Macroeconomic Factors Influencing the Standard of Living in Lao PDR

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Abstract

Laos People's Democratic Republic (Lao PDR) has experienced a serious inflation problem which caused the price of goods and services to rise for several years up to the present. Moreover, the depreciation of the Kip currency compared to the US dollar and Thai baht, especially fuel price which is an imported commodity has increased. As a result, many people face hardships in daily life due to the rising cost of living. Therefore, this research aims to study the macroeconomic factors affecting the standard of living of Lao PDR. The dependent variable is GDP per capita which represents the standard of Living (STL). The data used was the secondary data of the annual time series from 1990 to 2023, a total of 33 years, and examined by a multiple regression model using the Ordinary Least Square method.

The findings indicate that the factors positively influencing STL in Lao PDR include the unemployment rate (UNEM), foreign direct investment (FDI), the industrial sector's share of GDP (IND), and the exchange rate of kip to the U.S. dollar (EXUS). Moreover, a factor exerting a negative influence is the inflation rate (INF). However, other factors, such as GDP growth, and global oil prices did not significantly explain the STL. This research enhances the government sector in formulating policies to improve a better standard of living for the Laos people.

Keywords: Standard of Living, Inflation, Gross Domestic Product (GDP), Macroeconomic Factors

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Introduction

The definition of the STL is multidimensional, it reflects both material and nonmaterial aspects of the well-being of a person or a group of people in a country. It refers to wealth, convenience, ability, and rights that could be accessible. Mostly connected with income (income per capita), however, the definition of STL is more than that such as income, health care accessibility, education, and housing. etc., all of which have played a crucial role in determining STL. To enhance and facilitate the study, many researchers have used the income indicator (income per capita) which was recognized as a main factor in daily life since income is a drive of subsistence and is a main factor of resource usage and other services. Income would help people access utilities and consumption materials such as water, food, clothes, accommodation, health care, and education. Moreover, income would help people to be independent of finances, decrease and contribute to financial risk, social conceding, and increase psychological power. During 2019 many countries are faced with crucial challenges such as the COVID-19 crisis and the following economic problems, a small country namely a land-lock country that has no seaport bordering Southeast Asia, Laos, has faced major problems such as a high inflation rate, currency depreciation, rising public debt, and a sharp increase of goods and services pricing, which lead to a greatly difficult situation in the economy and people livelihood. As shown in Figure 1, Lao people's income (the STL) since 1990 has been continuously and slowly increasing. In 1990 the average income per capita of Laos people was 200 US dollars per person and the highest income per capita was 2,598 US dollars in 2019. After that the income per capita decreased from 2021 until 2023 to 2075 US dollars

per person, Laos's economy was faced with a lockdown problem, closing country to protect from the virus spreading, international trade suspension, the decreasing number of tourists because of quarantine measurement and international protection, many sectors were forced to disrupt their activities

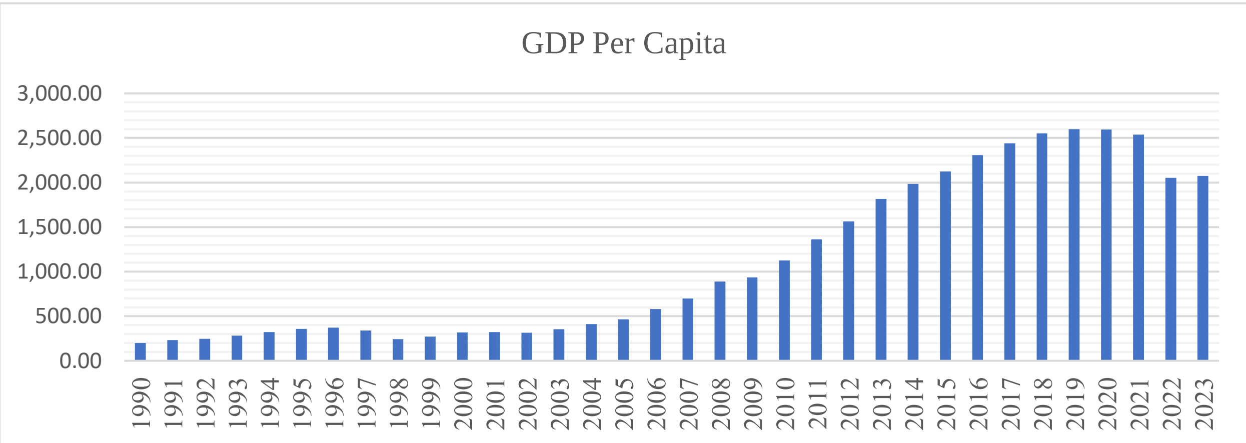

Figure 1 Income per Capita of Lao PDR from 1990 to 2023

Source: World Bank, 2024

Moreover, rising inflation leads to an increase in prices for essential goods such as food, logistics, accommodation, daily life goods, and gasoline. Since 2019 as shown in Figure 2 inflation has risen rapidly, especially in 2022 the inflation rate has risen more than 20% at 22.96% and continuously risen at the top of level 41.26% in February 2023. After that, there was a downward trend, but the rate of inflation was still at the level of 20% up by standing at 22.96% in April 2023. The factors mentioned above may affect the STL of people, according to these reasons researchers determined 1. To study the macroeconomic factors that affected the STL of Lao people and 2. To enable Laos's policymakers to strengthen the policy by using the data from this study.

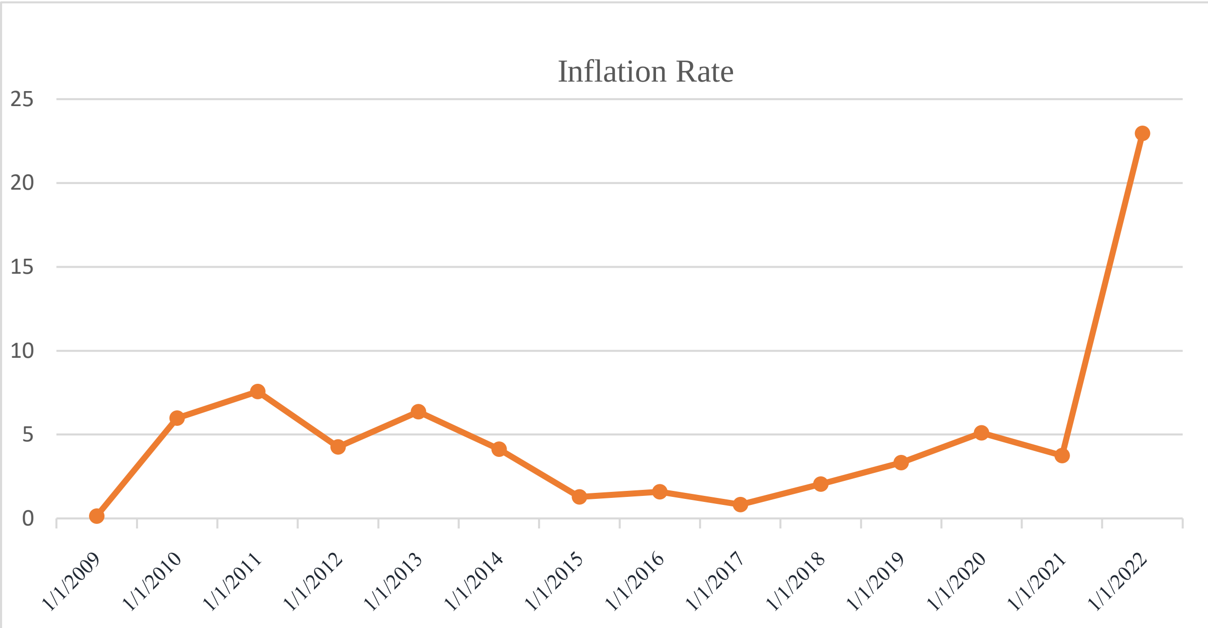

Figure 2 Lao Inflation rate from 2009-2023

Source: Macrotrends, 2023

Research Objectives

1. To study the general situation of the standard of living of Lao 's Democratic Republic
2. To study the macroeconomic factors that affected the standard of living of the Laos People's Democratic Republic

Scope of Research

The data used in this study were collected from the World Bank, Lao Statistic Bureau, and the National Bank of the Lao PDR which were annual data from 1990 to 2023 in total of 33 years.

Conceptual Framework

This section is adapted from the theories, literature reviews, and the principle of reality to collect the variables that might influence the Lao standard of living. The variables were collected including GDP Per Capita (Presented as the standard of living) as a dependent variable and the inflation rate, the unemployment rate, the global crude oil price, the manufacturing industry share to GDP, the foreign direct investment, the exchange rate Kip to one dollar, and the gross domestic product growth rate are independent variables.

Independent Variables

- Inflation Rate (INF)
- Industry share to GDP (IND)
- Foreign direct investment (FDI)
- Exchange rate of kip to one US dollar (EXUS)
- Unemployment rate (UNEM)
- Global oil price (GOP)

→

Dependent Variable

Gross domestic product per capita (GDPPC)

Figure 3 Conceptual Framework

The Conceptual framework adapted from the literature reviews involve inflation, industry share to GDP, foreign direct investment, Exchange rate, global oil price and GDP growth rate reviewed from Hakizimana (2012, pp.1-8), Kapotwe (2021, pp.1-13), Tevin-Anyali et al., (2023, pp.1-11), Ahsan (2024, pp.1-15) and Arwatchanakarn (2024, pp. 1-18). Moreover, the unemployment factor adapted from the theories

Literature Review

According to María Barreiro-Gen (2019, pp.1-15), the theory of standard of living consists of 3 definitions: 1) The standard of living is defined by the satisfaction of life 2) The standard of living is considered as an economic provision or wealth 3) The standard of living is considered as a type of freedom.

1) The standard of living defined by the satisfaction of life where the satisfaction view of the standard of living was well presented by Pigou, Pigou used the words economic well-being, the standard of living, the standard of real income, and the development of materials

are the similar meanings (Pigou, 1952). In the modern way, satisfaction is defined as the demand response (Poduzov, 2008, pp.610–617). A specific concept has been currently defined for going to nearly the meaning of basic living or poverty as a good standard of living, this concept includes necessary materials for people to grow namely as minimum fundamental (Rao & Min, 2018, pp.225-244) including the limitation of decent living standard (DSL) such nutrition, clean air, the expenditure on education and base on paper of Rao & Min (Rao & Min, 2018, pp.225-244) DSL can define as the limitation of important basic materials tool, however, it is not enough to achieve the physical dimension and social dimension of human well-being. No matter what is considered as the fundamental demand or ability, it does not depend on the value or the relation status of a person in society. 2) The standard of living is considered as an economic provision or wealth which is measured by the quantity and quality of goods that a person can use. This concept is based on the sell-buy data in the market to estimate the standard of living of a person, a family, or a country (Deutsch & Silber, 1987). However, this idea is not clearly which is represent whether STL can reflect personal well-being or not (Poduzov, 2008, pp.610–617), this idea is not enough due to the reason is not fully controlled by resources as Rao & Min (2018, pp.225-244) mentioned. 3) The standard of living is considered a type of freedom when the preparation of economic and satisfaction are not good enough for life (Sen, 1984, pp.74-90), focusing on the things that a person can do or can be. Sen suggested two concepts of the STL: The real standard of living of a person and the lifestyle choice available at a particular time because there is only one choice that can be made and decision-making is fluence on the real situation (Poduzov, 2008, pp.610–617) agrees with Nussbaum (2000) propose that ability is fundamental for a principle of the person who has right to request their government. Based on these three theories, the last concept is considered a complete and complex method, however, governments and various organizations prefer the second approach due to the availability of data especially the developed countries have many definitions of standard of living, but it is still not exactly defined.

Muhammad, Temidayo, & Bashir (2023) studied the Analysis of Inflation and the Standard of Living in Nigeria. The purpose of the research was to study the impact of inflation on the standard of living in Nigeria by collecting data from the International Monetary Fund (IMF) and the World Development Index (WDI) from year 1991 to 2021. The data was analyzed by the Autoregression Distributed Lag model (ARDL). The gross national product per capita (GDP Per Capita) presented the standard of living as a dependent variable in the study, while interest rate, consumer price index, and exchange rate were independent variables.

The study result showed that the inflation rate in the past had a significant effect on the standard of living in Nigeria. The result also found that the consumer price index (CPI) had a positive influence on the standard of living (GDP Per Capita) in the short run. In contrast, the interest rate (INT) and exchange rate (EXCH) have a negative impact on the standard of living in the short run.

Tevin-Anyali et al., (2023) studied Nigeria's standard of living in the face of inflation. The purpose of the study was to examine the impact of inflation on the standard of living of Nigeria's people by collecting data from 1999 to 2022. To estimate the parameters of the model, the Autoregressive Distributed Lag (ARDL) was employed. The variables used in the study were the dependent variable PCIG (the growth rate of per Capita income presented by the standard of living), CPI (the consumer price index presented by inflation rate), MCU (the manufacturing capacity utilization), RECR (the exchange rate), and UNEM (unemployment rate) were independent variables. The manufacturing capacity utilization was taken into consideration since it indicated the level of output that the manufacturing sector will produce for consumption. Due to the inflation in Nigeria caused by the manufacturing sector's import of raw materials, hence the cost of production was increased.

The long-term result showed that the manufacturing capacity utilization (MCU) and the exchange rate (EXCR) impacted the standard of living in the opposite direction, meanwhile, the consumer price index (CPI) and the unemployment rate (UNEM) had a positive impact on the standard of living. In the short run, the result found that CPI, MCU, and UNEM had a positive effect, while EXCR had a negative impact. According to the study, the recommendation is that the government should take measures to reduce inflation even though it had a positive impact. These measures could be achieved by supporting the manufacturing investment sector which will increase the capacity of manufacturing and decrease the unemployment rate, hence, the standard of living of people will be better.

More than that past research related to various factors affected the standard of living in the low-income country found that the inflation rate affected the standard of living of people in Navrongo Eastern Ghana in a positive direction statistically 0.05, meanwhile, the income per month has affected the standard of living in positive direction statistically 0.05 as well. The study also found that inflation has a huge impact on Navrongo People's standard of living. Nevertheless, according to researcher Ahsan (2024, pp.1-15) who studied five crucial economic factors that affected the GDP Per Capita (Case study: Bangladesh's economy), the result of this study was controversial to the mentioned research above, Nazmul Ahsan revealed that inflation has an affirmative relationship to GDP Per Capita, It means that when inflation is rising, GDP Per Capita will be decreased. In addition, there are many studies related to the factors that affect the standard of living such as Kapotwe (2021, pp.1-13), who studied the analysis of factors that affected the GDP Per Capita of Zambia, the result found that agriculture share to GDP has a great impact to GDP Per Capita while Industry share to GDP has less impact to GDP Per Capita. The study also mentioned that the changes in agriculture share to GDP have a great impact on the manufacturing sector but there is no research in a group of low-income countries in ASEAN such as Laos PDR which is a part of this current study.

Additional Review of Related Research

To illustrate the foundation of the hypotheses in each path of the Conceptual Framework, the researcher has reviewed relevant literature and studies related to each variable influencing Standard of Living. The relationships between the variables are explained as follows:

1. Hypothesis H1: Inflation Rate has a negative relationship with STL. From the literature review, it was found that studies on Inflation Rate have shown a significant effect on changes in the Standard of Living. For example, in the study by Ahsan (2024, pp.1-15), it was concluded that the inflation rate had a negative impact on GDP Per Capita, leading the researcher to hypothesize H1 as INF<0.

2. Hypothesis H2: Industry Share to GDP has both relationship with STL, in reviewing research on Industry Share to GDP, it was observed by Kapotwe (2021, pp.1-13) showed that the industry share to GDP had a weaker effect on GDP per capita, supporting the formulation of Hypothesis H2, which suggests that IND≠0.

3. Hypothesis H3: Foreign direct investment has a positive relationship with STL, according to the literature review by Joseph Hakizimana (2012, pp.1-8), studies have indicated that FDI had a positive significant impact on GDP per capita, thus leading to the conclusion that FDI>0.

4. Hypothesis H4: Exchange rate of kip to one US dollar has a negative relationship with STL. From the literature review, it was found that studies on Exchange rate have shown a significant effect on changes in the Standard of Living. For instance, in the study by Tevin-Anyali et al., (2023), it was concluded that the exchange rate had a negative impact on STL, leading the researcher to hypothesize the H4 as EXUS<0.

5. Hypothesis H5: Unemployment rate has a negative relationship with STL, according to the concept of STL which was said "The standard of living defined by the satisfaction of life" presented by Pigou, Pigou used the words economic well-being, the standard of living, the standard of real income, and the development of materials are the similar meanings (Pigou, 1952). Therefore, when a person is unemployed, he or she has no income to purchase the fundamental goods to achieve the satisfaction of life, leading to the conclusion that UNEM<0.

6. Hypothesis H6: Gross domestic product growth rate has a positive relationship with STL, it was found that studies on GDP growth rate have shown a significant effect on changes in the Standard of Living. For instance, in the study by Ahsan (2024, pp.1-15), it was concluded that the GDP growth rate had a positive impact on GDP Per Capita, leading the researcher to hypothesize H7 as GDPG>0.

7. Hypothesis H7: Global oil price has a negative relationship with STL, in the theories and previous paper Arwatchanakarn, P. (2024, pp.1-18) shown that the oil price is the cost of industry so high cost affect the high price and then the STL is decreasing, leading to the conclusion that GOP<0.

Methodology

To achieve the objectives of the study, the researcher carried out the Ordinary least squares (OLS) method analysis of GDPPC = f (INF, IND, FDI, EXUS, UNEM, GOP, GDPG), attributable to the simplicity, interpretability, widely used, and well-understood model. Moreover, there are some limitations such as autocorrelation, multicollinearity, and poor performance with nonlinear relationships.

Generally, the OLS model is conducted by minimizing the sum of the square difference between the observed value, and the predicted value. Hence, it is useful to estimate the relationship between the dependent variable and the independent variables. Because of the unit of some variables not in percentage, the researcher uses the Natural Logarithm to explain the result in percentage, so the model is to be adapted from the linear regression to the double log regression as follows:

$$lnGDPPC_t = \beta_0 + \beta_1 INF_t + \beta_2 IND_t + \beta_3 lnFDI_t + \beta_4 EXUS_t + \beta_5 UNEM_t + \beta_6 lnGOP_t + \beta_7 GDPG_t + \varepsilon_t$$

By

LnGDPPC	is the standard of living (US dollar)
INF	is the inflation rate (Percentage)
IND	is the industry share to GDP (Percentage)
LnFDI	is the foreign direct investment (US million dollars)
LnEXUS	is the exchange rate of kip to one dollar (Kip)
UNEM	is the unemployment rate (Percentage)
LnGOP	is the global crude oil price (US dollar)
GDPG	is the gross domestic product growth rate (Percentage)
β_t	is the coefficient containing 0 to 7
ε_t	Is the error term

Hypothesis

The hypothesis concluded from the review literatures and theories which showed the relationship between the dependent and independent variables is shown in Table 1

Table 1 Hypothesis

Independent Variables	Literature Reviews and Theories	The relationship with the dependent variable
INF	Ahsan (2024, pp.1-15) Thevongsa (2023)	(-)
IND	Kapotwe (2021, pp.1-13)	(+)
FDI	Hakizimana (2012, pp.1-8)	(+)
EXUS	Ahsan (2024, pp.1-15), Muhammad, Temidayo, & Bashir (2023, pp.52-58), Tevin-Anyali (2023)	(-)
UNEM	(Pigou, 1952)	(-)
GOP	Arwatchanakarn (2024, pp. 1-18)	(-)
GDPG	Ahsan (2024, pp.1-15)	(+)

Results

1. Basic statistics analysis

Basic statistics analysis is a method used to indicate the average value, minimum, and maximum value of all variables used in the study. The result is shown in Table 2.

Table 2 Basic statistics

Variables	Average	Standard-Deviation	Min	Max
GDPPC	1,097.11	901.35	200.62	2,598.51
INF	16.01	25.38	0.14	125.27
IND	24.74	6.13	14.38	34.13
FDI	432.00	504.00	4.45	1,690.00
UNEM	1.95	0.69	0.71	3.27
EXUS	7,232.35	4,293.15	702.50	18,717.82
GOP	52.80	27.70	15.48	101.57
GDPG	6.29	1.86	0.50	8.62

Number of Observation=33

According to Table 2, the basic statistical analysis found that the STL (GDP Per Capita) has an average value of 1,097.11 US dollars, a minimum STL value is 200.62 US dollars, and a maximum STL value is 2,598.51 US dollars. The average INF is 16.01%, the minimum INF is 0.14%, and the maximum INF is 125.27%. The average EXUS is 7,232.35 Kip, meanwhile, the average GOP is 52.80 US dollars, and the average IND is 24.74%. While the average FDI is 432.00 million US dollars.

2. Multicollinearity of variables Tests

The collinearity test of independent variables is to prevent the multicollinearity problem of all variables used in the model, in which the value of multicollinearity must be less than 0.80. The test found that the independent variables used in this current study are less than 0.80. This means, there is no multicollinearity problem in the model used in the study.

3. The factors affecting the standard of living of Lao PDR

This technique is used to indicate which factors influence the STL of Lao PDR including the coefficient, t-statistic, p-value, prob>F value, R squared, adjust R squared, and the Durbin Watson statistic of the model as shown in Table 3.

Table 3 The result of OLS

Variable	Coefficient	t-statistic
_CONS	-0.790	-1.050^{Ns}
INF	-0.006	-3.420***
IND	0.060	3.710***
LnFDI	0.177	4.500***
LnEXUS	0.187	2.470**
UNEM	0.258	3.240***
LnGOP	0.201	1.010^{Ns}
GDPG	-0.028	-1.180^{Ns}
R^2=0.9446	**Adj R^2=0.9284**	**Prob > F= 0.00**
Number of Observation=33	**Durbin–Watson = 1.8562**	

Remark:

* Probability Value Statistically significant at a level of 0.1

** Probability Value Statistically significant at a level of 0.05

*** Probability Value Statistically significant at a level of 0.01

^{NS} Probability Value none Statistically significant at a level of 0.1

According to the result of the analysis in Table 3, the model used in this current study is significant at a statistical level of 0.01. On the other hand, the model is suitable for analyzing attributed to the Prob>F value is 0.00. The R^2 value is 0.9449 which means that the independent variables can explain the dependent variable at a confidential level of 94.49%, whereas the other 5.51% is the exogenous factor. The Durbin-Watson statistic is 1.8562, which refers to the time series data used in the analysis having no autocorrelation problem.

Discussion

From the analysis of the macroeconomic factors that affect the standard of living of Lao PDR, the researcher can discuss below:

Hypothesis H1: Inflation Rate (INF) has a negative relationship with STL

The INF can explain the STL of Lao PDR at the statistically significant level of 0.01, when the inflation rate increases by 1%, the STL will decrease by 0.006% which agrees with Ahsan (2024, pp.1-15) and the determined hypothesis. When INF increases, the price of goods and services tends to rise as well, which leads to reduced purchasing power. On the other hand, real income is decreasing itself. This result also agrees with Thevongsa (2023) survey, which reveals that on average, a 1% fall in the value of the kip increases consumer prices by 0.5%. Therefore, inflation will remain high until exchange rates stabilize. While the global prices of some imported goods have eased, inflation remains high in Laos, reaching 26% in the year to October 2023. Real household incomes have suffered from rising living costs. In a survey conducted in June 2023, 54% of interviewed households said their income had remained stable or declined. While inflation reached 39% percent in the year to May 2023, the average nominal wage grew by only 5.7%, meaning inflation-adjusted wages dropped by an average of 33%. Households are coping by producing or foraging more food, reducing how much they eat, and migrating to Thailand in search of better-paid jobs.

Hypothesis H2: Industry Share to GDP (IND) has a positive relationship with STL

The IND can explain STL at the statistically significant level of 0.01 in the positive direction. When the IND increases by 1%, it leads to an increase in the STL of 0.060% which agrees with research by Kapotwe (2021, pp.1-13) and the determined hypothesis. When the IND is increasing, it will affect the quality of job creation, technology and innovation development, and increased income from exports with stable income distribution. According to United Nations Industrial Development Organization (2020), the overall country and industry assessment reveals that Lao PDR continues to rely heavily on natural resources as a driver of the country's economic growth. Only a few firms are engaged in high-technology manufacturing, namely in the telecommunication and chemical industries; the majority of manufacturing firms are small and medium-sized enterprises (SMEs) and primarily produce medium- and low-technology goods. There is room for improvement in the manufacturing sector in the medium- and long term. There is also some concern that the country is vulnerable in the wake of the Fourth Industrial Revolution because it is not sufficiently resilient, not very diversified, and less competitive than other countries. Similar findings also reported that the Lao economy needs to move from an agricultural- to an industrial-based one, and the diversity of its production and of its service sector needs to be improved. This would require substantial improvements in human capital, innovation and advanced technology, quality investments, ease of doing business, logistics, information and communication technology (ICT), data and statistics collection, technology standards and assurance, and private and public investment. Such improvements would promote the growth of the country's manufacturing sector and foster inclusiveness, and sustainability as well as higher and resilient competitiveness.

Hypothesis H3: Foreign direct investment (FDI) has a positive relationship with STL

The LnFDI can explain the standard of living of Lao PDR at the statistically significant level of 0.01 in the positive direction. When the FDI increases by 1%, it will lead to an increase in the STL by 0.177%, which agrees with the research by Hakizimana (2012, pp.1-8) and the hypothesis. When the FDI rises, it leads to an increase in the potential of the economic infrastructure of the host country, new job creation and stability income increase, technology transfer and work-forced skill development, and stimulate economic growth. According to the U.S. Department of State (2025), compared to other countries in the region, foreign direct investment (FDI) inflows into Laos reached an all-time high of $780 million in September 2023, a significant increase from July 2022 when FDI reached $142 million. Laos's FDI is driven primarily by investments in mining, infrastructure, construction, and hydropower projects. The exploitation of natural resources and the development of hydropower have driven rapid economic growth over the last decade, with both sectors largely led by foreign investors. However, because growth opportunities in these industries are finite and employ few people, the Lao government has recently started prioritizing and expanding the development of higher-value agriculture, light manufacturing, and tourism, while continuing to develop energy resources and related electrical transmission capacity for export to neighboring countries.

Hypothesis H4: Exchange rate of kip to one US dollar (EXUS) has a negative relationship with STL

The LnEXUS can explain the STL at a statistically significant level of 0.05 in a positive direction. When the LnEXUS increases or Kip currency is devaluated by 1%, the STL increases by 0.187% which agrees with Ahsan (2024, pp.1-15), Muhammad, Temidayo, & Bashir (2023, pp.52-58), and Tevin-Anyali (2023, pp.1-11) but contradicts with determined hypothesis. According to Thevongsa (2023) and The International Trade Administration (2024), the kip continues to depreciate, falling in value by 21% against the US dollar in the year to October 2023. With banks rationing access to foreign currency at official rates, the difference between official and parallel market exchange rates has risen to about 15% for the dollar and 8% for the baht. The main factor in the kip's falling value has been the lack of foreign currency available in the country, a result of the need to repay large external debts, despite some deferrals, and limited capital inflows. However, Laos imported $33.5 million worth of goods from the United States and exported $218.4 million to the United States in 2021. Top U.S. exports to Laos include civilian aircraft (engines, equipment, and parts), pulpwood, passenger cars, rice, plastic materials, gems and diamonds, industrial machinery and equipment, and measuring, testing, and controlling instruments. Top U.S. imports from Laos include telecommunications equipment, cellphones and other household goods, television and video equipment, footwear, apparel, nonwool textiles or cotton, gems and diamonds, and green coffee. This reveals that Laos has a trade surplus with the U.S. and the depreciation of the Kip currency has a positive impact on Lao's exports and standard of living. However, the Laos government should improve that problem urgently, if the government leaves this problem, it may impact the people's purchasing power in the long term.

Hypothesis H5: the unemployment rate (UNEM) has a negative relationship with STL

The unemployment rate can be explained STL in a positive direction at the statistically significant level of 0.01, when the unemployment rate rises by 1% affects the standard of living to rise by 0.258% which agrees with Tevin-Anyali et al., (2023, pp.1-11). However, contradictory with the real situation and the expected hypothesis suggests that an increase in the unemployment rate would reduce the standard of living due to a rise in jobless people relying on others' income. However, in the case of Laos, the situation may be different. Laos has a large number of workers employed in neighboring countries like Thailand, who send remittances back to support their families. Even with a high unemployment rate in Laos, the standard of living may not be significantly negatively affected because families are supported by income from abroad. Thus, the high unemployment rate does not necessarily lead to a significant decrease in the standard of living in Laos.

However, Hypotheses 6 and 7 have no impact on the STL of Lao PDR at the statistically significant level of 0.1 are the GDPG, and the GOP.

Conclusion

The research on the STL of the Lao people, the results showed that the STL is measured by the average GDP per capita is 1,097.11 US dollars. The average INF is 16.01%, which is considered a country with a very high inflation rate. It has greatly affected the living standards of the Lao people. As a result, the ability to spend on four factors, namely food, clothing, housing, and medicines, is very expensive, which is a great result of importing all these factors. This causes high prices and affects the standard of living of the people. The average UNEM is 1.95%, where jobs in the country are still available and people can find jobs, in contrast, the wage is not very high. Therefore, those labors often cross the border to work in neighboring countries especially Thailand to find a better-paid job. The average EXUS is 7,232.35 Kip, which is considered a country with a high depreciation of the currency, it might have a positive impact on the exporting and tourism sectors according to the trade partner that Lao trade with. For instance, Laos has a trade surplus against the U.S. and the depreciation of Kip could promote more exports. In contrast, it may affect the import sector. The average GOP is 52.80 US dollars, this is an external factor but when the Kip is depreciated, the cost of importing crude oil (fuel) will greatly increase, and the fuel price in the country will increase as well. The average GDPG is 6.29%, which is considered a country with a very high economic development along with Cambodia and Vietnam meanwhile, the average IND is 24.74% showing that Lao is still relying on the agricultural sector, however, the industry sector is improving year by year, especially in the hydropower sector. The average FDI is 432.00 million US dollars, which is considered a country that has enough ability to attract more investment from multinational firms such as the project One Belt One Road from China.

The OLS found that the macroeconomic factors that affected the STL of Lao people at the statistically significant level of 0.01 in the positive direction such as UNEM, FDI, and IND. In contrast, INF affected the STL in the negative direction, whereas EXUS affected the STL of Lao people at the statistically significant level of 0.05 in the positive direction. Moreover, other factors do not affect STL such as GDPG and GOP.

Recommendations

According to the results of the study on the standard of living of the Lao people. There is a suggestion for the government Lao PDR to provide guidelines and policies to solve problems and promote the quality of life of the people as follows:

1) Use domestic inflation control policy to deal with the problem of public debt that continues to rise by reforming the financial system to be in congruence with economic conditions and continuously resolve the country's balance deficit problem. The solution for the monetary policy in the Lao PDR by central banks should increases the policy interest rate, making borrowing more expensive. This reduces spending and investment, which in turn cools down demand-pull inflation.

2) Use policies to solve the country's corruption problems to increase the level of confidence for foreign investors to attract more investment in the industrial sector instead of the agricultural sector. Creating policies and laws that facilitate investors because foreign

investment can create jobs for the people, and it also generates stable income while increasing labor skills. The solution for the citizen oversight by encouraging citizens of government activities through mechanisms such as public audits and community monitoring. Moreover, support the role of civil society organizations in monitoring corruption and advocating for good governance.

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