



STATE OF THE **REAL** ECONOMY

*Dynamics of Reversals and
Resilience in Bangladesh*

edited by
Hossain Zillur Rahman
Namira Shameem



PPRC
Power and Participation
Research Centre

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Dedication

*To the people of Bangladesh, whose everyday
struggles, resilience, and aspirations for a more
secure and dignified life inspire this work.*

Preface

A researched understanding of the ground realities of the Bangladesh economy in the context of the succession of crises starting with the pandemic and later the financial crisis has been a priority for policymakers, business community and citizens alike. Such a priority became even more urgent in the wake of the unprecedented political change of 2024 and the unleashing of popular expectations that ensued. Power and Participation Research Centre (PPRC) over the years has consistently engaged in rapid response research initiatives in critical transition moments of the national economy. These include the study *Resilience Amidst Uncertainty* (2010) to capture the impact of the global financial and food crisis of 2008, *Politics, Governance and Middle-Income Aspirations: Realities and Challenges* (2016) in the wake of the political conflict around 2015, and, *Livelihoods, Coping and Recovery During Covid-19 Crisis* (2021). When the opportunity emerged through a call from the Finance Division for a competitive bid to undertake a rapid response study on the state of the real economy in mid-2025, PPRC eagerly participated and won the contract through a competitive process.

Notwithstanding a compressed timescale for implementation, PPRC's prior preparation on analytical scoping and possible research designs for such a rapid response study came in handy when customizing the research design for the specific needs of the awarded study. The use of technology with CAPI approach to data-collection and intense teamwork to ensure data cleaning and analysis with some sacrifice of the Eid holidays in 2025 enabled PPRC to produce this report within the agreed timeline without any compromise on data integrity and analytical rigor.

The report is in every sense the fruit of teamwork. The arduous task of data collection was carried out by a dedicated and experienced team of 108 field researchers who underwent an intense four day training prior to the survey. PPRC deployed a dedicated team to supervise the data collection process and the subsequent task of data cleaning and analysis. Syed Hashemi, Mohammad Abdul Wazed, Namira Shameem, Mohammad Ihtesham Hassan, Md. Golam Rabbani, Mahjabin Rashid Lamisha, Billal Hossain, Masudul Huq and Subodh Chandra Sarkar provided design, supervisory and analytical support at every stage of the study. The Bangladesh Bureau of Statistics with which PPRC has a standing partnership MOU provided invaluable support in developing the sampling framework with noteworthy inputs from Dr. Kabir Uddin Ahmed. Appreciation is due to the young team of Namira Shameem, Mohammad Ihtesham Hassan, Md. Golam Rabbani and Mahjabin Rashid Lamisha who went the extra mile to ensure the timely preparation of the report. Special appreciation is also

due to Saba El Kabir for his substantial inputs to this final version. Officials of the Finance Division provided useful comments during a draft report presentation session which have subsequently been incorporated in the revision of the draft report. Hossain Zillur Rahman, Executive Chairman of PPRC and Study Team Leader provided overall guidance and led the finalization of the report with the assistance of Namira Shameem. All members who participated in the drafting have been acknowledged in the authorship of this final version. PPRC is committed to supporting such policy initiatives in the road ahead as well as further academic analysis on the issues raised.

*25 June 2026
Dhaka*

Hossain Zillur Rahman
Executive Chairman
PPRC & Study Team Leader

List of tables

Table 3.1:	Type of housing by location
Table 3.2:	Housing tenure status by location
Table 3.3:	Main source of drinking water by location
Table 3.4:	Type of sanitation facility used by location
Table 3.5:	Access to energy sources by location
Table 4.1:	Employment and under-employment by sex
Table 4.2:	Modes of employment (multiple responses)
Table 4.3:	Occupational profile of household members by sex
Table 4.4:	Average monthly household income and expenditure by location
Table 4.5:	Income–expenditure distribution by income group
Table 4.6:	Monthly expenditure pattern by category and location
Table 4.7:	Composition of annual household expenditure
Table 4.8:	Share of households with migrant members by location
Table 4.9:	Households with remittance earners by income decile
Table 4.10:	Top destination countries of migrant workers
Table 4.11:	Average current household savings by income decile
Table 4.12:	Asset ownership and average market value by type
Table 5.1:	Savings vis-à-vis debt by income decile
Table 5.2:	Food security indicators by income decile
Table 5.3:	Weekly food consumption patterns by item
Table 5.4:	Households with at least one chronic patient by income decile
Table 5.5:	Household-reported crises faced in the past year (May 2024 – April 2025)
Table 5.6:	Relative coverage by type of social safety net programme (among recipients, n=1,897)
Table 5.7:	To whom was the bribe paid (before and after August 2024)
Table 5.8:	Reasons for bribe payment (before and after August 2024)
Table 6.1:	Poverty line thresholds (HIES 2022 vs adjusted to May 2025)
Table 6.2:	Comparison of poverty rates — HIES 2022 vs PPRC 2025
Table 6.3:	Distribution of households by poverty status
Table 6.4:	Poverty headcount by rural–urban area
Table 6.5:	Poverty gap and squared poverty gap indices
Table 6.6:	Expenditure Gini coefficient — national, rural, urban
Table 6.7:	The double burden of female-headed households and poverty
Table 7.1:	Ownership of digital devices by income decile
Table 7.2:	Internet access and type of connectivity by location (national/rural/urban)
Table 7.3:	Purpose of digital device use by type of device (multiple responses)

Table 8.1:	Household self-perception of wellbeing by income decile
Table 8.2:	Household self-perception of wellbeing by rural–urban location
Table 8.3:	Household optimism by income decile

List of figures

Figure 2.1:	Distribution of sampled households by districts
Figure 2.2:	Study timeline (April–August 2025)
Figure 2.3:	Conceptual framework
Figure 3.1:	Key sociodemographic characteristics of households
Figure 3.2:	Purpose of use of energy sources (multiple response)
Figure 4.1:	Average monthly household income by income group
Figure 4.2:	Structure of household income by source (%)
Figure 5.1:	Purposes of borrowing
Figure 5.2:	Top chronic illnesses reported by households
Figure 5.3:	Types of financial crisis reported by households
Figure 5.4:	Percentage of households receiving SSN support by poverty status
Figure 5.5:	SSN programme coverage among eligible households
Figure 5.6:	Hoirani experienced by households across experiential domains
Figure 5.7:	Most representative types of hoirani
Figure 5.8:	Household members reporting bribe/extortion payments (before vs after August 2024)
Figure 7.1:	Rural–urban disparities in ownership of digital devices (button phone, smartphone, computer/laptop)
Figure 7.2:	Ownership of digital devices by presence of youth in household
Figure 8.1:	Household concerns by domain
Figure 8.2a:	Personal aspirations (multiple responses)
Figure 8.2b:	Aspirations for family (multiple responses)
Figure 8.2c:	Aspirations for politics (multiple responses)
Figure 8.2d:	Aspirations for the country (multiple responses)
Figure 10.1:	Failed model of economic governance

List of acronyms

BDT	Bangladeshi taka
BBS	Bangladesh bureau of statistics
BIGD	BRAC institute of governance and development
CAPI	Computer-assisted personal interviewing
CPI	Consumer price index
COVID-19	Coronavirus disease 2019
EA	Enumeration area
GR	Gratuitous relief
HH	Household(s)

HIES	Household income and expenditure survey
ICT	Information and communication technology
ILO	International labour organization
LPL	Lower poverty line
MOU	Memorandum of understanding
OMS	Open market sales
PGI	Poverty gap index
PPRC	Power and participation research centre
PPS	Probability proportional to size
PSU	Primary sampling unit
SORE	State of the real economy
SPGI	Squared poverty gap index
SSN	Social safety net
UAE	United arab emirates
UK	United kingdom
UPL	Upper poverty line
USA	United states of america
USD	United states dollar
VGD	Vulnerable group development
VGF	Vulnerable group feeding
WASH	Water, sanitation, and hygiene

Contents

Chapter 1 Lifting the veil	19
Chapter 2 Study design, methodology and analytical framework	21
2.1 Study background	
2.2 Design and execution	
2.2.1 Methodological approach	
2.2.2 Sampling approach	
2.2.3 Sample selection	
2.2.4 Sampling weights	
2.2.5 Final sample size	
2.2.6 Methodological limitations	
2.2.7 Survey execution	
2.3 Analytical framework	
Chapter 3 Changing sociology of the household	29
3.1 Demographic composition	
3.2 Living environment and basic services	
3.2.1 Housing	
3.2.2 WASH	
3.2.3 Energy	
Chapter 4 Lived realities	35
4.1 Income	
4.1.1 Income levels	
4.1.2 Structure of household income	
4.2 Employment	
4.2.1 Labour force participation and under-employment	
4.2.2 Modes of employment: Informality as the norm	
4.2.3 Occupational profile and gender segmentation	

- 4.2.4 Employment quality and household vulnerability
- 4.3 Expenditure
 - 4.3.1 Expenditure levels
 - 4.3.2 Expenditure relative to income across the distribution
 - 4.3.3 Monthly expenditure composition: The dominance of essentials
 - 4.3.4 Annual expenditure: Lumpy costs and asset-linked spending
 - 4.3.5 Expenditure pressure and household vulnerability
- 4.4 Remittance
 - 4.4.1 Remittance levels
 - 4.4.2 Unequal access to remittance income
 - 4.4.3 Destination profile of migrant workers
 - 4.4.4 Remittance, resilience, and risk
- 4.5 Financial capacity
 - 4.5.1 Household savings: Limited buffers for a large share of households
 - 4.5.2 Asset ownership: Widespread but unevenly liquid
 - 4.5.3 Financial capacity and resilience

Chapter 5 Fragility and distress

49

- 5.1 Debt
 - 5.1.1 Debt relative to savings: A structural imbalance
 - 5.1.2 Recent dynamics: Rising debt among the poor
 - 5.1.3 Purposes of borrowing: Debt for survival, not investment
 - 5.1.4 Debt as a marker of fragility
- 5.2 Food insecurity
 - 5.2.1 Meal skipping and extreme food deprivation
 - 5.2.2 Dietary quality and protein deprivation
 - 5.2.3 Food insecurity as a debt–consumption trap
 - 5.2.4 Implications for household wellbeing
- 5.3 Chronic illness
 - 5.3.1 A cross-cutting burden across income groups
 - 5.3.2 Profile of chronic conditions
 - 5.3.3 Chronic illness as a driver of financial distress
 - 5.3.4 Implications for household wellbeing
- 5.4 Shocks
 - 5.4.1 Incidence of shocks
 - 5.4.2 Nature of financial crises
 - 5.4.3 Shocks as amplifiers of fragility
 - 5.4.4 Implications for risk management

- 5.5 Access to social protection
 - 5.5.1 Overall coverage
 - 5.5.2 Coverage by poverty status: Inclusion and exclusion gaps
 - 5.5.3 Programme composition and household reach
 - 5.5.4 Eligibility versus receipt: Evidence of targeting inefficiencies
 - 5.5.5 Implications for household fragility
- 5.6 Hoirani
 - 5.6.1 Hoirani: Experiential crisis of harassment and institutional friction
 - 5.6.2 Pervasiveness across everyday domains
 - 5.6.3 Bribery and extortion: Shifts before and after August 2024
 - 5.6.4 Nature of hoirani: Money, hassle, and delay
 - 5.6.5 Why households pay bribes
 - 5.6.6 Hoirani as a layered vulnerability

Chapter 6 Reversals

67

- 6.1 Poverty and inequality trends
 - 6.1.1 Measuring poverty in a post-crisis context
 - 6.1.2 Rising poverty headcount: Evidence of reversal
 - 6.1.3 Distributional profile: The rise of the vulnerable non-poor
 - 6.1.4 Spatial disparities in poverty
 - 6.1.5 How poor are the poor? Depth and severity of poverty
 - 6.1.6 Inequality trends: A widening divide
 - 6.1.7 Interpreting the reversal
- 6.2 Extreme poverty: Trends and new realities
 - 6.2.1 Extreme poverty trends
 - 6.2.2 Gendered concentration of extreme poverty
 - 6.2.3 Extreme poverty as a condition of fragility
 - 6.2.4 Implications
- 6.3 Vulnerability in human capital
 - 6.3.1 Education stress and intergenerational risk
 - 6.3.2 Health burdens and productivity loss
 - 6.3.3 Human capital fragility beyond the poverty line
 - 6.3.4 Implications
- 6.4 Vulnerability above the poverty line
 - 6.4.1 The fragile middle
 - 6.4.2 Living close to the edge
 - 6.4.3 Policy implications

Chapter 7 Digital stake	77
7.1 Access to digital devices: Widespread but uneven	
7.2 Youth presence and household digital assets	
7.3 Income gradient in digital ownership	
7.4 Internet connectivity: Broad reach, narrow channels	
7.5 Purpose of digital device use: Consumption over capability	
7.6 Digital stake and household resilience	
7.7 Positioning digital stake within the real economy	
 Chapter 8 Mood at the household level	 83
8.1 Self-perception of household wellbeing	
8.2 Concerns and sources of anxiety	
8.3 Aspirations: Personal, family, political, and national	
8.4 Optimism and expectations about the future	
8.5 Interpreting the national mood: Fragile resilience	
 Chapter 9 Political economy of vulnerability and resilience	 91
9.1 The zero-margin household economy	
9.2 Unequal exposure to risk	
9.3 Uneven buffers and exclusion	
9.4 The risk-stacking economy	
9.5 Persistence of resilience	
9.6 Policy and mindset gaps	
 Chapter 10 Beyond resilience	 97
10.1 Bridging the micro and macro	
10.1.1 Deepening vulnerability and macro pressure points	
10.1.2 Sources of resilience	
10.2 The challenges of transition	
10.2.1 The micro-enterprise trap	
10.2.2 Prices without protection	
10.2.3 Health shocks without public financing	
10.2.4 Urbanization and climate stress without an asset floor	
10.2.5 Education-employment disconnect	
10.3 The politico-governance trap?	
10.4 Towards a 'transition compact'	
10.4.1 Reimagining growth for the next decade	
10.4.2 Five pillars of transition	

- 10.4.2.1 Economic democracy
 - 10.4.2.2 New growth drivers
 - 10.4.2.3 Quality education
 - 10.4.2.4 Productive transformation and reviving a manufacturing future
 - 10.4.2.5 Governance for speed
- 10.5 Beyond resilience: From growth to security
- 10.5.1 A political test for transition?
 - 10.5.2 Sequenced action plan through a people's lens'

LIFTING THE VEIL

A researched understanding of the ground realities of the Bangladesh economy has assumed growing urgency in the context of a succession of overlapping crises. What began as a public health emergency during the Covid-19 pandemic quickly evolved into a prolonged economic shock, marked by livelihood disruptions, income losses, and rising vulnerability. As recovery from the pandemic remained uneven, households were subsequently confronted with sustained inflationary pressures, particularly in food, fuel, and essential services, eroding purchasing power and compressing already fragile household budgets.

These accumulated stresses were further compounded by the political rupture of July 2024, which marked a decisive turning point in the national trajectory. The July Uprising ushered in not only a change in leadership but also a sharp rise in popular expectations. Citizens anticipated that political transformation would translate into tangible improvements in everyday economic welfare. Yet many households continued to grapple with uncertainty, market disruptions, and inflation-driven distress in the months that followed. The concern that macro-level instability might deepen household-level hardship became a central public anxiety.

While policy attention understandably focused on stabilizing the macroeconomic and political environment during this transition, microeconomic realities at the household level remained largely obscured. Bangladesh lacked updated and comprehensive national household data capable of capturing how families were navigating this complex post-pandemic, inflationary, and post-Uprising landscape. The most recent nationally representative household datasets extended only up to 2022, creating a critical information gap at a moment when timely evidence was essential. This absence of updated data risked weakening the quality, targeting, and responsiveness of policy decisions precisely when clarity was most needed.

The State of the Real Economy (SORE) study emerged as a direct response to this gap. Commissioned by the Finance Division of the Ministry of Finance through an open competitive process, the study sought to generate a holistic and integrated picture of household economic well-being and mood across the country. Designed as a rapid yet rigorous national survey, it provides updated micro-level

insights into income, expenditure, employment, debt, food security, health-related vulnerabilities, exposure to shocks, and economic confidence.

The study also builds on the Power and Participation Research Centre's (PPRC) established track record in delivering rapid-response national surveys during periods of economic and political stress - including the global financial crisis of 2008, the political crisis of 2015, and multiple rounds of research during the Covid-19 pandemic. Supported by an updated Memorandum of Understanding with the Bangladesh Bureau of Statistics (BBS), PPRC employed a robust sampling framework and leveraged computer-assisted personal interviewing (CAPI) to ensure data integrity, timeliness, and analytical credibility.

Together, these elements allow the study to “lift the veil” on the real economy - the everyday economic conditions that shape household resilience, distress, and aspirations beyond aggregate indicators. By grounding policy discussions in updated, household-level evidence, the SORE Report aims to support more responsive, inclusive, and context-sensitive strategies for navigating Bangladesh's post-uprising economic trajectory.

STUDY DESIGN, METHODOLOGY AND ANALYTICAL FRAMEWORK

2.1 Study background

The State of the Real Economy 2025 study was conceived as a rigorous national survey designed to produce an updated and holistic picture of household-level economic realities in Bangladesh. At a time when the macroeconomic environment was receiving significant policy attention, there remained an urgent need to understand how households themselves were experiencing income shifts, inflationary pressures, changes in employment, and emerging forms of vulnerability. This study responded directly to that need.

Commissioned by the Finance Division of the Ministry of Finance through an open competitive process, the study was entrusted to the Power and Participation Research Centre (PPRC). PPRC's longstanding engagement in national-level rapid response research during the global financial crisis of 2008, the political unrest of 2015, and throughout the Covid-19 pandemic, has established a strong methodological foundation for combining statistical rigor with nuanced interpretation of household realities. This continuity of experience anchors the design and execution of the present study.

2.2 Design and execution

2.2.1 *Methodological approach*

The study employed a cross-sectional nationwide household survey using a stratified two-stage cluster sampling design, developed in partnership with the Bangladesh Bureau of Statistics (BBS). PPRC's longstanding Memorandum of Understanding with BBS enabled the rapid construction of a nationally representative sampling frame covering all eight administrative divisions and 64 districts, drawing on the Population and Housing Census 2022 database.

2.2.2 *Sampling approach*

Sample size determination was carried out at the domain level, reflecting the

study's objective of producing statistically valid estimates for each of the eight administrative divisions of Bangladesh. Separate estimations were therefore planned for each domain.

The minimum required sample size per domain was calculated using the standard formula for estimating population proportions under a complex survey design:

$$n = \frac{z^2 p(1-p) Deff}{e^2}$$

Where p represents the assumed prevalence of key characteristics in the population (0.05), z is the standard normal variate corresponding to a 95 percent confidence level (1.96), e is the allowable margin of error (0.05), and $Deff$ denotes the design effect (2.4) associated with two-stage stratified cluster sampling.

Based on these parameters, the minimum required sample size was estimated at approximately 1,040 households per division. Preliminary design calculations indicated that interviewing 20 households per Primary Sampling Unit (PSU) would adequately capture intra-cluster variation, implying a requirement of 52 PSUs per division.

Accordingly, the initial design targeted 416 PSUs (8 divisions $\times$ 52 PSUs), covering 8,320 households nationwide. Within each selected household, one adult respondent was chosen using Kish grid randomization, ensuring unbiased respondent selection. The survey was designed to be representative at the national, divisional, rural–urban, and sex-disaggregated levels.

To further enhance precision and representativeness, the final survey expanded coverage to 432 PSUs, exceeding the minimum design requirement. With 20 households interviewed per PSU, the final achieved sample comprised 8,640 households. This expansion enabled more robust disaggregation across divisions and rural–urban strata.

2.2.3 Sample selection

The survey followed a two-stage stratified cluster sampling design, with stratification by administrative division and urban–rural residence.

First stage: Selection of PSUs

Primary Sampling Units (PSUs) consisted of one or more Enumeration Areas (EAs) from the Population and Housing Census 2022. PSUs were selected independently within each stratum using Probability Proportional to Size (PPS) sampling, where the measure of size was the total number of households in each PSU.

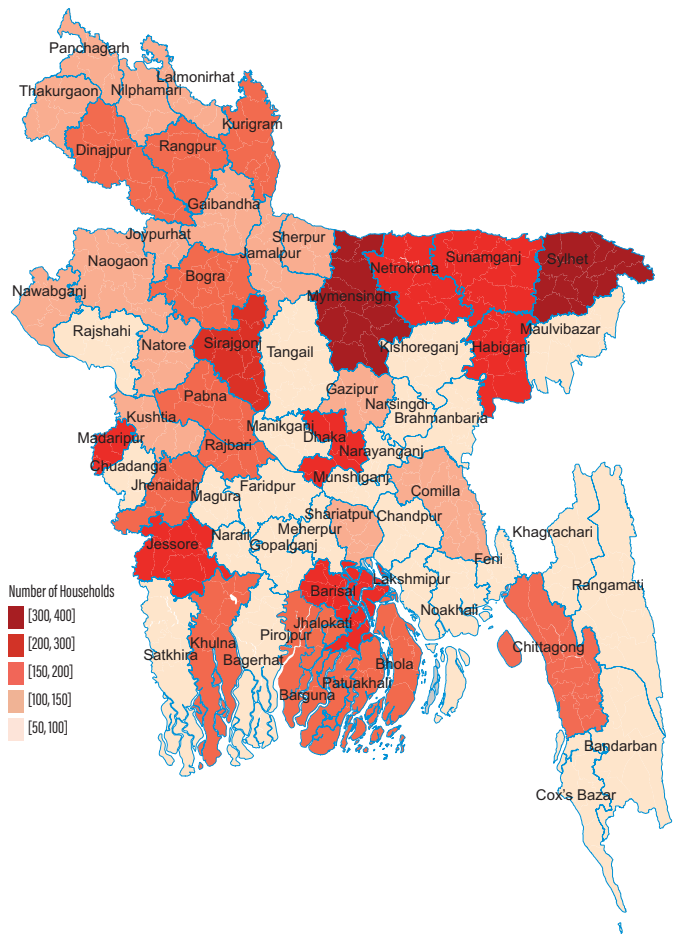
Second stage: Selection of households

Within each selected PSU, a fresh household listing was conducted in January 2025 to update the BBS Master Sample. The 432 PSUs used in the survey

constitute a sub-sample of this Master Sample. From each PSU, a fixed number of 20 households were selected using systematic random sampling, ensuring both randomness and operational efficiency.

PSUs were evenly allocated across all eight administrative divisions, covering all 64 districts, including both rural and urban areas as well as selected hard-to-reach locations. This balanced allocation ensured comprehensive geographic coverage and facilitated meaningful comparative analysis across regions.

Figure 2.1 Distribution of sampled households by districts



2.2.4 Sampling weights

Sampling weights were designed to reflect the survey’s complex sampling design

and to ensure unbiased estimation of population parameters at the national and subnational levels. Given the use of stratification, clustering, and unequal probabilities of selection, the application of appropriate weights is essential for valid inference.

Sampling weights were calculated as the inverse of the probability of selection, accounting for both sampling stages.

Let:

h denotes the stratum (division $\times$ urban/rural),

i denotes the PSU within stratum h ,

j denotes the household within PSU i .

First-stage selection probability (PSU level)

The probability of selecting PSU i in stratum h is:

$$P_{hi}^{(1)} = \frac{n_h \times M_{hi}}{\sum M_h}$$

Where n_h is the number of PSUs selected in stratum h , M_{hi} is the measure of size of PSU i , and $\sum M_h$ is the total measure of size within stratum h .

Second-stage selection probability (household level)

The probability of selecting household j within PSU i is:

$$P_{hij}^{(2)} = \frac{m_{hi}}{N_{hi}}$$

Where N_{hi} is the total number of listed households in PSU i and m_{hi} is the number of households selected.

Overall probability of selection

The overall probability of selecting household j is given by:

$$P_{hij} = P_{hi}^{(1)} \times P_{hij}^{(2)} = [(n_h \times M_{hi}) / \sum M_h] \times [m_{hi} / N_{hi}]$$

Base sampling weight

The base sampling weight is defined as the inverse of the overall selection probability:

$$w_{hij}^{base} = \frac{1}{P_{hij}} = (\sum M_h / (n_h \times M_{hi})) \times (N_{hi} / m_{hi})$$

Adjustment for non-response

To compensate for unit-level non-response, base weights were adjusted within predefined non-response adjustment classes. A non-response adjustment factor was applied as follows:

$$w_{hij}^{nr} = w_{hij}^{base} \times A_{hij}^{nr}$$

where A_{hij}^{nr} denotes the non-response adjustment factor corresponding to the household's adjustment class.

Final sampling weight

The final sampling weight used in analysis is defined as:

$$w_{hij}^{final} = w_{hij}^{base} \times A_{hij}^{nr}$$

These weights are stored in the dataset and were applied in all tabulations, estimates, and statistical analyses presented in this report.

The use of sampling weights ensures that survey estimates are statistically valid and representative at the national, divisional, and urban–rural levels. By correcting for differential selection probabilities and non-response, the weights improve the precision and reliability of estimates derived from the sample data.

2.2.5 Final sample size

A total of 432 Primary Sampling Units (PSUs) were selected, with 20 households interviewed in each PSU, resulting in 8,067 completed household interviews. This design ensured robust representation across rural and urban areas, socioeconomic strata and diverse geographic contexts.

2.2.6 Methodological limitations

As with any large-scale household survey conducted within a compressed timeframe, the State of the Real Economy 2025 survey is subject to certain methodological limitations that should be considered when interpreting the findings.

Firstly, the study adopts a cross-sectional design, capturing household conditions at a single point in time. While this provides a timely snapshot of post-Uprising economic realities, it does not allow for direct observation of household-level dynamics or causal changes over time. Comparisons with earlier national surveys therefore rely on harmonization of indicators rather than panel tracking of the same households.

Secondly, key indicators related to income, expenditure, debt, and shocks are based on self-reported data. Although careful instrument design, enumerator training, and consistency checks were applied, some degree of recall error or reporting bias may persist, particularly for irregular income sources and informal economic activities.

Thirdly, while the survey design ensures representativeness at the national, divisional, urban–rural, and sex-disaggregated levels, estimates for smaller sub-groups or highly disaggregated categories should be interpreted with caution due to reduced sample sizes and wider confidence intervals.

Fourthly, the survey prioritized breadth and timeliness over detailed sectoral modules. As a result, certain dimensions - such as precise income accounting, detailed consumption diaries, or clinical validation of health conditions - could not be incorporated within the scope of the study.

Finally, despite the use of sampling weights and non-response adjustments, some degree of residual non-response bias cannot be entirely ruled out, particularly among highly mobile or hard-to-reach populations.

These limitations notwithstanding, the study employs a robust sampling design, appropriate weighting procedures, and rigorous field protocols. Taken together, the findings provide a reliable and policy-relevant picture of household economic conditions during a critical phase of Bangladesh’s economic and political transition.

Box A: Summary on design and methodology

Study design: Cross-sectional, nationwide household survey

Sampling strategy: Stratified two-stage cluster sampling in partnership with BBS

Sample size: 432 PSUs x 20 HH per PSU→ 8067 completed interviews

Data collection method: Face-to-face interviews using CAPI (Kobo Toolbox)

Analysis approach: Descriptive analysis

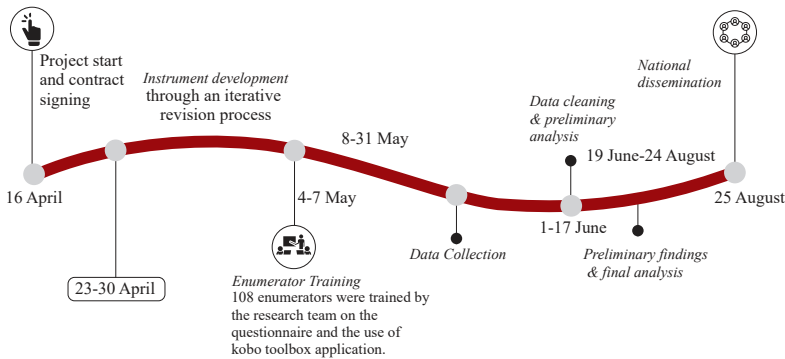
2.2.7 Survey execution

Data collection was carried out through face-to-face interviews using Computer-Assisted Personal Interviewing (CAPI), implemented through a customized Kobo Toolbox application. The use of CAPI enhanced data accuracy, reduced

processing time, and allowed real-time quality checks to be embedded throughout field operations, enabling the study to maintain high standards of data integrity while meeting compressed implementation timelines.

The study followed a compressed research cycle, reflecting the urgency of generating timely evidence in the post-Uprising context. Following contract signing and project initiation in April 2025, survey instrument development, iterative revisions, and enumerator training were completed in early May 2025. Nationwide data collection was conducted between 8 and 31 May 2025, covering all selected Primary Sampling Units. Subsequently, data cleaning and preliminary analysis were undertaken in June 2025, followed by an extended phase of final analysis, validation, and report preparation between 19 June and 24 August 2025. The study culminated in the national dissemination of findings on 25 August 2025.

Figure 2.2 : Study timeline (April–August 2025)



The ability to progress from conceptualization to national dissemination within a four-month period underscores both the methodological preparedness and implementation capacity of the research team, while ensuring that the findings remain relevant to ongoing policy debates.

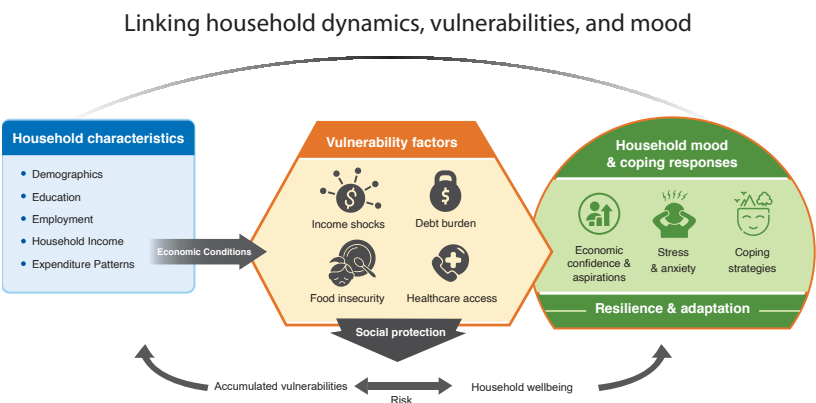
2.3 Analytical framework

The analytical design of the study reflected a dual policy imperative. First, it addressed an acute evidence gap created by the absence of nationally representative household-level data beyond 2022, particularly in the aftermath of successive economic and political shocks. Second, it sought to generate actionable insights for the interim government and policy actors grappling with the challenges of stabilizing livelihoods, managing inflation, strengthening social safety nets, and rebuilding economic confidence following the July Uprising. By foregrounding micro-level household realities, the SORE study provides a grounded basis for strengthening economic policymaking at a pivotal moment in Bangladesh’s trajectory. The combination of statistical rigour and interpretive insight enables

the findings to inform both immediate policy responses and longer-term strategies aimed at rebuilding economic resilience from the bottom up.

The study adopted an integrated analytical framework connecting demographic characteristics, income and expenditure dynamics, employment patterns, financial capacity, exposure to shocks, access to social protection, and subjective dimensions such as economic confidence, concerns, and aspirations. This approach recognizes that household wellbeing is shaped not only by material conditions but also by perceptions, expectations and coping behavior. By bringing together these dimensions, the framework allows the analysis to capture both economic stressors and resilience mechanisms, highlighting how vulnerabilities accumulate and how households respond under conditions of uncertainty (Figure 2.3 below).

Figure 2.3 : Conceptual framework



Questionnaire modules

1. Household profile
2. Employment and employment change
3. Housing, water, sanitation, and energy
4. Food consumption and security
5. Household income, expenditure flow, and financial capability
6. ICT access and use
7. Remittance
8. Crisis and coping
9. Bribery/corruption and hoirani (harassment)
10. Perceptions and aspirations

REVERSALS

Bangladesh's recent economic trajectory reflects not only stress and fragility but a clear reversal of poverty reduction gains achieved over previous decades. Drawing on inflation-adjusted household expenditure data, this chapter documents a sharp rise in poverty incidence alongside a deepening of inequality. At the same time, it shows that while poverty has become more widespread, its depth remains relatively shallow, creating a large and precarious “fragile middle” whose economic position is highly vulnerable to further shocks.

6.1 Poverty and inequality trends

6.1.1 *Measuring poverty in a post-crisis context*

Poverty and inequality estimates in this study are derived from per capita monthly household expenditure, adjusted to May 2025 prices using the Consumer Price Index (CPI) published by the Bangladesh Bureau of Statistics (BBS). The analysis applies the national poverty lines, the Lower Poverty Line (LPL) and Upper Poverty Line (UPL) as defined in the Household Income and Expenditure Survey (HIES) 2022, with thresholds inflation-adjusted to reflect current price levels.

Based on reported per capita expenditure, households are classified into four mutually exclusive categories:

- Extreme poor: Below the lower poverty line (LPL)
- Moderate poor: Between the LPL and UPL
- Vulnerable non-poor: Above the UPL but below the median per capita monthly expenditure
- Non-poor: Above the median per capita monthly expenditure This classification moves beyond a binary poor–non-poor framework and allows for explicit identification of households at risk of downward mobility.

Table 6.1: Poverty line thresholds (HIES 2022 vs adjusted to May 2025)

Threshold Type	HIES 2022	Adjusted to May 2025
Lower poverty line (LPL)	2,755	3,115
Upper poverty line (UPL)	3,832	4,333
Median per capita monthly income	4,838	5,470

6.1.2 Rising poverty headcount: evidence of reversal

Using the adjusted thresholds, national poverty estimates reveal a sharp deterioration in household welfare - 9.35 percent of the population now lives below the Lower Poverty Line (LPL), 27.93 percent falls below the Upper Poverty Line (UPL).

These figures represent a substantial increase relative to HIES 2022, when poverty rates stood at 5.6 percent (LPL) and 18.7 percent (UPL).

Table 6.2: Comparison of poverty rates — HIES 2022 vs PPRC 2025

	HIES 2022	PPRC 2025
Poverty Measure	Rate (%)	Rate (%)
Below LPL	5.6	9.35
Below UPL	18.7	27.93

The near ten-percentage-point rise in UPL-based poverty constitutes a clear poverty reversal, undoing gains achieved prior to the succession of crises beginning with the Covid-19 pandemic and subsequently compounded by inflationary pressures and political disruption.

6.1.3 Distributional profile: The rise of the vulnerable non-poor

A breakdown of households by poverty status reveals that 9.35% are classified as extreme poor, 18.58% as moderate poor, 17.97% as vulnerable non-poor, and 54.1% as non-poor.

Table 6.3: Distribution of households by poverty status

Poverty Status	Definition	Percent (%)
Extreme Poor	Below LPL	9.35
Moderate Poor	Between LPL and UPL	18.58
Vulnerable Non-Poor	Above upl and below median per capita monthly Income	17.97
Non-Poor	Above median per capita monthly income	54.1
Total	42,863,573	100

NB. LPL, UPL and Median per capita monthly income values have been inflation-adjusted using CPI data from BBS

The size of the vulnerable non-poor group which is nearly one-fifth of all households, is particularly striking. These households are officially above the poverty line yet remain below the median expenditure level, placing them

one shock away from falling into poverty. Evidence from earlier PPRC-BIGD Covid-19 panel studies showed that a large share of this group slipped into poverty during periods of crisis, underscoring their precarious position.

Poverty reduction, therefore, cannot be understood solely as lifting households below the line; it must also focus on preventing downward mobility among this fragile middle.

6.1.4 Spatial disparities in poverty

Poverty rates are substantially higher in rural areas compared to urban areas, with rural poverty at 10.77% (LPL) and 31.58% (UPL), while urban poverty stands at 6.12% (LPL) and 19.66% (UPL).

Table 6.4: Poverty headcount by rural–urban area

Area	Below LPL (%)	Below UPL (%)
Rural	10.77	31.58
Urban	6.12	19.66

These spatial disparities reflect differences in livelihood opportunities, exposure to climate shocks, access to services, and the uneven transmission of inflationary pressures.

6.1.5 How poor are the poor? Depth and severity of poverty

Although poverty incidence has increased significantly, the Poverty Gap Index of 1.76 and the Squared Poverty Gap Index of 0.57 indicate that most poor households remain clustered near the poverty line.

Table 6.5: Poverty gap and squared poverty gap indices

Indicator	Estimate	Std. Error	95% Confidence Interval
Poverty gap index (PGI)	1.76	0.00112	[1.76, 1.76]
Squared poverty gap (SPGI)	0.57	0.00058	[0.57, 0.57]

The PGI indicates that, on average, poor households fall short of the poverty line by 1.76 percent. The low SPGI suggests limited inequality among the poor themselves, meaning relatively few households are deeply below the line. This configuration -shallow but widespread poverty - implies that well-targeted and modest policy interventions could lift large numbers of households out of poverty, while also shielding the vulnerable non-poor from slippage.

6.1.6 Inequality trends: A widening divide

Alongside rising poverty, inequality has worsened significantly. The national expenditure Gini coefficient increased from 0.334 in 2022 to 0.436 in 2025. Urban inequality is particularly pronounced, with an urban Gini of 0.532, compared to 0.347 in rural areas.

Table 6.6: Expenditure GINI coefficient — national, rural, urban

	National (%)	Rural (%)	Urban (%)
Gini coefficient (PPRC 2025)	0.436	0.347	0.532
Gini coefficient (HIES 2022)	0.334	0.291	0.356

This sharp rise in overall expenditure inequality and deepening disparities in household consumption patterns, reflects divergent recovery trajectories, with better-off households better positioned to absorb shocks, protect consumption, and leverage assets, while poorer and vulnerable households experience cumulative erosion of economic security.

6.1.7 Interpreting the reversal

Taken together, the evidence points to a structural shift in Bangladesh’s poverty landscape. Poverty has expanded in reach rather than depth, while inequality, especially in urban areas, has intensified. The growing share of vulnerable non-poor households underscores the urgency of policies that address fragility, resilience, and protection against shocks, rather than focusing narrowly on headcount reduction.

This reversal sets the stage for the next sections of the chapter, which examine new realities of extreme poverty, vulnerabilities in human capital, and the risks faced by households living just above the poverty line.

6.2 Extreme poverty: Trends and new realities

6.2.1 Extreme poverty trends

Using inflation-adjusted poverty thresholds calibrated to May 2025 prices, the study finds a marked rise in extreme poverty in Bangladesh. The proportion of households living below the Lower Poverty Line (LPL) has increased to 9.35 percent, up sharply from 5.6 percent in 2022. At the same time, the share of households living below the Upper Poverty Line (UPL), capturing both extreme and moderate poverty, has risen to 27.93 percent, compared to 18.7 percent in HIES 2022.

This reversal signals not only a quantitative increase in poverty, but a qualitative shift in its composition. Extreme poverty is no longer confined to traditionally marginal groups alone; rather, it increasingly reflects the cumulative impact

of successive shocks, including post-pandemic income scarring, inflationary pressures, health-related expenses, and labour market instability.

6.2.2 Gendered concentration of extreme poverty

One of the most striking features of the new extreme poverty profile is its disproportionate concentration among female-headed households. While female-headed households constitute 15.5 percent of all households nationally, they are heavily overrepresented in the poorest segment of the income distribution. Nearly 23.8 percent of female-headed households fall within the poorest decile, the highest concentration observed across all income groups.

Table 6.7: The double burden of female-headed households and poverty

Income decile	% of female-headed HHs in each decile
1 (Poorest)	23.75
2	7.90
3	5.62
4	8.47
5	6.72
6	10.33
7	7.51
8	11.78
9	8.36
10 (Richest)	9.57
All	15.5

This pattern highlights a pronounced gendered vulnerability at the lower end of the distribution. Female-headed households are more likely to face constrained earning opportunities, unstable employment, limited access to assets, and higher care burdens. These structural disadvantages, when combined with rising living costs and weak safety net coverage, significantly heighten the risk of extreme poverty.

The distribution across deciles further suggests that female headship does not confer uniform vulnerability across the income spectrum. While some female-headed households are present in higher deciles, the clustering at the bottom indicates that female headship intersects strongly with poverty risk, rather than functioning as a neutral household characteristic.

6.2.3 Extreme poverty as a condition of fragility

The rise in extreme poverty must also be interpreted alongside findings from earlier chapters on food insecurity, debt, chronic illness, and exposure to shocks. Many households classified as extremely poor exhibit multiple, reinforcing deprivations - skipped meals, reliance on consumption-driven debt, recurring medical expenses, and insecure livelihoods. In this sense, extreme poverty reflects not only low expenditure levels, but a state of heightened fragility in which households lack both material resources and coping capacity.

The concentration of female-headed households within this group further underscores the need to view extreme poverty through a multidimensional lens, one that recognises the interaction between gender, household structure, and economic vulnerability.

6.2.4 Implications

The emerging profile of extreme poverty calls for policy responses that go beyond aggregate poverty reduction targets. The findings point to the importance of gender-sensitive interventions, particularly those that address income security, health-related shocks, and social protection gaps faced by female-headed households. Without such targeted measures, the observed rise in extreme poverty risks becoming entrenched, undermining both equity and long-term poverty reduction efforts.

6.3 Vulnerability in human capital

The poverty reversal documented in this chapter is not confined to income and expenditure alone. It is underpinned by growing vulnerabilities in human capital, particularly in education and health, which weaken households' capacity to sustain livelihoods and recover from shocks. These deficits affect both poor households and those just above the poverty line, reinforcing fragility across the distribution.

6.3.1 Education stress and intergenerational risk

The survey finds that 15.5 percent of school-aged children (5–18 years) are currently out of school. While school exclusion remains more common among poorer households, it is not confined to them. Financial pressures, household shocks, and competing livelihood demands increasingly disrupt education even among households above the poverty line.

Earlier analysis of food insecurity, debt, and shocks shows that households frequently respond to stress by adjusting human capital investments, including delaying schooling, withdrawing children from education, or increasing child labour. These responses may stabilise short-term consumption, but they carry long-term costs by eroding future earning potential and perpetuating intergenerational poverty risks.

Education vulnerability thus functions as both a symptom and a transmission mechanism of poverty reversal: shocks experienced today translate into diminished resilience tomorrow.

6.3.2 Health burdens and productivity loss

Health-related vulnerabilities present an even more pervasive threat to human capital. As documented in Chapter 3, over half of all households report at least one chronically ill member, making chronic illness a cross-cutting phenomenon rather than one limited to the poor.

Recurring medical expenses reduce disposable income, increase reliance on debt, and disrupt labour participation. For households near the poverty line, even modest health shocks can trigger downward mobility. Among the vulnerable non-poor, chronic illness often represents the tipping point that pushes households into poverty, while among the extreme poor it deepens existing deprivation.

The burden of illness therefore operates through multiple channels – through direct financial strain from medical costs, indirect income loss due to reduced productivity, and increased caregiving responsibilities that limit labour market participation, particularly for women.

6.3.3 Human capital fragility beyond the poverty line

Crucially, human capital vulnerability is not confined to households classified as poor. Many vulnerable non-poor households maintain expenditure levels above the poverty line only by suppressing investments in education and health, postponing care, or absorbing learning losses. This creates a hidden form of deprivation that does not immediately appear in expenditure-based poverty measures but significantly increases future poverty risk.

The coexistence of rising poverty headcounts, widespread chronic illness, and education disruption suggests that poverty reversals are being reinforced by erosion of human capital, not merely by income shocks.

6.3.4 Implications

Human capital vulnerability sits at the core of Bangladesh's emerging poverty dynamics. Without interventions that protect education continuity and reduce health-related financial risk, income-based poverty reduction efforts are unlikely to be sustained. Policies focused solely on consumption support risk addressing symptoms rather than causes.

The findings underscore the importance of safeguarding schooling during periods of stress, reducing out-of-pocket health expenditures, and integrating health and education considerations into social protection design.

In the absence of such measures, human capital erosion will continue to amplify fragility among both poor and vulnerable non-poor households, accelerating poverty reversals and undermining long-term development gains.

6.4 Vulnerability above the poverty line

6.4.1 The fragile middle

Beyond the rise in measured poverty, a defining feature of the current landscape is the expansion of households that remain economically vulnerable despite being above the official poverty line. Using inflation-adjusted expenditure thresholds, 17.97 percent of households are classified as vulnerable non-poor—those whose per capita monthly expenditure exceeds the Upper Poverty Line (UPL) but remains below the national median.

This group occupies a precarious position in the income distribution. While not poor by conventional definitions, their proximity to the poverty line leaves them highly exposed to downward mobility in the face of even modest shocks. The size of this group signals that recent gains in poverty reduction have been fragile and reversible.

6.4.2 Living close to the edge

Households classified as vulnerable non-poor cluster just above the poverty threshold, possessing limited buffers against income volatility, price increases, or unexpected expenses. These households often face overlapping stressors—such as chronic illness, rising food costs, debt obligations, and insecure employment—that diminish their capacity to absorb shocks. More than half of these households report at least one chronically ill member, resulting in ongoing medical expenses that persist even for those technically above the poverty line. Reliance on consumption-driven borrowing and rising debt further intensifies their economic fragility, particularly during periods of crisis.

Vulnerability among the non-poor extends beyond income-related factors and encompasses significant human capital concerns. Many households experience school dropouts, delayed education, or pressures of child labour, demonstrating that these challenges go beyond mere poverty boundaries. Social safety nets are inadequately designed to support this group, leaving them exposed despite not being officially classified as poor. Their vulnerability is characterized more by economic instability than material deprivation, forcing families into a continuous struggle to cope and avoid financial collapse.

For the vulnerable non-poor, maintaining consumption during normal times masks their lack of resilience to withstand shocks, making them highly susceptible to falling into poverty. Prior PPRC-BIGD Covid-19 panel studies revealed that a significant share of these households slipped into poverty during systemic shocks. Although the current survey does not track such transitions over time, the simultaneous increase in poverty headcounts, shallow poverty depth, and the sizable vulnerable non-poor population strongly suggest that poverty reversals are largely driven by this group.

6.4.3 Policy implications

The presence of a large vulnerable non-poor population fundamentally reshapes how poverty reduction should be understood. Strategies that focus exclusively on households below the poverty line Risk being reactive, addressing deprivation only after reversals have already occurred.

Sustaining poverty reduction in the current context requires a resilience-oriented approach that simultaneously lifts households below the poverty line and protects those just above it from falling back. Safeguarding the fragile middle, through health protection, income stabilisation, and responsive social protection, is essential to preventing further reversals and ensuring that recovery translates into durable improvements in wellbeing.

Box C: Methodological note on poverty estimation

The poverty estimates presented in this chapter are derived from the State of the Real Economy 2025 national survey conducted by PPRC, using expenditure data collected between 8–31 May 2025. While the analytical framework aligns with standard poverty measurement practice, it is important to note key methodological differences between the PPRC estimates and the official Household Income and Expenditure Survey (HIES 2022) published by the Bangladesh Bureau of Statistics (BBS).

1. Survey design and timing

HIES 2022 is the official national household survey designed to produce comprehensive, multi-topic expenditure and income data representative at national and subnational levels, with fieldwork conducted over an extended period across seasons. The PPRC 2025 survey, by contrast, was implemented rapidly over a compressed timeframe in May 2025, with a stratified two-stage cluster design developed with BBS support to approximate national representativeness. Differences in field timing and seasonal effects can influence expenditure patterns, particularly for food and consumption categories.

2. Poverty lines and thresholds

HIES uses CPI-adjusted national poverty lines to report poverty status contemporaneous with its survey year. For PPRC 2025, the same poverty lines were inflation-adjusted to May 2025 prices using CPI data to maintain comparability in real terms. Nevertheless, this adjustment incorporates inflation between 2022 and 2025 rather than pure survey measurement, which can affect the position of households relative to the line.

3. Reference periods and expenditure measures

Differences in recall periods and expenditure aggregation between the two surveys may arise because HIES is designed for detailed consumption accounting (often with longer recall windows or diary methods), while PPRC 2025 used a single cross-sectional instrument calibrated for rapid implementation. These design distinctions can affect absolute expenditure estimates and their distribution.

4. Sample frame and implementation

While the PPRC 2025 sampling frame was constructed using BBS master samples and population data, it remains a sub-sample drawn in a short window, rather than the large continuous enumeration frame of HIES. This has implications for precision - PPRC estimates have larger design effects for subgroups and may not capture very fine geographic or seasonal variation.

For these reasons, the PPRC 2025 poverty estimates should be interpreted as a nationally representative snapshot of household living standards and vulnerability in mid-2025, rather than a direct replication of official HIES methodology. Comparisons with HIES 2022 are useful for understanding broad trends in poverty incidence and distribution, but formal longitudinal or panel inferences require caution given methodological differences in design, timing, and expenditure measurement.