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.

Hossain Zillur Rahman
Executive Chairman
PPRC & Study Team Leader

25 June 2026
Dhaka

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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

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.

CHAPTER 2

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 × 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.

<u>First stage: Selection of PSUs</u>

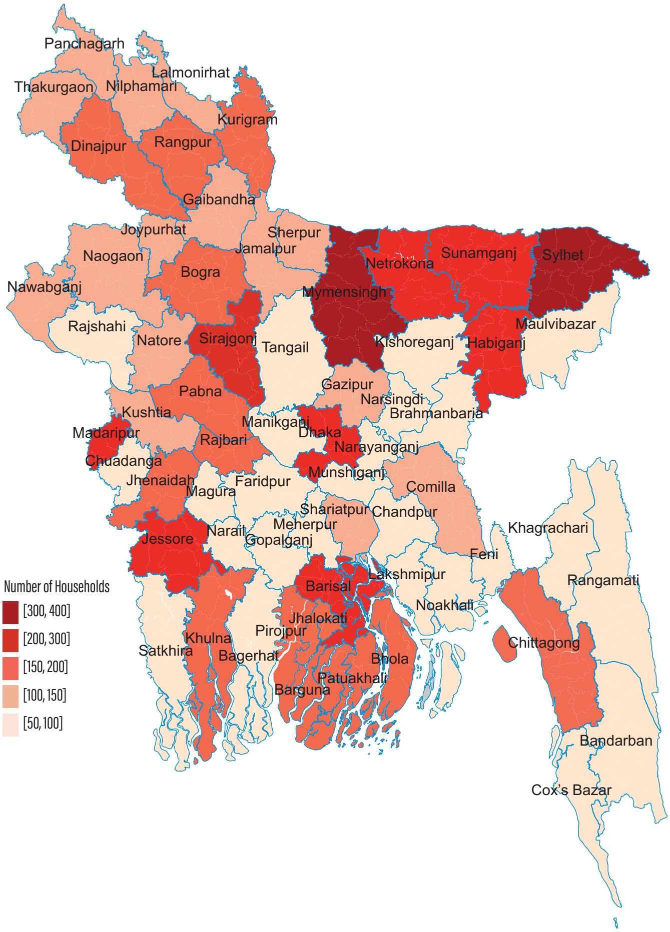
Primary Sampling Units (PSUs) consisted of one or more Enumeration Areas (EAs) from the Population and Housing Census 2022. PSUs were selected independently within each stratum using Probability Proportional to Size (PPS) sampling, where the measure of size was the total number of households in each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

<u>Second stage: Selection of households</u>

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 × 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, Mhi is the measure of size of PSU i, and ∑Mh 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 Nhi is the total number of listed households in PSU i and mhi 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 * M_{hi}) / ∑M_h] * [m_{hi} / N_{hi}]

Base sampling weight

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

$w_{hij}^{base} = \frac{1}{P_{hij}}$ = (∑ M_h / (n_h * M_{hi})) * (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 $Ahij^{nr}$ 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)

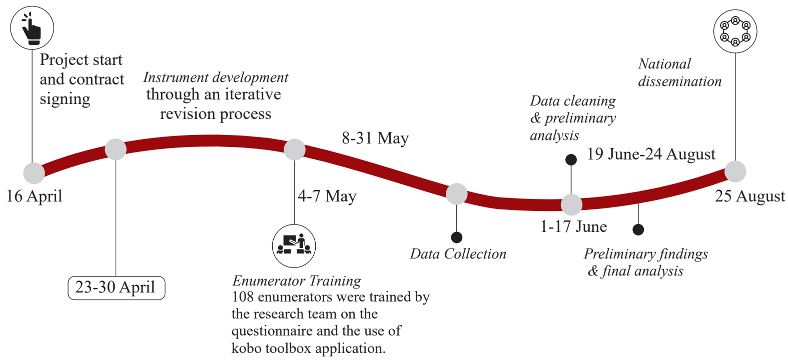
Analysis approach: Descriptive analysis

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)



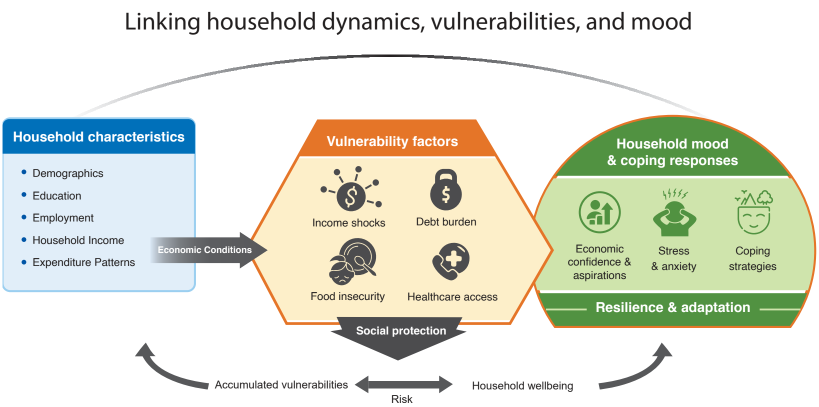
The ability to progress from conceptualization to national dissemination within a four-month period underscores both the methodological preparedness and implementation capacity of the research team, while ensuring that the findings remain relevant to ongoing policy debates.

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

CHAPTER 3

CHANGING SOCIOLOGY OF THE HOUSEHOLD

3.1 Demographic realities

The sociological profile of Bangladeshi households in 2025 reflects a combination of demographic transition and accumulating vulnerabilities. The average household size stands at 4.07 members, consistent with long-term trends of gradual household contraction. However, beneath this aggregate figure lies a complex internal composition that has important implications for household resilience and economic stress.

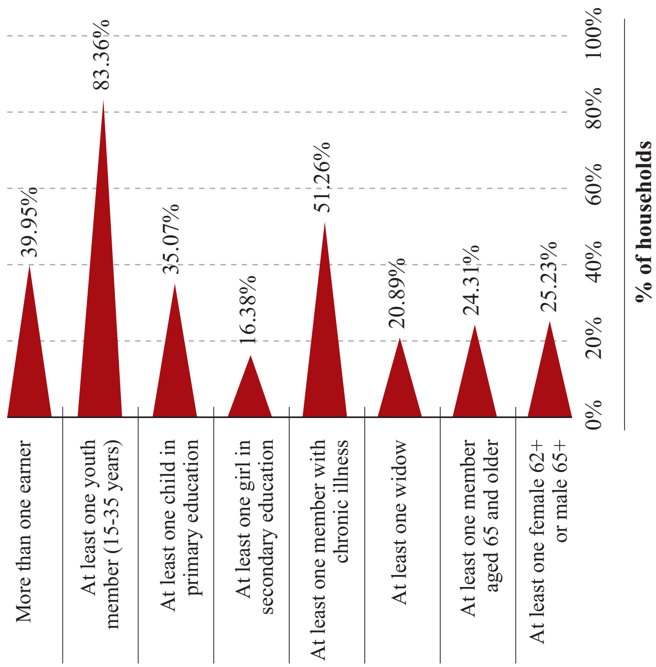
A striking feature of household composition is the pervasive burden of ill health. More than half of all households (51.3%) report having at least one member living with a chronic illness, transforming healthcare from an episodic concern into a routine and persistent pressure on household resources. At the same time, 15.6% of households are female-headed, a group that continues to face disproportionate economic vulnerability due to gendered labour market constraints and caregiving responsibilities.

Demographic dependency within households is also pronounced. Nearly one-quarter of households (24.3%) include at least one elderly member aged 65 or above, while 83.3% contain at least one youth member. This dual presence of elderly and youth dependents places considerable pressure on the working-age population, reinforcing the importance of stable employment and income flows for sustaining household wellbeing.

Living conditions show mixed progress. While access to electricity is nearly universal (98.4% of households), sanitation remains a significant challenge. More than one-third of households (36.1%) continue to rely on non-sanitary toilet facilities, underscoring persistent infrastructural deficits that intersect with health and dignity concerns, particularly in rural and peri-urban areas.

Taken together, these patterns suggest that household vulnerability in Bangladesh is no longer driven solely by income poverty. Instead, it is increasingly shaped by demographic pressures, health burdens, gendered household structures, and uneven access to basic services, all of which condition how households experience and respond to economic shocks.

Figure 3.1 : Key sociodemographic characteristics of households



3.2 Living environment and basic services

Beyond demographic composition, the lived experience of households is shaped by the physical environments in which people live — including housing quality, access to basic services, and energy use.

3.2.1 Housing conditions

Table 3.1: Type of housing by location

Type of house	National (%)	Rural (%)	Urban (%)
Pucca	23.1	16.6	37.8
Semi-pucca	28.1	28.0	28.5
Tin-shed	39.2	43.6	29.2
Kacha	9.2	11.4	4.2
Plastic/Tarpaulin	0.2	0.2	0.2
Other (specify)	0.1	0.2	0.0
Total	100.0	100.0	100.0

Table 3.2: Housing tenure status by location

Ownership of the house	National (%)	Rural (%)	Urban (%)
Owned	81.8	91.5	59.8
Rented (sole)	13.6	4.1	35.2
Staying rent-free	2.3	2.3	2.1
Rented (shared)	1.5	1.2	2.2
Other	0.8	0.9	0.8
Total	100.0	100.0	100.0

Housing conditions provide an important lens into household stability and long-term economic security. Nationally, semi-pucca (28.1%) and tin-shed houses (39.2%) dominate the housing stock, reflecting a built environment that remains structurally modest for a large share of households. Only 23.1% of households reside in pucca houses, with a pronounced rural–urban divide: while 37.8% of urban households live in pucca structures, the figure falls to 16.6% in rural areas.

Vulnerable housing types remain more prevalent in rural settings. Kacha houses account for 11.4% of rural dwellings, compared to 4.2% in urban areas, indicating greater exposure to environmental risks and weather-related shocks.

Housing tenure patterns further underscore spatial inequality. Nationally, 81.8% of households live in owner-occupied dwellings, but ownership is heavily skewed towards rural areas (91.5%) compared to urban areas (59.8%). Urban households rely much more on rental arrangements, with 35.2% living in rented housing, reflecting higher housing costs and more insecure tenure conditions in cities.

Together, housing type and tenure reveal a contrast between rural physical vulnerability and urban tenure insecurity, both of which shape household resilience in different ways.

3.2.2 Living environment: Wash

Table 3.3: Main source of drinking water by location

Main source of drinking water	National (%)	Rural (%)	Urban (%)
Tube-well	79.9	88.1	61.4
Piped/Tap water	18.3	10.5	36.0
Others	1.8	1.4	2.7
Total	100.0	100.0	100.0

Table 3.4: Type of sanitation facility used by location

Type of toilet used	National (%)	Rural (%)	Urban (%)
Permanent structure (With water seal)	26.9	24.8	31.8
Ring-slab (Without water seal)	21.8	26.2	11.8
Ring-slab (With water seal)	20.3	23.7	12.7
Sanitary (With water seal and flush)	16.7	10.1	31.7
Permanent structure (Without water seal	12.5	13.2	10.8
Temporary hanging toilet	1.5	1.8	1.1
Open defecation / No toilet	0.3	0.3	0.1
Total	100.0	100.0	100.0

Access to safe water and sanitation remains uneven, with important rural–urban contrasts. Tube-wells remain the dominant source of drinking water nationally (79.9%), particularly in rural areas (88.1%). In contrast, piped or tap water serves 36.0% of urban households, compared to only 10.5% in rural areas, reflecting disparities in infrastructure provision.

Sanitation outcomes reveal more pronounced vulnerabilities. Nationally, 36.1% of households continue to use non-sanitary toilet facilities, including hanging latrines, ring-slab toilets without water seals, and open defecation. These conditions are significantly more prevalent in rural areas, where 41.5% of households lack sanitary toilets, compared to 23.8% in urban areas.

While urban households benefit from higher access to flush and water-sealed toilets, the persistence of non-sanitary sanitation across both rural and urban contexts points to enduring public health risks and environmental externalities. These sanitation deficits intersect closely with the high burden of chronic illness observed among households, reinforcing health-related vulnerability.

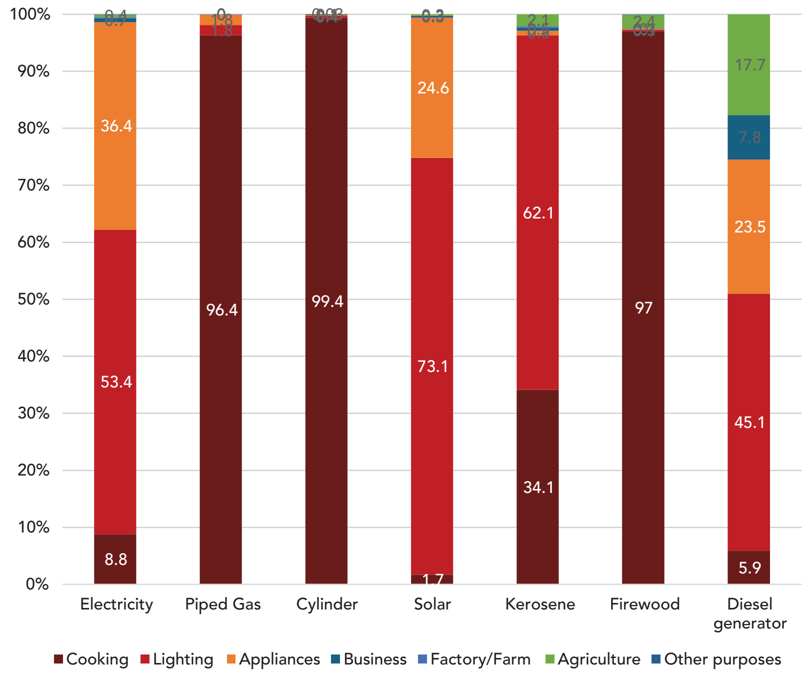
3.2.3 Living environment: Energy

Table 3.5: Access to energy sources by location

Energy source	National (%)	Rural (%)	Urban (%)
Electricity	98.4	98.3	98.7
Firewood	74.8	86.3	62.9
Biomass (straw, leaves, cow dung, sawdust, husk, etc.)	66.9	80.3	36.5

Cylinder Gas	44.7	46.5	40.5
Piped Gas	12.8	2.8	35.6
Solar Energy	4.8	5.2	3.8
Kerosene	2.8	3.6	0.9
Diesel Generator	0.6	0.3	1.2

Figure 3.2 : Purpose of use of energy sources (multiple response)



Access to energy presents a mixed picture of near-universal connectivity alongside continued reliance on traditional fuels. Electricity access is nearly universal (98.4%), with minimal variation between rural and urban areas, reflecting Bangladesh's success in expanding grid coverage.

However, electricity access does not translate into clean energy use. Firewood (74.8%) and biomass fuels (66.9%) remain widely used, particularly in rural areas where reliance reaches 86.3% for firewood and 80.3% for biomass. Cleaner cooking fuels such as cylinder gas (44.7%) and piped gas (12.8%) remain unevenly distributed, with piped gas overwhelmingly concentrated in urban areas (35.6% urban vs 2.8% rural).

Patterns of energy use further illustrate functional inequalities. Electricity is primarily used for lighting and appliances, while cylinder gas and piped gas are almost exclusively used for cooking. Traditional fuels such as firewood and biomass continue to dominate cooking needs in rural households, carrying implications for indoor air pollution, women's time burdens, and health outcomes.

The findings highlight that while energy access has expanded, the transition to clean and efficient energy use remains incomplete, reinforcing structural inequalities between rural and urban households.

These living environment conditions form the backdrop against which households earn, spend, and cope with economic pressures. The following section examines household income patterns and distribution in 2025.

CHAPTER 4

LIVED REALITIES

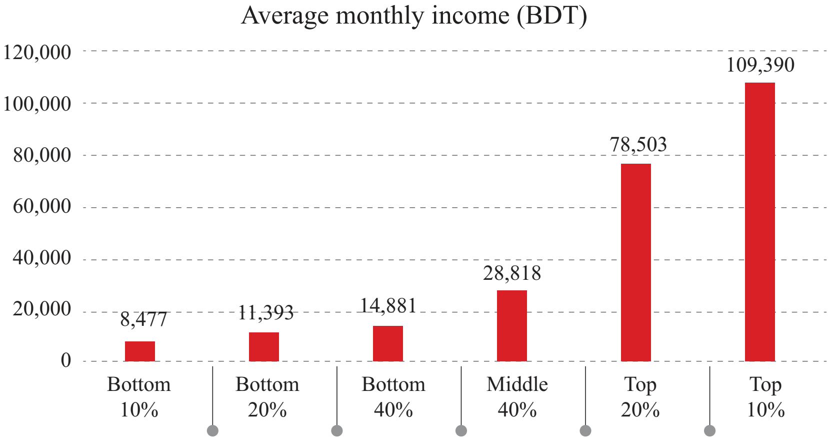
4.1 Income

4.1.1 Income levels

Household income levels in 2025 reflect both modest averages and deep underlying inequalities. The average monthly household income stands at BDT 32,685 nationally. However, this aggregate figure conceals a pronounced rural–urban divide: rural households report an average income of BDT 29,205, compared to BDT 40,578 among urban households. These disparities shape households' ability to cope with rising prices, health expenditures, and employment uncertainty.

Income distribution across households is highly skewed. The bottom 10 percent of households earn an average of only BDT 8,477 per month, while the top 10 percent earn BDT 109,390, indicating more than a twelve-fold difference between the extremes. Even households in the lower-middle segments remain economically constrained: the bottom 40 percent earn less than BDT 15,000 per month, a level that leaves little room for savings or shock absorption in an inflationary context.

Figure 4.1: Average monthly household income by income group



4.1.2 Structure of household income sources

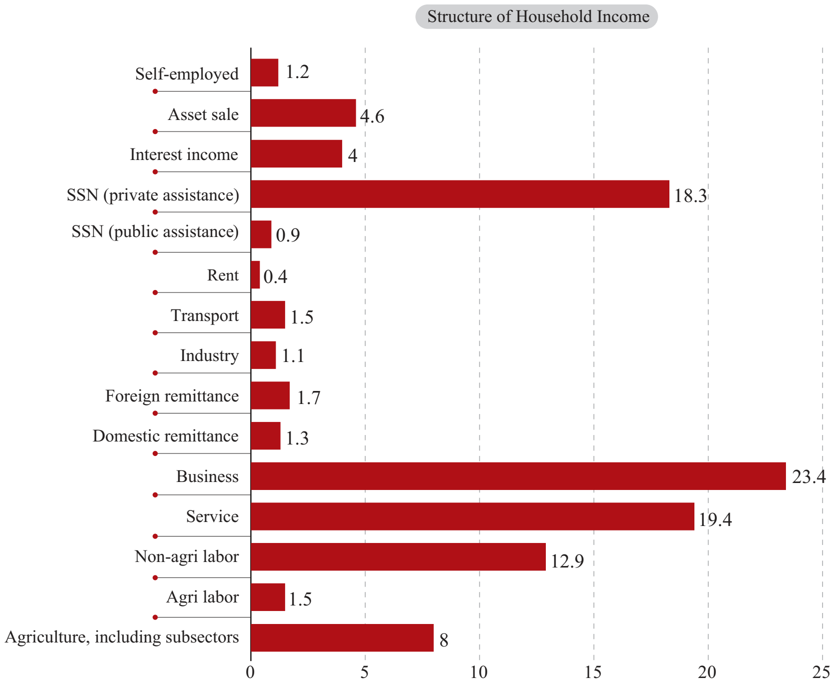
Beyond income levels, the composition of income sources provides critical insight into the nature of household livelihoods and economic vulnerability. As shown in Figure 4.2, household income in Bangladesh is dominated by informal and service-oriented activities, rather than stable salaried employment.

Business activities constitute the single largest income source (23.4%), followed by service-sector employment (19.4%) and non-agricultural labour (12.9%). Together, these categories underscore the centrality of the informal and semi-formal economy in sustaining household incomes. Agricultural income, including crop and livestock subsectors, accounts for 8 percent of household income, reflecting the continued but declining role of agriculture in household livelihoods.

Non-labour and supplementary income sources remain limited for most households. Social Safety Net (SSN) transfers play a modest role overall: public assistance contributes less than 1 percent of household income, while private assistance accounts for 18.3 percent, indicating the importance of informal support networks in the absence of comprehensive public coverage. Remittances, both foreign (1.7%) and domestic (1.3%), contribute relatively small shares at the aggregate level, though they are critically important for recipient households, as discussed later in the chapter.

Income from asset sales (4.6%) and interest income (4.0%) further suggest that some households rely on liquidation of assets or financial instruments to sustain consumption - an indicator of coping rather than prosperity.

Figure 4.2: Structure of household income by source (%)



Taken together, these patterns point to an income structure that is fragmented, informal, and vulnerable to shocks. The heavy reliance on business, service work, and casual labour leaves households exposed to market fluctuations, while the limited role of public transfers constrains the ability of income-poor households to stabilize their livelihoods during periods of crisis.

These income patterns are closely linked to the nature of employment opportunities available to households. The following section examines employment participation, under-employment, and the structure of work in greater detail.

4.2 Employment

The findings point to a clear employment emergency, defined less by outright joblessness and more by widespread under-employment, informality, and gendered exclusion from productive work. While more than half of adults remain economically active, the quality, stability, and intensity of employment have deteriorated for a large share of households.

4.2.1 Labour force participation and under-employment

Nationally, 52.33 percent of household members aged 18 years and above reported having worked at least one hour during the week preceding the survey, consistent with the International Labour Organization (ILO) definition of employment. However, this aggregate figure masks pronounced gender disparities. Male labour force participation stands at 81.15 percent, while female participation is markedly lower at 25.55 percent, reflecting persistent structural and social barriers to women's engagement in paid work.

Even among those who are employed, under-employment is widespread. Over one-third (37.7 percent) of working adults reported working fewer than 40 hours per week, signalling insufficient work intensity and unstable income flows. The burden of under-employment is particularly acute among women: 65.5 percent of employed women worked less than 40 hours, compared to 28.1 percent of employed men. This pattern underscores the prevalence of part-time, irregular, and unpaid or low-paid work among female workers.

Table 4.1: Employment and under-employment by sex

	National	Male	Female
% of 18+ household members who worked last week (ILO definition: at least 1 hour a week)	52.33	81.15	25.55
Of those who worked, % who worked for less than 40 hours a week	37.7	28.1	65.5

4.2.2 Modes of employment: informality as the norm

The structure of employment further highlights the dominance of informal and self-directed work arrangements. As shown in Figure 4.2, self-employment accounts for nearly half (44.9 percent) of all employment, making it the most common mode of work. This is followed by salaried employment (21 percent) and day labour (18.1 percent), both of which are often characterised by limited job security and weak social protection.

Only 3.1 percent of workers identify as employers, indicating the narrow base of enterprise-led job creation. Contract-based employment (4.3 percent) and domestic work (2.5 percent) remain marginal, while apprenticeship and other formal transitional pathways into stable employment are virtually absent.

Table 4.2: Modes of employment (multiple responses)

Type	%
Employer	3.1
Self-employed	44.9
Assisting in family income-generating work	12
Salaried employee	21

Day laborer	18.1
Apprentice	0.1
Domestic worker	2.5
Contract-based	4.3
Others	0.5

Overall, the employment structure reflects an economy where most households depend on small-scale, informal, and often precarious forms of work, with limited pathways toward stable, productivity-enhancing employment.

4.2.3 Occupational profile and gender segmentation

The occupational distribution of household members reinforces the picture of a fragmented labour market. At the national level, farming (18.5 percent) and business activities (15.9 percent) are the most common occupations, followed by private-sector jobs (11.5 percent) and non-agricultural labour (9.6 percent). Agricultural labour, factory work, and artisan activities together account for a significant share of employment, pointing to the continued importance of low- and medium-skill occupations.

However, occupational patterns are sharply gendered. Men's employment is concentrated in farming, business, private jobs, and both agricultural and non-agricultural labour, reflecting greater access to market-facing and income-generating activities. In contrast, women's work is heavily clustered in unpaid family labour, factory work, household-based activities, and non-agricultural labour, with far lower representation in business ownership or formal private employment.

Table 4.3: Occupational profile of household members by sex

Occupation	National (%)	Male (%)	Female (%)
Farmer	18.5	19.7	12.6
Business	15.9	18.3	4.4
Private job	11.5	11.6	10.9
Non-agricultural labour	9.6	9.1	12.1
Agricultural laborer	7.3	7.7	5.4
Factory worker	6.5	4.5	15.9
Artisan	4.7	4.9	3.4
E-bike/battery-powered rickshaw driver	4.0	4.8	0.4
Household work	3.6	0.3	19.4
Skilled laborer	3.5	4.2	0.3
Government job	2.7	2.5	3.8

Professional	2.6	2.3	4.0
Self-employed	2.5	2.1	4.8
Mechanical transport	2.4	2.9	0.0
Non-mechanical transport worker	1.5	1.8	0.2
Working abroad	1.3	1.6	0.2
Pensioner	1.2	1.1	1.4
Rental income	0.4	0.4	0.7
Freelancer	0.2	0.2	0.0
Total	100.0	100.0	100.0

This segmentation contributes directly to observed income disparities and reinforces women's exposure to under-employment and economic vulnerability.

4.2.4 Employment quality and household vulnerability

Taken together, the evidence suggests that Bangladesh's employment challenge in the post-Uprising period is not primarily a lack of work, but a lack of adequate work. The combination of high under-employment, heavy reliance on self-employment and casual labour, and persistent gender gaps limits households' capacity to generate stable incomes and cope with rising living costs.

These employment conditions interact closely with expenditure pressures, debt accumulation, and food insecurity, examined in subsequent sections of the report. In this context, employment outcomes serve as a central transmission channel through which macroeconomic stress translates into household-level fragility.

The consequences of these employment patterns are reflected in household spending behaviour and financial stress, to which the next section turns.

4.3 Expenditure

4.3.1 Expenditure levels

Household expenditure patterns in 2025 reveal the tight compression of household budgets under conditions of income uncertainty and inflationary pressure. At the national level, average monthly household expenditure stands at BDT 32,615, closely tracking the average monthly income of BDT 32,685. This near parity between income and expenditure leaves little to no room for savings for the average household, heightening vulnerability to shocks.

The pressure is particularly evident across locations. While rural households report lower average monthly income (BDT 29,205) and expenditure (BDT 27,162), urban households exhibit both higher incomes (BDT 40,578) and significantly higher expenditures (BDT 44,961), indicating a structural cost-of-living burden in urban areas.

Table 4.4: Average monthly household income and expenditure by location

	National	Rural	Urban
Avg monthly income (BDT)	32,685	29,205	40,578
Avg monthly expenditure (BDT)	32,615	27,162	44,961

4.3.2 Expenditure relative to income across the distribution

Disaggregating expenditure by income strata highlights the extent of financial strain among lower-income households. Among the bottom 10 percent, average monthly expenditure (BDT 12,294) exceeds average income (BDT 8,477), implying systematic dissaving, borrowing, or reliance on transfers. Similar patterns are observed among the bottom 20 percent, while the bottom 40 percent operate with minimal margins between income and expenditure.

Only among the top income groups does a meaningful surplus emerge, with the top 10 percent reporting average monthly income of BDT 109,390 against expenditure of BDT 101,163.

Table 4.5: Income–expenditure distribution by income group

Strata	Avg monthly expenditure (BDT)	Avg monthly income (BDT)
Bottom 10%	12,294	8,477
Bottom 20%	14,578	11,393
Bottom 40%	17,387	14,881
Middle 40%	29,727	28,818
Top 20%	70,770	78,503
Top 10%	101,163	109,390

These patterns suggest that a large segment of households, particularly those below and around the poverty line, are structurally unable to absorb economic shocks without compromising consumption or accumulating debt.

4.3.3 Monthly expenditure composition: The dominance of essentials

Monthly spending is overwhelmingly concentrated on essential items. Food accounts for 54.9 percent of total monthly expenditure nationally, rising to 57.35 percent in rural areas, compared to 49.34 percent in urban areas. This high food share reflects both inflationary pressure and limited discretionary spending capacity, particularly among rural and lower-income households.

Beyond food, medical expenses (7.51 percent) and education (7.29 percent) constitute the next largest expenditure categories. Medical spending is notably higher in rural areas (8.05 percent) than in urban areas (6.29 percent), underscoring the financial burden of healthcare in contexts with weaker access to affordable services. Education spending remains relatively consistent across rural and urban households, indicating sustained prioritisation despite economic stress.

Other recurrent expenditures include transport (6.44 percent), utilities (4.0 percent), fuel (3.79 percent), and house rent (3.41 percent nationally, but 8.88 percent in urban areas), further reinforcing the cost pressures faced by urban households.

Table 4.6: Monthly expenditure pattern by category and location

Monthly expenditure category	Average monthly expenditure (BDT)	National (%)	Rural (%)	Urban (%)
Food	10,614.45	54.9	57.35	49.34
House rent	1,089.92	3.41	1	8.88
Utilities	853.15	4	3.83	4.39
Fuel	709.3	3.79	4.08	3.14
Education	1,822.14	7.29	7.31	7.25
Transport	1,478.89	6.44	6.34	6.66
Medical	1,556.86	7.51	8.05	6.29
Toiletries	707.43	3.29	3.31	3.23
Remittance	400.67	1.21	0.88	1.97
Addictive items	664.35	3.35	3.42	3.18
Comms & media	634.21	3.04	2.99	3.15
Others	689.03	2.34	2.08	2.91

4.3.4 Annual expenditure: Lumpy costs and asset-linked spending

In addition to routine monthly expenses, households incur significant lumpy annual expenditures. Average annual household expenditure is estimated at BDT 234,036. The largest share is devoted to asset purchases, including land, housing, and shops, which account for over half (50.5 percent) of total annual expenditure. This is followed by agricultural production expenses (18.3 percent) and home repair and construction (7.9 percent), reflecting both investment needs and maintenance of physical assets.

Religious festivals and social events also constitute a non-negligible share of annual spending, while expenditures related to legal issues, taxation, and extortion remain relatively small in aggregate terms, though potentially significant for affected households.

Table 4.7: Composition of annual household expenditure

Annual expenditure category	Average annual expenditure (BDT)	Share of total annual expenditure (%)
Clothing (clothes, shoes, sandals, etc.)	9156	3.9
Furniture (bed, cot, wardrobe, etc.)	5444	2.3
Electrical and electronic items	3471	1.5
Asset purchases (land, house, flat, shop, etc.)	118202	50.5
Mortgage or leasing of assets	5287	2.3
Recreation, travel, foreign trips	2805	1.2
Religious festivals (Eid, Puja, etc.)	13607	5.8
Family events (weddings, aqiqah, etc.)	5979	2.6
Home repair and construction	18539	7.9
Legal/court/police-related expenses	1120	0.5
Extortions/donations	331	0.1
Tax payments	941	0.4
Agricultural production expenses	42747	18.3
Donations	2110	0.9
Social expenses (gifts, hospitality, etc.)	2973	1.3
Others (please specify)	1323	0.6
Total average annual household expenditure	234,036	100

4.3.5 Expenditure pressure and household vulnerability

Taken together, the expenditure profile reveals a pattern of high essential consumption, limited discretionary space, and exposure to irregular but substantial annual costs. For a large proportion of households, particularly those in the lower income strata, meeting basic needs already requires drawing down savings or incurring debt, a dynamic that directly feeds into the patterns of indebtedness and food insecurity examined in Chapter 3. These expenditure patterns, when combined with unstable income and under-employment, translate into heightened financial stress and coping behaviour, examined in the following chapter.*

* **Note on interpretation:** *All expenditure figures presented in this section represent population-level averages calculated across the full sample, and not case-specific or household-specific averages. As such, they should be interpreted as indicative of overall expenditure patterns and pressures rather than as reflecting the spending behaviour of any single household.*

4.4 Remittance

4.4.1 Remittance levels

Remittances continue to play an important role in household livelihoods in Bangladesh, functioning as a significant, though selectively accessible, source of economic resilience. Nationally, 14.3 percent of households report having at least one member working abroad. The incidence of migrant workers is higher in rural areas (15.5 percent) than in urban areas (11.5 percent), reflecting the continued reliance of rural households on overseas migration as a livelihood strategy.

Among households that receive remittances, the average inflow during the first quarter of 2025 amounted to BDT 29,762 per month, representing a substantial supplement to household income. For these households, remittances often function as a stabilising buffer, supporting routine consumption, helping meet healthcare costs, and easing short-term financial pressures in an otherwise uncertain economic environment.

Table 4.8: Share of households with migrant members by location

Locality	Household has at least one member abroad (%)
National	14.3
Rural	15.5
Urban	11.5

4.4.2 Unequal access to remittance income

Despite their importance, access to remittance income is uneven across income distribution. As shown in Figure 4.9, only 3.5 percent of households in the poorest decile report having a migrant member. This share increases steadily with income, reaching 17.8 percent among households in the richest decile.

This pattern indicates that overseas migration, which often requires substantial upfront costs, documentation, and social networks, remains more accessible to households with greater pre-existing economic capacity. As a result, remittances function less as a broad-based coping mechanism and more as a selective resilience strategy, available disproportionately to better-off households.

The limited access to remittance income among poorer households constrains their ability to use migration as a pathway for consumption smoothing or upward mobility, particularly in periods of domestic economic stress.

Table 4.9: Households with remittance earners by income decile

Decile	(%)
D1 (Poorest)	3.5
D2	4.2
D3	3.1
D4	9.0
D5	4.9
D6	10.4
D7	10.3
D8	19.7
D9	17.2
D10 (Richest)	17.8

4.4.3 Destination profile of migrant workers

The destination profile of migrant workers remains highly concentrated. Saudi Arabia accounts for the largest share of overseas workers (40.3 percent), followed by Malaysia (12.1 percent) and the United Arab Emirates (10.9 percent). Other Gulf countries—including Oman, Kuwait, and Qatar—together constitute a substantial share of migrant destinations, underscoring Bangladesh's continued dependence on the Middle East labour market.

Migration to non-Gulf destinations remains limited. Singapore, the United States, the United Kingdom, and Italy together account for only a small proportion of migrant workers. This concentration exposes remittance-receiving households to external risks arising from policy shifts, labour market fluctuations, or geopolitical developments in a narrow set of destination countries.

Table 4.10: Top destination countries of migrant workers

Country	National (%)
Saudi Arabia	40.3
Malaysia	12.1
UAE	10.9
Oman	8.6
Kuwait	5.3
Qatar	5.0
Singapore	3.9
USA	1.5
UK	1.5
Italy	1.2

4.4.4 Remittance, resilience, and risk

While remittances provide an important source of resilience for recipient households, their selective reach and external dependence limit their effectiveness as a system-wide response to household economic stress. Many poorer households remain excluded from remittance-based support, while those who do receive remittances are exposed to risks beyond domestic policy control.

In this sense, remittances operate not as a universal safety net, but as a stratified resilience mechanism, cushioning some households while leaving others fully exposed to employment instability, inflationary pressures, and rising living costs.

The uneven access to remittance income reinforces the importance of examining households' broader financial capacity, assets, and liabilities, to which the next section turns.

4.5 Financial capacity

Household financial capacity in 2025 is shaped by a combination of limited liquid savings and uneven asset ownership, leaving many households with constrained ability to absorb economic shocks. While asset possession is widespread in nominal terms, the composition and liquidity of these assets vary sharply across income groups, with important implications for resilience.

4.5.1 Household savings: Limited buffers for a large share of households

Average household savings remain modest relative to income and expenditure levels. Across all households, mean current savings stand at BDT 130,728, but this aggregate figure masks substantial disparities across the income distribution.

Households in the bottom deciles hold very limited savings, with the bottom 10 percent averaging BDT 19,737 and the bottom 40 percent remaining below BDT 50,000 in average savings. Such levels provide little protection against health emergencies, income disruptions, or price shocks. In contrast, savings increase sharply among higher-income groups, reaching BDT 716,265 among the top 10 percent, reflecting a highly unequal distribution of financial buffers.

Table 4.11: Average current household savings by income decile

Income Decile	Average current savings (BDT)
D1 (Bottom 10%)	19,737
D2	26,077
D3	17,105
D4	49,419
D5	48,856
D6	81,739
D7	75,470

D8	120,963
D9	151,651
D10 (Top 10%)	716,265
All Households	130,728

These figures underscore that for a large segment of the population, savings function less as a cushion and more as a thin and fragile reserve, easily depleted by routine or unexpected expenses.

4.5.2 Asset ownership: Widespread but unevenly liquid

Asset ownership is widespread, but the type and liquidity of assets vary considerably. Most households possess basic consumer durables: nearly all households own furniture (96.9%), fans (98.9%), and mobile phones, including feature phones (77.1%) and smartphones (74.8%). Ownership of televisions (50.0%) and refrigerators (66.1%) is also common, reflecting improvements in material living standards over time.

Productive and income-generating assets, however, are less evenly distributed. Livestock ownership (32.2%) and poultry (44.8%) remain important, particularly in rural areas, but their market value is modest relative to household needs. Ownership of shop or business capital (13.8%) and motorized vehicles (13.7%) is limited, constraining opportunities for income diversification and mobility.

Land remains the most valuable asset for households that own it. Residential or homestead land in rural areas is owned by 84.3 percent of households, with a high average market value, while agricultural land ownership (37.9%) continues to underpin rural livelihoods. In urban areas, however, residential land ownership is far less common (8.0%), reflecting high entry barriers and cost pressures in cities.

Financial assets—such as bank savings, cooperative deposits, or cash savings—are held by 39.4 percent of households, but the relatively low prevalence indicates limited engagement with formal financial systems and constrained liquidity for many households.

Table 4.12: Asset ownership and average market value by type

Type of asset	Owns asset (%)	Mean asset narket value (BDT)
Livestock (cow/buffalo, goat/sheep, etc.)	32.18	56,632
Poultry (duck/chicken, pigeon/birds, etc.)	44.8	1,945
Furniture (bed, cot, wardrobe, etc.)	96.92	35,910
Non-motorized vehicle (rickshaw/van, pushcart, boat, bicycle, etc.)	17.64	1,753

Motorized vehicle (auto-rickshaw/tempo/ e-bike, trawler, motorcycle, etc.)	13.7	19,185
Television	49.98	5,804
Fridge	66.05	13,309
Fan	98.9	3,561
Mobile (smartphone)	74.84	11,836
Mobile (eature/button phone)	77.09	952
Laptop, computer, tablet	4.98	2,373
Sewing machine/loom	8.85	474
Shop/business capital/goods	13.84	65,017
Jewelry (gold, silver)	75.11	90,289
Financial assets (cooperative, bank, cash savings)	39.35	63,599
Residential/homestead land in rural area	84.27	829,004
Agricultural land in rural area	37.9	809,438
Residential/homestead land in urban area	7.95	683,766
Others (please specify)	2.13	10,409
All		2,725,256

4.5.3 Financial capacity and resilience

Taken together, the evidence suggests that while households possess a range of physical and consumer assets, liquid financial capacity remains weak for a large share of the population. For lower-income households in particular, savings are insufficient to serve as a meaningful shock absorber, and many assets are either illiquid or essential for daily functioning, limiting their usefulness in times of crisis.

The interaction between limited savings and asset composition shapes how households cope with stress, often determining whether they can rely on internal resources or are pushed toward borrowing, asset liquidation, or reduced consumption. These dynamics are examined in greater detail in the following chapter on debt, distress, and fragility.

The constraints on savings and the limited liquidity of household assets form the backdrop against which rising indebtedness and financial stress have emerged, explored in the next chapter.

CHAPTER 5

FRAGILITY AND DISTRESS

5.1 Debt

Debt has emerged as a central feature of household fragility in Bangladesh's post-pandemic, inflationary, and post-Uprising context. For a growing share of households—particularly those in the lower income strata—borrowing is no longer primarily associated with investment or income expansion but rather functions as a mechanism of day-to-day survival.

5.1.1 Debt relative to savings: A structural imbalance

The imbalance between household savings and debt is most acute among poorer households. As shown in Table 5.1, the bottom 10 percent of households carry debt that is more than double their current savings, with debt exceeding savings by 218 percent. This pattern persists across the lower income distribution: among the bottom 40 percent, household debt consistently outweighs savings, indicating a sustained condition of net financial vulnerability.

By contrast, households in the upper income deciles display a fundamentally different financial position. The top 10 percent hold savings that exceed their debt, reflecting a capacity to use borrowing strategically rather than defensively. At the aggregate level, average household debt exceeds average savings by 44.6 percent, underscoring the systemic nature of the imbalance.

These figures suggest that for lower-income households, debt is not a temporary response to isolated shocks but a structural feature of household finance, reflecting limited savings buffers and persistent expenditure pressure.

Table 5.1: Savings vis-à-vis debt by income decile

Income decile	Average household savings (BDT)	Average household debt (BDT)	Debt as % of savings
D1 (Bottom 10%)	19,737	62,767	218
D2	26,077	55,222	112
D3	17,105	69,749	308

D4	49,419	143,934	191
D5	48,856	90,848	86
D6	81,739	136,431	67
D7	75,470	179,037	137
D8	120,963	288,722	139
D9	151,651	220,533	45
D10 (Top 10%)	716,265	643,083	-10
All Households	130,728	189,033	44.6

5.1.2 Recent dynamics: Rising debt among the poor

The debt burden has also intensified in the recent period. In the six months preceding the survey, households in the bottom 40 percent experienced a net 7 percent increase in debt, signalling worsening financial stress amid continued inflation and income uncertainty. This accumulation of debt occurred despite limited asset growth or savings accumulation, further weakening households' capacity to absorb future shocks.

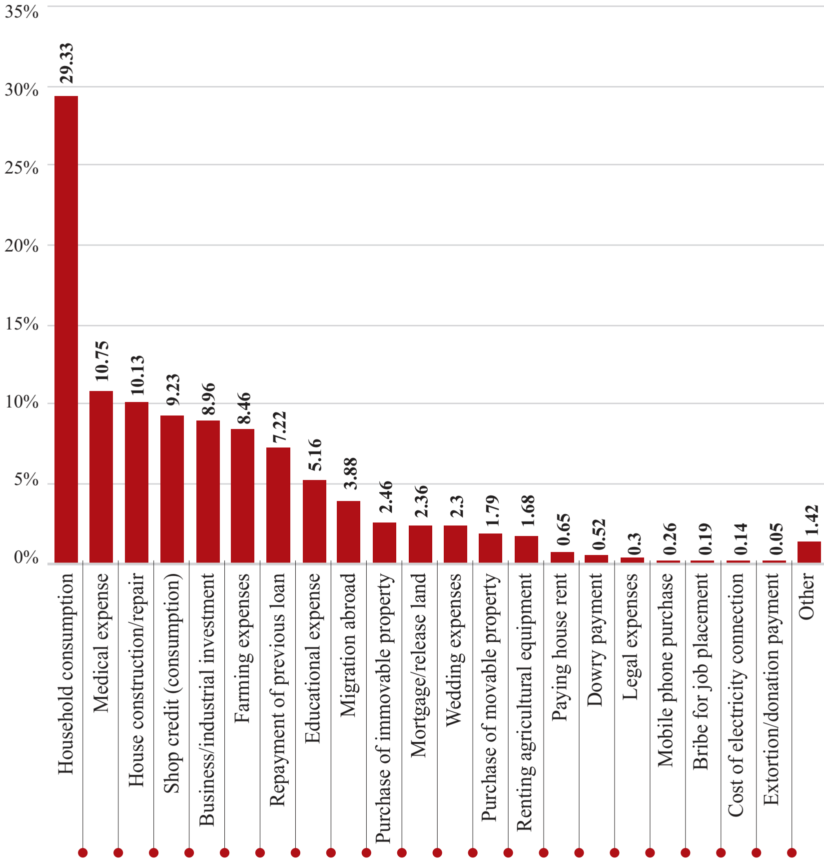
5.1.3 Purposes of borrowing: Debt for survival, not investment

The purposes for which households borrow provide critical insight into the nature of indebtedness. As illustrated in Figure 5.1, the dominant motivation for borrowing is household consumption, accounting for 29.33 percent of reported loans. This is followed by medical expenses (10.75 percent) and house construction or repair (10.13 percent).

Borrowing for productive purposes—such as business or industrial investment (8.96 percent), farming expenses (8.46 percent), or education (5.16 percent)—constitutes a smaller share of total borrowing. This distribution indicates that debt is largely incurred to maintain basic living standards rather than to generate future income streams.

Medical expenses stand out as a particularly concerning driver of debt. The prominence of health-related borrowing reflects both the high prevalence of chronic illness and the limited availability of affordable healthcare, linking indebtedness directly to health vulnerability.

Figure 5.1: Purposes of borrowing



5.1.4 Debt as a marker of fragility

Taken together, the evidence suggests that household debt in Bangladesh has increasingly shifted from an instrument of opportunity to a marker of distress. For poorer households, borrowing compensates for inadequate income, insufficient savings, and rising costs of living. Rather than smoothing consumption temporarily, debt often entrenches vulnerability, locking households into cycles of repayment that constrain future choices.

This debt-driven fragility intersects closely with food insecurity, health shocks, and exposure to crises, examined in the subsequent sections of this chapter.

The implications of rising debt are most visibly felt through food insecurity and compromised consumption, to which the next section turns.

5.2 Food insecurity

Food insecurity has emerged as one of the most visible manifestations of household fragility in the current economic context. As shown in the preceding section, a substantial share of borrowing is undertaken to finance basic household consumption, indicating that many households are already operating under conditions of constrained food access. The food consumption patterns observed in this study confirm that debt-driven coping is closely linked to quantitative and qualitative compromises in diet.

5.2.1 Meal skipping and extreme food deprivation

Indicators of acute food insecurity are concentrated among poorer households. Among the poorest income decile, 12.2 percent of households reported skipping meals in the week preceding the survey, while 8.8 percent reported going an entire day without food at least once in the past month. These figures stand in stark contrast to higher income groups, where such experiences are rare or absent.

At the aggregate level, 3.4 percent of households skipped meals in the previous week, and 2.4 percent went without food for a whole day in the past month. While these national averages may appear modest, they mask severe deprivation at the lower end of the income distribution, underscoring the unequal burden of food insecurity.

Table 5.2: Food security indicators by income decile

Income decile	% Skipped meals (last week)	% Went without food a whole day (last month)
1 (Poorest)	12.2	8.8
2	5.3	4.0
3	4.4	1.5
4	2.7	1.9
5	1.4	1.6
6	2.5	0.9
7	0	0
8	0	0
9	0	0
10 (Richest)	0	0
All	3.4	2.4

5.2.2 Dietary quality and protein deprivation

Beyond meal frequency, food insecurity is also evident in the quality and diversity of diets. Weekly consumption data reveal widespread protein deprivation, particularly with respect to animal-source foods. Over one-third of households (35.7 percent) reported consuming no broiler chicken at all during the previous week, while 76.5 percent reported no consumption of beef or mutton.

Consumption of eggs, fish, milk, and lentils also shows significant gaps, with large shares of households consuming these items on few or no days during the week. While rice or roti remains universally consumed, the reliance on staple carbohydrates alongside limited intake of protein-rich foods points to nutritional vulnerability rather than outright starvation.

Vegetable consumption is more frequent, yet even here a non-negligible share of households report irregular intake, suggesting that dietary compromise extends beyond animal protein alone.

Table 5.3: Weekly food consumption patterns by item

Days	Vegeta-bles	Rice/ Roti	Broiler Chicken	Beef/ Mutton	Eggs	Fish	Lentil	Milk	Sweets
0	0.2	1.3	35.7	76.5	8.6	2.8	8.8	57.1	72.3
1	1.0	-	37.7	19.1	11.4	7.0	13.7	7.1	17.6
2	6.2	0.4	20.8	3.5	29.5	21.4	31.1	10.0	6.9
3	14.8	0.4	4.6	0.4	21.1	24.7	20.2	5.9	1.8
4	14.9	0.5	0.6	0.1	13.1	22.1	12.6	3.5	0.7
5	17.5	0.3	0.1	-	7.7	13.1	8.2	2.7	0.3
6	8.7	0.3	-	-	1.6	3.5	1.6	0.7	0.0
7	37.0	96.8	0.6	0.4	6.9	5.3	3.7	13.0	0.5

5.2.3 Food insecurity as a debt–consumption trap

The overlap between food insecurity and indebtedness is critical. As documented in Section 5.1, household consumption is the single largest driver of borrowing, accounting for nearly one-third of all loans. This indicates that many households are already relying on debt to sustain minimum food consumption. When borrowing capacity is exhausted or constrained, food intake becomes one of the first areas of adjustment.

In this sense, food insecurity does not arise solely from income poverty but from a debt–consumption trap, where rising prices, limited savings, and recurring expenditures force households to juggle borrowing, reduced diet quality, and skipped meals.

5.2.4 Implications for household wellbeing

Persistent food insecurity has implications that extend beyond immediate hunger. Reduced dietary diversity and meal skipping weaken physical health, lower resistance to illness, and exacerbate the burden of chronic disease - an issue explored in the next section. For households already struggling with debt and medical expenses, compromised nutrition further entrenches vulnerability and limits recovery prospects.

The nutritional stress associated with food insecurity interacts closely with the growing burden of chronic illness, to which the next section turns.

5.3 Chronic illness

A major and increasingly entrenched source of household vulnerability is the growing burden of chronic illness. The survey finds that 52.5 percent of households have at least one member living with a chronic condition, turning healthcare from an episodic concern into a routine and recurring expenditure for a majority of families.

5.3.1 A cross-cutting burden across income groups

Chronic illness is not confined to poorer households alone. While 55.3 percent of households in the poorest decile report at least one chronic patient, the prevalence rises steadily across the income distribution, reaching 63.1 percent among the richest decile. The relative uniformity of chronic illness prevalence across income groups underscores that this is a cross-cutting structural challenge, rather than a condition associated exclusively with poverty.

Table 5.4: Households with at least one chronic patient by income decile

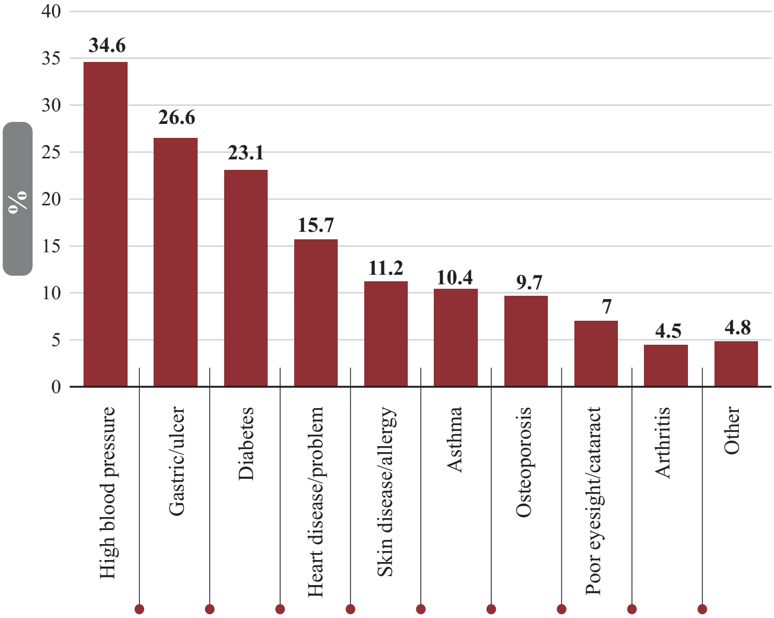
Income decile	HH Has At least 1 Chronic Patient
1 (Poorest)	55.30%
2	49.20%
3	53.00%
4	46.40%
5	54.00%
6	53.80%
7	47.80%
8	48.60%
9	54.40%
10 (Richest)	63.10%
Total	52.50%

However, the implications of chronic illness differ sharply by economic status. Households with higher incomes are better positioned to absorb the costs of long-term treatment, medication, and follow-up care. For poorer households, the same health conditions translate into financial stress, borrowing, and reduced consumption, reinforcing the debt and food insecurity dynamics documented in earlier sections.

5.3.2 Profile of chronic conditions

The burden of chronic illness is dominated by a small number of conditions. High blood pressure is the most prevalent, affecting 34.6 percent of households with chronic patients, followed by gastric and ulcer-related conditions (26.5 percent) and diabetes (23.1 percent). Other notable conditions include heart disease, asthma, skin diseases or allergies, and arthritis.

Figure 5.2: Top chronic illnesses reported by households



Many of these conditions require continuous medication and regular monitoring, creating a steady stream of healthcare-related expenses rather than one-off treatment costs. The prevalence of gastric and blood pressure-related illnesses also suggests links with diet quality, stress, and living conditions, echoing the food insecurity patterns discussed in Section 5.2.

5.3.3 Chronic illness as a driver of financial distress

The interaction between chronic illness and household finances is particularly consequential. As shown in Section 3.1, medical expenses account for a significant share of borrowing, making healthcare one of the primary drivers of debt accumulation. For households with limited savings and liquidity, chronic illness effectively locks families into a cycle of recurring expenditure, borrowing, and financial vulnerability.

Unlike short-term shocks, chronic illness imposes a permanent strain on household resources, reducing the capacity to rebuild savings, invest in education or livelihoods, or cope with additional crises. In households where the chronically ill individual is also an income earner, illness further compounds vulnerability through lost productivity and earnings.

5.3.4 Implications for household wellbeing

The widespread presence of chronic illness transforms healthcare from a sectoral issue into a central dimension of household fragility. When combined with under-employment, food insecurity, and rising debt, chronic illness deepens inequality in lived experience, even among households that appear economically similar by income alone.

These dynamics highlight the limits of income-based measures of wellbeing and reinforce the need to examine health-related vulnerability as an integral component of the real economy.

Beyond health-related vulnerability, households also face sudden and unforeseen shocks that further destabilise livelihoods, examined in the next section.

5.4 Shocks

5.4.1 Incidence of shocks

Households continue to face a range of economic and non-economic shocks that compound existing vulnerabilities. Over the twelve-month period between May 2024 and April 2025, nearly one in five households (19.8 percent) reported experiencing a financial crisis, making it the most prevalent form of shock. This was followed by natural disasters (7.0 percent), while police or court-related issues (2.3 percent), family crises (1.7 percent), and other shocks were reported less frequently.

Notably, the incidence of financial crises is remarkably similar across rural and urban areas, suggesting that economic shocks during this period were not geographically concentrated but rather reflected system-wide pressures. In contrast, exposure to natural disasters remains higher in rural areas (8.2 percent) than in urban areas (4.2 percent), underscoring the continued spatial unevenness of climate-related risk.

Table 5.5: Household-reported crises faced in the past year (May 2024 – April 2025)

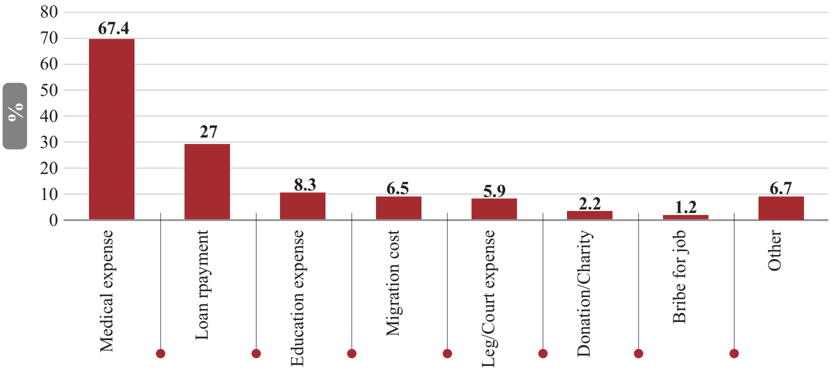
Type of Crisis	National (%)	Rural (%)	Urban (%)
Financial crisis	19.8	19.8	19.8
Natural disaster crisis	7.0	8.2	4.2
Police/court issues	2.3	2.4	2.1

Family crisis	1.7	1.6	1.9
Other types of crises	1.0	1.0	1.1

5.4.2 Nature of financial crises

An examination of the sources of financial crises reveals that health-related costs dominate household distress. Medical expenses account for 67.4 percent of all reported financial crises, dwarfing other causes. Loan repayment pressures (27 percent) constitute the second most common trigger, indicating the compounding effect of existing indebtedness. Education expenses (8.3 percent), migration-related costs (6.5 percent), and legal or court expenses (5.9 percent) play smaller but non-negligible roles.

Figure 5.3: Types of financial crisis reported by households



These patterns highlight the tight coupling between chronic illness, debt, and financial shocks. Medical expenses—often routine rather than sudden—nonetheless function as shocks because they exceed households' available savings and income buffers. When combined with repayment obligations from earlier borrowing, such expenses can rapidly destabilise household finances.

5.4.3 Shocks as amplifiers of fragility

Shocks do not occur in isolation. Instead, they interact with pre-existing conditions of vulnerability, including limited savings, under-employment, food insecurity, and chronic illness. For households already reliant on debt to meet consumption needs, the occurrence of a financial or health-related shock often precipitates further borrowing, asset liquidation, or sharp reductions in food intake.

The predominance of medical expenses as a source of shock reinforces the finding that household vulnerability in Bangladesh is increasingly shaped by predictable yet unprotected risks, rather than rare catastrophic events alone. This blurring of the boundary between routine expenditure and shock underscores the inadequacy of existing coping mechanisms at the household level.

5.4.4 Implications for risk management

The persistence and nature of shocks documented here point to a vulnerability landscape where households face recurrent, overlapping risks, rather than discrete one-off crises. In the absence of adequate insurance, social protection, or affordable healthcare, households are left to manage these shocks through informal and often damaging strategies.

These dynamics place renewed emphasis on the role of social protection systems in mitigating risk—a subject examined in the following section.

The ability of households to withstand and recover from shocks is closely tied to their access to formal support mechanisms, to which the next section turns.

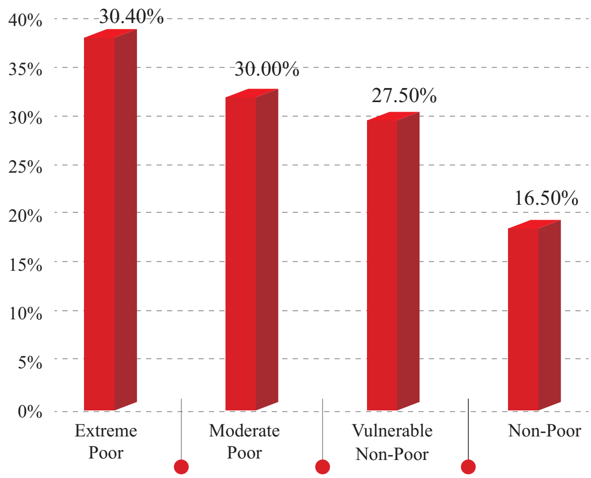
5.5 Access to social protection

Social safety nets constitute a critical line of defence against economic shocks, particularly in contexts marked by rising living costs, health-related vulnerabilities, and debt-financed consumption. Yet evidence from the State of the Real Economy 2025 survey indicates that access to government social protection remains both limited in coverage and uneven in targeting.

5.5.1 Overall coverage

Nationally, 23.5 percent of surveyed households report receiving support from at least one government social safety net programme. This level of coverage is broadly consistent with official estimates, but remains modest relative to the scale of economic vulnerability observed across income groups, particularly in the wake of inflationary pressures, health shocks, and income instability.

Figure 5.4: Percentage of households receiving SSN support by poverty status



5.5.2 Coverage by poverty status: Inclusion and exclusion gaps

Disaggregating SSN coverage by poverty status reveals significant gaps in both exclusion and inclusion. Among extreme poor households, 36.4 percent report receiving some form of social assistance. While this indicates prioritisation of the poorest, it also implies that nearly two-thirds of the extreme poor remain uncovered, highlighting a substantial exclusion gap, likely driven by fiscal constraints, administrative bottlenecks, or identification challenges.

Coverage among the moderate poor stands at 30.0 percent, while vulnerable non-poor households - those living above the poverty line but exposed to chronic illness, shocks, or instability -show a comparable coverage rate of 27.5 percent. Given their elevated risk profile, receipt of support among this group does not necessarily represent mistargeting but reflects the blurred boundary between poverty and vulnerability in the current economic context.

However, 16.5 percent of non-poor households also report receiving SSN benefits. This proportion points to inclusion errors within the system, where benefits accrue to households with relatively lower vulnerability. Taken together, nearly 44 percent of SSN recipients are above the poverty line, though with markedly different risk profiles. This underscores the need for more nuanced targeting frameworks that distinguish structural vulnerability from transient income status.

5.5.3 Programme composition and household reach

Among households receiving SSN support, a limited set of programmes dominates coverage. The Old Age Allowance emerges as the most prominent programme in terms of household reach, followed by Primary Education Stipends, the Food-Friendly Programme/Fair Price Card, Widow Allowance, and Secondary Education Stipends. These five programmes together account for the bulk of reported SSN receipt.

In contrast, several programmes aimed at livelihood rehabilitation, disaster response, legal aid, or sector-specific support exhibit negligible household-level presence. This concentration suggests that while flagship programmes have achieved scale, the broader social protection architecture remains fragmented and uneven in its operational reach.

Table 5.6: Relative coverage by type of Social Safety Net programme (among recipients, n=1,897)

Safety net program	%
Old age allowance	32
Widow allowance (widowed/divorced/needy women)	14
Insolvent freedom fighter allowance	1
Insolvent disability allowance	9
Stipend for disabled students	1
Stipend for underprivileged cultural workers	0
Primary education stipend	23
Secondary education stipend	10
Maternity allowance for low-income mothers	1
VGF (vulnerable group feeding)	5
VGD (vulnerable group development)	5
Food assistance in hilly areas	0
OMS (open Market Sales)	8
Fair price card/Food-friendly program	17
GR (relief during disasters)	2
Agricultural rehabilitation	1
Medical assistance for victims of July movement	0
Financial aid to families of those killed in July movement	0
Welfare support for acid victims	0
Alternative livelihood support for fishers	1
Housing support / Shelter projects / Cluster villages	1
Legal aid	0
Others	3

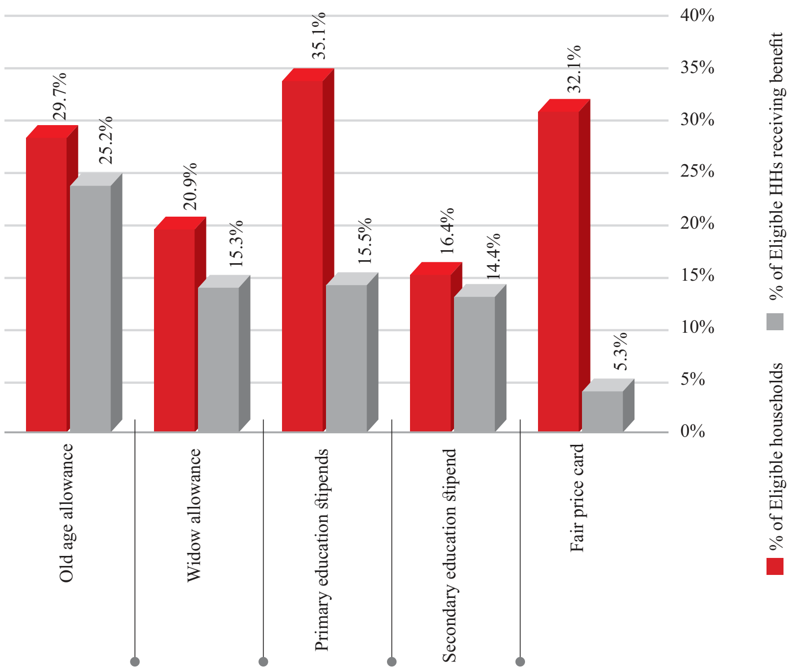
5.5.4 Eligibility versus receipt: Evidence of targeting inefficiencies

A closer examination of eligibility versus actual benefit receipt reveals pronounced implementation gaps across several major programmes. The Fair Price Card programme exhibits the largest shortfall: while approximately 32 percent of households meet eligibility criteria, only 5.3 percent of eligible poor households report receiving the benefit. Moreover, a significant share of current recipients belong to non-poor households, reinforcing concerns regarding both under-coverage and leakage.

Similarly, Primary Education Stipends show a sizable eligibility–receipt gap, suggesting barriers related to enrolment verification, administrative access, or information asymmetries. In contrast, the Secondary Education Stipend programme displays a narrower gap, with eligibility and receipt rates relatively aligned.

The Old Age Allowance stands out as an exception: coverage among eligible households is high, indicating comparatively effective targeting and delivery mechanisms. This contrast highlights that administrative effectiveness varies substantially across programmes and that lessons from better-performing schemes could inform reforms elsewhere.

Figure 5.5: SSN programme coverage among eligible households



5.5.5 Implications for Household Fragility

The limited and uneven reach of social protection has direct implications for household coping strategies. As earlier sections have shown, households increasingly rely on debt to finance basic consumption, healthcare, and shock recovery - functions that social safety nets are designed to perform. Where SSN coverage is absent or delayed, households are more likely to resort to borrowing, asset depletion, or food compromise, deepening cycles of fragility.

Overall, the evidence suggests that Bangladesh's social safety net system, while extensive in design, falls short in practice of providing timely and equitable protection during a period of heightened economic stress. Addressing both exclusion of the most vulnerable and inclusion of the relatively secure will be essential if social protection is to play a stabilising role in the evolving landscape of poverty, vulnerability, and resilience.

The next section turns to hoirani - the informal costs, frictions, and everyday forms of extraction that further compound household distress and interact with weaknesses in formal support systems.

5.6 Hoirani

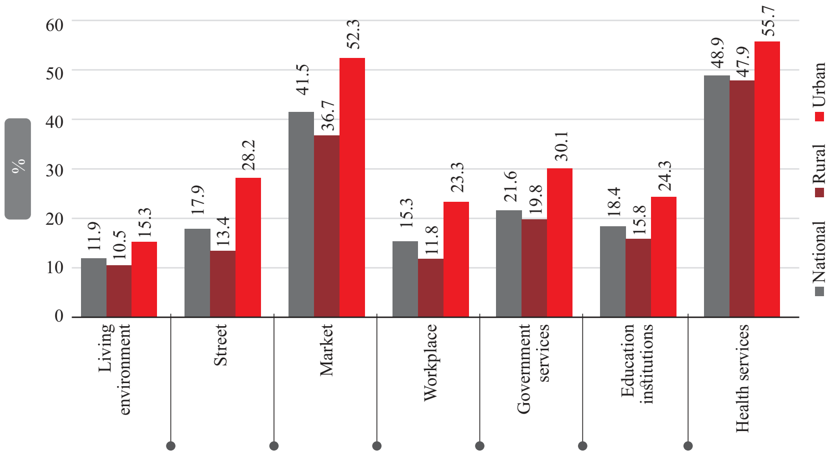
5.6.1 Hoirani: Experiential crisis of harassment and institutional friction

Beyond economic shocks and material deprivation, households continue to face an experiential crisis locally described as hoirani - a form of harassment, obstruction, and informal extraction encountered in everyday interactions with markets, services, and institutions. The survey reveals that hoirani is both widespread and deeply embedded across multiple domains of household life.

5.6.2 Pervasiveness across everyday domains

Experiences of hoirani are reported across a broad range of settings, underscoring its routine and systemic nature rather than being confined to isolated encounters. Nationally, the highest incidence is reported in interactions related to health services (48.9%) and markets (41.5%), followed by government services (21.6%), education institutions (18.4%), workplaces (15.3%), and street-level interactions (14.6%). Rural households report particularly high exposure in markets (52.3%) and health services (55.7%), while urban households report comparatively higher hoirani in government services and workplaces. This pattern highlights how service-seeking itself becomes a site of stress, especially for households already under economic pressure.

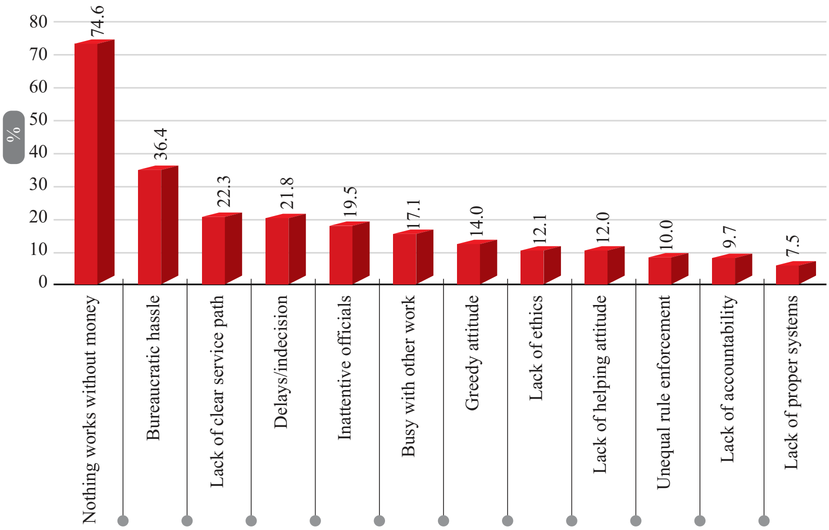
Figure 5.6: Hoirani experienced by households across experiential domains



5.6.3 Nature of hoirani: Money, hassle, and delay

When asked about the most representative forms of hoirani, households overwhelmingly point to "nothing works without giving money" (74.6%) as the defining feature. This is followed by bureaucratic hassle (36.4%), lack of clear service pathways (22.3%), and delays in decision-making (21.8%). Qualitative dimensions such as indifferent officials, lack of accountability, and unequal rule enforcement further reinforce the perception of a system that extracts time, money, and emotional energy from citizens rather than serving them.

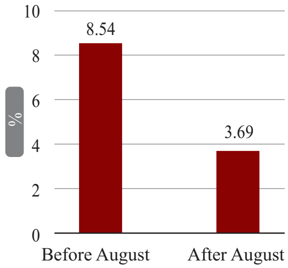
Figure 5.7: Most representative types of hoirani



5.6.4 Bribery and extortion: Shifts before and after August 2024

The proportion of household members willing to report having paid a bribe or extortion declined from 8.54% before August 2024 to 3.69% after August 2024. While this suggests a reduction in reported incidents, the underlying structure of hoirani remains intact.

Figure 5.8: Household members reporting bribe/extortion payments (Before vs after August 2024)



Among those who did pay bribes, government offices emerged as the single largest recipient after August 2024, accounting for 46.76% of reported payments, followed by the police (39.37%) and political leaders or activists (33.13%) and government offices (46.76%).' Insert 'Among those who did pay bribes, government offices emerged as the single largest recipient after August 2024, accounting for 46.76% of reported payments, followed by political leaders or activists (33.13%) and the police (39.37%).

Table 5.7: To whom was the bribe paid (Before and after August 2024)

To whom was the bribe paid	Before august 2024 (%)	After august 2024 (%)
Local thug	12.71	16.11
Political leader/activist	24.98	33.13
Police	31.77	39.37
Government office	52.34	46.76
Court	7.73	8.96
Local government representative	28.81	13.22
Others	0.71	0.91

5.6.5 Why households pay bribes

The motivations for bribery remain largely unchanged and point to necessity rather than choice. The most commonly cited reason both before and after August 2024 is obtaining faster service (52.08% after August), followed by avoiding legal or procedural hassle (30.79%) and fear or pressure (30.96%). Notably, reasons linked to confusion about rules, lack of influence, and peer pressure increased after August, indicating rising uncertainty rather than improved transparency.

Table 5.8: Reasons for bribe payment (before and after August 2024)

Reason	Before august 2024 (%)	After august 2024 (%)
Faster service	57.65	52.08
Avoid legal/process hassle	21.51	30.79
Fear/pressure	33.19	30.96
Traditional/customary	10.22	19.81
Peer pressure	16.61	21.86
Confusion/rules unknown	8.59	21.09
Lack of influence	5.93	12.69
Demand	36.86	40.74
Systemic issue	11.45	7.36
Others	0.48	0.55

5.6.6 Hoirani as a layered vulnerability

Hoirani operates as a compounding stressor that intersects with economic fragility. For households already facing income instability, food insecurity, chronic illness, or debt, harassment and informal payments represent an additional, unpredictable cost - both financial and psychological. The persistence of hoirani means that even when services exist in principle, effective access remains uneven and contingent.

In this sense, hoirani is not merely a governance failure but a lived economic reality- one that erodes trust, amplifies distress, and undermines the capacity of households to recover from shocks. Addressing fragility in Bangladesh's post-Uprising context therefore requires confronting hoirani not as a marginal issue, but as a central constraint shaping everyday wellbeing and citizen–state relations.

Box B: Why hoirani matters for household resilience

Hoirani functions as an informal tax on access to services, amplifying financial stress, reinforcing debt dependence, and eroding trust in institutions—particularly for households already facing food insecurity and health shocks.

CHAPTER 6

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.

CHAPTER 7

DIGITAL STAKE

Digital access has emerged as a near-universal feature of household life in Bangladesh, positioning digital devices and connectivity as an increasingly important component of household resilience. Unlike many other forms of human and physical capital documented in earlier chapters, digital preparedness displays relatively broad diffusion across income groups and locations. At the same time, significant disparities persist in the quality of access and the purpose for which digital tools are used, limiting their transformative potential for education, livelihoods, and economic mobility.

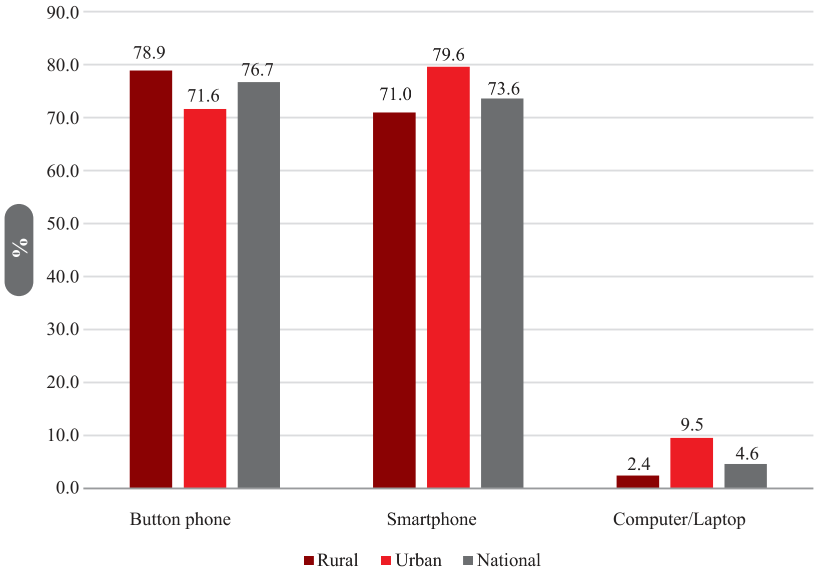
This chapter examines household access to digital devices, internet connectivity, and patterns of digital use, highlighting both the equalising promise and the stratifying realities of Bangladesh's digital transition.

7.1 Access to digital devices: Widespread but uneven

Ownership of mobile phones is nearly universal. Nationally, more than three-quarters of households own a button phone, while smartphone ownership has expanded rapidly and now stands at approximately 75 percent. This diffusion is evident across rural and urban areas, signalling that mobile connectivity has become a basic household asset rather than a luxury good.

However, differences emerge by location and device type. While smartphone ownership is slightly higher in urban areas, rural households remain more reliant on basic feature phones. Ownership of computers or laptops remains very limited nationwide, reflecting both affordability constraints and limited functional demand outside formal education or office-based work.

Figure 7.1: Rural–urban disparities in ownership of digital devices: button phone, smartphone, computer/laptop



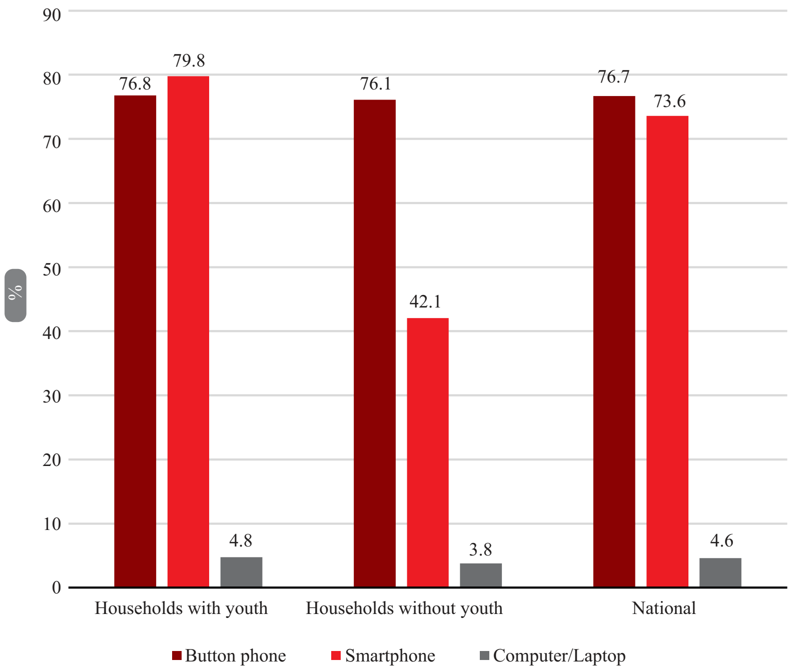
The figure illustrates that while mobile phone penetration is high across all locations, access to higher-end digital infrastructure, particularly computers and laptops, remains marginal, with ownership rates below 5 percent nationally.

7.2 Youth presence and household digital assets

The presence of youth within households significantly strengthens digital readiness. Households with at least one youth member are more likely to own smartphones and computers compared to households without youth, suggesting that younger household members act as drivers of digital adoption.

Smartphone ownership rises to nearly 80 percent among youth households, compared to substantially lower levels in households without youth members. This pattern underscores the role of youth not only as users but also as catalysts for digital integration within households.

Figure 7.2: Ownership of digital devices by presence of youth in household



While youth presence boosts access to advanced devices, even these households remain overwhelmingly dependent on smartphones rather than multi-device ecosystems, reinforcing the centrality, and limitations, of mobile-based digital engagement.

7.3 Income gradient in digital ownership

Disaggregation by income deciles reveals that digital access is not evenly distributed across the economic spectrum, particularly for higher-end devices. While feature phones are common across all income groups, smartphone ownership rises steadily with income. The gap becomes stark for computers and laptops, which are almost entirely concentrated among households in the top income decile.

Table 7.1: Ownership of digital devices by income decile

Income Decile	Feature Phone	Smartphone	Laptop
D1 (Bottom 10%)	12.1	4.9	1.8

2	12.0	8.0	1.1
3	10.3	8.6	1.6
4	9.7	9.5	1.4
5	8.5	8.3	1.7
6	10.8	11.9	3.8
7	8.8	11.2	5.0
8	11.0	14.0	10.9
9	8.3	10.9	17.4
D10 (Top 10%)	8.5	12.9	55.5
All	100.0	100.0	100.0

The table shows that for lower-income households, digital engagement is almost exclusively mobile-based. This limits the types of activities households can perform online, particularly those requiring sustained interaction, content creation, or advanced digital skills.

7.4 Internet connectivity: Broad reach, narrow channels

Internet access has expanded significantly, with 63.9 percent of households reporting some form of internet connection. However, access remains uneven across space and mode of connectivity.

Mobile data networks dominate household internet access, accounting for nearly four-fifths of all connections. Wi-Fi access is substantially lower and concentrated in urban areas, while wired broadband remains negligible nationwide.

Table 7.2: Internet access and type of connectivity by location (national/rural/urban)

Internet connection	National (%)	Rural (%)	Urban (%)
Households with internet connection	63.89	59.34	74.2
Type of connectivity			
Mobile network (data purchase)	79.61	81.1	76.93
Wi-Fi	44.25	38.0	55.6
Wired broadband	1.31	1.1	1.76
Whether household members are internet users			
Use of internet	68.84	65.41	76.63

While internet access is widespread in nominal terms, the predominance of mobile data implies limited bandwidth, higher per-unit costs, and constrained suitability for education, professional work, or enterprise development.

7.5 Purpose of digital device use: Consumption over capability

Despite high levels of device ownership and connectivity, the purposes for which digital tools are used remain narrowly concentrated. Communication and calling are near-universal across all devices, followed closely by entertainment and gaming, particularly among smartphone users.

In contrast, only one-fifth of smartphone users report using their devices for education or study, and fewer than 2 percent engage in online business activities. Use of computers and laptops is more strongly associated with education and official work, but the very low prevalence of such devices sharply limits their aggregate impact.

Table 7.3: Purpose of digital device use by type of device (multiple responses)

Digital Device Use Purpose	Button Phone (%)	Smartphone (%)	Computer/ Laptop (%)
Communication / Calling	99.9	99.6	35.5
Education / Study	0.6	20.0	49.4
Entertainment / Gaming	2.3	82.5	59.7
Online Business	0.0	1.7	8.3
Content Creation	0.0	0.2	2.0
Mobile Transactions (bKash/ Nagad/Rocket)	26.0	56.2	11.0
Paying Educational Institution Fees	0.1	4.4	1.4
Receiving Stipends	3.1	2.9	0.4
Receiving Social Safety Allow-ances	4.0	1.5	0.5
Outsourcing	0.0	0.3	4.4
Official Work	0.1	4.5	43.7
Others (Please specify)	0.0	0.2	1.7

These patterns suggest that while households are digitally connected, digital use largely reinforces consumption rather than expanding productive capacity. The gap between access and effective utilisation mirrors earlier findings in this report, where ownership of assets does not automatically translate into resilience or upward mobility.

7.6 Digital stake and household resilience

Digital preparedness functions as a latent form of resilience - one that is widely distributed but unevenly activated. Smartphones and mobile internet provide households with basic connectivity, access to information, and communication channels, which can support coping during crises. However, limited use for education, income generation, or skill development constrains the role of digital access in strengthening long-term resilience.

For poorer and vulnerable non-poor households, digital access does not compensate for deficits in education, health security, or employment quality documented in earlier chapters. Instead, it operates as a supplementary asset - valuable but insufficient on its own to prevent downward mobility.

In this sense, digital stake in Bangladesh reflects a broader pattern observed throughout the report: near-universal access coexisting with stratified outcomes. Digital tools are present in most households, but their capacity to transform livelihoods remains tightly linked to income, education, and human capital.

7.7 Positioning digital stake within the real economy

The findings of this chapter reinforce the need to view digitalisation not as a standalone solution, but as an enabling layer whose impact depends on complementary investments in human capital, affordability, and institutional support. Without such alignment, digital expansion risks reproducing existing inequalities rather than mitigating them.

Digital stake, therefore, represents both an opportunity and a constraint within Bangladesh's real economy - broadly accessible, yet unevenly empowering. Its interaction with education, employment, and vulnerability becomes especially salient when examining household aspirations and perceptions of the future, to which the next chapter turns.

CHAPTER 8

MOOD AT THE HOUSEHOLD LEVEL

Economic conditions are not experienced only through income, consumption, or assets; they are also lived, interpreted, and internalised through households' perceptions, anxieties, aspirations, and expectations about the future. This chapter captures the emotional economy of households in Bangladesh - how people assess their current wellbeing, what they worry about most, what they hope for, and how optimistic they feel amid prolonged economic stress.

The findings reveal a sharp stratification of economic mood across income groups. Distress, anxiety, and pessimism are concentrated at the bottom of the distribution, while confidence and optimism are disproportionately located among better-off households. Together, these patterns point to a widening psychological divide that mirrors and potentially reinforces material inequality.

8.1 Self-perception of household wellbeing

Households' own assessments of their economic condition provide a direct window into lived deprivation and coping capacity. Respondents were asked to classify their current household situation as always in shortage, occasionally in shortage, manageable, doing well, or very well off.

Self-perceptions reveal acute stress at the bottom of the income distribution. Among households in the poorest decile, 64.9 percent report living in shortage, either always or occasionally. Only 6.9 percent of households in this group describe themselves as doing well, and virtually none consider themselves very well off. By contrast, among households in the top two deciles, over half report that they are doing well or very well off, and shortage is reported by only a small minority.

A similar, though less pronounced, divide is visible across rural and urban areas. Rural households are more likely to describe their condition as manageable, while urban households are more likely to place themselves at both extremes, doing well or experiencing shortage, reflecting greater inequality and volatility in urban livelihoods.

Table 8.1: Household self-perception of wellbeing by income decile

Households' Current Condition	Bottom decile (D1)	Bottom 2 decile (D1–D2)	Bottom 4 decile (D1–D4)	Middle 4 decile (D5–D8)	Top 2 decile (D9–D10)
Always in shortage	26.1	18.1	12.7	3.6	1.1
Occasionally in shortage	38.8	37.9	33.4	17.2	6.5
Manageable	27.6	34.7	43.8	54.2	35.4
Doing well	6.9	8.9	9.8	22	45.8
Very well off	0.5	0.5	0.4	3	11.2
All	100	100	100	100	100

Table 8.2: Household self-perception of wellbeing by rural–urban location

Households' current condition	Rural (%)	Urban (%)	Total (%)
Always in shortage	6.93	7.1	6.98
Occasionally in short	22.84	19.92	21.95
Manageable	47.65	43.44	46.37
Doing well	19.62	24.96	21.26
Very well off	2.95	4.57	3.45
All	100	100	100

These subjective assessments closely track objective indicators discussed earlier in the report such as food insecurity, debt, chronic illness, and income instability, underscoring that material deprivation translates directly into lived distress.

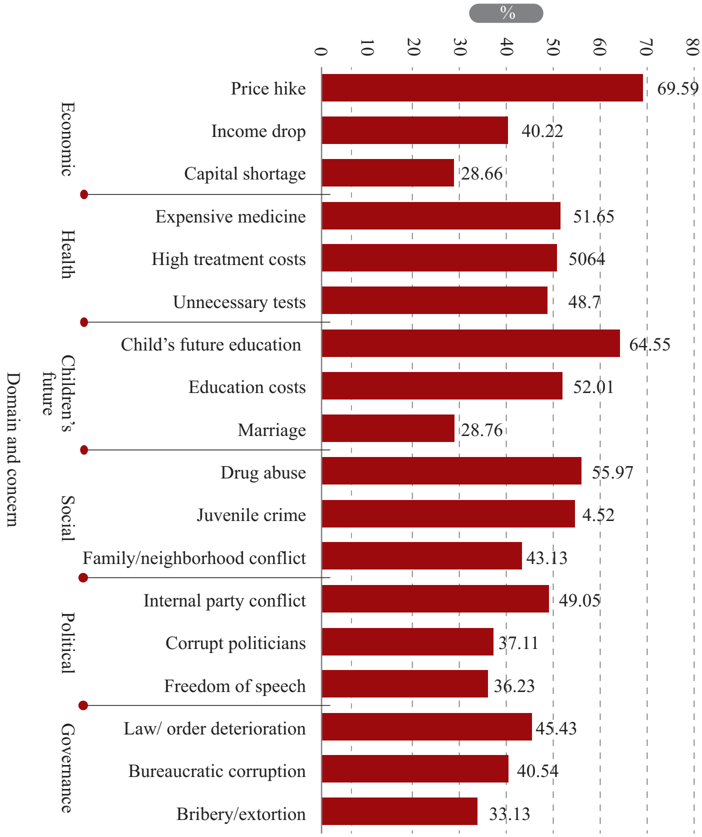
8.2 Concerns and sources of anxiety

Households were asked to identify the issues they are most concerned about across economic, social, health, political, and governance domains. The results show that inflation and income insecurity dominate household anxieties, cutting across income groups but weighing most heavily on the poor.

Price hikes emerge as the single most frequently cited concern, mentioned by nearly 70 percent of households nationally and by almost two-thirds of the poorest decile. Income drops, capital shortages, and rising costs of treatment and medicine follow closely, reflecting the combined pressure of inflation, unstable employment, and health-related expenses.

Concerns extend beyond immediate economic stress. Households also report anxiety over children's education, drug abuse, juvenile crime, bureaucratic harassment, and corruption. For poorer households, these concerns are not abstract; they are embedded in daily negotiations over food, healthcare, schooling, and debt repayment.

Figure 8.1: Household concerns by domain



The pattern of concerns reinforces findings from earlier chapters: economic shocks are increasingly multidimensional, spilling over from income loss into social stress, health insecurity, and diminished trust in institutions.

8.3 Aspirations: Personal, family, political, and national

Despite widespread stress, households continue to articulate strong aspirations, revealing both resilience and unmet expectations. Aspirations were captured across four domains: personal, family, political, and national.

At the personal level, the most common aspirations relate to securing good job opportunities, improving income stability, and ensuring access to education. For families, aspirations focus on children's education, financial security, and social mobility, reflecting a forward-looking orientation even among economically stressed households.

Political aspirations reveal a striking consensus across income groups. A majority of respondents prioritise good governance, prevention of corruption, and fair access to public services. Aspirations for the country similarly emphasise economic development, poverty reduction, employment generation, and institutional reform.

Figure 8.2a: Personal aspirations (multiple responses)

Figure 8.2b: Aspirations for family (multiple responses)

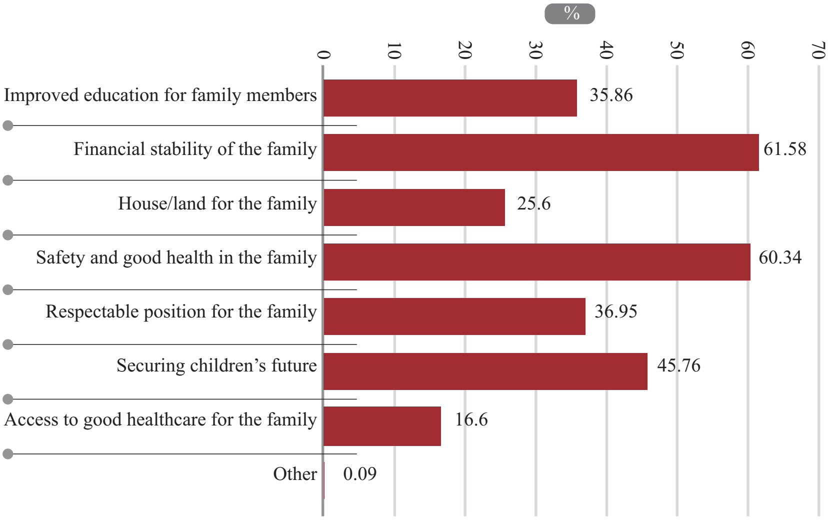


Figure 8.2c: Aspirations for politics (multiple responses)

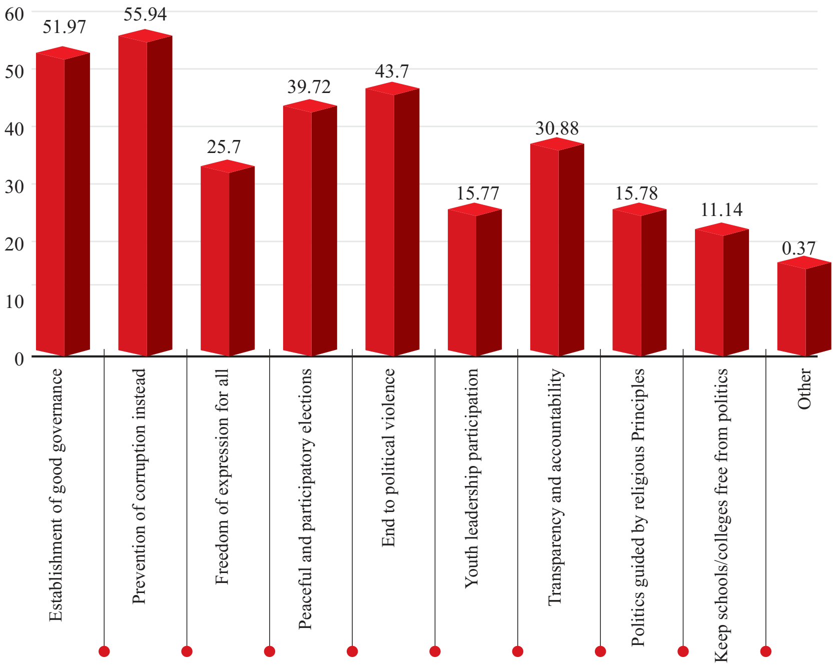
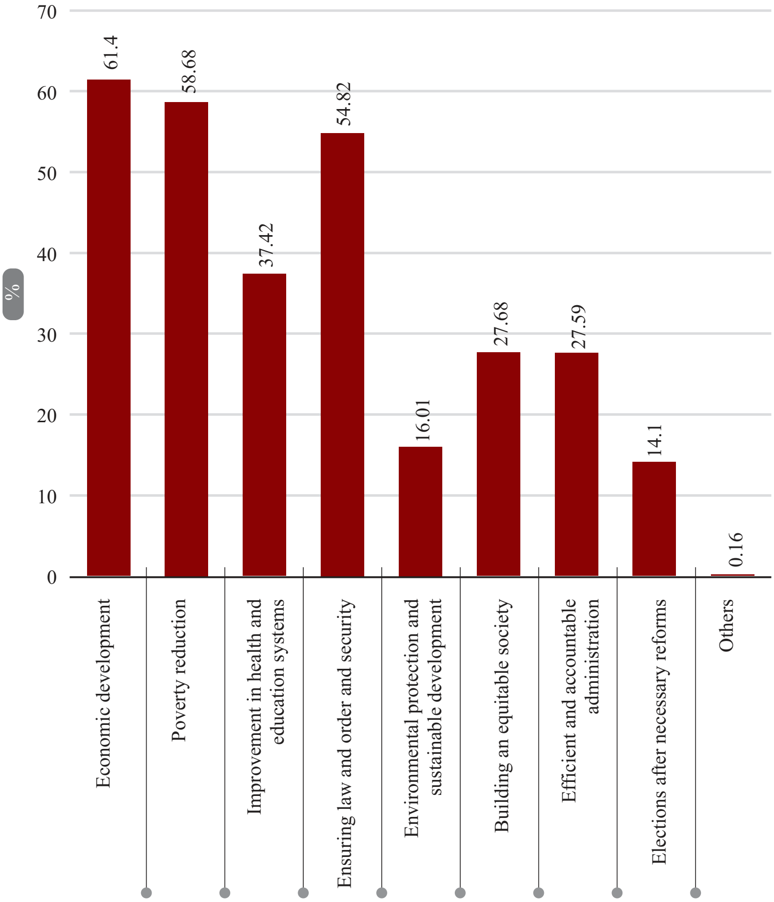


Figure 8.2d: Aspirations for the country (multiple responses)



The coexistence of high aspirations with material hardship highlights a critical tension: households continue to invest hope in education, work, and governance even as their capacity to realise these goals is constrained.

8.4 Optimism and expectations about the future

Optimism about the future is sharply stratified by income. Among households in the bottom decile, one-third report being pessimistic or not optimistic at all, while only around one-third express optimism. In contrast, among households in the top two deciles, over 60 percent describe themselves as optimistic or very optimistic about the future.

The middle of the distribution occupies an ambiguous space. Households in the middle deciles are largely somewhat optimistic, reflecting cautious hope rather than confidence. This aligns with the earlier identification of a large vulnerable non-poor group who are neither secure nor destitute, but uncertain.

Table 8.3: Household optimism by income decile

Households' Optimism about Future	Bottom decile (D1)	Bottom 2 (D1–D2)	Bottom 4 (D1–D4)	Middle 4 (D5–D8)	Top 2 (D9–D10)	All
Not optimistic at all	10.7	7.3	4.4	0.5	0.4	2.1
Not optimistic	22.3	16.7	12.3	3.7	1.2	6.8
Somewhat optimistic	49.4	55.2	59.8	55.2	36.4	53.6
Optimistic	16.1	19.5	22.3	35.5	47.6	32.2
Very optimistic	1.6	1.3	1.3	5.2	14.4	5.3
All	100.0	100.0	100.0	100.0	100.0	100.0

This "class divide in optimism" mirrors the distribution of assets, savings, and protection. Optimism appears to be less about temperament and more about buffer capacity - the ability to absorb shocks without falling into crisis.

8.5 Interpreting the national mood: Fragile resilience

Taken together, the findings point to a national mood best described as fragile resilience. Many households, including the poorest, continue to describe their situation as manageable and articulate forward-looking aspirations. This reflects deep-rooted coping mechanisms and social endurance.

At the same time, pessimism is becoming entrenched among the poorest households, shaped by persistent inflation, food insecurity, debt burdens, and health shocks. The risk is that resilience, in the absence of effective support, hardens into resignation - quiet endurance without realistic pathways to improvement.

The emotional geography of the economy thus mirrors its material structure: optimism clustered at the top, despair concentrated at the bottom, and uncertainty dominating the middle. Ignoring this psychological dimension risks underestimating the social consequences of economic stress.

Understanding household mood is therefore not a peripheral exercise. It provides early warning signals about trust, cohesion, and the sustainability of recovery. An economy cannot rely indefinitely on resilience alone; restoring confidence requires policies that directly address the lived insecurities shaping how households see their present, and imagine their future.

CHAPTER 9

POLITICAL ECONOMY OF VULNERABILITY AND RESILIENCE

Bangladesh's current poverty reversal cannot be understood only as a movement in income, expenditure or consumption. The 2025 PPRC State of the Real Economy (SORE) National Study identifies a fundamental restructuring of household risk. The data points to a household economy where families are absorbing systemic risks privately because public, market and institutional buffers remain weak.

This chapter situates the empirical findings of the study within this wider political economy. It argues that vulnerability in Bangladesh is no longer confined to households already classified as poor. It is increasingly produced through stacked risks. These risks accumulate until private coping capacity begins to break.

9.1 The zero-margin household economy

The persistence and expansion of vulnerability observed in this study begin with a deeply constrained household balance sheet. National monthly household income and expenditure are nearly equal, leaving households with very limited capacity to absorb shocks. Average national monthly household income stands at BDT 32,685 against an average monthly expenditure of BDT 32,615, leaving a nominal surplus of just BDT 70. This is the balance sheet of a zero-margin household economy.

Furthermore, approximately 17.97% of households now fall into the hollow middle - the "vulnerable non-poor" occupying the precarious space above the poverty line but below the median per capita monthly income. A household can remain above the poverty line and still have no meaningful buffer against crisis.

Within this narrow margin, ordinary pressures become erosive. Food stress represents an earlier and often less visible stage of this pre-poverty erosion. Food consumes 54.9% of national monthly expenditure, leaving less room for education, transport and health spending. High food prices force households to prioritize caloric intake over nutritional quality. The extreme edge of this pressure is visible at the bottom: among the poorest decile, 12.2% reported skipping meals recently, and 8.8% went a full day without food last month.

To cope with this constrained space, households appear to utilize debt primarily as distress credit to preserve consumption and liquidity rather than for asset accumulation. Average debt exceeds average savings by 44.6% nationally. This trend is most pronounced at the bottom; the poorest decile's debt is 218% larger than its savings. Over the preceding six months alone, the bottom 40% saw a 7% net increase in debt levels. In a zero-margin economy, debt becomes a substitute for missing insurance, helping households survive the present while weakening their future capacity.

This lack of insurance becomes most visible in the health trap. Medical costs are the most frequently reported trigger of household financial crises. Over 51% of households have at least one member with a chronic illness, turning healthcare into a recurring financial burden rather than an occasional shock. Healthcare expenses are associated with 67.4% of all reported financial crises across all income groups, exposing the absence of a financial protection system strong enough to prevent illness from turning into financial crisis.

9.2 Unequal exposure to risk

The zero-margin economy is broad, but risk is not evenly distributed. Employment alone does not guarantee security. Underemployment is associated with higher levels of reported financial stress and food insecurity indicators. Nationally, 37.7% of workers reported working fewer than 40 hours per week. Model results indicate a strong association between limited working hours and the likelihood of caloric triage, highlighting how inadequate work volume can place direct pressure on household food security.

This economic stress is deepened by a distinct gender penalty. Female headship signals exposure to unequal labor access, weaker asset security, and thinner protection during shocks. Female-headed households are disproportionately represented in the poorest decile (23.75%). Furthermore, women's overall labor participation stands at just 25.55%, compared to 81.15% for men. This systemic exclusion limits the ability of many households to diversify income when facing economic shocks.

Geography also shapes vulnerability. Urbanization introduces a distinct renter's trap and urban penalty correlated with reduced asset security. Rural home ownership remains highly protective at 91.5%, while urban home ownership falls to 59.8%. Consequently, urban expenditure inequality substantially exceeds rural levels, with an urban expenditure Gini coefficient of 0.532 compared to 0.347 in rural areas. In the city, the absence of an asset floor, combined with high cash costs and rent exposure, makes economic shocks faster and harder to absorb.

Across both rural and urban areas, systemic friction compounds daily struggles through a governance tax. Harassment (hoirani) and informal payments are prevalent across essential service domains, acting as a regressive tax on survival. Significant harassment is reported in health services (48.9%) and markets/workplaces (41.5%). These governance burdens are consistent with patterns of friction that are significantly more likely to be reported by households already in distress. For households under pressure, friction consumes money, time, and dignity, turning a manageable problem into a crisis.

9.3 Uneven buffers and exclusion

When risks stack, the decisive question is whether households have buffers strong enough to absorb them. However, institutional and private safety nets remain deeply uneven.

The public safety-net architecture suffers from a targeting mismatch, remaining oriented toward static poverty rather than dynamic vulnerability. Only 5.3% of eligible poor households receive the Fair Price Card. While safety nets reach 36.4% of the extreme poor, they simultaneously cover 16.5% of non-poor households, indicating significant targeting leakage. Support arrives late, misses many of the exposed, and remains poorly equipped to account for urban, health and debt-related shocks.

In the absence of robust public support, remittances provide a major private buffer. Recipient households see average inflows of BDT 29,762 per month, which can make the difference between stability and distress. However, this safety net reveals a skewed remittance divide. Migration access remains largely gated by initial asset levels and networks. The richest decile accounts for 17.8% of remittance-earner households, while the poorest decile accounts for only 3.5%. Remittance strengthens resilience for some while leaving the most vulnerable behind.

9.4 The risk-stacking economy

Taken together, these findings show that vulnerability is not random. It is structured, cumulative, and often mutually reinforcing. Food stress, illness, debt, underemployment, and governance burdens do not remain separate pressures. They stack inside the household economy until private coping capacity begins to break. Marginalization in Bangladesh is no longer a static category; it is a compounding process driven by a systemic failure to reduce exposure to risk. This is the risk-stacking economy.

9.5 Persistence of resilience

Yet the story is not only one of fragility. If vulnerability explains why households are under pressure, resilience explains why distress has not yet become collapse. The study also shows why households continue to endure.

One pillar is the scale of domestic consumption. Extrapolation from household expenditure data suggests a large domestic consumer market that continues to provide a stabilizing base for economic activity. This domestic orientation has helped soften the transmission of global shocks. Yet, this resilience must be read carefully. A large domestic market does not necessarily mean households are secure; it means families continue spending because survival requires it. Food, rent, and medicine cannot be deferred indefinitely.

Behavioural resilience also emerges strongly. More than half of households report an unwillingness to give up despite rising costs and uncertainty. Households are not passive victims of crisis, they adapt, economize, and search for alternatives. Remittances, where available, add another layer of private resilience, though their distribution remains sharply unequal.

Digital access represents a new, latent form of this adaptation. It is a potential buffer, but not yet a productive one. Smartphone ownership is high at 73.6%, yet productive digital capacity remains deeply limited, with computer/laptop ownership at only 4.6%. Furthermore, digital inclusion creates a youth gatekeeper effect, reaching 79.8% in households with a youth member (15-35), compared to just 42.1% in households without youth. This creates a glass screen: many households can see the digital world and communicate through it but lack the tools to use it for sustained economic advancement.

Ultimately, persistence should not be mistaken for recovery. Much of what appears as resilience is forced adaptation. A household may survive by eating less nutritious food, delaying treatment, taking distress loans, or withdrawing children from learning opportunities. These strategies prevent immediate collapse, but they weaken long-term mobility. Endurance can hide damage. The persistence of resilience in Bangladesh's real economy is real, but it is fragile, privately financed, and dangerously stretched.

The central lesson is therefore uncomfortable: households are resilient, but much of that resilience is being purchased privately. The policy question is whether the state can convert private endurance into public resilience.

9.6 Policy and mindset gaps

A defining insight from the study is the gap between macroeconomic narratives and household experience. Aggregate indicators may suggest stabilization, while households continue to face food stress, debt pressure, and underemployment. This macro-micro disconnect is central to the political economy of vulnerability.

The gap reflects a narrow policy lens prioritizing GDP growth, fiscal balances, and headline employment. While these matter, they do not capture household-level stress. A country can report recovery while families borrow for food, defer treatment, or fall through safety-net gaps.

The study therefore points toward the need for a household resilience lens in economic policymaking. This shift matters because vulnerability is dynamic. A household above the poverty line today may become vulnerable tomorrow after a medical bill, crop loss, or rent increase. A social protection system built only around yesterday's static poverty will miss tomorrow's crisis.

The policy gap is also a mindset gap. Resilience is too often treated as a household virtue rather than a public objective. When policy systems interpret survival as stability, it is a serious error. Coping is not security. A household absorbing the cost of systemic weakness is not recovering.

If vulnerability is dynamic, policy cannot remain static. If risk is stacked, responses cannot remain fragmented. If households are privately absorbing systemic pressure, resilience must become a public architecture. Such an architecture would connect social protection, healthcare financing, labour policy, local governance, digital inclusion, and urban policy around the risks households actually face.

The PPRC State of the Real Economy (SORE) National Study makes this shift visible. It shows a country where households strive and endure, but where private coping has strict limits. The central political economy of vulnerability is this: poverty is no longer only a condition below a line; it is a risk hovering right above it. The households most at risk are not only those counted as poor. They are also those living in the zero-margin hollow middle, with no durable buffer and no reliable protection when the next shock arrives.

CHAPTER 10

BEYOND RESILIENCE

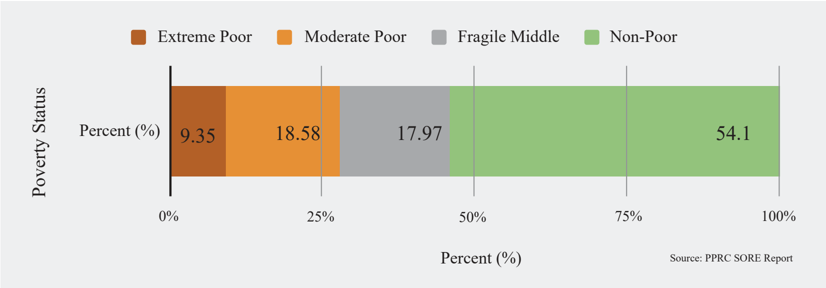
10.1 Bridging the micro and macro

10.1.1 Deepening vulnerability and macro pressure points

The State of the Real Economy (SORE) 2025 Report presents an economy under mounting pressure marked by a landscape of poverty reversal, widening inequality, weak employment security, rising household debt, and a rapidly expanding zone of vulnerability. Chronic illness, food inflation, unstable work, debt dependency, rent pressure, and weak public protection have turned everyday life into a sequence of financial shocks. Earlier poverty reduction successfully lifted an estimated 34 million people out of poverty between 2010 and 2022. Yet an estimated 62 million people remain vulnerable to falling back into poverty. [6] Their statistical escape from poverty did not create structural security.

This is the fragile hollow middle. Comprising 17.97% of all households, this group lives above the poverty line and below the median per capita monthly income. Conventional poverty measures classify them as non-poor. But their position remains insecure, as they find themselves outside the safety net but within the vulnerability zone. These households have exited poverty in measurement without gaining security. They have entered markets without adequate protection and raised aspirations without gaining resilience. They are the frontline of economic reversal.

Figure 10.1: Poverty and vulnerability: The poor, the fragile middle, and the non-poor



The micro-level distress captured in the PPRC report aligns with national indicators. Recent World Bank estimates indicate that Bangladesh's national poverty rate rose from 18.7% in 2022 to 21.4% in 2025, adding approximately 1.4 million additional poor people in 2025 alone. [1]

SORE and the World Bank estimates use different methods, data sources, and poverty frameworks. They should be read as converging indicators: poverty reduction has become more fragile and reversal risk has intensified. These trends are the lived expression of deeper weaknesses in growth, governance, and public protection (Table 10.1).

Table 10.1: Selected macro pressure points behind the real economy stress

Indicator	*2014*	*2017*	*2020*	*2023*
Inflation	6.99%	5.70%	5.69%	9.88%
FDI inflows	0.89%	0.86%	0.39%	0.43%
Remittances	8.66%	4.59%	5.81%	5.04%
Private-sector credit	43.51%	40.30%	39.03%	37.53%
Tax revenue	8.64%	7.36%	7.03%	N/A
Out-of-pocket health expenditure	70.76%	70.09%	76.99%	79.31%
Debt service	3.89%	4.45%	6.59%	8.11%
Short-term debt/reserves	18.59%	32.20%	25.44%	65.10%

Source: World Bank World Development Indicators. (see annex for full indicator definitions and sourcing details)

10.1.2 The persistence of resilience

Bangladesh has largely avoided a sharper social collapse because the economy is not devoid of strength. A large domestic market, remittance inflows, digital access, and a deep reservoir of household resilience continue to sustain a certain level of growth. However, families continue to absorb risks that the state and formal markets have failed to manage. But this private coping model is reaching its structural limit. Clearly, resilience alone cannot substitute for policy action. Without targeted support, resilience risks hardening into resignation.

10.2 The challenges of transition

The SORE findings reveal a clear meso-economic disconnect. Aggregate indicators can suggest progress while households experience acute insecurity. Four transmission channels explain how national structural weaknesses enter household life: work without security, prices without protection, health shocks without public financing, urbanization and climate stress without an asset floor. Two of these pressures are continuous: insecure work and high prices. Two are episodic and destabilizing: illness and displacement. Together, they explain why households that appear stable in normal times can collapse rapidly under stress.

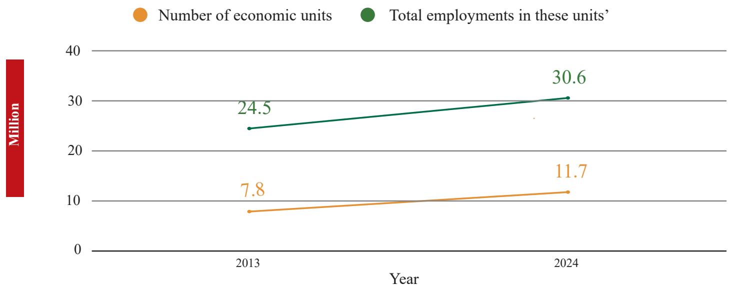
10.2.1 The micro enterprise trap

Work remains the primary route through which households seek security. For many workers, employment no longer provides a stable income floor. The SORE study finds that 37.7% of workers labour fewer than 40 hours a week. This points to a deeper structural problem: Bangladesh has not created enough secure, full-time, productivity-linked jobs.

International labour-market data reinforces this concern. Informal employment still accounts for 84.9% of total employment, including 96.6% of employed women and 92.7% of youth. [2] The BBS Economic Census 2024 helps explain this distribution: micro-enterprises account for 56.67% of economic units and cottage enterprises account for 38.74%, while large industries account for only 0.08%. [3]

The scaling deficit is visible in the employment yield of enterprise growth. Between 2013 and 2024, the number of economic units rose from 7.8 million to 11.7 million, roughly by 50%, while total employment in these units rose from 24.5 million to 30.6 million, around 25%.[4] The economy is producing more operating units, but it is not generating secure, productivity-linked employment at the same speed (Figure 10.2).

Figure 10.2: The micro enterprise trap



Employment per economic unit ratio declined from 3.1 to 2.6 over the year 2013 to the year 2024

Micro-enterprises are essential for survival, but survival activity is not the same as structural mobility. An economy dominated by very small units cannot absorb a growing labour force into secure employment unless those units are provided pathways to finance, technology, and formal markets.

The capital constraint is systemic. SMEs remain structurally marginalized within the current financial architecture. Many local firms possess orders, invoices, and production history but struggle to access working capital because the credit system remains heavily tied to fixed collateral. When enterprises cannot access finance at the right price point, they cannot scale production, upgrade technology, formalize workers, or integrate into higher-value markets. The result is an economy where work exists, but employment does not reliably yield security.

When the formal financial system bypasses smaller enterprises, the economy continuously reproduces informality. Physical infrastructure alone cannot solve this. Enterprises also require working capital, market access, technology, and institutional predictability to scale.

10.2.2 Prices without protection

Food accounts for 54.9% of average household expenditure. When food prices rise, households cannot adjust without consequence. They reduce consumption quality, defer medical care, liquidate assets, or assume debt. Bangladesh's production gains have not guaranteed household affordability. Market concentration, supply-chain friction, weak consumer protection, and low purchasing power mean that price pressure reaches households before markets or policy can correct it. Inflation here operates as a regressive levy on survival.

The agricultural system itself is under pressure. Farmers have responded to land scarcity and production pressure through higher input intensity. This sustains production but increases exposure to input price volatility. As net energy imports rose as a share of total energy use, Bangladesh became more exposed to global commodity cycles. Imported energy costs move through power, irrigation, fertilizer, transport, storage, and ultimately food prices.

10.2.3 Health shocks without public financing

SORE identifies chronic illness as one of the most severe drains on household finances. Given highly constrained household budgets, illness frequently becomes a severe economic shock. Health shocks translate quickly into debt shocks because public health expenditure remains exceptionally low. In 2023, out-of-pocket health expenditure reached 79.31% of current health expenditure. [5] Households pay directly for care precisely when their income capacity is most compromised. This creates a predictable poverty trap. Illness pushes households to borrow, sell assets, reduce food consumption, delay treatment, or withdraw a family member from work or education. A health shock becomes a debt shock, which then becomes a mobility shock.

Environmental exposure adds a compounding layer. Air pollution, unsafe living conditions, heat stress, and climate-related risk contribute heavily to the disease burden. Low-income and vulnerable non-poor populations live closer to these risks, work in more exposed conditions, and have fewer options for preventive care.

10.2.4 Urbanization and climate stress without an asset floor

Urbanization has not uniformly produced an asset-owning middle class. For many households, migration to urban centres entails entry into rent dependency, informal work, and heightened exposure to a cash economy.

The SORE study captures this through the renter's trap. Urban homeownership is substantially lower than rural homeownership. Rural households, while poor, often retain a basic asset floor through land or housing. Urban renters lack this protection. Rent operates as a fixed monthly obligation, meaning any interruption in income can trigger immediate distress.

Climate shocks deepen this vulnerability and can turn temporary exposure into long-term economic loss. In the coastal belt, salinity and cyclones repeatedly erode livelihoods; in riverine areas, erosion destroys land, housing and savings. Community-level adaptation systems, including embankments, drainage, resilient housing, and green infrastructure, remain inadequate for the populations most exposed to climate risk. Subsequent displacement pushes these populations toward urban labour markets already saturated with informal work.

The transition from rural to urban vulnerability often represents a transfer from one risk environment to another. The household loses land, social networks, and subsistence buffers, entering a cash economy without secure employment, affordable housing, or reliable public services.

10.2.5 The education-employment disconnect

Bangladesh faces a widening youth employment mismatch: millions of young people are entering working age while the economy is generating too few quality jobs to absorb them. Graduate unemployment is elevated, employer-reported skills gaps are persistent, and young women disproportionately fall into NEET categories.

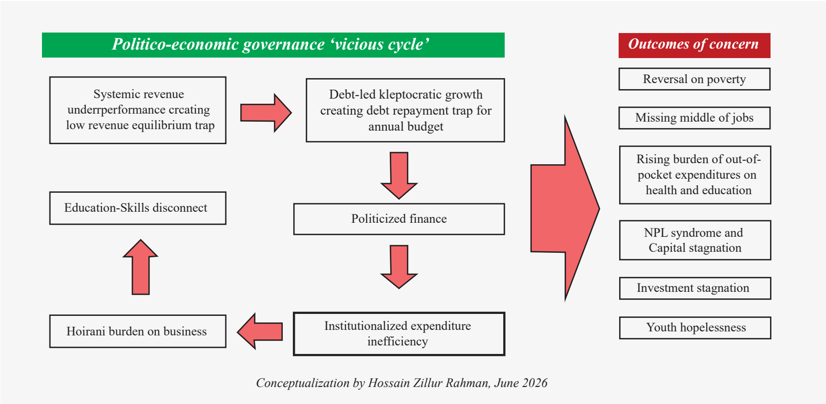
The limits of a growth model reliant on low-cost labour are increasingly visible. Domestic graduates face a missing middle of employment: overqualified for basic assembly roles, yet without the specific technical, supervisory, digital, or managerial skills required for advanced roles.

This missing middle reflects a shortage of technicians, supervisors, digital operators, and process controllers needed for a modern industrial economy. Existing systems measure formal degrees more easily than real capability. They also struggle to map the informal economy, local enterprise clusters, and spatial hiring frictions that shape actual job creation.

10.3 The politico-governance trap?

The most serious barrier to transition is the politico-governance one that became institutionally entrenched particularly since 2014 when democratic decay accelerated with the 2014, 2018 and 2024 national elections losing all moral and democratic pretense. Not only did unchecked authoritarianism hold sway during this decade, a certain type of politico-economic governance 'model' came to be institutionalized (Figure 10.3).

Figure 10.3: The politico-governance trap?



The politico-economic governance 'vicious cycle' during the long authoritarian decade of 2014-2024 had two defining features:

- ***Performance weaknesses*** as shown in systemic revenue under-performance, expenditure inefficiency of public resources and ineffectual educational outcomes,
- ***Politically questionable and risky 'development' strategy*** based on debt-led development that soon enveloped public finances in a debt repayment trap while politically influenced lending and rulemaking created an NPL syndrome.

The politico-economic governance cycle was not in itself an issue but rather the outcomes of concern which it systematically reproduced. These included reversals on poverty, a missing middle of jobs, rising out-of-pocket expense burdens on healthcare and education, investment stagnation, capital flight and youth hopelessness. It is a moot question whether this 'model' has mutated into a politico-governance trap that persists into the post-uprising period.

10.4 Towards a 'transition compact'

10.4.1 Reimagining growth for the next decade

The traditional growth model delivered significant aggregate progress through low-cost labour, RMG exports, remittances, infrastructure expansion, and household resilience. But it can no longer secure the next phase of growth. The macroeconomic room for manoeuvre has narrowed. Automation, climate-related trade rules, shifting compliance requirements, and LDC graduation will introduce new pressures on global competitiveness. Reliance on low-cost labour is no longer a viable long-term strategy.

The digital economy illustrates the transition challenge. Mobile connectivity is widespread, but a value-producing digital economy requires fixed broadband, computer access, digital skills, robust payment systems, and data infrastructure. Without these, the digital economy remains consumption-oriented, while high-value production remains restricted to a narrow, highly equipped segment.

Physical infrastructure shows the same pattern. Power, roads, and connectivity matter, but they cannot transform the economy without capital access, market linkages, skills, and regulatory predictability.

The required transition is clear: the economic model must shift from survival-led growth to resilience-led transformation. This demands macroeconomic stabilization alongside a modernized approach to production, competition, human capability, and household security. The magnitude of these challenges demands not merely stabilization, but a comprehensive 'Transition Compact' for structural reform.

10.4.2 Five pillars of transition

10.4.2.1 Economic democracy

Economic democracy requires the practical removal of unequal privilege and discretion from markets. This means restoring fair competition, reducing market concentration, addressing syndicates, limiting discretionary advantages, and ensuring that opportunity is determined by merit rather than political alignment. In practical terms, this means lower barriers for smaller firms, fewer discretionary privileges for connected actors, and more predictable access to finance, licenses, land, and public contracts.

Market fairness is a precondition for growth. Captured markets raise consumer prices, exclude small firms, and weaken public trust. A level playing field can unlock stalled private investment, broaden enterprise growth, and reduce the extractive burdens placed on consumers and smaller producers.

10.4.2.2 New growth drivers

The next phase of growth requires a broader base of employment-rich sectors. Bangladesh needs three kinds of new growth engines: sectors that add value to existing strengths, such as agro-processing and pharmaceuticals; sectors that diversify manufacturing, such as leather, light engineering, and renewable-energy supply chains; and sectors that generate new service exports, such as IT, logistics, and care services.

Strategic intent alone will not build these sectors. They need accessible finance, specialized infrastructure, recognized standards, efficient logistics, targeted skills development, and predictable regulation. The goal is to build ecosystems where firms enter, scale, export, and employ on the strength of performance rather than protection.

10.4.2.3 Quality education

The transition from a low-cost labour model requires a transformation in educational quality. Access has expanded, but enrollment without learning acquisition does not yield economic capability. Education policy must shift its primary metric from enrollment to capability formation. The state needs stronger skills intelligence to measure foundational and task-based skills used in local economies, rather than relying exclusively on formal credentials.

Curriculum reform must prioritize foundational learning, technical and vocational excellence, digital literacy, and strong linkages between educational institutions and industrial employers. Without this alignment, the demographic dividend will remain numerically present but economically unrealized.

10.4.2.4 Productive transformation and reviving a manufacturing future

Bangladesh also needs to bring back its focus on a robust manufacturing future. Recent increases in GDP have been fuelled by low-productivity service sectors. While service sector will continue to be a key pillar of the economy, a paradigm shift whereby manufacturing sector comes into a renewed focus will be critical as will be the role of the private sector in articulating this urgency. In this process, productive transformation requires firms capable of meeting global standards, adopting new technologies, employing workers formally, and competing beyond protected domestic boundaries. This applies equally to manufacturing and service industries.

The strategic priority is diversified, export-oriented, technology-enabled production. The aim is to create a clear pathway from micro-activity to scalable enterprise. This requires accessible industrial land, reliable utilities, accelerated regulatory approvals, customs efficiency, robust testing facilities, and accessible working capital.

Foreign direct investment should act as an industrial instrument: deepening capability, expanding exports, transferring technology, and building domestic supply chains. Informal retail cannot absorb the demographic dividend. Industrial transformation requires structured pathways for enterprise scaling.

10.4.2.5 Governance for speed

Effective reform execution depends on state governance. Beyond grand corruption, the economy suffers from slow, discretionary, and unpredictable institutional processes. A modern standard of governance must prioritize speed alongside accountability. Institutions must become predictable, time-bound, transparent, and digitally integrated. Public agencies must be evaluated on service delivery rather than rule administration alone.

Investment promotion must shift from surface-level marketing to structural facilitation. Sustainable investment requires serviced land before public announcements, reliable utilities before commitments, and predictable regulatory enforcement. For investors, speed reduces uncertainty. For firms, it lowers transaction costs. For households, it improves service access.

10.5 Beyond resilience: From growth to security

10.5.1 A political test of transition?

Bangladesh economy is at a crossroad. Low-cost labour, remittances, deferred household consumption, and infrastructure-led growth delivered aggregate progress but could not build adequate structural resilience. Many households now occupy a precarious space: neither securely poor nor securely middle class. Work does not guarantee stability, income does not guarantee savings, and statistical non-poor status does not guarantee protection against economic shocks.

The current political transition offers a rare window to reset the mechanisms of economic governance. That window depends on confronting the entrenched politico-governance institutional realities through credible reforms and strategic intelligence that are capable of translating into visible improvements in household security, market fairness, and public service delivery.

Macroeconomic stability will matter when it reduces household exposure, debt pressure, underemployment, and reversal risk. Stronger reserves, lower inflation, and export recovery all matter. Their developmental value depends on whether they reduce the household's burden as the primary absorber of systemic risk.

The metric for development success must evolve. Policy must evaluate who achieves security through growth and who remains exposed to unregulated risk. Earlier phases of development were judged by movement out of poverty. In the next phase, the goal will be movement into security. That requires an economy that produces efficiently, a state that protects reliably, markets that compete fairly, and citizens who are no longer left to carry systemic risk alone. Turning the fragile middle into a secure middle is now the definitive test of the real economy, and the political test of Bangladesh's transition.

A People's Lens turns the household from an afterthought into the starting point of economic policy. Every major economic decision should be evaluated against four criteria: Does it reduce household risk? Does it expand productive capability? Does it protect dignity? Does it strengthen citizen voice? What follows is a sequenced action plan that takes the people's lens as its point of departure.

10.5.2 Sequenced action plan through a people's lens

Immediate priorities, next 6–12 months

Priority	*Action*
Real-time household monitoring	Policy formulation requires dynamic, current data. The PPRC State of the Real Economy (SORE) survey can be leveraged as a template to track expenditure pressure, food insecurity, out-of-pocket health costs, savings depletion, employment quality, rent stress, distress migration, and climate shock exposure. Such findings can provide early warning when households begin skipping meals, selling assets, borrowing for health care, or migrating under distress.
National skills intelligence launch	Bangladesh needs a national skills intelligence system that can see below the national average: where skills exist, where firms cannot hire, and where informal workers remain invisible to policy. A practical system should combine household skill supply, employer-side hiring frictions, local enterprise clusters, and informal work patterns. The aim is to move skills policy beyond formal credential counts and toward real labour-market capability.
Basic household resilience floor	Vulnerable non-poor households require protection from predictable shocks. The priority is to establish a resilience floor encompassing food security, health financing, housing stability, and emergency support.
Safety-net targeting and delivery transparency	Safety-net reform should optimise coverage for the ultra-poor while identifying households immediately above the poverty line that face predictable risks of downward mobility. SORE-style evidence can help shift targeting from static poverty classifications to dynamic vulnerability assessment.

Medium term reforms – 1-3 years

Priority	*Action*
Shift from distress credit to as-set-building finance	Household debt currently functions as a survival mechanism. Financial inclusion policy should distinguish between distress credit and asset-building finance. Households require access to formal savings, micro-insurance, emergency liquidity, and productive credit. For micro and cottage enterprises, financing should be linked directly to upgrading equipment, storage, digital tools, quality systems, and market access.
Micro-enterprise to small-firm pathways	The priority is to help viable micro-enterprises become scalable, bankable firms. Targeted interventions are required in bookkeeping, digital payments, registration support, technology adoption, standardization, and supply-chain integration. The focus should be on moving firms from informal to registered status, from localized sales to broader supply chains, and from self-employment to job creation.
Investment-conversion architecture	Investment policy should be judged by what reaches production, not by what is announced. The state should track major projects from approval to production: land, utilities, customs, finance, domestic sourcing, supplier upgrading, and technology transfer. Investment promotion agencies need stronger escalation capacity to resolve inter-agency disputes, utility delays, and clearance bottlenecks. Fiscal incentives should reward verified delivery: actual production, domestic sourcing, supplier upgrading, export performance, and technology transfer.
Women's economic participation	The exclusion of women from the formal workforce represents a significant macroeconomic loss. An effective employment strategy should address unpaid care burdens, childcare deficits, transport safety, workplace flexibility, digital access, skills training, employer incentives, and social norms. Sustainable growth requires fuller use of the demographic dividend, including higher female labour force participation.

Structural transition agenda – 3-5 years

Priority	*Action*
Quality education and employability	Addressing the education-employment disconnect requires an overhaul prioritizing foundational learning, technical proficiency, teacher capacity, digital literacy, and direct employer linkages. This transformation should be guided by a skills-data system that links BBS, NSDA, employers, training providers, and independent analysis. The purpose is simple: training output must reflect actual industrial demand. Empirical mapping of informal skill formation is also essential to scale Recognition of Prior Learning pathways, converting unrecognized informal experience into certified human capital.
Regional equality in basic services	Economic recovery and infrastructure investment should be decentralized. Public investment should prioritize historically underserved and climate-vulnerable regions, including Barishal, Mymensingh, Sylhet, coastal zones, and riverine char areas. Targeted investments are required in housing, sanitation, health, energy access, transport, and digital infrastructure to ensure geographic equity.
Rebuild trust through transparency and participation	Structural reforms across banking, taxation, subsidies, health financing, safety nets, education, and industrial policy require public trust. The state should issue transparent public progress updates on key reform commitments. Policy design should institutionalize structured consultations with youth, women, workers, small entrepreneurs, farmers, and marginalized occupational groups. Transparent reporting, including public dashboards where appropriate, can turn reform commitments into public accountability

Annex: Macroeconomic data sources and definitions

The macroeconomic indicators used in Chapter 10 are extracted from the World Bank's World Development Indicators database. To ensure third-party verification and analytical transparency, the definitions and primary source organisations for these indicators are detailed below.

Indicator name	Definition	Source organisation
Inflation, consumer prices (annual %)	Annual percentage change in the cost to the average consumer of acquiring a basket of goods and services.	IMF, International Financial Statistics and data files
Foreign direct investment, net inflows (% of GDP)	Net inflows of investment to acquire a lasting management interest, usually 10% or more, in an enterprise operating in an economy other than that of the investor.	IMF, International Financial Statistics and Balance of Payments databases; World Bank
Personal remittances received (% of GDP)	Personal transfers and compensation of employees, including current transfers in cash or kind made or received by resident households.	World Bank staff estimates based on IMF balance of payments data
Domestic credit to private sector by banks (% of GDP)	Financial resources provided to the private sector by deposit-taking institutions, excluding central banks, through loans, nonequity securities, trade credits, and other accounts receivable.	IMF, International Financial Statistics; World Bank, World Development Indicators
Tax revenue (% of GDP)	Compulsory, unrequited payments made by institutional units to government units, expressed as a percentage of GDP.	IMF, Government Finance Statistics Yearbook and data files

Out-of-pocket expenditure (% of current health expenditure)	Share of out-of-pocket payments in total current health expenditure, representing payments made directly by households at the point of service.	WHO, Global Health Expenditure Database
Net official development assistance received (current US$)	Disbursements of concessional loans and grants by official agencies to promote economic development and welfare, net of repayments.	OECD, Development Assistance Committee
Total debt service (% of exports of goods, services and primary income)	Sum of principal repayments and interest paid on long-term and short-term debt, including IMF repayments.	World Bank, International Debt Statistics
Short-term debt (% of total reserves)	Debt with an original maturity of one year or less, including interest arrears on long-term debt, compared against total reserves.	World Bank, International Debt Statistics

Endnotes

[1]: World Bank, Urgent Reforms Needed to Restore Macro Stability, Sustain Growth, and Create Jobs in Bangladesh, 8 April 2026. Cited for poverty reversal indicators.
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[10]: Public reporting on FY2024–25 private investment trends. Cited for private investment falling to 22.03% of GDP.

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