

ECONOMIC UPDATE & OUTLOOK MAY 2026



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

ECONOMIC UPDATE

Highlights

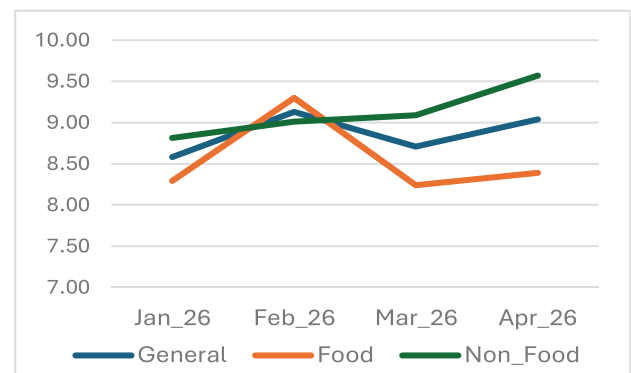
- General inflation rebounds to 9.04% in April, driven by surging fuel and transport costs as non-food pressures take centre stage
- Inflation-wage gap widens, steadily eroding real purchasing power of fixed-income households
- There a surge in RADP utilization in April'26, consistent with Bangladesh's recurring pattern of higher development spending in the final quarters
- Remittance inflows remain robust and foreign exchange reserves recover, sustaining external sector resilience
- Export earnings rebound in April with RMG leading recovery, while rising capital machinery imports signal gradual investment pickup
- NEC approves the Five-Year Strategic Framework for Reform and Development (July 2026– June 2031), anchoring Bangladesh's path to a Trillion-Dollar Economy by 2034
- Despite a marginal decline in both NEER and REER indices in April'26, the persistently elevated REER signals continued pressure on Bangladesh's export competitiveness.

Inflation Ticks Up in April: Non-Food Pressures Take Centre Stage

After easing to 8.71% in March, general inflation climbed to 9.04% in April 2026, reversing the brief relief seen in the previous month (Figure 1). Food inflation edged up from 8.24% to 8.39%, but the sharper movement was in non-food inflation, which rose from 9.09% to 9.57%, signaling that price pressures are no longer confined to the food items.

The increase in non-food inflation is likely driven by higher fuel prices and rising import costs, indicating a supply-side and import-cost-driven inflationary process rather than a demand-side phenomenon.

Figure 1: Inflation trend (%) till April 2026



Source: Bangladesh Bureau of Statistics

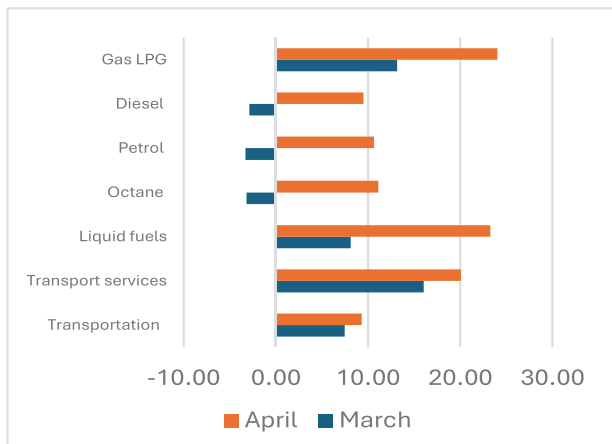
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Transport inflation rose sharply to 9.31% in April from 7.47% in March, reflecting the broader pass-through of global energy costs into everyday services. This is clearly visible in the fuel breakdown. Liquid fuel inflation jumped to 23.28% in April from just 8.11% in March, with LPG surging to 24.04% from 13.16%. Notably, octane, petrol, and diesel, which were all in deflation in March, turned strongly positive in April, recording inflation of 11.11%, 10.66%, and 9.52% respectively. Transport services inflation also rose to 20.07% from 16.04%, a direct consequence of higher fuel costs feeding into fares and freight charges (Figure 2). The increase was recorded across both rural and urban areas, with rural inflation rising to 9.05% and urban inflation to 9.02%, indicating that the pressure is fairly widespread geographically.

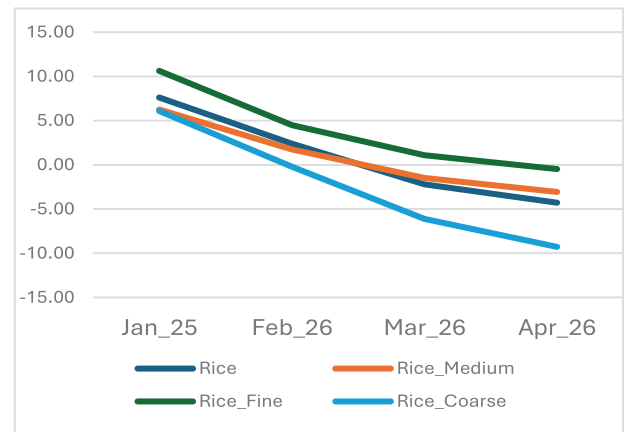
Figure 2: Fuel and Transport inflation: April vs March 2026



Source: Bangladesh Bureau of Statistics

Rice inflation has been on a declining trend since early 2025 and deepened further into deflation in April, reaching -4.28% from -2.20% in March (Figure 3). All three varieties recorded lower prices year-on-year. Coarse rice fell the sharpest at -9.28%, followed by medium at -3.07% and fine at -0.48%. The continued decline reflects a good boro harvest, improved market supply, and easing of global rice prices providing meaningful relief particularly to lower-income households who depend on coarse rice.

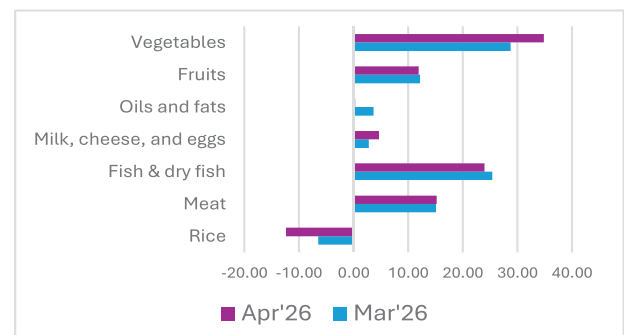
Figure 3: Rice inflation trend (%) till April 2026



Source: Bangladesh Bureau of Statistics

Vegetables remained the dominant driver of food inflation, with its contribution rising to 34.87% in April from 28.74% in March, against an inflation rate of 16.98%; consistent with seasonal supply tightness in the summer months (Figure 4). Fish & dry fish (10.87%) and meat (10.50%) also maintained elevated inflation, with broadly similar contributions to the previous month.

Figure 4: Contribution to food inflation — Broad level

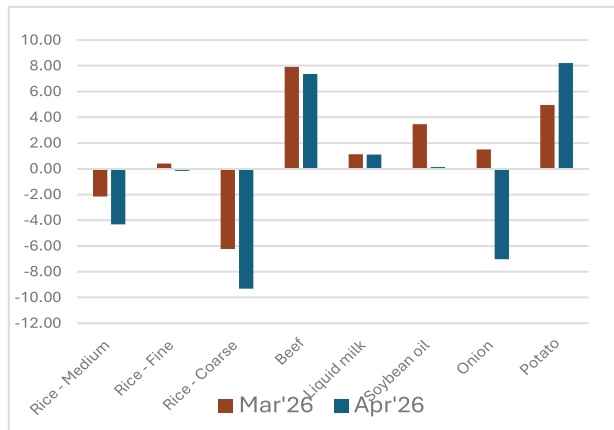


Source: Bangladesh Bureau of Statistics

On the other hand, oils and fats contributed almost nothing in April (0.29%), down sharply from 3.66% in March, reflecting easing in global edible oil prices. Rice continued to act as a drag on food inflation, with its negative contribution widening to -12.34% from -6.46%. The April figures confirm that price pressures are no longer confined to rice, lentils, edible oil, fish, meat, or vegetables; the inflationary impulse is broadening across categories.

Potato emerged as one of the largest inflationary items in April, with its contribution jumping to 8.22% from 4.96% in March, against an inflation rate of 27.34%, likely driven by cold storage delays and lower yield from the previous season (Figure 5). Onion, meanwhile, swung sharply to a negative contribution of -7.02% in April from +1.49% in March, as prices fell 37.21% year-on-year on account of improved domestic supply and a favourable base from last year's price spike. Among rice varieties, coarse rice's negative contribution widened the most, moving from -6.24% to -9.32%. Beef remained a steady upward contributor at 7.38%, while soybean oil's contribution nearly vanished at 0.13% in April compared to 3.47% in March, in line with the broader easing in global edible oil prices. Eggs at 11.99% inflation also warrant attention, as supply disruptions in food markets and higher transportation costs continue to feed into retail prices of protein items.

Figure 5: Contribution to food inflation — Disaggregated level

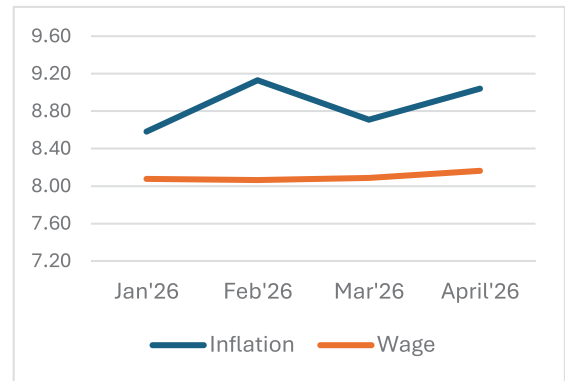


Source: Bangladesh Bureau of Statistics

Wage Growth Trails Inflation, Squeezing Real Incomes

Wage growth has remained largely stagnant throughout early 2026, staying in the narrow range of 8.06%–8.16% (Figure 6). In March, the inflation-wage gap stood at 62 basis points (8.71% vs 8.09%), but widened further in April to 88 basis points as inflation climbed to 9.04% against a wage growth of only 8.16%.

Figure 6: Inflation and Wage growth trends (January–April 2026)



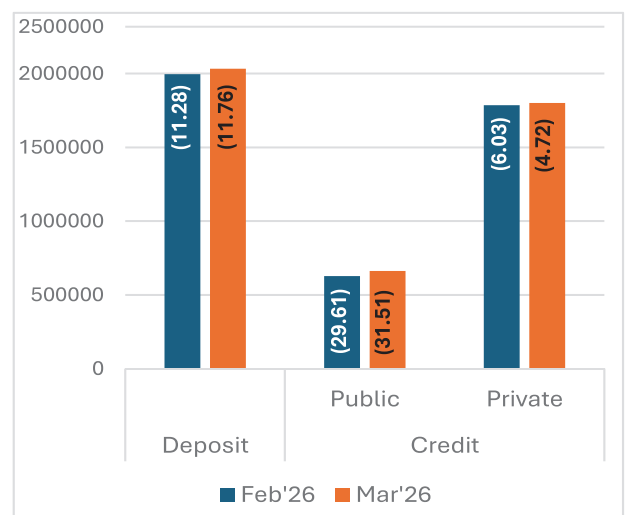
Source: Bangladesh Bank

This persistent and widening gap is eroding real purchasing power, with the burden falling disproportionately on fixed-income and low-wage earners for whom food, transport, and fuel constitute the bulk of household expenditure.

Banking Sector Shows Deposit Growth, but Private Credit Remains Subdued

Total deposits grew to BDT 20,32,579 crore in March 2026 from BDT 19,95,461 crore in February, reflecting an 11.76% year-on-year growth, up from 11.28% (Figure 7). This indicates continued confidence in the banking system and steady mobilization of savings.

Figure 7: Deposit and Credit growth (February–March 2026)



Note: values in the parenthesis show the y-o-y growth

Source: Bangladesh Bank

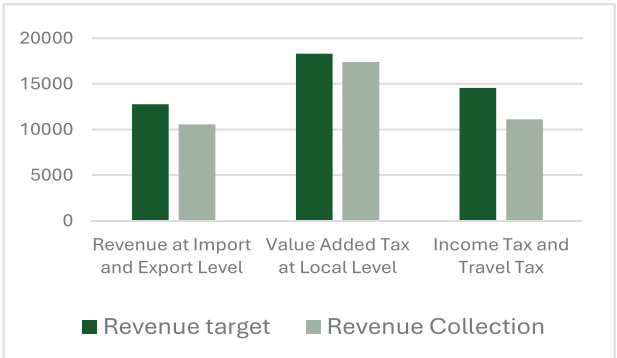
On the credit side, public sector credit rose to BDT 6,63,097 crore in March from BDT 6,27,793 crore in February, with year-on-year growth accelerating to 31.51% from 29.61%, suggesting increased government borrowing from the banking system. Private sector credit, however, edged up only marginally to BDT 18,00,544 crore from BDT 17,85,976 crore, as its growth rate moderated to 4.72% from 6.03% over the same period. This conveys a signal of subdued investment appetite, likely reflecting the prevailing high interest rate environment and cautious business sentiment.

The divergence between public and private credit growth warrants attention. While government borrowing is rising, private sector credit offtake remains sluggish, which may constrain employment generation and productive investment in the near term.

Revenue Performance Seeks Stronger Mobilization Efforts and Improved Tax Collection Efficiency

For April 2026, the revised revenue target was set at BDT 45,608 crore. However, actual collections reached at BDT 39,060 crore, resulting in a revenue gap of BDT 6,548 crore (Figure 8).

Figure 8: Revenue target vs Revenue Collection of April 2026 of the FY 2025-2026 (in crore taka)



Source: National Board of Revenue

None of the three major revenue streams met their targets. Import and export duties fell short by BDT 2,220 crore, VAT collections were lower than expected by BDT 910 crore, and income tax and travel tax collections missed the target by

BDT 3,418 crore. As a result, the NBR attained 85.64% of its revised target, leaving a shortfall of 14.36%.

Compared with March 2026, total revenue collection increased by BDT 5,539 crore, representing a growth of 16.68%, from BDT 33,521 crore to BDT 39,060 crore. Although this indicates an improvement in monthly collections, the pace of growth remains relatively modest. In comparison with April 2025, revenue collections increased by BDT 2,456 crore, reflecting a year-on-year growth rate of 6.70%.

Despite the observed month-on-month and year-on-year increases, overall revenue performance remained below the desired level, underscoring the importance of strengthening revenue mobilization efforts and improving tax collection efficiency.

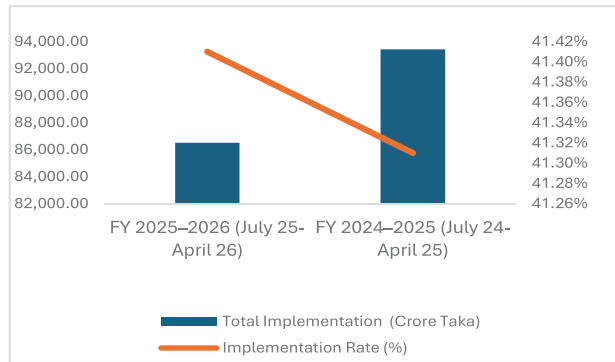
Stronger RADP Implementation Momentum During April of FY 2025–26

Figure 9 suggests a mixed but cautiously positive picture of RADP implementation performance in FY 2025–26 compared with the same period of FY 2024–25. Although total implementation expenditure declined compared with the previous fiscal year, the implementation rate marginally increased, indicating that a relatively smaller revised programme envelope was utilized more efficiently. This implies stronger expenditure discipline and improved alignment between planned and actual implementation rather than simple expansion of spending.

From a public investment management perspective, the result may reflect better project prioritization, tighter monitoring, or rationalization of less-ready projects under the revised programme. However, the fact that overall implementation volume decreased also raises concerns regarding the pace of development execution and absorptive capacity.

Sustained improvements in implementation efficiency should ideally be accompanied by maintaining or expanding the overall investment scale to ensure that development outcomes are not constrained by lower expenditure levels.

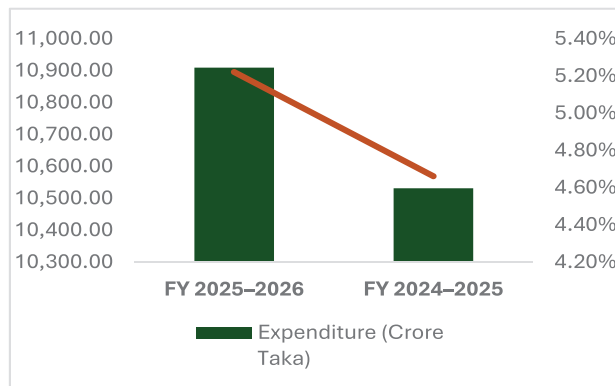
Figure 9: Revised Annual Development Programme (RADP) performance between July-April for FY 2025-26 and FY 2024-25



Source: IMED, Ministry of Planning

There has been a stronger implementation momentum during April of FY 2025–26 relative to April of the previous fiscal year. Both monthly expenditure and utilization rate increased, suggesting acceleration in project execution during the latter part of the fiscal year.

Figure 10: Revised Annual Development Programme (RADP) performance only in April between 2025-26 and 2024-25



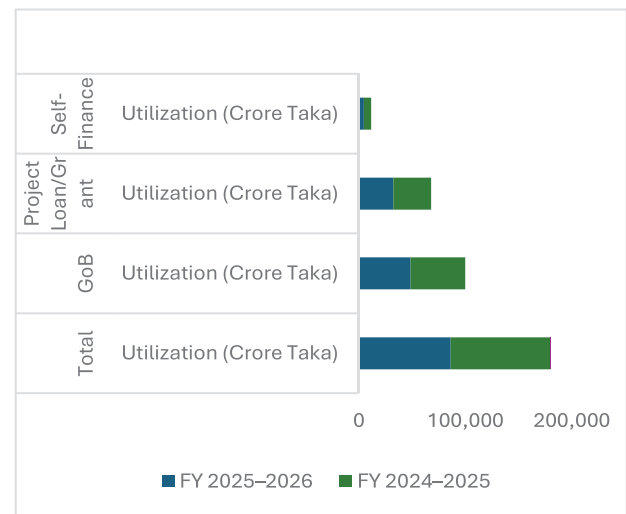
Source: IMED, Ministry of Planning

This pattern is consistent with the tendency of public sector development spending in Bangladesh to intensify toward the final quarters of the fiscal cycle. The higher April utilization reflects improved project spending capacity and possibly stronger administrative follow-up and fund release mechanisms. Nevertheless, this concentration of expenditure toward the end of the fiscal year may also indicate uneven implementation throughout earlier months and could create risks related to spending quality,

procurement efficiency, and outcome effectiveness. A more balanced expenditure profile across the fiscal year would strengthen development effectiveness and reduce implementation pressure in the closing months.

Figure 11 reveals that implementation declined across all financing sources in FY 2025–26 compared with FY 2024–25, including GoB financing, project loans/grants, and self-financed components. Despite the overall improvement in implementation efficiency, the financing composition suggests reduced utilization capacity across both domestic and external funding channels.

Figure 11: Revised Annual Development Programme (RADP) performance for July – April between FY 2025-26 and FY 2024-25 based on different financing modes



Source: IMED, Ministry of Planning

The decline in externally financed components may point to slower project preparation, procurement delays, disbursement bottlenecks, or implementation challenges in foreign-assisted projects, while lower self-financed utilization may reflect cautious fiscal management or postponement of lower-priority investments. Since GoB financing continues to account for the dominant share of expenditure, strengthening external resource utilization and improving readiness of development projects will remain

critical to sustaining investment growth and achieving broader development objectives under the revised programme framework.

External Sector Outlook: Resilient Performance Amid Global Uncertainty

Bangladesh’s external sector demonstrated considerable resilience in April 2026, supported by strong remittance inflows, a recovery in export earnings, and stable foreign exchange reserves. Remittances remained significantly higher than the corresponding period of the previous fiscal year, providing an important source of foreign exchange and helping to offset external payment pressures. Export performance also improved in April, with both RMG and non-RMG exports recording notable increases following weaker outcomes in February and March. At the same time, foreign exchange reserves recovered after a temporary decline in March, indicating that external liquidity conditions remained broadly manageable. The exchange rate remained relatively stable, while movements in the REER suggest that Bangladesh largely preserved its external competitiveness despite a challenging global environment.

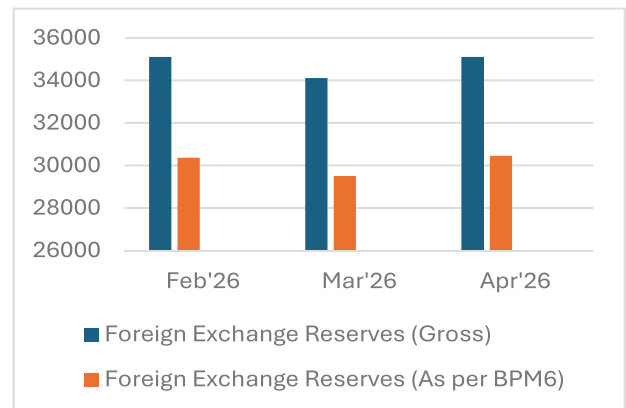
Looking ahead, the external sector outlook remains cautiously positive but subject to downside risks. The moderation in overall import payments during March helped ease pressure on the balance of payments, while the rise in capital machinery imports may signal improving investment sentiment and support future productive capacity. However, continued geopolitical tensions, uncertainty in global trade, and volatility in international energy markets remain important sources of risk. Higher energy prices could increase import costs and place renewed pressure on reserves and the exchange rate, while weaker global demand could affect export growth. Nevertheless, the combination of strong remittance inflows, recovering exports, stable reserves, and improving investment-related imports suggests

that Bangladesh’s external sector is currently positioned to withstand moderate external shocks, provided that prudent macroeconomic management and external sector policies are maintained.

Foreign Exchange Reserves: Continued Recovery Amid External Uncertainty

Bangladesh’s foreign exchange reserves showed a recovery in April following a temporary decline in March, indicating that external pressures remained manageable during the period. Gross reserves increased from USD 35.11 billion in February to USD 34.12 billion in March and then recovered to USD 35.11 billion in April, while reserves under the BPM6 methodology increased from USD 30.36 billion in February to USD 29.50 billion in March and further to USD 30.45 billion in April (Figure 12).

Figure 12: Monthly foreign exchange reserves (in million USD)



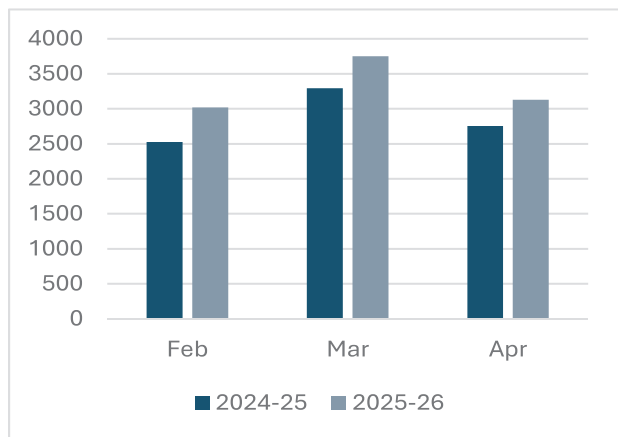
Source: Bangladesh Bank

The rebound suggests that external inflows, supported by remittances, export receipts, or external financing helped offset short-term payment pressures. However, the modest decline in March followed by recovery also indicates that reserve gains remain sensitive to external developments. In the current geopolitical environment, including elevated energy market uncertainty and broader global economic volatility, maintaining reserve adequacy remains essential to preserving external confidence, exchange rate stability, and the economy’s capacity to absorb future shocks.

Remittance Inflows: Strong Growth Sustains External Sector Resilience

Remittance inflows continued to demonstrate robust performance in early 2026, providing an important buffer for Bangladesh’s external sector amid an uncertain global environment. Remittance receipts increased from USD 2,527.65 million in February 2025–26 to USD 3,020.76 million in February 2026, and further strengthened to USD 3,752.21 million in March, before moderating to USD 3,127.30 million in April (Figure 13). Compared with the same months of the previous fiscal year, inflows remained substantially higher, reflecting continued resilience in overseas employment income and stronger formal channel transfers. The sharp increase in March likely reflects a combination of seasonal factors and behavioral effects associated with higher household transfers around the Eid and domestic spending periods, while the subsequent moderation in April suggests partial normalization after the surge.

Figure 13: Remittance receipt (in million USD)



Source: Bangladesh Bank

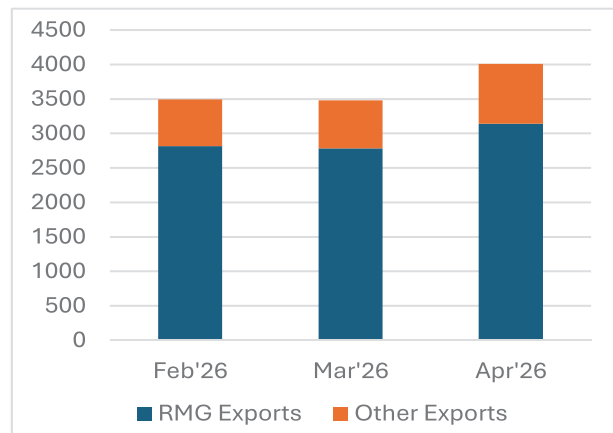
From a macroeconomic perspective, sustained remittance growth supports foreign exchange availability, helps finance import payments, and reduces pressure on external financing needs. However, Bangladesh’s remittance dependence also exposes the economy to geopolitical and labor market developments in host countries, particularly in the Middle East where broader geopolitical tensions and

economic uncertainty could affect migrant income and future inflows. Overall, remittances remain a key stabilizing force for external account management, although continued monitoring of external labor market conditions remains important.

Export Trends and RMG Export Performance: Recovery in April After Earlier Weakness

Export performance in April 2026 showed signs of recovery following a period of moderation observed in the preceding months, with both RMG and other exports recording stronger outcomes. RMG exports increased from USD 2,815.93 million in February to USD 2,782.27 million in March, before rising significantly to USD 3,140.90 million in April (Figure 14). Although March remained slightly below February levels, the rebound in April suggests an improvement in shipment execution and external demand conditions. Similarly, other exports declined marginally from USD 679.34 million in February to USD 698.45 million in March, before increasing notably to USD 869.03 million in April, indicating broader improvement beyond garments exports.

Figure 14: Exports and contribution of RMG (in million USD)



Source: Export Promotion Bureau

The April recovery suggests that Bangladesh’s export sector retained resilience despite an uncertain global environment characterized by geopolitical tensions, elevated energy prices, and continued trade uncertainty.

The stronger performance in both RMG and non-RMG exports may indicate temporary normalization after earlier logistical disruptions or demand adjustments. Nevertheless, the sustainability of this recovery remains dependent on global import demand, export competitiveness, and stability in production conditions. Given the continued dominance of RMG in export earnings, developments in this sector will remain critical for foreign exchange generation and external sector stability. Looking ahead, maintaining competitiveness through cost control, reliable energy supply, and trade facilitation will be important to sustaining export momentum.

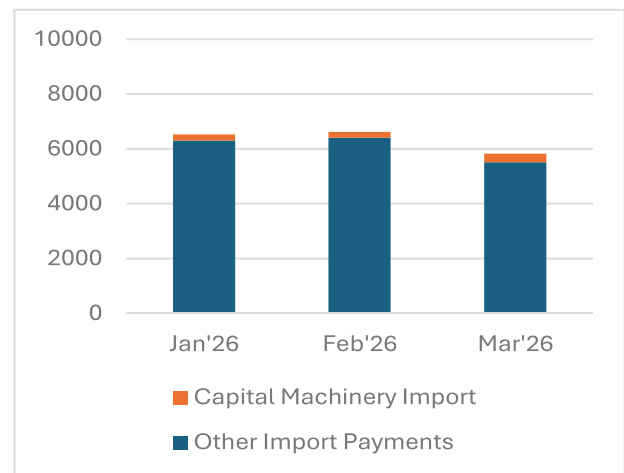
Import Trends and Capital Machinery Imports: Declining Import Payments with Early Signs of Investment Recovery

Import payments in Bangladesh showed a moderation in overall import demand in March 2026, while capital machinery imports recorded a notable increase, suggesting a gradual improvement in investment-related activity. Other import payments declined from USD 6.31 billion in January to USD 6.41 billion in February, before falling more substantially to USD 5.51 billion in March, indicating a slowdown in import demand after elevated levels earlier in the quarter (Figure 15). This reduction may reflect tighter import management, lower inventory accumulation, exchange rate adjustments, or subdued domestic demand conditions amid ongoing external uncertainty.

In contrast, capital machinery imports increased from USD 221.1 million in January to USD 215.9 million in February, followed by a significant rise to USD 316.8 million in March. Since capital machinery imports are commonly viewed as an indicator of investment intentions and future productive capacity, the March increase may signal renewed confidence in investment activity and gradual normalization of industrial expansion plans after a period of cautious import behavior. However, the improvement remains modest relative to the broader import basket and does not yet indicate a broad-based investment acceleration.

From an external sector perspective, the decline in other imports is supportive of reducing pressure on the trade balance and foreign exchange demand, while the rise in capital machinery imports may contribute positively to medium-term productive capacity. The combination of lower overall import payments and higher capital goods imports presents a relatively favorable composition of imports, provided the trend is sustained. Nevertheless, continued geopolitical uncertainty, elevated energy costs, and global financial volatility remain important factors that could influence future import dynamics and investment decisions.

Figure 15: Imports and contribution of capital machinery (in million USD)

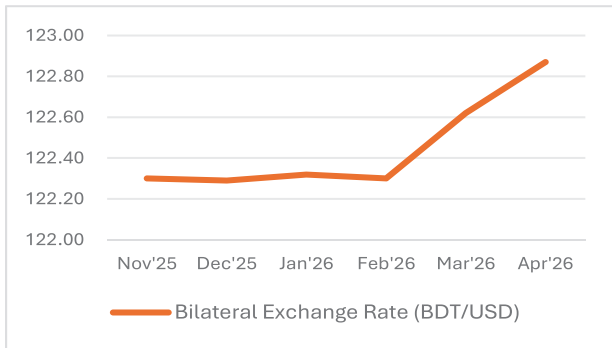


Source: Bangladesh Bank

Exchange Rate Developments: Relative Stability with Emerging Competitiveness Challenges

Bangladesh's exchange rate indicators remained relatively stable during November 2025–April 2026, although recent movements suggest evolving dynamics in external competitiveness. The bilateral exchange rate against the US dollar depreciated slightly from BDT 122.30 per USD in November 2025 to BDT 122.87 per USD in April 2026 (Figure 16), indicating limited nominal depreciation pressure during the period. Meanwhile, the Real Effective Exchange Rate (REER) follows the similar depreciating trend indicating a gain in international price competitiveness.

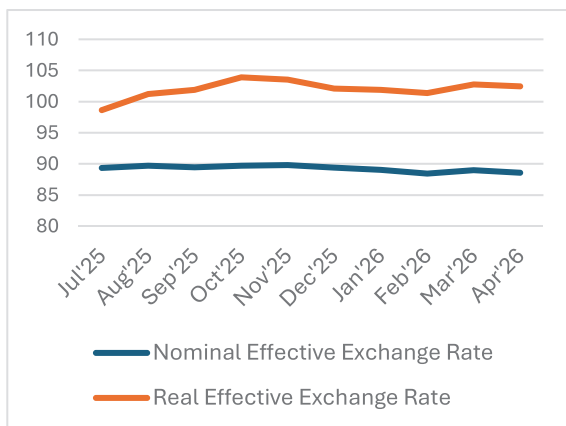
Figure 16: Bilateral exchange rate till April 2026 (BDT/USD)



The decline in REER through February suggests an improvement in Bangladesh's price competitiveness relative to its trading partners, potentially supporting export performance. However, the subsequent rise in March and April indicates some erosion of these competitiveness gains, possibly reflecting domestic inflationary pressures or exchange rate movements relative to partner countries.

From a macroeconomic perspective, the broad stability of the bilateral exchange rate has helped contain exchange rate volatility and support business confidence. However, the upward movement in REER warrants attention, as a sustained increase could reduce export competitiveness and widen external imbalances over time.

Figure 17: Movement of REER and NEER indices



Source: Bangladesh Bank

In the current global environment, characterized by geopolitical uncertainty, volatile energy prices, and uneven global demand conditions, maintaining an appropriate balance between exchange rate stability and external competitiveness remains an important policy challenge. Going forward, exchange rate management will need to support both external sector resilience and inflation control while preserving Bangladesh's competitiveness in international markets.

Approval of the Five-Year Strategic Framework for Reform and Development (July 2026–June 2031)

The National Economic Council (NEC), chaired by Hon'ble Prime Minister Tarique Rahman, approved the Five-Year Strategic Framework for Reform and Development (FYSF) covering the period from July 2026 to June 2031. The framework represents a significant departure from the traditional five-year planning approach by adopting a dynamic, reform-oriented strategy designed to respond to evolving economic realities and emerging development challenges. It accompanies a Strategic Action Plan too. It seeks to guide Bangladesh's transition from economic fragility to prosperity through a phased "3R Strategy" encompassing Recovery and Stabilization (Year 1), Restoration (Years 1–3), and Reconstruction (Years 3–5).



A notable feature of the FYSF is the inclusive and consultative process followed in its preparation. The framework was consulted twice by the Advisory Council, reviewed by a Technical Committee, discussed extensively with

ministries and divisions, examined by the National Steering Committee (NSC) headed by the Hon'ble Finance and Planning Minister Amir Khasru Mahmud Chowdhury, and finally approved by the NEC. This broad-based consultation process helped ensure policy ownership, alignment across government institutions, and consistency with national development priorities.



The framework was formulated in response to a challenging domestic and global environment characterized by elevated inflation, slow investment growth, financial sector vulnerabilities, pressures associated with Bangladesh's graduation from Least Developed Country (LDC) status, a slowing pace of progress towards the Sustainable Development Goals (SDGs), and an increasingly uncertain global economic outlook. Recognizing these challenges, the FYSF shifts the focus from static expenditure-driven planning to a flexible and results-oriented reform framework that places greater emphasis on macroeconomic realities, implementation capacity, and measurable outcomes.

The FYSF is anchored in a pragmatic long-term vision of transforming Bangladesh into a US\$1 trillion economy by 2034. The strategy is organized around five interrelated pillars. The first pillar, Reconstructing Fragile Economy, focuses on restoring macroeconomic stability, improving fiscal and monetary management, strengthening governance and demographic resilience, and accelerating economic diversification.

The second pillar, Equitable Socioeconomic Development and Sustainable State Capacity, seeks to promote poverty reduction and social protection, human capital development through health and education, modernization of agriculture and rural transformation, and climate resilience and environmental sustainability. The third pillar, Regional Balanced Development, emphasizes the development of an integrated economic network, enhanced connectivity, and productive infrastructure. It also focuses on Urban Development and Migration. The fourth pillar, Religion, Sports, Culture And Solidarity, aims to strengthen social cohesion and preserve Bangladesh's cultural foundations. The fifth pillar, Reforming Economy and The State, focuses on the democratization of the economy, public administration reform, digital governance, open government data systems, evidence-based policy-making, and strengthening monitoring and evaluation mechanisms.

The approval of the FYSF provides a coherent short-to-medium-to-long term road-map for economic reform and development. Effective implementation of the FYSF will help expedite reforms, restore investor confidence, strengthen institutions, and improve policy coordination, which will be critical for achieving the framework's objectives of sustainable growth, employment generation, social equity, and enhanced economic resilience in the next five years.

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