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

ECONOMIC UPDATE

Highlights

- *Upward pressure on inflation from food prices*
- *External sector stability improves through export recovery, strong remittances, and resilient import demand*
- *Bank deposits stay in double digits and credit growth edges up in November*
- *FY2025-26 ADP finalized to meet budget priorities*
- *SDG village piloting initiative launched to advance SDG localization*

GED has launched SDG Village Piloting Initiative

The General Economics Division (GED) has launched an SDG Village Piloting Initiative to advance localization of the Sustainable Development Goals (SDGs) through an integrated, village-level development framework. The initiative aims to operationalize national SDG priorities at the grassroots level by addressing multidimensional development gaps in a coordinated and inclusive manner. As part of the piloting phase, Telikhali village of Dumuria, Khulna; Sonar Para village of Ulipur, Kurigram; and Mitingachori village of Kaptai, Rangamati have been selected, reflecting diverse geographical and socio-economic contexts within the villages (Official Letter No. 20.01.0000.000.020.14.0009.26. issued on 19 January 2026).

The SDG village piloting initiative will be implemented through baseline surveys, need-based interventions, resource mobilization, monitoring and evaluation framework. The lessons and experiences from the pilot villages are expected to scale up sustainable development programmes in other villages and lagging regions of the country.

Faster Growth in Food Prices Pushes Up Overall Inflation in December 2025, Led by Fish and Rice

General inflation increased further in December 2025, rising to 8.49% from 8.29% in November, reflecting an acceleration in food prices amid persistently high non-food inflation (Figure 1a). Food inflation rose notably from 7.36% in November to 7.71% in December, while non-food inflation remained elevated at 9.13%, indicating continued cost pressures outside the food basket. In contrast, rice inflation continued its downward trend across all categories.

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Despite this continued easing, rice prices remain high and continue to exert significant influence on food inflation. The overall rice inflation declined from 12.26% in November to 11.92% in December, driven by further moderation in medium rice inflation from 10.96% to 10.48%, fine rice from 15.43% to 14.84%, and coarse rice from 11.04% to 10.92% (Figure 1b).

At the broad level, the contribution of rice to food inflation declined further in December, falling from 40.28% in November to 37.34% (Figure 2a). In contrast, the contribution of fish and dry fish increased substantially, rising from 40.77% to 43.34%, making it the largest contributor to food inflation during the month. Contributions from meat and oils and fats declined, while milk, cheese, and eggs recorded a notable increase. Fruit contribution also rose modestly in December. Vegetables continued to exert a strong negative contribution, with the disinflationary impact intensifying further, as the contribution declined from −17.37% in November to −20.33% in December.

At the disaggregated level, contributions from all major rice varieties declined between November and December (Figure 2b). Medium rice contribution fell from 17.68% to 16.13%, fine rice from 6.57% to 6.03%, and coarse rice from 12.65% to 11.94%. Among protein items, contributions from beef, hilsa, and pangash increased further, reflecting sustained price pressures in these segments. Liquid milk's contribution rose remarkably in December, while soybean oil's contribution declined sharply (from 5.77% to 3.88%). Onion shifted from a negative contribution in November to a positive contribution in December (from -2.80% to 1.78%), whereas potato continued to post a large negative contribution (from -16.71 to -16.18), remaining a key disinflationary factor within the food basket.

Widening Gap Between Price and Wage Inflation Signals Sustained Pressure on Real Incomes

Price inflation in Bangladesh showed an upward trend in December 2025, rising to 8.49% from 8.29% in November, following a slight dip in October (8.17%) from September (8.36%). In contrast, wage inflation remained relatively stable over the same period, moving modestly from 8.04% in November to 8.07% in December (Figure 3).

This divergence between price and wage growth has resulted in a widening gap, particularly evident when comparing November and December. While price inflation accelerated by 0.20 percentage points, wage inflation increased only by 0.03 points, indicating that household purchasing power is under increasing pressure. The growing gap suggests that nominal wage growth is not keeping pace with rising prices, potentially affecting consumer spending and overall economic well-being.

Provisional Q1 GDP Estimates Indicate Improved Output with Stronger Industrial Activity

According to the provisional quarterly national accounts estimates released by the Bangladesh Bureau of Statistics (BBS), economic activity in Q1 of FY2025–26 strengthened compared with Q1 of FY2024–25. On a point-to-point basis, real growth increased to 4.50%, up from 2.58% recorded in the corresponding quarter of the previous fiscal year. Provisional quarterly estimates further indicate that overall GDP growth at constant prices reached 3.72% in FY 2024–25. These provisional estimates will be benchmarked with the final annual GDP using internationally accepted statistical methods.

Sectoral growth rates indicate a broad-based improvement in Q1 performance. Agricultural growth turned positive at 2.3%, reversing a contraction of 0.6% in Q1 FY2024–25 (Figure 4a).

Industrial growth accelerated sharply from 3.59% to 6.97%, reflecting stronger momentum in manufacturing and construction activities. Services sector growth also improved, rising from 2.96% to 3.67%, supported by higher growth in transportation, accommodation, and information-related services, although growth in electricity, gas, and water supply contracted during the quarter (Figure 4b).

Changes in sectoral share of GDP suggest a gradual shift in the structure of output (Figure 4c). The share of agriculture declined from 10.07% in Q1 FY2024–25 to 9.84% in Q1 FY2025–26, while the industrial sector's share increased from 37.55% to 38.34%. The services sector's share declined marginally from 52.37% to 51.82%, indicating a relative strengthening of industrial activity within the overall economy.

Deposits Rise Steadily While Credit Shows Slow Improvement

Bank deposits kept growing in October and November. The growth rate stayed strong at around 10.8% (y-o-y) in November from 9.62% in October. Total deposit volume increased from BDT 1,924,635.7 crore in October to BDT 1,953,794.5 crore in November. This shows steady savings behavior, even when prices are still high.

Public sector reflects higher government borrowing during the period. The credit showed high growth. It increased from 21.43% in October to 23.24% in November. Credit volume went up from BDT 576,494.4 crore to BDT 599,563.4 crore.

Private sector credit growth was modest and increased slightly in November. Growth increased from 6.23% in October to 6.58% in November. The volume rose from BDT 1,759,391 crore to BDT 1,778,829.7 crore. This means private borrowing remains stagnant, even though overall credit stock is increasing, mainly due to public sector borrowing.

NBR Revenue Performance Remains Below Target in December, Though Collection Shows Signs of Recovery

For FY 2025–2026, the revised overall revenue target was fixed at BDT 554,000 crore, an increase of BDT 55,000 crore from the earlier target of BDT 499,000 crore.

In December 2025, the revised revenue target was BDT 51,366 crore. Actual collections during the month totaled BDT 36,191 crore, resulting in a shortfall of BDT 15,174 crore against the revised target. Revenue from import and export activities fell short by BDT 4,071 crore, domestic VAT collection declined by BDT 6,491 crore, and income tax and travel tax receipts were BDT 4,612 crore below the target. Overall, NBR's revenue performance in December of 2026 remained below expectations across all three revenue streams. The average achievement rate stood at 70.46%, indicating that revenue collection for the month was 29.54% lower than the revised target. Despite this gap, December 2025 recorded a strong improvement compared to November 2025. Total revenue increased from BDT 29,658 crore in November to BDT 36,191 crore in December, marking a rise of BDT 6,533 crore or around 22%, which is a positive development.

In addition, revenue collection in December 2025 exceeded that of December 2024. Total NBR revenue rose from BDT 32,830 crore in December 2024 to BDT 36,191 crore in December 2025, reflecting an increase of BDT 3,361 crore and a year-on-year growth rate of 10.24% (Figure 5). Although collections in December 2025 remained significantly below the revised target, the notable month-on-month growth suggests a gradual improvement in revenue performance.

RADP Allocation Adjusted in FY2025–26 to Align with Budget Priorities and Strategic Development Objectives

Considering the Government's development vision, investment priorities and implementation capacities, Revised Annual Development Programme (RADP) for the fiscal year 2025-26 has been finalized at the National Economic Council's (NEC) meeting on January 12, 2025. In consideration of the overall budget framework for FY 2025-26, the RADP allocation has been reduced. The RADP 2025-26 formulation follows a comprehensive framework balancing sectoral needs, implementation capacity, climate resilience, international cooperation, SDG alignment, and employment generation. The emphasis on fast-tracks projects, electoral commitments, and climate-related frameworks, i.e. Green Climate Resilient Development (GCRD), National Adaptation Plan (NAP), Nationally Determined Contribution (NDC), and Delta Appraisal Framework (DAF), reflects Bangladesh's strategic development priorities while maintaining fiscal responsibility through MTBF compliance.

Sector wise comparison between ADP 2025-26 and RADP 2025-26

The revision of the ADP for FY2025–26 reflects a reallocation of development resources driven by fiscal pressure, implementation performance, and changing policy priorities. Allocations increased in selected sectors where project progress was relatively stronger, and implementation capacity remained satisfactory. Environment, Forestry, and Water Resources recorded a significant rise of 20.36%, increasing from Tk 10,641.4 crore to Tk 12,807.86 crore (Figure 6), indicating continued emphasis on climate adaptation and water management projects that demonstrated better execution. Local Government and Rural Development also received a sizable increase of 12.40%, with allocation rising from Tk 13,472.26 crore to Tk 15,142.92 crore, followed by Science and Information Technology (11.06%), and Industrial and Economic Services (3.08%). The most pronounced cut occurred in the health sector, where allocation fell by 73.91% from Tk 18,148.14 crore to Tk 4,734.21 crore, largely reflecting the completion or slowdown of major projects and normalization of earlier exceptional spending. Transport and Communication, despite remaining the highest allocated sector among all sectors, saw a substantial reduction of 34.70%, with allocation revised down to Tk 38,509.32 crore, pointing to the deferment of large capital-intensive projects with weaker execution. Education allocation declined by 35.04% to Tk 18,550.93 crore mainly due to delays in procurement and lower fund utilization in some large projects. Power and Energy (-17.2%), Agriculture (-20.92%), and Social Protection (-10.2%) also recorded moderate downward revisions, suggesting consolidation rather than a shift away from core policy objectives.

Overall, the revised ADP underscores a performance-based approach to development spending, with resources redirected toward sectors demonstrating stronger implementation outcomes and scaled back where project progress remained weak.

Comparison between ADP 2025-26 and RADP 2025-26 in allocations

Bangladesh's development budget from the original Annual Development Programme (ADP) 2025-26 to the Revised ADP (RADP) 2025-26 decreased from BDT 230,000 crore to BDT 200,000 crore, representing a reduction of BDT 30,000 crore or 13.04%. This reduction is distributed across two main financing sources: Government of Bangladesh (GoB) funding declined from BDT 144,000 crore to BDT 128,000 crore (a decrease of BDT 16,000 crore), while Project Loan/Grant financing dropped from BDT 86,000 crore to BDT 72,000 crore (a decrease of BDT 14,000 crore).

Each category represents the absolute decrease amounts, with the percentage changes at approximately 16-17% for Project Loan/Grant, showing that external financing suffered proportionally steeper cuts than domestic government funding.

Comparison in terms of numbers of projects taken

The comparison between ADP 2025–26 and RADP 2025–26 by types of approved projects conveys a clear expansion in the revised programme. The total number of projects increased from 1,173 in ADP to 1,330 in RADP, driven mainly by a rise in investment projects from 996 to 1,108. Non-investment categories such as technical assistance, feasibility studies, and own-financing projects also increased, indicating greater emphasis on project preparation and institutional support. Overall, the figure highlights that RADP is broadened both by the number of projects and diversity of development interventions compared to the original ADP, but overall allocation has been reduced.

Top 05 sectors in RADP 2025-26

The top five sectors by allocation in RADP 2025–26 with Transport and Communication received the highest share at about 19.25% of total RADP resources (Figure 7a). Power and Energy and Housing and Community Facilities follow, underscoring the government's focus on infrastructure, energy security, and urban development. Education and Local Government & Rural Development also receive notable allocations, reflecting investments in human capital and grassroots development. Sectoral distribution indicates a development strategy prioritizing economic growth through infrastructure while maintaining support for social and local development sectors.

Top 05 Ministries / Divisions in terms of allocation and % of share of total RADP

The top five ministries/divisions in terms of allocation under RADP 2025–26, led by the Local Government Division has approximately 18.77% of total allocations (Figure 7b). The Road Transport and Highways Division and the Power Division also receive substantial shares, highlighting the emphasis on connectivity and energy infrastructure. Allocations to the Ministry of Science and Technology and the Ministry of Water Resources indicate attention to innovation and resource management. Overall, the figure demonstrates a concentration of resources in ministries responsible for infrastructure, local governance, and strategic public services.

Foreign Exchange Reserves Strengthen on Improved External Balances

Bangladesh's foreign exchange reserves strengthened during the first half of FY2025-26, supported by improvements in the balance of payments and moderated external payments. Gross reserves increased from USD 29.8 billion in July 2025 to USD 33.19 billion in December 2025, while reserves measured under the BPM6 reporting framework rose from USD 24.78 billion to USD 28.58 billion over the same period (Figure 8a). The upward trajectory was particularly notable from September onward, coinciding with relatively stable import payments and a gradual recovery in export receipts. Although a temporary dip was observed in November, the December position indicates a renewed accumulation of external reserves ahead of the second half of the fiscal year.

Overall, the first half of FY2025-26 reserve dynamics suggest improved external sector resilience, with stronger capacity to manage short-term external obligations, exchange rate pressures, and global price volatility going forward.

Strong Remittance Growth Provides Critical Support to External Stability

Remittance inflows demonstrated robust growth during the first half of FY2025-26, providing an important source of foreign exchange and supporting domestic consumption amid external uncertainties. Compared to the corresponding months of FY2025, inflows increased significantly across the period, rising from USD 2.48 billion in July to USD 3.22 billion in December 2025–26, relative to USD 1.91 billion and USD 2.64 billion a year earlier (Figure 8b). The strongest monthly inflow was recorded in November (USD 2.89 billion), while December marked the highest level of the half-year, underscoring seasonal factors linked to year-end festivities and expatriate transfers. Aggregate performance in the July–December window signals improved remitter sentiment, facilitated by regulatory incentives and a more favorable exchange rate regime that narrowed the premium between official and informal channels. Overall, remittance in the first half of FY2025-26 contributed positively to external sector stability, offsetting pressures from merchandise imports and supporting reserve accumulation going into the latter half of the fiscal year.

Export Earnings Recover Gradually After Early-Year Volatility

Export earnings in the first half of fiscal year 2025–26 exhibited a mixed trajectory, reflecting both seasonal fluctuations and global demand dynamics. Beginning with a relatively high level, a sharp decline was partially offset in the subsequent months, with exports rising to USD 3.82 billion in October and further to USD 3.97 billion by December (Figure 9a). The December figure marks a modest recovery compared to the mid-fall trough, indicating a stabilization of external demand as the calendar year closes.

Average monthly export earnings of approximately USD 4.0 billion is observed in the first half of FY2025–26, highlighting resilience in Bangladesh's export sector despite temporary setbacks in late summer and early autumn.

RMG Continues to Drive Export Recovery Amid Limited Diversifications

Figure 9b shows that during the first half of FY2025-26, Bangladesh's export sector exhibited notable trends, with the ready-made garment (RMG) segment remaining the dominant contributor. A modest recovery was observed in October (USD 3,019.94 million) and November (USD 3,140.94 million), culminating in USD 3,234.13 million in December (Figure 9b).

In contrast, non-RMG or "Other Exports" showed relative stability, fluctuating between USD 734.15 million and USD 807.35 million over the period, indicating limited growth momentum in diversification of exports. The December figures suggest a moderate recovery in RMG shipments compared to the mid-quarter lows, while other exports remained subdued, highlighting the continued reliance on the garment sector as the main driver of export earnings in Bangladesh. Overall, first-half performance signals cautious optimism for FY2025-26, with RMG exports providing the bulk of foreign exchange inflows despite seasonal volatility.

Import Payments Remain Elevated Reflecting Recovering Domestic Demand

Import payments exhibited notable volatility over the first half of FY2025-26, reflecting both domestic demand conditions and external price dynamics. An upswing was recorded in September (USD 6,262.10 million), with subsequent payments remaining elevated at USD 5,621 million in October and USD 5,799.10 million in November (Figure 10).

The July–November trajectory indicates a recovery in import demand relative to the preceding quarter, particularly in capital and intermediate goods categories, consistent with a gradual normalization of industrial activity. The first-half import performance suggests an external sector that remains sensitive to global commodity prices and domestic production needs.

Subdued Capital Machinery Imports Signal Weak Private Investment Momentum

Capital machinery imports during the first half of FY2025-26 remained subdued, suggesting continued weakness in private investment recovery despite broader import stabilization. From a relatively stronger position in July 2025 (USD 455.91 million), imports declined to USD 241.80 million in September, before posting a temporary rebound in October (USD 412.06 million) (Figure 10). The downturn resumed in November with imports falling to USD 186 million, indicating limited momentum in industrial expansion and capacity-building activities. While December data will provide greater clarity on end-quarter dynamics, the July–November trend underscores the cautious stance of firms amid tighter financing conditions, exchange rate pressures, and uncertainties regarding external demand.

REER and Bilateral Rates Show Moderation Towards Year-End

The REER-based exchange rate rose steadily from July, reaching a peak in November at BDT 126.65 per USD, then slightly declined to 124.86 in December. Meanwhile, the bilateral exchange rate showed more stability, moving marginally from 122.3 in November to 122.29 in December (Figure 11).

The November peak in the REER rate indicates a temporary appreciation pressure, which eased in December, aligning closer with the relatively stable bilateral rate. This moderation reflects a more balanced external currency position towards the end of the year.

Overall, while the REER fluctuations highlight underlying competitive adjustments, the bilateral exchange rate remained largely stable, suggesting limited short-term volatility in BDT/USD transactions during the last two months of 2025.

Economic Outlook for 2026

Bangladesh's 2026 economic outlook balances potential growth (around 5%) with structural challenges, expecting easing inflation but needing strong governance, policy consistency, and investment in skills/tech for diversification beyond garments, especially as it nears LDC graduation and navigates democratic transition. A stable, reformed political environment and smart tech integration are crucial to moving from low-cost labor to higher-value roles, facing risks like elite uncertainty and institutional weakness. As SDG progress is slow, evidence-based policymaking with village level interventions might help achieve decent sustainable development goals at the local level.

Recent Activities, Publications and Workshops/ Seminars Organized by the GED

Field visit to Rangamati district for SDG village selection

As part of the ongoing initiatives on SDG localization, the Member (Secretary) of the General Economics Division (GED) with other officials of GED conducted a district visit to Rangamati from 25 December 2025 to 28 December 2025.

During the visit, a consultation meeting on SDG localization and GED's initiative to establish SDG villages was held at the Rangamati Deputy Commissioner's Office. The meeting was attended by officials from various line ministries, the district administration, Zila Parishad, and the Chittagong Hill Tracts Development Board (CHTDB).

Subsequently, the GED team visited two villages- Panchari Para of Rangamati Sadar Upazila and Mitingachori of Kaptai Upazila—to assess ground-level development conditions. While the two villages differ in terms of geographical location and community composition, both exhibit similar challenges related to poverty incidence, limited livelihood opportunities, and infrastructure gaps. Key development challenges identified during the field visits include lack of safe drinking water, limited access to quality education, and inadequate health facilities. Based on further assessment, one of the two villages will be selected as an SDG Village, while the other will serve as a control village for comparative analysis.

Population Expert Committee (PEC) Meeting

A meeting of the Population Expert Committee (PEC) was held at the General Economics Division (GED) on 30 December 2025.

At the beginning of the meeting, the Chair of the Committee Dr. Monzur Hossain, Member (Secretary) expressed deep condolences on the demise of the former Prime Minister and BNP Chairperson Begum Khaleda Zia. The Committee agreed to formally record a note of condolence in the minutes of the meeting.

The meeting was attended by eminent economists and population experts, including Dr. Hossain Zillur Rahman, Prof. Barkat-e-Khuda, Dr. Mustafa K. Mujeri, Dr. A. K. Enamul Haque, and Dr. Tahmeed Ahmed, whose expert insights contributed significantly to the discussions and future directions of the Committee's work.

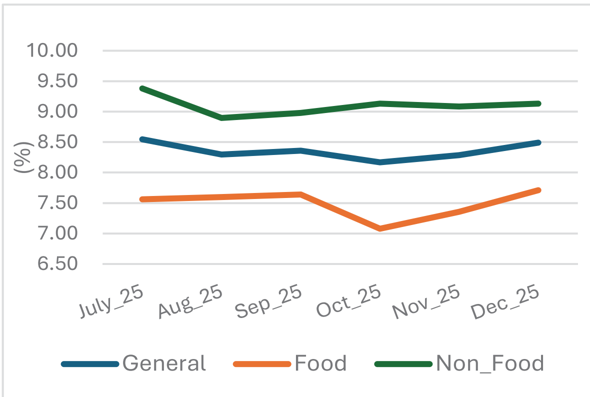
The Committee discussed the scope and potential publication of policy briefs and policy papers on key population and development issues. In this context, decisions were made to review several relevant studies and assess their policy relevance, analytical rigor, and applicability to facilitate national population policies and planning processes.

Acknowledgments: The data used in this report were provided by the Bangladesh Bureau of Statistics (BBS); Export Promotion Bureau (EPB); Bangladesh Bank, Implementation; Monitoring and Evaluation Division (IMED); National Board of Revenue (NBR); Finance Division; and Programming Division, Bangladesh Planning Commission

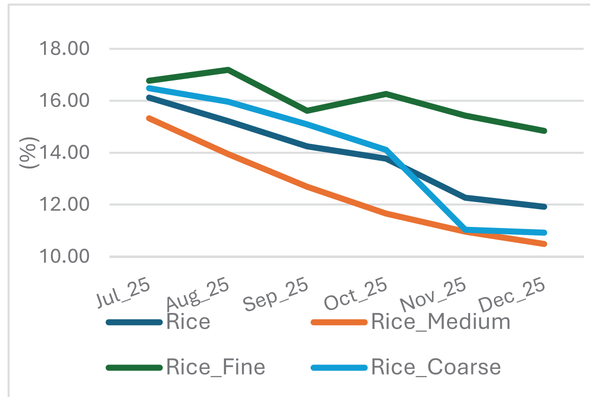
Annex:
Tables and Figures

Figure 1: Inflation trend till December 2025

a. General



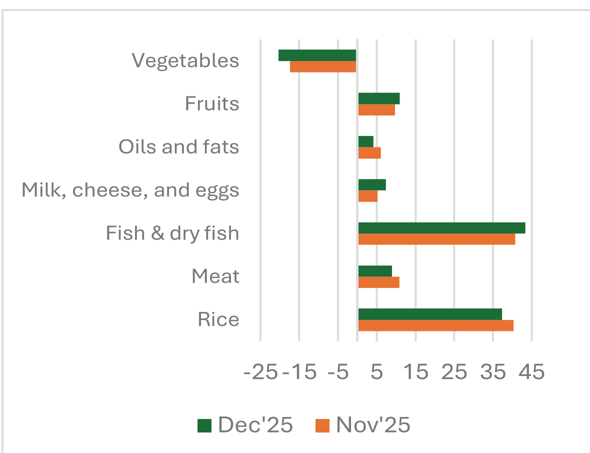
b. Variety of rice



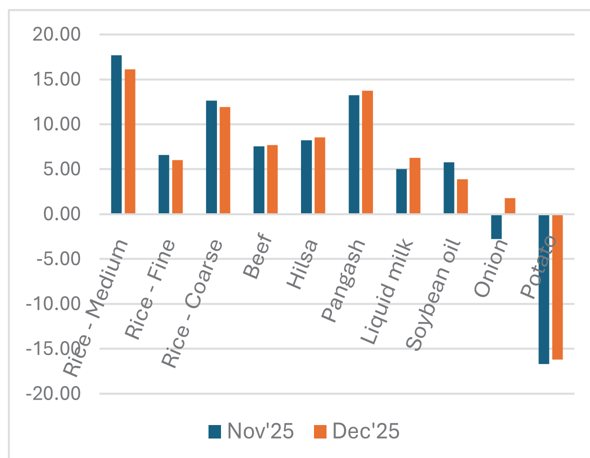
Source: Bangladesh Bureau of Statistics

Figure 2: Contribution of food items to food inflation in November & December 2025

a. At broad level

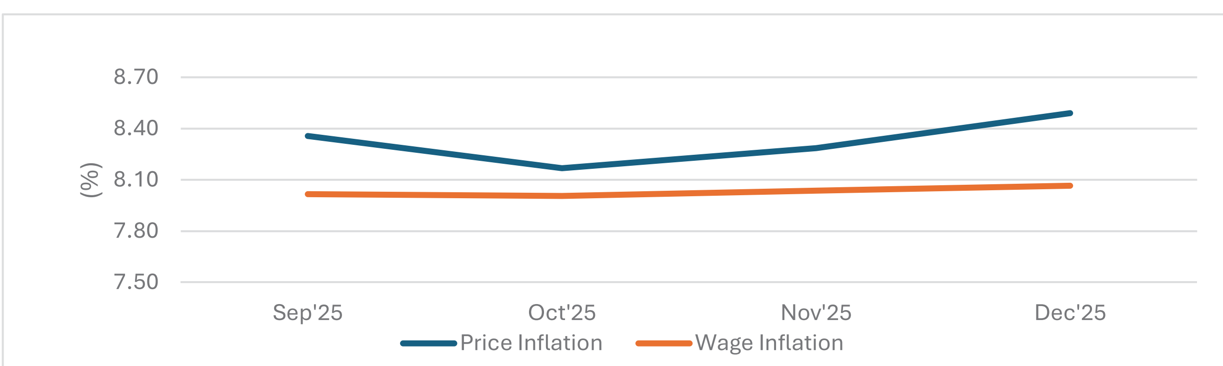


b. At disaggregated level



Source: Bangladesh Bureau of Statistics

Figure 3: Price vs wage inflation (September-December 2025)

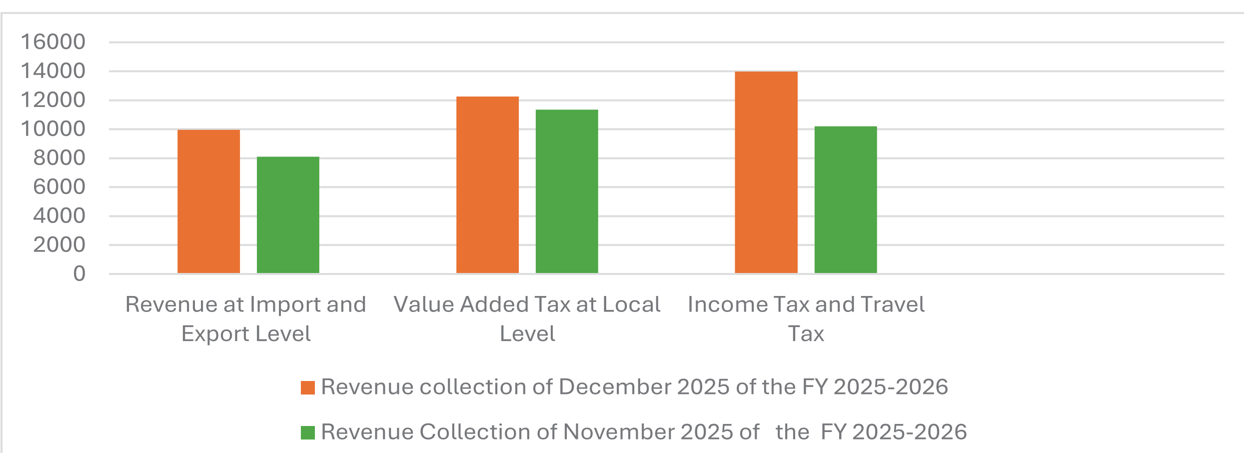


Source: Bangladesh Bureau of Statistics

Figure 4: Provisional GDP estimates of first quarter Q1 of FY 2024-25 and FY2025-26 at constant prices

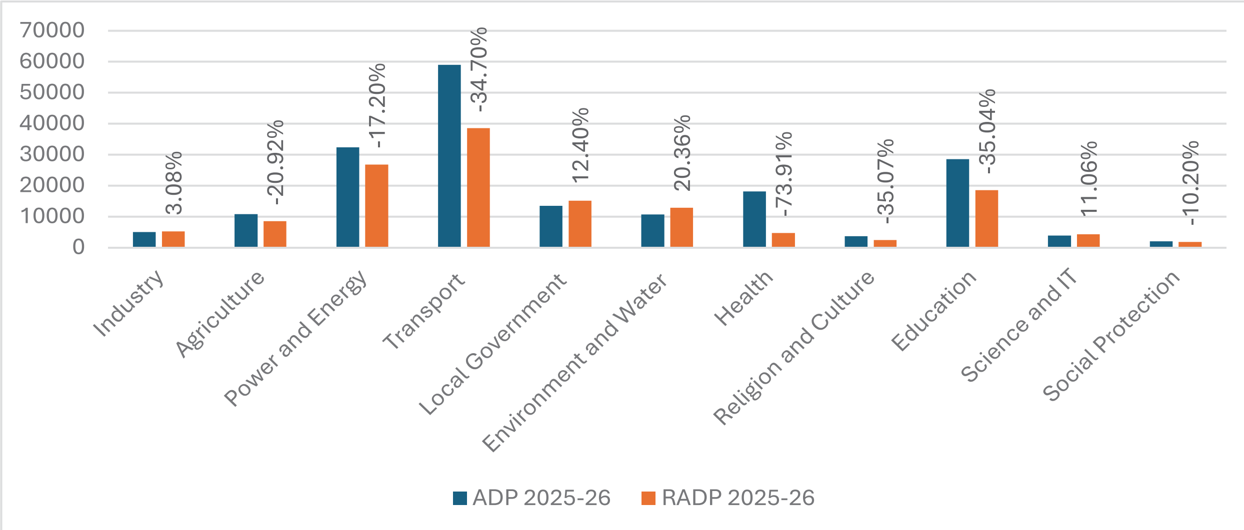
Source: Bangladesh Bureau of Statistics

Figure 5: Revenue collection of November'25 vs December'25 of FY 2025-26 (in crore taka)



Source: National Board of Revenue

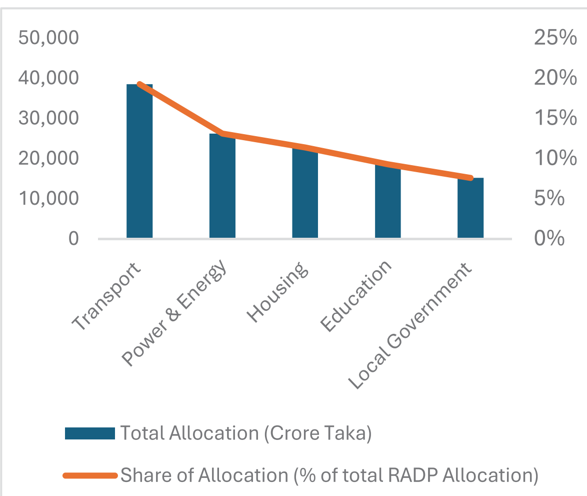
Figure 6: Sector wise comparison between ADP 2025-26 and RADP 2025-26 (In crore Taka)



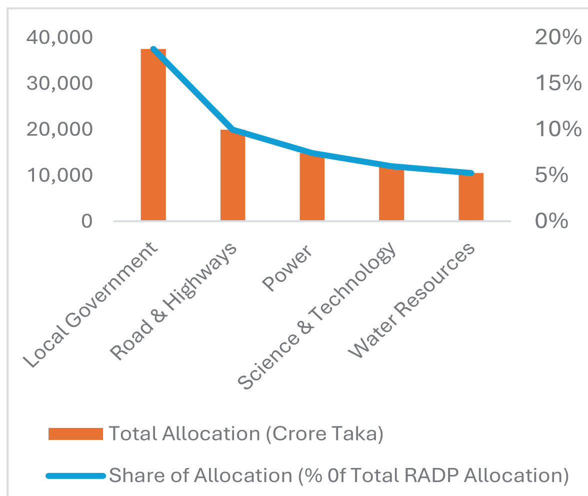
Source: Programming Division, Bangladesh Planning Commission

Figure 7: Top 5 Sectors and Ministries in terms of allocation in RADP 2025-26

a. Sectors



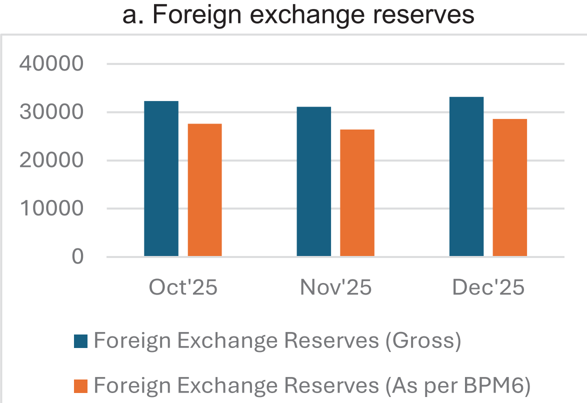
b Ministries



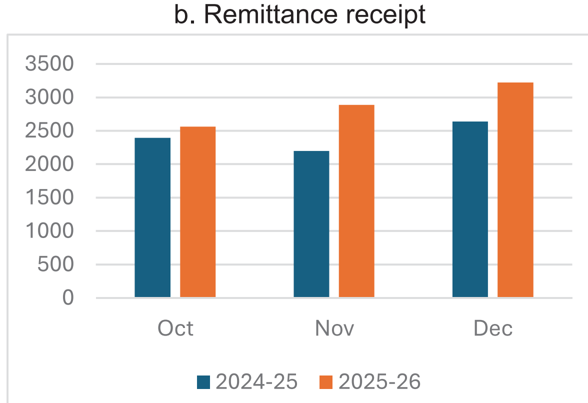
Source: Programming Division, Bangladesh Planning Commission

Figure 8: Monthly foreign exchange reserves and remittance (in million USD)

a. Foreign exchange reserves

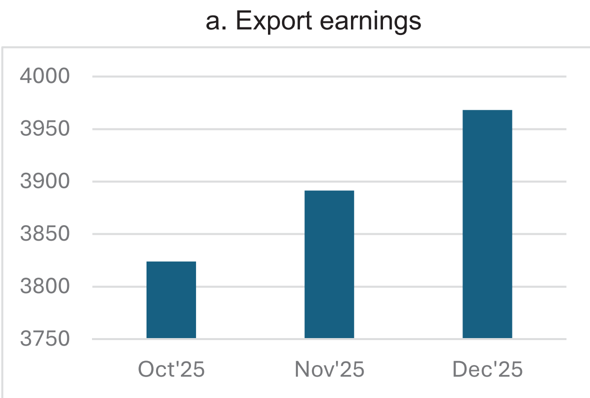


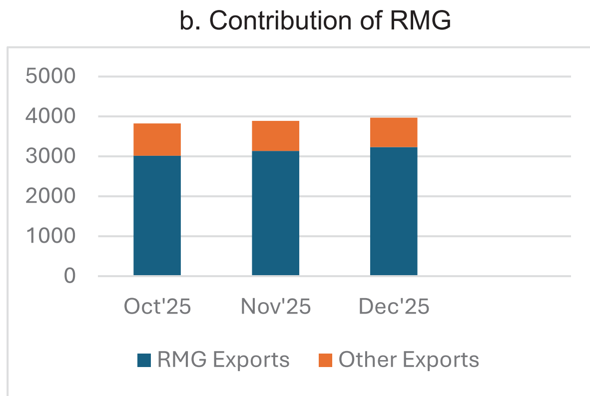
b. Remittance receipt



Source: Bangladesh Bank

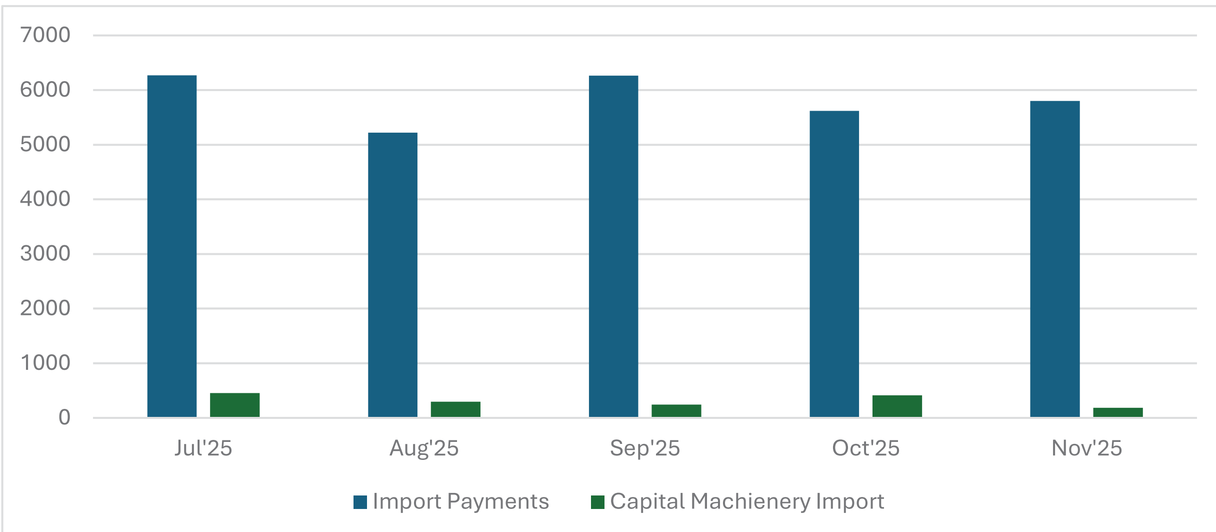
Figure 9: Export earnings and contribution of RMG to total export (in million USD)





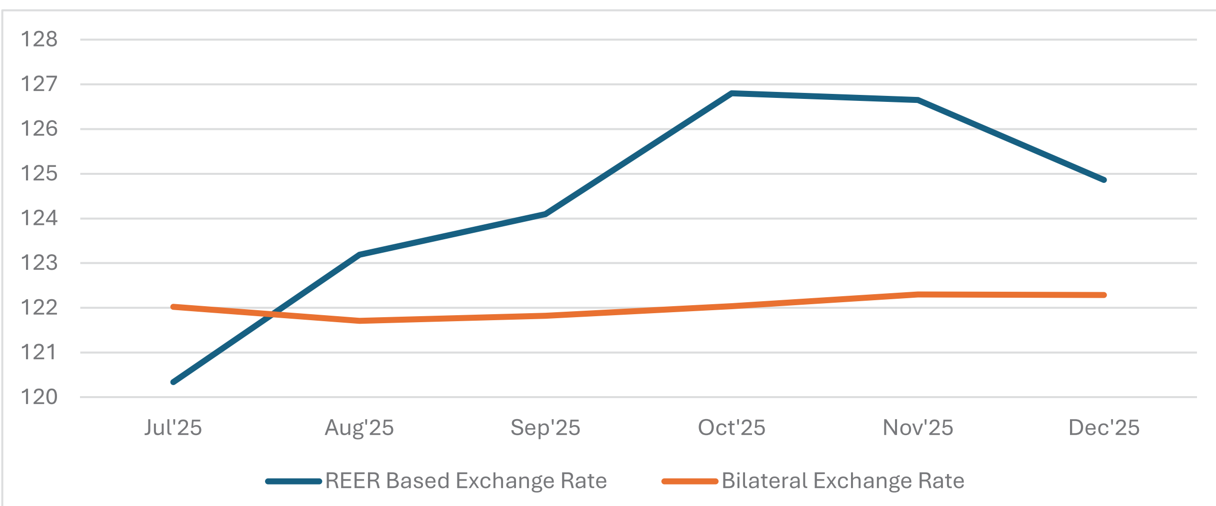
Source: Export Promotion Bureau

Figure 10: Import payments and capital machinery import (in million USD)



Source: Bangladesh Bank

Figure 11: REER Based and Bilateral Exchange Rate till December 2025 (BDT/USD)



Source: Bangladesh Bank