ECONOMIC
UPDATE & OUTLOOK

JULY 2025

Government of the People's Republic of Bangladesh
General Economics Division (GED)
Bangladesh Planning Commission

ECONOMIC UPDATE

Highlights

- *Inflation has been declining steadily, due to a decrease in food prices. However, rice price is a cause of concern showing a continuous upward trend in recent months.*
- *The external sector shows resilience with a significant increase in remittances and slight appreciation of taka against dollar, rebound of merchandise commodity exports.*
- *Revenue mobilization effort was hampered in June due to temporary work stoppages of NBR officials over the proposed restructuring of the tax authority.*

Inflation keeps falling; however, rice prices are stubbornly increasing

Headline inflation, as well as food inflation, has continued to decline since December 2024, bringing it closer to the target of 7-8 percent by the end of June 2025, as outlined in the Monetary Policy Statement for January – June 2025. It is now a relief that inflation has fallen to 8.48 percent, the first time it has been below 9 percent since February 2023. Food inflation in June 2025 (7.39 percent) has also decreased to below 8 percent since January 2023. The ongoing decline in prices has been primarily due to a favorable supply-side environment, stable global commodity prices, prudent demand management, and a balanced exchange rate market. Bangladesh has maintained a policy repo rate of 10 percent over the past six months. The tight monetary stance and other factors have contributed to lower private sector credit growth, which has been around 7 percent in recent months. In June 2025, the FAO Cereal Price Index averaged 107.4 points, the lowest since September 2020 during the COVID period.

Non-food inflation, on the other hand, remains stable, albeit in a slight declining trend since April 2025. Among the broad non-food categories, alcoholic beverages, tobacco, and narcotics (17.55 percent), clothing and footwear (15.40 percent), restaurants and hotels (11.09 percent), and miscellaneous goods and services (15.25 percent) recorded double-digit inflation (point-to-point) in June. The contribution of food to overall inflation decreased to 39 percent from the previous month (42.6%), while the contributions from miscellaneous and housing increased by one percentage point each.

Rice prices remain rigid, warranting a close look at the market behavior

In terms of the broad category of food, the contribution from rice rapidly jumped from 40 percent in May to 50 percent in June, causing

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a major concern despite food inflation easing off. Medium rice alone contributed 25 percent to overall food inflation in June. Coarse rice also shared 17.82 percent of the total contribution. Looking at the trend of change in the consumer price index of rice, all three varieties – medium, fine, and coarse hit 15 percent in June. Inflation in rice varieties has been steadily increasing over the last twelve months, with no signs of falling. The yield of Boro paddy did not impact the overall rice prices at all. According to the "Grain and Feed Update" report released by the US Department of Agriculture (USDA) in December 2024, the average price of coarse rice reached its highest level in November 2024 since the last decade. Factors such as the rise in input prices (fertilizer, seeds, labor, and irrigation), post-harvest losses of rice (26 percent), an increase in transportation costs, uncertainty and volatility in rice prices in recent times, and the tendency to hoard due to high price expectations may contribute to this situation. This warrants further investigation into whether there is an actual supply shortage or disruptions in the supply chain in the market.

Other items, including hilsa, brinjal, soyabean oil, and tomato, contributed in a high to moderate manner. Vegetables as a whole registered a significant 6.5 percent drop, which contributed to a decline in food inflation.

External sector: Resilient trade trends with opportunities for strategic growth

The recent trends in Bangladesh's external sector reveal a balanced and insightful picture of trade dynamics and currency stability. On the import side, total imports ranged from Tk. 55,865 crore to Tk. 74,482 crore between June 2024 and April 2025. On the export side, Ready-Made Garments (RMG) continued to dominate, consistently accounting for over 80% of total export earnings. The parallel movements of RMG and total exports highlight the sector's strong performance, but also underscore the structural need for diversification into areas such as ICT, pharmaceuticals, and agro-processing. Meanwhile, the exchange rate remained stable between mid-June and early July 2025, fluctuating only slightly within the Tk. 122.45–Tk. 122.70 per USD range. This currency stability supports trade planning and business confidence. Altogether, Bangladesh's external sector has reflected a steady performance and sound policy management, while offering clear opportunities for structural improvements and export diversification.

Capital machinery imports: Signs of investment activity amid diverse trade composition

The data on monthly imports show a mostly steady pattern for capital machinery imports. Capital machinery imports stayed relatively stable during FY 2024-25, mostly ranging between Tk. 2,100 and Tk. 2,900 crore—except for a one-time spike in October 2024 (Tk. 5,140 crore), likely caused by large-scale investment or infrastructure demand. This stability indicates consistent industrial activity, while fluctuations in total imports emphasize the importance of other components, such as fuel, intermediate goods, or consumer products. Despite February 2025 seeing the lowest capital machinery imports (Tk. 2,064 crore), total imports remained relatively high at Tk. 66,285 crore, implying strong demand for other goods like fuel, intermediate goods, or consumer products.

Overall, the relatively steady level of capital machinery imports—aside from the October anomaly—suggests consistent, albeit moderate, investment momentum. This trend, paired with variation in total imports, points to a diversified composition of import demand in Bangladesh's external sector.

Exchange rates: Stable currency supports trade and business confidence

The exchange rate data between 18 June and 7 July 2025 shows relatively minor fluctuations, indicating a broadly stable currency environment during this short period. The rate hovers around Tk. 122.45 to Tk. 122.70 per USD, with the highest point recorded on 30 June (122.7053) and the lowest on 7 July (122.4518). This slight depreciation from 30 June to 7 July suggests a marginal strengthening of the Bangladeshi Taka.

While the changes are minor, such subtle movements can still have implications for trade and investment. For exporters, especially those dealing in USD, a slightly stronger Taka could reduce export earnings when converted into local currency, potentially affecting competitiveness. Conversely, importers may benefit from a stronger Taka through slightly lower import costs. Given the overall narrow band of fluctuation, this period reflects a relatively well-managed exchange rate. However, stakeholders should still monitor for any policy shifts or external pressures that could induce volatility. For policymakers and businesses, such stability supports planning and pricing decisions in the short term.

Deposit and credit growth in Bangladesh

Bangladesh's banking sector has experienced a period of subdued deposit and credit growth over the last six months, influenced by a confluence of factors, including high inflation, tight monetary policy, and lingering economic uncertainties.

Deposit growth in Bangladesh has generally shown a decelerating trend, with May 2025 seeing growth slow to 7.73 percent from 8.21% in April. This marks a continued trend of single-digit growth since September 2024. High inflation, reduced liquidity, customer distrust, slowdown in economic activity, and money outside the banking system are the reasons contributing to this slowdown

Private sector credit growth has been particularly sluggish, remaining below 8% for six consecutive months leading up to May 2025. In April, it stood at 7.86%, following 7.5% in May, whereas growth in May 2024 was 11.66%. This downward trend has been consistent since August 2024, when it dropped from 10.13% in July (the month of the political unrest).

Continued tight monetary policy, investment uncertainty, banks' cautious approach, erosion of lending capacity, and reduced import LCs are the key factors contributing to the low private sector credit growth.

In conclusion, both deposit and private sector credit growth in Bangladesh have faced considerable headwinds in the last six months. While the central bank aims for higher growth rates to fuel economic activity, the current environment of high inflation, tight money, and economic uncertainty continues to dampen both savings and borrowing behavior.

Economic Outlook in July 2025

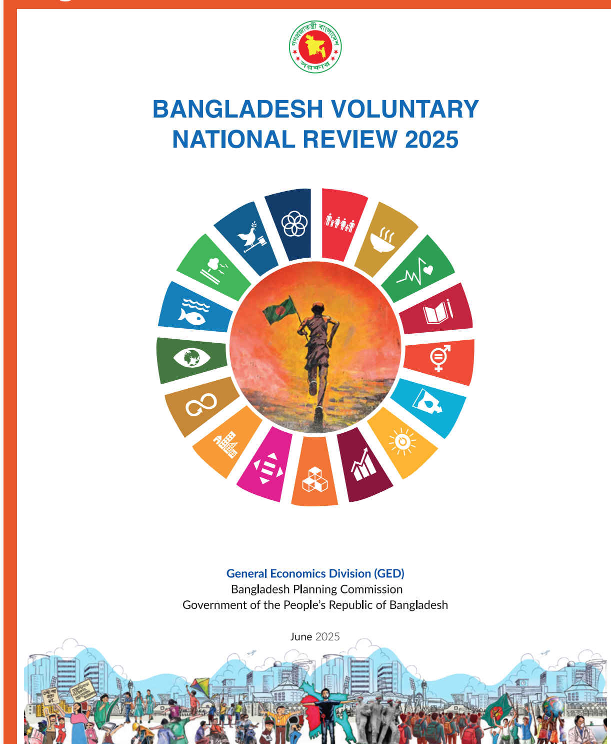
The first month of FY2026 indicates promises for rebounding economic activity, despite ongoing challenges. Various projections suggested a period of slower growth, with ongoing economic and political challenges. Key factors influencing this outlook include political uncertainty, subdued investment and industrial activity, high inflation, and external global headwinds in the context of reciprocal tariff imposition by the U.S. Projections for FY 2025 are generally lower than previous years, with the World Bank forecasting 3.3% to 4.1%. The Asian Development Bank (ADB) projects 3.9%. A rebound to around 5.1% to 5.3% is anticipated in FY 2026.

Foreign direct investment remains critically low and is expected to remain at this level in the coming months. Subdued investment and industrial activity are cited as major contributors to slower growth. We identify remittance flows, export performance, and growth in the manufacturing sector as key drivers of Bangladesh's GDP growth in FY2025, and these factors are expected to contribute in FY2026.

Bangladesh's economy faces challenges, including limited reserves, strained investor confidence, shifting buyer preferences, and potential impacts from global trade tensions and geopolitical instability. Limited fiscal space due to a low level of revenue mobilization hinders expected public investments. A provisional estimate from the NBR suggests a shortfall of the revenue target by a wider margin. In June, revenue collection was severely hampered by the shutdown activities of NBR officials against a decision to separate NBR into two separate divisions. However, good sense prevailed, and all sorts of subversive activities were withdrawn, and revenue collection resumed.

Structural reforms and economic policy reorientation, focusing on innovation and stimulating investment, including FDI, are considered crucial for strengthening the economy and enhancing resilience to future shocks.

Bangladesh Presents its Third VNR to High Level Political Forum of the UN



Bangladesh presented its third Voluntary National Review (VNR) at the High-Level Political Forum on Sustainable Development at the United Nations on July 18, 2025. A team comprising Dr. Anisuzzaman Chowdhury (Special Assistant to Honorable Chief Adviser), Lamiya Morshed (SDG Principal Coordinator), Dr. Monzur Hossain (Member, General Economics Division), and Shihab Quader (SDG Director General) attended the Forum. The VNR 2025 highlights the advancements, challenges, and significant changes that have taken place in the past few years. The report, prepared during a period of institutional and political changes, demonstrates the country's renewed and steadfast commitment to advancing the 2030 Agenda through evidence-based policymaking, inclusive governance, and participatory development.

National statistics, local stories, and policy insights were compiled through an extensive and inclusive consultation process. Civil society, the private sector, and development partners all played significant roles in this process. More than 4,000 individuals contributed to shaping the findings. The report does not simply record outcomes—it captures lived experiences.

Bangladesh's performance for goals, such as SDG-1 (No Poverty), SDG-2 (Zero Hunger), SDG-3 (Good Health and Well-Being), SDG-4 (Quality Education), SDG-6 (Clean Water and Sanitation), SDG-7 (Clean Energy), and SDG-9 (Industry, Innovation, Infrastructure), has been quite satisfactory. However, it is nearly off track in achieving goals, such as SDG-5 (Gender Equality), SDG-10 (Reduced Inequalities), SDG-11 (Sustainable Cities and Communities), SDG-14 (Life Below Water), SDG-15 (Life on Land), and SDG-17 (Partnership), and needs to expedite its implementation progress. Stagnated performance of these SDGs is attributed to the weaknesses of institutions, compromised peace and justice, which are reflected in poor performance of SDG-16 (Peace, Justice, Institutions). Therefore, Bangladesh requires a steadfast commitment and a serious level of intervention to improve SDG 16, and therefore, the government is now focusing on reclaiming institutional integrity through various reform initiatives.

It also dedicated a chapter to assess who's left behind and why. It's based on interviews with individuals whose lives frequently fall outside of policy framework: individuals living with disabilities, minority ethnic groups, working children, women vulnerable to violence, and climate-displaced communities. Fixing this requires more effort and resources. It involves utilizing actual resources, listening more minutely, and designing systems that work for everyone. The report acknowledges the role of civil society, for example, through networks like the Citizens' Platform for SDGs, in amplifying these voices and bringing them to the attention of policymakers.

The VNR also highlights the new initiatives and reforms that have been undertaken so far. The mid-2024 political changes marked a turning point. The uprising of youths led to the formation of a new government, one that came with promises of reform, accountability, and a shift in how development is conceived and implemented. To recover the economy from the damage caused by the previous repressive regime, a Task Force was formed to provide guidelines on re-strategizing the economy for equitable and sustainable development. A total of eleven reform commissions were formed, including those for the reforms in the constitution, electoral system, police administration, public administration, anti-corruption, gender inequality.

Along with this, new initiatives were undertaken, including formalizing informal work, supporting small and medium-sized enterprises (SMEs), building climate-resilient infrastructure, and piloting universal health coverage. The approach was different—less centralized, more responsive, more open to the public's ideas. These are only beginning to materialize, but they suggest a transformation to achieve a development model based on trust, equity, and shared responsibility.

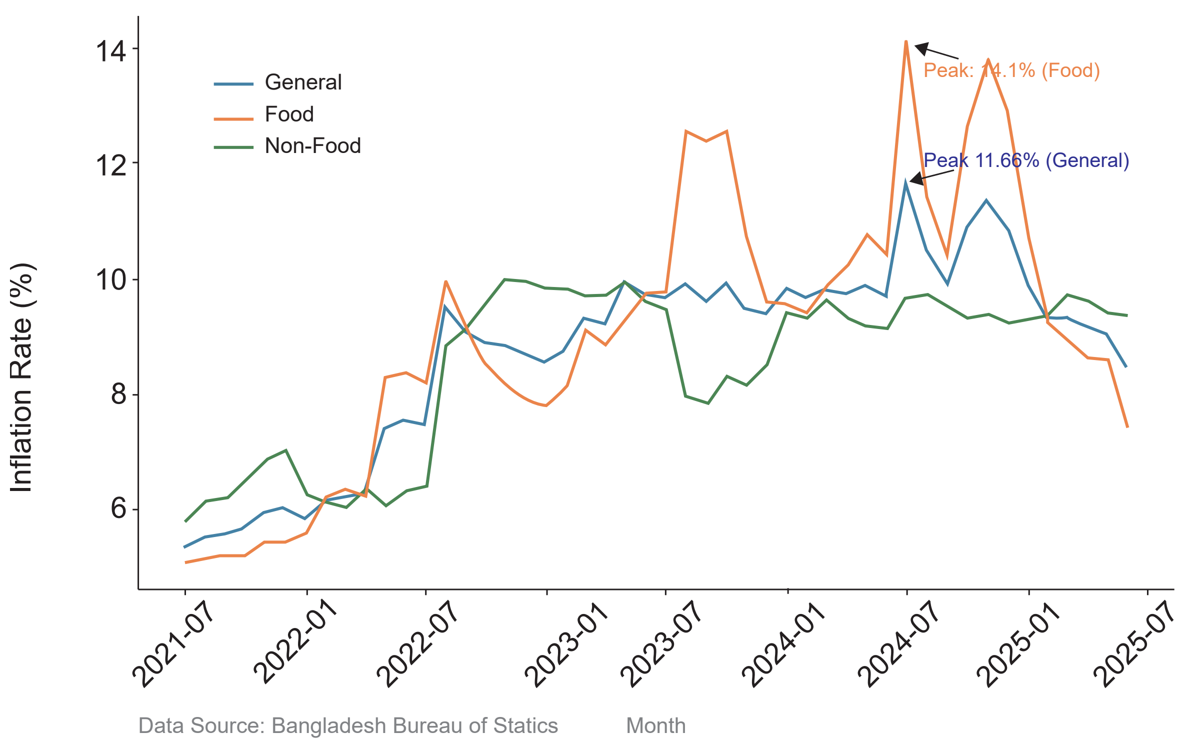
Finally, it reaffirms the government's commitment to the faster implementation of the SDGs. It urges regional and international cooperation in specific areas, including financial and technological support, equitable transboundary water sharing, international migration, international trade, and economic integration. The way forward revolves around five critical areas: establishing better local government; enhancing digital services; developing climate-resilient water, health, and education systems; improving the transparency and responsiveness of planning; and bridging the gap between words and action. The graduation out of LDC status in 2026 brings a sense of urgency—and of opportunity. The country must be able to attract new investment, increase exports, and prepare its citizens for the next-generation economy.

Acknowledgments: The data used in this report were provided by the Bangladesh Bureau of Statistics (BBS), Bangladesh Bank and the Finance Division.

Annex:

Tables and Figures

Figure 1: Inflation trend since July 2021



Data Source: Bangladesh Bureau of Statics

Figure 2: Change in CPI in the variety of rice in the last 12 months

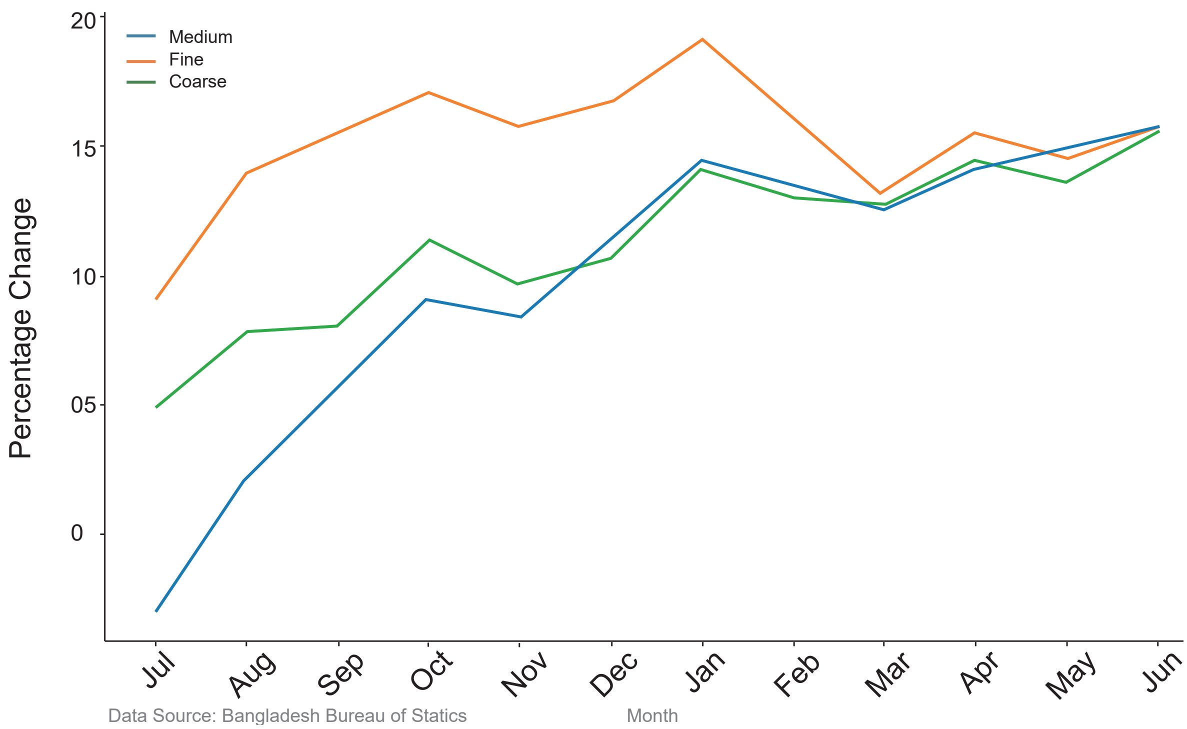


Figure 3: Contribution of food items (broad) to food inflation in June 2025

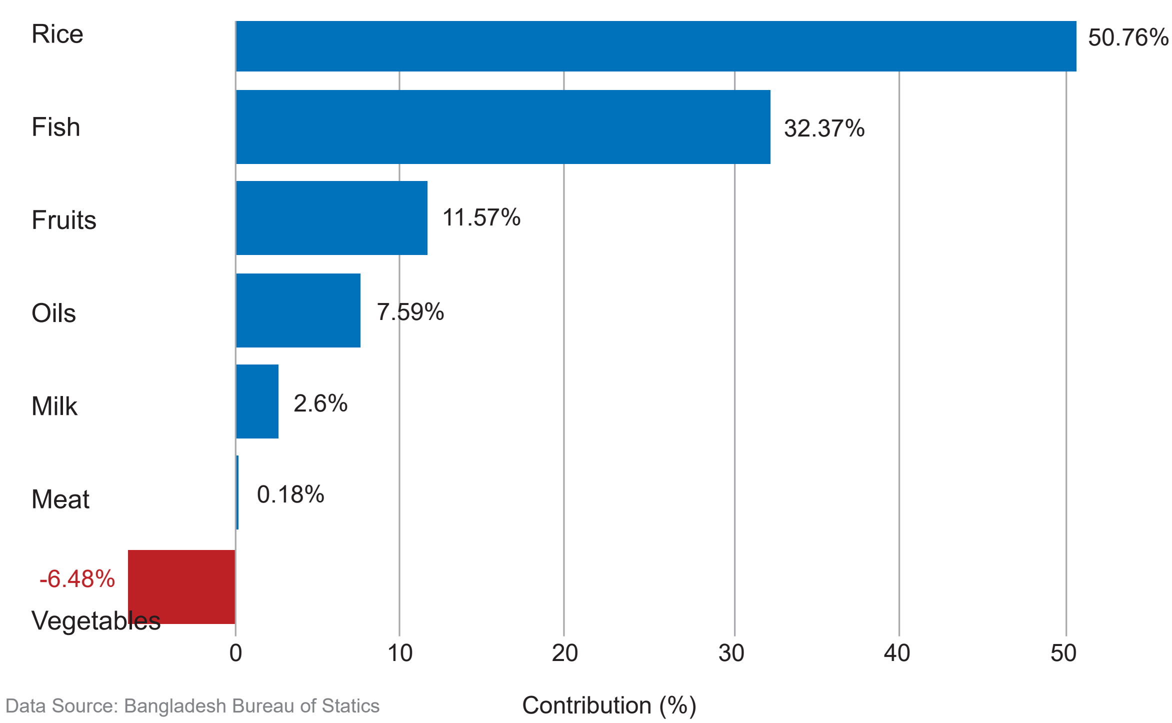
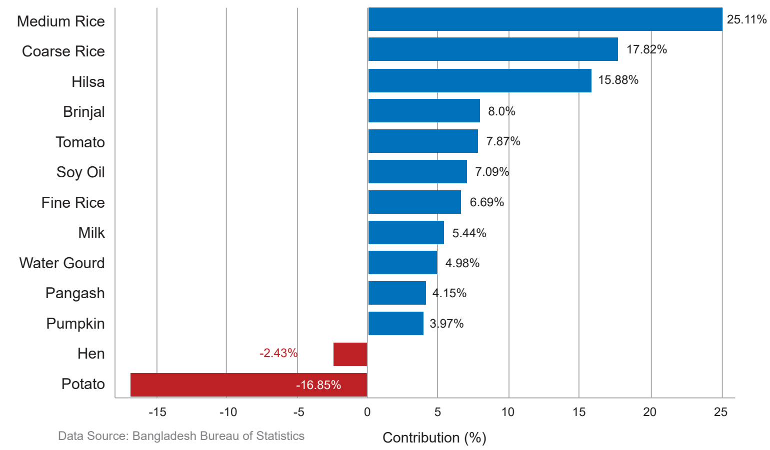
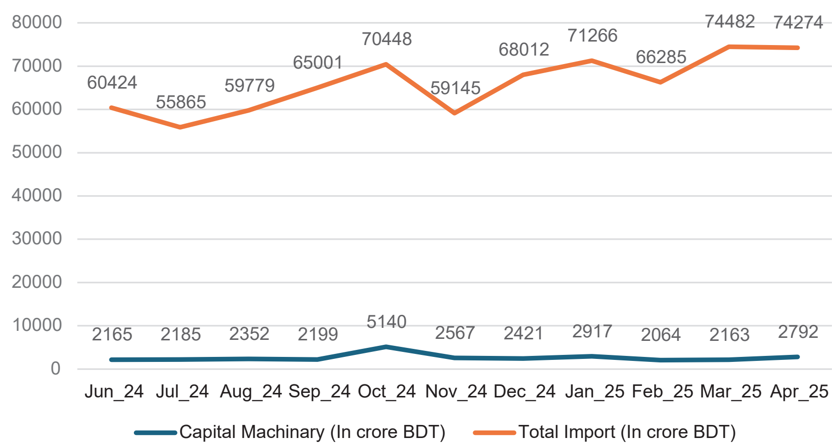


Figure 4: Contribution of food items (disaggregated) to food inflation in June 2025



Data Source: Bangladesh Bureau of Statistics

Figure 4: Contribution of food items (disaggregated) to food inflation in June 2025



Source: Bangladesh Bank

Presenting Bangladesh's third VNR Report at the High Level Political Forum on Sustainable Development at the United Nations on 18 July 2025

The VNR delegation with Civil Society participants and Bangladesh Permanent Mission officials


Showcasing the VNR Report with ECOSOC President Mr. Robert Rae