

# ECONOMIC UPDATE & OUTLOOK SEPTEMBER 2025



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

## ECONOMIC UPDATE

### Highlights

- *Non-food inflation started falling down. Rice price slightly declined from previous months.*
- *The external sector shows resilience with a significant increase in remittances, stable exchange rate and upward trend of exports.*
- *Revenue mobilization effort shows positive sign in August.*
- *ADP utilization slows down, only 2.39% in July-August, FY 25.*

### Inflation falls further, mainly driven by non-food inflation

Although, inflation rose slightly up in July after seven months of consecutive fall, it went down to 8.29 percent in August. The last time headline inflation recorded lower than this was in July 2022 when inflation hit 7.48 percent. This is a tremendous development as in the last monthly economic update it was apprised that a slight upward movement of inflation should not be concerning. After a period of double-digit inflation from July 2024 to December 2024, inflation overall gradually fell down to 9 percent in May and now closing to 8 percent. Food price inflation after undergoing a periodic upheaval during the period August 2023 – January 2025, comes

to stabilization at 7.6 percent, registering under 8 percent for the last three consecutive months. During the period of disruption, food inflation remained over double digit, peaking at 14 percent in July 2024.

The non-food inflation also recorded a downward trend as it comes down under 9 percent, the first time after 20 months since January 2024. This is encouraging to see that it brought the overall inflation down despite a marginal increase in food inflation. It is the result of continued effort both from maintaining fiscal discipline, resorting to tight monetary policy, addressing supply side constraints, exchange rate stability and favorable global market. Food and Agriculture Organization (FAO) Cereals price index keeps falling since February although Food Price index remained higher at 130 in August 2025 as compared to 121.7 in the last year. FAO all rice price index also continues to fall from 134 in August 2024 to 101.4 in August 2025.

On the broad category of food, contribution of rice remained higher at 48.37 percent in August 2025 to food inflation, a slight improvement from 51.55 percent in July.

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Other contributors include fish (27.28%), fruits (9.76%), oils (7.93%). Vegetables registered a drop of 0.12 percent in August compared to 6.48 percent in July. At the disaggregated level, major contributors comprise medium rice (21.77%), coarse rice (17.72%), pangas (8.93%), fine rice (7.09%), soyabean oil (7.66%). Potato and onion registered 15.56 percent and 4.38 percent fall of contribution, aiding to lower food inflation.

### **Rice prices are likely to decrease in the coming months**

Since December 2024 rice inflation remained over double-digit reaching 15.52 percent in June 2025. All three categories of rice see a rise of inflation to over 15 percent for the third consecutive months except for medium rice which recorded 13.95 percent in August, a bit lower than previous month's 15.32 percent. Although Boro paddy yield raised the expectation of lower prices of rice since June, the market did not show any reflection of it. The government could have acted faster if real time monitoring of production, demand and stock were available, yet efforts were made in the late July.

According to Ministry of Food, in 2025, a total of 1.7 million metric ton of Boro paddy/rice was procured. As of 17 September 2025, the collection of food grain by the government reached 1.82 million metric ton, of which 1.72 million metric ton of rice, 81,711 metric ton wheat and 19,533 metric ton of paddy. In the last month, the government decided to import half million tons of rice duty free as part of stabilizing the rice market. Since 12 August, private importers started importing as the government granted approval. Benapole Land Port resumed import of rice after 4 months. In terms of distribution, a total of 5,74,124 metric ton of rice was distributed during 01 July – 11 September 2025, significantly higher than 3,10,581 metric ton

of the same period in the previous year. All these evidences suggest, prices of rice may fall in the coming months if no supply side issues arise.

### **Resilient and Promising External Sector Outlook**

Bangladesh's external sector has demonstrated remarkable resilience and positive momentum over the past year, reflecting strong fundamentals and effective macroeconomic management. Export earnings have consistently remained robust, with several months surpassing the \$4,000 million mark, signaling growing global demand for domestic products and the competitiveness of local industries. The exchange rate has remained stable and predictable, with the bilateral rate hovering around 120–122 BDT/USD and the REER showing healthy fluctuations, supporting trade confidence and investment attraction. Complementing these trends, foreign exchange reserves have steadily increased, providing a solid cushion to meet trade and debt obligations while ensuring macroeconomic stability. Together, these factors highlight a well-balanced external sector, positioning Bangladesh for sustained export-led growth, strengthened investor confidence, and resilience against global uncertainties.

### **Sustained Growth Momentum in Export Earnings**

Export earnings have shown encouraging resilience with consistent performance across the year, reflecting the competitiveness and adaptability of domestic industries in global markets. Notably, earnings crossed the \$4,000 million mark in several months, with remarkable peaks in December 2024 (\$4,627.49 million), May 2025 (\$4,737.85 million), and July 2025 (\$4,770.59 million). Even in months of relative moderation, earnings remained robust, demonstrating the sector's strong foundation.

This positive trend highlights growing international demand for local products and signals optimism for sustained export-led growth in the coming months.

### **Stable and Competitive Exchange Rate Environment**

The exchange rate dynamics between the Bangladeshi Taka (BDT) and the US Dollar have shown stability and competitiveness over the past year, supporting both trade and investment confidence. While the bilateral rate remained relatively steady around 120–122 BDT/USD, the Real Effective Exchange Rate (REER) exhibited healthy fluctuations, reflecting strong external sector performance and balanced price competitiveness. The upward movements in REER, particularly in December 2024 (124.92) and August 2025 (126.31), indicate a slight erosion of price competitiveness. Overall, this stable and competitive exchange rate environment bodes well for export growth, investment attraction, and macroeconomic stability. Exchange rate should be managed prudently with a policy of short-term stability and long-term flexibility.

### **Steady and Predictable Exchange Rate Trend**

The daily exchange rate of the Bangladeshi Taka against the US Dollar from 21 August to 16 September 2025 has remained remarkably stable, fluctuating narrowly around 121.6–121.99 BDT/USD. This consistent performance reflects a well-managed foreign exchange market and reinforces investor and trader confidence. The minimal volatility over this period supports smoother trade settlements, import-export planning, and overall macroeconomic stability. Such predictability in the exchange rate is a positive signal for sustained economic activity and external sector resilience.

### **Strong and Growing Foreign Exchange Reserves**

Bangladesh's foreign exchange reserves have shown a robust and upward trend over the past year, reflecting strong external sector fundamentals and effective reserve management. Gross reserves rose from \$24.86 billion in September 2024 to \$31.17 billion by August 2025, while BPM6-based reserves similarly increased from \$19.86 billion to \$26.17 billion over the same period. The notable peaks in June 2025 (\$31.72 billion gross) and August 2025 (\$31.17 billion gross) highlight a solid cushion to support trade, debt obligations, and macroeconomic stability. This sustained accumulation of reserves underscores confidence in Bangladesh's external sector and positions the economy well to navigate global uncertainties.

### **Bank Deposit and Credit Growth**

The financial sector of Bangladesh in July and August 2025 continued to navigate a challenging landscape marked by the persistent effects of the Bangladesh Bank's (BB) contractionary monetary policy and ongoing economic uncertainties. While there were some signs of macroeconomic stability, particularly in the external sector, the domestic financial system showed a clear divergence between deposit growth and private sector credit expansion. This period, which marked the beginning of the new fiscal year (FY26), saw a continuation of trends from the previous months, with a sluggish trend of investments demand.

**Deposit Growth:** Deposit growth in the banking system showed a moderating trend in the initial months of FY26. The year-on-year growth rate for deposits stood at 7.77% at the end of June 2025, a decrease from 9.25% in the same period a year earlier. While a temporary surge was observed in March 2025, largely due to strong remittance inflows and restored public confidence, this momentum did not fully carry into July and August.

The primary factors influencing the subdued deposit growth are high inflation, reduced liquidity and focus on time deposits etc.

**Credit Growth:** Domestic credit growth in Bangladesh continued its deceleration, reaching 7.97% at the end of June 2025, down from 9.80% a year before. This overall figure, however, masks a significant and concerning divergence between public and private sector lending.

**Private Sector Credit:** This was the most concerning aspect of the financial landscape. Private sector credit growth plummeted to a historic low, recorded at 6.49% at the end of June 2025. This figure is well below the central bank's target and highlights a deep-seated reluctance by businesses to invest and expand. High-Interest rates, Political and Economic Uncertainty and Cautious Lending are the key reasons for this.

**Public Sector Credit:** In stark contrast, credit to the public sector saw a robust increase of 13.09% at the end of June 2025, up from 9.66% a year earlier. This expansion was driven primarily by the government's need to finance its expenses, which has been exacerbated by a shortfall in tax revenue collection. The government's reliance on the banking system to cover its fiscal deficit effectively "crowded out" the private sector, leaving little room for productive, private investment.

The period of July and August 2025 demonstrated the mixed results of Bangladesh Bank's policies. While the central bank's tight monetary stance contributed to a gradual easing of inflation and a rebuilding of foreign exchange reserves, it came at a significant cost to the private sector. The historic low in private sector credit growth signals a serious challenge to future economic activity and job creation.

The continued, high reliance of the government on bank borrowing further complicates the situation. For a sustainable and robust economic recovery, it will be crucial to stimulate private investment and find a balance between containing inflation and fostering an environment conducive to business growth.

### **Revenue Collection improved in August 2025**

The National Board of Revenue (NBR) collects revenue from three major sources, including, revenue at import and export level; value added tax (VAT) at local level; and income tax and travel tax. Revenue target for the FY 2025-2026 was BDT 499000 crores in total and for August 2025, it was BDT 30889 crores. In August 2025, Revenue collection from the three sources was BDT 27162 crore which was BDT 3727 crore less than the target for that month. Revenue at import and export level decreased by BDT 2416.35 crores; and income tax and travel tax decreased by BDT 1729.75 crores whereas value added tax (VAT) at local level increased a bit by BDT 418.8 crores compared to the target of August 2025 of the FY 2025-2026. Overall, NBR's revenue collection for the month of August of the FY 2025-2026 demonstrated a negative trend with the proposed target for the three sources of revenues.

Moreover, revenue collection from the three sources for August 2025 of the FY 2025-2026 significantly rises from the collection of August 2024 of the FY 2024-2025. Total NBR revenue collection in August 2025 of the FY 2025-2026 was BDT 27162 crores which was BDT 23089.37 crores in August 2024 of the FY 2024-2025 indicating a positive growth of total BDT 4072.63 crores. The growth percentage with respect to August 24 of the FY 2024-2025 is 17.63%, which is optimistic yet a long way to run to achieve the target.

**ADP utilization slows down, requires action**

ADP utilization dropped from 2.57% of allocation in July–August 2024–25 to 2.39% in the same period of 2025–26. Though the difference appears marginal, it is significant in terms of fiscal discipline, as it reflects that a smaller portion of available resources is being deployed early in the year. This decline suggests persistent challenges in timely fund release, bureaucratic delays, or lack of project execution capacity, potentially setting the stage for another year of back-loaded spending.

The utilization in the month of August improved slightly year-on-year, from 1.52%

of allocation in 2024 to 1.71% in 2025. This incremental progress suggests a modest strengthening of early implementation capacity compared to the previous year. However, the overall levels remain low relative to the total allocation, meaning that despite marginal gains, Bangladesh continues to face structural bottlenecks in achieving timely and balanced execution of development spending.

**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 2022

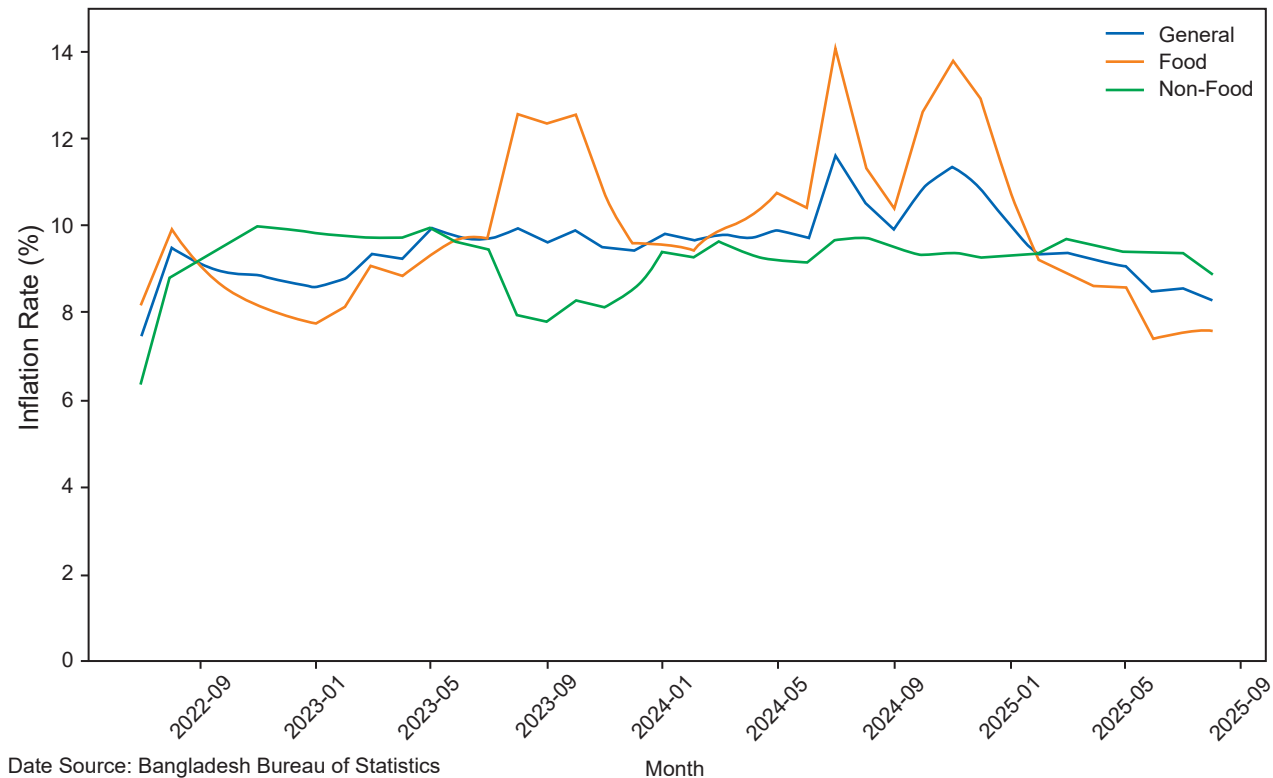


Figure 2: Change in CPI in the variety of rice in the last 14 months

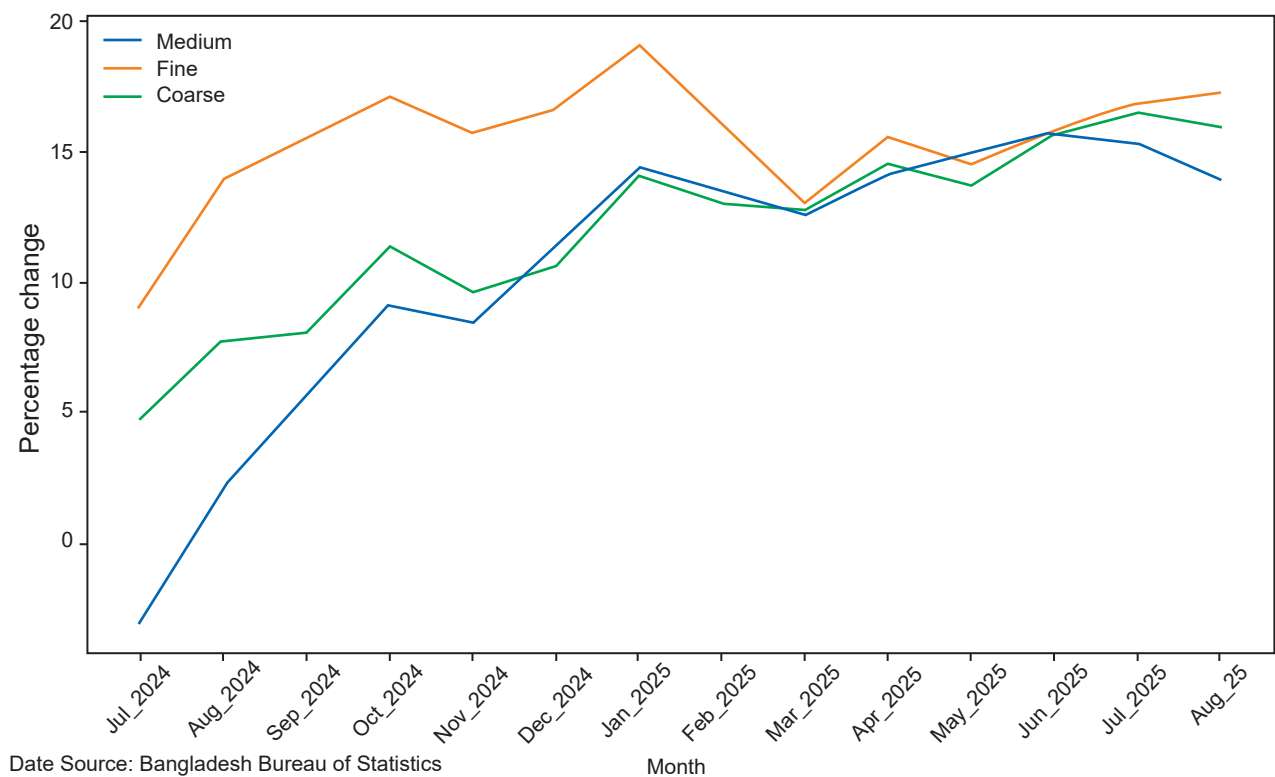


Figure 3: Contribution of food items (broad) to food inflation in August 2025

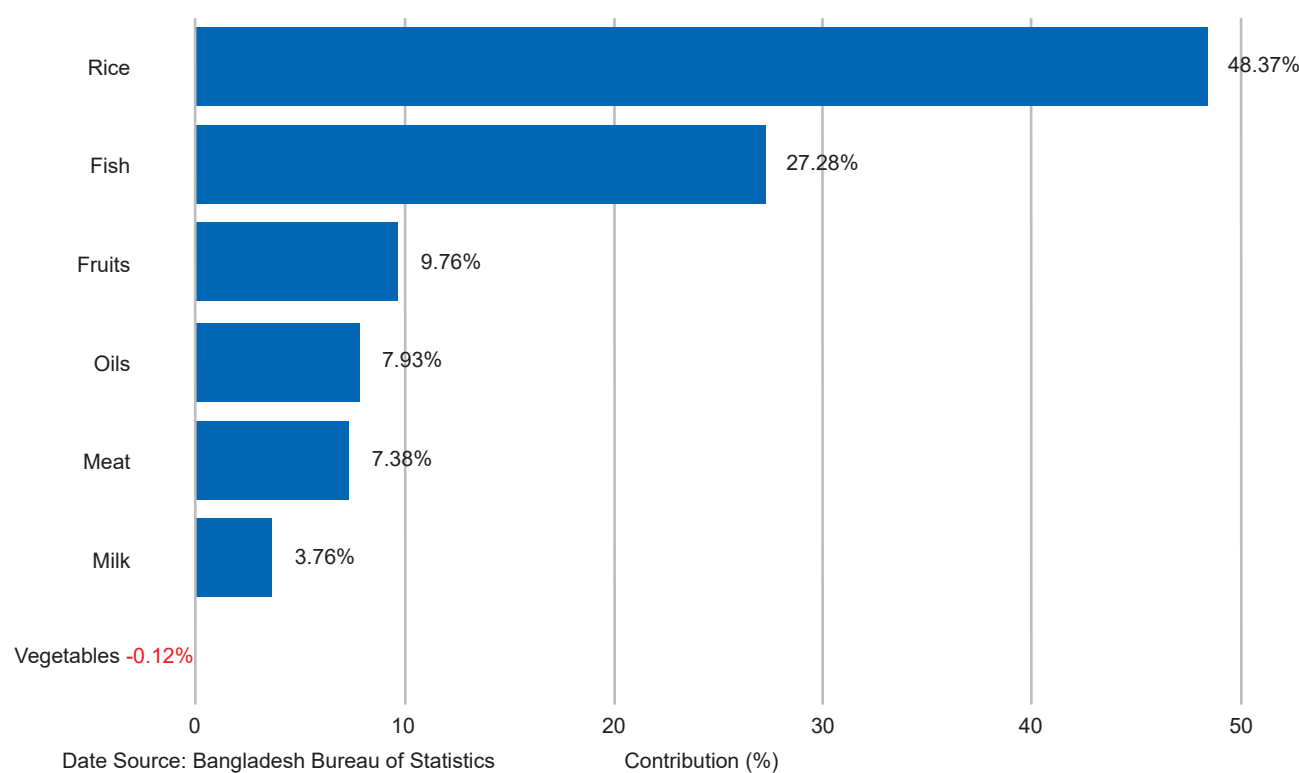




Figure 4: Contribution of food items (disaggregated) to food inflation in August 2025

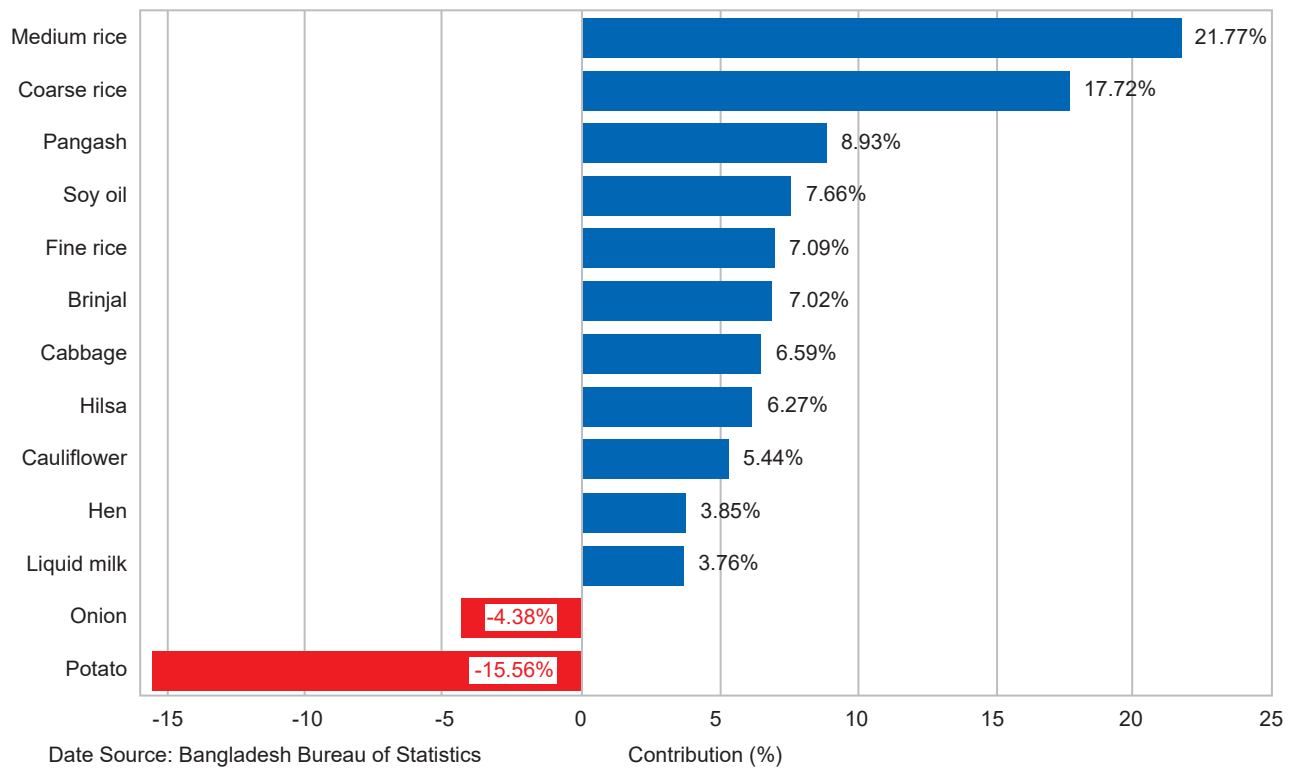
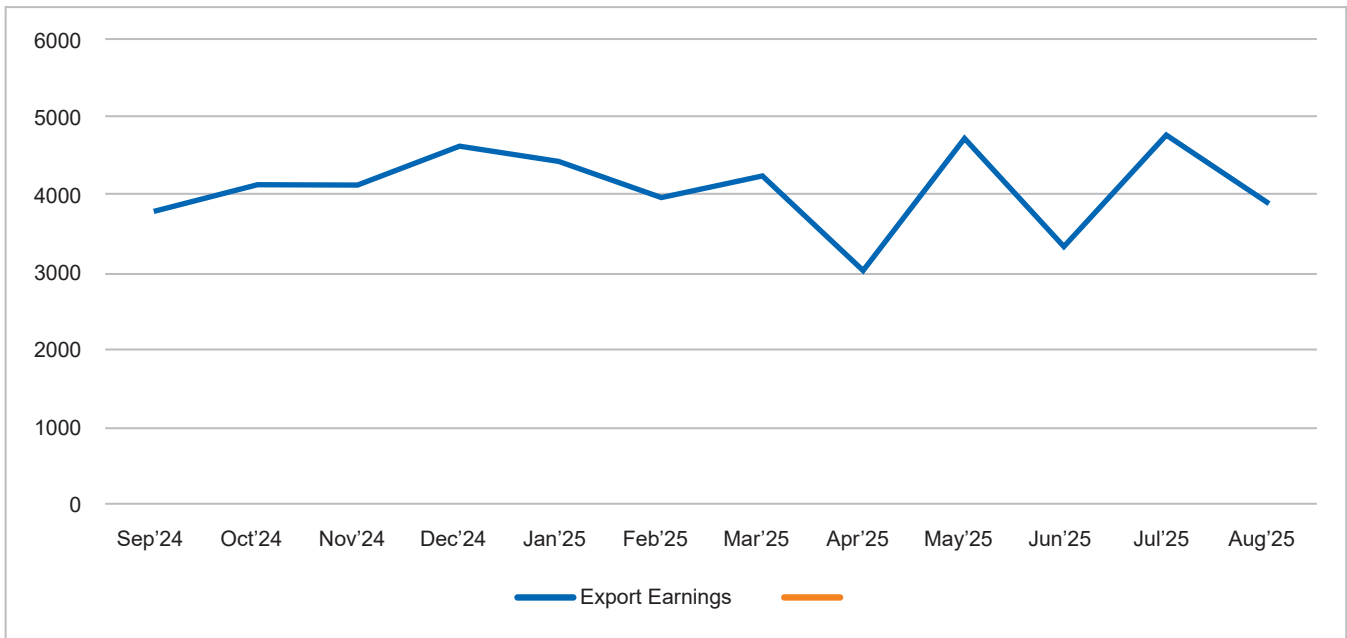
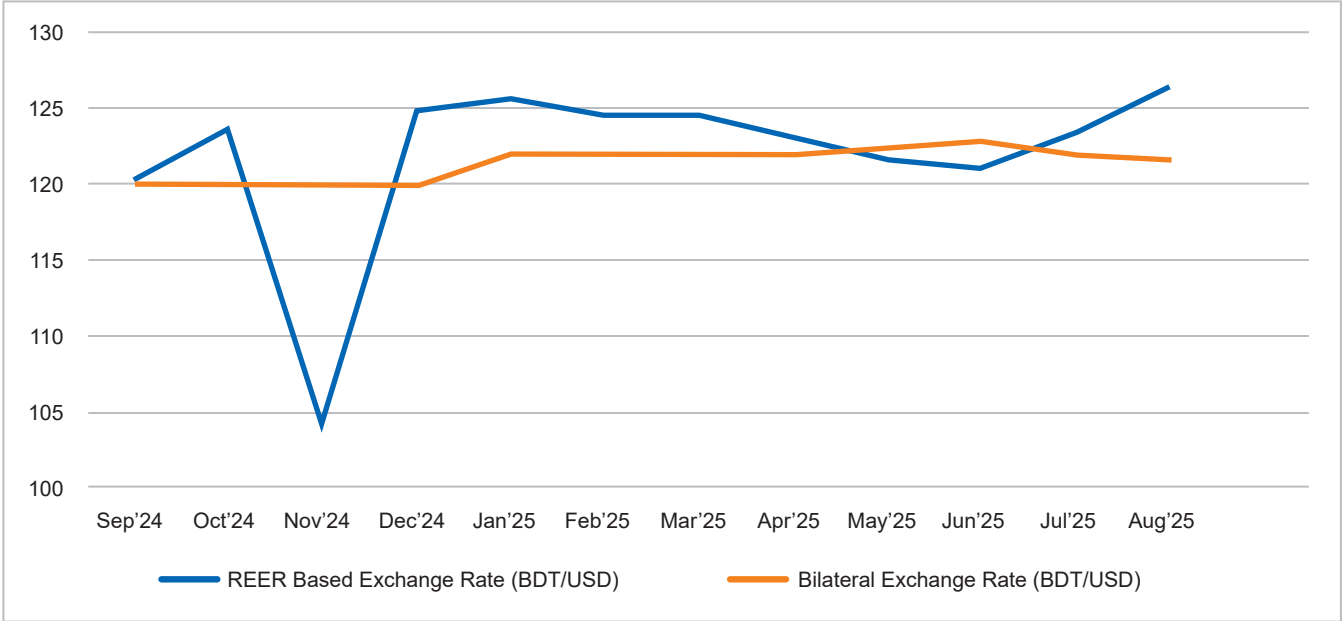


Figure 5: Monthly export trends (million USD)



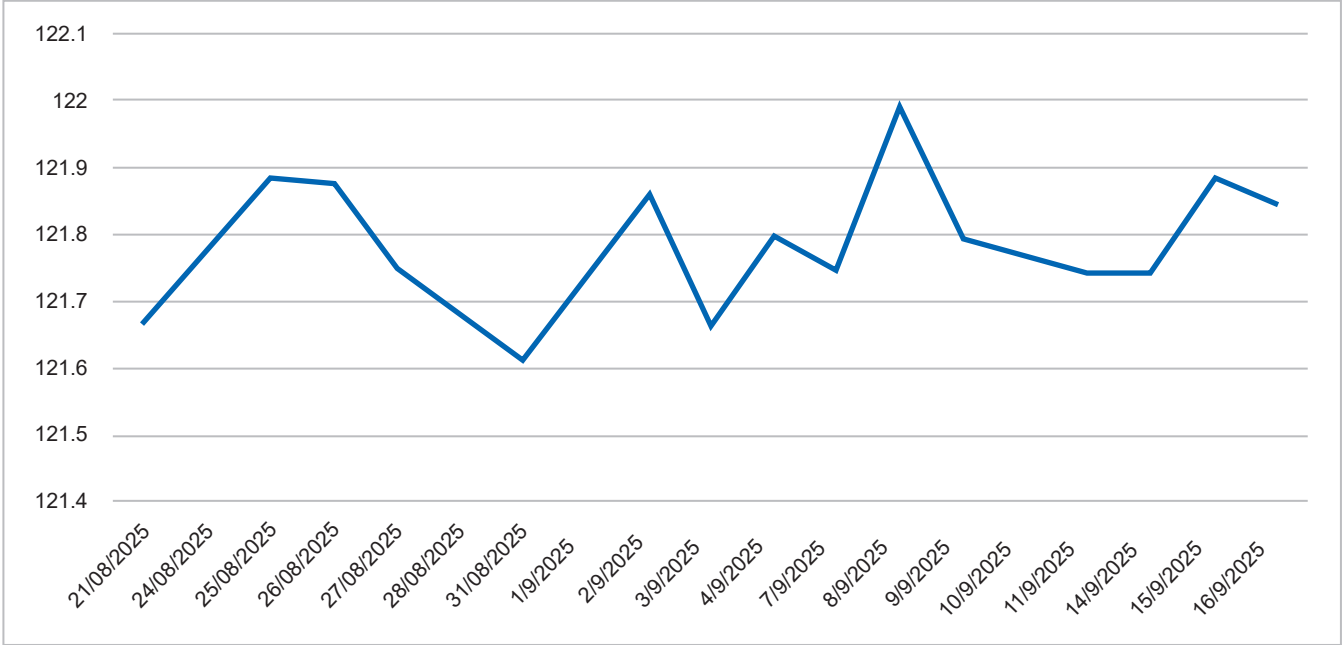
Source: Export Promotion Bureau

Figure 6: REER based and bilateral exchange rate (BDT/USD)



Source: Bangladesh Bank

Figure 6: Daily exchange rate (21 August – 16 September 2025)



Source: Bangladesh Bank