



Ground Realities of the Economy & **the Challenges of Transition**

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An Evidence-based Diagnostic

- **PPRC SORE (State of Real Economy) Study**

A nationally representative household survey conducted in 2025, using a sampling frame from the BBS Population and Housing Census 2022 master sample

8,067

households surveyed across all eight divisions, rural and urban

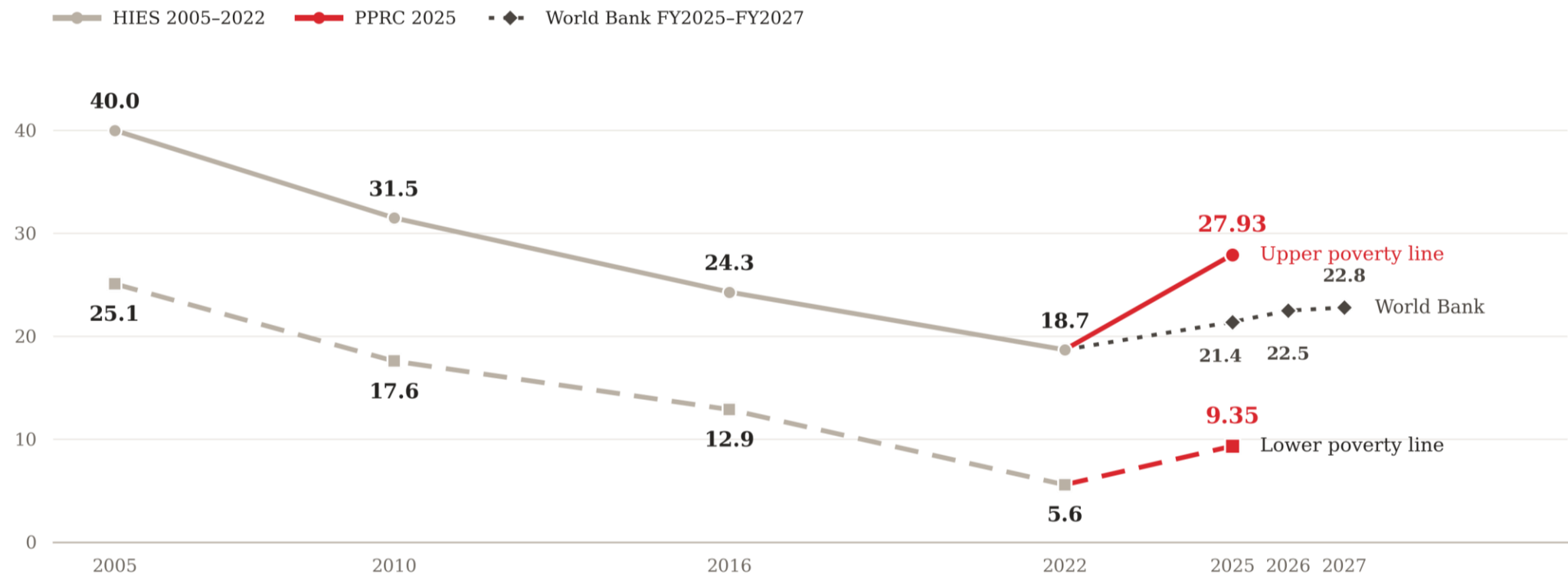
- **Converging evidence from other national sources and international agencies**

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Unpacking the New Poverty Narrative

Narrative 1: Poverty Reversal

Bangladesh Poverty Trend (2005-2027)



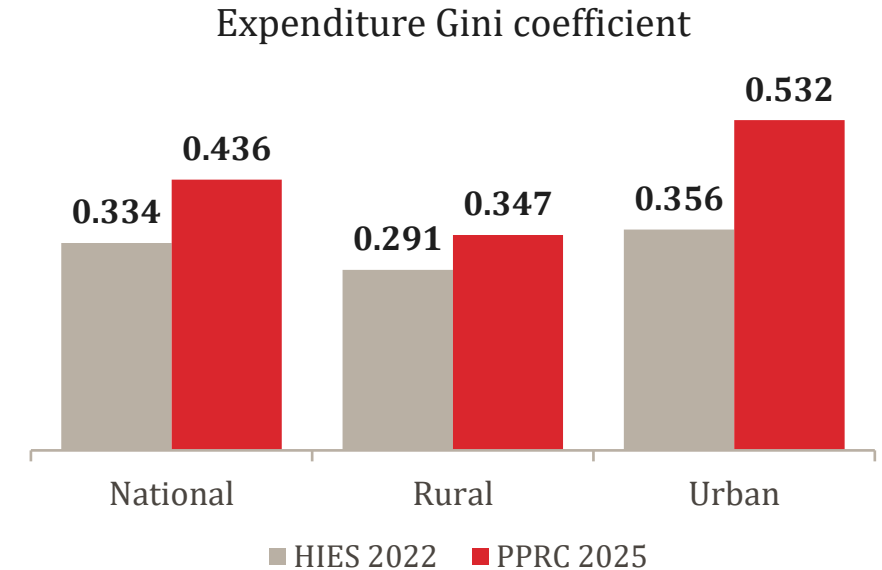
Sources: BBS HIES; PPRC 2025 (supplied figures); World Bank, Bangladesh Development Update, October 2026, Table 5 (p. 25).

World Bank: FY2025 nowcast, FY2026 estimate and FY2027 forecast, using microsimulation; national upper poverty line only.

Solid lines: upper poverty line. Dashed lines: lower poverty line. Dotted line: World Bank model-based estimates.

Narrative 2: The Fragile Middle

Vulnerability Above the Poverty Line



17.97%

households are vulnerable non-poor: above the upper poverty line but below median per capita expenditure

≈ 31 million

People in the fragile middle susceptible to downward mobility (17.97% of 42.86 million households, at the average household size of 4.07)

More than half

of vulnerable non-poor households have a chronically ill member; 27.5% receive any safety-net support; around half have debt in excess of savings

Source: PPRC SORE 2025; State of the Real Economy (2026), Table 6.3 and Sections 5.5, 6.4. Population estimate: $17.97\% \times 42.86 \text{ million weighted households} \times 4.07$ average household size (approximate).

Converging Evidence on Poverty

Different methods and data sources point in the same direction: poverty reduction has become more fragile and reversal risk has intensified

PPRC SORE

27.93%

below the upper poverty line in May 2025, using inflation-adjusted HIES 2022 poverty lines

State of the Real Economy, 2026

WORLD BANK

22.5%

national poverty rate estimated for FY26, up from 18.7% in 2022; 22.8% projected for FY27

Bangladesh Development Update, October 2026

WORLD BANK

62 million

people, about one-third of the population, vulnerable to falling back into poverty after a shock

Poverty and Equity Assessment, November 2025

GLOBAL

1.1 billion

people (18.3%) living in acute multidimensional poverty across 109 countries

UNDP and OPHI, Global MPI 2025

Sources: PPRC SORE 2025; World Bank, Bangladesh Development Update (October 2026, as reported 6 Oct 2026); World Bank, Bangladesh Poverty and Equity Assessment 2025 (25 Nov 2025); UNDP-OPHI Global MPI 2025.

Narrative 3: Deepening Vulnerabilities

Income

Employment

**Financial
capacity**

Illness

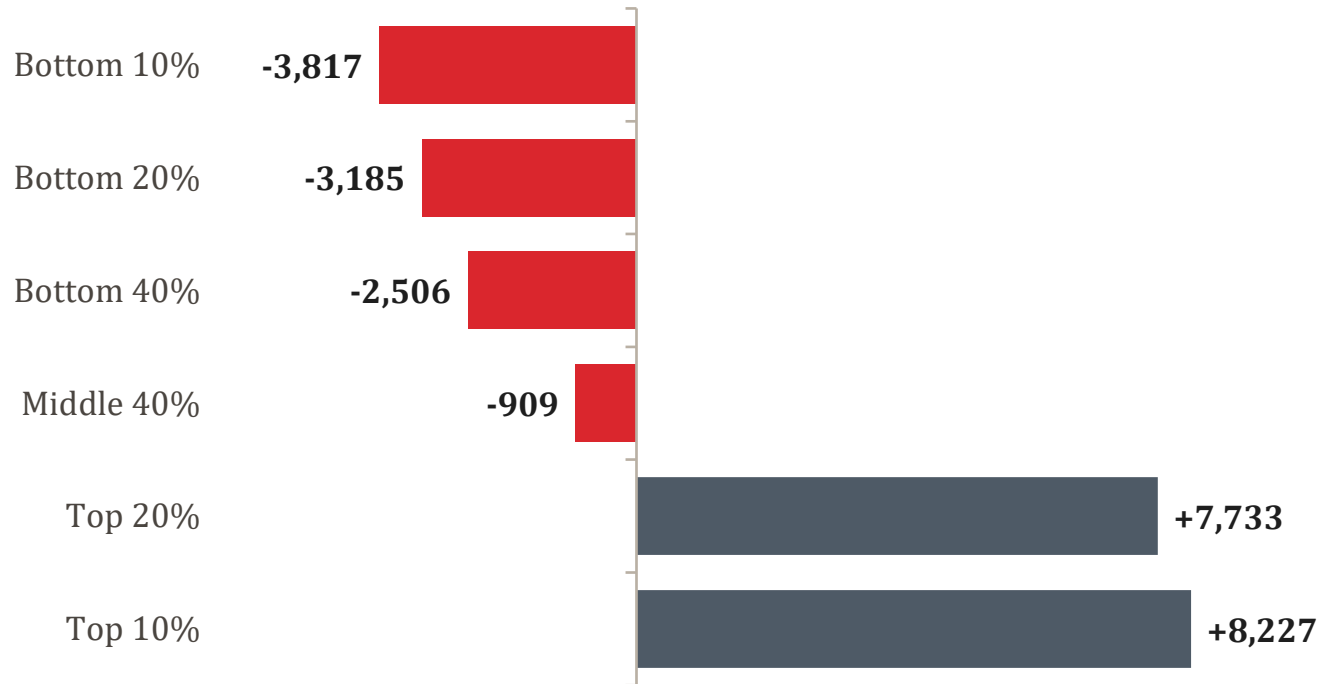
Hoirani



Household Income and Expenditure

Average monthly income (BDT 32,685) and expenditure (BDT 32,615) are nearly equal, leaving a surplus of just BDT 70

Monthly income minus expenditure by income group (BDT)



BDT 8,477

average monthly income of the bottom 10%, against spending of BDT 12,294

54.9%

of monthly household spending goes on food (57.35% in rural areas)

8.7%

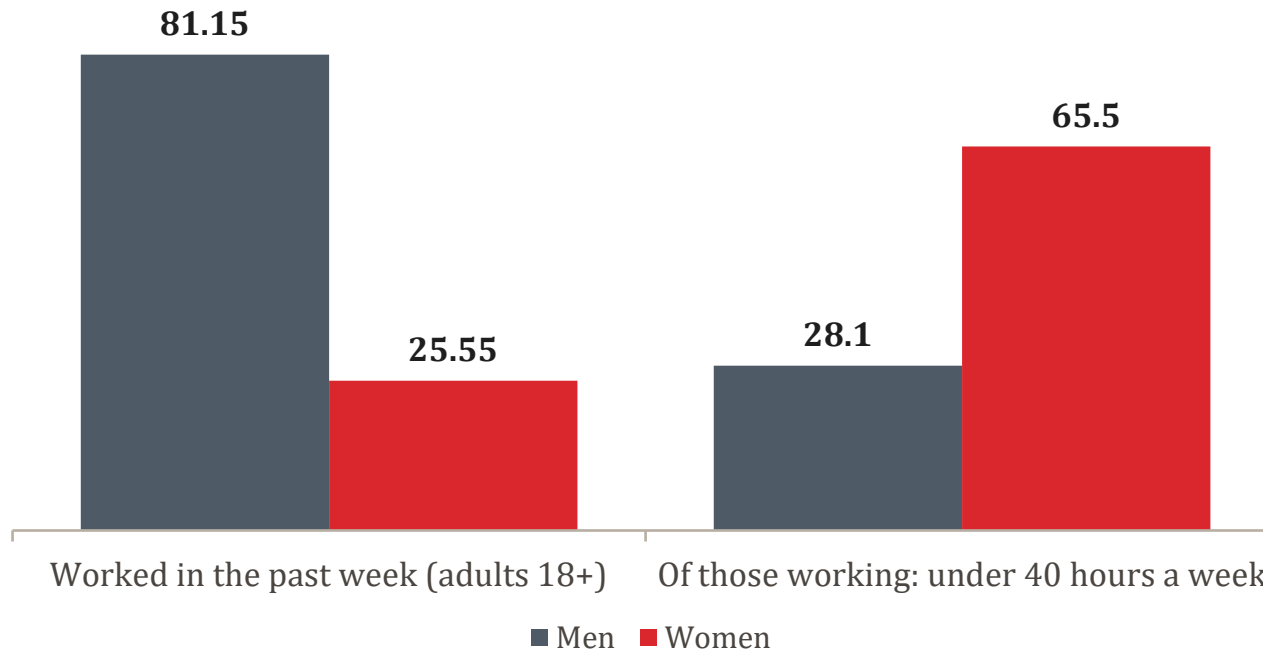
Inflation rate in FY2025-26 (WB)



Employment and Under-employment

The challenge is not primarily a lack of work, but a lack of adequate work

Work and under-employment by sex (%)



37.7%

of working adults worked fewer than 40 hours in the past week

44.9%

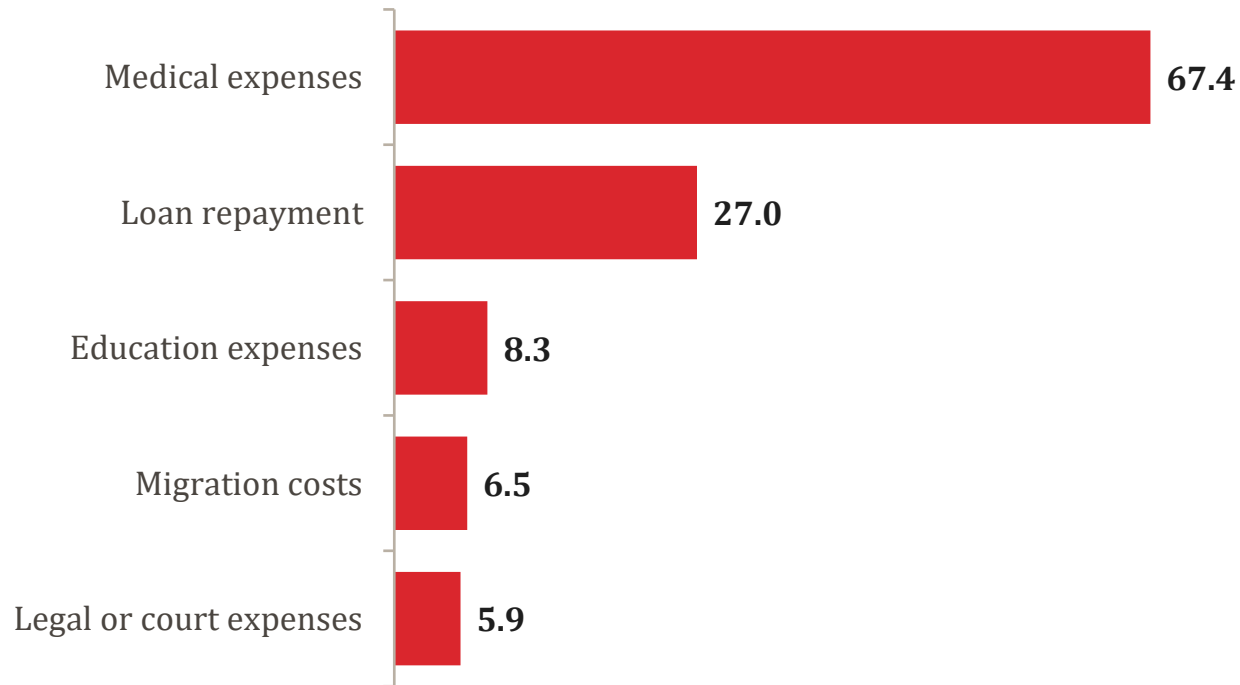
of employment is self-employment; 18.1% is day labour and only 3.1% are employers



Chronic Illness and Financial Crises

A health shock becomes a debt shock, which then becomes a mobility shock

What triggered household financial crises (%)



52.5%

of households have at least one member with a chronic illness (55.3% in the poorest decile)

19.8%

of households faced a financial crisis between May 2024 and April 2025

79.31%

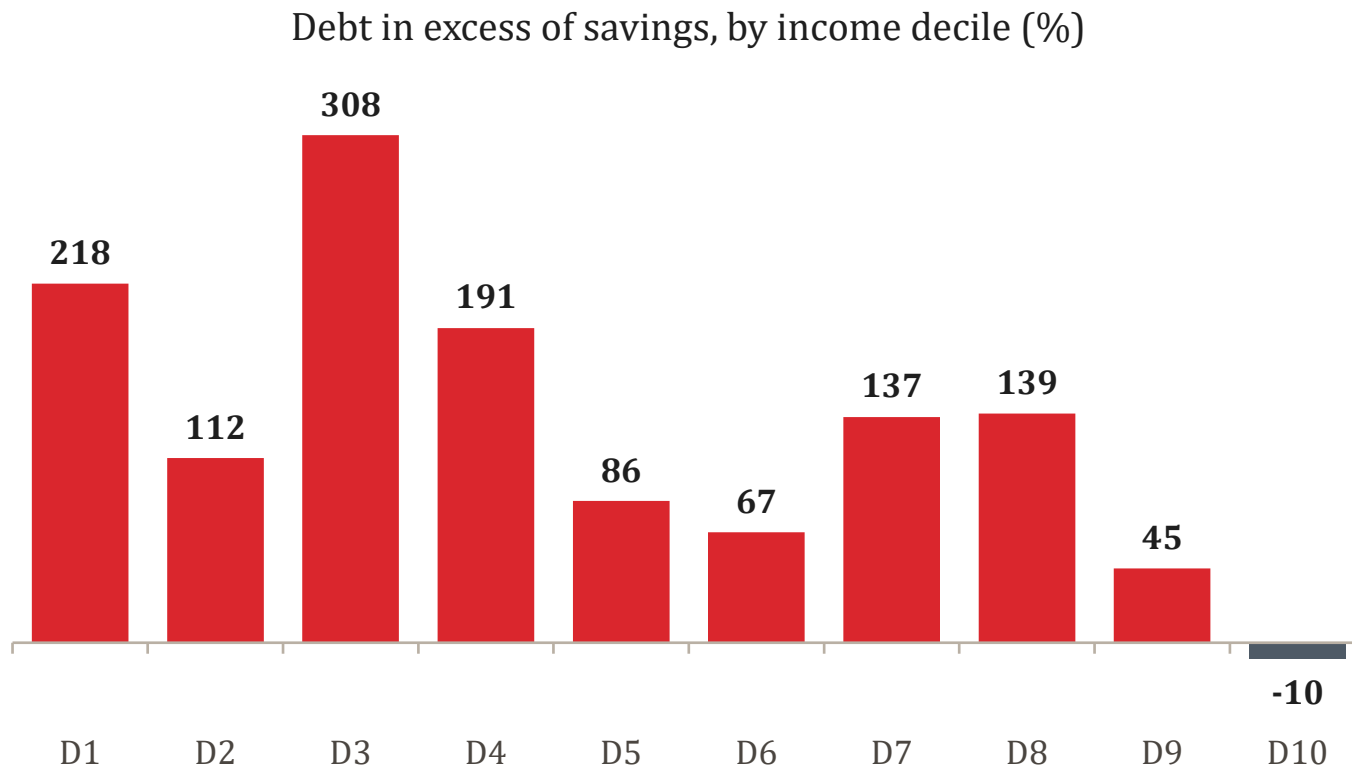
of current health expenditure in Bangladesh was paid out of pocket in 2023

Source: PPRC SORE 2025; State of the Real Economy (2026), Table 5.4, Table 5.5, Figure 5.3 (multiple responses). Out-of-pocket share: WHO Global Health Expenditure Database / World Bank WDI, cited in Chapter 10.



Household Debt and Savings

Debt has become a substitute for missing insurance: average household debt exceeds average savings by 44.6%



+7%

net increase in debt among the bottom 40% in the six months before the survey

29.33%

of loans were taken for household consumption, the largest purpose; 10.75% for medical costs

BDT 19,737

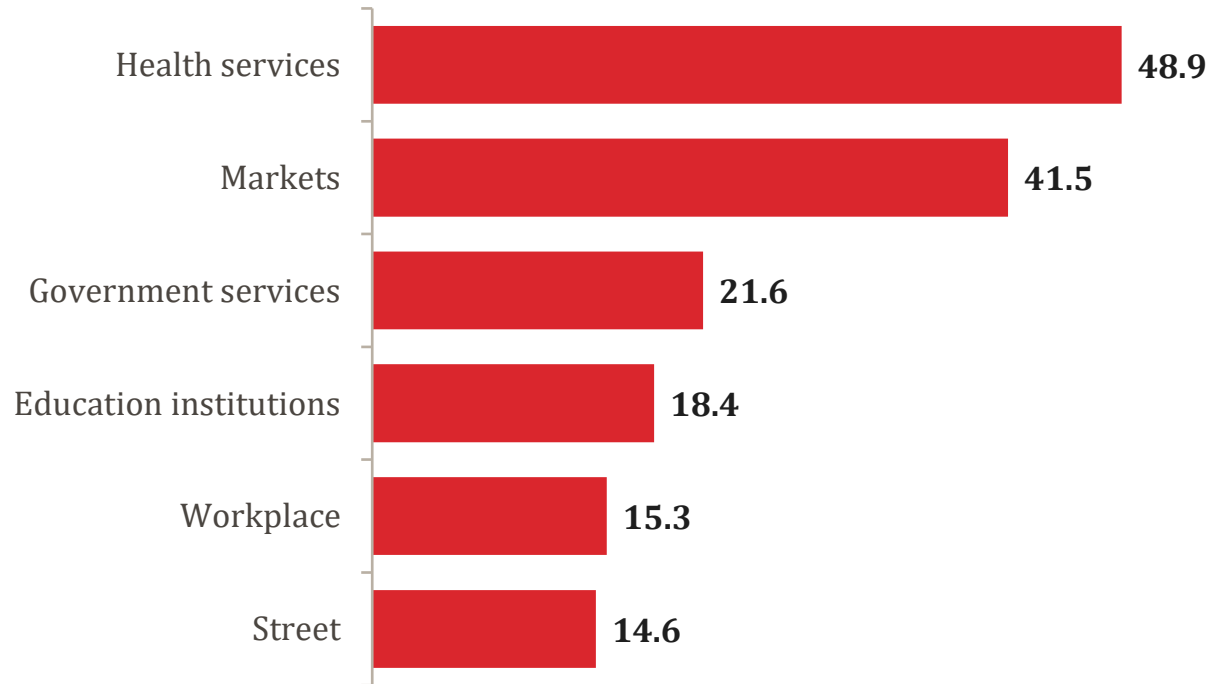
average savings of the bottom 10%, against average debt of BDT 62,767



Hoirani: Harassment and Informal Payments

Hoirani functions as an informal tax on access to services, amplifying financial stress and eroding trust in institutions

Households reporting hoirani, by domain (%)



74.6%

name “nothing works without giving money” as the most representative form of hoirani

Stacked Risks and Uneven Buffers

Poverty is no longer only a condition below a line; it is a risk hovering right above it

PRIVATE COPING CAPACITY BEGINS TO BREAK

Governance burdens 48.9% report hoirani in health services

Under-employment 37.7% of workers under 40 hours a week

Debt debt exceeds savings by 44.6%

Illness 52.5% of households with a chronic illness

Food stress 54.9% of spending goes on food

Buffers are uneven

23.5%

of households receive support from any government safety-net programme

5.3%

of eligible poor households receive the Fair Price Card

≈ 44%

of safety-net recipients are above the poverty line, of which 27.5% are vulnerable non-poor and 15.5% are non-poor

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Challenges of Transition

How national structural weaknesses enter household life

Four Channels of Transmission

Two pressures are continuous, insecure work and high prices; two are episodic and destabilising, illness and displacement



Work without security

37.7% of workers work under 40 hours a week. Economic units grew by about 50% between 2013 and 2024, while employment in them grew by about 25%.



Prices without protection

Food takes 54.9% of household spending. Average inflation was 8.7% in FY26, eroding purchasing power for households with no margin.



Health shocks without public financing

79.31% of health expenditure is paid out of pocket (2023). Medical costs trigger 67.4% of household financial crises.

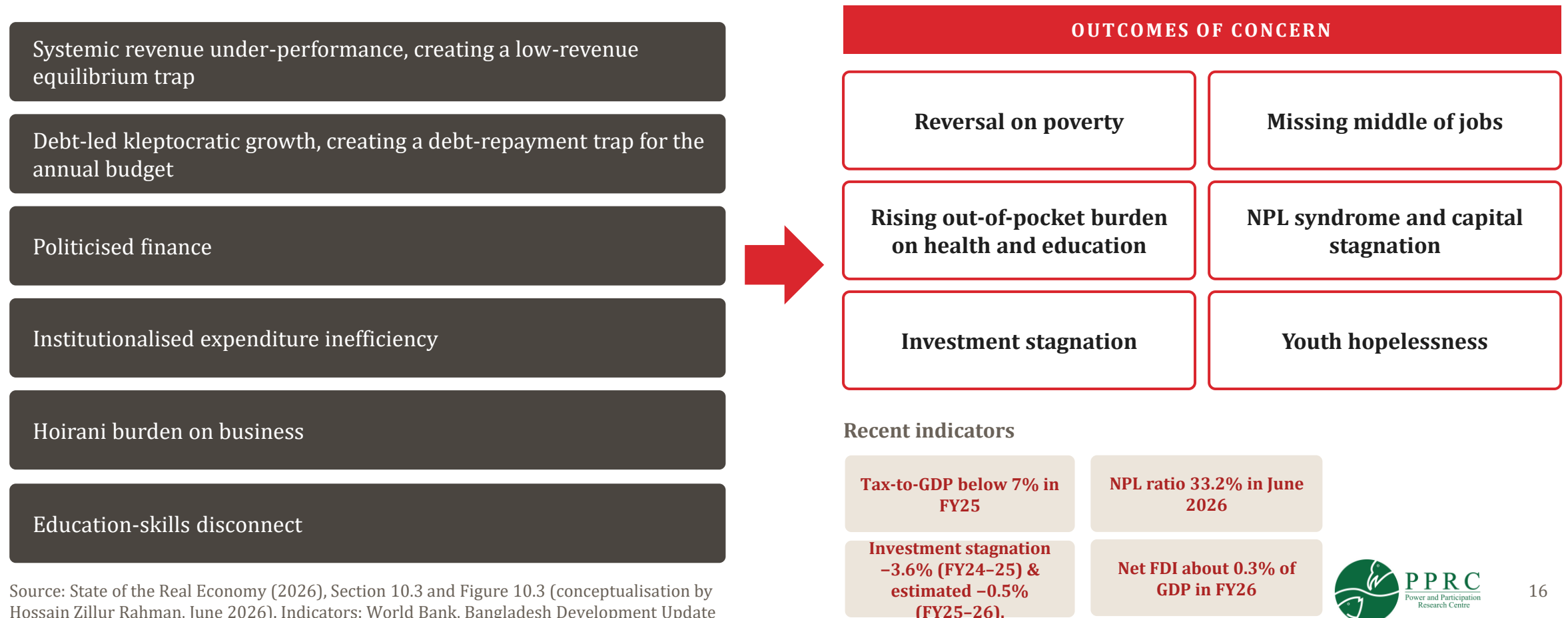


Urbanisation and climate stress without an asset floor

Home ownership is 91.5% in rural areas but 59.8% in urban areas. The urban expenditure Gini is 0.532, against 0.347 in rural areas.

The Politico-Governance Trap?

An economic and political governance “model” became institutionalized during 2014-2024 putting Bangladesh within a structural trap and arguably remains largely in place



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Reimagining Growth and Breaking the Trap

From survival-led growth to resilience-led transformation

A Structural Trap with Three Dimensions

Growing household distress, investment stagnation and a politico-governance trap reinforce one another



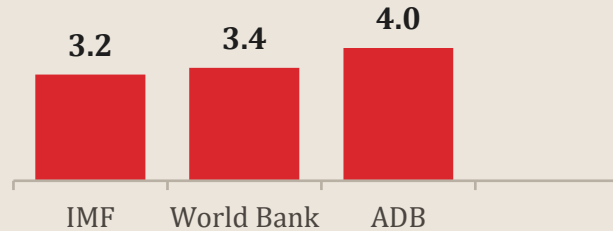
Growing household distress

- 27.93% below the upper poverty line
- 17.97% of households in the fragile middle
- Underemployment: 37.7% of workers work under 40 hours a week
- Debt exceeds savings by 44.6% (218% in the poorest decile)
- Hunger: 12.2% of the poorest decile skipped meals last week



Investment stagnation and low growth

GDP growth, FY27 projections (%)



- Private investment fell 0.5% and net FDI fell 15% in FY26



Politico-governance trap

- Non-performing loans at 33.2% of total loans (June 2026)

Low-Revenue Equilibrium

- Systemic dominance of ad hoc practices fueling both evasions and hoirani/rent-seeking
- Low politico-administrative appetite for institutional reforms
- Inefficiencies in public expenditures
- ADP implementation rate: 0.69% (GED, 2026)

Sources: PPRC SORE 2025; IMF (13 Oct 2026); World Bank, Bangladesh Development Update (April 2026; October 2026, as reported 6 Oct 2026); ADB, Asian Development Outlook (September 2026).

Key Message Breaking the trap is more urgent than setting paper targets

A Transition Compact: Five Pillars

The scale of the challenge demands not merely stabilisation, but a comprehensive transition compact for structural reform



Economic democracy

Fair competition, fewer discretionary privileges, and predictable access to finance, licences, land and contracts



New growth drivers

Agro-processing, pharmaceuticals, light engineering, renewable-energy supply chains, IT, logistics and care services



Quality education

From enrolment to capability: foundational learning, technical skills, digital literacy and employer links



Productive transformation

A renewed manufacturing focus, with pathways from micro-activity to scalable, export-oriented firms



Governance for speed

Predictable, time-bound, transparent and digitally integrated institutions, judged on service delivery

A Sequenced Action Plan

A sequenced action plan that takes the people's lens as its point of departure

Immediate

Next 6–12 months

- Real-time household monitoring
- National skills intelligence system
- A basic household resilience floor
- Safety-net targeting and delivery transparency

Medium term

1–3 years

- From distress credit to asset-building finance
- Pathways from micro-enterprise to small firm
- An investment-conversion architecture
- Women's economic participation

Structural

3–5 years

- Quality education and employability
- Regional equality in basic services
- Rebuilding trust through transparency and participation

A PEOPLE'S LENS

From Movement out of Poverty to Movement into Security

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?

Measurable reduction in household distress of the poor and 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.

Source: State of the Real Economy (2026), Section 10.5.

STATE OF THE REAL ECONOMY · 2026

Thank you

*Dynamics of Reversals and Resilience in Bangladesh, edited
by Hossain Zillur Rahman and Namira Shameem*



Scan for the publication

Free excerpt and full book: <https://pprc-bd.org/state-of-the-real-economy-2026>

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