

ECONOMIC UPDATE & OUTLOOK MARCH 2026



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

ECONOMIC UPDATE

Highlights

- *Inflation pressures intensify as vegetable and fruits items pick up*
- *Inflation continues to outpace wage growth, widening real income pressures.*
- *Tax revenue growth remains modest as collections fall below monthly targets*
- *Development spending slows with uneven implementation across funding sources*
- *External sector stability supported by remittances but challenged by rising energy imports*
- *Cautious policy framework is required to address ongoing energy crisis*

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

Headline inflation rose to 9.13% in February 2026, up from 8.58% in January, reflecting renewed pressures from food items (Figure 1). Food inflation accelerated to 9.30%, overtaking non-food inflation (9.01%) for the first time in several months. This shift highlights the volatility of essential consumption items, with vegetables and fish emerging as the dominant drivers of price increases, while rice inflation moderated significantly.

In February 2026, headline inflation was driven primarily by food, which contributed 45.65% of the overall inflation (Figure 2). Housing, water, electricity, gas, and other fuels accounted for 14.0%, while Clothing and footwear contributed 7.4% and transportation (6.8%) also had notable shares. Other categories such as education (3.1%), alcoholic beverages and tobacco (2.4%), furnishings (2.5%), restaurants and hotels (2.1%), communication (2.1%), health (1.7%), and recreation and culture (1.5%) made smaller contributions.

At the broad category level, rice's contribution to food inflation fell sharply from 22.16% in January to 6.20% in February, consistent with the decline in rice inflation across all varieties (Figure 3a, Figure 4). In contrast, vegetables surged from 8.40% to 29.13%, becoming the single largest contributor to food inflation. Fish also remained a major source of pressure, contributing 27.45%, while fruits rose to 11.37%. Oils, fats, milk, and sugar maintained relatively stable contributions. Disaggregated analysis in Figure 3b shows coarse rice inflation turning negative (-0.22%), while potatoes and onions shifted from negative contributions in January to positive in February, underscoring the volatility of perishables.

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Rice inflation trends confirm a sharp moderation, falling from 14.24% in September 2025 to just 2.39% in February 2026 (Figure 4). Medium rice declined to 1.74%, fine rice to 4.48%, and coarse rice registered negative inflation. The easing of rice inflation likely suggests improved supply conditions supported by imports, seasonal harvests, and public stock releases. In contrast, rising vegetable and protein prices appear largely supply-driven, reflecting seasonal volatility, higher transportation costs, and supply chain constraints. As a result, food inflation remained elevated despite rice price relief.

In addition, rising domestic energy prices and higher fuel import costs are contributing to cost-push inflation through increased transportation, irrigation, and distribution expenses.

Overall, the February inflation profile suggests that while rice stabilization provided some relief, volatility in vegetables, fish, and fruit and other perishable items continues to sustain high food inflation. However, these are attributed to seasonal fluctuations. Meanwhile, non-food inflation remains persistently high around 9%, indicating ongoing structural cost pressures in housing, transport, and energy.

Rising Inflation Outpaces Stagnant Wages, Intensifying Real Income Pressures

Price inflation accelerated to 9.13% in February 2026, up from 8.58% in January, marking the sharpest monthly increase in recent months (Figure 5). In contrast, wage growth remained unchanged, slipping slightly from 8.08% in January to 8.06% in February. This divergence underscores intensifying real income pressures, as households face rising costs without corresponding wage adjustments.

The last two months reveal a clear turning point. January had already shown inflation edging higher than wages, but February's surge widened the gap significantly.

While wage growth has hovered narrowly between 8.01 and 8.08% since October 2025, inflation has climbed steadily, with the February spike driven by food price volatility—particularly vegetables and fish—alongside persistent non-food cost pressures. The stagnation of wages against this backdrop highlights the erosion of purchasing power, especially for lower-income groups whose consumption baskets are dominated by essentials. February outcome signals that inflationary dynamics are accelerating faster than wage adjustments, deepening the mismatch between household incomes and expenditures. Rising energy and utility costs may further exacerbate real income pressures, as households face higher expenditures on electricity, gas, and transport, disproportionately affecting lower-income groups.

Banking Sector Developments: Deposits and Credit

Banking sector indicators in January 2026 showed a slight moderation compared to December 2025. Deposits declined marginally from BDT 1,974,541 crore in December 2025 to BDT 1,967,907 crore in January 2026, though year-on-year growth remained strong at 10.44%, only slightly lower than December's 11.1% (Figure 6). This suggests deposit mobilization is steady but plateauing after the sharp rise in late 2025.

Public sector credit continued its upward trajectory, increasing from BDT 5,96,943.6 crore in December 2025 to BDT 6,11,258.6 crore in January 2026. While the pace of growth eased slightly from 28.13% y-o-y in December to 26.15% in January, the level of borrowing remains elevated, reflecting sustained government reliance on domestic financing.

Private sector credit showed stability, declining modestly from BDT 17,88,024 crore in December 2025 to BDT 17,81,471 crore in January 2026.

Growth rates were nearly unchanged, at 6.1% y-o-y in December 2025 and 6.03% in January 2026, indicating consistent but moderate demand for private investment financing.

Elevated energy costs may also affect credit dynamics going forward, as higher production expenses could weaken firms' repayment capacity, particularly in energy-intensive sectors, while also dampening new investment demand.

Sustained Revenue Efforts Amid Global Economic Slowdown

The National Board of Revenue (NBR) generates revenue from three major sources: import and export duties, Value Added Tax at local level (VAT), and income and travel taxes. For February 2026, the revised monthly target was BDT 42,051 crore. However, actual revenue collection stood at BDT 30,559 crore, resulting in a shortfall of BDT 11,492 crore (Figure 7). All three major revenue heads underperformed relative to their targets. Revenue from import and export duties fell short by BDT 1,613 crore, value added tax at local level by BDT 5,425 crore, and income and travel taxes by BDT 4,454 crore. The authority achieved 72.67% of its monthly target, leaving a gap of 27.33%.

Despite this shortfall, there was a moderate year-on-year improvement in revenue collection. In February 2026, total revenue reached BDT 30,559 crore, compared to BDT 28,255 crore in February 2025, reflecting an increase of BDT 2,304 crore or 8.15% growth. However, on a month-on-month basis, performance declined. Revenue collection decreased from BDT 37,033 crore in January 2026 to BDT 30,559 crore in February 2026, representing a drop of BDT 6,474 crore or 17.48%. This likely reflects a slowdown in revenue mobilization compared to the previous month.

In summary, while revenue collection showed modest growth on a year-on-year basis, it remained below expectations in terms of both

monthly targets and month-on-month performance. Amid persistent global economic challenges, including trade disruptions, inflationary pressures, and slowing external demand—revenue performance has shown a degree of resilience. This underscores the need for strengthened revenue mobilization efforts.

ADP Implementation Status

The July–February comparison of RADP performance as shown in Figure 8a likely reflects a notable decline in total implementation in FY 2025–26 relative to the same period in FY 2024–25, pointing to a slowdown in the pace of public development spending. Given the importance of RADP expenditure in supporting aggregate demand and infrastructure development, this reduction suggests a weaker fiscal impulse in the current fiscal year. The decline may reflect persistent implementation bottlenecks, including delays in project approval, procurement inefficiencies, or slower fund disbursement. In contrast, the implementation rate exhibits a marginal increase, which could be interpreted as an improvement in execution efficiency. However, this gain appears to be driven by a revised or reduced RADP allocation, rather than a substantive acceleration in project implementation. As such, the percentage increase does not adequately capture real performance dynamics and may obscure underlying weaknesses in execution capacity.

February data in Figure 8b reveals a sharp increase in both expenditure and utilization rate in FY 2025–26, suggesting a concentrated acceleration of spending within a single month. This pattern is indicative of back-loaded implementation, where executing agencies might intensify disbursement efforts to offset earlier shortfalls in cumulative performance. While this surge contributes positively to short-term indicators, it suggests inconsistent expenditure management across the fiscal year.

Such pronounced monthly spikes raise concerns about the efficiency and quality of public spending. Rapid disbursement within a compressed timeframe is often associated with reduced scrutiny, compromised project selection, and suboptimal resource allocation. Rather than signaling improved implementation capacity, the February surge is more likely interpreted as a corrective response to earlier delays, highlighting structural weaknesses in planning and execution processes. Addressing this requires strengthening front-end planning, ensuring timely fund release, and enhancing continuous monitoring mechanisms, thereby enabling a more stable and predictable implementation trajectory throughout the fiscal year.

Figure 9 reveals a broad-based decline in RADP utilization across all major funding sources in FY 2025–26 compared to the previous fiscal year. Total implementation has fallen noticeably, reinforcing the earlier finding of overall contraction in development spending. This decline is not confined to a single financing channel but is instead systemic across Government of Bangladesh (GoB), project aid (loan/grant), and self-financed components, indicating widespread implementation challenges rather than isolated inefficiencies. A closer examination shows that GoB-funded projects account for the largest share of the decline in absolute terms, reflecting slower execution of domestically financed projects. Given that GoB financing typically supports core infrastructure and priority national projects, this slowdown suggests constraints in budget execution, procurement delays, or administrative bottlenecks. Since domestic financing is generally more flexible than external aid, underperformance in this category raises concerns about institutional capacity and internal coordination. Similarly, project aid (loan/grant) utilization has also decreased significantly, pointing to challenges in externally

financed project implementation. This may reflect delays in aid disbursement, compliance requirements, or weaker project readiness, which are common constraints in donor-funded projects. The decline in this category is particularly important because it suggests reduced absorption capacity of foreign resources, potentially affecting large-scale development initiatives dependent on external financing. The self-financed component also shows a reduction, although comparatively smaller in magnitude.

Factors such as land acquisition delays, contractor inefficiencies, or weak project management may be contributing to this trend. Overall, the graph highlights a structural weakness in implementation across all financing modes, rather than a shift in financing composition. The simultaneous decline across GoB, project aid, and self-financed components suggests that the key constraint lies in execution capacity, planning inefficiencies, and delayed decision-making processes. Addressing these issues will require strengthening project preparation, streamlining approval and procurement systems, and enhancing coordination between implementing agencies and development partners to ensure more consistent and effective utilization of development funds.

Current energy crisis and rising input costs may also be contributing to implementation delays by increasing project costs and creating financing gaps, particularly for infrastructure projects dependent on imported materials

External Sector Vulnerabilities due to Energy Crisis

Bangladesh's external sector in early 2026 suggests a temporary strengthening phase followed by emerging vulnerabilities, largely driven by energy-related external shocks. While improved remittance inflows and reserve

accumulation provided short-term stability, the rising import bill—particularly for fuel and energy—poses significant risks to the balance of payments. The evolving global energy crisis, exacerbated by geopolitical tensions, is expected to increase external financing needs, intensify exchange rate pressures, and widen the trade deficit. These developments have important spillovers across the economy, including inflationary pressures, higher subsidy burdens, and increased production costs. Overall, the outlook suggests that without policy adjustments, the external position may face renewed and sustained pressure in the coming months.

Foreign Exchange Reserves: Energy Import Pressures and Exchange Rate Implications

Foreign exchange reserves showed a notable improvement in early 2026, with gross reserves increasing from USD 33.19 billion in December 2025 to USD 35.11 billion in February 2026, and BPM6 reserves rising from USD 28.58 billion to USD 30.36 billion over the same period (Figure 10a). This buildup likely reflects strong inflows and improved external liquidity in the short term. However, the sustainability of this trend is increasingly challenged by the global energy crisis, which is raising the cost of fuel imports—a major component of Bangladesh’s import basket.

Higher energy prices are likely to accelerate reserve drawdown, as more foreign currency is required to finance essential imports. This, in turn, places downward pressure on the exchange rate, potentially leading to currency depreciation if not managed through policy intervention. In response to similar pressures, many countries have adopted measures such as exchange rate flexibility, import rationalization, and strategic reserve management. Bangladesh may need to pursue a balanced approach combining exchange rate adjustment, demand management, and external financing support to preserve reserve adequacy.

Without such measures, the reserve position may weaken despite recent gains.

Remittance Inflows: Buffer Against External Imbalances with Structural Risks

Remittance inflows remain a key stabilizing factor for the external sector, with strong year-on-year growth observed across recent months. Figure 10b 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.

Export Performance: External Demand and Cost Pressures

Export performance has shown signs of weakening after a strong start, particularly in February 2026. RMG exports increased from USD 3,234.13 million in December to USD 3,614.77 million in January, before declining to USD 2,815.93 million in February (Figure 11). Other exports followed a similar trend, rising from USD 734.15 million to USD 798.88 million, then falling to USD 679.34 million. This broad-based decline suggests external demand softening and/or supply-side constraints.

The global energy crisis may further affect exports through higher production and transportation costs, reducing competitiveness in international markets. Energy-intensive industries are particularly vulnerable, as rising input costs compress profit margins. In response, several countries are supporting exporters through energy subsidies, tax incentives, or targeted credit support. For Bangladesh, maintaining export competitiveness may require policy support and efficiency improvements, especially if global cost pressures persist.

Import Payments: Energy-Led Expansion and Macroeconomic Pressures

Import payments continue to rise, driven primarily by non-capital goods and energy-related imports. Other imports increased from USD 5,313.1 million in November 2025 to USD 6,305.6 million in January 2026 (Figure 12), indicating strong demand for consumer and intermediate goods. In contrast, capital machinery imports remained relatively modest, suggesting weak investment momentum.

The energy crisis is expected to further increase the import bill, particularly through higher oil and LNG prices, thereby worsening the trade balance. This has important macroeconomic implications. From a fiscal perspective, higher energy costs may necessitate increased subsidies or budgetary support. From a monetary perspective, rising import prices contribute to inflation, potentially requiring tighter policy. From a real sector perspective, increased energy costs raise production expenses, potentially slowing economic activity. Many countries are responding to similar challenges through energy conservation measures, diversification of energy sources, and adjustments in domestic pricing mechanisms—areas that Bangladesh may also need to prioritize.

REER-Based Exchange Rate Eases, Bilateral Rate Holds Steady

Between January 2026 and February 2026, the REER-based exchange rate (BDT/USD) declined from 124.73 to 124.05 (Figure 13a), while the bilateral exchange rate (BDT/USD) remained relatively unchanged at around 122.3.

Since October 2025, the REER-based rate has eased from 126.8, while the bilateral rate has been consistently stable in the 122.0–122.3 range. This depicts a divergence: the nominal bilateral rate against the US dollar has been anchored, reflecting Bangladesh Bank's stabilization efforts, while the REER-based measure has adjusted downward due to inflation differentials, signaling modest gains in competitiveness.

Effective Exchange Rate Indices Signal Modest Depreciation

Over the last three months, both the Nominal Effective Exchange Rate (NEER) and the Real Effective Exchange Rate (REER) indices have steadily declined. NEER fell from 89.38 in December 2025 to 89.03 in January 2026 and 88.44 in February 2026, while REER dropped from 102.02 to 101.43 over the last two months (Figure 13b).

Looking at the trend, NEER declined from 89.72 and REER from 103.9 in October, showing a gradual depreciation of the taka in effective terms, suggesting a modest improvement in external price competitiveness. However, increasing energy import costs may offset these gains by increasing production costs and widening external imbalances, thereby limiting the sustainability of this improvement.

Forward Outlook: Policy Trade-offs Under Energy Constraints

Looking ahead, the ongoing energy crisis is likely to transmit across multiple macroeconomic channels including inflation, fiscal balances, external accounts, and investment dynamics requiring coordinated policy responses. While strong remittance inflows and recent reserve gains provide a buffer, persistent high energy prices could reverse these gains by increasing import payments and weakening the trade balance.

Policy responses will require careful trade-offs. Maintaining exchange rate stability may come at the cost of depletion of reserve, while allowing depreciation could fuel inflation. Similarly, energy subsidies can protect consumers and firms but increase fiscal pressure, whereas price adjustments may reduce demand but raise inflation. Internationally, countries are increasingly adopting a mix of market-based

pricing, targeted subsidies, and energy diversification strategies to manage similar shocks.

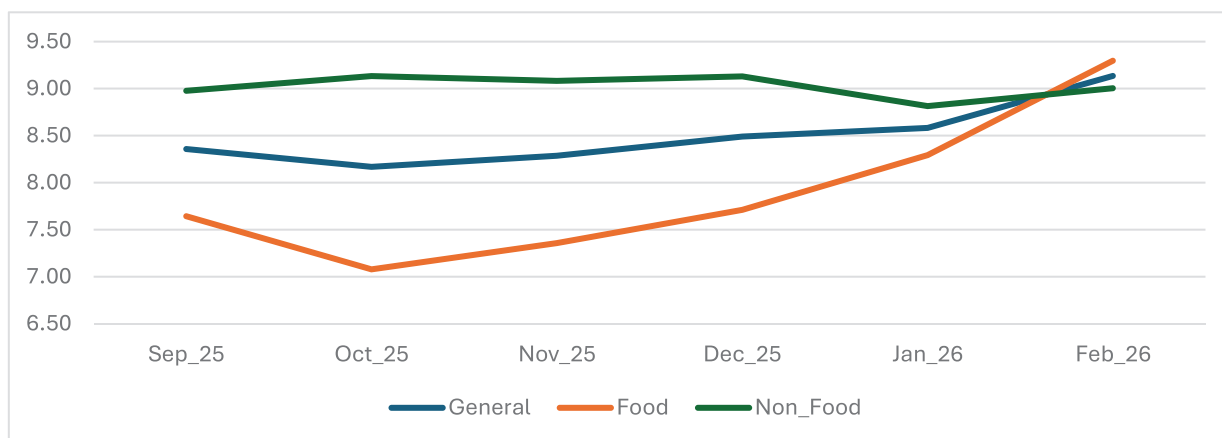
In this context, Bangladesh's external sector outlook remains cautiously vulnerable, with stability dependent on effective policy coordination across external, fiscal, and monetary domains, as well as developments in global energy markets.

Policy priorities should focus on improving energy efficiency, rationalizing energy pricing with targeted subsidies, and strengthening external sector management to contain inflationary and balance of payments pressures.

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), and National Board of Revenue (NBR).

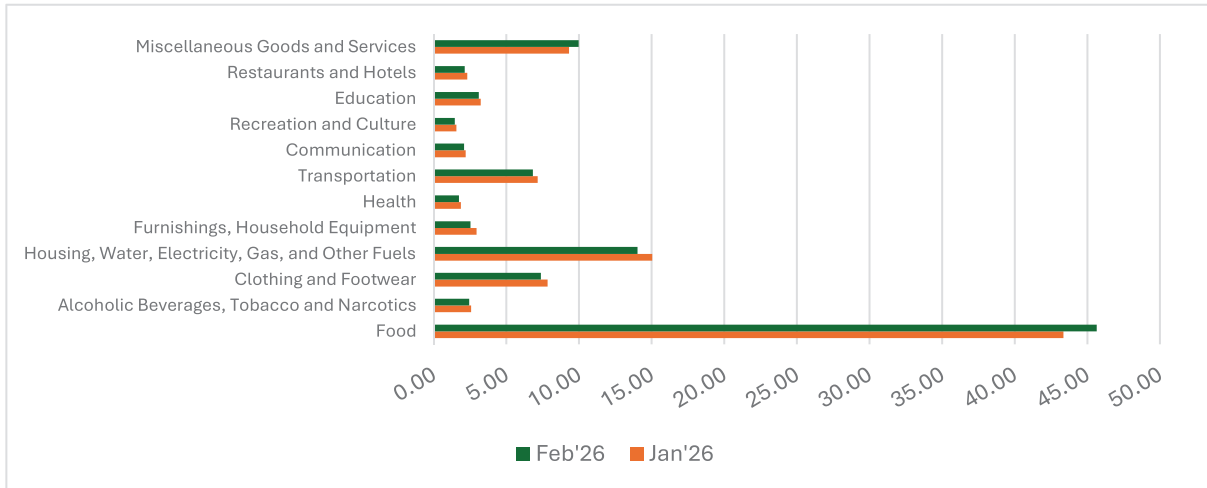
Annex: Tables and Figures

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



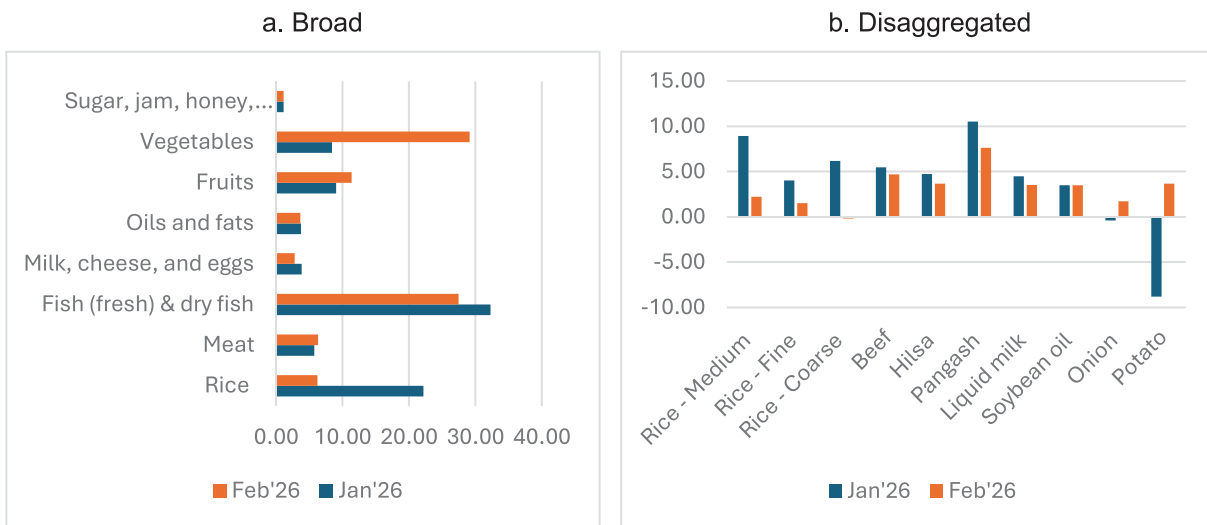
Source: Bangladesh Bureau of Statistics

Figure 2: Contributions to headline inflation (%)



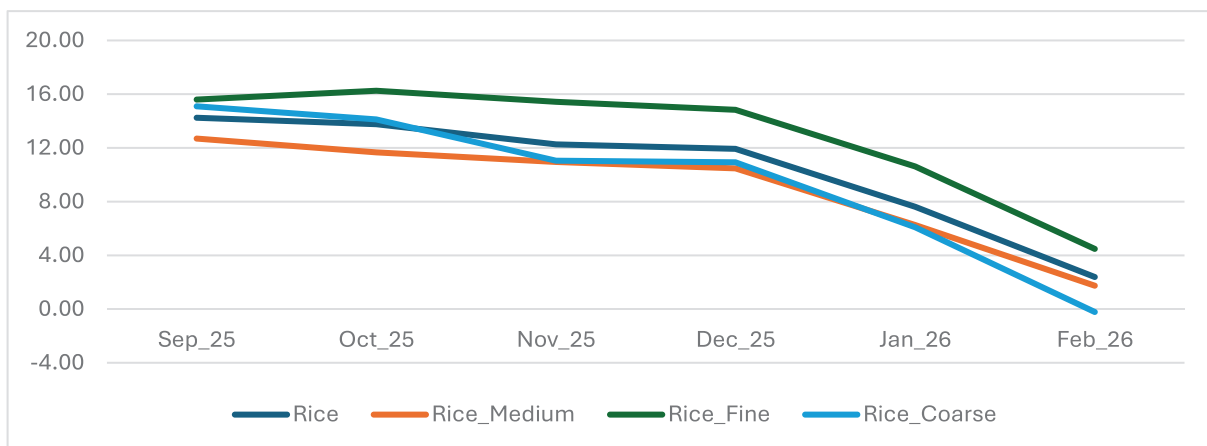
Source: Bangladesh Bureau of Statistics

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



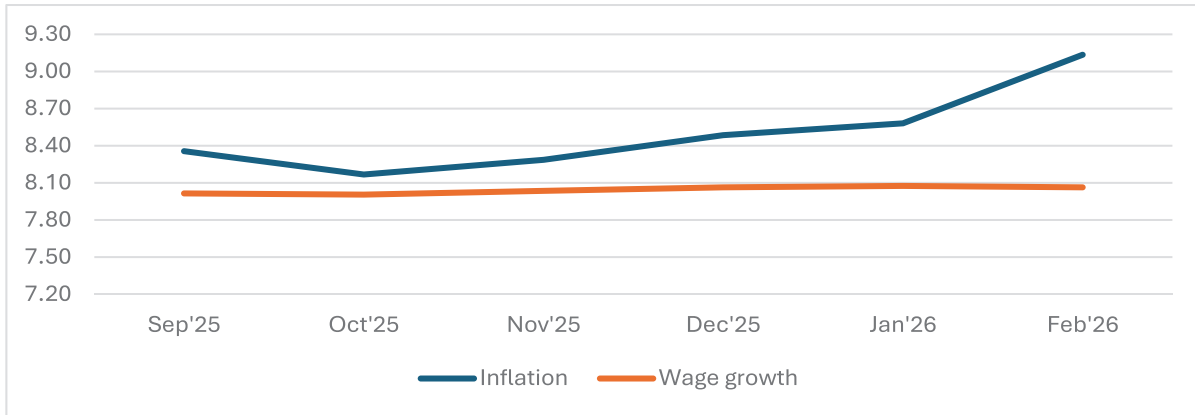
Source: Bangladesh Bureau of Statistics

Figure 4: Rice inflation trend (%)



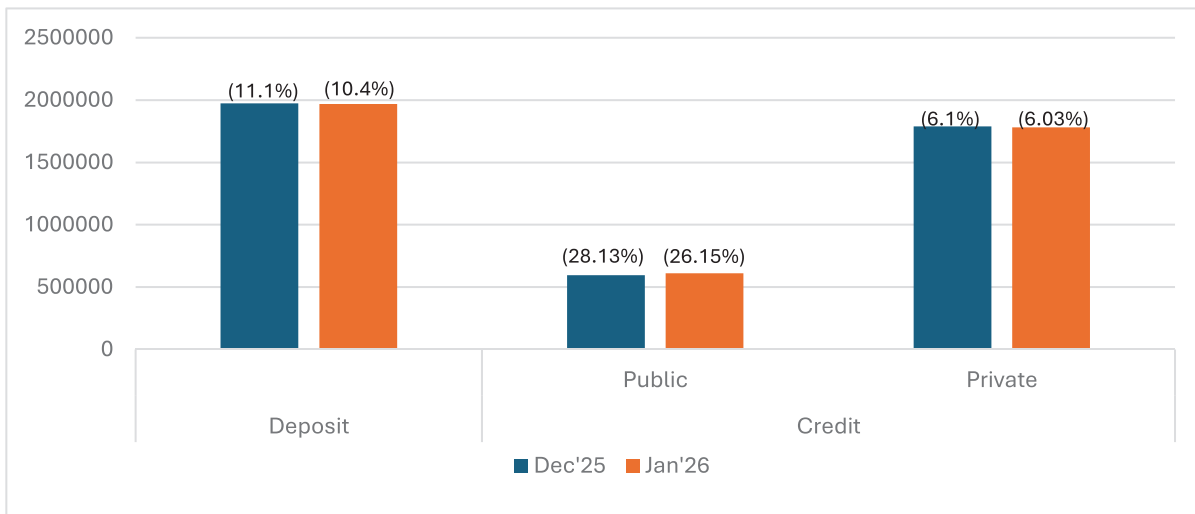
Source: Bangladesh Bureau of Statistics

Figure 5: Rate of inflation and wage growth rate at national level (Sep'25-Feb'26)



Source: Bangladesh Bureau of Statistics

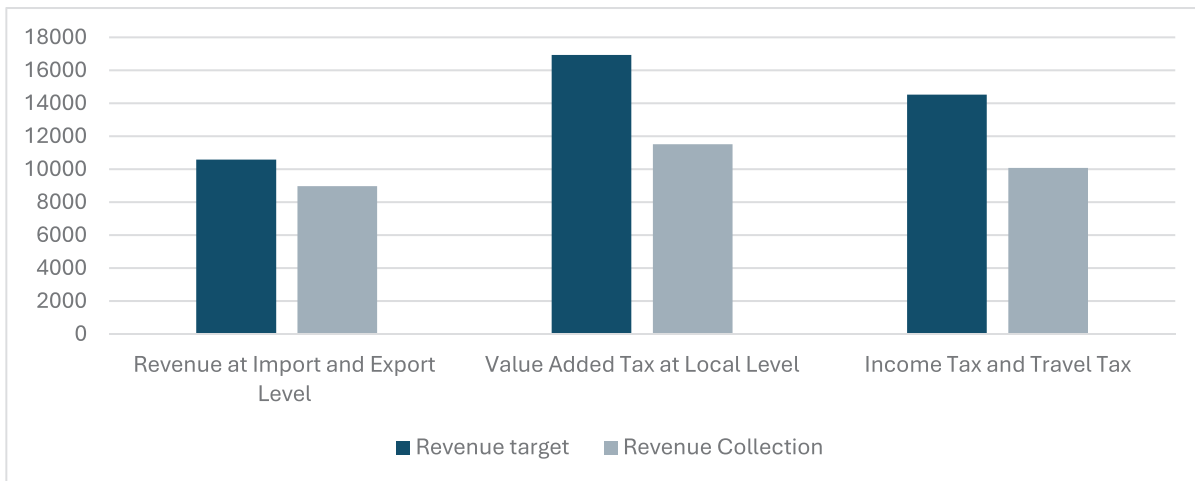
Figure 6: Banking sector developments: Deposits and Credit (December 2025 – January 2026) (BDT Crore)



Note: Figures in the parentheses indicate percentage changes (y-o-y)

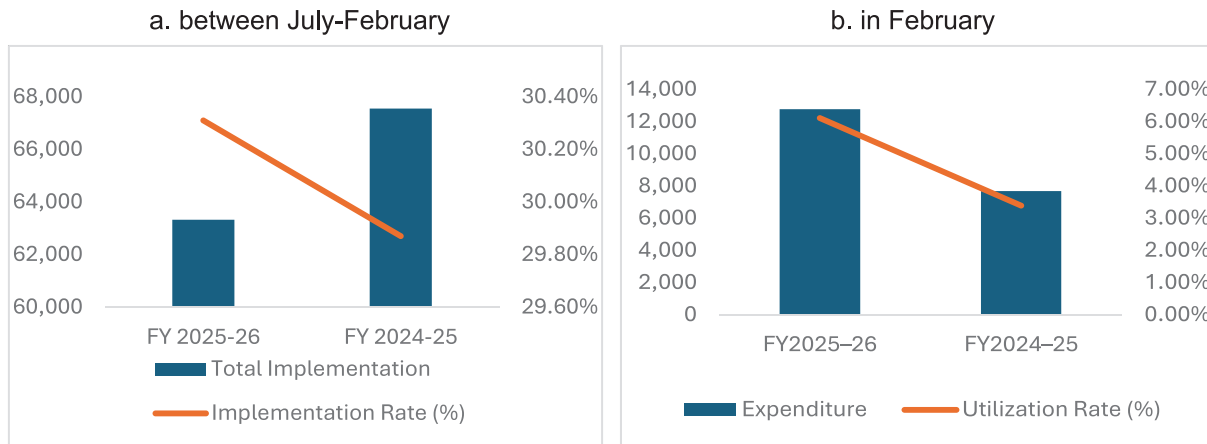
Source: Bangladesh Bank

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



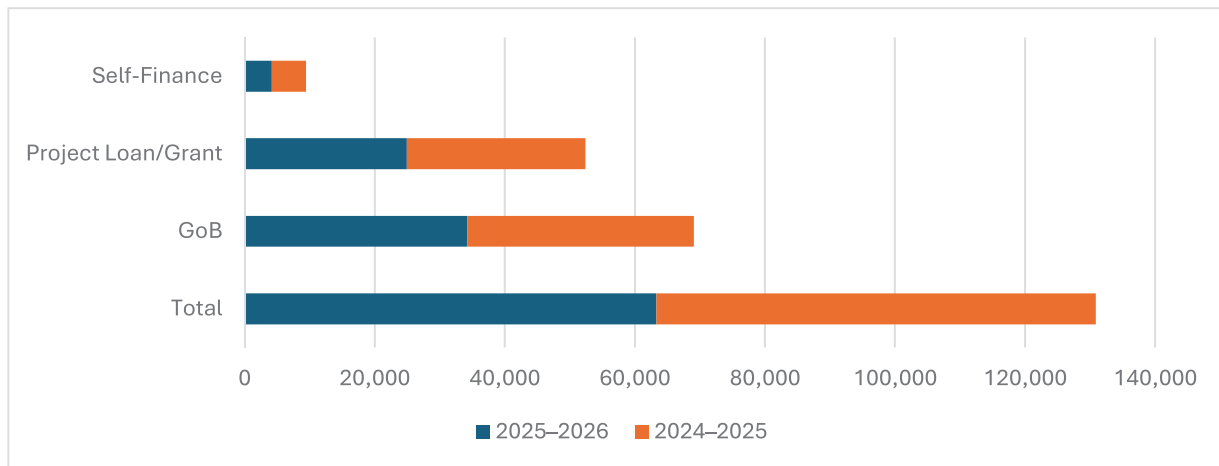
Source: National Board of Revenue

Figure 8: Revised Annual Development Programme (RADP) performance (In crore Taka)



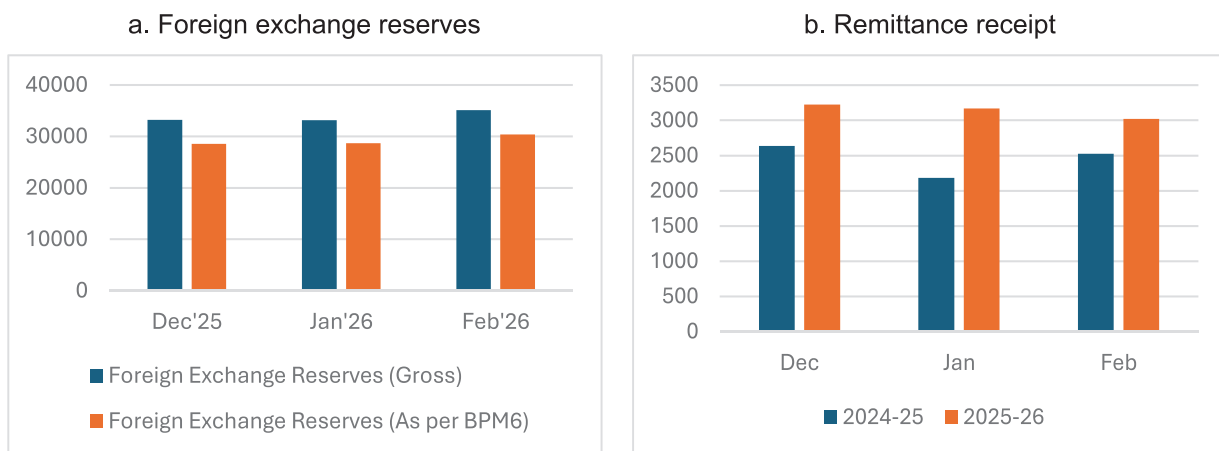
Source: IMED, Ministry of Planning

Figure 9: Revised Annual Development Programme (RADP) performance for July – February between FY 2025-26 and FY 2024-25 based on different financing modes



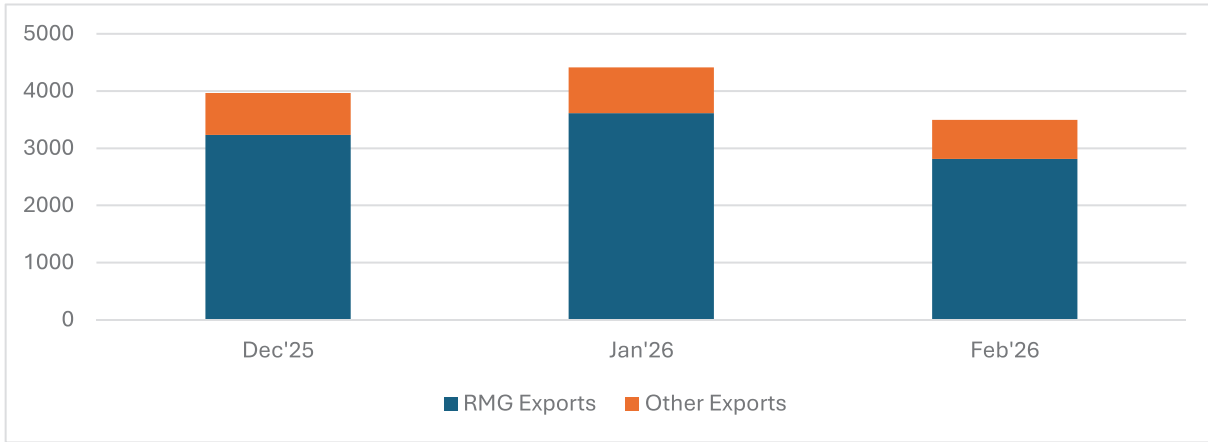
Source: IMED, Ministry of Planning

Figure 10: Monthly foreign exchange reserves and remittance (in million USD)



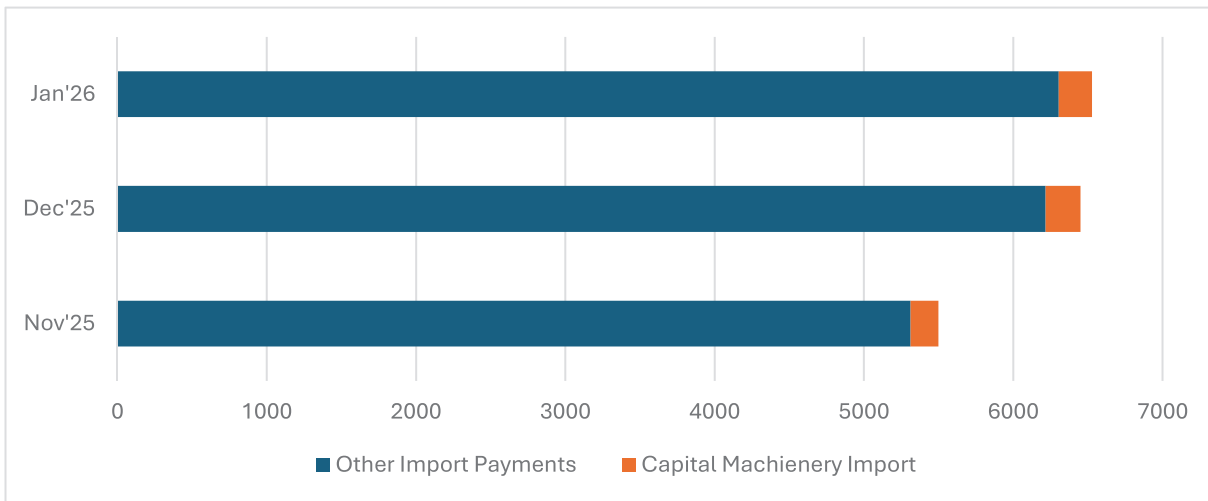
Source: Bangladesh Bank

Figure 11: Export earnings and contribution of RMG (in million USD)



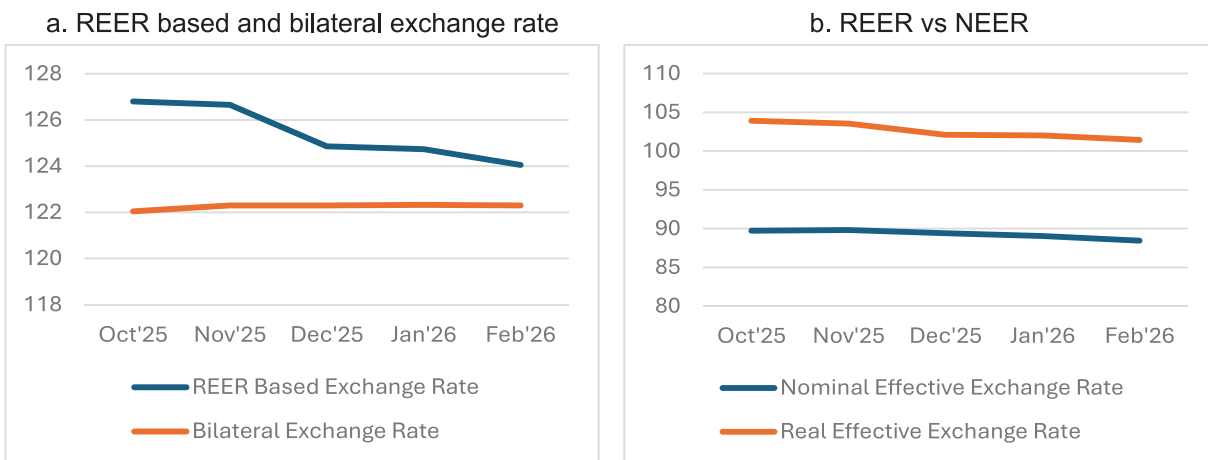
Source: Export Promotion Bureau

Figure 12: Import payments and contribution of capital Machinery (in million USD)



Source: Bangladesh Bank

Figure 13: REER based and bilateral exchange rate till February 2026 (BDT/USD)



Source: Bangladesh Bank

