

## Lao People's Democratic Republic

April 2019

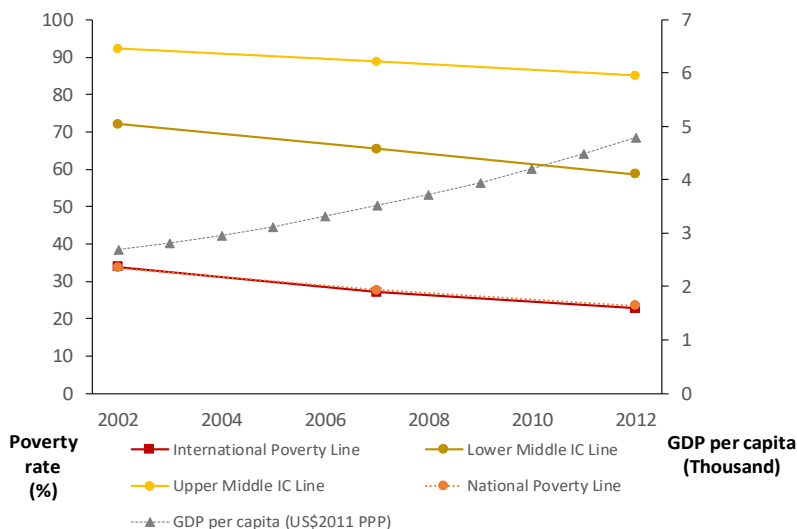
Poverty in Lao PDR declined gradually over the past years despite very high growth. During **2007–12** poverty measured at the lower middle-income class poverty line fell by 7 percentage points to 58.7 percent. Economic growth in Lao PDR has so far been natural resource driven, with limited job creation. Hence there was no trickle-down into improvements in the welfare of ordinary households in the absence of redistributive social policies. High household vulnerability to agriculture and health shocks compounded this. The shared prosperity premium for 2007–12 was therefore negative, at **-0.7 percentage points**.

Inequality has been on the rise, but with a Gini index of about 36.4, the level of inequality is still comparable to other countries in the Mekong region. While less favorable to the poor, less of the gains from growth have been captured by households in general, as consumption grew by only a third of the growth rate in GDP per capita. Growth is expected to decelerate from 6.9 percent during the previous year to 6.5 percent in 2018 and uneven across sectors. The power sector continues to drive growth, with construction and electronic manufacturing sectors also showing strong growth and becoming a source of job creation. However, agriculture output has been affected by flooding and growth in the service sector is expected to remain flat. This pattern has led to faster growth in incomes in urban areas than in rural areas. As a result, possession of consumption goods among better off households increased faster than among poorer, mainly rural, households. With fiscal consolidation measures reducing both wage and non-wage public expenditures, there is limited room for expanding redistribution programs. This suggests that poverty will likely decline modestly while inequality is expected to have increased.

POVERTY	Number of Poor (million)	Rate (%)	Period
National Poverty Line	1.5	23.4	2012
International Poverty Line 6700.4 in Lao kip (2012) or US\$1.90 (2011 PPP) per day per capita	1.5	22.7	2012
Lower Middle Income Class Poverty Line 11284.9 in Lao kip (2012) or US\$3.20 (2011 PPP) per day per capita	3.8	58.7	2012
Upper Middle Income Class Poverty Line 19396 in Lao kip (2012) or US\$5.50 (2011 PPP) per day per capita	5.5	85.0	2012
SHARED PROSPERITY			
Annualized Consumption Growth per capita of the bottom 40 percent		1.37	2007-2012
INEQUALITY			
Gini Index		36.4	2012
Shared Prosperity Premium = Growth of the bottom 40 - Average Growth		-0.71	2007-2012
GROWTH			
Annualized GDP per capita growth		6.4	2007-2012
Annualized Consumption Growth per capita from Household Survey		2.08	2007-2012

Sources: WDI for GDP, National Statistical Offices for national poverty rates, POVCALNET as of March 2019, and Global Monitoring Database for the rest.

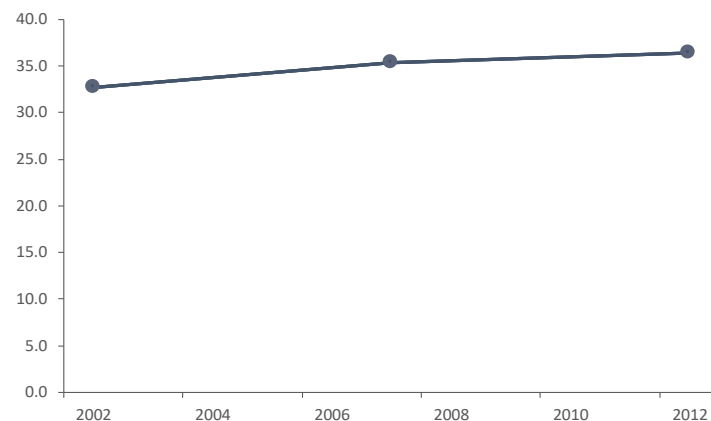
## POVERTY HEADCOUNT RATE, 2002-2012



Source: World Bank using LECS/EAPPOV/GMD

## INEQUALITY TRENDS, 2002-2012

### Gini Index



Source: World Bank using LECS/EAPPOV/GMD

## KEY INDICATORS (distribution among groups)

	International Poverty Line (%)		Relative Group (%)		Year
	Non-Poor	Poor	Bottom 40	Top 60	
Urban population	90	10	22	78	2012
Rural population	72	28	47	53	2012
Males	77	23	40	60	2012
Females	77	23	40	60	2012
0 to 14 years old	70	30	49	51	2012
15 to 64 years old	81	19	36	64	2012
65 and older	79	21	38	62	2012
Without education (age 16 and older)	66	34	55	45	2012
Primary education (age 16 and older)	78	22	40	60	2012
Secondary education (age 16 and older)	90	10	22	78	2012
Tertiary/post-secondary education (age 16 and older)	95	5	11	89	2012

Source: World Bank using Global Monitoring Database

## POVERTY DATA AND METHODOLOGY

Obtaining data in Lao PDR is a challenge. The Lao Expenditure and Consumption Survey (LECS) conducted every five years, is the primary source of poverty data. The most recent was in 2012–13. Data collection for the next round will be completed in June, a year later than scheduled due to government financing delays. The quality of the data is relatively good, but access is highly restricted. Most people and groups, including government agencies, receive only 60 percent of the data at best. Often data must be purchased. National poverty is estimated using the cost-of-basic-needs approach, with household welfare measured using consumption data collected using a 30-day diary. The consumption aggregate includes durables in part and excludes housing rent. Both the consumption aggregate and poverty estimates for the past three survey rounds are comparable, but the upcoming survey has switched to a 14-day diary. The national poverty line has been updated for changes in the cost-of-living since 2002. The international poverty line estimates are generated from the same consumption aggregate as national estimates, using the CPI to deflate the 2011 PPP-based poverty line into the survey-year prices. Poverty trends using both the national and international poverty lines are consistent. The point estimates are very different, however, with those based on the lower middle-income class poverty line (\$3.20 per person per day in 2011 PPP) more than double the national poverty estimates that are instead closer to the international poverty line estimates. Lao PDR uses an imputed 2011 PPP conversion factor, which is a major source of the difference.

## HARMONIZATION

The numbers presented in this brief are based on the EAPPOV database. EAPPOV is a database of socio-economic statistics constructed using microdata from household surveys in the East Asia and the Pacific (EAP) region and is managed by the East Asia & Pacific Team for Statistical Development (EAPSTD). As of January 2019, the collection includes 19 countries and 93 surveys. Harmonized surveys in the EAPPOV database are compiled into 4 modules following Global Monitoring Database (GMD) Harmonization guidelines. A subset of the harmonized variables form the basis of the GMD collection, including the welfare aggregate which is used for Global Poverty Monitoring. Terms of use of the data adhere to agreements with the original data producers.