



ECONOMIC UPDATE

Highlights

- *Rice prices start falling down due to prompt action by the government.*
- *Exports slow down while exchange rate remains stable.*
- *Private sector credit narrows down while deposit grows substantially.*
- *Revenue growth gains pace amid administrative reforms.*

Inflation edges up slightly in September

Inflation remained stable and elevated over the last four months, beginning in June 2025, when it dropped to 8.48 percent from 9.05 percent in May. It went up marginally from 8.29 percent in August to 8.36 percent in September. Food inflation and non-food inflation also followed a similar pattern with a rise of 0.04 percentage points and 0.08 percentage points, respectively. The trend of inflation since August 2022 exhibits rigidity, with the average inflation during this period standing at 9.56 percent over the last 38 months. August 2022 seems to be a major turning point for overall inflation due to the fact that on 05 August, the government announced a price hike of fuel by more than 50 percent in the aftermath of the Russian–Ukraine war.

August 2022 witnessed a massive jump of more than 2 percentage points in inflation from July.

In the broad category of food, the contribution of rice reduced to 45 percent in September from 48.37 percent in August due to food inflation, which was 51.55 percent in July. Other contributors include fish (28.11%), meat (10.55%), fruits (9.76%), and oils (5.51%). Root crops and vegetables registered a decline to 7.93 percent and 1.46 percent, respectively, in September. At the disaggregated level, major contributors comprise medium rice (19.70%), coarse rice (16.65%), pangas (9.55%), fine rice (6.40%), soyabean oil (7.69%), and brinjal (7.05%). Potato and onion registered a 14.98 percent and 4.56 percent fall in contribution, aiding in lowering food inflation.

Rice prices start falling as anticipated

As projected in the last Monthly Economic Update in August, the prices of rice began to fall by one percentage point in September from August. Inflation in all three categories of rice fell in September. However, inflation for coarse rice and fine rice still stands at 15 percent.

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The government already approved the import of 50,000 tons of rice from India and 2,20,000 tons of wheat from the United States on 8 October to stabilize the supply in the market. The government also plans to import an additional 4 lakh metric tons by November to maintain food stock, as fresh paddy will not be available until December. As part of accelerating emergency procurement, the government reduced the international tender period from 27 days to 15 days. As of 15 October 2025, a total of 1.55 million metric tons of food grains are in stock under the government. In terms of distribution, in the current fiscal year as of 2 October, the amount increased by 24 percent to 8,16,343 metric tons from the last fiscal year of the same period. All these efforts by the government will likely have an impact on the moderation of rice prices in the coming days.

Steady Recovery in Foreign Exchange Reserves Reflects Strengthened External Position

Bangladesh's foreign exchange reserves showed a positive and steady recovery in the first quarter of FY2025–26, reflecting improved external sector stability and growing confidence in the economy. Gross reserves increased from USD 25.5 billion in March 2025 to USD 31.4 billion in September 2025, while reserves measured under the BPM6 framework rose from USD 20.4 billion to USD 26.6 billion during the same period. The upward trend indicates easing pressure on the balance of payments, supported by a rebound in export earnings, moderation in import payments, and stable remittance inflows. This consistent improvement in reserves also suggests a more balanced foreign exchange market and effective policy measures by the central bank to maintain exchange rate stability.

Exports slow after months of strong performance

Bangladesh's external sector showed mixed performance in September 2025. After maintaining export earnings above the USD 4 billion mark for several consecutive months, total exports declined to USD 3,627.6 million in September—down from USD 3,915 million in August and USD 4,770.6 million in July. This moderation was largely due to seasonal factors and slower shipments in the ready-made garment (RMG) segment, which still accounts for over 80 percent of total export receipts. However, non-RMG items such as jute goods, leather, and light engineering products continued to perform steadily, cushioning the overall downturn. Despite the monthly dip, cumulative export earnings for July–September 2025 remain robust compared to the same period a year earlier, reflecting Bangladesh's growing competitiveness and improved logistics efficiency. The external sector continues to demonstrate resilience supported by stable remittance inflows and a favorable exchange-rate environment.

Exchange Rate Stability and Gradual Competitiveness Gains in the External Sector

Bangladesh's exchange rate indicators remained broadly stable in the third quarter of 2025, reflecting steady management of the foreign exchange market and improved external sector confidence. The bilateral exchange rate hovered around BDT 121–122 per USD between June and September 2025, suggesting a period of nominal stability. Meanwhile, the Real Effective Exchange Rate (REER) showed a gradual increase—from 121.2 in June to 127.2 in September 2025—indicating a modest appreciation of the taka in real terms. This movement points to improving external competitiveness supported by higher productivity, moderate inflation differentials, and stable export performance.

Deposit growth rebounds while Credit expansion remains modest

During the period from August to October 2025, the financial sector of Bangladesh continued to operate under the significant influence of the Bangladesh Bank's (BB) contractionary monetary policy and stagnant credit growth. While the monetary stance appeared to contribute to a moderating inflation trajectory, the domestic financial system showed a deepening divergence between deposit accumulation and private sector investment. This quarter was characterized by a persistently cooling demand for credit from the private sector, contrasting sharply with the government's sustained high borrowing requirements.

Deposit Growth: Deposit growth in the banking system showed a moderating but fluctuating trend in the initial months of the new fiscal year (FY26). The year-on-year growth rate for total deposits in the banking system stood at 10.01 % at the end of August 2025. The growth rate of broad money (M2), a key monetary aggregate, was recorded at 7.78% on a year-on-year basis at the end of August 2025.

The subdued deposit growth is primarily influenced by high inflation, which continues to erode real disposable income and limit the capacity for household savings. However, reports indicate a shift in public confidence, leading to a surge of deposits in well-regarded private banks, even as overall systemic growth faces pressure.

Credit Growth: Domestic credit growth saw a slight acceleration, reaching 8.25% on a year-on-year basis at the end of August 2025. This overall figure, however, masks a significant and concerning divergence between public and private sector lending.

Private Sector Credit: This remained the most concerning aspect of the financial landscape.

Private sector credit growth continued its deceleration, slowing to 6.35% at the end of August 2025. This figure is a historic low and remains significantly below the central bank's projected targets. This sustained decline signals a deep-seated reluctance by businesses to invest and expand, which directly translates to reduced expansion and job creation. Key factors for this persistent weakness are high interest rates, cautious lending, political and economic uncertainty, etc.

Public Sector Credit: In stark contrast, Net Credit to the Government Sector maintained a robust increase, with year-on-year growth reaching 16.59% in August 2025. This expansion is driven primarily by the government's need to finance its fiscal deficit and expenses, exacerbated by a shortfall in tax revenue collection. The government's heavy reliance on the banking system to cover its fiscal deficit effectively continues to "crowd out" the private sector, leaving little room for productive, private investment.

The August-October 2025 period demonstrates the persistent trade-off inherent in Bangladesh Bank's policies. While the central bank's tight monetary stance contributed to a gradual easing of point-to-point inflation (which was 8.29% in August 2025), it came at a significant cost to growth. The historic low in private sector credit growth signals a serious challenge to future economic activity, and 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, find a balance between containing inflation, and foster an environment conducive to business growth.

Revenue growth gains pace amid administrative reforms, but targets remain challenging

Revenue performance in the early months of FY2025–26 presents a mixed picture.

The National Board of Revenue (NBR) collected around Tk 54,423 crore during July–August 2025, which is 21 percent higher than the same period last year. Despite this strong year-on-year growth, collections fell short of the internal target, mainly because of slower import activity that weighed on customs revenue.

According to NBR data, total revenue in August 2025 reached Tk 27,174 crore, falling short of the target of Tk 30,889 crore by nearly Tk 3,700 crore. The VAT wing performed the strongest, posting a robust 33.8 percent growth, followed by income tax, which rose by 24 percent year-on-year. However, customs revenue declined by about 4.5 percent, reflecting subdued external trade.

NBR has launched an extensive administrative reform and expansion plan aimed at improving efficiency and widening the tax net. Under the reform, 12 new Commissionerates and customs houses are being established across the country, creating nearly 3,600 new positions within the Customs and VAT wings. The restructuring is expected to modernize revenue administration, enhance monitoring capacity, and decentralize operations, including expanding customs activities at Dhaka airport's new terminal.

ECONOMIC OUTLOOK

The economic outlook presents a cautious optimism for the coming months. While inflation is easing up, a continued tight monetary stance wreaks havoc on private sector credit growth, vis-à-vis investments. However, significant deposit growth in the last few months is driven by restoring public confidence through government and central bank reforms, reducing Sanchaypatra (national savings certificate) interest rates to make bank deposits more attractive, and increasing e-money and agent banking.

Strong remittance inflows and efforts to channel government cash transfers through banks also contribute to the increase in deposits. As the election date approaches quickly, the economy will experience some election-related activities in the coming months, which will boost confidence among economic actors and investors.

SUSTAINABLE DEVELOPMENT GOALS: BANGLADESH PROGRESS REPORT 2025

General Economics Division (GED), Bangladesh Planning Commission has recently published the SDG Progress Report 2025. The report provides a comprehensive and in-depth assessment of the country's current progress towards achieving the Sustainable Development Goals (SDGs) by 2030. The report serves as both a stocktaking exercise and a roadmap, highlighting key achievements, existing challenges, and future policy directions.



The assessment shows that Bangladesh has performed well in some of the 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 (Affordable and Clean Energy), and SDG-9 (Industry, Innovation, and Infrastructure).

However, Bangladesh has made limited progress toward 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 (Partnerships). The outbreak of COVID-19, as well as internal and external conflicts, has significantly hindered the progress of the SDGs. More importantly, the stagnant performance on these goals is primarily due to the declining state of SDG 16 (Peace, Justice, and Strong Institutions). Therefore, efforts are needed to ensure access to justice for all and to build effective, accountable, and inclusive institutions at all levels, to accelerate progress toward SDG targets by 2030. The report highlights the importance of tackling governance, inequality, and climate resilience while reiterating the country's unwavering commitment to the 2030 Agenda.

GED hosts Consultative Workshop on SAARC Development Report

A two-day-long Consultative Workshop on the Preparation of the SAARC Development Report (SDR) was held in Dhaka during 15-16 October 2025. GED hosts this workshop with support from the Ministry of Foreign Affairs. The SAARC Secretariat, with technical and logistics support from ADB, organized the workshop. This is the first SDR that is planned to be finalized by the end of this year. Representatives from six member states, such as Bangladesh, Bhutan, Nepal, Pakistan, the Maldives, and Sri Lanka, attended the workshop. Dr. Monzur Hossain, Member (Secretary), General Economics Division, Bangladesh Planning Commission, graced the event as the chief guest. He emphasized the urgent need to rejuvenate regional cooperation under SAARC to achieve inclusive and sustainable development in South Asia. Recalling SAARC's founding in Dhaka in 1985, he noted that although the regional process has slowed in recent years, the core spirit of cooperation remains strong.

The forthcoming SDR, he highlighted, should serve not merely as a technical document but as a strategic blueprint that aligns national priorities with regional goals and the global Sustainable Development Goals (SDGs). He underscored that South Asia—home to one-fourth of the world's population—must strengthen collaboration in poverty alleviation, inequality reduction, gender equality, climate resilience, and good governance to accelerate SDG progress.



With intra-regional trade still below 6 percent of total trade, he called for the removal of non-tariff barriers, enhanced logistics, and expanded cross-border connectivity—both physical and digital. Rural development, digital inclusion, and regional data sharing were highlighted as crucial to ensuring that growth benefits reach all communities. He urged that the SDR be prepared through broad consultation and implemented efficiently, transforming it into a platform for concrete regional action and partnership. The event concluded with a call for renewed trust, solidarity, and collective effort to build a more connected, resilient, and prosperous South Asia.

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Annex: Tables and Figures

Figure 1: Inflation trend since July 2022

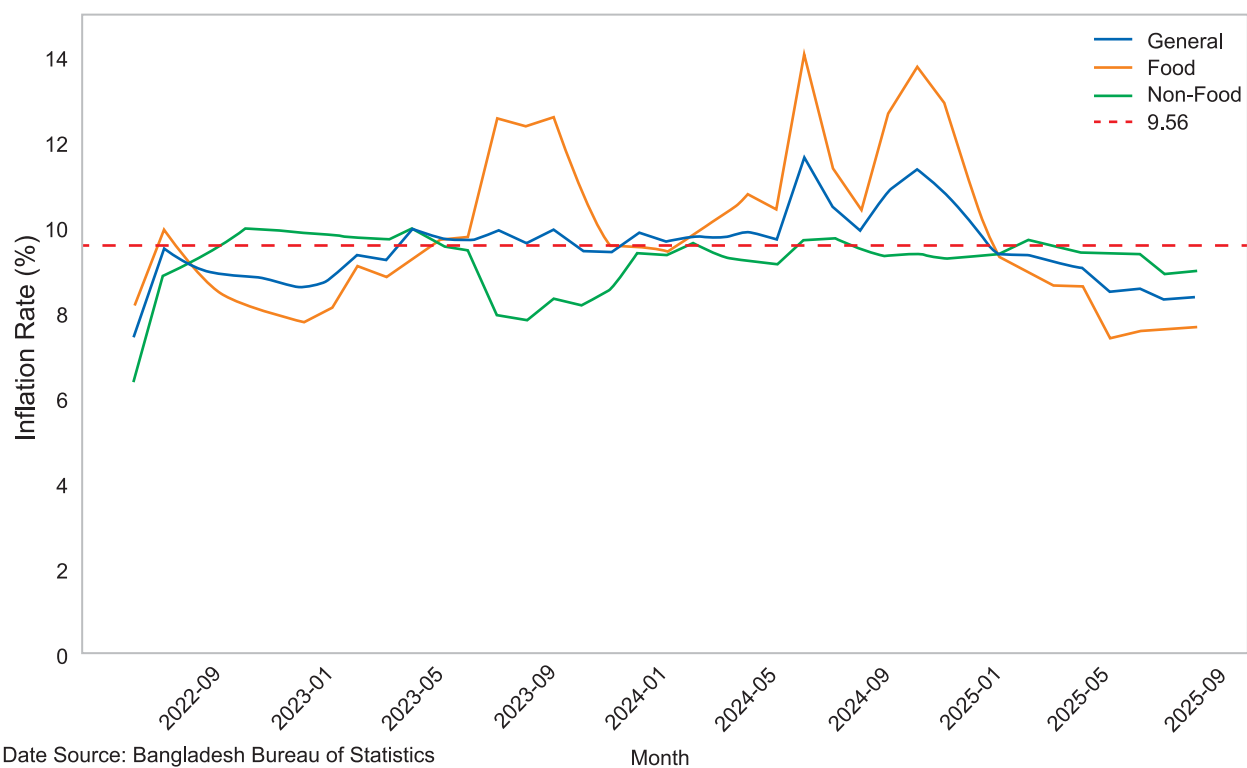


Figure 2: Change in CPI in the variety of rice in the last 15 months

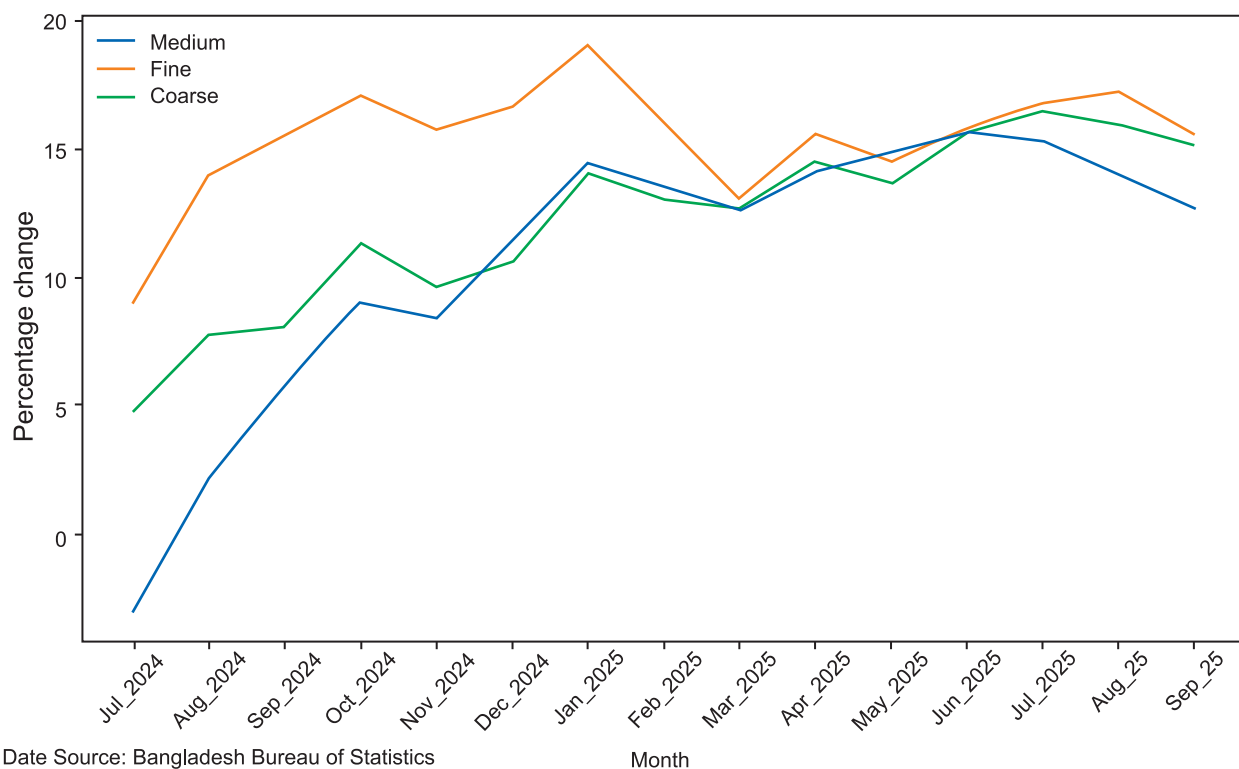


Figure 3: Contribution of food items (broad) to food inflation in September 2025

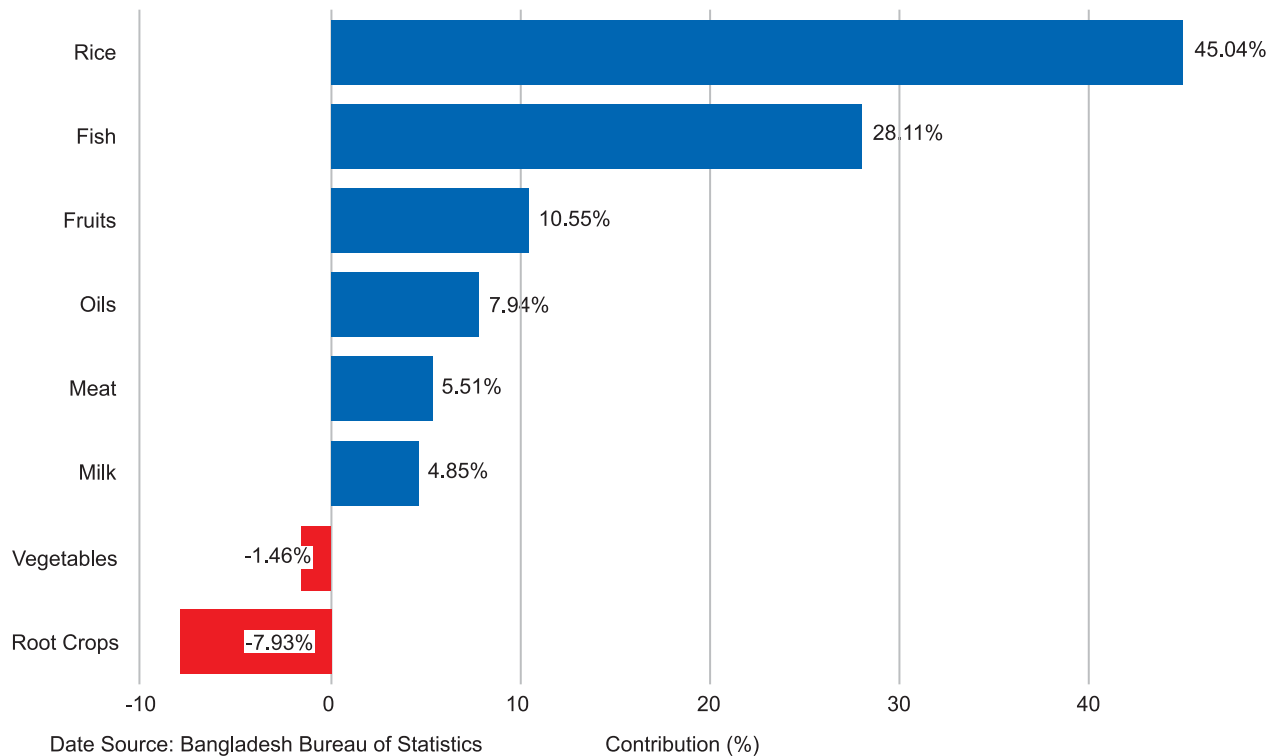


Figure 4: Contribution of food items (disaggregated) to food inflation in September 2025

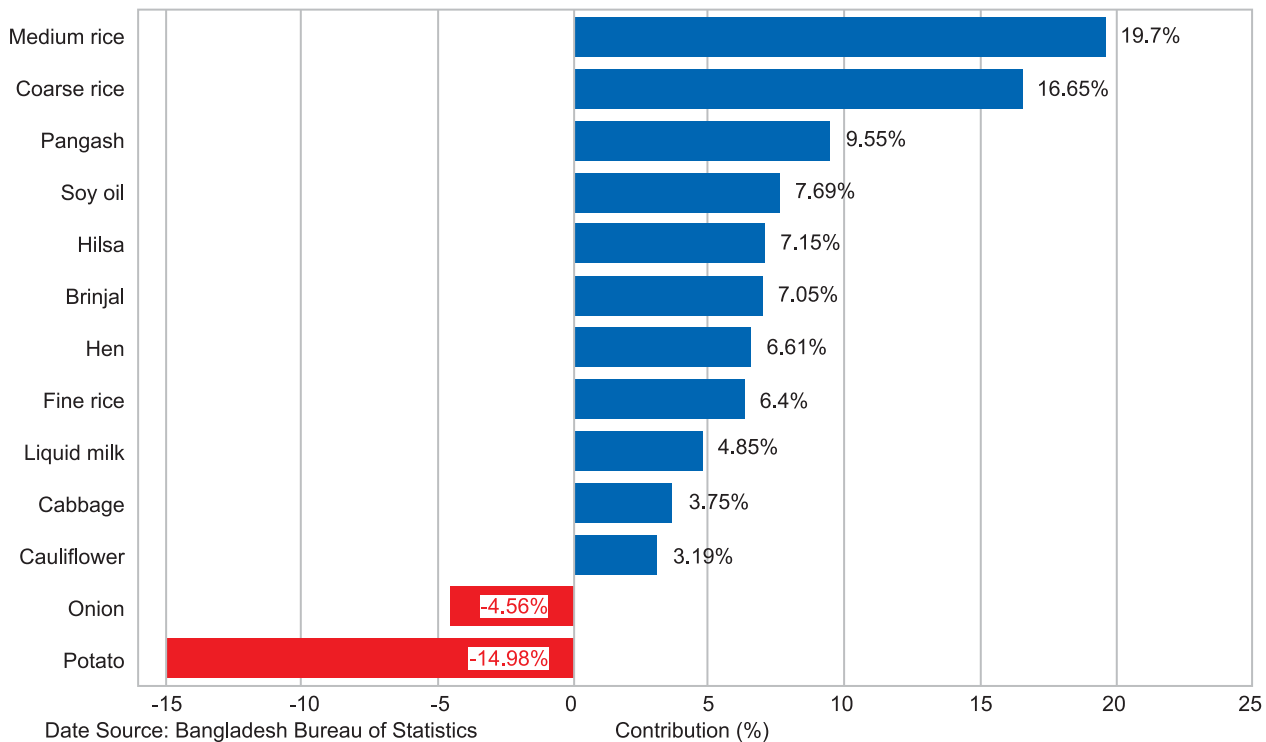
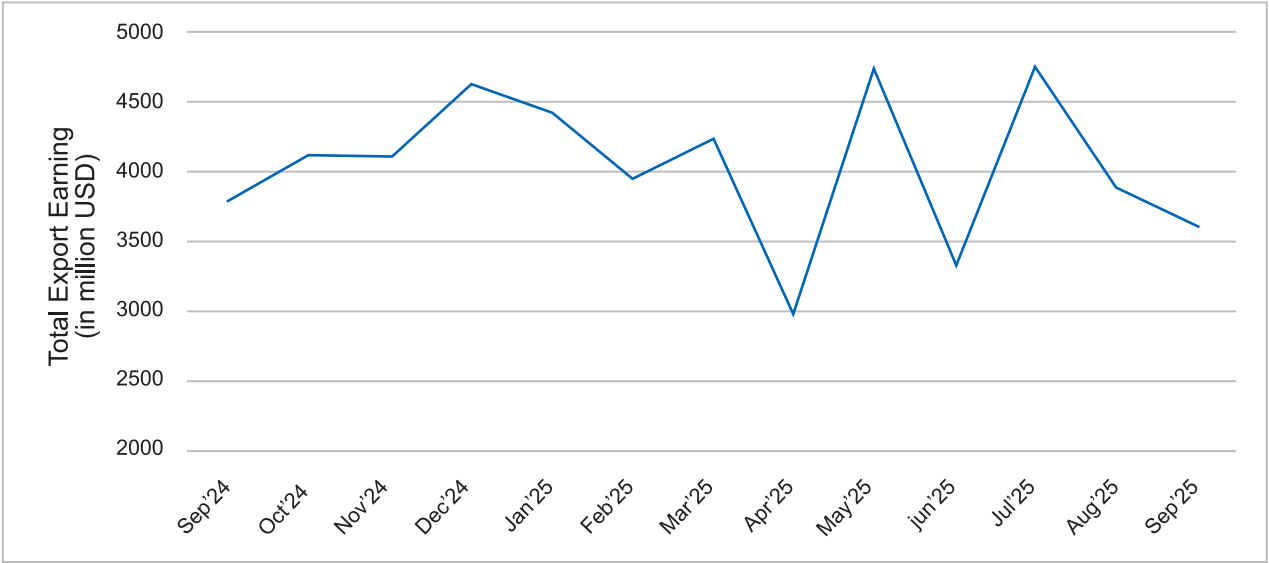
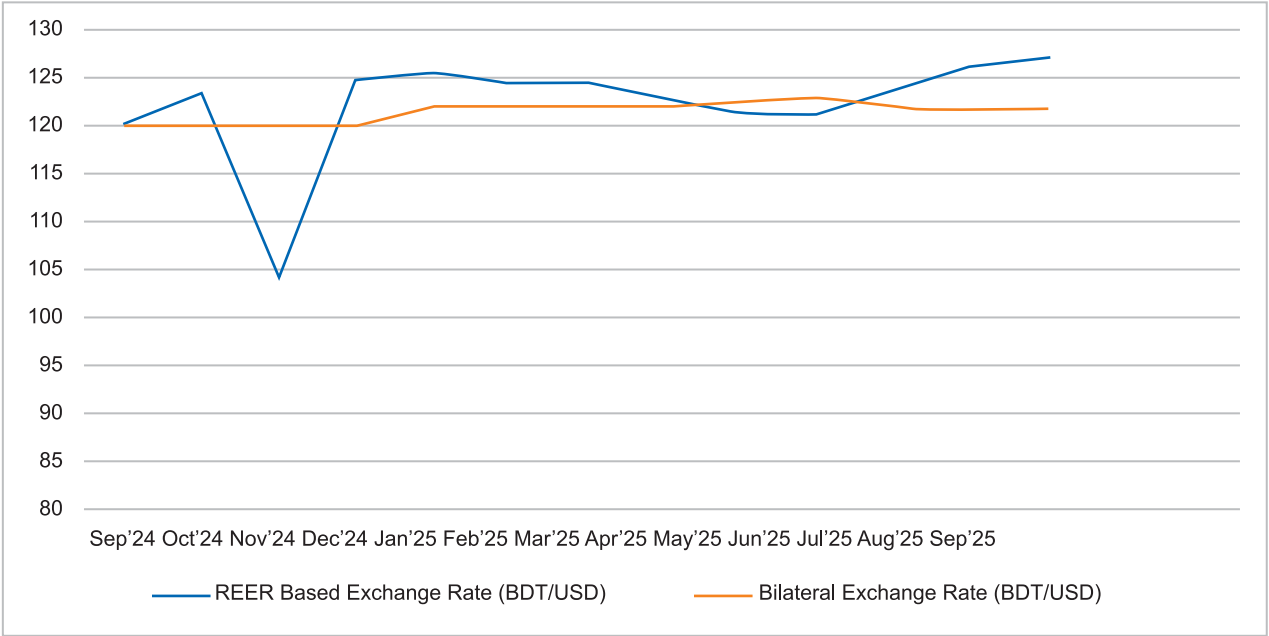


Figure 5: Monthly export trends (million USD)



Source: Export Promotion Bureau

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



Source: Bangladesh Bank: