

ECONOMIC UPDATE & OUTLOOK FEBRUARY 2026



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

ECONOMIC UPDATE

Highlights

- *Food inflation shifts as rice pressure eases, vegetables and selected proteins drive January increase.*
- *Inflation continues to exceed wage growth, intensifying real income pressures.*
- *Revenue collection falls short, NBR misses January target*
- *ADP implementation records weakest mid-year performance in five years*
- *REER based exchange rate moderates after November peak, bilateral exchange rate remains stable*

Persistent Inflationary Pressures Continue as Fish, Fruits, and Vegetables Drive Food Prices Higher, While Rice Price Eases

Headline inflation increased marginally to 8.58% in January 2026 from 8.49% in December 2025 (Figure 1). Food inflation rose to 8.29% in January from 7.71% in December, while non-food inflation moderated to 8.81% from 9.13% over the same period, narrowing the inflation differential between the two components. The recent trend indicates continued pressure from food prices within the overall inflation framework.

Sectoral contribution analysis shows that food remains the largest contributor to headline inflation (Figure 2a). Food accounted for 43.06% of overall inflation in January, up from 40.00% in December. Housing and utilities contributed 15.05%, while miscellaneous goods and services accounted for 9.31%. The increase in food's contribution suggests a greater concentration of inflationary pressure within essential consumption items.

In terms of inflation rates, notable increases were recorded in clothing and footwear (11.00%), housing and utilities (8.48%), and food (8.29%). (Figure 2b). Although some non-food items recorded higher inflation rates than food, their relatively lower CPI weights limited their overall contribution.

Given food's dominant role in headline inflation, its internal composition warrants closer examination. At the broad category level, rice's contribution to food inflation declined significantly from 37.34% in December to 22.16% in January (Figure 3a), reflecting moderation in rice price growth. Fish and dry fish remained the highest contributor, though its share decreased from 43.34% to 32.27%.

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Meat's contribution eased from 8.96% to 5.74%. Notably, vegetables shifted from a negative contribution (–20.33%) in December to a positive 8.40% in January, indicating a reversal in price dynamics. Fruits and oils and fats maintained moderate positive contributions.

Disaggregated analysis further clarifies the pattern (Figure 3b). Contributions from medium, fine, and coarse rice declined in January, consistent with the observed deceleration in rice inflation. Among protein items, beef and hilsa's contributions moderated, while pangash continued to exert notable pressure. Contributions from liquid milk and soybean oil also softened. Onion registered a marginal negative contribution, and potato remained negative, though with reduced intensity compared to December.

Rice inflation data support this assessment (Figure 4). Overall rice inflation declined to 7.61% in January from 11.92% in December. The moderation was broad-based across varieties: medium rice fell to 6.25%, coarse rice to 6.08%, and fine rice to 10.62%. While this easing has contributed to moderating pressure within the food basket, other food components continue to sustain overall food inflation.

The decline in rice's contribution was surpassed by the substantial increase in vegetable price hikes, which, along with fruits and fish, kept inflation at a high level. Despite a good harvest, higher vegetable prices are largely attributed to increased transportation costs and unhealthy profit motives among wholesale and middlemen traders. This highlights the need for improved supply chain management of food items, particularly rice, vegetables, and fish to contain inflationary pressures more effectively. Closer examination of item-wise prices at the market level remains essential for targeted policy action.

Real Income Pressures Intensify as Wage Growth Stagnates

The divergence between wage growth and price inflation widened further in January 2026. While general inflation rose to 8.58%, wage growth remained stagnant at 8.08%, following 8.07% in December (Figure 5).

Since September 2025, inflation has consistently outpaced wages: inflation moved from 8.36% in September to 8.17% in October, 8.29% in November, 8.49% in December, and 8.58% in January. In contrast, wage growth hovered narrowly between 8.01% and 8.08% over the same period.

This sustained gap signals pressure on real incomes. Rising food and service costs are eroding household purchasing power, particularly for lower-income groups whose consumption baskets are more heavily weighted toward essentials. The persistence of this mismatch suggests that nominal wage adjustments are failing to keep pace with inflationary dynamics.

This identifies a need for coordinated wage and price management, as inflationary pressures continue to undermine real income stability.

NBR Misses January'26 Revenue Target Despite Modest Monthly and Annual Gains

The National Board of Revenue (NBR) mobilizes revenue primarily from three sources: import and export duties, domestic Value Added Tax (VAT), and income tax along with travel tax. For FY 2025–2026, the revised revenue target was set at BDT 5,54,000 crore—BDT 55,000 crore higher than the earlier target of BDT 4,99,000 crore.

For January 2026, the revised monthly target stood at BDT 52,545 crore. However, actual revenue collection amounted to BDT 37,033 crore, resulting in a substantial shortfall of BDT 15,512 crore (Figure 6). Among the components, import and export duties underperformed by BDT 4,914 crore, local VAT fell short by BDT 5,199 crore, and income tax and travel tax collections lagged by BDT 5,399 crore compared to the revised target. Overall, NBR achieved 70.48% of the monthly target, leaving a deficit of 29.52%—clearly reflecting a weak revenue performance in January.

On a month-to-month basis, January 2026 showed only marginal improvement over December 2025. Revenue increased from BDT 36,191 crore in December to BDT 37,033 crore in January—an increment of BDT 842 crore, or 2.3%.

From a year-on-year perspective, revenue collection in January 2026 rose slightly compared to January 2025. The increase of BDT 1,152 crore represents a growth rate of 3.81%. Nevertheless, despite this incremental progress, overall revenue performance remains below expectations, as collections continue to fall significantly short of the revised target.

ADP Implementation Remains Weak Decline Despite Modest January Increase

Up to January 2026, ADP performance in the past five years, with only Tk 50,556.29 crore implemented by January—21.18% of the annual allocation (Figure 7a). This represents a sharp decline from FY 2023–2024 and a notable drop from the previous year. Mid-year implementation is significantly below the expected 50–58%, indicating serious underperformance and a reversal of earlier improving trends. The slowdown points to weaknesses in project readiness, procurement, fiscal management, and coordination.

Even with year-end acceleration, the fiscal year is likely to record the lowest annual implementation rate, potentially leading to infrastructure delays, cost escalation, reduced service delivery, and weakened budget credibility. Urgent systemic reforms in planning, procurement, and fund release processes are needed.

Although January 2026 shows a modest improvement with Tk 8,679.42 crore spent at 3.64% utilization (Figure 7b), the absolute level remains inadequate. Historical patterns of 30–40% spending in the final quarter suggest possible acceleration, but structural bottlenecks—procurement lags, land disputes, weak project management—persist. Policymakers now face a trade-off: emergency fast-tracking with higher fiduciary risks versus focusing on fewer priority projects for quality outcomes. Without systemic reforms in planning, procurement, and fund release, FY 2025-26 is poised to record the lowest ADP implementation rate, undermining infrastructure delivery and development goals.

Broad Based Decline in GoB and Project Aid Undermines ADP Execution in FY 2025-26

As figure 8, the 2025–2026 fiscal year demonstrates the weakest overall ADP utilization rate at 21.18% across all financing modalities, representing a slight decline from 21.52% in 2024–2025. Project aid (loans/grants) performs marginally better at 21.71% utilization, yet this remains significantly below the 30.20% achieved in 2023–2024, suggesting declining absorptive capacity for externally financed projects due to inadequate counterpart funding, protracted procurement, or weakened implementation capacity. Self-finance utilization showed better performance at 44.12% in 2025–2026 compared to 36.27% in 2024–2025 and 27.80% in 2023–2024.

The synchronized decline across GoB and project aid utilization indicates systemic implementation weaknesses that transcend any single funding source. This points to broader governance challenges, including weak project preparation, procurement dysfunctions, coordination failures, and possible political or administrative disruptions affecting overall development spending capacity in Bangladesh.

Stabilization of Foreign Exchange Reserves amid External Sector Adjustment

Bangladesh's foreign exchange reserves exhibited relative stability at the beginning of 2026 following a notable increase in December 2025. Gross reserves rose from USD 31,093.4 million in November 2025 to USD 33,187.9 million in December 2025, before marginally declining to USD 33,180.5 million in January 2026 (Figure 9a). A similar trend is observed in reserves measured under the International Monetary Fund's Balance of Payments and International Investment Position Manual, Sixth Edition (BPM6) framework, where reserves increased from USD 26,395.8 million in November to USD 28,579.0 million in December and further to USD 28,680.8 million in January. The December surge likely reflects improved external inflows, while the near stability in January suggests balanced external payments position despite ongoing import and debt servicing pressures. Overall, the current reserve level indicates strengthened external sector resilience, providing a moderate buffer against short-term external shocks and exchange rate volatility.

Seasonal Acceleration of Remittance Inflows and Prospects for External Sector Strengthening

In figure 9b, workers' remittance inflows during FY2025–26 demonstrate a marked improvement compared to the corresponding period of

FY2024–25, with receipts reaching USD 2,889.49 million in November, USD 3,224.27 million in December, and USD 3,170.94 million in January—substantially higher than USD 2,199.99 million, USD 2,638.78 million, and USD 2,185.23 million, respectively, in the previous fiscal year. The sustained upward trend suggests strengthened formal channel inflows and improved confidence in the exchange rate regime. With the commencement of Ramadan in February, remittance inflows are likely to increase further, reflecting seasonal patterns driven by higher transfers for household consumption and charitable expenditures. If this seasonal momentum materializes, it may provide additional support to foreign exchange reserves and contribute to improved stability in the external sector in the near term.

Export Performance: Dominance of RMG and Emerging Support from Non-RMG Sectors

Merchandise export performance during the recent months reflects continued strength in the Ready-Made Garments (RMG) sector alongside moderate but stable contributions from other export categories. RMG exports increased from USD 3,140.94 million in November 2025 to USD 3,234.13 million in December and further to USD 3,614.77 million in January, indicating robust external demand and improved shipment momentum (Figure 10).

In contrast, non-RMG exports stood at USD 750.62 million in November, slightly declined to USD 734.15 million in December, and then rose to USD 798.88 million in January, suggesting gradual recovery in diversified export segments. The continued dominance of the RMG sector—accounting for the overwhelming share of total export earnings—underscores its pivotal role in sustaining foreign exchange inflows, while the incremental gains in other exports signal modest progress toward diversification.

Taken together, the combined growth in RMG and non-RMG exports is likely to strengthen the trade balance, reinforce foreign exchange reserve accumulation, and enhance overall stability in the external sector, provided the positive momentum is sustained.

Import Expansion and Volatility in Capital Machinery: Implications for External Balance and Investment Activity

Import payments exhibited an upward trajectory in recent months, increasing from USD 5,621.0 million in October 2025 to USD 5,799.1 million in November and further to USD 6,449.9 million in December (Figure 11), indicating rising demand for intermediate goods, energy, and consumer products. In contrast, imports of capital machinery—often considered a proxy for private investment and future productive capacity—displayed notable volatility, declining sharply from USD 412.06 million in October to USD 186.0 million in November, before partially recovering to USD 232.5 million in December.

The divergence between overall import growth and relatively subdued capital machinery imports suggests that the recent surge in import payments may be driven more by consumption and essential input rather than by strong expansion in investment activity. Taken together, while higher imports may signal improving economic activity, the modest recovery in capital machinery imports warrants close monitoring, as sustained weakness could temper medium-term growth prospects and exert pressure on the external balance through increased foreign exchange outflows.

Linking Apparel Export Concentration with Low Capital Goods Imports: Implications for External Sustainability and Structural Transformation

The persistently high reliance on the apparel sector, led by Ready-Made Garments, continues to anchor foreign exchange earnings but also highlights structural concentration risks within the export basket. While this dominance supports short-term external stability, it leaves the economy exposed to demand fluctuations and competitiveness pressures in major markets.

At the same time, the very low share of capital machineries in total imports suggests limited investment-driven expansion, indicating that the recent rise in import payments is primarily consumption- or input-driven rather than linked to capacity-building. Taken together, the combination of strong apparel exports and weak capital machinery imports underscores the need for policies that promote investment in productive capacity and diversification, which are critical for sustaining external stability and supporting medium-term structural transformation.

Exchange Rate Trends: Moderate REER Depreciation and Continued Bilateral Stability

Since July 2025, the REER-based exchange rate exhibited a clear upward trajectory, rising from BDT 120.34 per USD in July to a peak of 126.65 in November, before moderating to 124.86 in December and 124.64 in January. In contrast, the bilateral exchange rate remained comparatively stable throughout the period, fluctuating within a narrow band of BDT 121.71–122.32 per USD (Figure 12a).

Between December and January, the REER-based rate declined marginally by 0.22 BDT, indicating a continued easing of the adjustment observed after the November peak. This suggests that the earlier appreciation pressure has largely dissipated, with the exchange rate settling into a more stable range at the beginning of 2026. Meanwhile, the bilateral exchange rate edged up slightly from 122.29 to 122.32, reflecting negligible month-to-month variation.

Overall, while REER movements during July–November signaled underlying external competitiveness adjustments, the subsequent moderation in December and January indicates consolidation. The sustained stability of the bilateral exchange rate further confirms limited short-term volatility in the BDT/USD market, pointing to a relatively balanced external currency position at the start of the year.

REER vs. NEER: Shifts in Competitiveness

Since July 2025, the Real Effective Exchange Rate (REER) index has trended upward, rising from 98.63 to a peak of 103.90 in October before moderating slightly to 101.90 in January 2026 (Figure 12b). In contrast, the Nominal Effective Exchange Rate (NEER) index remained broadly stable throughout the period, fluctuating narrowly around 89–90.

This divergence between REER and NEER highlights the role of relative price movements: while nominal competitiveness (NEER) showed little change, the REER increase reflects that Bangladesh's goods became relatively more expensive compared to trading partners, reducing external competitiveness.

The subsequent moderation in REER during December and January indicates some easing of this pressure, pointing to a consolidation phase. Overall, the stability of NEER underscores limited nominal exchange rate volatility, while REER movements provide a clearer signal of underlying competitiveness adjustments in the external sector.

GED Pins High Hope on the New Govt. to Ensure Macroeconomic Stability

The General Economics Division (GED) expects the new government to propel the economy prudently through ensuring macroeconomic stability. Priorities include three key issues: attracting more investment, generating more employment and reining in inflation to make a solid foundation for the economy. Restoring confidence among both local and foreign investors, boosting further the foreign exchange reserves, and exchange rate stability will remain essential to strengthening overall economic stability.

The planned rollout of the Family Card of the govt. is expected to be a unique initiative towards universal social protection, improving support for marginalized groups and reducing leakages in social safety nets. At the same time, improving the pace of ADP implementation through effective steps, maintaining debt sustainability, ensuring prudent borrowing, and strengthening governance and policy consistency will be critical to addressing structural challenges and supporting sustained economic growth.

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

Familiarization Meeting with the Newly Appointed Minister and State Minister of Planning

On 22 February 2026, the General Economics Division (GED), along with other divisions of the Planning Commission, formally welcomed and congratulated the newly appointed Hon'ble Minister and Hon'ble State Minister of the Ministry of Finance and Planning.



Amir Khasru Mahmud Chowdhury
Hon'ble Minister,
Ministry of finance and planning



Zonayed Saki
Hon'ble State Minister,
Ministry of finance and planning

The event marked the beginning of their tenure. GED expresses its commitment to work closely under their leadership to advance the national planning agenda and ensure effective implementation of development priorities.

Task Force Committee Submits Report to Hon'ble Planning Adviser

Initiated by the General Economics Division (GED), a ten-member taskforce on integrating Spatial Planning in the national planning process, constituted to determine the framework for institutionalizing National Spatial Planning and its implementation, has submitted its report to the Hon'ble Planning Adviser, Dr. Wahiduddin Mahmud, on 03 February 2026.



Consultation Workshop on the “Role of Youth and Citizenship in the context of Policy Reforms”

On January 14, 2026, GED organized a consultation workshop on “Role of Youth and Citizenship in the Context of Policy Reforms.” Following the July uprising, youth empowerment—covering job creation, education, and mental and physical health—has become a central focus of reform initiatives.



GED highlighted pressing concerns such as high youth unemployment, drug addiction, and online gambling. Dr. KAS Murshid, former Director General of BIDS, delivered the keynote presentation, with participants from various ministries, agencies, and NGOs contributing to the discussions.

Consultation Workshop on “Agriculture and Rural Transformation: Policies for Growth, Diversification and Sustainability”

A consultation workshop on “Agriculture and Rural Transformation: Policies for Growth, Diversification and Sustainability” was held at GED on January 13, 2026. GED Member, Dr. Monzur Hossain chaired the session.



The purpose of this workshop is to receive feedback from relevant ministries and stakeholders. A presentation was made by Dr. KAS Murshid, former DG, BIDS and head of Economic Taskforce.

GED aims to publish a policy brief on the topic to facilitate evidence-based policymaking through incorporating inputs in the medium-term and long-term policy strategy of the government.

Technical Committee Meeting on National Transfer Account (NTA)

On 11 January 2026, the General Economics Division convened a technical committee meeting on National Transfer Accounts (NTA).

The committee reviewed methodological progress and discussed policy aspects related to demographic dynamics, including the first and second demographic dividends and gender dividends.

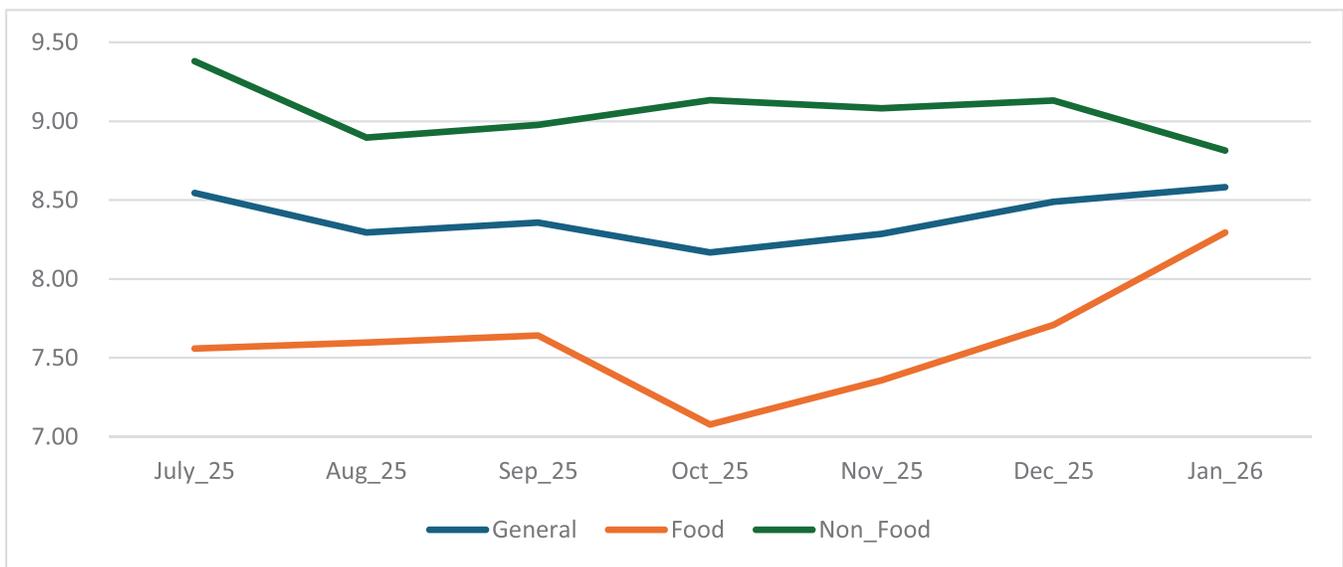


The updating of NTA is expected to be completed by June 2026, providing important evidence base for population and development policy.

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

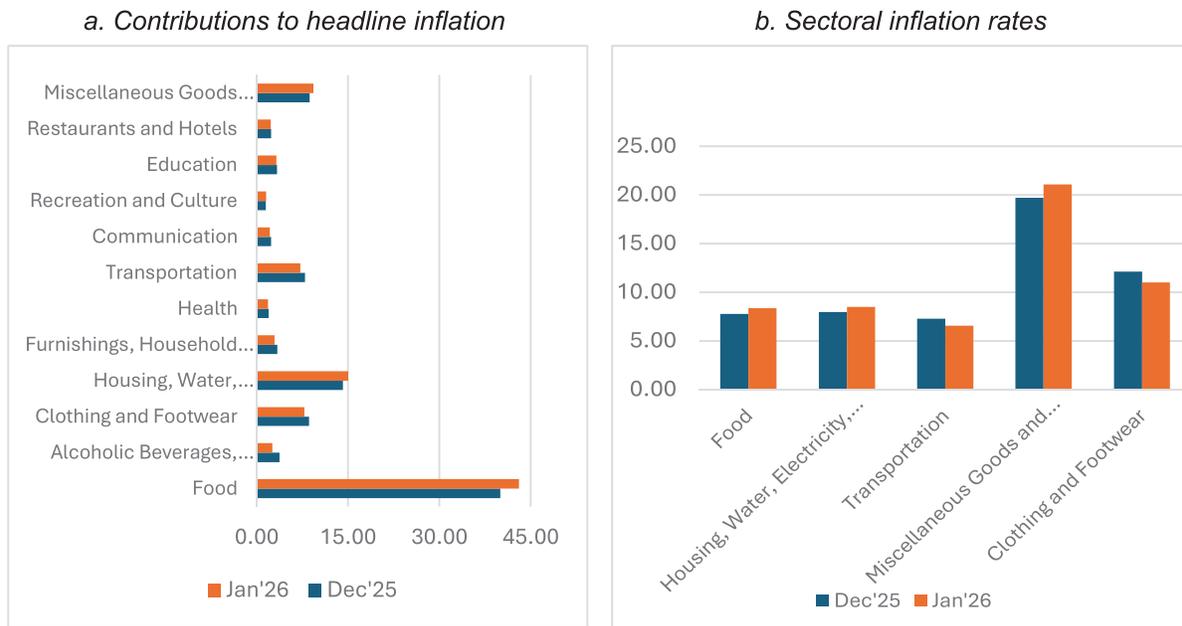
Annex: Tables and Figures

Figure 1: Inflation trend: food vs non-food (%)



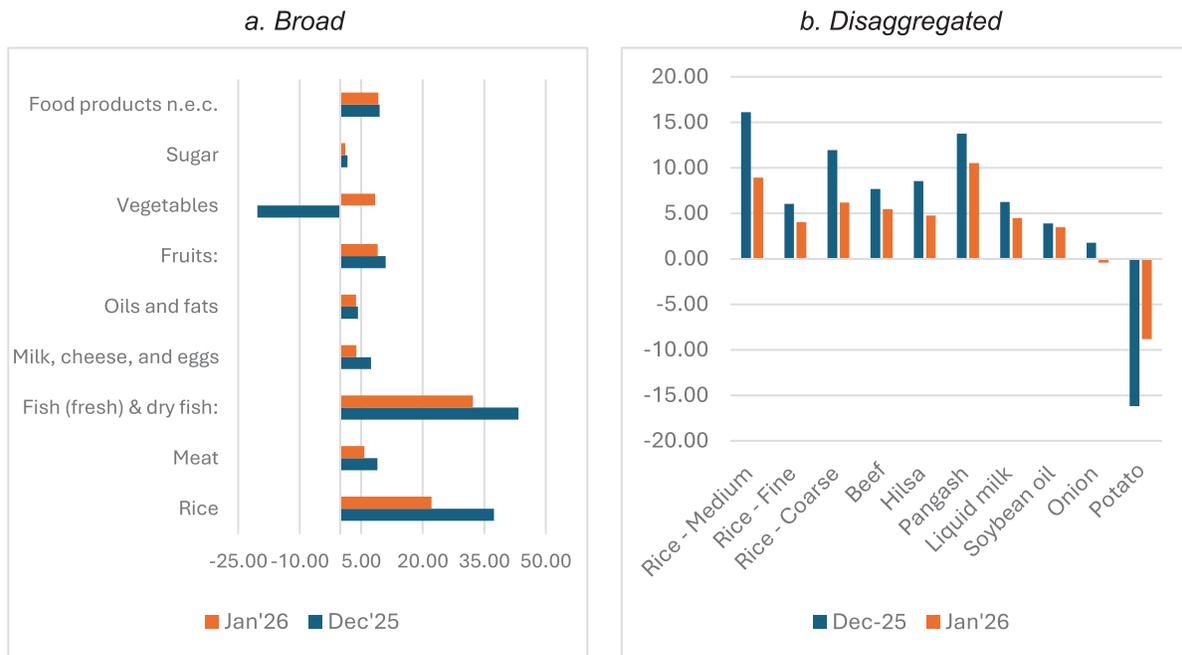
Source: Bangladesh Bureau of Statistics

Figure 2: Contributions to headline inflation and sectoral inflation rates



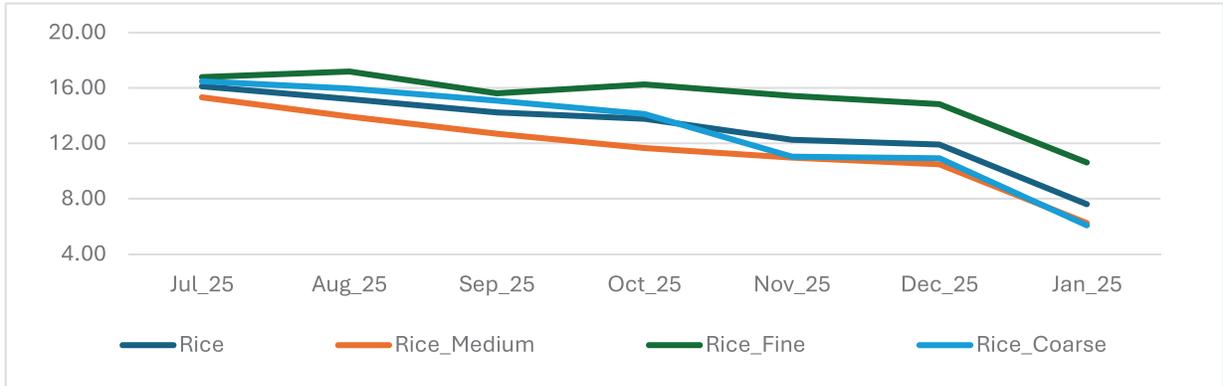
Source: Bangladesh Bureau of Statistics

Figure 3: Item-wise contributions to food inflation (%)



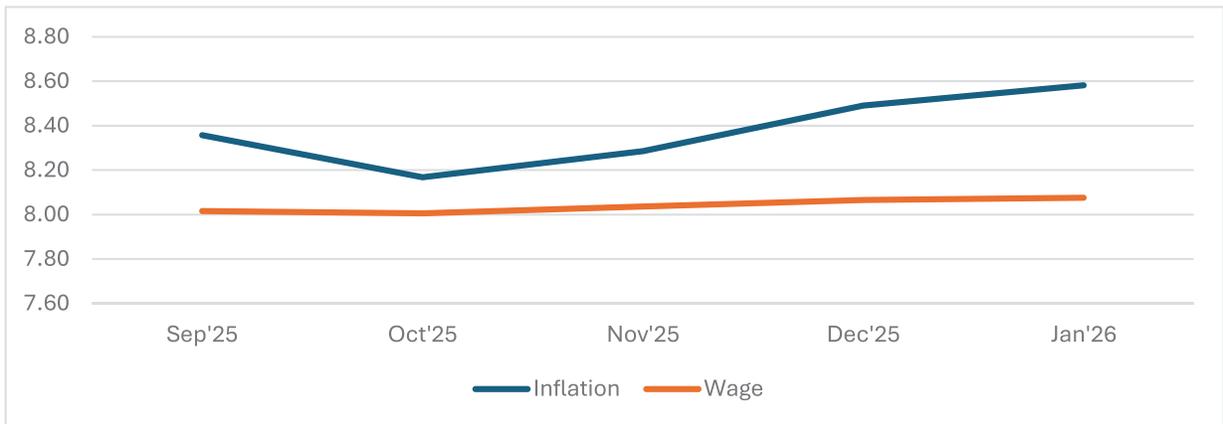
Source: Bangladesh Bureau of Statistics

Figure 4: Rice inflation trend (%)



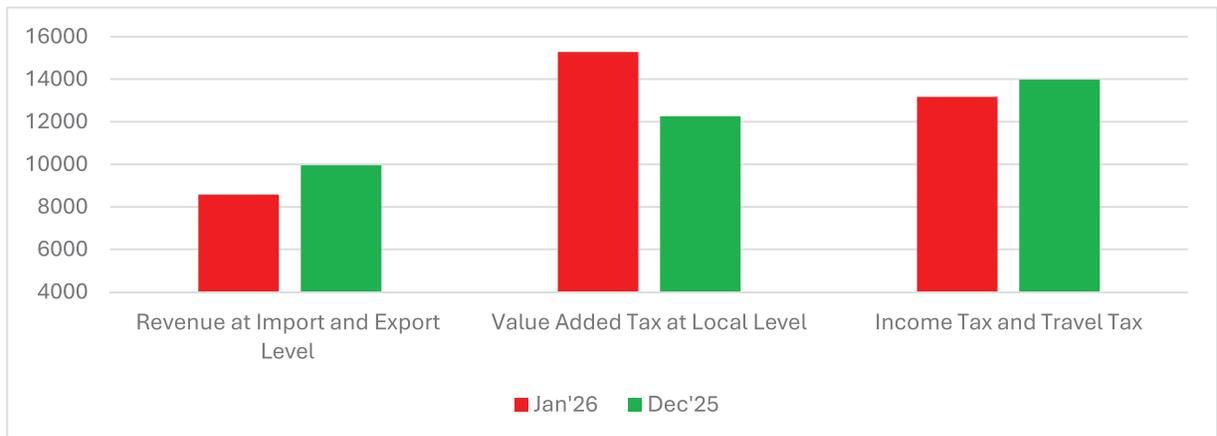
Source: Bangladesh Bureau of Statistics

Figure 5: Price vs wage inflation (%) (Sep'25-Jan'26)



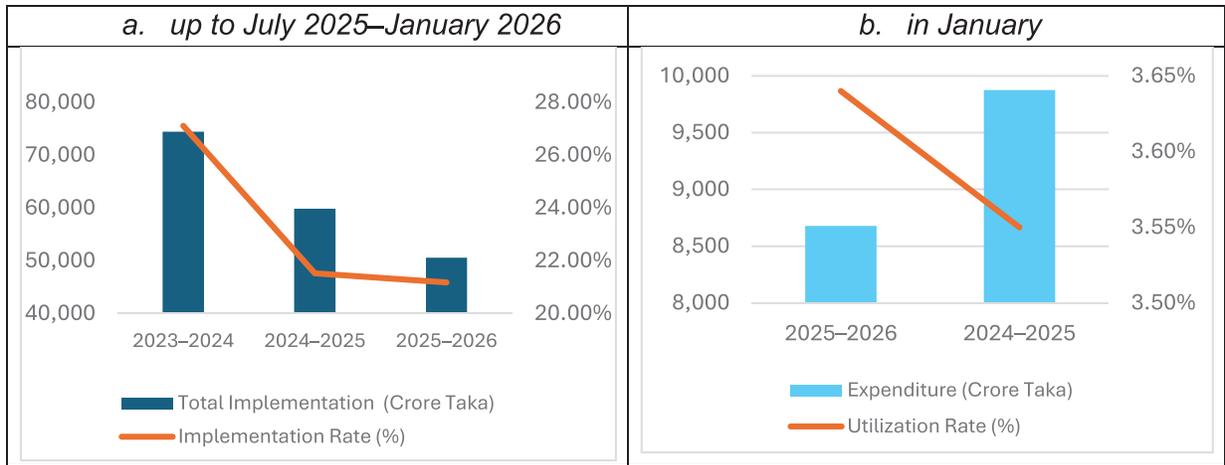
Source: Bangladesh Bureau of Statistics

Figure 6: Revenue Collection of January 26 vs December 25 of FY 2025-26 (in crore taka)



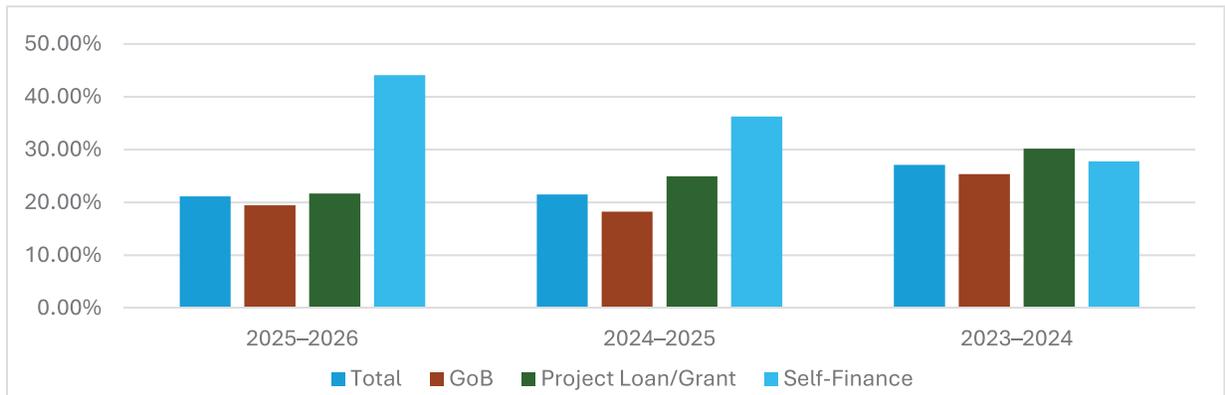
Source: National Board of Revenue

Figure 7: Performance of Annual Development Programme (ADP) (In crore Taka)



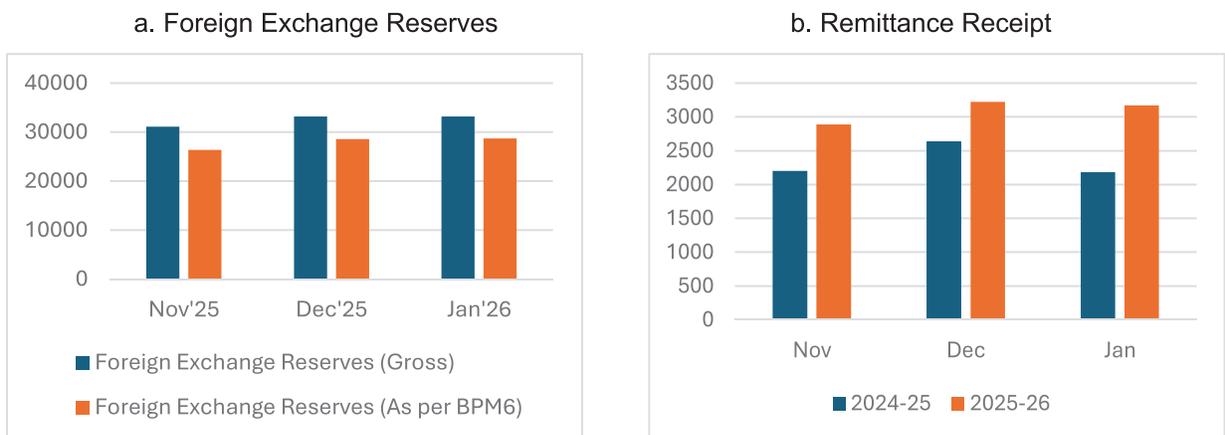
Source: IMED, Ministry of Planning

Figure 8: ADP performance up to July 2025–January 2026 based on different financing modes (%)



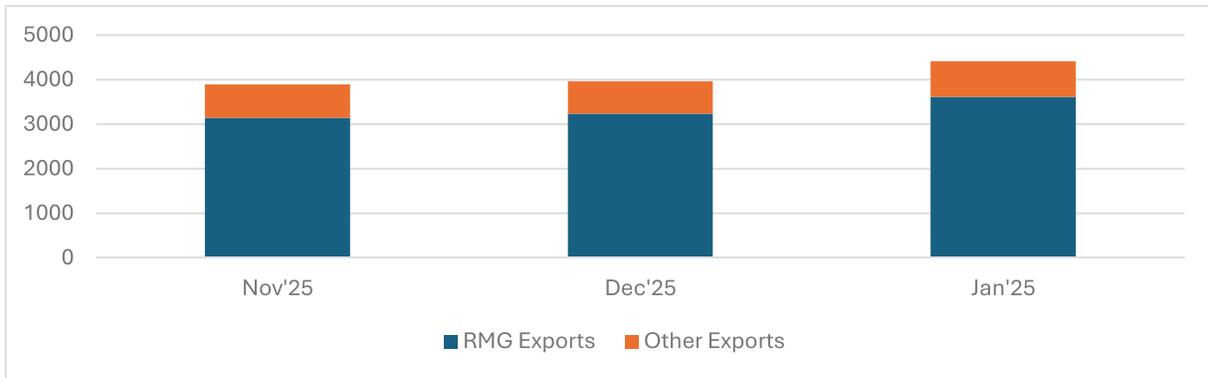
Source: IMED, Ministry of Planning

Figure 9: Monthly foreign exchange reserves and remittance (in million USD)



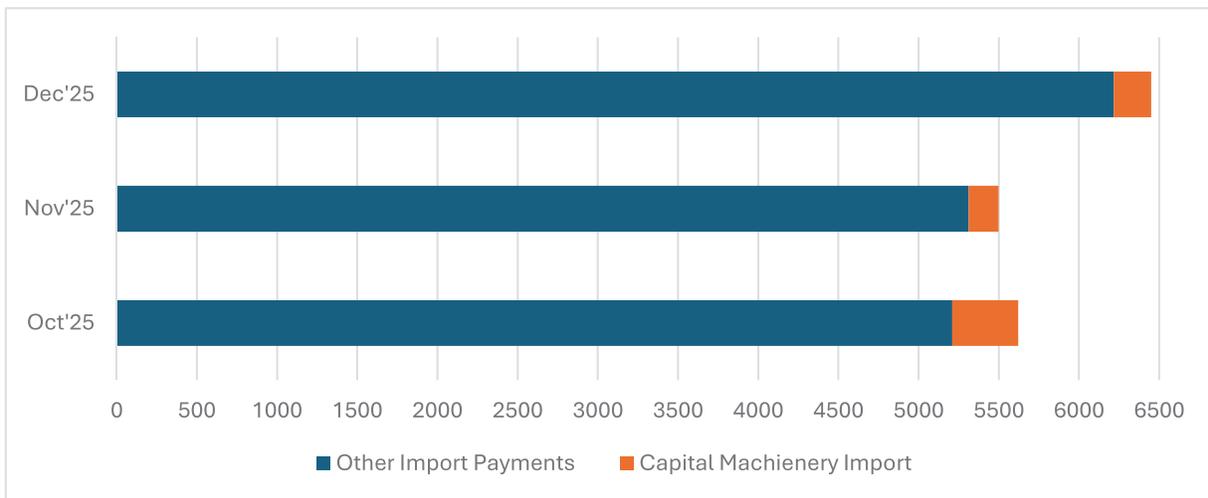
Source: Bangladesh Bank

Figure 10: Export earnings and contribution of RMG (in million USD)



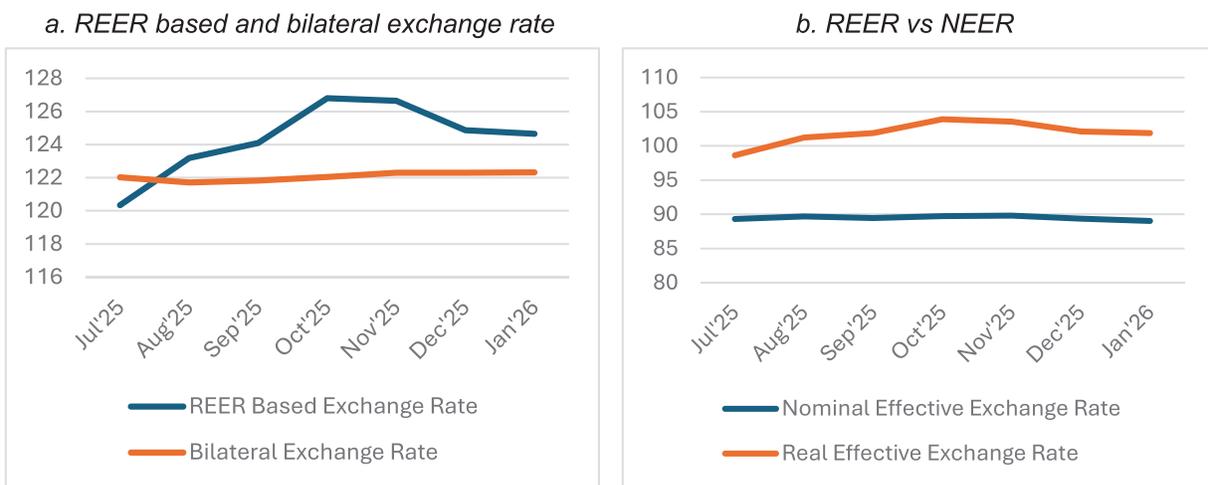
Source: Export Promotion Bureau

Figure 11: Import payments and contribution of capital machinery (in million USD)



Source: Bangladesh Bank

Figure 12: REER based and bilateral exchange rate till January 2026 (BDT/USD)



Source: Bangladesh Bank