



## ECONOMIC UPDATE

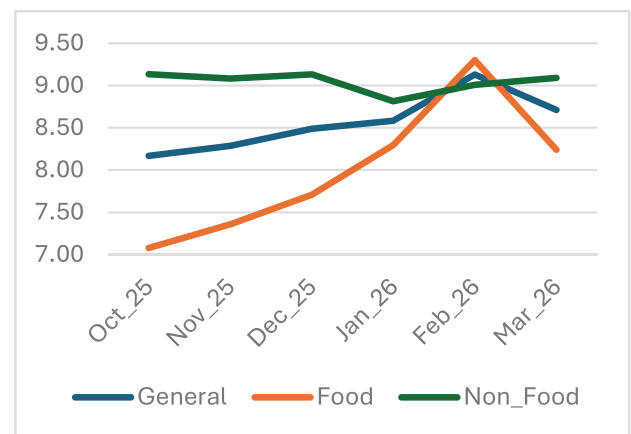
### Highlights

- *Headline inflation edges down in March 2026, as rice price relief offsets persistent pressure from meat, fish, and vegetables.*
- *Foreign exchange reserves and remittance inflows remain strong, providing a critical buffer for external sector stability.*
- *Public sector credit growth accelerates sharply, partly reflecting increased government borrowing amid mounting energy-related fiscal pressures.*
- *Rising global energy costs and Middle East tensions pose renewed risks to inflation, the trade deficit, and exchange rate stability.*
- *Export now faces pressure from weak demand and rising energy costs.*
- *Cautious policy framework is required to address ongoing energy crisis*

### Food Price Volatility Returns: Vegetables and fruits Push Inflation Higher Despite Rice Relief

In March 2026, headline inflation decreased slightly to 8.71%, down from 9.13% in February (Figure 1). The moderation was mainly due to food inflation, which fell to 8.24% after increasing to 9.30% in the previous month. Non-food inflation, however, remained persistently high at 9.09%, showing little change from February's 9.01%.

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



Source: Bangladesh Bureau of Statistics

**Editor and Key Contributor:** Dr. Monzur Hossain, Member, General Economics Division (GED), Bangladesh Planning Commission

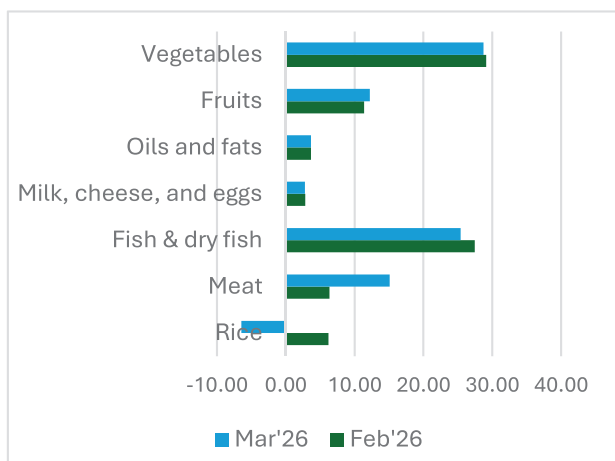
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The February increase was driven by sharp rises in vegetable and fish prices, which together accounted for more than half of food inflation (Figure 2).

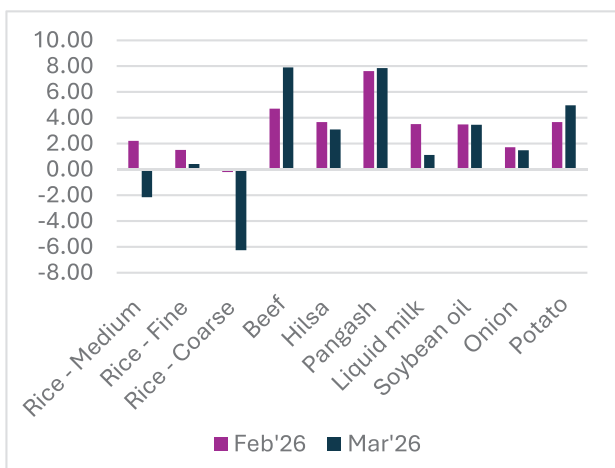
Rice inflation was already easing in February, but its impact became more pronounced in March, when rice prices decreased across all categories, with coarse rice showing the steepest decline. Improved domestic supply from boro harvest arrivals, alongside import flows and open market sales, exerted downward pressure on rice prices in the month.

Figure 2: Item-wise contributions to food inflation (broad) (%)



Source: Bangladesh Bureau of Statistics

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



Source: Bangladesh Bureau of Statistics

Rice inflation turned negative in March (-2.20%), compared to modest inflation in February (2.39%), reflecting improved domestic supply conditions, ongoing harvest arrivals, and possible market interventions (Figure 4).

This fall in rice inflation offset part of the upward pressure from meat and vegetable prices, leading to the overall decline in food inflation. The negative contribution of rice (-6.46%) to food inflation in March further reinforced this downward trend (Figure 2). However, inflationary pressures persisted across other food items. Meat contributed significantly to food inflation in March, rising to 15.11%, compared to 6.32% in February. Fish and dry fish remained major contributors, accounting for 25.39% of food inflation in March, although slightly lower than 27.45% in February.

Figure 4: Rice inflation trend (%)



Source: Bangladesh Bureau of Statistics

Similarly, vegetables continued to exert substantial pressure, contributing 28.74% in March compared to 29.13% in February, largely reflecting the seasonal supply gap arising from the transition between winter and summer crop

cycles, compounded by higher transportation costs on account of the prevailing energy crisis.

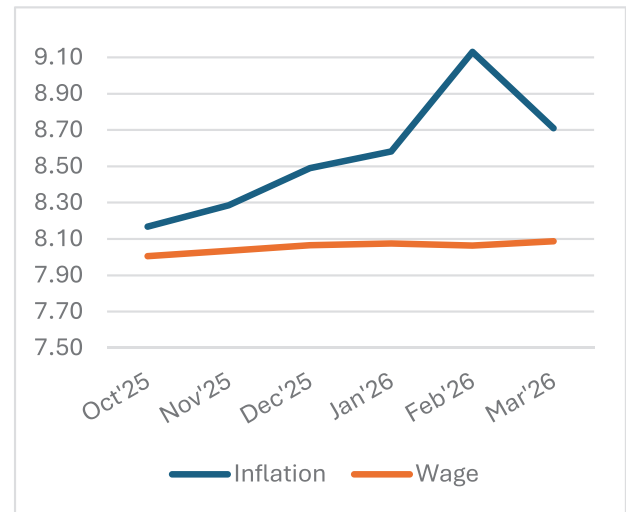
Meanwhile, non-food inflation increased marginally in March, reflecting continued cost pressures from housing, transport, utilities, and services. These pressures are likely linked to exchange rate pass-through effects, higher energy costs, and rising production and distribution expenses. Persistent non-food inflation suggests that underlying inflationary pressures remain entrenched despite temporary relief from food prices.

The external crisis marked by rising global commodity prices, higher energy import bills, and exchange rate vulnerabilities poses risks of renewed inflationary pressures. Any further increase in energy costs or depreciation of the currency could quickly reverse the recent moderation.

### **Wage Growth Lags Behind Inflation: Narrowed Gap in March but Household Strain Persists**

Till February 2026, the gap between inflation and wage growth widened significantly, with inflation rising to 9.13% while wages stagnated at 8.06% (Figure 5). This divergence reflected strong price pressures, particularly from food items like vegetables and fish, against almost flat wage growth.

*Figure 5: Rate of inflation and wage growth rate at national level (Oct'25-Mar'26)*



Source: Bangladesh Bureau of Statistics

In March 2026, the gap narrowed slightly as inflation decreased to 8.71% while wages edged up to 8.09%. The moderation was largely due to seasonal supply improvements in rice, which reduced food inflation, though non-food inflation remained high. The probable reason for this narrowing is that wage growth, though minimal, showed a small uptick while inflation eased temporarily. The impact, however, remains concerning: real incomes are still under strain, as wages have not increased in line with the cost of living. If external pressures persist, the moderate stabilisation observed in March may not hold, posing risks to household purchasing power.

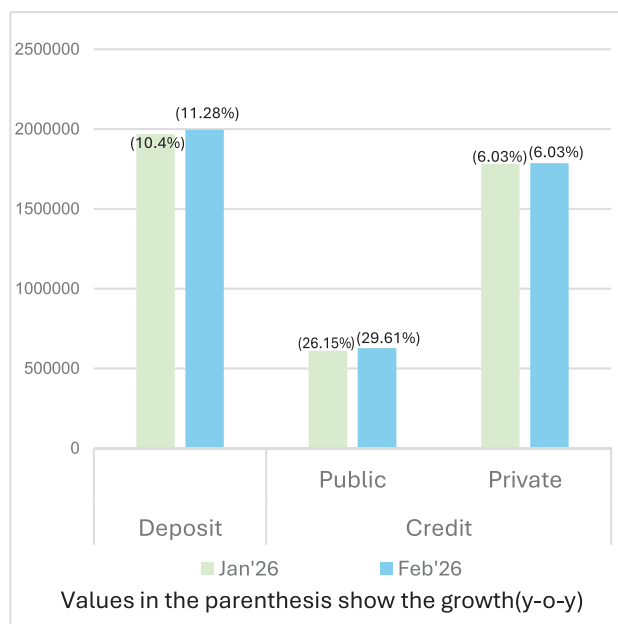
### **Deposit Mobilisation Strengthens as Public Sector Credit Accelerates**

Over the period till February 2026, both bank deposits and credit disbursement have shown a broadly positive trajectory, reflecting gradual recovery and improved confidence in the banking sector.

Total deposits recorded consistent year-on-year growth throughout this period, and credit to both the public and private sectors has trended upward in absolute terms.

In February 2026, total bank deposits stood at BDT 19,95,461.3 crore, registering a year-on-year growth of 11.28% (Figure 6). This represents an increase from BDT 19,67,906.5 crore in January 2026, which had recorded a year-on-year growth of 10.44%. The month-on-month rise in deposits of approximately BDT 27,554.8 crore in February 2026 signals sustained confidence among depositors.

Figure 6: Banking sector developments: Deposits and Credit (December 2025 – February 2026) (BDT Crore)



Source: Bangladesh Bank

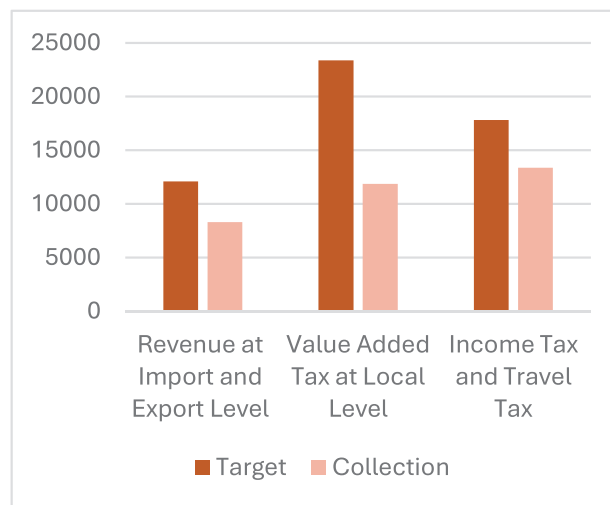
On the credit side, public sector credit in February 2026 amounted to BDT 6,27,793.2 crore, up from BDT 6,11,258.6 crore in January 2026, a month-on-month increase of BDT 16,534.6 crore.

The growth of public credit accelerated sharply to 29.61% in February 2026, the highest in the five-month review period, compared to 26.15% in the preceding month. Private sector credit similarly increased from BDT 17,81,471.0 crore in January 2026 to BDT 17,85,976.0 crore in February 2026, though year-on-year growth held steady at 6.03% in both months.

### NBR Revenue Collection: Target Shortfall Persists Despite Modest Month-on-Month Recovery

In March 2026, the revised target was BDT 53,290 crore, but actual collection reached only BDT 33,521 crore, falling short by BDT 19,769 crore (Figure 7). All three sources underperformed, with shortfalls of BDT 3,796 crore in import-export revenue, BDT 11,527 crore in VAT, and BDT 4,446 crore in income and travel tax. Overall, NBR achieved 62.90% of its target, leaving a gap of 37.10%.

Figure 7: Revenue target vs revenue collection of March 2026 (in crore taka)



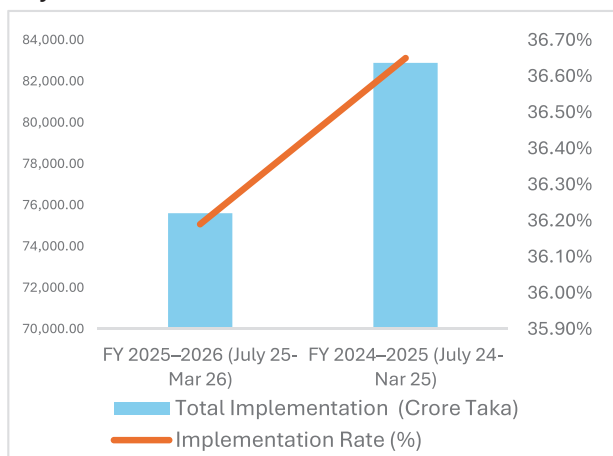
Source: National Board of Revenue

Compared to February 2026, revenue increased by BDT 2,962 crore (9.6%), rising from BDT 30,559 crore to BDT 33,521 crore, though this growth remains modest. Year-on-year, revenue rose slightly by BDT 872 crore (2.67%) from March 2025. Despite these small improvements, overall performance remains below expectations, indicating the need for stronger revenue measures.

### ADP Implementation Slows in March 2026 Amid Falling Expenditure and Financing Constraints

There has been a noticeable decline in overall development expenditure during the July–March period, with implementation falling from approximately Tk. 82,894 crore in FY 2024–25 to about Tk. 75,607 crore in FY 2025–26 (Figure 8). This contraction is also reflected in the marginal drop in the implementation rate (from about 36.65% to 36.19%), suggesting that not only did absolute spending decrease, but efficiency in utilizing allocated resources slightly weakened.

Figure 8: Revised Annual Development Programme (RADP) performance between July-March Period for FY 25 and FY 26

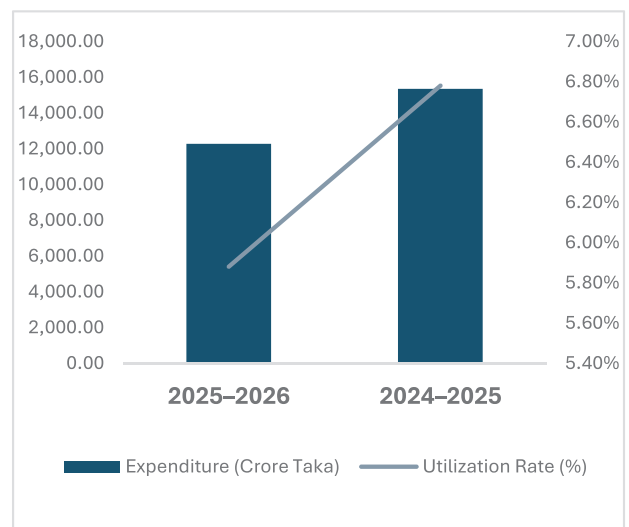


Source: Implementation Monitoring and Evaluation Division

The relatively small change in percentage despite a substantial drop in expenditure implies that the revised ADP size may have been adjusted downward, masking deeper inefficiencies. This trend points to persistent structural bottlenecks such as procurement delays, slow project mobilization, or administrative inefficiencies that continue to constrain timely execution of development projects.

Expenditure decreased significantly from around Tk. 15,341 crore in March FY 2024-25 to approximately Tk. 12,280 crore in March FY 2025–26, accompanied by a drop in the monthly utilization rate from about 6.78% to 5.88% (Figure 9). This suggests a weakening of the usual end-of-quarter spending push, which is often used to compensate for earlier delays.

Figure 9: Revised Annual Development Programme (RADP) performance in March between FY26 and FY25

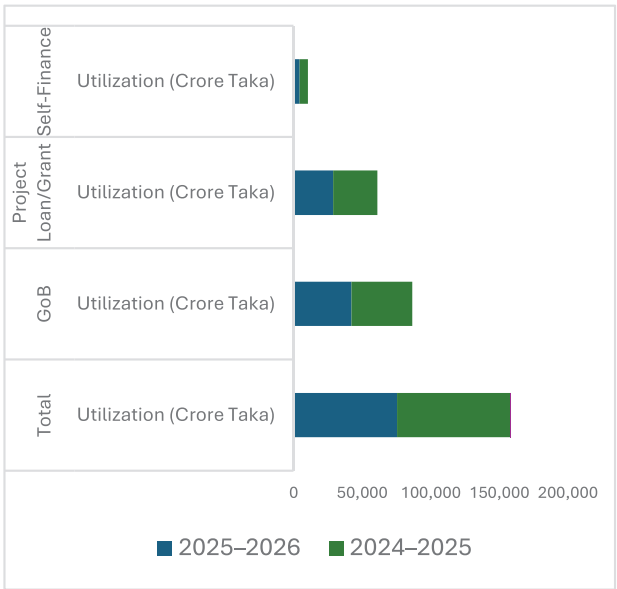


Source: Implementation Monitoring and Evaluation Division

The subdued March performance may indicate tighter fiscal controls, cash flow constraints, or reduced project readiness, but it also raises concerns about the government’s capacity to absorb funds efficiently even during peak implementation periods. Such a slowdown undermines the cyclical recovery pattern typically expected in ADP execution.

The Figure 10 reveals important shifts in the composition of financing sources. Total utilization declined across all categories, but the reduction is most pronounced in project loans/grants (from about Tk. 32,411 crore to Tk. 28,860 crore) and self-financed components (from Tk. 6,107 crore to Tk. 4,454 crore), while Government of Bangladesh (GoB) financing also decreased moderately.

*Figure 10: Revised Annual Development Programme (RADP) performance for July – March Period based on different financing modes*



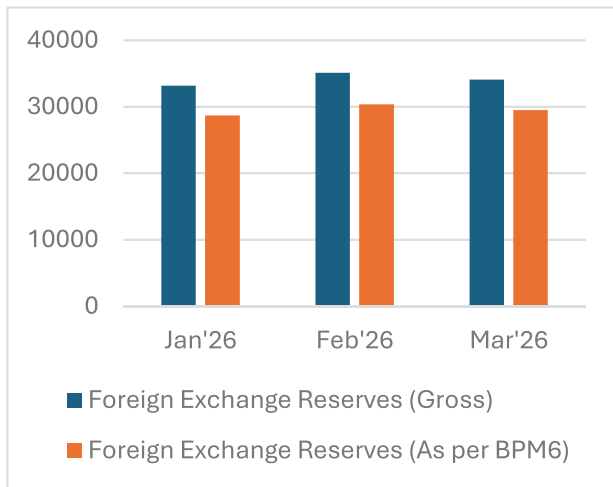
Source: Implementation Monitoring and Evaluation Division

This pattern suggests growing challenges in mobilizing and disbursing external resources, possibly due to procedural complexities, conditionality, or slower project approval processes tied to foreign aid. The decline in self-financing further indicates constraints in autonomous or state-owned entity investments. Overall, the financing mix reflects increased pressure on domestic resources and highlights vulnerabilities in external dependency, which could have longer-term implications for sustaining large-scale infrastructure and development initiatives.

**Foreign Exchange Reserve Dynamics Indicate Strengthened External Buffers Amid Global Volatility**

Bangladesh’s foreign exchange reserve position exhibited an overall strengthening trend in early 2026, reflecting improved external balance management despite a volatile global backdrop. Figure 11 shows gross reserves increased from USD 33.18 billion in January to USD 35.11 billion in February before moderating slightly to USD 34.12 billion in March, while reserves measured under BPM6 standards followed a similar trajectory, rising from USD 28.68 billion to USD 30.36 billion and subsequently easing to USD 29.50 billion.

*Figure 11: Monthly foreign exchange reserves (in million USD)*



Source: Bangladesh Bank

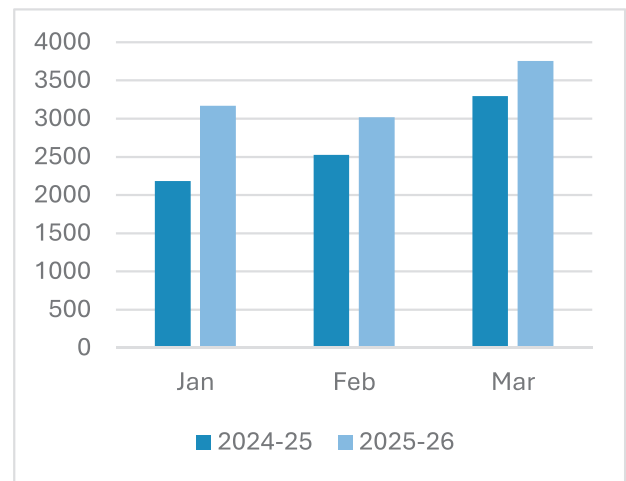
The February peak suggests a period of strong inflows—potentially driven by export earnings and remittance resilience—while the modest correction in March appears consistent with routine market operations and external payment adjustments rather than structural weakness. Importantly, reserve levels have remained at a comfortable threshold, providing a critical buffer against ongoing global uncertainties, including the Persian Gulf tensions that have contributed to energy price volatility. Overall, the reserve dynamics point to enhanced external sector resilience, with Bangladesh maintaining adequate liquidity to navigate short-term shocks while preserving macroeconomic stability.

**Robust Remittance Inflows Reinforcing External Stability Amid Global and Domestic Pressures**

Bangladesh’s remittance inflows demonstrated strong and sustained growth in FY2025–26,

providing a critical pillar of external sector stability amid global uncertainties and domestic adjustments. Remittance receipts increased significantly compared to the previous fiscal year, rising from USD 2.19 billion to USD 3.17 billion in January, from USD 2.53 billion to USD 3.02 billion in February, and from USD 3.30 billion to USD 3.76 billion in March (Figure 12).

*Figure 12: Monthly remittance inflow (in million)*



Source: Bangladesh Bank

This consistent year-on-year improvement underscores the resilience of migrant income flows and reflects both stronger formal channel utilization and stable overseas labor market conditions. The upward trend is particularly noteworthy in the context of geopolitical tensions in the Persian Gulf region—home to a large share of Bangladeshi migrant workers—which could have posed downside risks. Instead, remittance inflows have remained buoyant, possibly supported by exchange rate incentives and policy measures encouraging official transfers.

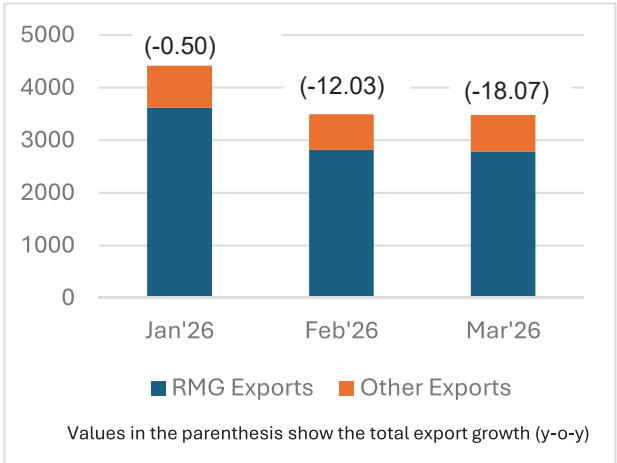
Overall, the robust remittance performance continues to play a stabilizing role by supporting foreign exchange reserves, financing the current account, and enhancing macroeconomic resilience.

Remittance inflows remain a key stabilizing factor for the external sector, with strong year-on-year growth observed across recent months. Figure 9 shows that Inflows increased from USD 2,638.78 million in December (FY2024–25) to USD 3,224.27 million in December (FY2025–26), and from USD 2,185.23 million to USD 3,170.94 million in January, before moderating slightly to USD 3,020.76 million in February. This likely reflects a robust structural improvement, although recent month-on-month moderation suggests some volatility. In the context of the energy crisis, remittances play a critical role in offsetting higher import payments and supporting reserve accumulation. However, risks remain, particularly if geopolitical tensions affect labor markets in energy-exporting countries where many Bangladeshi migrants are employed. In the short term, seasonal factors may support inflows, but over the medium term, remittance sustainability will depend on external labor demand and global economic stability.

**Softening Export Performance Amid Global and Domestic Cost Pressures**

Bangladesh’s export performance weakened during the first quarter of 2026 after a relatively strong start. Year-on-year growth declined from -0.50% in January to -12.03% in February and -18.07% in March, indicating softening external demand and emerging supply-side constraints (figure 13).

Figure 13: Export earnings and contribution of RMG (in million USD)



Source: Export Promotion Bureau

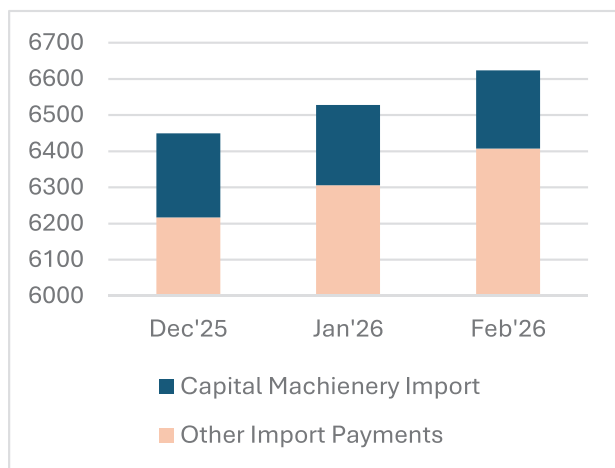
RMG exports fell from USD 3.61 billion in January to USD 2.78 billion in March, reflecting seasonal normalization and weaker global demand. Non-RMG exports also showed volatility—rising earlier but dropping to USD 679 million in February, with only a slight recovery to USD 698 million in March. This broad-based trend suggests generalized pressure across export categories.

Rising global energy prices, amid geopolitical tensions, along with recent domestic fuel price adjustments, are likely increasing production and transport costs, potentially affecting competitiveness. Nonetheless, modest recovery in non-RMG exports and continued baseline demand for RMG provide some cautious optimism, though policy support and efficiency gains may be needed going forward.

## Import Dynamics Reflecting Resilient Domestic Demand and Gradual Investment Adjustment Amid External Pressures

Bangladesh's import profile in early 2026 indicates a stable and resilient domestic demand environment, despite evolving global and domestic challenges. Other import payments rose steadily from USD 6.22 billion in December 2025 to USD 6.41 billion in February 2026 (Figure 14), suggesting sustained momentum in intermediate and consumer goods imports, which is consistent with ongoing economic activity and supply chain normalization. In contrast, capital machinery imports exhibited a moderate decline from USD 232.5 million to USD 215.9 million over the same period, potentially reflecting a short-term adjustment in investment decisions amid heightened global uncertainty, including the ongoing Persian Gulf tensions and associated volatility in energy markets. The recent fuel price hike domestically may have also contributed to cautious investment behavior by increasing operational cost expectations.

Figure 14: Import payments and contribution of capital Machinery (in million USD)



Source: Bangladesh Bank

However, this marginal moderation in capital goods imports should be viewed within a broader positive context:

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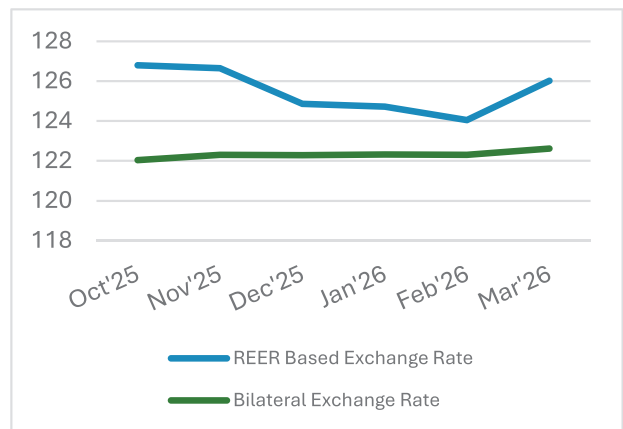
it may indicate improved efficiency in capital utilization and the completion of earlier large-scale investment cycles rather than a structural slowdown. Overall, the import trends point to a balanced external sector, where robust demand-side fundamentals are maintained alongside prudent investment adjustments, supporting a cautiously optimistic near-term outlook.

## Exchange Rate Developments: Stability in Bilateral Rate, Volatility in Real Effective Terms

The REER-based exchange rate and the bilateral exchange rate of the Bangladesh Taka against the US Dollar have followed broadly divergent paths, reflecting differing underlying dynamics in multilateral versus bilateral currency movements.

In March 2026, the REER-based exchange rate rose to BDT 126.03 per US Dollar, up from BDT 124.05 in February 2026 (Figure 15), indicating that the Taka continued to depreciate in real effective terms. As the Taka depreciates, Bangladesh's export competitiveness improves, making its goods relatively cheaper for trading partners.

Figure 15: REER based and bilateral exchange rate till March 2026 (BDT/USD)



Source: Bangladesh Bank

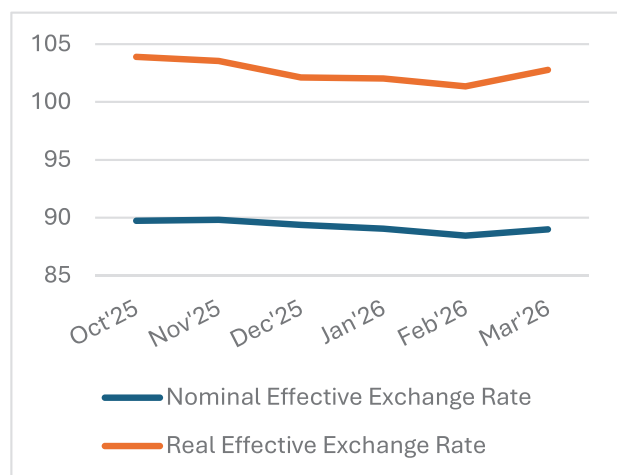
The bilateral exchange rate, in contrast, has remained comparatively stable throughout the review period. In March 2026, the rate stood at BDT 122.62 per US Dollar, a marginal increase from BDT 122.30 in February 2026. The bilateral rate has moved within a narrow band of approximately BDT 122.04 to BDT 122.62 across the entire six-month period, indicating relative stability in the direct USD-BDT exchange rate.

### Trade-Weighted Exchange Rate Indicators Show Signs of Stabilisation in March 2026

The Nominal Effective Exchange Rate (NEER) and Real Effective Exchange Rate (REER) of the Bangladesh Taka have generally exhibited a declining trend between October 2025 and February 2026, before a partial recovery was observed in March 2026.

In March 2026, the NEER rose to 88.99 from 88.44 in February 2026, reflecting a modest appreciation of approximately 0.62% on a month-on-month basis (Figure 16). This reverses the declining trend observed over the preceding four months.

Figure 16: Trade-Weighted Exchange Rate-REER Vs NEER till March 2026 (BDT/USD)



Source: Bangladesh Bank

The REER similarly rebounded in March 2026, rising to 102.78 from 101.35 in February 2026. February 2026 had recorded the lowest REER of the entire review period.

### General Economics Division (GED) Holds First Advisory Committee Meeting to Formulate New Economic Strategy Framework

The first meeting of the Advisory Council for the Five-Year Strategic Framework (2026–2030) was held at the Planning Commission. The meeting was chaired by Professor Wahiduddin Mahmud, former Adviser to the Ministry of Planning.



Dr. Rashed Al Mahmud Titumir, Adviser to the Hon'ble Prime Minister and Mr. Mohammad Jonayed Abdur Rahim Saki, State Minister for Planning, attended the meeting as special guests. GED Member (Secretary) Dr. Monzur Hossain delivered a presentation outlining the rationale for a new, time-bound and results-based economic framework.



The Advisory Council, comprising eminent economists and private sector representatives, provided valuable suggestions and feedback to the General Economics Division (GED) on the forthcoming national economic strategy. Among others, Dr. Debapriya Bhattacharya, Prof. Mahbubullah, Prof. Mustafizur Rahman, Dr. Zaidi Sattar, Prof. ATM Nurul Amin, Dr. A.K. Enamul Haque, Dr. SM Abdul Awal, Dr. Selim Raihan, Dr. Rushidan Islam Rahman, Prof. Baqui Khalili, Prof. Batkat-e-Khoda, Mr. Syed Nasim Manzur (BGMEA President), and Ms. Rasheda K. Chowdhury were present. A press briefing was held following the meeting.

**GED Member (Secretary) Leads Bangladesh Delegation to SAARC Meeting, Calls for Revitalized and Action-Oriented Regional Cooperation**

The Second Meeting of the SAARC Inter-Governmental Expert Group on Poverty Alleviation, convened to finalize the First SAARC Development Report (SDR 2025: Shaping the Future Together for a Resilient SAARC), was held in Malé, Maldives on 22–23 April 2026. The Bangladesh delegation was led by the Member (Secretary) of the General Economics Division (GED) Dr. Monzur Hossain. In his intervention, he emphasized the need to revitalize SAARC as a more active, effective, and outcome-oriented platform for regional cooperation.



Other members of the delegation included S.M. Mahbubul Alam, Director General (SAARC & BIMSTEC), Ministry of Foreign Affairs, and Tanvir Bashar, Deputy Chief, General Economics Division.

Bangladesh’s vision of strengthened collaboration was highlighted among member states to address shared development challenges, enhance resilience to economic and climate vulnerabilities, and promote inclusive and sustainable growth. The meeting brought together senior officials from SAARC countries, who shared national priorities and contributed to shaping a collective regional framework for poverty alleviation and long-term development.

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

