of inflation on low-income households across types of education expenditure.

Table 15. Impact of inflation on education related spends

	% of school-age children dropping out from school	Dropout due to income or affordability reasons	Did inflation affect ...? (% of households with school-age children)			
			School fee	Private tuition Fee	Books and stationery	School uniform
All	4.5	68.8	47.0	36.3	49.2	50.7
Urban	2.0	93.5	42.0	35.4	44.8	44.7
Rural	5.5	65.4	49.7	36.8	51.6	53.8
Top 60	2.7	65.1	41.2	32.8	44.0	44.9
Bottom 40	6.9	70.8	60.5	44.6	61.4	63.9

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.

FOOD  
SECURITY

**Food security in Laos improved in the second half of 2022.** The share of food secure households increased from 34.7% in April/May 2022 to 39.5% in December/January 2022-23.<sup>2</sup> The incidence of severe food insecurity also declined from 23% to 17.9% during the same period (Table 16). In December/January 2022-23, 51% of households cited “eating only a few kinds of food”, as the most common form of food insecurity — about the same as in April/May 2022, while the incidence of respondents being hungry but not eating fell from 22.5% to 17.9% (Table 17).

Table 16. Food insecurity by degree of severity, Apr/May 2022 and Dec/Jan 2022-23 (% of households)

	Apr/May 2022				Dec/Jan 2022-23			
	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	39.5	18.5	24.1	17.9
Urban	42.1	23.5	20.4	14.0	45.7	18.4	25.3	10.6
Rural	30.7	19.5	22.0	27.8	36.2	18.6	23.4	21.8
Top 60	40.5	21.4	19.9	18.1	46.3	19.2	22.1	12.5
Bottom 40	21.5	19.6	24.8	34.0	24.0	17.1	28.7	30.2

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.

**Improvements were less pronounced among urban and low-income families.** Despite the decline in the share of food insecure households across all groups, the proportion of households facing moderate to severe food insecurity increased or remained unchanged among urban and low-income families, while it declined among rural and high-income households. Nevertheless, food insecurity continued to be a major issue in rural areas: nearly two-thirds of rural households experienced some form of food

<sup>2</sup> The share of food secure households is consistent with that reported by Lao PDR Food Security Monitoring, which was prepared by World Food Programme and the Ministry of Agriculture based on remote household food security surveys conducted in November 2022. However, the approach for determining the level of food insecurity is different. This brief categorizes households into different levels of food insecurity based on the questions shown in Table 17.

insecurity, compared to 54.3% of urban households. High inflation worsened the food insecurity situation among low-income families, with 76% of bottom 40 households being food insecure.

Similarly, concerns about food insecurity declined except for among low-income households. The share of respondents who were very concerned or somewhat concerned about food security declined from 69.7% in April/May 2022 to 66.7% in December/January 2022-23. The decline was observed in all groups except for respondents from bottom 40 households, of whom 76.2% said they were concerned (Table 18). The degree of food insecurity seems to have improved: 23.1% of respondents were very concerned about food security in December/January 2022-23, lower than the 28.5% reported in April/May 2022.

Table 17. Breakdown of food insecurity, Dec/Jan 2022-23 (% of households)

	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	39.5	44.7	44.6	51.4	25.3	38.8	21.1	17.9	0.0
Urban	45.7	41.0	36.6	44.7	18.6	34.0	15.9	10.6	0.0
Rural	36.2	46.6	48.8	55.0	28.9	41.4	23.8	21.8	0.0
Top 60	46.3	38.9	37.1	44.4	19.0	32.0	15.8	12.5	0.0
Bottom 40	24.0	58.2	61.8	67.7	39.9	54.6	33.3	30.2	0.0

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 18. Concerns about food security for your household, Apr/May 2022 and Dec/Jan 2022-23 (% of households)

	Apr/May 2022			Dec/Jan 2022-23		
	Very concerned	Somewhat concerned	Not concerned	Very concerned	Somewhat concerned	Not concerned
All	28.5	41.2	30.3	23.1	43.6	33.26
Urban	26.0	40.2	33.8	23.9	41.1	34.9
Rural	29.9	41.8	28.4	22.7	44.9	32.4
Top 60	25.1	42.4	32.4	19.7	43.0	37.4
Bottom 40	36.1	38.5	25.4	31.2	45.0	23.8

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.

## PUBLIC SERVICES



**Most households were able to access government administrative and health services.** There were no differences across different 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. Poorer 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. Less than half of all households have required medical services since January 2022, and almost all of these were able to access such services.

**Respondents say that inflation and currency depreciation are the most pressing issues for the government to address.** The top policy priorities for most households were rising fuel prices, kip depreciation, and the rising prices of food, other goods, and services (Table 20). Despite high food inflation (at 40% in January 2023), food inflation was reported as the most important policy priority for only 13.5% of households, even among the bottom 40.

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	4.0	32.5	49.8	39.8	98.8
Urban	3.7	20.5	68.6	37.2	98.7
Rural	4.1	38.4	40.6	41.3	98.9
Top 60	4.2	23.7	55.3	39.5	99.5
Bottom 40	3.3	58.6	33.3	40.7	97.4

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.

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

	Rising fuel prices	Kip depreciation	Inflation (excl. food and fuel)	Rising food prices	Rising input prices	Salary not keeping up with inflation
All	25.1	21.5	18.4	13.5	3.3	2.4
Urban	23.9	24.4	19.4	14.0	2.5	3.0
Rural	25.7	19.9	17.9	13.2	3.7	2.1
Top 60	24.9	22.8	18.9	13.5	3.2	2.6
Bottom 40	25.5	18.5	17.4	13.5	3.4	2.0

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.

## OUTLOOK



Despite a robust recovery in the labor market, households in Laos face significant headwinds from inflation. Most households, and vulnerable groups especially, have limited capacity to cope with rising prices as they lack savings, assets, and access to formal loans. With government assistance measures constrained by limited fiscal space, households have switched to agriculture, and some have adopted adverse coping strategies that can have long-term negative effects on livelihoods. Lao farmers are also highly vulnerable to increasing risks from environmental disasters and climate change. Curtailing spending on education and health care carries a high risk of negative effect on human capital accumulation, especially for vulnerable households.

Building the economy back better in the recovery from the COVID-19 pandemic, while protecting households from the rising cost of living and from climate induced shocks, will require policy actions that are responsive to citizen expectations. Continued monitoring of the recovery of households from the pandemic and the social and economic impacts of shocks induced by elevated macroeconomic instability, therefore continues to be important.

#### Survey Methodology

This brief summarizes results from the Rapid Monitoring Phone Survey of Households in the Lao PDR. Fieldwork was 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 34% and 47% of respondents were aged 18–34 and 35–54 respectively. 59% of the respondents were household heads, 21% were spouses, and 15% were sons or daughters.

Fieldwork ran from December 5, 2022 to January 4, 2023. March 2020 was the reference month for the first wave of COVID-19, and April 2021 was the reference month for the second wave. Responses about pre-pandemic status refer to February 2020.

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