



General Economics Division (GED)
Bangladesh Planning Commission

ECONOMIC UPDATE & OUTLOOK

September 2026

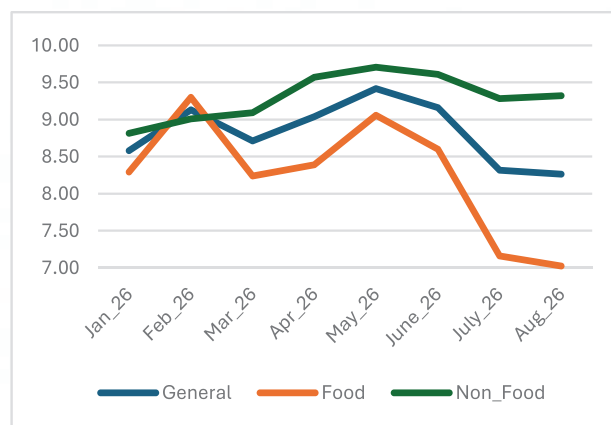
Highlights

- Food prices drive a marginal easing in inflation, while non-food inflation remains elevated
- Wage growth slows below inflation, indicating continued pressure on household purchasing power
- Strong deposit growth fails to translate into robust private-sector credit expansion
- Revenue collection falls short of targets despite positive year-on-year growth
- ADP expenditure remains near last year's level, but implementation rates decline and external financing lags
- Foreign exchange reserves recover in August, supported by strong remittance inflows
- Capital machinery imports increase, but declining export earnings point to mixed external-sector signals
- Real appreciation of the Taka intensifies price-competitiveness concerns despite limited nominal exchange-rate movements

Inflation Eases Marginally in August as Food Prices Continue to Decline

Headline inflation eased marginally in August 2026, declining to 8.26 percent from 8.32 percent in July (Figure 1). The movement was driven by a further decline in food inflation, which fell to 7.02 percent from 7.16 percent. In contrast, non-food inflation increased slightly, from 9.28 percent to 9.32 percent. As a result, the gap between food and non-food inflation widened further in August, with non-food inflation remaining more than two percentage points above food inflation.

Figure 1: Inflation Dynamics till August 2026



Source: Bangladesh Bureau of Statistics

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

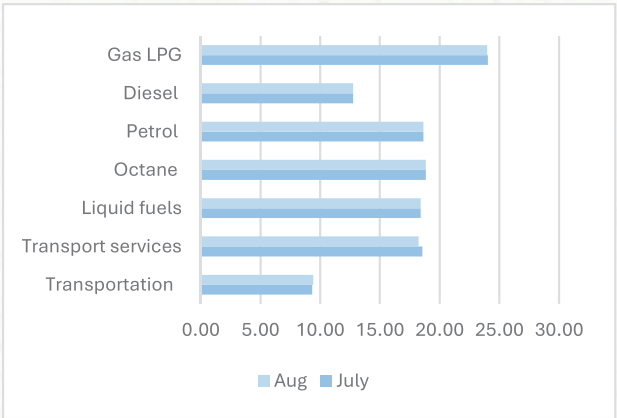
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The marginal easing in headline inflation in August therefore masks divergent movements across its major components. Food inflation continued its downward trajectory, while non-food inflation remained elevated and increased slightly. This suggests that the recent dynamics in overall inflation continues to be supported primarily by developments in food prices, whereas underlying pressures in non-food items remain persistent.

Fuel and transport inflation remained broadly stable in August, with some mixed movements across components. Transportation cost inflation increased slightly to 9.41 percent from 9.34 percent in July (Figure 2). Transport services inflation, however, declined from 18.57 percent to 18.24 percent. Inflation in liquid fuels, octane, petrol, and diesel remained unchanged at 18.42, 18.85, 18.64, and 12.75 percent, respectively, while LPG inflation edged down slightly from 24.03 percent to 23.97 percent.

Figure 2: Fuel and Transport Inflation: July'26 vs August'26



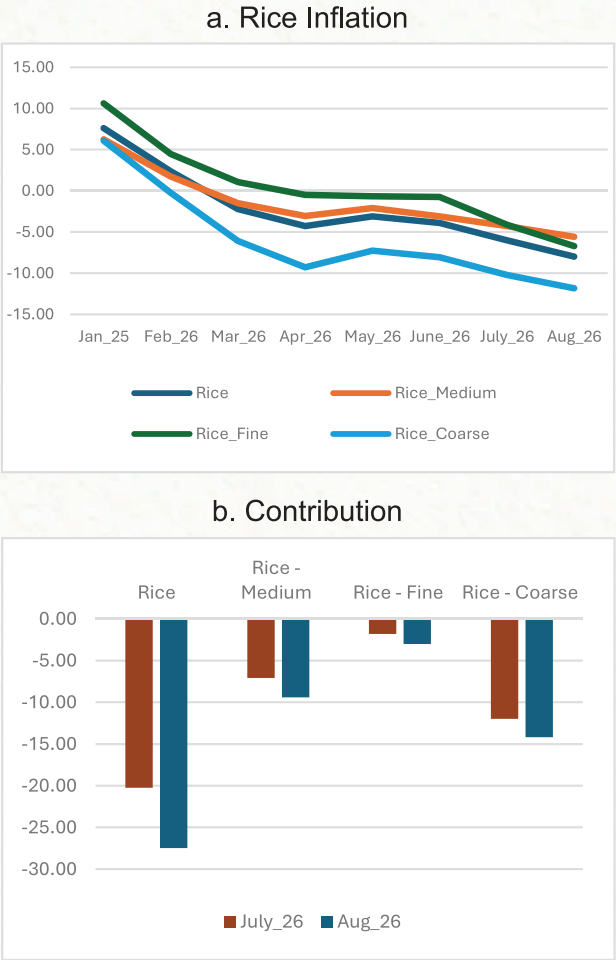
Source: Bangladesh Bureau of Statistics

The broadly stable fuel-product inflation, alongside the decline in transport-services inflation, indicates that August's overall inflation

movement was not driven by a significant change in administered or fuel-related prices. The slight increase in transportation cost inflation, however, suggests that transport-related cost pressures remain relevant despite the recent easing in headline inflation.

Rice inflation strengthened its downward trend in August, emerging as an even more significant source of disinflationary pressure within the food basket. Overall rice inflation declined to -7.99 percent from -6.00 percent in July, while medium rice inflation fell to -5.58 percent from -4.28 percent (Figure 3a).

Figure 3: Rice Inflation Trends and Impact on Food Inflation



Source: Bangladesh Bureau of Statistics

Fine rice inflation also declined further to -6.71 percent from -4.12 percent, while coarse rice inflation deepened to -11.83 percent from -10.19 percent.

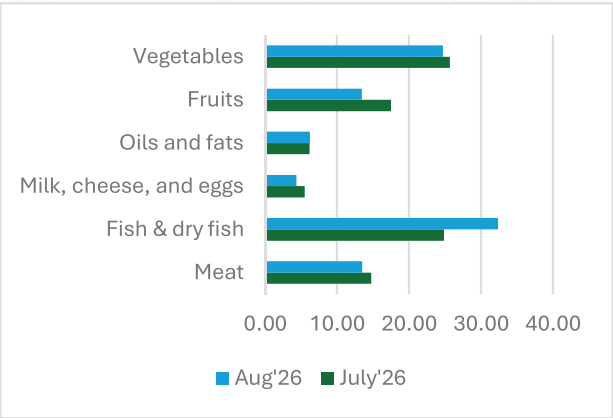
Correspondingly, rice's negative contribution to food inflation increased substantially, widening to -27.47 percent in August from -20.25 percent in July (Figure 3b). The contribution of coarse rice increased in magnitude to -14.20 percent from -12.00 percent, while medium rice's contribution widened to -9.43 percent from -7.09 percent. Fine rice also exerted a stronger negative contribution, increasing in magnitude to -2.99 percent from -1.80 percent.

The continued deepening of negative rice inflation indicates that rice prices are exerting a substantial disinflationary pull on the food basket. The broad-based decline across coarse, medium, and fine rice suggests that the easing is not confined to a single rice category. However, the persistence of rice deflation at this depth warrants continued monitoring of market conditions, production and supply availability, as sustained price declines may affect incentives facing rice producers going forward.

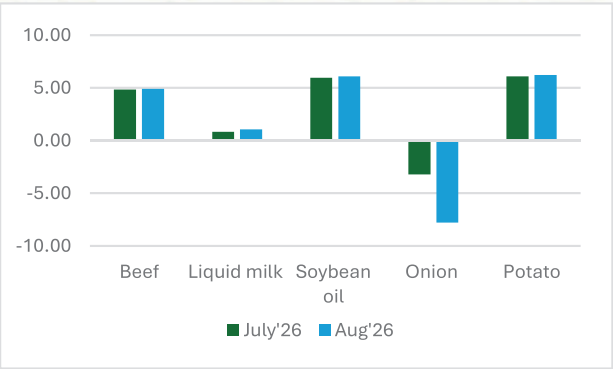
At the broader food-basket level, developments remained mixed in August. **Fish and dry fish** recorded a sharp increase in their contribution to food inflation, rising to 32.37 percent from 24.87 percent in July (Figure 4a). Meat's contribution, by contrast, declined to 13.51 percent from 14.75 percent, while milk, cheese and eggs fell to 4.36 percent from 5.50 percent. Oils and fats edged up slightly to 6.24 percent from 6.17 percent, while fruits' contribution declined markedly to 13.47 percent from 17.50 percent.

Vegetables also eased, with their contribution falling to 24.71 percent from 25.68 percent.

Figure 4: Contribution to Food Inflation
a. Broad level



b. Disaggregated level



Source: Bangladesh Bureau of Statistics

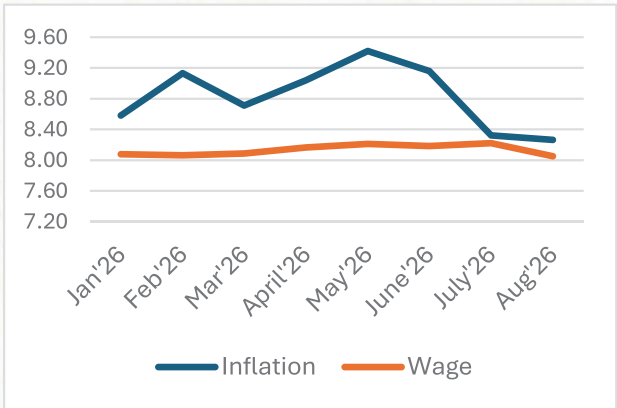
Among disaggregated items, soybean oil's contribution increased slightly to 6.08 percent from 5.98 percent, while beef's contribution rose marginally to 4.90 percent from 4.84 percent (Figure 4b). Liquid milk's contribution increased to 1.06 percent from 0.83 percent, and potato's contribution edged up to 6.22 percent from 6.10 percent. Onion, however, strengthened its offsetting role considerably, with its negative contribution widening to -7.78 percent from -3.21 percent.

Taken together, August's food inflation outcome reflects a continued shift in the balance of price pressures. The deeper negative contribution from rice and onion, together with lower contributions from fruits, vegetables, meat, and milk, helped sustain the decline in food inflation. At the same time, the sharp increase in the contribution of fish and dry fish and modest increases in oils, beef, milk, and potato indicate that price pressures remain uneven across food categories. Continued monitoring of rice supply conditions and key food-market segments will therefore be important for assessing whether the recent easing in food inflation can be sustained.

Wage Growth Falls Below Inflation, Reopening the Real Income Pressure

Wage growth declined to 8.05 percent in August 2026 from 8.22 percent in July (Figure 5). With headline inflation at 8.26 percent, wage growth remained below inflation, and the gap widened to 0.21 percentage points from 0.10 percentage points in July.

Figure 5: Inflation and Wage Growth Trends (January 2026 – August 2026)



Source: Bangladesh Bank

The August movement represents a reversal from the improvement observed in July, when wage growth and inflation had moved much closer together. Wage growth had risen gradually from 8.08 percent in January to 8.22 percent in July, but declined to 8.05 percent in August. Meanwhile, although headline inflation remained below its July level, the decline was smaller than the fall in wage growth.

As a result, wage-earning households continued to face pressure on their real purchasing power in August. Whether this pressure intensifies or eases in the coming months will depend on the relative movement of wage growth and inflation, particularly whether the recent moderation in food prices is sustained while non-food inflation remains elevated.

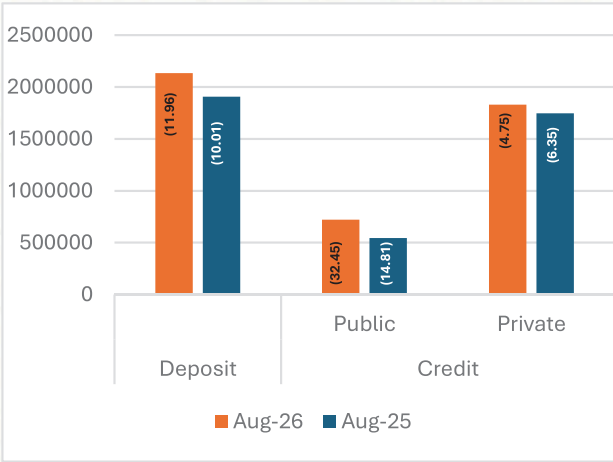
Stronger Deposit Mobilization Signals Improving Liquidity in the Banking System

Banking sector deposits stood at BDT 21,31,100.6 crore in August 2026, up 11.96 percent year-on-year from BDT 19,05,270.5 crore in August 2025 (Figure 6). This is faster than the 10.01 percent growth recorded a year earlier, so deposit mobilization has gained momentum. It suggests that liquidity in the banking system has improved and that depositors' confidence is recovering.

Credit growth was uneven across sectors. Public sector credit rose by 32.45 percent to BDT 7,22,461.4 crore, more than double the 14.81 percent growth of the previous year.

Private sector credit, by contrast, reached BDT 18,30,061.6 crore, growing by only 4.75 percent, below the 6.35 percent of August 2025.

Figure 6: Deposit and Credit in the Banking Sector, August 2026 vs August 2025 (Crore Taka)



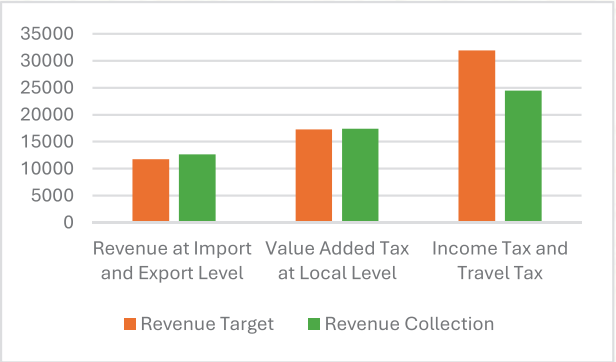
Source: Bangladesh Bank

Looking ahead, the gap between deposit growth (11.96 percent) and private credit growth (4.75 percent) points to ample liquidity that is not being channeled to productive private investment. Private credit is likely to remain subdued in the near term if borrowing costs stay high, business confidence recovers only slowly and credit risk remains elevated. Heavy public sector borrowing may also crowd out private lending. The pace of private credit recovery will therefore be the key indicator to watch. Policy attention should go to easing financing costs, improving the investment climate, and strengthening the banking sector’s ability to lend. Sustained deposit growth would give banks the resources to support a revival of private credit as macroeconomic conditions stabilize.

Revenue Mobilization Lags Behind Target for Second Consecutive Month, Underscoring Need for Stronger Tax Compliance

In August 2026, the revenue collection target was set at BDT 42,172 crore, against which actual collection stood at BDT 29,301 crore (Figure 7). This resulted in a revenue shortfall of BDT 12,871 crore. Among the major components, import and export duties fell short of the target by BDT 2,419 crore, VAT collection by BDT 6,762 crore, and income tax and travel tax by BDT 3,689 crore. Overall, the NBR achieved 69.47% of its monthly target, leaving a shortfall of 30.53%.

Figure 7: Revenue Target vs Revenue Collection of August of the FY2026-2027 (in Crore Taka)



Source: National Board of Revenue

Considering the cumulative performance up to August 2026 for this fiscal year, the revenue collection target was BDT 81,053 crore, while actual collection amounted to BDT 55,562 crore. This represents a cumulative revenue gap of BDT 25,491 crore, with an achievement rate of 68.55%, indicating a similar trend of underperformance against the target.

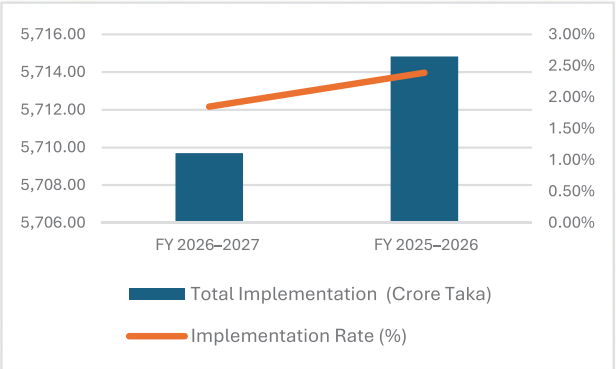
Compared with August 2025, revenue collection in August 2026 increased by BDT 2,069 crore, representing a year-on-year growth of 7.60%. Similarly, cumulative revenue collection up to August 2026 was BDT 794 crore higher than that of corresponding period of the previous fiscal year.

Overall, revenue collection remained below the targeted level during August 2026 and the cumulative period up to August. The performance highlights the need for stronger revenue mobilization measures, enhanced compliance, and greater efficiency in tax collection and administration.

ADP Implementation Maintains a Steady Pace in Early FY2026–27

ADP implementation during the first two months of FY2026–27 remained broadly at the level recorded in the corresponding period of the previous fiscal year. Total ADP expenditure during July–August 2026 reached Tk. 5,709.70 crore, compared with Tk. 5,714.83 crore during July–August 2025 (Figure 8), indicating a marginal decline of 0.1 percent. The overall implementation rate stood at 1.85 percent, compared with 2.39 percent in the corresponding period of FY2025–26. While implementation under some financing modes remained comparatively moderate, stronger expenditure under GoB-funded projects provided a positive contribution to overall implementation during the period.

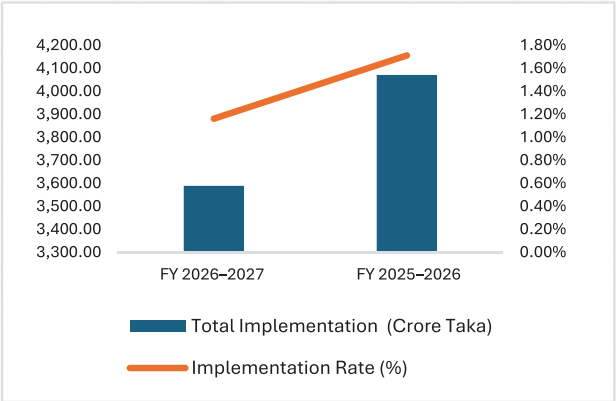
Figure 8: ADP Implementation from July-August (Crore Taka) and Rate (%)



Source: Implementation Monitoring and Evaluation Division (IMED)

Total ADP implementation in August 2026 stood at Tk. 3,588.52 crore, compared with Tk. 4,070.18 crore in August 2025 (figure 9). Although monthly expenditure was lower than in the corresponding month of the previous year, the level of implementation remained substantial and contributed to cumulative expenditure of Tk. 5,709.70 crore during July–August 2026.

Figure 9: ADP Implementation in August (Crore Taka) and Rate (%)

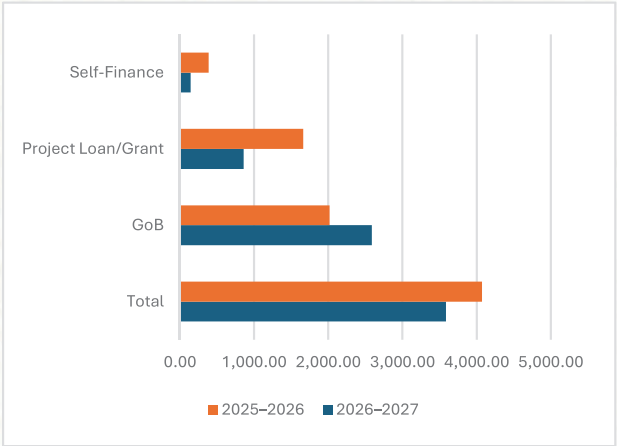


The implementation rate in August 2026 stood at 1.16 percent, compared with 1.71 percent in August 2025. The cumulative implementation rate during July–August was 1.85 percent, compared with 2.39 percent in the corresponding period of the previous fiscal year.

The early-year performance provides scope for strengthening implementation momentum in the coming months through continued attention to project readiness, procurement, fund release and field-level execution.

GoB-funded projects recorded a stronger level of expenditure in August 2026 compared with the corresponding month of the previous fiscal year. Expenditure increased to Tk. 2,588.33 crore from Tk. 2,018.81 crore, representing an increase of 28.2 percent (Figure 10).

Figure 10: ADP Performance for August Based on Different Financing Modes



Source: Implementation Monitoring and Evaluation Division (IMED)

The GOB utilisation rate stood at 1.36 percent in August 2026, compared with 1.40 percent in August 2025. The higher expenditure under GoB-funded projects made a positive contribution to overall ADP implementation during the month and indicates continued activity in domestically financed development projects.

Expenditure under project loan/grant financing amounted to Tk. 857.44 crore in August 2026, compared with Tk. 1,663.03 crore in August 2025, representing a decline of 48.4 percent. The utilization rate stood at 0.78 percent, compared with 1.93 percent in the corresponding month of the previous fiscal year. Given the significant role of externally financed projects in the development programme, strengthening implementation under this financing mode will remain important for supporting broader-based improvement in ADP performance. Timely procurement, project-level coordination and effective utilization of committed resources can help accelerate implementation in the subsequent months.

Self-financed projects recorded expenditure of Tk. 142.75 crore in August 2026, compared with Tk. 388.34 crore in August 2025. The utilization rate stood at 1.60 percent, compared with 4.47 percent in the corresponding month of the previous fiscal year. Although implementation under this financing mode was lower than in August 2025, continued monitoring of project execution and timely resolution of implementation-related issues can support improved performance during the remaining months of FY2026–27.

ADP implementation during July–August 2026 remained broadly comparable with the corresponding period of the previous fiscal year, with total expenditure reaching Tk. 5,709.70 crore compared with Tk. 5,714.83 crore previously. The relatively stable cumulative expenditure level, together with the notable increase in

GoB-funded expenditure during August, indicates continued implementation activity during the opening months of FY2026–27.

The performance also highlights scope for improving implementation under project loan/grant and self-financed projects. With sustained monitoring, timely procurement and fund release, stronger project-level coordination and prompt resolution of implementation constraints, ADP implementation can gain further momentum in the coming months. The stronger performance of GoB-funded projects provides a positive base for supporting an acceleration in overall implementation during the remainder of FY2026–27.

External Sector Outlook: Strengthening Fundamentals Amid Global Uncertainty

Bangladesh’s external sector shows signs of strengthening fundamentals, although the recovery remains uneven. Foreign exchange reserves have recovered after a temporary decline, and the exchange rate has remained broadly stable, pointing to improved resilience in the external accounts. Capital machinery imports have continued to recover, signaling renewed investment activity, while export earnings have softened across both RMG and other exports.

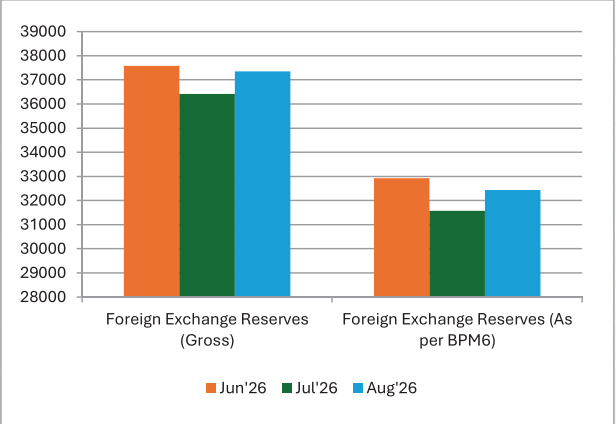
The near-term outlook is for broad stability, but it depends on remittances, exports, imports and foreign exchange liquidity. Seasonal import demand, slower remittance and export earnings, or weaker global demand could bring renewed pressure on the exchange rate.

Maintaining adequate reserves, sustaining export competitiveness and encouraging remittance inflows through formal channels will be important for consolidating recent gains.

Foreign Exchange Reserves Rebound in August, Recovering from the July Dip

Foreign exchange reserves increased in August 2026, following a decline in July. Gross foreign exchange reserves rose to USD 37,352.3 million in August from USD 36,422.2 million in July, registering a 2.6 percent month-on-month increase (Figure 11).

Figure 11: Monthly Foreign Exchange Reserves (Million USD)



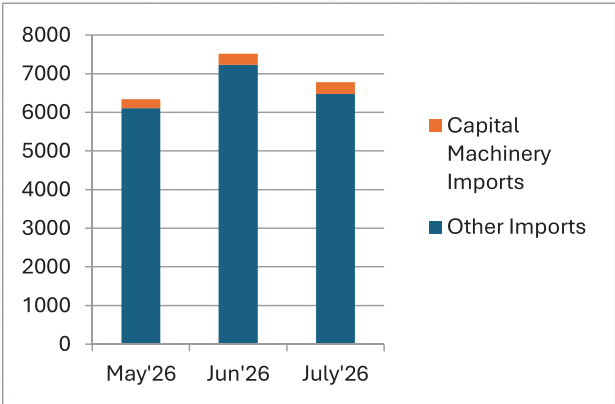
Source: Bangladesh Bank

Reserves measured according to the IMF’s BPM6 methodology also increased from USD 31,578.0 million to USD 32,442.3 million over the same period, representing a 2.7 percent increase. The increase followed a rise in gross reserves from USD 34,547.8 million in May to USD 37,578.0 million in June before declining in July. Overall, the August movement indicates a recovery in the reserve position after the decline observed in the previous month.

Capital Machinery Imports Rise for a Second Consecutive Month, Signaling Recovery in Investment Activity

Import trends showed divergent movements in July 2026. Other imports declined to USD 6,474.5 million in July from USD 7,229.2 million in June (Figure 12), registering a 10.4 percent month-on-month decrease. In contrast, capital machinery imports increased to USD 307.5 million from USD 283.3 million over the same period, representing an 8.5 percent month-on-month increase.

Figure 12: Other Imports and Capital Machinery Imports (Million USD)



Source: Bangladesh Bank

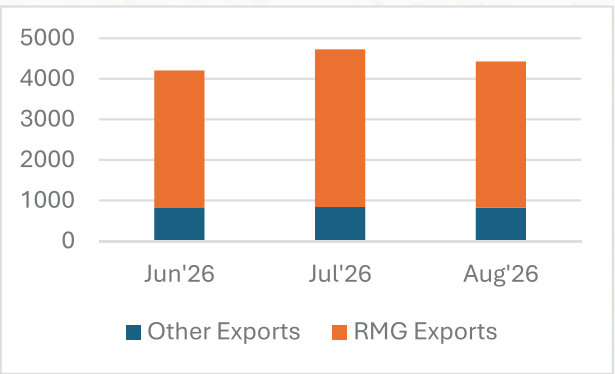
Capital machinery imports had previously declined from USD 301.2 million in April to USD 229.1 million in May before recovering in June and July. The continued increase in capital machinery imports in July provides an encouraging indication of recovery in investment-related import activity.

Export Earnings Fall 6.3 Percent in August as Both RMG and Other Exports Weaken

Export earnings declined in August 2026 following an increase in July.

RMG exports decreased to USD 3,608.89 million in August from USD 3,886.72 million in July, representing a 7.1 percent month-on-month decline (Figure 13). Other exports also declined, from USD 840.73 million in July to USD 820.56 million in August, a decrease of 2.4 percent.

Figure 13: Exports and Contribution of RMG (Million USD)



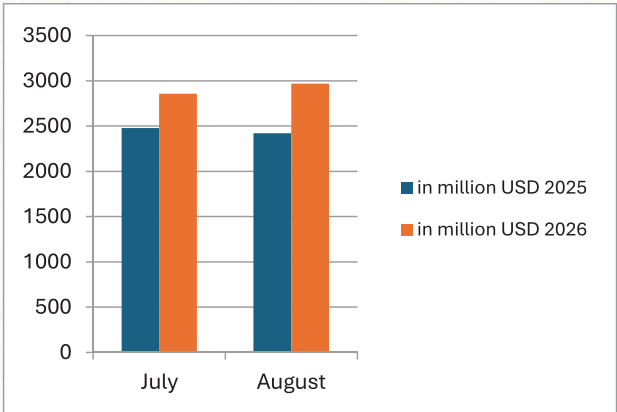
Source: Bangladesh Bank

As a result, combined export earnings from RMG and other exports fell from USD 4,727.45 million in July to USD 4,429.45 million in August, representing a 6.3 percent month-on-month decline. The decline in both RMG and other exports indicates a broad-based moderation in export earnings during the month.

Remittance Inflows Maintain Strong Year-on-Year Growth

Workers' remittance inflows recorded strong year-on-year growth in July and August 2026. In July, remittances reached US\$2,858.68 million, compared with US\$2,477.87 million in July 2025, representing an increase of 15.4 percent (Figure 14). The upward momentum strengthened in August, with inflows rising to US\$2,967.53 million from US\$2,421.89 million in the corresponding month of the previous year, registering year-on-year growth of 22.5 percent.

Figure 14: Workers’ Remittance in July and August (in Million USD)



Source: Bangladesh bank

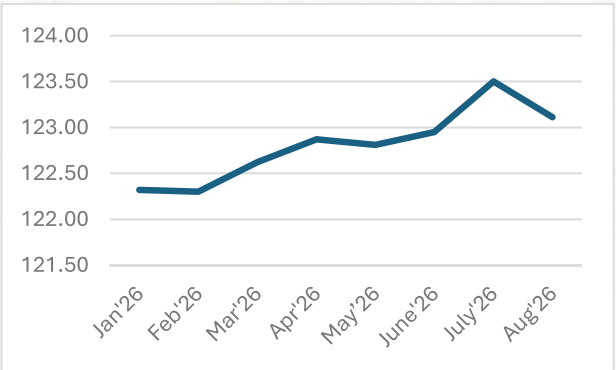
The sustained growth in remittance inflows supported foreign-exchange availability during the initial months of FY2026–27. Maintaining this momentum remains important for external- sector stability. In this regard, facilitating accessible and cost-effective transfers through formal channels, maintaining efficient remittance services, and sustaining appropriate incentives for expatriate Bangladeshis can help encourage the use of official remittance channels. Stronger inflows through formal channels would support foreign-exchange reserves and help ease pressure on the balance of payments.

Taka Appreciates Marginally Against US Dollar in August

The average bilateral exchange rate of the Bangladeshi Taka against the US dollar remained broadly stable during August 2026, although it exhibited some fluctuations during the period. The exchange rate increased marginally from BDT 122.95 per USD in June 2026 to BDT 123.50 in July, indicating a depreciation of 0.45 percent.

In August, however, the rate declined to BDT 123.11 per USD, representing a 0.32 percent appreciation from the previous month. Compared with November 2025, when the average rate stood at BDT 122.30 per USD, the August rate was around 0.66 percent higher, indicating that the Taka remained relatively stable with a modest depreciation over the period. Bangladesh Bank's July 2026 data similarly indicated only a marginal depreciation of the Taka, while the foreign exchange market remained largely market-driven.

Figure 15: Bilateral Exchange Rate till August 2026



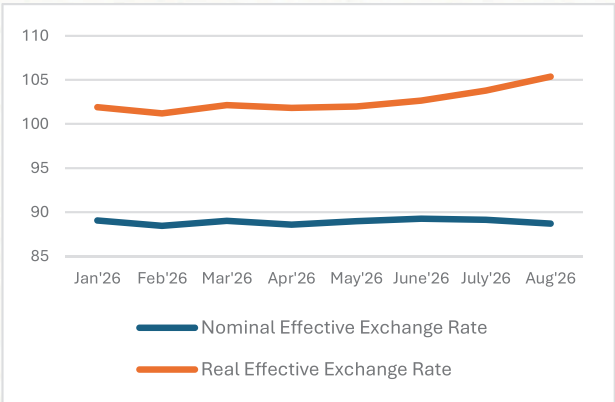
Source: Bangladesh Bank

The exchange rate is expected to remain broadly stable in the near term, subject to developments in remittance inflows, export receipts, import payments and overall foreign exchange liquidity. Continued stability in the external balance and adequate foreign exchange supply could limit depreciation pressures on the Taka. However, seasonal increases in import-related demand or a slowdown in remittance and export earnings could generate renewed pressure on the exchange rate. The relatively narrow movement around BDT 123 per USD in recent months suggests that exchange-rate pressures are likely to remain contained, barring significant changes in external-sector conditions.

Rising REER Signals Continued Pressure on External Competitiveness

The Real Effective Exchange Rate (REER) increased to 105.37 in August 2026, from 103.81 in July, rising by 1.56 points and reaching its highest level during January–August (Figure 16). The REER remained above the FY24 base of 100, indicating a real appreciation of the Taka relative to the base period.

Figure 16: Effective Exchange Rate till August'26



Source: Bangladesh Bank

In contrast, the Nominal Effective Exchange Rate (NEER) declined from 89.13 in July to 88.69 in August, indicating a slight nominal depreciation of the Taka against the basket of major trading-partner currencies. The simultaneous increase in REER and decline in NEER suggests that inflation differentials between Bangladesh and its major trading partners continued to exert upward pressure on the real exchange rate.

The rise in REER indicates a real appreciation of the Taka, which, all else equal, can reduce the price competitiveness of Bangladesh's goods and services relative to those of major trading partners. The continued increase in REER, despite the decline in NEER, therefore points to sustained pressure on external price competitiveness. This pressure may persist if domestic inflation remains higher than inflation in trading-partner economies.

Going forward, movements in REER will remain important for assessing Bangladesh's external competitiveness, particularly in understanding how inflation differentials influence the real exchange rate even when nominal exchange-rate movements remain relatively modest.

Economic Outlook

Bangladesh's economic outlook for August points to a resilient but uneven picture. Inflation has stopped falling quickly, and the external position is steady, held up by remittances and reserves even as exports lose some momentum. The near-term outlook is one of stability with caution. Wage growth will need to keep pace with prices to protect household purchasing power, and the weak link between strong deposits and private sector lending must be repaired if investment is to pick up. Stronger revenue mobilization and better implementation of foreign-funded projects will matter for the

fiscal path, while a viable real exchange rate could accelerate trade competitiveness if inflation drives down. Policy focus on price stability, financing conditions and export diversification will shape how far the recovery can be consolidated in the coming months.

Recent Activities and Events Organized by General Economics Division (GED)

Inception Meeting Held on Updating the Multidimensional Poverty Index (MPI) of Bangladesh



The General Economics Division (GED) organized an inception meeting on “Multidimensional Poverty Index (MPI)” on 9 September 2026 at the NEC Conference Room, Bangladesh Planning Commission. The meeting was graced by the Hon’ble State Minister for Planning, Mr. Zouayed Abdur Rahim Saki, as the Chief Guest and chaired by Dr. Monzur Hossain, Member

(Secretary), GED. Ms. Gillian Mellsop, Representative ad interim, UNICEF Bangladesh, and Mr. Md. Firoz Sarker, Secretary, Statistics and Informatics Division (SID), attended the event as special guests. During the meeting, a presentation was delivered on the way forward for developing the National Multidimensional Poverty Index for Bangladesh based on the Multiple Indicator Cluster Survey (MICS) 2025. The meeting discussed the objectives and expected outcomes of the updated MPI based on MICS 2025 data, including its role in strengthening evidence-based poverty reduction, child-focused policy action, development planning, social protection, and resource allocation. The updated MPI is expected to be completed by the end of 2026 and contribute to institutionalizing multidimensional poverty measurement as a regular tool for evidence-based policy and planning in Bangladesh.

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