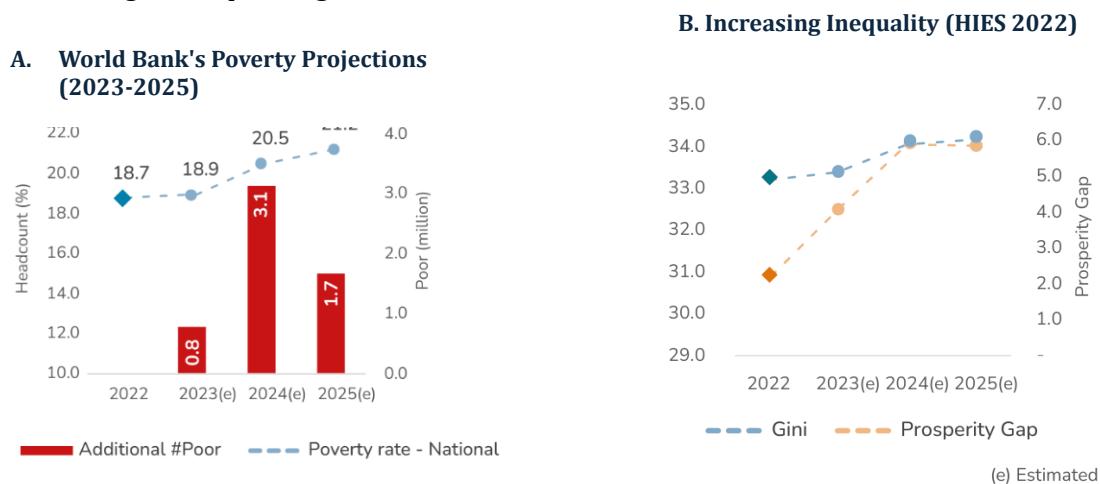




STRATEGIC CONSIDERATION: SUSTAINING SOCIAL PROTECTION AMID INFLATION AND RISING VULNERABILITY

Social Security Policy Support (SSPS) Programme, UNDP

- Inflation Is Turning Vulnerability into Poverty & Social Protection Can Be the First Line of Defense:** Bangladesh is facing a convergence of risks: prolonged inflation, slowing job creation, and rising inequality. Nearly 32 million people remain in moderate poverty, an additional 20 million remain highly vulnerable to falling back into poverty. Inflation has eroded real incomes faster than wages can adjust; between FY2021–22 and late 2024, prices rose by nearly 33 percentage points, compared to a 24-point increase in wages¹. As a result, over one-third of the population remains vulnerable, with 62 million people living just above the poverty line with limited buffers. Without sustained social protection, inflation will continue to push vulnerable households back into poverty, undermining development gains.



2. Labor Market Stress and Inequality Threaten Social Cohesion: Employment losses since 2023 estimated at nearly three million by 2025, have disproportionately affected women, youth, and less-skilled workers. Slower real wage growth for poorer households, combined with rising food insecurity affecting around 21 per cent of the population, is widening income and wealth gaps. These trends pose risks not only to household welfare but also to social cohesion and the inclusiveness of growth, particularly at a time of political and economic transition.

3. Increasing Social Protection Financing Is a Macroeconomic Stability Choice: The increase in social security allocations from Tk 35,975 crore (\approx USD 3.27 billion) in FY2015-16 to Tk 116,731 crore (\approx USD 10.61 billion) in FY2025-26, representing 14.78 per cent of the national budget and 1.87 per cent of GDP; has helped cushion shocks and stabilize consumption. While this remains modest compared to the global average of 19.3 per cent of GDP spent on social protection in 2023, further increasing social protection expenditure should be a priority.

¹ World Bank's analysis, based on Bangladesh Household Income and Expenditure Survey (HIES) 2010, 2016, 2022, and microsimulation estimations based on macroeconomic projections from World Bank (2025) Macro Poverty Outlook, October.

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