

# Poverty & Equity Brief

South Asia

## Bangladesh

April 2020

Latest official poverty estimates from 2016/17 show remarkable gains in poverty reduction since 2000. Upper poverty rates have halved to 24.3 percent while extreme poverty rates have reduced by two-thirds to 12.9 percent. Measures of poverty using the international extreme poverty line show comparable trends. Yet, recent trends between 2010 and 2016 suggest a deceleration in the rate of poverty reduction in a period of faster economic growth. The slowdown in poverty reduction was mainly driven by slow progress in urban areas. Inequality measured by the Gini index was 32.4 in 2016, with very little change since 2000. Over the same period, inequality increased slightly in rural areas and decreased in urban areas.

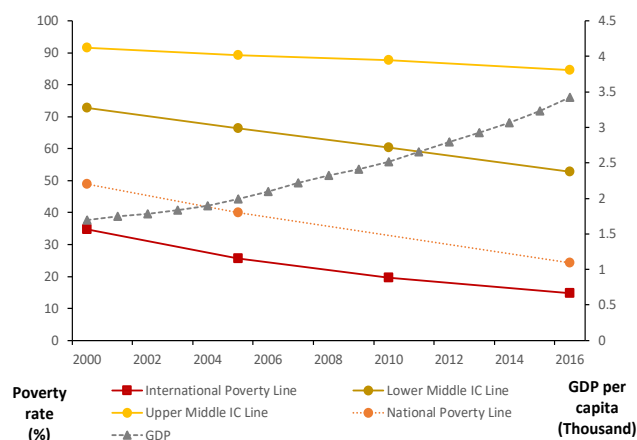
The ongoing COVID-19 pandemic is creating an unprecedented crisis in Bangladesh and poverty is likely to increase substantially in the short-term. The sharp decline in demand of manufactured goods, particularly from the export-oriented Ready-Made Garments sector, is expected to affect employment creation in urban areas, an important driver of poverty reduction in the past. In addition, large labor income losses are expected for households engaged in informal services, and labor-intensive sectors like construction, due to slower demand and closures. The negative impact on poverty rates is anticipated to be higher in urban centers. Reductions in international remittances are expected to have a smaller short-term impact on the poverty rate as international migrants come from better-off households but may have a negative impact in districts from Chittagong, Sylhet and Dhaka divisions that have a large number of international migrants.

A domestic outbreak and the consequent burden of healthcare and related disruptions will exacerbate the negative impacts in access to services and poverty. High density slum and urban areas as well as camps in Cox's Bazar will be particularly vulnerable. In the absence of mitigating measures, the welfare impacts of the pandemic are likely to be widespread and long-lasting, as formal safety nets are limited, households may likely need to reduce consumption and deplete assets and savings, to cope with the income losses or to finance extraordinary health expenses.

| POVERTY   | Number of Poor (million) | Rate (%) | Period    |
|---|--------------------------|----------|-----------|
| National Poverty Line   | 39.6                     | 24.3     | 2016      |
| International Poverty Line<br>61.6 in Bangladesh taka (2016) or US\$1.90 (2011 PPP) per day per capita              | 23.3                     | 14.8     | 2016      |
| Lower Middle Income Class Poverty Line<br>103.7 in Bangladesh taka (2016) or US\$3.20 (2011 PPP) per day per capita | 83.5                     | 52.9     | 2016      |
| Upper Middle Income Class Poverty Line<br>178.2 in Bangladesh taka (2016) or US\$5.50 (2011 PPP) per day per capita | 133.5                    | 84.5     | 2016      |
| Multidimensional Poverty Measure  |                          | 21.6     | 2016      |
| SHARED PROSPERITY   |                          |          |           |
| Annualized Consumption Growth per capita of the bottom 40 percent   |                          | 1.35     | 2010-2016 |
| INEQUALITY  |                          |          |           |
| Gini Index  |                          | 32.4     | 2016      |
| Shared Prosperity Premium = Growth of the bottom 40 - Average Growth  |                          | -0.19    | 2010-2016 |
| GROWTH  |                          |          |           |
| Annualized GDP per capita growth  |                          | 5.25     | 2010-2016 |
| Annualized Consumption Growth per capita from Household Survey  |                          | 1.54     | 2010-2016 |
| MEDIAN INCOME   |                          |          |           |
| Growth of the annual median income/consumption per capita   |                          | 1.65     | 2010-2016 |

Sources: WDI for GDP, National Statistical Offices for national poverty rates, POVCALNET as of February 2020, and Global Monitoring Database for the rest.

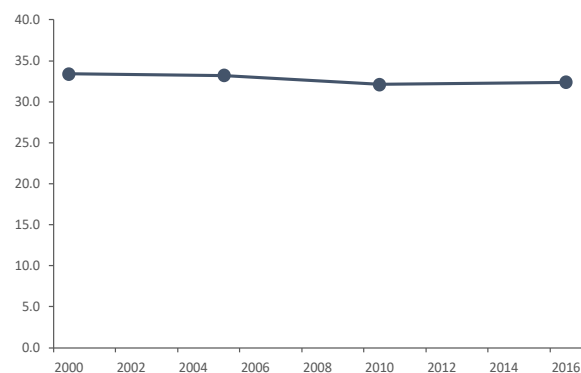
## POVERTY HEADCOUNT RATE, 2000-2016



Source: World Bank using HIES/SARMD/GMD

## INEQUALITY TRENDS, 2000-2016

### Gini Index



Source: World Bank using HIES/SARMD/GMD

## KEY INDICATORS

| Distribution among groups: 2016         | International Poverty Line (%) |      | Relative group (%) |        | Multidimensional Poverty Measures (% of people):         | 2016 |
|---|--------------------------------|------|--------------------|--------|--|------|
|   | Non-Poor                       | Poor | Bottom 40          | Top 60 |  |      |
| Urban population                        | 93                             | 7    | 22                 | 78     | <b>Monetary poverty (Consumption)</b>                    |      |
| Rural population                        | 82                             | 18   | 47                 | 53     | Daily consumption less than US\$1.90 per person          | 14.8 |
| Males                                   | 86                             | 14   | 40                 | 60     | <b>Education</b>   |      |
| Females                                 | 85                             | 15   | 40                 | 60     | At least one school-aged child is not enrolled in school | 8.4  |
| 0 to 14 years old                       | 82                             | 18   | 46                 | 54     | No adult has completed primary education                 | 22.0 |
| 15 to 64 years old                      | 87                             | 13   | 36                 | 64     | <b>Access to basic infrastructure</b>                    |      |
| 65 and older                            | 86                             | 14   | 40                 | 60     | No access to limited-standard drinking water             | 2.8  |
| Without education (16+)                 | 75                             | 25   | 50                 | 50     | No access to limited-standard sanitation                 | 54.5 |
| Primary education (16+)                 | 86                             | 14   | 41                 | 59     | No access to electricity                                 | 23.6 |
| Secondary education (16+)               | 92                             | 8    | 26                 | 74     |  |      |
| Tertiary/post-secondary education (16+) | 97                             | 3    | 11                 | 89     |  |      |

Source: World Bank using HIES/SARMD/GMD

Source: World Bank using HIES/SARMD/GMD

Notes: N/A missing value, N/A\* value removed due to less than 30 observations

## POVERTY DATA AND METHODOLOGY

Household expenditure data is collected in the nationally representative quinquennial Household Income Expenditure Survey (HIES). The latest round of the HIES was collected in 2016–17. A household's poverty status is assessed using per capita consumption. Total household consumption is calculated as the sum of all food and non-food expenditures except for taxes and fees, wedding, and interest and insurance expenses, and rent. Rent is included and imputed when missing.

A household is considered poor if its per capita consumption is lower than the poverty line for the survey strata in which it lives. Poverty lines vary across strata to account for spatial differences in the cost of purchasing basic needs. The national upper and lower poverty lines are set at the cost of consuming 2,122 Cal per person per day and an allowance for non-food expenditure (this allowance is smaller for the lower poverty line and larger for the upper poverty line). Poverty lines are updated between survey rounds using a food prices index that captures food inflation in each strata and the non-food CPI.

The international dollar poverty line uses the same consumption aggregate to determine whether a household is poor, but does not take spatial price differences into account. This line is the value of \$1.90, 2011 PPP.

## HARMONIZATION

The numbers in this report are based on SARMD. The South Asia Micro Database (SARMD) is a regional database of socio-economic indicators established in 2014 managed by SARTSD. It includes 40 surveys covering 8 countries. It follows the Global Monitoring Database (GMD) Harmonization guidelines, including the construction of the welfare aggregate which is used for the Global Poverty Monitoring. Terms of use of the data adhere to agreements with the original data producers.