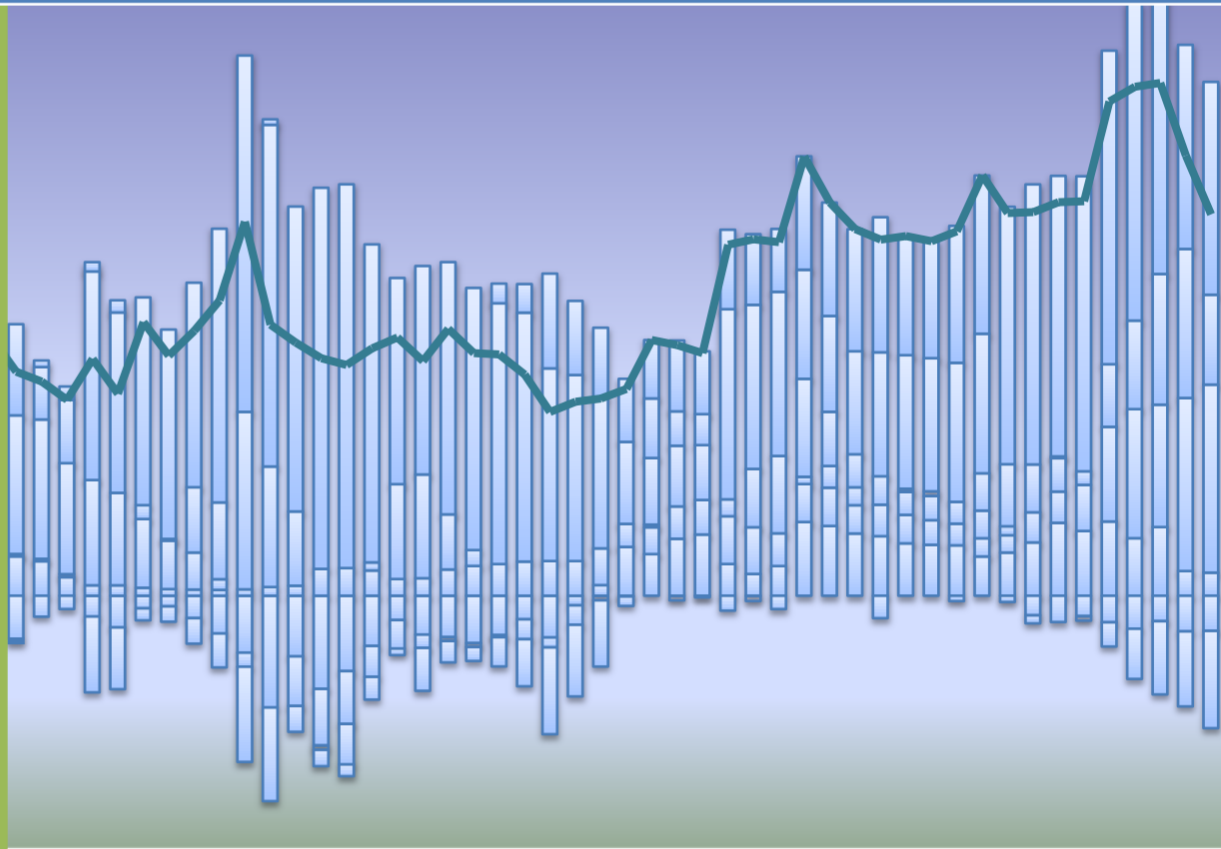




# Inflation Dynamics in Bangladesh January-March 2026

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# Inflation Dynamics in Bangladesh

January–March 2026 (Q3:FY26)

## Chief Editor

Dr. Md. Golzare Nabi, Executive Director (Research)

## Analysts and Contributors

Nurun Nahar Sultana, Director (Research)<sup>1</sup>

Alok Roy, Additional Director (Research)

Md Jahedul Islam, Deputy Director (Research)

Farah Nasreen, Assistant Director (Research)

Md Ashik Ali, Assistant Director (Research)

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<sup>1</sup>Comments and suggestions are welcomed and may be sent to [nurun.sultana@bb.org.bd](mailto:nurun.sultana@bb.org.bd); [alok.roy@bb.org.bd](mailto:alok.roy@bb.org.bd)

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# Inflation Dynamics in Bangladesh

## Executive Summary

- Headline inflation (y-o-y) increased during Q3:FY26 (January-March 2026) compared to Q2:FY26 (October-December 2025), averaging around 8.8%.
- Food inflation edged up during Q3:FY26, primarily driven by an increased contribution from vegetables and spices. However, protein-based foods remained the top contributor.
- In Q3:FY26, the core inflation decreased to 8.0% from 8.2% in the previous quarter. The moderate decreases in clothing & footwear, healthcare, and furniture items were observed.
- Energy inflation increased by 14.9% in Q3:FY26, which was 14.4% in the previous quarter. Solid fuels—such as firewood, agricultural by-products, cow dung, and jute sticks (combined weight: 3.59)—have been the main contributors to overall energy inflation. In this quarter, solid fuel inflation was 21.5%. By contrast, energy inflation excluding solid fuels edged up slightly in Q3:FY26.
- In Q3:FY26, the average contributions of import-concentrated food items and domestic food items to headline inflation increased from the previous quarter. Meanwhile, the contribution of import -concentrated non-food items to inflation declined.
- At the end of Q3:FY26, the wage-price gap slightly narrowed compared to that of the previous quarter. This narrowing was primarily driven by a decline in headline inflation rather than any significant improvement in wage growth.

# 1 Introduction

*Bangladesh Bank prioritizes price stability to support sustainable economic growth and financial stability. Effective monetary policy depends on understanding the factors influencing consumer prices and wages. The Bangladesh Bureau of Statistics (BBS) provides indices that track price movements throughout the economy. This report examines the main drivers of Consumer Price Index (CPI) inflation and wage trends<sup>2</sup> in Bangladesh, offering a comprehensive analysis of the factors shaping the country's macroeconomic dynamics.*

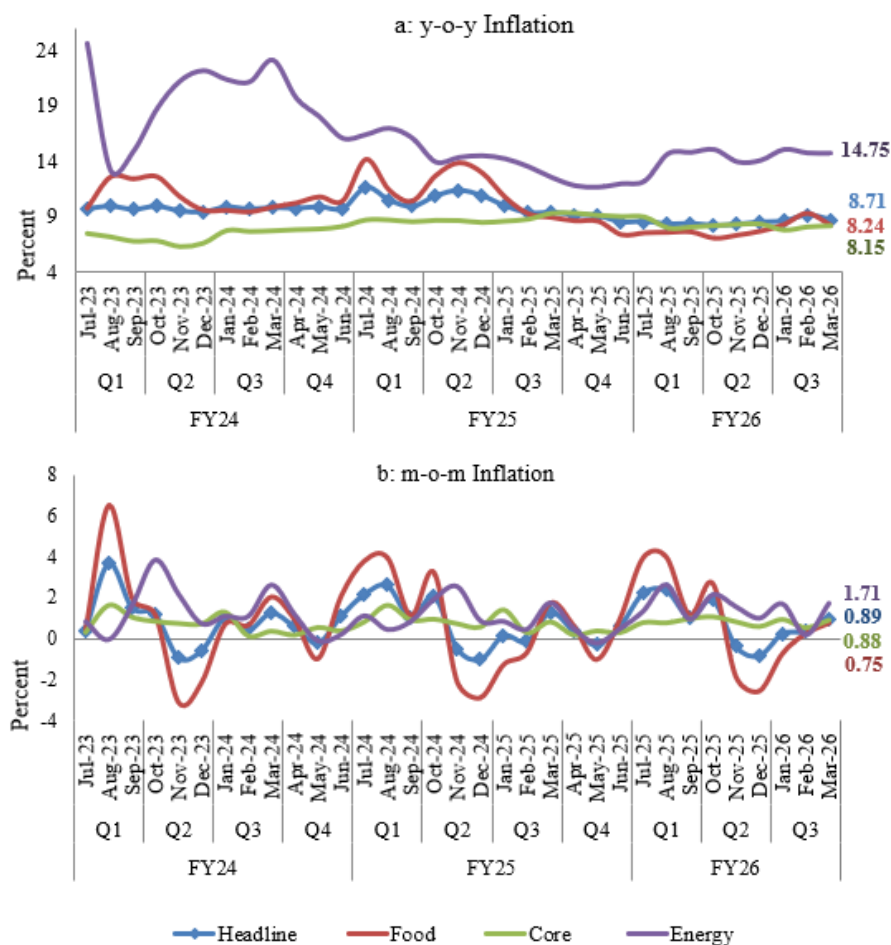
As per the Asian Development Bank's Asian Development Outlook (April 2026), Bangladesh's inflation is expected to remain high at 9.0% in FY26, driven by high global energy prices and ongoing supply-side disruptions and moderate to 8.5% in FY27 as the effects of external shocks subside and domestic supply conditions gradually improve ([Asian Development Bank, 2026](#)). However, the International Monetary Fund (IMF), in its World Economic Outlook (April 2026), projects global headline inflation at 4.4% in 2026 and 3.7% in 2027, making upward revisions from earlier projections due to the ongoing Middle East conflict, and warns that under persistent energy price pressures, inflation could rise to 5.4% in 2026 and exceed 6% in 2027 in a more adverse scenario ([International Monetary Fund, 2026](#)). Inflationary pressures in Bangladesh are likely to intensify in the near term, reflecting both elevated international oil prices and upward adjustments in domestic fuel costs, compounded by supply constraints in the energy market.

**In Q3:FY26, Bangladesh's year-on-year (y-o-y) CPI headline inflation increased from the previous quarter, averaging around 8.81%.** In the previous quarter (Q2:FY26), headline inflation was around 8.3%. This rise in inflation was primarily driven by increased food inflation (y-o-y). Food inflation averaged 8.6% in Q3:FY26, marking a 1.2 percentage point increase from the previous quarter. Non-food inflation remained broadly stable at an elevated level, averaging around 8.9%. Core inflation (y-o-y) decreased on average in Q3:FY26, while energy inflation experienced an increase ([Figure 1a](#)).

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<sup>2</sup>Currently, the Bangladesh Bureau of Statistics (BBS) compiles the Consumer Price Index (CPI) following the Classification of Individual Consumption by Purpose (COICOP) of the United Nations Department of Economic and Social Affairs, using 2021–22 as the base year, with weights derived from the Household Income and Expenditure Survey (HIES) 2016–17. Similarly, the Wage Rate Index (WRI) is based on the same period, with weights from the BBS Labour Force Survey (LFS) 2016–17. This report includes CPI data from BBS up to March 2026. Numerical values reported in the text and figures are rounded to either one or two decimal places. Q3:FY26 represents January-March, 2026.

Figure 1: Monthly CPI Inflation



Source: *Bangladesh Bureau of Statistics (BBS)*

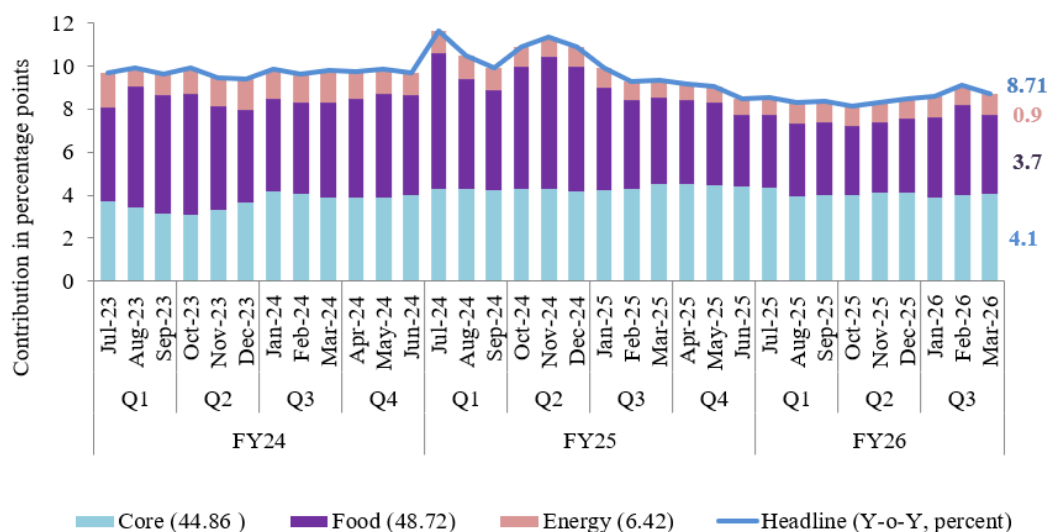
Month-on-month (m-o-m) inflation across all categories increased in March 2026 (Figure 1b). Throughout Q3:FY26 food, core and energy inflation remained positive on a m-o-m basis.

## 2 Decomposition of Headline Inflation

The contribution of core items to headline inflation dominated as usual throughout Q3:FY26. During this period, the average contribution of food inflation to headline inflation increased slightly, while the contribution from core inflation showed a moderate downtick (Figure 2). Specifically, the average contribution of core items to headline inflation accounted for 45.3% in Q3:FY26, down from 49.1% in the previous quarter. In contrast, the average contribution of food prices to headline inflation in Q3:FY26 rose to 43.9% from 39.8% in the preceding quarter. Meanwhile, energy items accounted for 10.8% of headline inflation this

quarter, down slightly from 11.0% in the preceding quarter. However, the data indicate that energy inflation is mostly attributable to solid fuels such as cow dung, wood fires, and jute sticks.

Figure 2: Decomposition of Headline Inflation (Y-O-Y)



Notes: Numbers in parentheses represent weights in the CPI current basket. Sources: BBS and EMFW estimates.

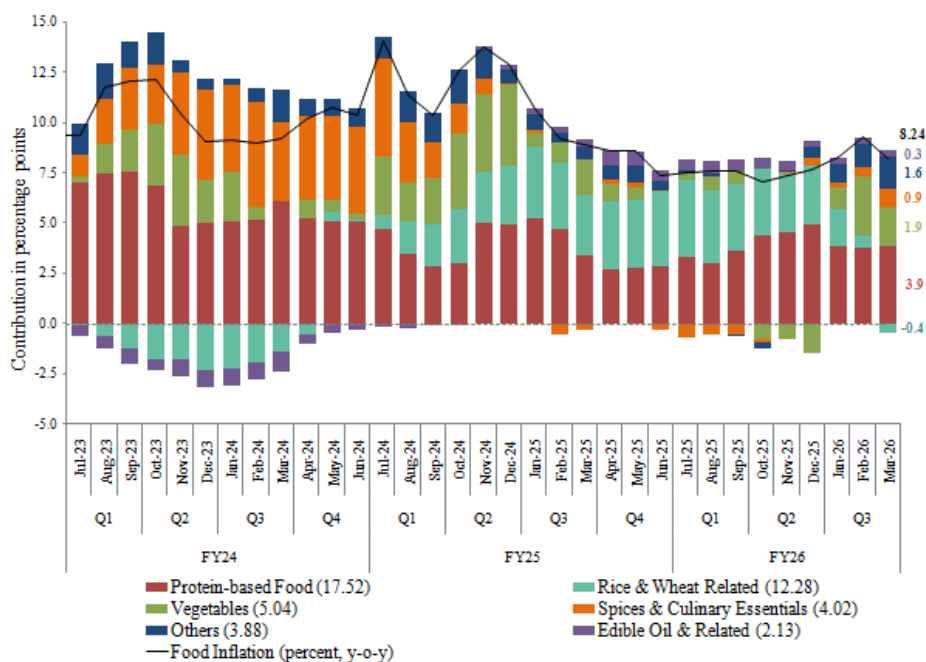
## 2.1 Decomposition of Food Inflation

In Q3:FY26, food inflation increased due to a sharp rise in vegetable and spices prices. The protein-based foods<sup>3</sup> remained the main drivers of overall food inflation.

The average contribution of vegetables to food inflation was 22.7% in Q3:FY26, compared to (-)13.4% in the previous quarter, indicating a significant rise in vegetable prices (Figure 3). On average, protein-based products accounted for 44.6% of overall food inflation during Q3:FY26, maintaining their position as the largest contributor. Cereal items' contribution to inflation declined notably, by an average of 8.1% in Q3:FY26, down from 41.4% in the preceding quarter. The average contribution of Spices and culinary essentials rose at 6.3% in the said quarter. In the meantime, edible oil's contribution to overall food inflation declined and remained low.

<sup>3</sup>Protein-based food items include milk, cheese, fish (fresh and dry), egg, meat (beef, mutton, duck, hen), pulses etc.

Figure 3: Decomposition of Food Inflation (Y-O-Y)

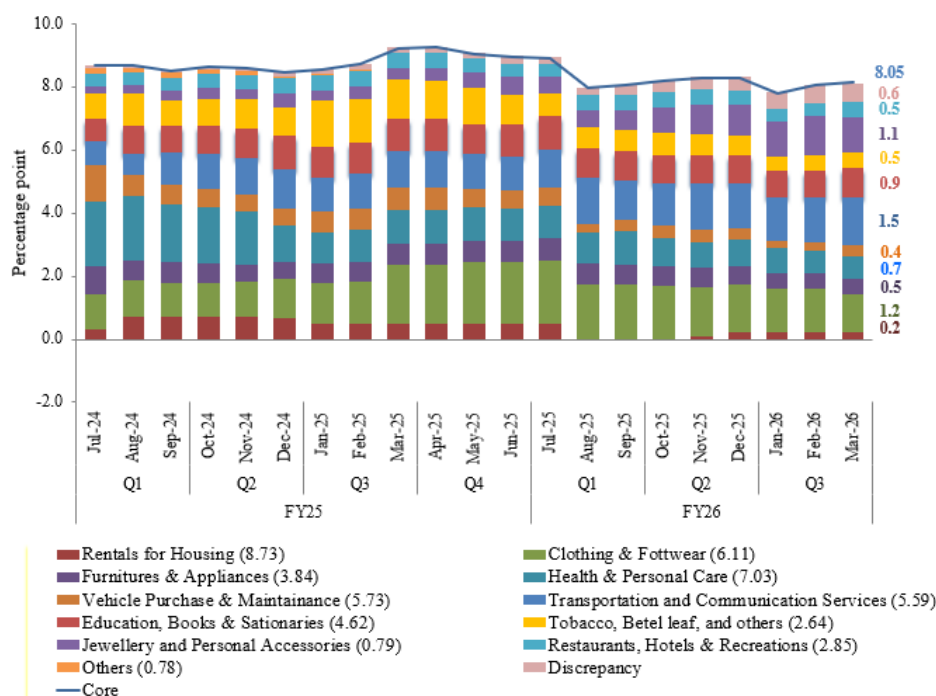


Notes: Numbers in parentheses represent weights in the current CPI basket. Sources: BBS and EMFW estimates.

## 2.2 Decomposition of Core Inflation

In Q3:FY26, the core inflation decreased to 8.0% from 8.2% in Q2:FY26.

Figure 4: Decomposition of Core Inflation (Y-O-Y)



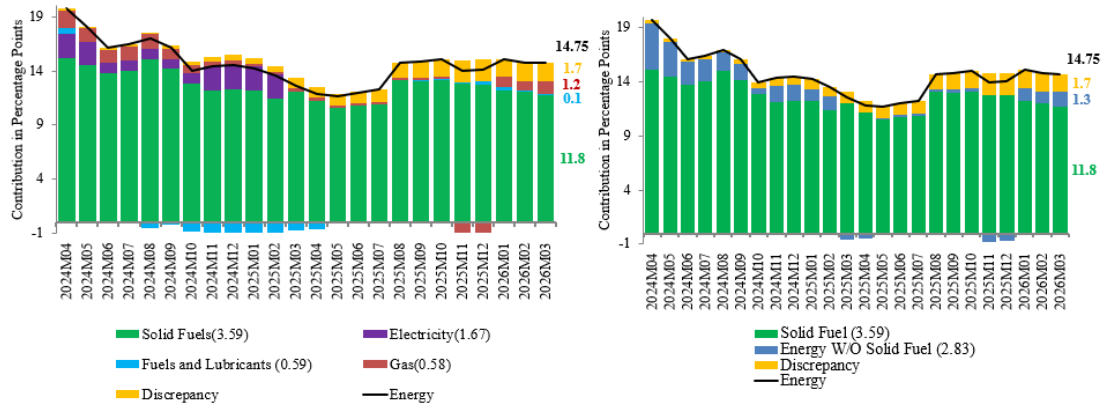
Notes: Figures in parentheses represent weights in the current basket. Sources: BBS and EMFW estimates.

Moderate declines were observed in ‘clothing and footwear’, ‘healthcare and furniture’ and ‘vehicle purchase and maintenance’ items (Figure 4). In Q3:FY26, ‘transport and communication’ (mainly internet) remained a major component of non-food inflation, with its contribution surging to 19.4%. The contribution of ‘clothing and footwear’ to core inflation accounted for 17.8%. However, contributions from other components of core inflation, such as ‘education and stationary’ and ‘recreation’, remained broadly stable.

### 2.3 Decomposition of Energy Inflation

In Q3:FY26, energy inflation increased to 14.9% from 14.4% in Q2:FY26. Solid fuels (such as firewood, agricultural by-products, cow dung, and jute sticks), with a total weight of 3.59, have consistently been a major driver of energy inflation (Figure 5). However, in Q3:FY26, the inflation of solid fuels declined to 21.5% from 23.1% in the previous quarter. Energy inflation excluding solid fuels, which edged down slightly in Q2:FY26. In Q3:FY26, energy inflation rose again, driven primarily by a gas price hike, which increased to 11.3% from (-) 6.2 % in the previous quarter.

**Figure 5: Decomposition of Energy Inflation (Y-O-Y)**



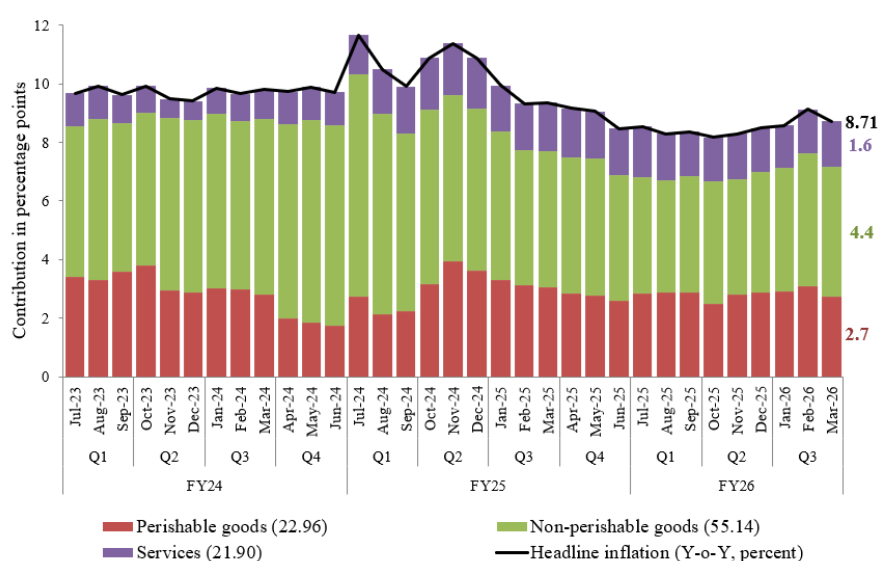
*Notes: Figures in parentheses represent weights in the current CPI basket. Sources: BBS and EMFW estimates.*

### 3 Product-wise Drivers of Headline Inflation

#### 3.1 Goods (Perishable and Non-perishable) and Services

The contribution of both perishable<sup>4</sup> and non-perishable goods to headline inflation increased in Q3:FY26 compared to the previous quarter, whereas the contribution from the services decreased slightly over the same period.

Figure 6: Contribution of Goods and Services



Notes: Figures in parentheses represent weights in the current CPI basket. Sources: BBS and EMFW estimates

In Q3:FY26, the average contribution of perishable goods slightly increased to 33.0% from 32.8% in Q2:FY26 (Figure 6). In addition, the average contribution of non-perishable goods also increased to 49.9% from 48.9% in the previous quarter. Meanwhile, the contribution of services to headline inflation decreased to 17.1% in Q3:FY26 from 18.3% in the preceding quarter.

#### 3.2 Import-concentrated Items

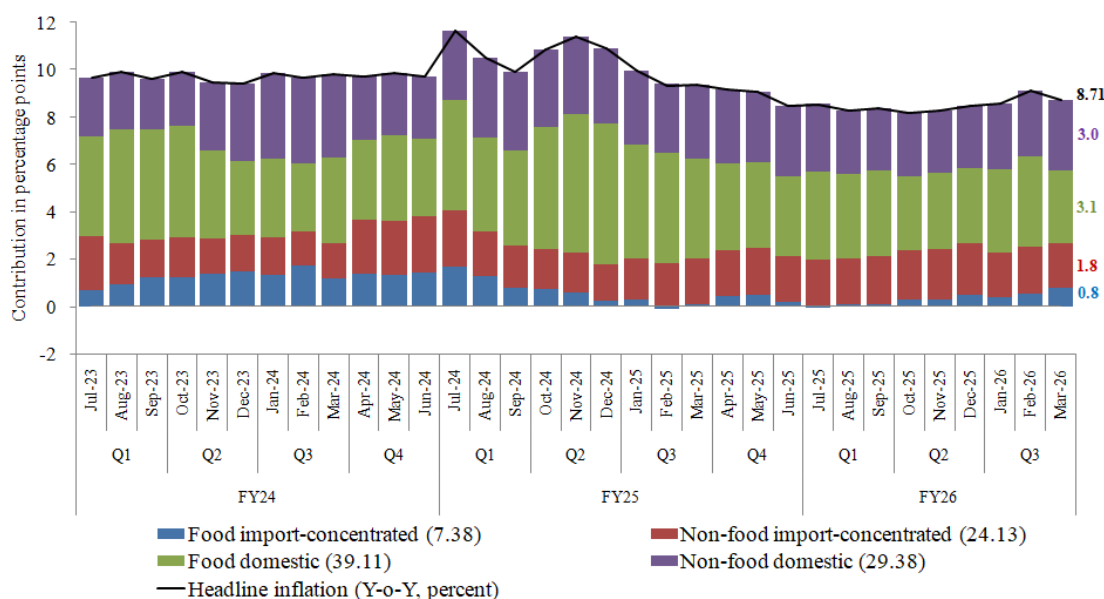
In Q3:FY26, the average contributions of both import-concentrated<sup>5</sup> food and domestic food items to headline inflation increased from the previous quarter. Meanwhile, the contribution of domestic non-food items to

<sup>4</sup>Perishable goods are those that begin to spoil without refrigeration or freezing within seven days.

<sup>5</sup>Items which are fully or partially imported are classified as import-concentrated items.

inflation remains broadly stable in the said quarter (Figure 7). However, the contribution of import-concentrated non-food items to inflation decreased slightly.

**Figure 7: Contribution of Import-concentrated Items**



*Notes: Figures in parentheses represent weights in the current basket. Sources: BBS and EMFW estimates.*

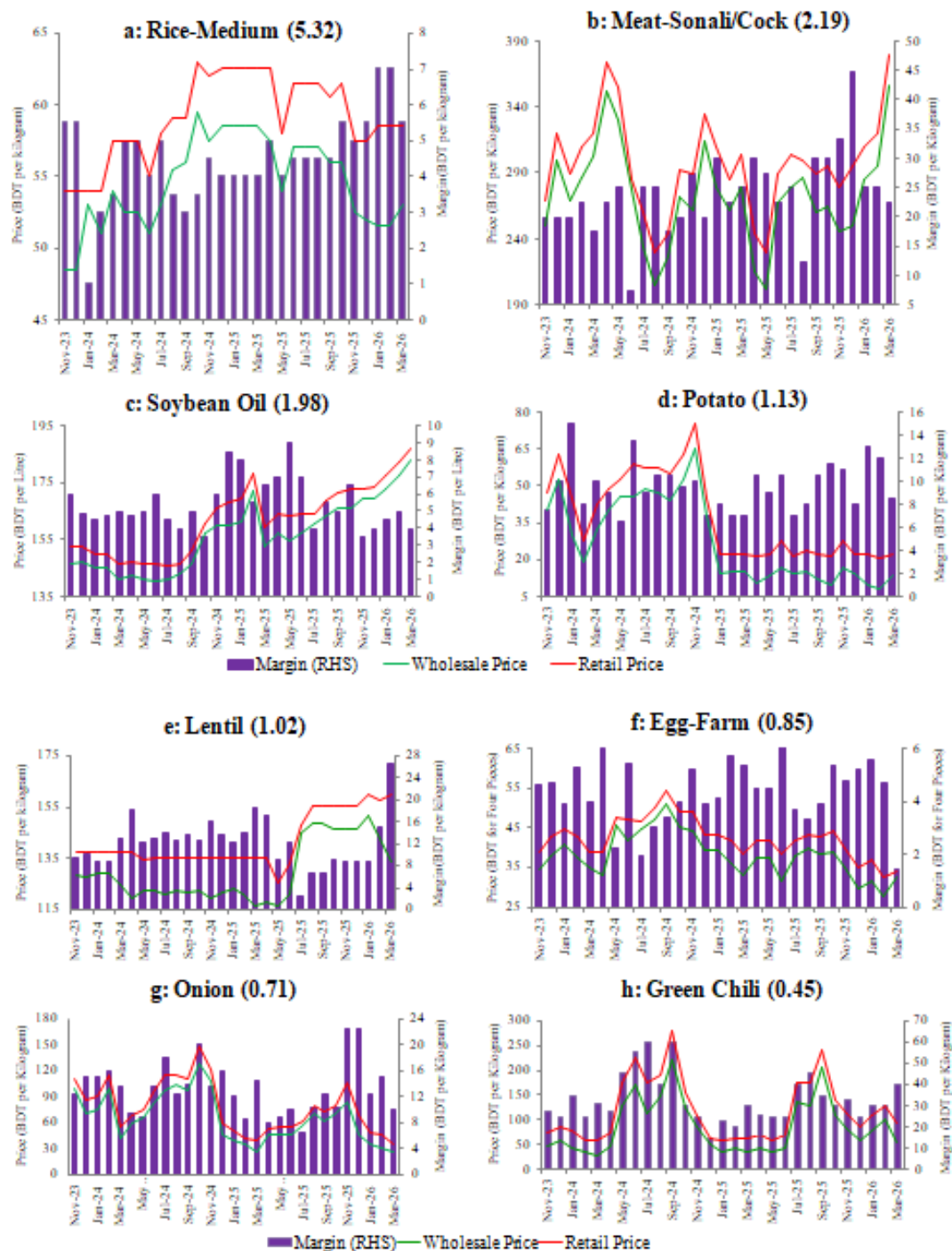
During Q3:FY26, the average contribution of import-concentrated items to inflation decreased to 28.3% from 30.0% in Q2:FY26. On the other hand, the contribution of domestic items to inflation in Q3:FY26 increased to 71.7% from 70.0% in Q2:FY26.

## 4 Retail and Wholesale Prices of Selected Commodities

During Q3:FY26, the retail and wholesale prices of selected essential commodities decreased, except for soybean oil and *Sonali* chicken. Notable price hikes were observed in chicken and soybean oil across both the retail and wholesale markets compared to the previous quarter.

In March of 2026, *Sonali* chicken experienced a significant price hike across both wholesale and retail markets. The prices of soybean oil have also increased in this quarter compared to the previous quarter. Conversely, the onion prices have experienced a substantial decline in both retail and wholesale markets throughout

Figure 8: Retail and Wholesale Prices of Selected Commodities



Notes: Month-end price. Margin = Retail Price – Wholesale Price. Figures in parentheses denote the corresponding weight in the current CPI basket. Sources: Department of Agricultural Marketing (DAM).

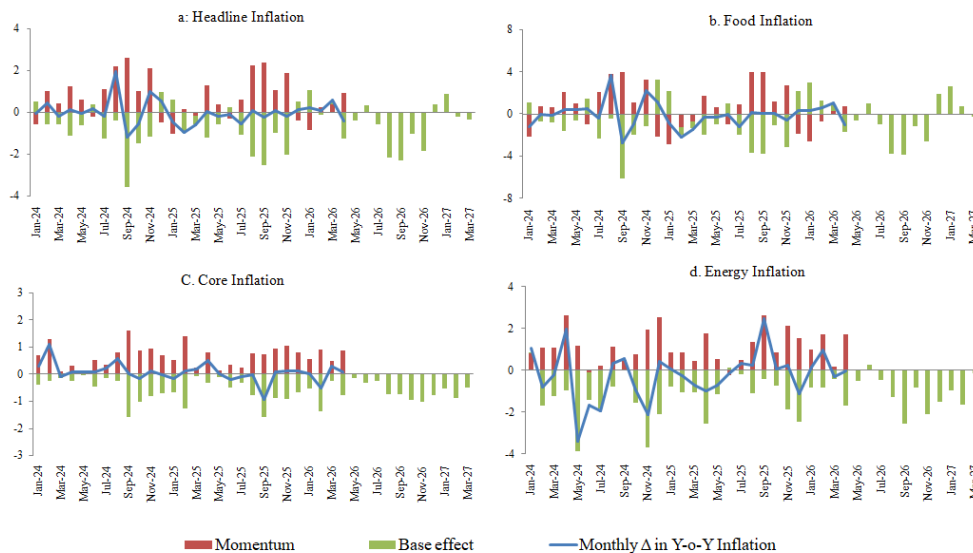
the quarter. However, the prices of rice-medium, lentil, potato, green chili, and egg remained broadly stable in Q3:FY26 compared to the previous quarter across both wholesale and retail prices. The rice, lentil, potato, and green chili showed in-

creased margins<sup>6</sup>, except for soybean oil, onion, egg, and green chili, which showed relatively decreasing margins in Q3:FY26 compared to the previous quarter.

## 5 Base and Momentum Effects, Diffusion Index and Kernel Density Estimates of Inflation

In Q3:FY26, favorable base<sup>7</sup> effects became increasingly prominent as the quarter progressed, leading to a moderation in both headline and food inflation by quarter-end. (Figure 9).

Figure 9: CPI Inflation—Base and Momentum Effects



Sources: *BBS* and *EMFW* estimates

Both core and energy inflation exhibited favorable base effects throughout the quarter. However, in the case of energy inflation, positive momentum effects outweighed the base effects, leading to a slight increase in energy inflation by the end of the quarter. Looking ahead, all categories of inflation are expected to continue benefiting from favorable base effects over the next twelve months, with a few exceptions.

### Diffusion index (DI)<sup>8</sup> for inflation of all categories (headline, food and

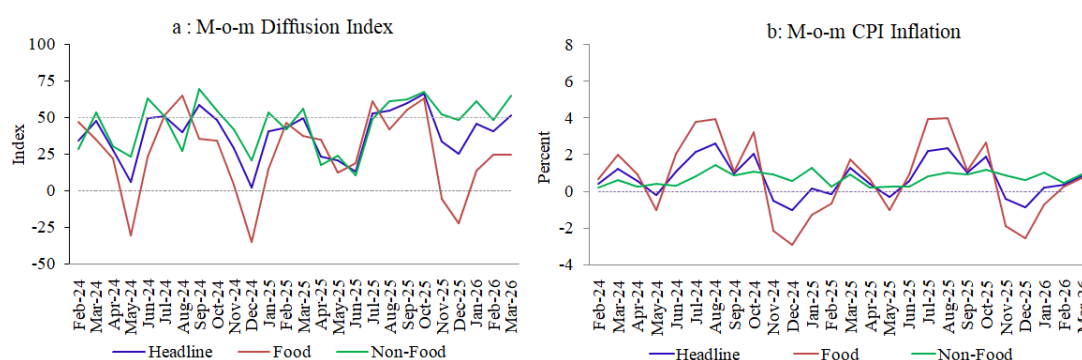
<sup>6</sup> Margins are the difference between retail and wholesale prices.

<sup>7</sup> See [Bangladesh Bank \(2024a\)](#), [European Central Bank \(2005\)](#), and [Bangladesh Bank \(September 2021\)](#) for details.

<sup>8</sup> The CPI diffusion index (m-o-m), a measure of dispersion of price changes, categories items in the CPI basket according to whether their prices have risen, remained stagnant, or fallen over the previous month. See [Reserve Bank of India \(April 2024\)](#) and [Bangladesh Bank \(July 2024\)](#) for details.

non-food) increased in Q3:FY26, indicating that a larger number of items within the overall CPI basket experienced price increase compared to the previous quarter (Figure 10). In March 2026, out of the 382 CPI items, 230 recorded price increases compared to the previous month, 33 price declines, and 119 remained unchanged. Headline, food and non-food inflation (m-o-m) edged up in March 2026. Meanwhile, compared to the previous month, the food diffusion index was broadly stable in March 2026, as 61 out of 126 commodities in this category registered price increases, while 35 remained stable, and 30 recorded price decreases.

Figure 10: Diffusion Indices



Notes: The higher the reading towards & above 50, the broader is the expansion of price increases across CPI items, and vice versa. Sources: BBS and EMFW estimates.

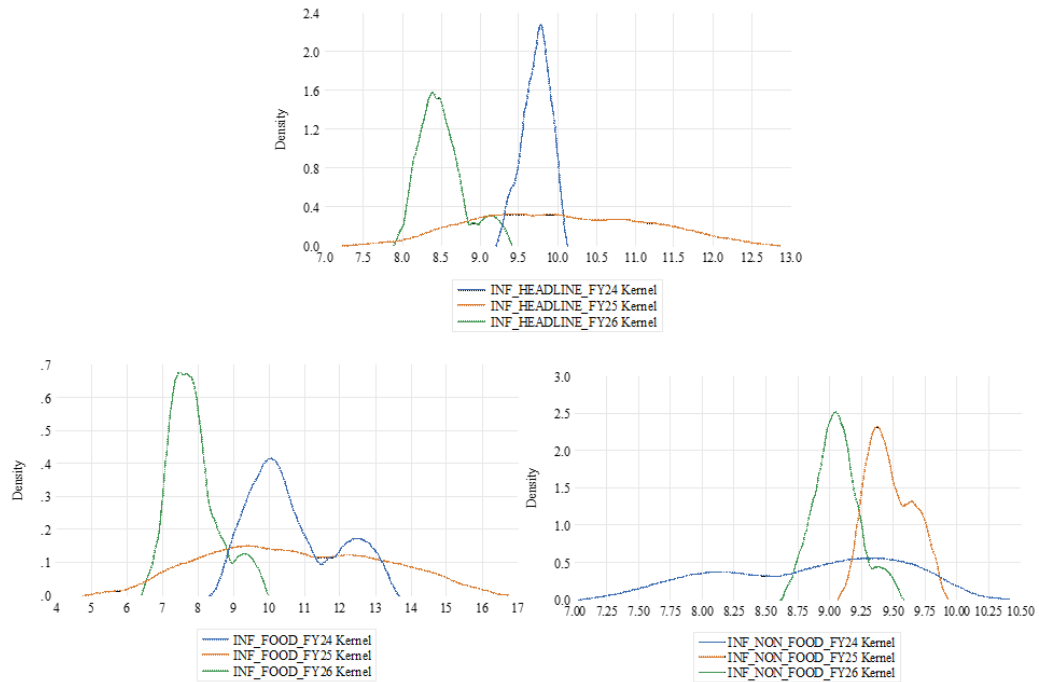
The Kernel Density Function (KDF<sup>9</sup>) of headline inflation (y-o-y) in FY26 (upto March 2025) shifted leftward and appeared steeper compared to FY25, indicating reduced variability in inflation rates.

The distribution for headline inflation of FY25 appeared notably flatter and exhibited a rightward shift, reflecting a broader range of inflation rates. It indicated that inflation in FY25 had exhibited greater volatility and elevated inflation rates. In contrast, the distribution for FY26 (up to March 2026) indicated that inflation rates were tightly clustered and exhibited low variability.

The distribution of food inflation in FY26 appeared notably steeper and exhibited a leftward shift, indicating a significant decline and reduced variability. In contrast, FY25 exhibited a wider, flatter distribution, indicating higher volatility. Similarly, non-food inflation in FY26 shifted left relative to FY25, indicating moderation, though with moderate dispersion indicating moderate volatility and decrease in non-food inflation.

<sup>9</sup> A KDF shows the distribution of data, indicating where the data is concentrated (steep parts) and how far it spreads out (tail length). Steeper parts indicate higher density and mean value, and longer tails show spread or variation of the data. See [Bangladesh Bank \(2024b\)](#) for details.

Figure 11: Kernel Density Estimates



Note: FY26 is upto March 2026. Sources: *BBS* and *EMFW* estimates.

Overall, FY26 has reflected lower and more stable inflation across components compared to the higher and more volatile patterns observed in FY25 (Figure 11).

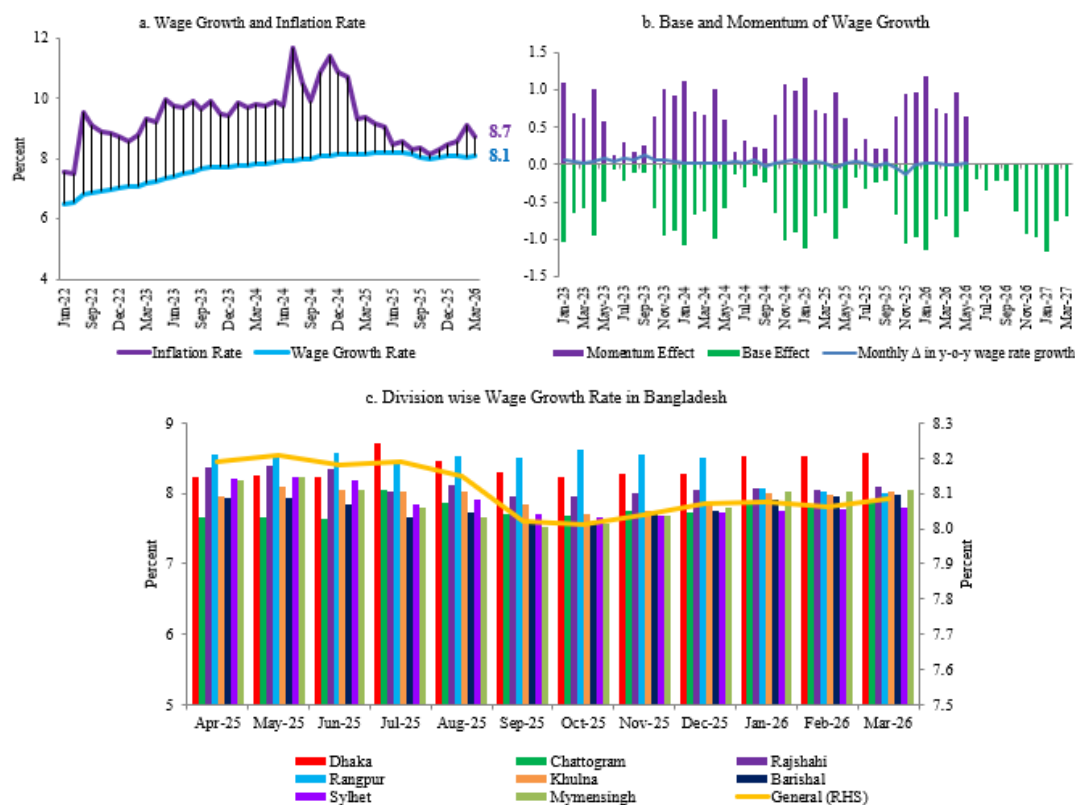
## 6 Wage Dynamics

At the end of Q3:FY26, the wage-price gap slightly narrowed compared to that of the previous quarter. This narrowing was primarily driven by a decline in headline inflation rather than any significant improvement in wage growth (Figure 12.a).

Since April 2022, inflation has consistently outpaced wage growth, reducing consumers' purchasing power and leading to a decline in real income. However, from February 2025 onward, this gap began to narrow as the inflation rate moderated and saw a notable reduction, particularly in June 2025. At the end of Q3:FY26, the wage-price gap again slightly narrowed compared to that of the previous quarter. This slight narrowing was primarily driven by a decline in headline inflation, with wage growth unchanged.

Despite some positive momentum effects, wage growth remained sluggish throughout the quarter, as the negative base effect persisted (Figure 12.b). Wage growth

Figure 12: Wage Dynamics



Sources: *BBS* and *EMFW* estimates

rates increased marginally across all divisions except Rangpur in Q3:FY26 compared to the previous quarter (Figure 12.c). Among all divisions, Mymensingh continued to record the highest wage growth.

## 7 Conclusion

In Q3:FY26, headline CPI inflation (y-o-y) continued to rise, averaging approximately at 8.8%, up from 8.3% observed in the last quarter. The moderation in inflation that began in Q3:FY25 persisted through Q2:FY26, before reversing in Q3:FY26. This uptick was mainly due to higher food inflation, particularly driven by strong contributions from vegetables and spices. Protein-based foods remained the largest contributor to food inflation, accounting for more than two-fifths in Q3:FY26, while vegetables contributed over one-fifth of total food inflation in the same period.

The contribution of energy items (including solid fuels) remained broadly unchanged compared to the previous quarter, with solid fuels continuing to account

for the bulk of energy inflation. Core inflation declined by a small margin in Q3:FY26, though it remained elevated by historical standards.

Notably, in Q3:FY26, the increased contribution of protein-based food items, along with ‘clothing and footwear’, can be partly attributed to seasonal demand associated with Eid-ul-Fitr, which typically leads to higher consumer spending on food and apparel. However, near-term inflationary pressures are expected to intensify due to higher global oil prices, domestic fuel price adjustments, and ongoing energy supply constraints.

Meanwhile, at the end of Q3:FY26, the wage–price gap narrowed slightly compared to the previous quarter, driven by a fall in headline inflation (y-o-y) to 8.7% in March 2026, while wage growth remained stable at 8.1%. This led to a modest deterioration in household purchasing power, reflecting sluggish real wage growth. Given these developments, sustained policy vigilance is essential to anchor inflation expectations, contain elevated food and core prices, and safeguard household purchasing power, thereby supporting a stable macroeconomic environment conducive to long-term, inclusive growth.

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