

ECONOMIC UPDATE

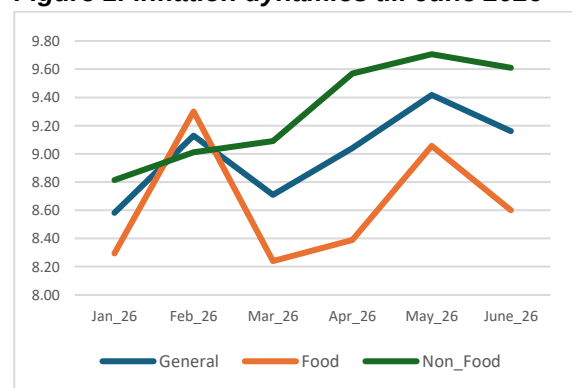
Highlights

- *Headline inflation eased to 9.16% in June 2026, though persistent non-food price pressures continue to keep inflation above wage growth.*
- *The wage-inflation gap narrowed to 0.98 percentage points in June, but real incomes remain under pressure as wage growth continues to lag inflation.*
- *Banking sector liquidity remained robust with deposit growth above 11%, while private sector credit growth stayed subdued despite a modest uptick.*
- *Revenue Collection Rebounds in June on Trade and VAT Gains, Yet Annual Shortfall Persists*
- *Project-Aid Efficiency Improves, but GoB and Self-Financed Spending Weigh Down ADP Implementation*
- *Strong gains in foreign exchange reserves, resilient remittance inflows, and sustained export performance reinforced external sector stability in June.*
- *The Taka depreciated in June, while the REER reached a six-month high, signaling increasing pressures on export competitiveness.*

Inflation Persistence Driven by Structural Supply and Import-Cost Pressures

Headline inflation eased in June 2026, declining to 9.16 percent from 9.42 percent in May (Figure 1). The decline was broad-based: food inflation fell from 9.06 percent to 8.60 percent, while non-food inflation edged down from 9.71 percent to 9.61 percent, over the same period.

Figure 1: Inflation dynamics till June 2026



Source: Bangladesh bureau of Statistics

Despite the moderation, non-food inflation continued to run about a percentage point above food inflation, underscoring the persistence of underlying cost pressures even as headline inflation decreased. The divergence points to lingering supply-side

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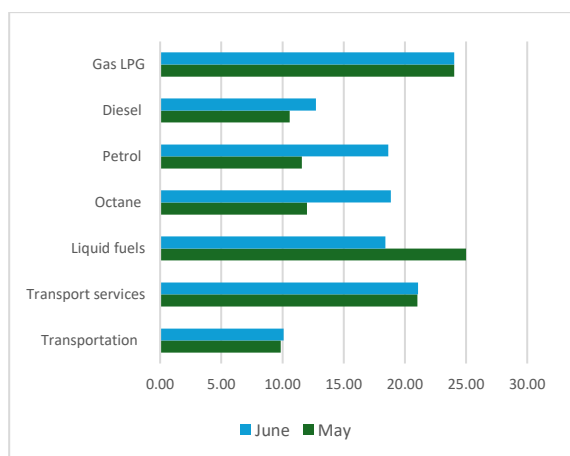
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food constraints, import-cost-driven energy inflation, and continuing price transmission into non-food services, even as the overall pace of increase eased.

Fuel and transport inflation continued to intensify in June even as headline inflation declined. Transportation costs rose to 10.10 percent from 9.86 percent in May (Figure 2), and transport services inflation edged up further, from 21.02 percent to 21.07 percent. Among individual fuel products, octane inflation surged from 12.00 percent to 18.85 percent, petrol rose from 11.57 percent to 18.64 percent, and diesel increased from 10.58 percent to 12.75 percent. Liquefied petroleum gas (LPG) inflation remained unchanged at 24.04 percent, while liquid fuel inflation eased from 25.00 percent to 18.42 percent even as other fuel items accelerated.

Figure 2: Fuel and transport inflation: June'26 vs May'26

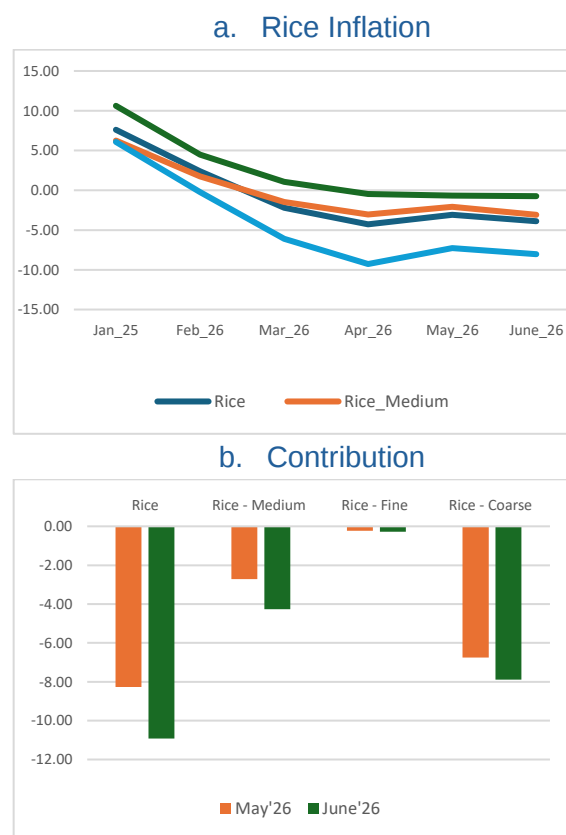


Source: Bangladesh Bureau of Statistics

Rice inflation remained firmly in negative territory in June, with the decline becoming more pronounced after slowing in May. Overall rice inflation fell to -3.89 percent from -3.10 percent, medium rice inflation declined to -3.09 percent from -2.07 percent, and coarse rice inflation fell further to -8.05 percent from -7.26 percent (Figure 3a). Fine rice inflation stayed close to flat,

edging down marginally from -0.68 percent to -0.74 percent.

Figure 3: Rice inflation trends and impact on food inflation



Source: Bangladesh Bureau of Statistics

Rice's contribution to food inflation declined further in June, to -10.92 percentage points from -8.27 points in May. Coarse rice remained the largest drag, widening to -7.89 points from -6.76 points, medium rice widened to -4.26 points from -2.72 points, while fine rice's drag stayed minimal, at -0.27 points versus -0.23 points in May. The renewed decline in rice inflation in June suggests that domestic supply, likely supported by the recent Boro harvest, continues to exert an increasingly stabilizing effect on the food basket. As before, the durability of this relief will depend on harvest outcomes and global price movements, making it a potentially temporary offset rather than a structural solution to food inflation.

Vegetables remained the leading driver of

food inflation in June, with their contribution rising sharply to 32.56 percentage points from 27.44 points in May (Figure 4a). Fish and dry fish held broadly steady at 25.64 points (down marginally from 25.80 points), while meat's contribution eased to 9.14 points from 13.44 points. Fruits' contribution rose to 16.62 points from 14.65 points, and oils and fats increased markedly to 5.14 points from 1.59 points. Milk, cheese and eggs eased to 3.26 points from 6.14 points.

Figure 4: Contribution to food inflation



Source: Bangladesh Bureau of Statistics

Among disaggregated items, soybean oil's contribution rose sharply to 4.97 points from 1.44 points (figure 4b) consistent with the broader increase in oils and fats, while potato edged up to 7.94 points from 7.45 points and beef rose to 7.23 points from 6.83 points. Onion's contribution remained negative and widened further, to -4.67

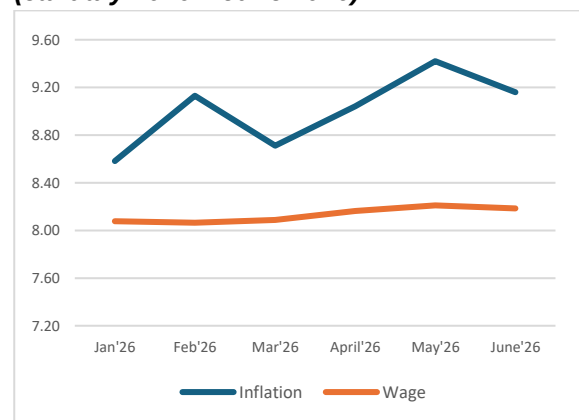
points from -4.33 points, continuing to offset food inflation alongside rice. Liquid milk's contribution eased to 0.74 points from 1.01 points.

These patterns point to two priorities for policy attention: expanding cold-storage and supply-chain capacity for vegetables, given their outsized and rising share of food inflation, and closer monitoring of edible oil import and distribution margins in light of the sharp rise in soybean oil inflation. The stabilizing role currently played by rice and onion also warrants attention from a producer-incentive perspective, given the depth and persistence of their price declines.

Wage-Inflation Gap Narrows Slightly but Real Income Erosion Persists

Wage growth recorded 8.18 percent in June 2026, easing marginally from 8.21 percent in May and reflecting the continued modest pace of wage adjustment in the economy (Figure 5). Headline inflation eased over the same period, from 9.42 percent to 9.16 percent, narrowing the wage-inflation gap slightly to 0.98 percentage points from 1.21 points in May.

Figure 5: Inflation and Wage growth trends (January 2026 – June 2026)



Source: Bangladesh Bank

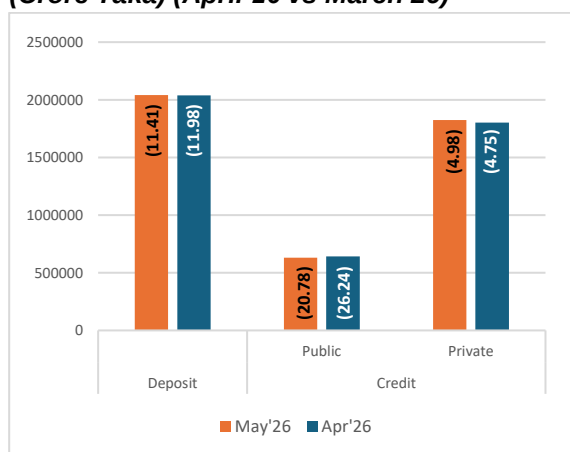
Since January 2026, wage growth has

moved in a narrow band, rising from 8.08 percent to a high of 8.21 percent in May before easing back to 8.18 percent in June, a net gain of just 0.10 percentage points over six months. Inflation, by contrast, has been considerably more volatile and has remained above wage growth throughout the period, ranging between 8.58 and 9.42 percent. Although June's narrower gap offers marginal relief, the persistent shortfall of wage growth relative to inflation points to a continued compression of real incomes, with workers' purchasing power still eroding overall.

Deposit Growth Moderates in May as Public Credit Pulls Back Further

Total deposits in the banking system rose to Tk. 2,041,692.7 crore in May 2026 from Tk. 2,038,774.8 crore in April, though year-on-year deposit growth eased slightly to 11.41 percent from 11.98 percent over the same period (Figure 6). While deposit mobilization remained healthy in level terms, the moderation in growth suggests a marginal easing of the liquidity build-up seen in preceding months.

Figure 6: Banking sector's Deposit and credit (Crore Taka) (April'26 vs March'26)



Note: Figure in the parenthesis shows the growth (y-o-y)
Source: Bangladesh Bank

On the credit side, public sector credit

continued its downward trend, falling to Tk. 629,546.2 crore in May from Tk. 641,966.7 crore in April, with year-on-year growth decreasing sharply to 20.78 percent from 26.24 percent. This continues the pattern of reduced government reliance on bank financing observed in recent months. Private sector credit, meanwhile, edged up to Tk. 1,825,419.7 crore from Tk. 1,803,525.8 crore, with year-on-year growth ticking up modestly to 4.98 percent from 4.75 percent, a tentative sign of improving investment demand, though growth remains historically subdued.

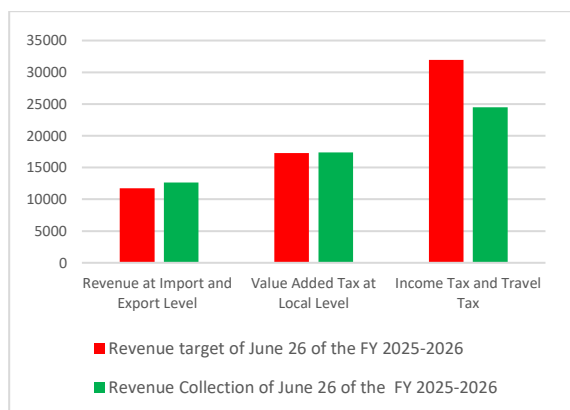
The continued moderation in public sector credit growth may help ease crowding-out pressures on the banking system and create conditions conducive to private sector credit expansion in the coming months. However, the modest scale of May's uptick suggests private investment demand remains muted overall, warranting continued monitoring of credit conditions.

June Revenue Surges but Falls Short of Target as Income Tax Collections Lag

In June 2026, the revised revenue target was BDT 60,915 crore, against which the NBR collected BDT 54,505 crore, resulting in a revenue shortfall of BDT 6,410 crore (Figure 7). While import and export duties and domestic VAT exceeded their respective targets by BDT 941 crore and BDT 113 crore, income tax and travel tax collections fell short by BDT 7,464 crore, leading to an overall achievement of 89.48% of the revised target and a shortfall of 10.52%.

Compared to May 2026, total revenue collection increased by BDT 21,397 crore, representing a month-on-month growth of 64.62%, from BDT 33,108 crore to BDT 54,505 crore.

Figure 7: Revenue target vs Revenue Collection of June 2026 of the FY2025-2026 (in crore taka)



Source: National Board of Revenue (NBR)

Compared with June 2025, revenue collection increased by BDT 11,416 crore, reflecting a year-on-year growth rate of 26.49%. For FY2025–26, the annual revenue target was BDT 503,000 crore, while actual collection amounted to BDT 415,451 crore, achieving 82.59% of the target and leaving a shortfall of 17.41%.

Although overall revenue performance remained below the desired level during the fiscal year, the strong improvement in June 2026 indicates a positive outlook and highlights the need to further strengthen revenue mobilization efforts, broaden the tax base, and improve tax administration and collection efficiency.

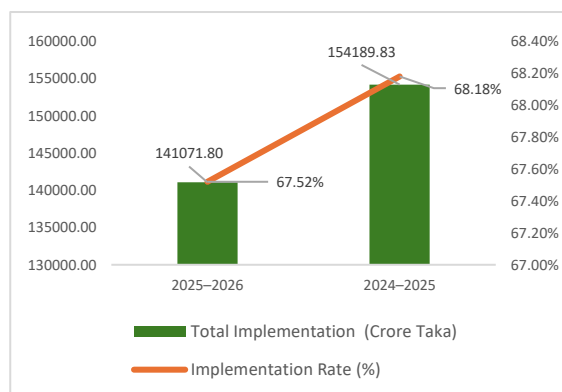
ADP Implementation Trails Last Year's Pace Despite a Marginally Stronger June

Total ADP implementation stood at BDT 141,071.8 crore in FY2025-26 against BDT 154,189.83 crore in FY2024-25, a nominal decline of roughly BDT 13,118 crore year-on-year (Figure 8). The implementation rate also slipped slightly, from 68.18% in FY2024-25 to 67.52% in FY2025-26.

While the drop of under one percentage point is modest, the fact that both the

absolute spends and the utilization rate moved in the same (negative) direction suggests the current fiscal year's ADP execution is trailing last year's pace rather than just reflecting a smaller allocation base.

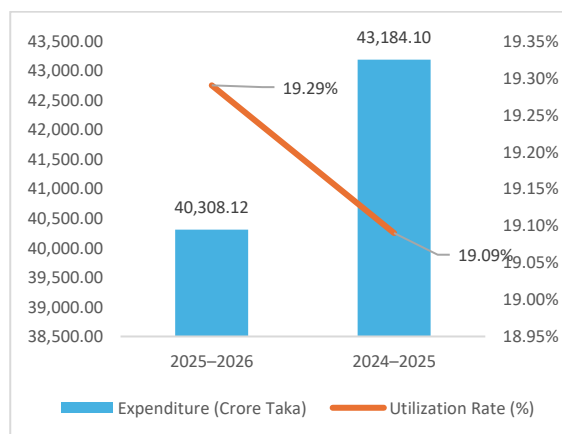
Figure 8: ADP Implementation comparison of July-June between FY2024-25 and FY2025-26 (Crore Taka) and Rate (%)



Source: IMED, Ministry of Planning

Looking specifically at June, expenditure was BDT 40,308.12 crore in FY2025-26 versus BDT 43,184.10 crore in FY2024-25, again lower in absolute terms (Figure 9). June's utilization rate actually rose slightly, from 19.09% to 19.29%, meaning June accounted for a marginally larger share of the year's total spending in FY2025-26 than in FY2024-25.

Figure 9: ADP Performance only in June between FY2025-26 and FY2024-25

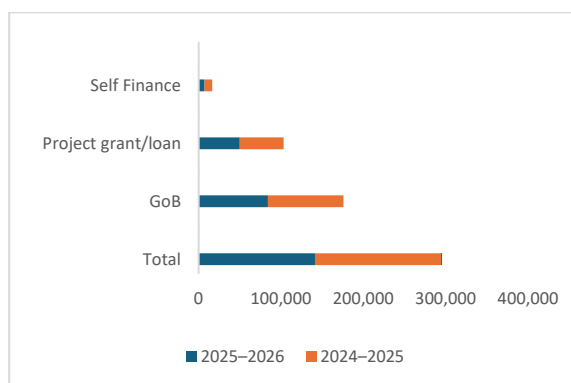


Source: IMED, Ministry of Planning

This points to a persistent structural pattern in Bangladesh's ADP execution: roughly a fifth of the entire year's spending is still concentrated in the single closing month, indicating continued front-loaded underspending followed by a year-end scramble, a pattern that has not improved despite the overall rate dropping.

Disaggregating by financing source shows uneven performance in Figure 10 across the three channels. GoB-financed implementation fell from BDT 91,529 crore (67.80%) to BDT 84,210 crore (65.79%), and project aid (grant/loan) also declined in taka terms from BDT 53,280 crore to BDT 49,827 crore, though its utilization rate actually improved from 65.78% to 69.20%.

Figure 10: ADP performance comparison between July-June for 2024-25 and 2025-26 based on different financing modes (In Crore Taka)



Source: IMED, Ministry of Planning

The sharpest deterioration is in self-financed components, where the rate dropped from a strong 92.27% to 78.73% alongside a fall in absolute spending from BDT 9,381 crore to BDT 7,035 crore. This suggests that while project-aid-funded activities are being executed somewhat more efficiently this year, both GoB's own resources and self-financing arrangements (typically autonomous bodies/corporations) are underperforming relative to FY2024-25, and are the main drag on the overall

implementation rate.

External Sector Outlook: Strengthening Fundamentals Amid Global Uncertainty

Bangladesh's external sector demonstrated marked improvement during June 2026, underpinned by stronger foreign exchange reserves, robust remittance inflows, and sustained export growth. Despite continued geopolitical uncertainty, particularly in the Middle East, and persistent volatility in global energy markets, the external sector remained resilient, supported by favorable foreign exchange inflows and improving trade performance. While import payments rebounded in April, the simultaneous increase in capital machinery imports suggests that import growth was increasingly associated with productive investment rather than consumption alone. Overall, the latest developments point to strengthening external sector fundamentals and improved capacity to withstand moderate external shocks.

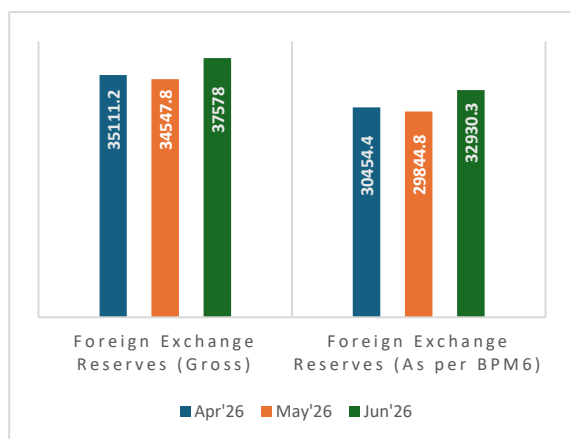
Looking ahead, the outlook for the external sector remains broadly positive. Continued growth in remittances and exports is expected to support reserve accumulation and external liquidity, while rising investment-related imports may contribute to expanding productive capacity and medium-term economic growth. Nevertheless, uncertainties stemming from global trade conditions, geopolitical tensions, and fluctuations in international energy prices warrant continued policy vigilance. Maintaining export competitiveness, encouraging formal remittance inflows, and ensuring prudent external sector management will remain critical to preserving macroeconomic stability and sustaining the recent positive momentum.

Foreign Exchange Reserves: Strong Recovery Reinforces External Stability

Bangladesh's foreign exchange reserves recorded a marked improvement in June 2026, strengthening the country's external liquidity position after a modest decline in May. Gross reserves decreased slightly from USD 35.11 billion in April to USD 34.55 billion in May, before rising substantially to USD 37.58 billion in June.

Similarly, reserves measured under the BPM6 methodology declined from USD 30.45 billion to USD 29.84 billion during April–May but rebounded sharply to USD 32.93 billion in June. The broad-based increase in both reserve measures suggest a significant strengthening of external sector fundamentals, supported by higher foreign exchange inflows and improved balance of payments conditions.

Figure 11: Trends in Gross and BPM6 Foreign Exchange Reserves (April–June)



Source: Bangladesh Bank

The recovery also enhances Bangladesh's capacity to meet external payment obligations and strengthens confidence in the country's macroeconomic stability. Although geopolitical tensions in the Middle East and continued volatility in global energy markets remain potential risks to the external sector, the substantial increase in reserves provides a stronger buffer against external shocks and improves resilience to

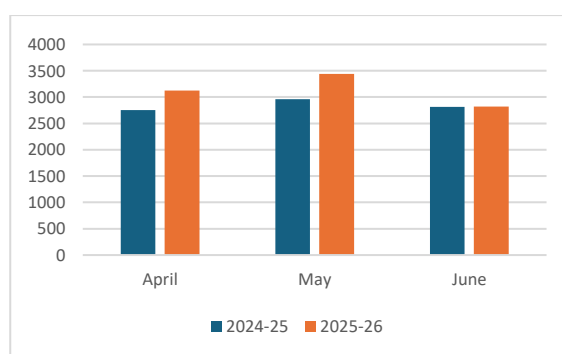
future uncertainties.

Remittance Inflows: Resilient Performance Despite Moderation in June

Remittance inflows remained resilient during April–June 2026, continuing to provide vital support to Bangladesh's external sector despite some moderation in June. Compared with the corresponding period of the previous fiscal year, remittance receipts increased from USD 2,752.33 million to USD 3,127.30 million in April and from USD 2,963.02 million to USD 3,442.58 million in May, reflecting robust year-on-year growth and continued confidence in formal remittance channels. In June, remittance inflows amounted to USD 2,822.53 million, broadly unchanged from USD 2,816.96 million recorded in the same month of the previous fiscal year.

The moderation from May is consistent with the normalization of seasonal inflows following the Eid-related increase observed in earlier months rather than deterioration in underlying remittance trends. From a macroeconomic perspective, the strong performance in April and May, together with the stable inflow in June, continued to support foreign exchange reserves and the balance of payments amid a challenging global environment.

Figure 12: Remittance receipt (in million USD)



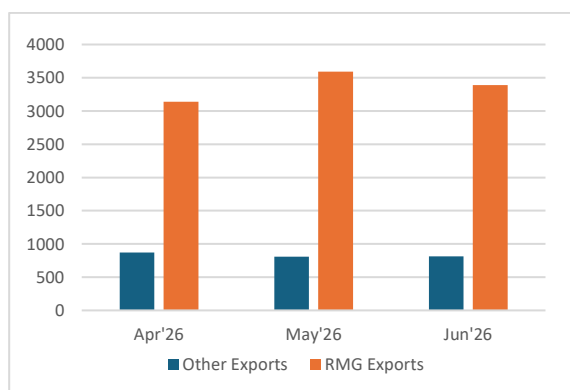
Source: Bangladesh Bank

Although geopolitical tensions in the Middle East and volatility in international energy markets remain potential risks given Bangladesh's dependence on overseas employment in the Gulf region, the resilience of remittance inflows suggests that external income from migrant workers has remained broadly stable. Going forward, continued efforts to facilitate remittances through formal channels and expand overseas employment opportunities will be important for sustaining external sector stability and strengthening the country's foreign exchange position.

Export Performance and RMG Contribution: Sustained Export Strength Anchored by the Garment Sector

Export performance remained broadly favorable during April–June 2026, supported by the continued strength of the ready-made garments (RMG) sector and the resilience of non-RMG exports. Other exports amounted to USD 869.03 million in April, moderated to USD 808.64 million in May, and remained broadly stable at USD 814.98 million in June.

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



Source: Export Promotion Bureau

This pattern suggests that non-RMG exports have largely maintained their

momentum despite an uncertain global trading environment, indicating gradual diversification of Bangladesh's export base.

The RMG sector continued to be the principal driver of export earnings. RMG exports increased from USD 3,140.90 million in April to USD 3,594.14 million in May, before moderating to USD 3,387.71 million in June. Despite the month-on-month decline in June, export earnings remained well above the April level, reflecting the sector's continued resilience and strong international demand. The sustained performance of RMG exports has significantly contributed to foreign exchange earnings, supported reserve accumulation, and strengthened the balance of payments. Looking ahead, although geopolitical tensions, evolving trade policies, and global economic uncertainties may pose challenges to external demand, Bangladesh's competitive position in the global apparel market and the stability of non-RMG exports provide a positive outlook for export performance in the near term.

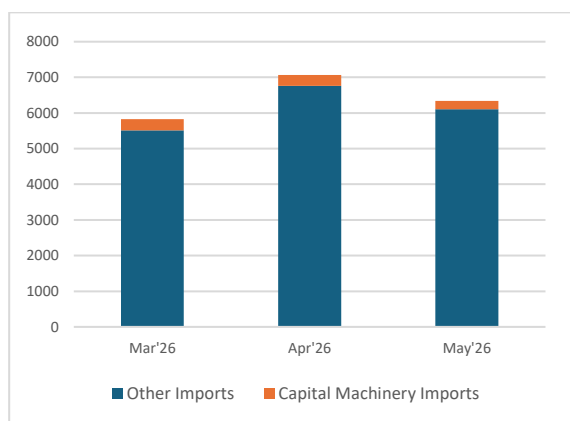
Import Trends and Capital Machinery Imports: Moderating Import Demand with Continued Investment Activity

Import payments moderated in May 2026 following a sharp increase in April, indicating a gradual normalization of import demand while maintaining support for productive investment. Other imports increased from USD 5,509.4 million in March to USD 6,764.9 million in April, before easing to USD 6,108.2 million in May. Although imports declined on a month-on-month basis in May, they remained significantly higher than the March level, reflecting sustained demand for intermediate goods, industrial raw materials, and consumer products.

Capital machinery imports, a key indicator of

investment and future productive capacity, remained at a relatively elevated level despite moderating during the period. After rising to USD 316.8 million in March, capital machinery imports declined marginally to USD 301.2 million in April and further to USD 229.1 million in May.

Figure 14: Imports and contribution of capital machinery (in million USD)



Source: Bangladesh Bank

While the sequential decline may suggest some normalization following a strong March performance, the overall level of capital goods imports continues to indicate ongoing investment in industrial and productive sectors. The moderation in overall imports alongside continued capital machinery imports suggests a more balanced import composition, supporting medium-term productive capacity without generating excessive pressure on the external account. Looking ahead, sustained investment-related imports, coupled with prudent import management, are expected to strengthen the economy's growth prospects while preserving external sector stability despite continued uncertainty in global trade and energy markets.

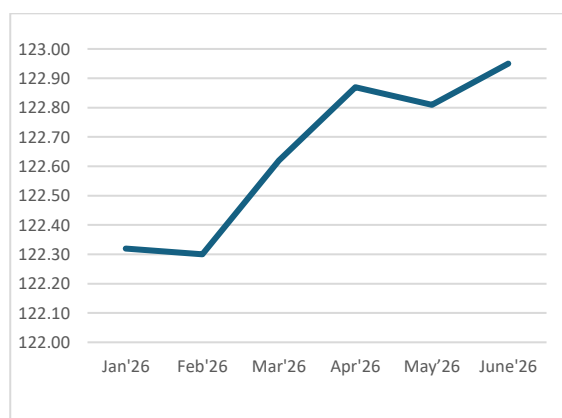
Taka Depreciation Resumes in June, Reversing May's Brief Respite

The Bangladesh Taka resumed its

depreciating trend against the US Dollar in June 2026, with the bilateral exchange rate rising to 122.95 BDT/USD from 122.81 in May, a depreciation of 0.14 taka, or about 0.11 percent. This reverses the marginal appreciation recorded in April–May (122.87 to 122.81, roughly 0.05 percent), and pushes the rate to its highest level since January.

The renewed depreciation in June, following May's pause, suggests that the underlying pressures, import demand for capital goods and energy, together with broader global USD strength, have continued to outweigh the temporary relief seen in April–May.

Figure 15: Bilateral exchange rate till June'26



Source: Bangladesh Bank

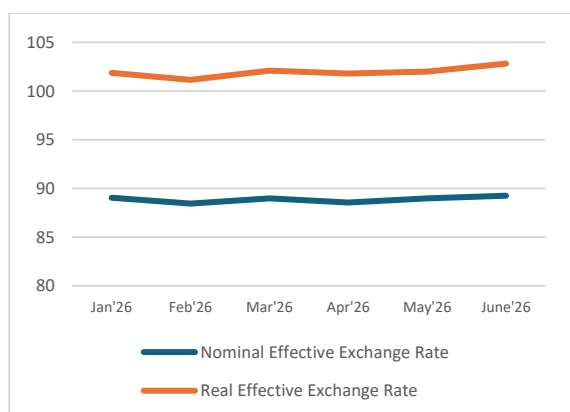
The continued monitoring of real exchange rate developments remains warranted, with depreciation tracked against inflation differentials with trading partners to assess competitiveness, particularly since June's renewed depreciation coincides with still-elevated domestic inflation (Figure 1), which together would keep upward pressure on the Real Effective Exchange Rate and weigh on export competitiveness.

Effective Exchange Rate Climbs to a Six-Month High in June, Widening the Competitiveness Gap

The Real Effective Exchange Rate (REER) rose to 102.82 in June 2026, up from 102.01 in May, an increase of 0.81 points, the sharpest monthly rise recorded since the start of the year. This pushed REER to its highest level over the January–June period, further above the 100 mark that denotes a real appreciation of the Taka relative to major trading partners.

The Nominal Effective Exchange Rate (NEER), by contrast, moved only modestly over the same two months, rising from 88.97 in May to 89.25 in June. Since the nominal rate remained comparatively stable while REER climbed sharply, the May–June widening was driven predominantly by the inflation differential, rather than by nominal exchange rate movements.

Figure 16: Effective exchange rate till June'26



Source: Bangladesh Bank

A REER climbing toward its highest point of the year raises the relative price of Bangladeshi goods in foreign markets, with the effect likely to be felt most by sectors such as ready-made garments that compete on tight international pricing and rely heavily on imported inputs. The June acceleration reinforces the case that restoring external competitiveness will depend more on bringing domestic inflation under control than on nominal exchange rate adjustments, which have remained

comparatively stable through the period.

Bangladesh's Participation at the United Nations High-Level Political Forum on Sustainable Development (HLPF) 2026



A Bangladesh delegation comprising the Adviser to the Hon'ble Prime Minister, Dr. Rashed Al Mahmud Titumir; State Minister for Planning, Mr. Zonayed Abdur Rahim Saki; Principal Coordinator (SDG Affairs); and Dr. Monzur Hossain, Member (Secretary), General Economics Division (GED), participated in the United Nations High-Level Political Forum on Sustainable Development (HLPF) 2026, held at the United Nations Headquarters in New York.

During the visit, the delegation engaged with the heads and senior representatives of various United Nations organizations, including UNDESA, UNDP, UNFPA and UNESCAP, and discussed issues of mutual interest relating to sustainable development, SDG implementation and international cooperation. The delegation also participated in several sideline events organized by the United Nations and other countries, providing opportunities for knowledge exchange and strengthening partnerships for advancing the SDGs.



Bangladesh's development priorities and ongoing initiatives relating to renewable energy, sustainable urbanization, social protection, population management, demographic dividend and human development were highlighted during these engagements. The delegation also

underscored the Government's emphasis on sustainable and inclusive growth, integrated planning, and enhanced cooperation in financing, technology and knowledge sharing to accelerate SDG implementation. Bangladesh's strategic priorities under the Five-Year Strategic Framework and recent policy initiatives aimed at advancing the SDGs were also presented.

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