Urban Poverty Dynamics during Covid-19: Anatomy of Resilience

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Motivation

- Many claimed significant deterioration of poverty and other social well-beings during the time of corona.

- We examine this claim by using macro, sectoral, and household level data (panel data).

- To the extent that Corona was mainly concentrated in urban areas of Bangladesh with greater spread recorded in the megacity of Dhaka, our research findings on urban poverty dynamics merit closer policy attention to understand the wellbeing effects of Covid-19.
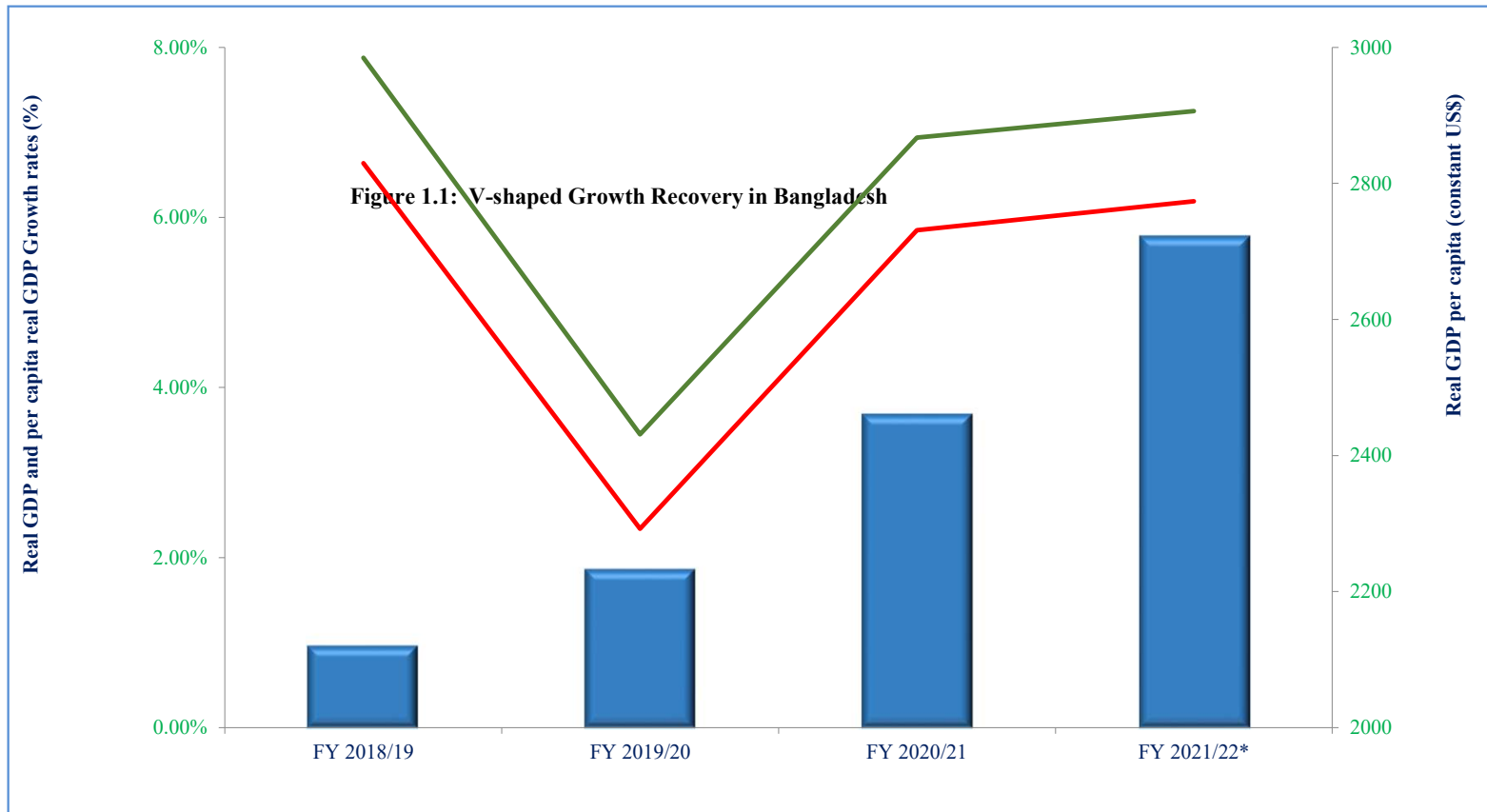
What happened to the Poor during Covid-19?

- Macro Evidence

- Sectoral Evidence

- Poverty Dynamics: Subjective Well-Being and Objective Well-Being

- Drivers of Change

- Conclusions

V-shaped Economic Recovery

The Macro Evidence

V-shaped Economic Recovery

Figure 1.1: V-shaped Growth Recovery in Bangladesh

Recent Macroeconomic Indicators in Bangladesh

| Macroeconomic Indicators	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22*
Real GDP per capita (constant US$)	2122	2234	2462	2723
Real per capita GDP growth rate (%)	6.64%	2.34%	5.85%	6.19%
Real GDP growth rate (%)	7.88%	3.45%	6.94%	7.25%
Sectoral shares of GDP (%)				
Agriculture	12.56%	12.52%	12.07%	11.50%
Industry	34.99%	34.94%	36.01%	37.07%
Services	52.45%	52.54%	51.92%	51.44%
Agriculture sector's real value-added growth rate (%)	3.26%	3.42%	3.17%	2.20%
Savings (% of GDP)				
Domestic	26.89%	27.02%	25.34%	21.56%
National	31.14%	31.42%	30.79%	25.45%
Investment (% of GDP)				
Public	6.96%	7.29%	7.32%	7.62%
Private	25.25%	24.02%	23.70%	24.06%
Total	32.21%	31.31%	31.02%	32.68%
Exports (% of GDP)	11.27%	8.78%	8.87%	6.84%
Remittances (% of GDP)	5.39%	5.82%	7.41%	3.78%

# V-shaped Economic Recovery

The Sectoral Evidence

Sectoral Evidence

- **Kazi Iqbal et al. (2023)** examine the impact of Covid-19 on small and medium enterprises (SMEs) in Bangladesh. Using a pre-Covid-19 survey as the benchmark, we conduct three rounds of worker-linked surveys of both clustered and non-clustered SMEs. In each post-Covid-19 round, we retrospectively collected data of the previous months, creating two panels of enterprises and workers, spanning from **February 2020 to February 2021**. **We observe a V-shape recovery of the SMEs**, with a steeper recovery for the clustered SMEs.
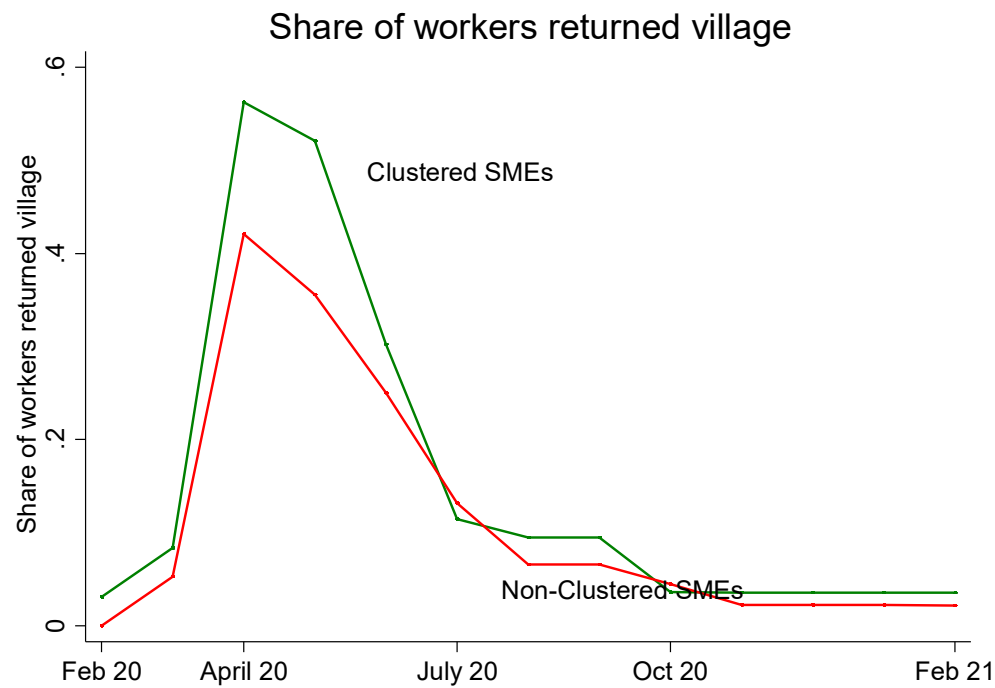
Kazi Iqbal et al. (2023): Monthly SME Production and Sales—Results of a Longitudinal Survey

Monthly production and sales
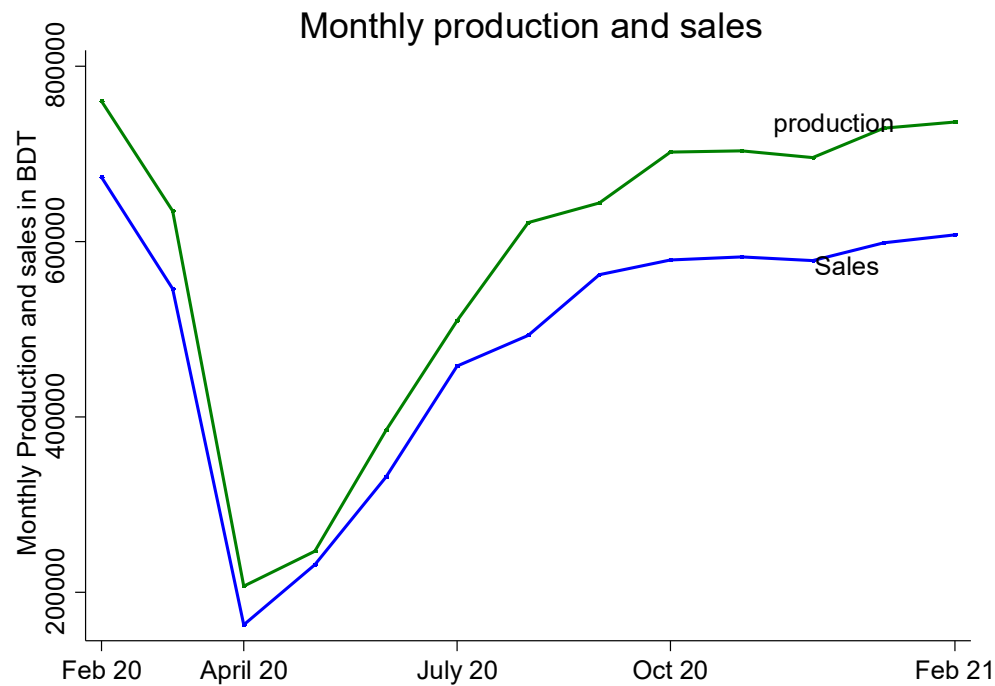
Kazi Iqbal et al. (2023): Number of Workers Employed—Results of a Longitudinal Survey

Number of workers employed
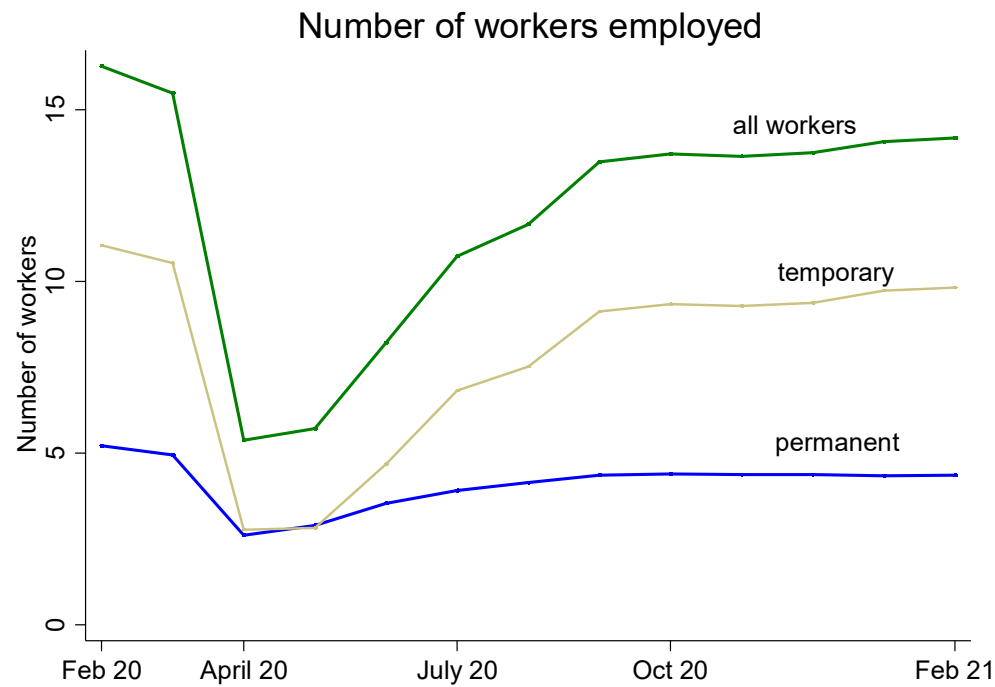
Kazi Iqbal et al. (2023): Trends in Reverse Migration

Share of workers returned village

Kazi Iqbal et al. (2023): Trends in Income Dynamics

Monthly HH income of the workers (BDT)
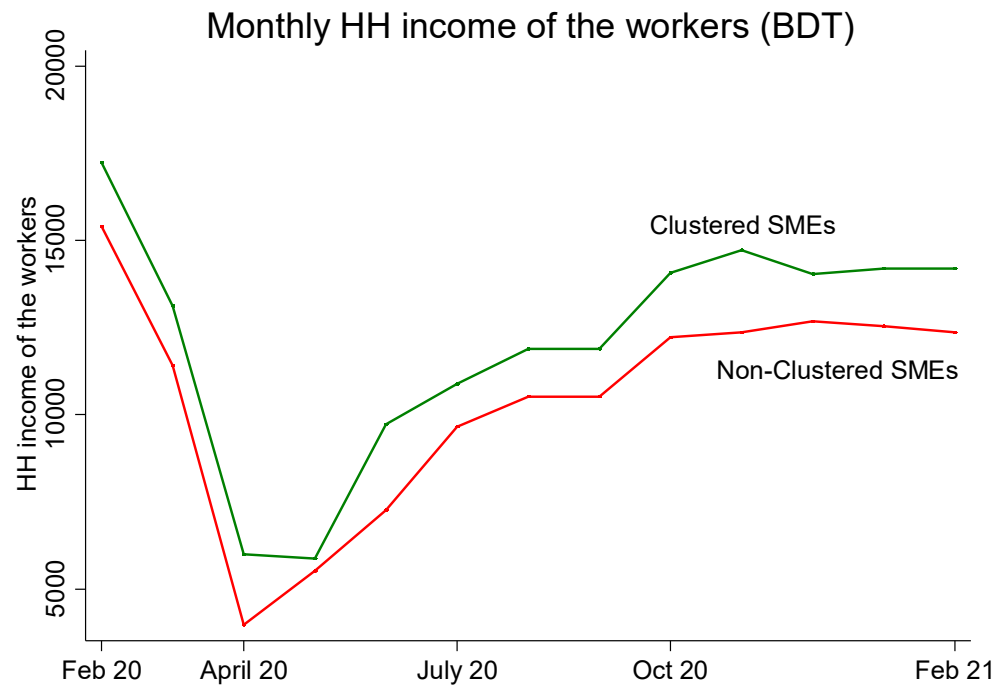
Monzur Hossain and Tahreen Chowdhury (2022): Results for MSMEs from BSCIC

- **Hossain and Chowdhury (2023)**: "The study uses data from a survey of 216 MSMEs from Bangladesh Small and Cottage Industries Corporation (BSCIC) industrial estates in Bangladesh during January to March 2021. **Our results suggest that firms have been recovering gradually after the withdrawal from lockdown in June 2020. So far, 80% of production of the firms compared to pre-COVID levels had recovered by the end of December 2020**."

Percentage Recovery during Successive Phases of Covid-19: BSCIC Data on MSMEs

|	% Decrease (March 2020-May 2020)	% Recovery	% Decrease (June 2020-September 2020)	% Recovery	% Decrease (October 2020-December 2020)	% Recovery
	P1	R1 [100-P1]	P2	R2 [100-P2]	P3	R3 [100-P3]
Production (%)						
Micro	53.3	46.7	32.33	67.67	21.28	78.72
Small	62.48	37.52	36.38	63.62	25.83	74.17
Medium	54.62	45.38	28.73	71.27	20.87	79.13
All firms	57.04	42.96	33.26	66.74	22.92	77.08

V-shaped Economic Recovery

Well-Being Consequences: Macro Evidence

Trends in Poverty, 1991/92-2022

| Year	Upper Poverty Line			Lower Poverty Line		
	National	Rural	Urban	National	Rural	Urban
1991/92	56.7	58.8	42.8	41.1	43.8	24
1995/96	50.1	54.5	27.8	35.2	29.5	13.7
2000	48.9	52.3	35.2	34.3	27.9	20
2005	40	43.8	28.4	25.1	28.6	14.6
2010	31.5	35.2	21.3	17.6	21.1	7.7
2016	24.3	26.4	18.9	12.9	14.9	7.6
2022	18.7	20.5	14.7	5.6	6.5	3.8

Trends in Lower Urban Poverty
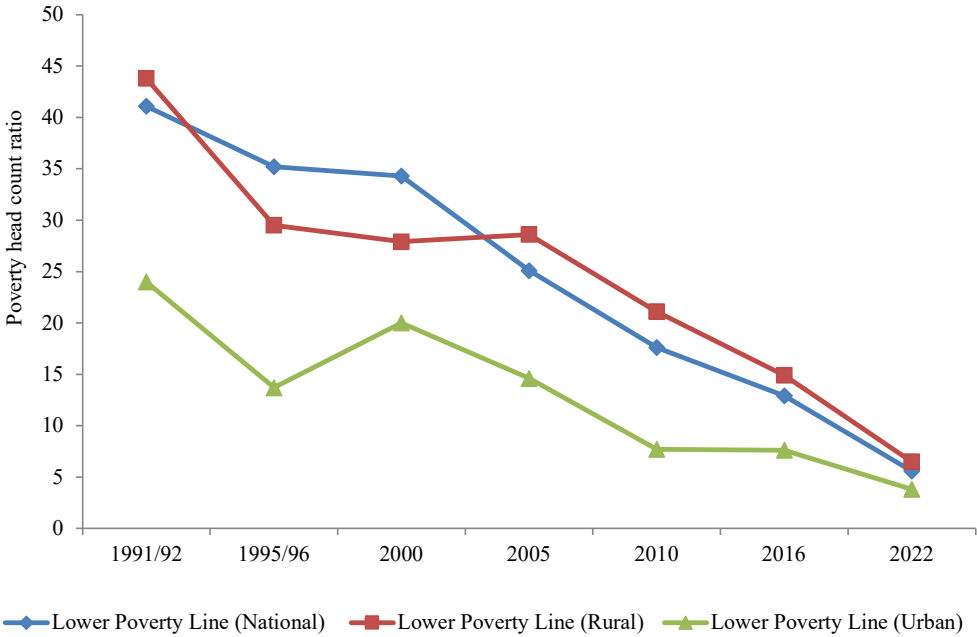
Trends in Upper Urban Poverty
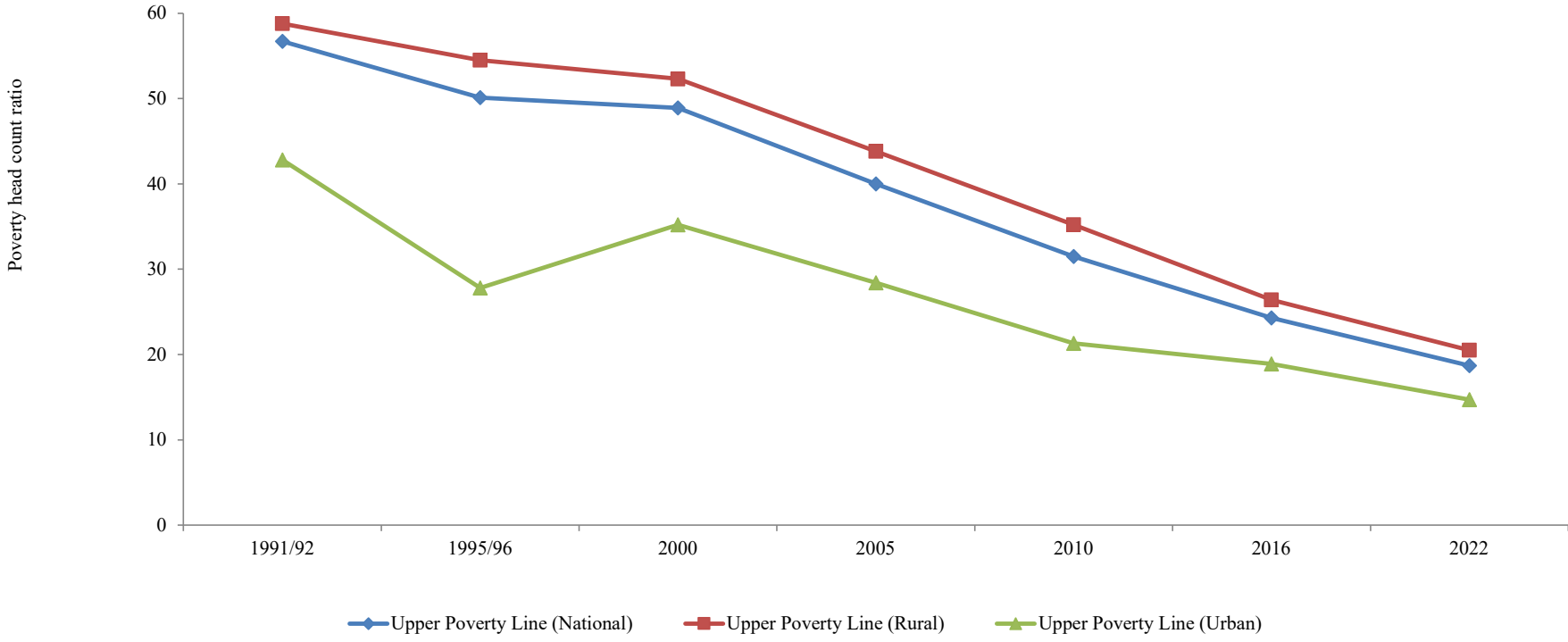
V-shaped Economic Recovery

Well-Being Consequences: Evidence from Panel Data on Dhaka City (N=2046; balanced panel)

Sen, Ali and Chowdhury (2023): Trends in Panel Poverty as per Lower and Upper Poverty Line
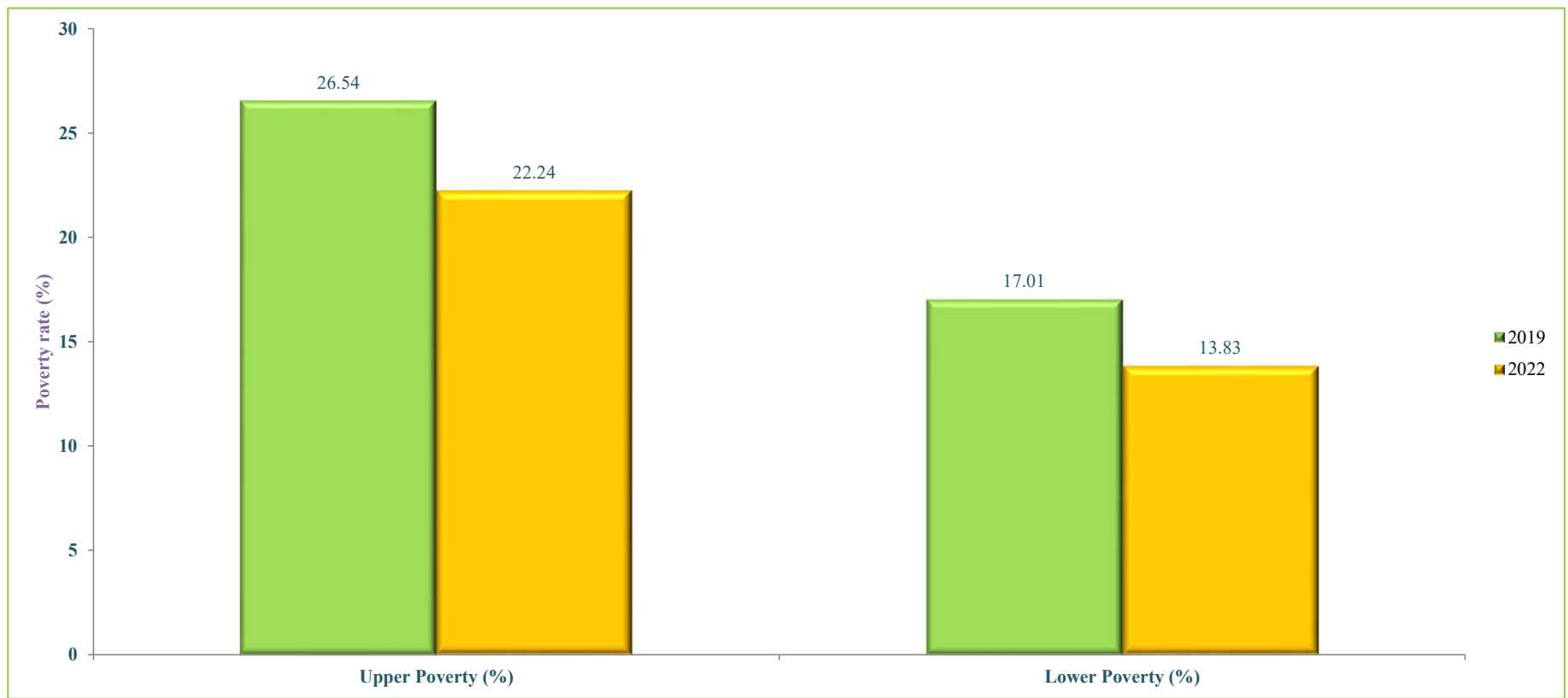
Moving out of Distress: Fluctuations in *Subjective Wellbeing* through Different Phases of Covid-19
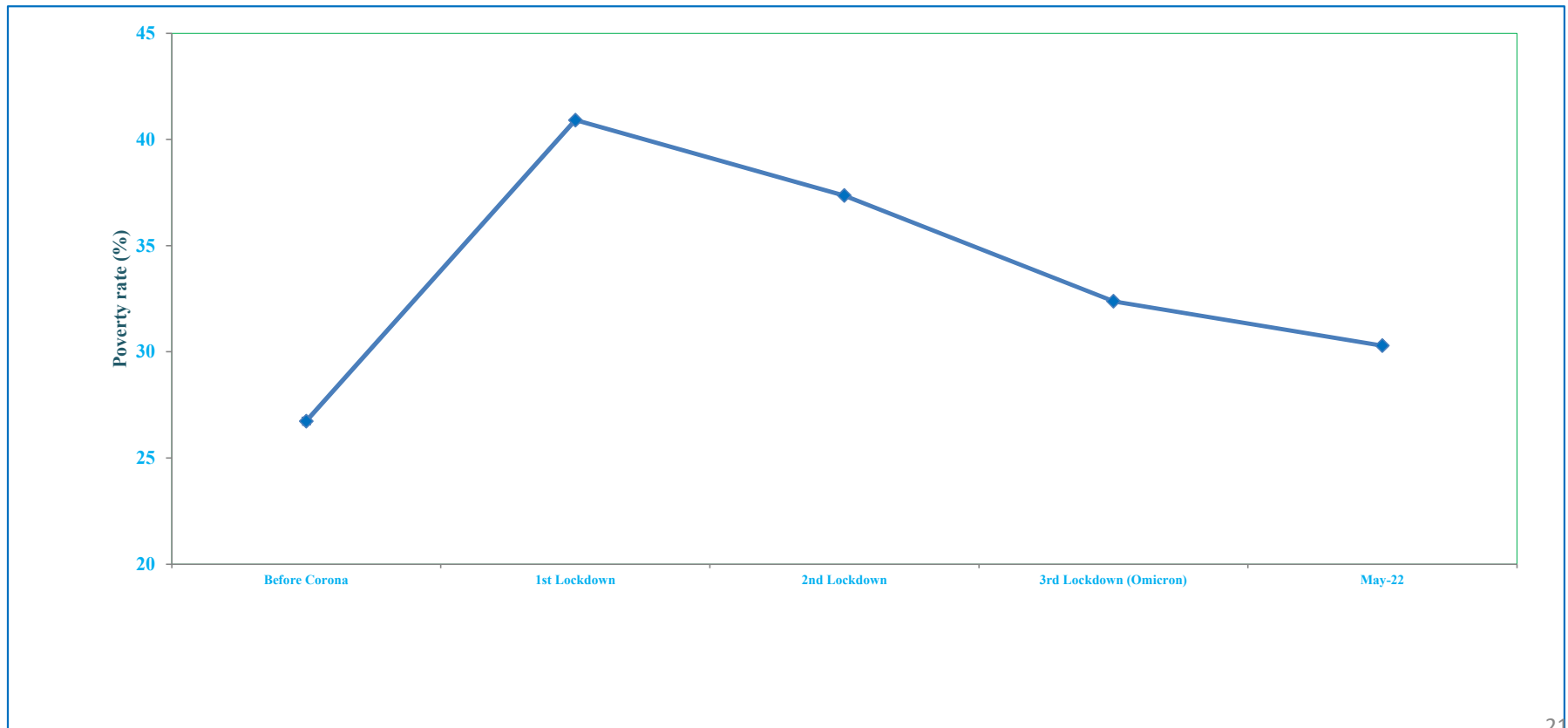
New vs. Old Poor: New Dimensions of Urban Poverty

Never Poor
62.12%

Chronic Poor
10.90%

Fallers
11.34%

Movers
15.64%
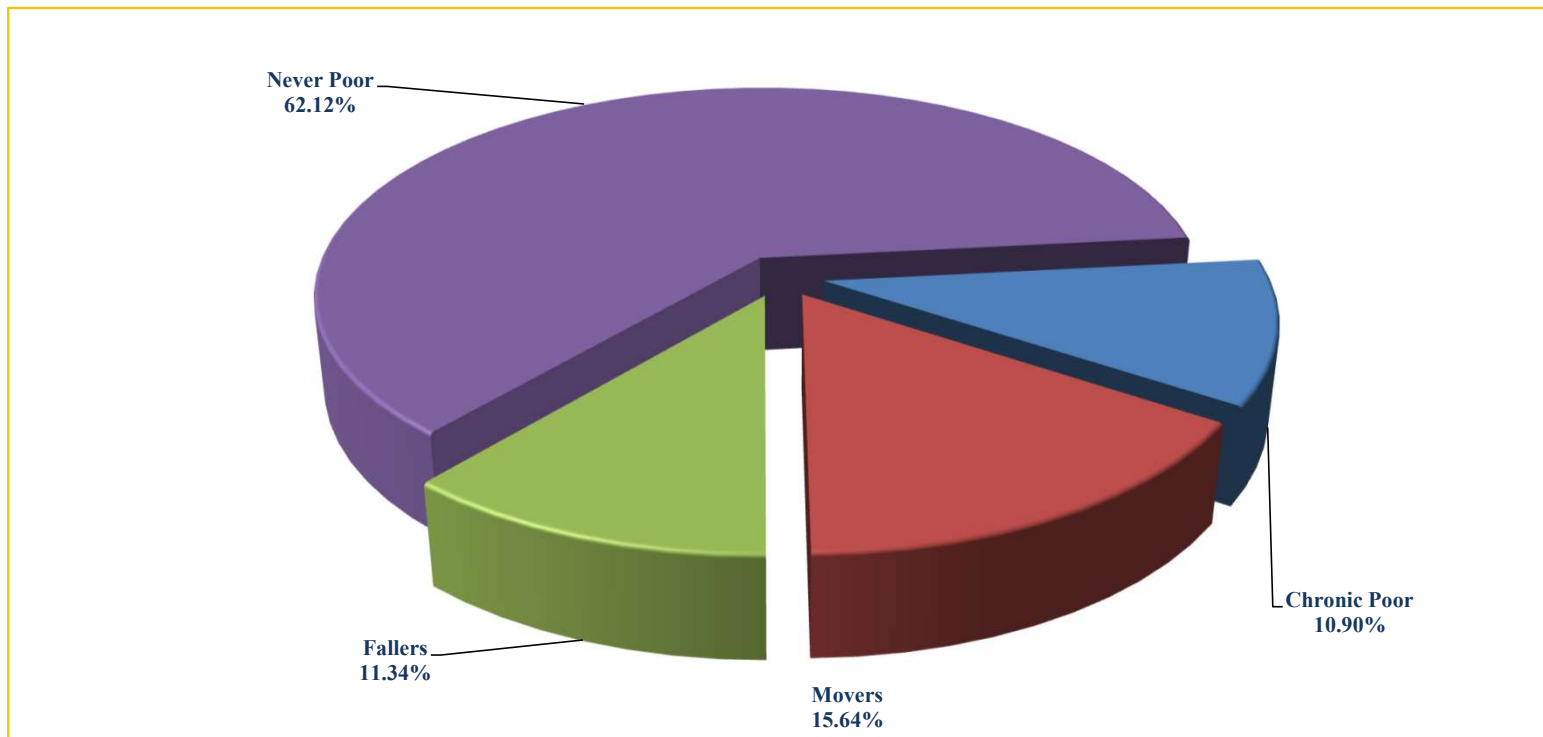
Drivers of Change

- Average growth rate of household income for the sample was about 5.1% per year during the period.

- Drivers of Change: income from self-employment; Transfer income; financial dissaving;

Change in Annual Household Income (CPI Adjusted) by Subjective Poverty Category: Analysis of Panel Data

Subjective Poverty Category (Based on 2019)	Panel Data (N=2046; Balanced Panel)		
	Before (2019)	**After (2022)**	**% Change**
Rich	8,54,146	14,00,823	64.00
Upper Middle Class	5,54,275	6,95,555	25.49
Lower Middle Class	4,02,732	4,38,192	8.80
Poor	2,26,763	2,49,882	10.20
Extreme Poor	1,62,043	1,87,953	15.99
Total	3,82,639	4,42,447	**15.63**

Compositional Shifts in Urban Income by Poor and All Groups: Analysis of Panel Data

	Before (2019)			After (2022)		
	Col % (All)	Col% (Poor)	Col% (Ex. Poor)	Col % (All)	Col% (Poor)	Col% (Ex. Poor)
Self-Employed	41.54	33.60	15.47	45.65	38.56	33.21
Casual Wage	10.18	39.28	65.14	8.48	28.20	39.32
Salaried Income	41.12	20.30	12.10	37.55	27.73	16.33
Transfer Receipts	1.36	0.67	5.32	2.56	1.72	8.82
Remittance (Domestic)	0.09	0.05	0.00	0.18	0.23	0.00
Remittance (Foreign)	2.57	1.61	0.74	2.20	0.97	0.00
Farm Income	0.58	0.34	0.00	0.52	0.43	2.32
Income from Financial Investment	0.14	0.00	0.00	0.63	0.00	0.00
Total Household Income	100.00	**100.00**	**100.00**	100.00	**100.00**	**100.00**

Access to Mobile Financial Services

Category	Panel Data (N=2046; Balanced Panel)			
	Whether households have bank account (%)		Whether households have mobile money account (%)	
	2019	2022	2019	2022
Rich	78.46	93.85	83.08	86.15
Upper Middle Class	75.89	79.91	48.21	79.02
Lower Middle Class	69.71	61.07	47.82	81.07
Poor	32.22	33.79	39.29	78.78
Extreme Poor	6.06	6.06	15.15	66.67
Total	60.31	56.5	46.33	80.21

Trend in Dissaving

Types/ Category	Panel Data	
	Average Value (in Taka)	
	2019	2022 (Adjusted)
In own house/hand	13878.64	23355.16
Rich	54456.52	59863.41
Upper Middle Class	31959.32	30504.24
Lower Middle Class	11045.33	23516.77
Poor	5457.009	8775.631
Extreme Poor	3792.308	6678
Deposited in Bank	253942.7	304623.6
Rich	1124130	1307522
Upper Middle Class	371091.5	508366.3
Lower Middle Class	182199.6	155966.7
Poor	71487.5	92052.58
Extreme Poor	50000	2100
DPS	201584.8	81691.62
Rich	938571.4	288766.1
Upper Middle Class	301605.7	88626.64
Lower Middle Class	169249.4	69287.54
Poor	47859.81	38275.08
Extreme Poor	16800	0

Trend in Dissaving (2)

	2019	2022
Family Savings Certificate		
Rich	1620000	59500
Upper Middle Class	923218	258000
Lower Middle Class	542464	76496
Poor	89900	630
Bangladesh Savings Certificate		
Rich	50000	8400
Upper Middle Class	0	40320
Lower Middle Class	285714	8271
Poor	0	0

Conclusions

Positive Coping

- Not only poverty has not doubled from the pre-Covid level--as was claimed by some media reports that came out earlier--it has in fact dropped below the pre-Covid level. This happened because initial adverse Covid effects faded away quickly as economic activities returned to normalcy by the beginning of 2022.

- During the time of poverty declined in the urban megacity of Dhaka. The overall poverty headcount has *decreased* between 2019 and 2022 by 4.3 percentage points. The proportion of extreme poor households has also gone down by 3.2 percentage points during the same period. This is a considerable progress in poverty reduction under the duress of Covid-19.

- The key drivers are of change are shifts towards self-employment income, transfer receipts, access to mobile financial services, and financial dissaving. Casualization of urban labour <u>did not</u> play a major role here. Urban remittance also <u>did not</u> play directly a poverty reducing role for the poor during this period.

New Challenges

- Analysis of poverty dynamics further reveals that *urban chronic poverty* is still considerable even in a high growing megacity like Dhaka. About one-tenth of the urban population belonged to this category. The evidence further shows the importance of "new poor" as a new social category emerging as a result of Corona. Out of the contingent of the total poor in 2022 (whose overall incidence is on decline), 51 percent belong to the "new poor" category.

- The study did not find any significant adverse effects of Corona on increasing divorce rate, triggering adolescent marriage rate for daughters, or deteriorating law and order in the community during the difficult months of Covid-19. However, the darkening cloud is visible in other directions.

- 23.5% of extreme poor households reported that they had to stop their son/daughter's education during Corona pandemic. This may be compared to 13.6% for the poor, 10.3% for the lower middle class, and 8% for the upper middle class. Clearly, the urban poorest has been the most hard-hit category when it comes fostering educational human capital during the time of Corona. A special education recovery program needs to be initiated for the urban poor to minimize the learning loss and facilitate the re-entry of their children into the educational stream.

References

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- Binayak Sen, Zulfiqar Ali, and S.M. Zahedul Islam Chowdhury (2023), **Urban Poverty Dynamics during the Time of Corona: Evidence from a Panel Study on the Dhaka City**, Dhaka: BIDS/ UNDP.