

Editor's Desk

The theme of the April 2023 issue of *Thinking Aloud* is "Inflation in Bangladesh". The first page article, "A difficult time for poor people" analyses the current uncertainty that poor people in Bangladesh are facing due to the erratic nature of commodity prices in both the domestic and international markets. The article notes that while the officially reported inflation rates are still high, there are concerns that the actual inflation rate might be much higher for low-income households. The article suggests that addressing the inflationary pressure and resultant food insecurity of the poorer households need to be the top priority now. The second and third pages of this issue presents the findings from SANEM's survey on "Effects of inflation on the livelihoods of the poorer households in Bangladesh". Set against the background of rising inflation, the study aimed to assess the impact of recent hike in food and non-food items on poor households in the urban and rural area. Additionally, the study explored how these households are coping with inflation—adjusting their expenditure, or managing resources. Also, the study looked into the poor households' perception of the future, as in what situation these households are anticipating in the coming days and how they are planning to adapt to that scenario. The survey was conducted on 1600 households across 8 divisions, involving 800 urban and 800 rural households, between 9 and 18 March 2023. This survey has provided some unique insights into the current situation of the poor households, as it has compared the households' current situation with that of six months ago—at a time when inflation had started to rise. As inflation brings great pressure on the poor households and have mid to long term impacts on all aspect of life, the government must act to tame the inflation pressure, expand the social safety net, strengthen market monitoring and address deep running institutional issues to build a more resilient economy. The fourth page showcases the events of February and March 2023.

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Editor:

Selim Raihan

Associate Editors:

Eshrat Sharmin

Omar Raad Chowdhury

Coordinator:

Sk. Ashibur Rahman

A difficult time for poor people

Selim Raihan

Poor people in Bangladesh are currently facing uncertainty due to the erratic nature of commodity prices in both the domestic and international markets. The staggering increase in food prices and the decline in real income for the poor are making it very difficult for them to buy the food they need. From February 2022 to February 2023, Bangladesh's annual inflation rate (point to point) increased from 6.2% to 8.8%. In some months during this period, it went well above 9%.

The current inflation rate in Bangladesh is the highest in 11 years. Real income is eroded by inflation, which lowers the purchasing power of the poor. Those who have limited employment opportunities and those who work in the informal sector continue to struggle. The great majority of the poor live in uncertain situations since their income or salaries aren't adjusted for excessive inflation. Many poor people are compelled to use their savings or loans to pay for their daily necessities. For many others, such options are also very limited. However, while the officially reported inflation rates are still high, there are concerns that the actual inflation rate might be much higher for low-income households. A SANEM analysis shows that poor people in Bangladesh face much higher rates of inflation than the official rate. A large part of the income of poor people is spent on food products. Even if we consider the official number to be accurate, it is still very high. Another concern is that the inflationary conditions seem unlikely to improve soon.

Reasons for this soaring inflation in recent months include escalated prices of food, fuel, and other commodities in the global market, shortage of domestic production, supply-side disruptions as well as imperfections and anomalies in the local markets, and depreciation of taka. Therefore, global issues are not the only reasons for high inflation. Problems in domestic economic and market management are also responsible for the persistent inflationary pressure for a long period of time.

To investigate the effect of inflation on the livelihoods of poor households, SANEM recently surveyed 1600 low-income households across 8 divisions - 800 households from urban and 800 households from rural areas. The survey was conducted between 9 and 18 March 2023. Some of the major findings of this survey are striking and alarming. First, while on average, the poor households reported that their monthly income didn't rise over the past six months (in fact, in some cases it declined), their monthly total expenditure rose by 13% and the food expenditure rose by 17%. It is important to note that poor households can't afford to increase monthly expenditures much as their expenditures are constrained by limited incomes. Second, the major coping strategies of these poor households included changing food habits, borrowing, cutting down expenditures on health, education, and clothing, and exhausting savings. 90% of the poor households reported

having changed their food habit and more than 50% of households cut down important non-food expenditures. Also, 75% of poor households had to rely on borrowing from different microcredit and other informal sources at high-interest rates which escalated the risk of falling into the debt trap. Third, more than 70% of poor households had to make downward adjustments in food intake, especially meat, fish and egg and switched to low-quality food, which made them more food-insecure now compared to six-month ago. Fourth, a majority of the surveyed poor households were not under any social protection programmes, and only 28% of them were receiving subsidised food items under the government's OMS programme or TCB cards. The frequency of receiving food items in a month at subsidised prices through OMS/TCB was very low and also most of the poor households had to spend hours receiving such support. All these suggest that the coverage of social protection programmes remained largely insufficient during the crisis time. Fifth, the future outlook of poor households seemed to be bleak. 85% of these households were reported to be in danger of falling into a deeper debt trap.

The aforementioned analysis suggests that it has been a very difficult time for the poor people in Bangladesh under the enlarged phase of high inflationary pressure. The uncertain global economic situation and domestic economic crisis may prolong the woes of the poor people. In these circumstances, what needs to be done?

Addressing the inflationary pressure and resultant food insecurity of the poorer households need to be the top priority now. There is a need to ensure the adequate supply of food items in the market through substantially increasing domestic production of food crops, facilitating timely sourcing of critical food imports, and finding alternative import sources. The government's social protection programmes for the underprivileged need to be significantly expanded. Food support programs and the number of TCB cards have to be increased substantially. The amount and frequency of distribution of subsidised food items need to be enhanced. All the poor people should be brought under the government's social protection programmes, and in this regard, the problems of under-allocation of resources, targeting errors, lack of coordination between ministries, and corruption and institutional weakness need to be addressed. The domestic market management in terms of market monitoring and enforcing rules and regulation to prevent anti-competitive practices remain very weak in Bangladesh which often contribute to escalated food prices in the market in absence of any proper reason. Therefore, the market monitoring mechanism needs to be strengthened. At the same time, the capacity and independence of government agencies responsible for preventing anti-competitive practices by large corporates in the market need to be enhanced.

Dr Selim Raihan, Professor of Economics, University of Dhaka and Executive Director, SANEM. Email: selim.raihan@gmail.com

Effects of inflation on the livelihoods of poor households in Bangladesh: Findings from SANEM's nationwide household survey 2023

Selim Raihan, Md. Tuhin Ahmed, Ekramul Hasan, Mahmudul Hasan

The global supply chain has been severely disrupted as a result of the Russia-Ukraine war, which has hampered production and trade, leading to catastrophic fuel and food shortages. As a result, prices have skyrocketed for everything from food to non-food items. Likewise, the recent global crisis has had a devastating impact on the people of Bangladesh, where low-income groups are the worst sufferers. As estimated by BBS, the annual

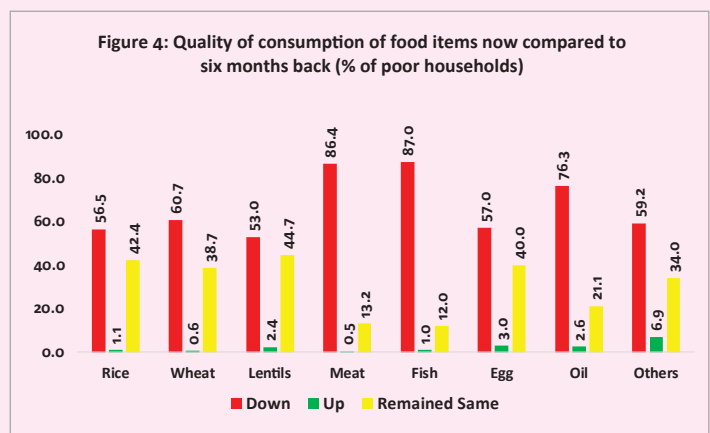
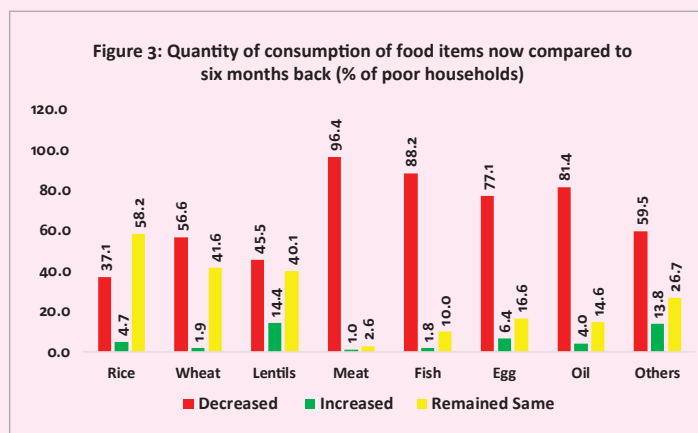
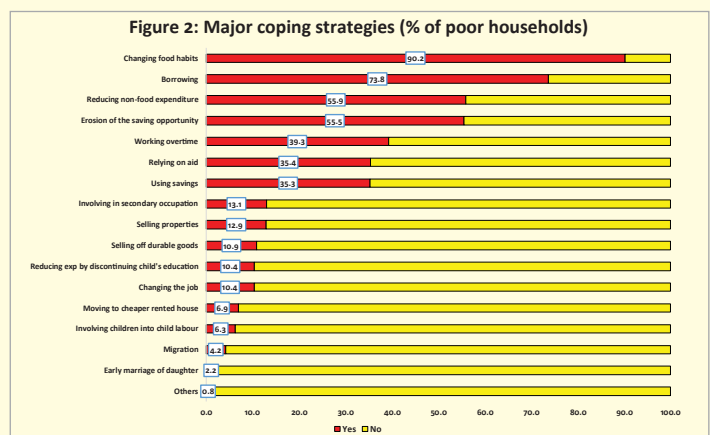
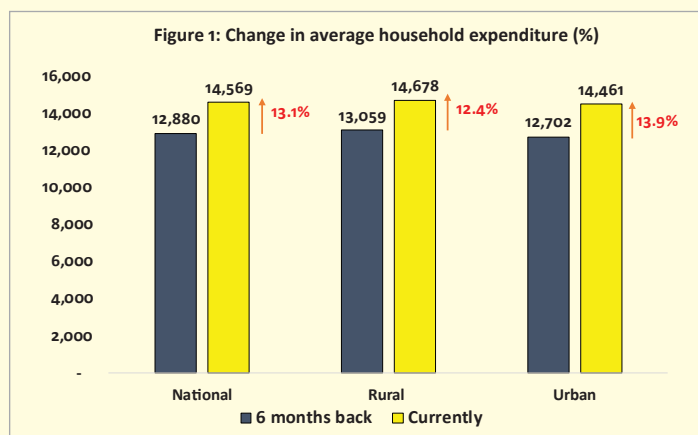
divisions, 200 surveys, involving 100 urban and 100 rural households, were carried out. Urban households were chosen from the slums of city corporations in each divisional headquarters. Except for the divisional Upazila in the divisional district, rural households were identified based on a randomly identified Upazila. Four villages from each identified Upazila were surveyed. Households were randomly selected based on their dwelling type. The survey was conducted between 9 and 18 March 2023.

Of the surveyed households, 89.6% were male-headed and 10.4% were female-headed. 89.6% of household heads were married. 87.3% of the surveyed households were Muslim, while the remaining 12.7% were Hindu, Christian, and

expenditure on food items increased by 17.2% compared to non-food items, which increased by only 5.8%. The average expenditure on food items rose more in urban areas (19.0%) than in rural areas (15.5%). In contrast, the average expenditure on non-food items rose more in rural areas (8.6%) compared to urban areas (3.1%).

What are the coping strategies?

The inflationary pressure brought a drastic change in food habits, as 90.2% of the households coped up by changing food habits (Figure 2). Among the changes in food habits, the change in meat consumption was more severe (i.e. 96.4% of households reduced their meat intake now compared to six months back), followed by fish (88.2%), oil (81.4%), eggs (77.1%), and rice (37.1%),



The survey was conducted between 9 and 18 March 2023.

inflation rate in Bangladesh increased from 6.17% in February 2022 to 8.78% in February 2023. In several months during this period, it exceeded 9%. SANEM's work on inflation raises worries that the actual inflation rate might be higher for low-income individuals. However, along with the escalated prices of food, fuel, and commodity in the global market, domestic production shortages, supply-side disruptions, local market imperfections and anomalies, and currency depreciation are also contributing to the recent soaring inflation.

Against this backdrop, this study aims to investigate the effect of inflation on the livelihoods of poor households in Bangladesh. The study also attempts to explore the coping strategies and future outlooks of poor households in response to high inflation. In this regard, the study surveyed 1600 poor households across 8 divisions, involving 800 urban and 800 rural households. For each of the 8

Buddhist. 52.6% of household heads belonged to the age bracket of 35-54 years. For education level, 34.6% of the household heads had had no education, 27.9% had primary education, 19.1% had secondary education, 13.4% passed SSC/HSC, 4.5% had tertiary education and only 0.4% had madrasa education. The average household size was 4.7. Among the surveyed households, 53.1% were living in Katcha houses, while 34.1% and 12.8% were living in semi-Pucca and Pucca houses, respectively. 17.4% of the surveyed household heads were employed as small business owners, followed by Rickshaw/Van pullers (10.9%), non-agriculture day laborers (9.8%), and farmers (8.7%) among others.

The survey found that over the last six months, the average household income remained the same, while the average household expenditure increased by 13.1% (Figure 1). More specifically, the average

suggesting that poor households are eating less (Figure 3). In this connection, urban households are cutting down food intake more than rural households. Moreover, the survey found that poor households are switching to low-quality food. For instance, 87.0% of the households were consuming cheaper quality of fish. The rates were 86.4%, 76.3%, 60.7%, and 56.5% for meat, oil, wheat, and rice consumption, respectively (Figure 4). Urban households are switching more than rural households. The average frequency of eating "special food" items in a month also fell significantly (Figure 5). Six months back, a household on average consumed beef once a month, now it could manage to eat beef only once in three months. For the other "special food" items, a similar trend of eating less frequently in a month was observed.

More than half of the households (55.9%) reduced their non-food expenditure. Among them, almost

all the households (92.4%) reduced expenditure on clothing followed by expenditure on health (60.9%) and utility services (57.6%) (Figure 6). Spending on child education and housing rent was also reduced, implying that poorer households are cutting down important non-food expenditures.

Among other major coping strategies (see Figure 2), people who lived in rented houses moved to cheaper rented ones (6.9%). A rapid increase in borrowing was observed, as 73.8% of the households coped up through borrowings. Alarmingly, more than two-thirds (71.0%) of the households borrowed from different microcredit organizations, cooperative societies, and Mahajons which normally charge high lending rates and often make the borrowers vulnerable to bankruptcy. The

when only 41.3% of any member(s) of poor households were worried about having enough food; now the rate is 72.9%. A similar trend was also observed for the rest of the seven questions. It implies that poor households are more food-insecure now compared to six months back. Based on the eight questions, poor households were categorized into four groups – secure, mild insecure, moderate insecure, and severe insecure households. It shows that the percentage of food-secure households dropped from 29.1% to 8.1% within six months and at the same time, severe food-insecure households increased from 12.3% to 25.4%. During this high inflationary pressure, the social safety net coverage was very low, only 40% of poor households were under the coverage and only

would not improve in the next six months. Among the households, 77.6% opined that the measures taken by the government during this inflationary situation were not sufficient.

However, certain policies need to be undertaken on this front. Firstly, since inflation is the cruelest "tax" for marginalized people, addressing the inflationary pressure and resultant food insecurity of poor households needs to be the top priority now. Secondly, the adequate supply of food items in the market needs to be ensured. To do this, domestic food production must be significantly enhanced. Also, efforts should be there to find alternative import sources. Thirdly, considering the economic situation of poor people in both urban and rural areas, the prices of food items need to be brought

Figure 5: Average number of times poor households consume "special food" items in a month

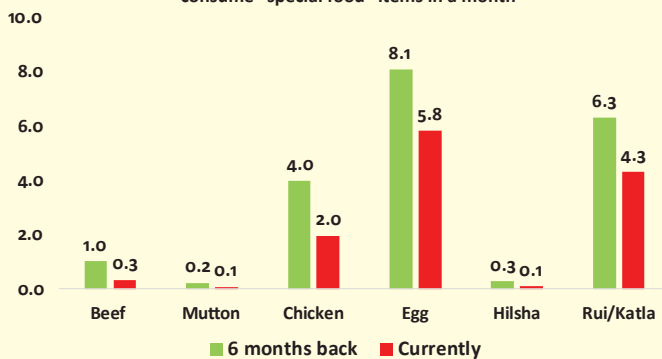


Figure 6: Whether households reduced following non-food expenditure now compared to six months back (% of poor households)

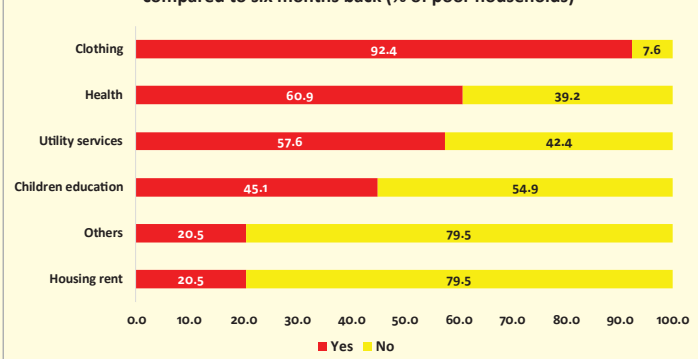
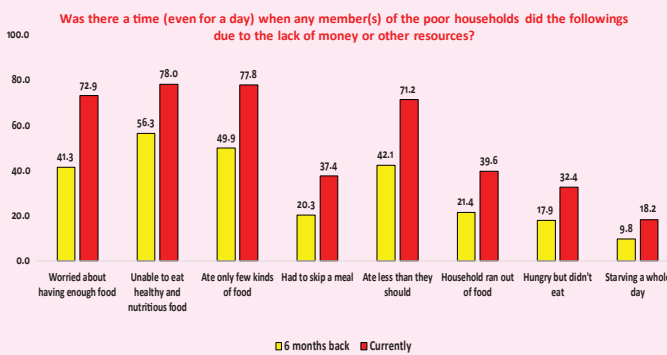
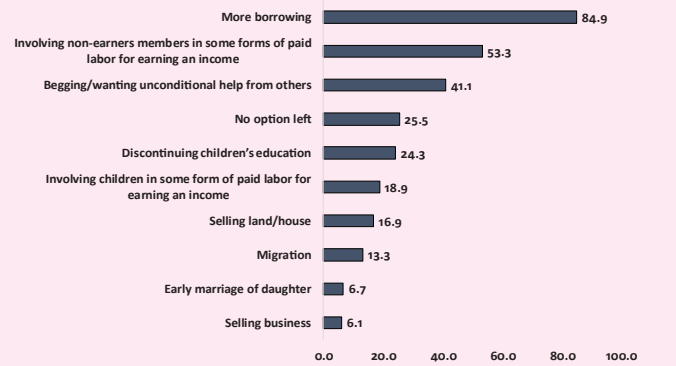


Figure 7: Severity of food insecurity (% of poor households)



The survey was conducted between 9 and 18 March 2023.

Figure 8: What are the future coping strategies? (% of poor households)



scope of savings decreased significantly. People were working more by involving themselves in secondary occupations or doing overtime within the same profession, yet they had to sell off their properties and durable goods to maintain their livings. Child education was badly affected as 10.4% of the households reduced their expenditure on child education. The scenario of child labor got worse, as 6.3% of the households involved their children in paid work amidst the inflationary pressure. Moreover, the number of early marriages also increased as 2.2% of the households coped up by marrying off their daughters.

To understand the food security of poor households amidst inflationary pressure, the study incorporates FAO's eight questions regarding people's access to adequate food (Figure 7). The study found that food insecurity intensified over the last six months. 6 months back, there was a time (even for a day)

28% of poor households were TCB beneficiaries.

What are the future outlooks?

84.9% of the poor households viewed that they would rely on more borrowing if the pressure sustains or gets worse, followed by involving non-earner members including children in paid labor (53.3%), begging/seeking unconditional help (41.1%), discontinuing child education (24.3%), mentioning no option left (25.5%), encouraging child labor (18.9%), migration (13.3%), and early marriage of daughters (6.7%), etc. among others (Figure 8). The future coping strategies will have some severe implications for the country's socio-economic indicators such as a further increase in child labor, child marriage, discontinuation of child education, and the number of beggars and bankruptcy if they are adopted in the coming days. Moreover, 82.2% of poor households believed that their financial conditions

down to affordable levels. Fourthly, the government's social protection programs for the underprivileged need to be expanded. Especially, food support programs or the number of TCB cards has to be increased. However, under-allocation of resources, targeting errors, lack of coordination between ministries, corruption, institutional weakness, and non-availability of assistance to many of those eligible for aid are major problems in the social protection sector. Finally, market monitoring needs to be strengthened to prevent the manipulation of commodity prices.

Dr Selim Raihan, Executive Director, SANEM.

Md. Tuhin Ahmed, Lecturer of Economics, Sheikh Hasina University, Netrokona.

Ekramul Hasan, Research Associate, SANEM.

Mahmudul Hasan, Research Associate, SANEM.

[The findings of this survey were presented at a dissemination event on 29 March 2023.]

SANEM-BRCP Validation Workshop

On 20 February 2023, SANEM, in collaboration with the Bangladesh Regional Connectivity Project (BRCP-1) of the Ministry of Commerce, organized a Validation Workshop on the Policy Review of "National Integrated Multimodal Transport Policy, 2013; Bangladesh Standard Testing Institute Act, 2018; Export Promotion Bureau Act, 2015; Trading Corporation of Bangladesh Order, 1972 (Amendment up to 2015); Antidumping rules 1995, Countervailing rules, 1996, and Safeguard rules, 2010" at the CIRDP Auditorium, Dhaka. Dr Selim Raihan, Professor, Department of Economics, University of Dhaka and Executive Director, SANEM, presented the review documents prepared by SANEM. Mr Md. Hafizur Rahman, Additional Secretary, Ministry of Commerce was the Chief Guest of the event. The workshop was chaired by Mr. Md. Mijanur Rahman, Project Director (Joint Secretary), BRCP-1, MoC. Mr. Md. Munir Chowdhury, National Trade Expert, BRCP-1, MoC moderated the workshop. The workshop was also attended by officials from the Export Promotion Bureau, Road Transport and Highways Division, Bangladesh Standards and Testing Institution, Trading Corporation of Bangladesh and The Federation of Bangladesh Chambers of Commerce and Industry (FBCCI).

Dr Sayema Haque Bidisha conducted training on gender responsive budgeting

Dr Sayema Haque Bidisha, Professor, Department of Economics, University of Dhaka, and Research Director, SANEM, conducted a training on "Gender Responsive Planning and Budgeting", on 22 March 2023. The training was organized by Ministry of Women and Child Affairs, Government of Bangladesh. The training was attended by government officials.

Dr Selim Raihan conducted training for government officials of Bhutan

Dr Selim Raihan, Professor, Department of Economics, University of Dhaka and Executive Director, SANEM, conducted a seven-day training for the government officials of the Kingdom of Bhutan during 10 to 16 February 2023. The training was on macro-econometric model, social accounting matrix (SAM), and SAM multiplier framework. The training was held in Thimphu, Bhutan. The training was jointly organized by the Department of Macro-fiscal and Development Finance (DMDF), Ministry of Finance, Kingdom of Bhutan and the Asian Development Bank (ADB).

SANEM's report on skill development presented at Swisscontact-Daily Star roundtable

Dr Sayema Haque Bidisha, Professor, Department of Economics, University of Dhaka, and Research Director, SANEM, presented SANEM's study on "The Current Scenario of Skills Development Sector of Bangladesh: Challenges and Opportunities", at a roundtable jointly organized by the Swisscontact Bangladesh and The Daily Star. The roundtable was held on 15 February 2023. As the chair of the discussion was present, Dr Sajjad Zohir, Executive Director, Economic Research Group (ERG). Among other discussants were present: Dr Atonu Rabbani, Professor, Mushtaque Chowdhury Chair, James P Grant School of Public Health, BRAC University; Dr Md. Abdul Karim, Executive Director, UCEP, Former Principal Secretary, Government of Bangladesh; Barrister Sameer Sattar, President, Dhaka Chamber of Commerce and Industry (DCCI); Ligaya Dumaang, TVET and Skills Development Specialist, ILO; Farooq Ahmed, Secretary General and CEO, Bangladesh Employer's Federation; Farzana Sharmin, Joint Secretary, BKMEA; Peter Jr Bellen, Chief Technical Officer, ILO; Md. Humayun Kobir, Project Director, Learning and Earning Development Project, ICT Division, GoB; Mashuda Begum, Senior Responsible Sourcing Manager, TESCO; ANM Tanjil Ahsan, National Programme Officer, ILO; Rupali Biswas, Chief Coordinator, Skills for Employment Investment Program (SEIP); Mujibul Hasan, Country Director, Swisscontact Bangladesh; and Muhammad Imrul Kabir, Director, Corporate Affairs, Chevron Bangladesh.

Dr Selim Raihan attended the Raisina Dialogue 2023

Dr Selim Raihan, Professor, Department of Economics, University of Dhaka and Executive Director, SANEM, attended the eighth edition of the Raisina Dialogue, held in New Delhi, India, between March 2-4 2023. The Raisina Dialogue is India's flagship conference on geopolitics and geo-economics. It was hosted by the Observer Research Foundation (ORF) in collaboration with the Ministry of External Affairs, Government of India. The dialogue was focused on five themes: Neo Insurgence: Geographies, Domains, Ambitions; Amoral Mosaic: Contest, Cooperate, or Cancel; Chaotic Codes: Sovereignty, Security, Society; Pernicious Pass ports: Climate, Commons, Citizens; Grey Rhinos: Democracies, Dependencies, and Debt Traps.

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Bangladesh triumphant at the 18th SAESM

Ten students from the Department of Economics, University of Dhaka participated in the 18th South Asian Economics Students Meet (SAESM) held in Kathmandu on 12-15 March 2023. The students are Hasibul Hasan, Jinat Jahan Khan, Khandakar Iffah, Namira Shameem, Raisul Millat Safkat, Samiha Islam, Shafa Tasneem, Sheikh Tausif Ahmed, Farzin Mumtahena, and Md. Anik Islam. Farhin Islam, a Research Associate of SANEM, also participated as a country coordinator. Around sixty students from South Asia participated in the event. There were ten themes under which students submitted and presented their papers. Bangladesh won five best paper prizes out of ten. The winners are Hasibul Hasan, Jinat Jahan Khan, Khandakar Iffah, Samiha Islam, and Farzin Mumtahena. For the first time in SAESM history, someone from Bangladesh, Hasibul Hasan also won the prestigious Amartya Sen - Mahbub ul Haq award for the best of the best papers. Dr Selim Raihan, Professor, Department of Economics, University of Dhaka and Executive Director, SANEM, was present at the event as a resource person.

Dr Selim Raihan spoke at the 63rd Annual Conference of the ISLE

Dr Selim Raihan, Professor, Department of Economics, University of Dhaka and Executive Director, SANEM delivered a presentation on "COVID 19, Labour Market Impacts and Recovery: Bangladesh Experience" at the 63rd Annual Conference of the Indian Society of Labour Economics – ISLE. The conference was held in Rajiv Gandhi University, Itanagar, Arunachal Pradesh, India during 1-3 March 2023.

Dr Selim Raihan spoke at DCCI Seminar

Dr Selim Raihan, Professor, Department of Economics, University of Dhaka and Executive Director, SANEM, was a discussant at the Seminar on Bi-annual Economic State & Future Outlook of Bangladesh Economy, organized by the Dhaka Chamber of Commerce and Industry (DCCI), on February 23, 2023. As the chief guest was present Tapan Kanti Ghosh, Senior Secretary, Ministry of Commerce, Government of Bangladesh. Mohsina Yasmin, Grade 1, Secretary (Additional Charge), BIDA was a special guest at the event. The keynote presentation was delivered by Barrister Sameer Sattar, President, Dhaka Chamber of Commerce and Industry (DCCI). Among other discussants were present Mohamed Ali Hossain, Director, PHP Family and Syed Mahbubur Rahman, Managing Director & CEO, Mutual Trust Bank.