

Poverty & Equity Brief

South Asia

Bangladesh

April 2023

Bangladesh has recorded remarkable progress in improving welfare and halving the poverty rates since 2000. However, the pace of job creation and poverty reduction slowed over the last decade. Estimated poverty went from 13.47 in 2016 to 10.44 in 2022 (using the international poverty line of \$2.15). The latest official poverty statistics for 2016/17 show that 24.3 percent of the population live below the upper poverty line while half of them, 12.9 percent, live under the extreme poverty line, based on strata specific national upper and lower poverty lines. The national estimates for 2016 thus represent sustained progress in reducing poverty.

Bangladesh's continued progress in reducing poverty reflects sustained economic growth supported by a demographic dividend, sound macroeconomic policies, and an acceleration in readymade garment exports. Yet, recent trends suggest a deceleration in the rate of poverty reduction during a period of faster economic growth. As the country is rapidly urbanizing, its rural and urban areas did not experience the same level of poverty reduction.

The national poverty rate fell in both rural and urban areas, but the speed of reduction was much slower in urban Bangladesh. The rural areas reduced poverty impressively between 2010 and 2016, accounting for 90 percent of the poverty reduction although poverty fell more slowly among households engaged in agriculture than among households in industry and services. But, in urban areas, progress has been slower and extreme poverty has not decreased. Urban poverty reduction was mainly driven by welfare gains among households engaged in manufacturing and construction. However, job creation in manufacturing is seen to slow down, limiting the number of households that benefit from this. Overall, poverty reduction from 2010 to 2016 has continued to be delivered by changes in labor income rather than transfers. Inequality measured by the Gini index was 32.4 in 2016, with very little change since 2000.

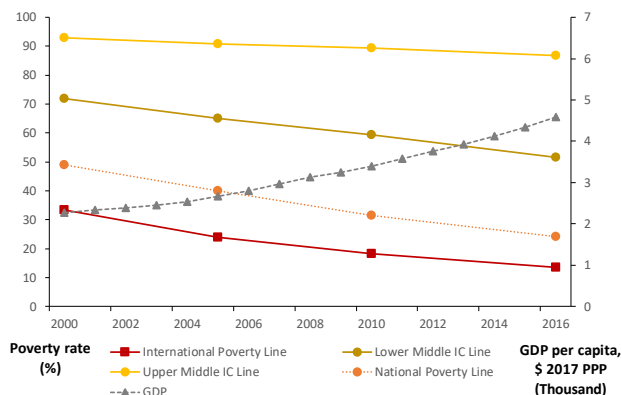
The welfare gap between eastern and western Bangladesh has re-emerged. The stronger progress of poverty reduction in the eastern regions widened the gap between eastern and western Bangladesh that had narrowed between 2005 and 2010. This is likely driven by the fact that structural changes lag in the west, with most of the fast growing and job creating sectors concentrated in the east.

The COVID-19 pandemic reversed progress in poverty reduction and disproportionately affected the poor mainly through job losses, and reduced earnings, especially among women. Although employment levels improved, earnings did not bounce back to pre-pandemic levels. Concerns further remain for the poor and vulnerable groups, including due to the relatively higher inflation partly due to the Ukrainian crises. Considerable welfare challenge also exists due to the conditions of the displaced Rohingya population (DRP) - though these appear to be largely localized. The DRP are highly vulnerable, majority of whom would be unable to meet basic needs without aid. To sustain the gains made and reduce the vulnerability of households, consistent support is needed for strong mitigating measures that include a formal safety net.

POVERTY	Number of Poor (million)	Rate (%)	Period
National Poverty Line	39.6	24.3	2016
International Poverty Line 60 in Bangladesh taka (2016) or US\$2.15 (2017 PPP) per day per capita	21.5	13.5	2016
Lower Middle Income Class Poverty Line 101.9 in Bangladesh taka (2016) or US\$3.65 (2017 PPP) per day per capita	82.5	51.6	2016
Upper Middle Income Class Poverty Line 191.3 in Bangladesh taka (2016) or US\$6.85 (2017 PPP) per day per capita	138.9	86.9	2016
Multidimensional Poverty Measure		20.5	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		5.15	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, PIP as of April 2023, and Global Monitoring Database for the rest.

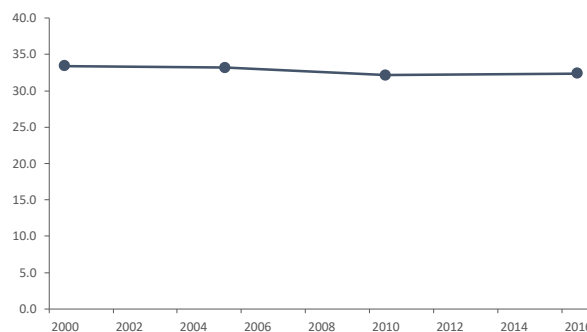
POVERTY HEADCOUNT RATE, 2000-2016



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 (%)	
	Non-Poor	Poor	Bottom 40	Top 60
Urban population	94	6	22	78
Rural population	84	16	47	53
Males	87	13	40	60
Females	86	14	40	60
0 to 14 years old	83	17	46	54
15 to 64 years old	88	12	36	64
65 and older	87	13	40	60
Without education (16+)	83	17	48	52
Primary education (16+)	87	13	41	59
Secondary education (16+)	93	7	26	74
Tertiary/post-secondary education (16+)	97	3	11	89

Source: World Bank using HIES/SARMD/GMD

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

Multidimensional Poverty Measures: 2016	(% of population)
Monetary poverty (Consumption)	
Daily consumption less than US\$2.15 per person	13.5
Education	
At least one school-aged child is not enrolled in school	8.4
No adult has completed primary education	22.0
Access to basic infrastructure	
No access to limited-standard drinking water	2.8
No access to limited-standard sanitation	54.5
No access to electricity	23.6

Source: World Bank using HIES/SARMD/GMD

POVERTY DATA AND METHODOLOGY

Household expenditure data is collected in the nationally representative quinquennial Household Income Expenditure Survey (HIES). The HIES 2022 is the fifth round in the series of HIES conducted by the Bangladesh Bureau of Statistics (BBS) in 2000, 2005, 2010, and 2016. Before 2000, BBS monitored poverty using a smaller survey, the Household Expenditure Survey (HES), which, as its name indicates, only collected data on expenditure. A new welfare survey - the 2022 HIES has been completed (January - December 2022) and data analysis is ongoing to provide updated poverty estimates.

From the HIES data 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 stratum and the non-food CPI.

International poverty estimates on the other hand use the new global poverty lines and the consumption aggregate from HIES used for official estimates, but neither the line nor the consumption is deflated to account spatial prices differences.

Note on new global poverty lines: Poverty data are now expressed in 2017 Purchasing Power Parity (PPP) prices, versus 2011 PPP in previous editions. As price levels across the world evolve, global poverty lines have to be periodically updated to reflect the increase of the value of the lines in nominal terms. The new global poverty lines of \$2.15, \$3.65, and \$6.85 reflect the typical national poverty lines of low-income, lower-middle-income, and upper-middle-income countries in 2017 prices. In addition to reflecting updates in nominal terms, upper-middle-income countries raised the standards by which they determine people to be poor from 2011 to 2017. Hence, the increase in the upper line is larger, and the population that does not meet the new standard is higher in most countries than it was with 2011 PPPs. See pip.worldbank.org.

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.