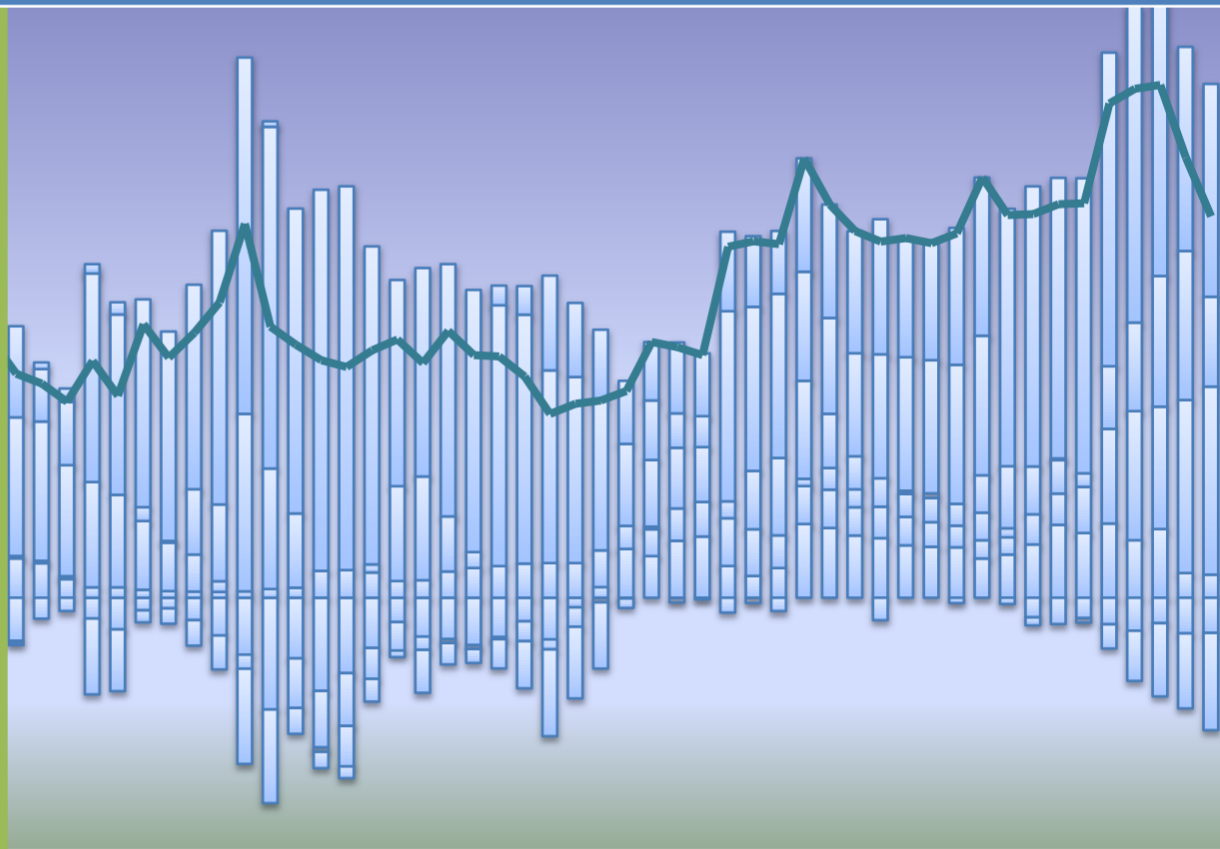




Inflation Dynamics in Bangladesh

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Inflation Dynamics in Bangladesh

April–June 2026 (Q4:FY26)

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Inflation Dynamics in Bangladesh

Executive Summary

- Headline inflation (y-o-y) increased during Q4:FY26 (April-June 2026) compared to Q3:FY26 (January-March 2026), averaging around 9.21%.
- Food inflation increased during Q4:FY26, primarily driven by a sharp rise in vegetable prices. However, the protein-based foods remained the top contributor of overall food inflation.
- In Q4:FY26, the core inflation increased to 8.4% from 8.0% in the previous quarter. Moderate rises were observed in ‘Transport & communication’, ‘Health & personal care’, and ‘Education, books & stationery’ items.
- Energy inflation increased to 17.0% in Q4:FY26, which was 14.9% 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. However, in Q4:FY26, energy inflation accelerated mainly due to sharp increases in fuel and lubricant prices and a gas price hike. Inflation for fuels & lubricants rose to 13.8% from 1.7%, while gas inflation increased to 24.0% from 11.3% in the preceding quarter.
- In Q4:FY26, the average contributions of both import-concentrated food and non-food items to headline inflation slightly decreased from the previous quarter. Meanwhile, the contribution of domestic food items to inflation remained broadly stable, but the contribution of domestic non-food items increased.
- In Q4:FY26, the wage-price gap widened compared to the previous quarter. However, the gap narrowed marginally toward the end of the quarter. This narrowing was primarily driven by a slight decline in headline inflation rather than any significant improvement in wage growth.

1 Introduction

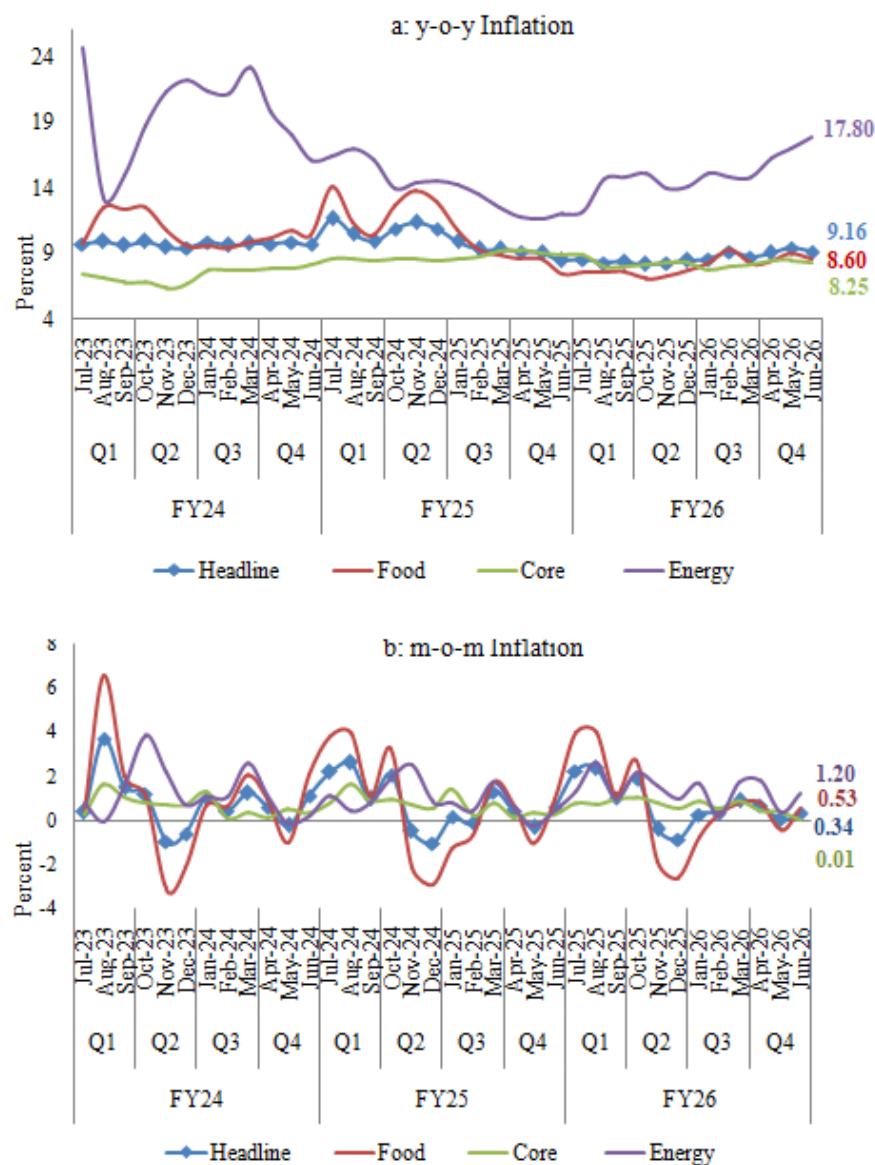
Bangladesh Bank places a strong emphasis on maintaining price stability to support sustainable economic growth and financial stability. The effectiveness of monetary policy depends on a clear understanding of the factors that drive consumer prices and wage dynamics. Bangladesh Bureau of Statistics (BBS) compiles a range of price indices that monitor price movements across the economy. This report analyzes the key determinants of Consumer Price Index (CPI) inflation and wage trends² in Bangladesh, providing a comprehensive assessment of the underlying factors shaping the country's macroeconomic environment.

As per the Asian Development Bank's Asian Development Outlook (July 2026), Bangladesh's headline inflation is expected to remain high at 9.0% in FY26 and 8.8% in FY27 as the higher global energy prices from the Middle East conflict may persist and the second round effects of fuel crisis is expected to linger ([Asian Development Bank, 2026](#)). However, the International Monetary Fund (IMF), in its World Economic Outlook (July 2026), projects global headline inflation is expected to rise from 4.1% in 2025 to 4.7% in 2026 before declining to 3.9% in 2027, making upward revisions from earlier projections driven mainly by higher energy and food prices ([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 Q4:FY26, Bangladesh's year-on-year (y-o-y) CPI headline inflation increased from the previous quarter, averaging around 9.21%. In the previous quarter (Q3:FY26), headline inflation was around 8.8%. This rise in inflation was primarily driven by increased energy inflation (y-o-y). Food inflation slightly increased and averaged at 8.7% in Q4:FY26. Non-food inflation also increased averaging around 9.6%. Besides, Core and Energy inflation (y-o-y) also increased in Q4:FY26. ([Figure 1a](#)).

²Currently, 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 June 2026. Numerical values reported in the text and figures are rounded to either one or two decimal places. Q4:FY26 represents April-June, 2026.

Figure 1: CPI Inflation



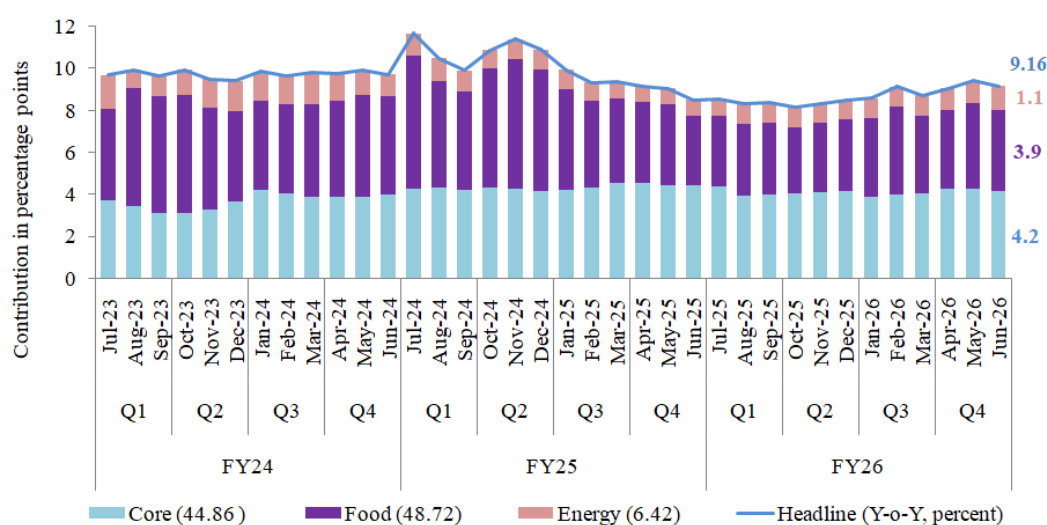
Source: *Bangladesh Bureau of Statistics (BBS)*

On a month-on-month (m-o-m) basis, inflation across all categories increased in June 2026, except for m-o-m core inflation (Figure 1b). Throughout Q4:FY26, headline, core, and energy inflation remained in a positive territory on a m-o-m basis.

2 Decomposition of Headline Inflation

The contribution of core items to headline inflation dominated as usual throughout Q4:FY26. During this period, the average contribution of food inflation to headline inflation decreased slightly, while the contribution from core inflation was broadly stable (Figure 2). Specifically, the average contribution of core items to headline inflation accounted for 45.9% in Q4:FY26, up from 45.3% in the previous quarter. In contrast, the average contribution of food prices to headline inflation in Q4:FY26 was down to 42.3% from 43.8% in the preceding quarter. Meanwhile, energy items accounted for 11.9% of headline inflation this quarter, up from 10.8% 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)



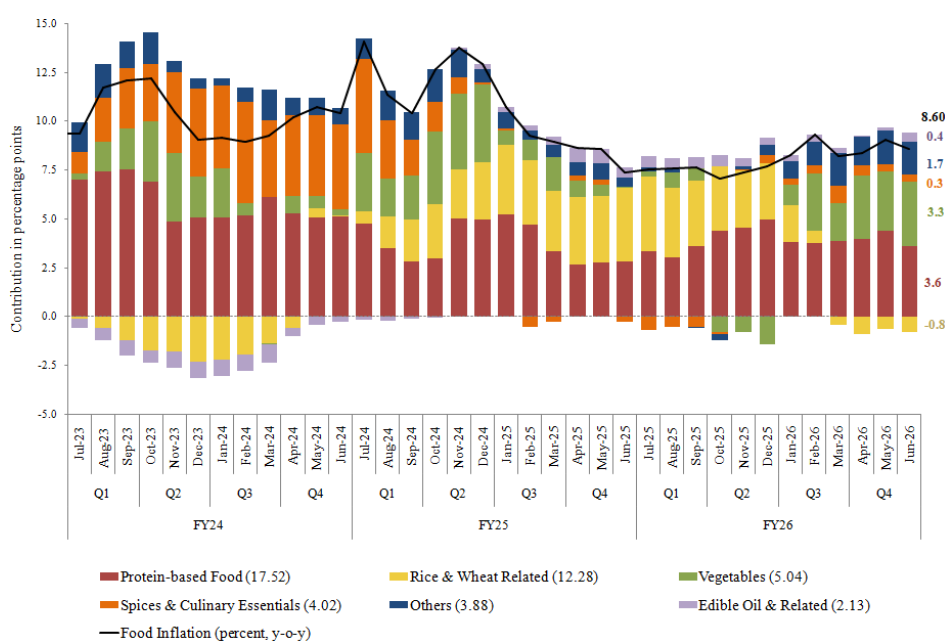
Notes: Numbers in parentheses represent weights in the CPI current basket.

Sources: *BBS* and *EMFW* estimates.

2.1 Decomposition of Food Inflation

In Q4:FY26, food inflation increased due to a sharp rise in vegetable prices. The protein-based foods³ remained the main drivers of overall food inflation.

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.

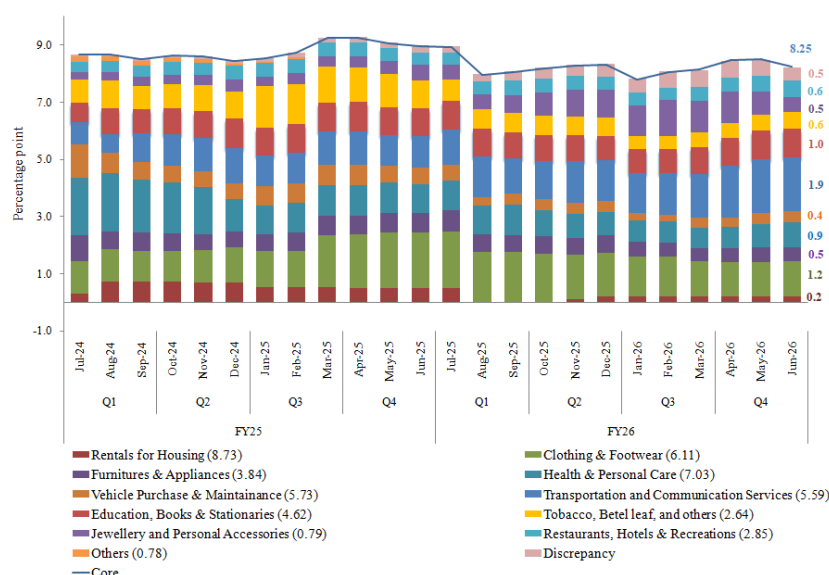
The average contribution of vegetables to food inflation was 37.0% in Q4:FY26, compared to 22.7% in the previous quarter, indicating a significant pressure from vegetable prices (Figure 3). On average, protein-based products accounted for 46.0% of overall food inflation during Q4:FY26, maintaining their position as the largest contributor. Cereal items' contribution to inflation declined notably, by an average of (-)8.9% in Q4:FY26, down from 8.1% in the preceding quarter. The average contribution of Spices and culinary essentials decreased to 4.5% in the said quarter. In the meantime, edible oil's contribution to overall food inflation declined and remained low.

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

2.2 Decomposition of Core Inflation

In Q4:FY26, the core inflation increased to 8.4% from 8.0% in Q3:FY26 mainly due to increased contribution from ‘transportation and communication services’.

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



Notes: Figures in parentheses represent weights in the current basket.

Sources: BBS and EMFW estimates.

In Q4:FY26, ‘transportation and communication services’ (mainly internet) remained a major component of non-food inflation, with its contribution surging to 22.3%. On the other hand, moderate rises were observed in ‘transport and communication’, ‘healthcare and personal care’, and ‘education, books and stationery’ items (Figure 4). However, the contribution of ‘clothing and footwear’ and ‘jewelry and personal accessories’ to core inflation decreased at 14.2% and 9.6% respectively. Meanwhile, contributions from other components of core inflation, such as ‘furniture and appliances’, ‘tobacco and betel leaf’, and ‘rental for housing’, remained broadly stable.

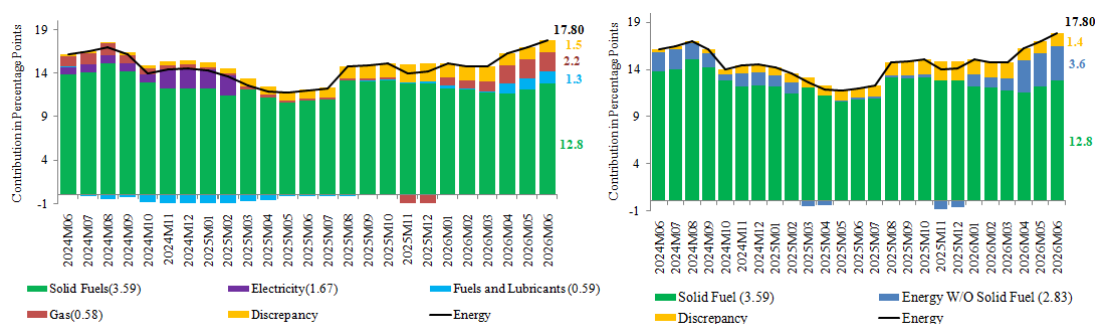
2.3 Decomposition of Energy Inflation

In Q4:FY26, energy inflation increased to 17.0% from 14.9% in Q3:FY26 driven primarily by fuels & lubricants and a gas price hike.

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 contributor of energy

inflation (Figure 5). In Q4:FY26, the inflation in solid fuels rose to 21.8% from 21.5% in the previous quarter. Energy inflation excluding solid fuels, edged up significantly in Q4:FY26. In Q4:FY26, energy inflation was driven primarily by fuels & lubricants and a gas price hike, which increased to 13.8% and 24.0% from 1.7% and 11.3%, respectively, 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.

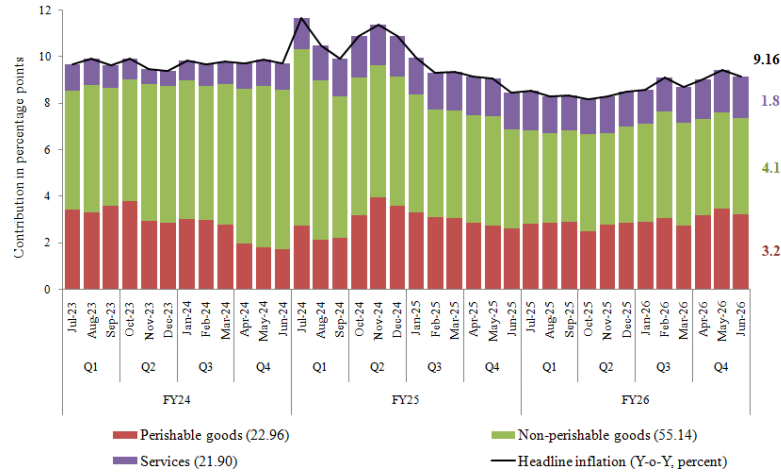
3 Product-wise Drivers of Headline Inflation

3.1 Goods (Perishable and Non-perishable) and Services

The contributions of perishable goods⁴ along with services to headline inflation increased in Q4:FY26 compared to the previous quarter, whereas the contribution from non-perishable goods decreased over the same period.

In Q4:FY26, the average contribution of perishable goods increased to 35.9% from 33.0% in Q3:FY26 (Figure 6). In addition, the average contribution of services also increased to 19.2% from 17.0% in the previous quarter. Meanwhile, the contribution of non-perishable goods to headline inflation decreased to 44.9% in Q4:FY26 from 49.9% in the preceding quarter.

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

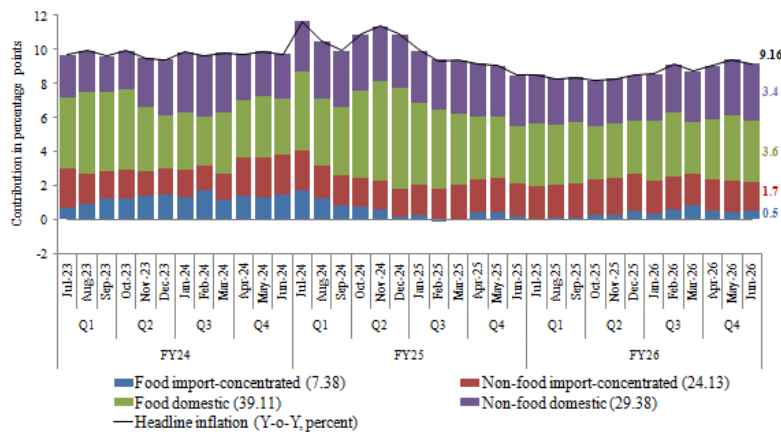
Figure 6: Contribution of Goods and Services

Notes: Figures in parentheses represent weights in the current CPI basket.

Sources: *BBS* and *EMFW* estimates

3.2 Import-concentrated Items

In Q4:FY26, the average contributions of both import-concentrated⁵ food and non-food items to headline inflation decreased slightly from the previous quarter.

Figure 7: Contribution of Import-concentrated Items

Notes: Figures in parentheses represent weights in the current basket.

Sources: *BBS* and *EMFW* estimates.

Meanwhile, the contribution of domestic food items to inflation remains broadly stable in the said quarter (Figure 7). However, the contribution of domestic non-food items to inflation moderately increased.

During Q4:FY26, the average contribution of import-concentrated items to inflation decreased to 24.9% from 28.3% in Q3:FY26. Moreover, the contribution

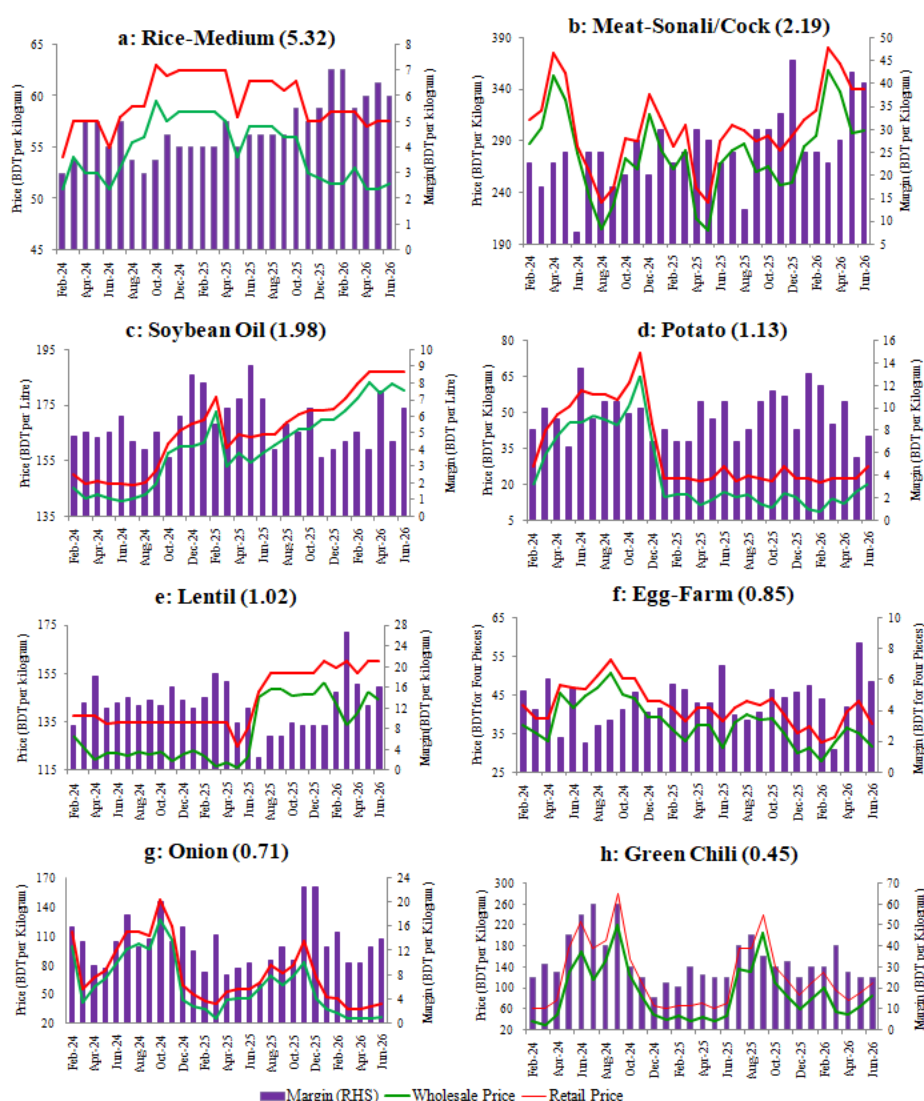
⁵ Items which are fully or partially imported are classified as import-concentrated items.

of domestic items to inflation also declined to 75.1% in Q4:FY26 from 71.7% in Q3:FY26.

4 Retail and Wholesale Prices of Selected Commodities

During Q4:FY26, the retail and wholesale prices of most of the selected essential commodities increased on average compared to the previous quarter, except for rice (medium), onions and green chili.

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 \(DAM\)](#).

Green chili and onion prices registered a decline during Q4:FY26. However, by the end of the quarter in June 2026, both wholesale and retail price of these commodities have started to increase.

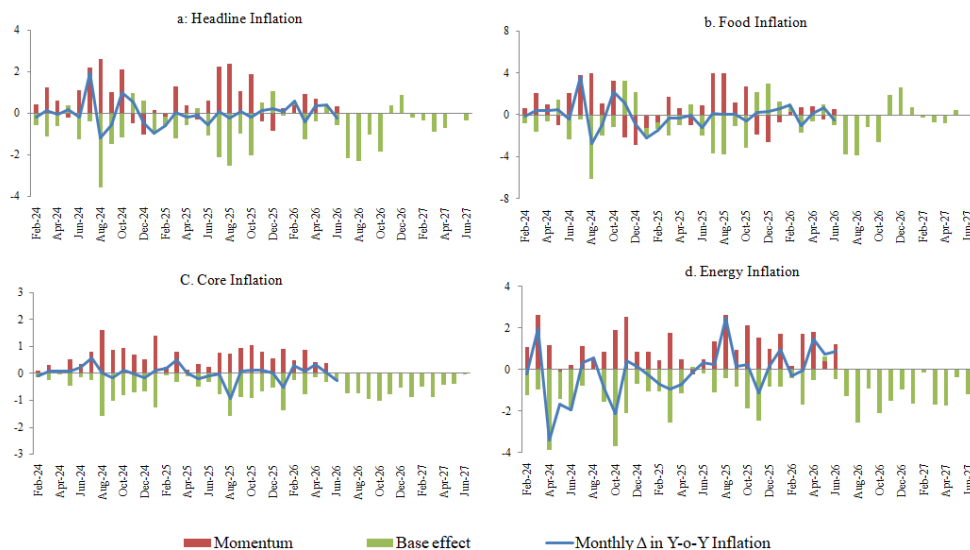
On the other hand, in Q4:FY26, the wholesale prices of *Sonali* Chicken remained broadly unchanged from the previous quarter. In addition, medium rice prices, both wholesale and retail, remained broadly stable throughout the quarter.

In May 2026, farm egg prices, along with their price margins⁶, experienced a sharp increase. In Q4:FY26, the margins of *Sonali* Chicken, soybean oil, and eggs increased, while all other margins of said essential commodities decreased compared to the previous quarter.

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

During Q4:FY26, momentum effects⁷ remained positive across most inflation categories. However, favorable base effects contributed to a moderation in inflation by the end of the quarter across all categories except energy inflation. (Figure 9).

Figure 9: CPI Inflation–Base and Momentum Effects



Sources: *BBS* and *EMFW* estimates

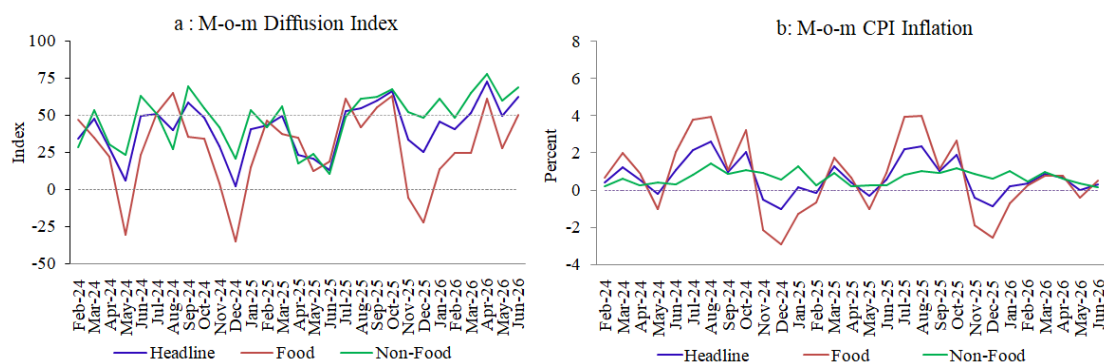
⁶ Margins are the difference between retail and wholesale prices.

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

Energy inflation remained elevated throughout the quarter, driven by strong positive momentum effects that reinforced upward energy price pressures. Looking ahead, all categories of inflation are expected to benefit from favorable base effects over the next twelve months, with a few exceptions.

Diffusion index (DI)⁸ for inflation of all categories (headline, food and non-food) increased in Q4:FY26, indicating that a larger number of items within the overall CPI basket experienced price increase compared to the previous quarter (**Figure 10**). In June 2026, out of the 382 CPI items, 261 recorded price increases compared to the previous month, 22 price declines, and 99 remained unchanged. Headline, food inflation (m-o-m) increased in June 2026 while non-food inflation (m-o-m) experienced a slight decline. Food diffusion index increased in June 2026 as out of 126 commodities in the food category 82 experienced price increases.

Figure 10: Diffusion Indices



Notes: The higher the reading towards 50, the broader is the expansion of price increases across CPI items, and vice versa.

Sources: BBS and EMFW estimates.

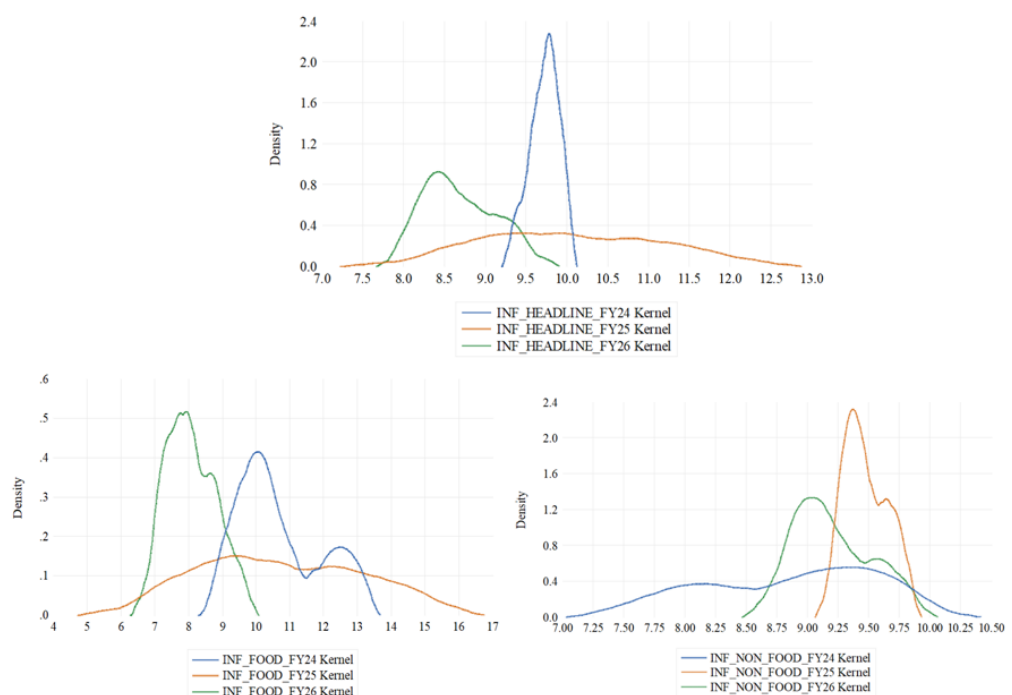
The Kernel Density Function (KDF)⁹ of headline inflation (y-o-y) in FY26 shifted leftward relative to FY25, indicating a moderation in inflation during FY26.

Compared with FY25, the FY26 distribution became more concentrated around lower inflation rates, although it remained more dispersed than the sharply peaked distribution observed in FY24. In contrast, the FY25 distribution appeared flatter and more spread out, with a pronounced rightward shift, reflecting persistently

⁸The 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.

⁹A 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



Sources: *BBS* and *EMFW* estimates.

elevated inflation and greater variability throughout the year (Figure 11).

The distribution of food inflation in FY26 also shifted leftward compared with FY25, indicating lower food inflationary pressures than FY25. Moreover, the FY26 distribution was more concentrated than FY25, suggesting lower volatility in food prices. By comparison, FY25 exhibited the broadest and flattest distribution, indicating substantial variation in food inflation during the year.

Similarly, the distribution of non-food inflation in FY26 shifted left relative to FY25, reflecting moderation in non-food price pressures. The FY25 distribution was tightly concentrated around higher inflation rates, indicating persistently elevated non-food inflation with relatively low variation. In contrast, FY26 exhibited a broader distribution centered at lower inflation rates, suggesting that while non-food inflation eased, it fluctuated more over the year than in FY25. Compared with FY24, however, FY26 remained centered at higher inflation rates, indicating that non-food inflation had moderated but was still above its pre-inflationary level.

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

6 Wage Dynamics

In Q4:FY26, the wage-price gap widened compared to the previous quarter. However, the gap narrowed marginally toward the end of the quarter. This narrowing was primarily driven by a decrease in headline inflation rather than any significant improvement in wage growth (Figure 12.a).

Figure 12: Wage Dynamics



Sources: *BBS* and *EMFW* estimates

Inflation has consistently outpaced wage growth over the past two years, eroding consumers' purchasing power and reducing real incomes. From February 2025 onward the wage-price gap began to narrow as inflation moderated significantly. However, over the past three quarters, the gap has widened again, indicating that wage growth has failed to keep pace with inflation. Thereby renewed pressures on real incomes and household purchasing power persists.

Despite some positive momentum effects, wage growth remained sluggish throughout the quarter, as the negative base effect persisted (Figure 12.b). Wage growth rates increased marginally across all divisions in Q4:FY26 compared to the previous quarter (Figure 12.c). Among all divisions, Dhaka recorded the highest wage growth in Q4:FY26.

7 Conclusion

In Q4:FY26, headline CPI inflation (y-o-y) continued to rise, averaging approximately at 9.2%, up from 8.8% observed in the last quarter. This uptick was primarily driven by higher non-food inflation, particularly energy. Energy inflation surged due to increased contributions from liquid fuels and gas prices. Solid fuels (such as firewood, agricultural by-products, cow dung, and jute sticks), with a total weight of 3.59, continues to be a major contributor of energy inflation.

On the other hand, food inflation also increased slightly in Q4:FY26 with protein-based items remaining the largest contributor, accounting for nearly half of overall food inflation. Vegetables contributed over one-third of total food inflation in the same period. Moreover, marginal increase in core inflation also observed in Q4:FY26.

Meanwhile, at the end of Q4:FY26, the wage-price gap widened slightly compared to the previous quarter, driven by a rise in headline inflation (y-o-y) to 9.2% in June 2026, while wage growth remained unchanged at 8.2%. This led to a modest deterioration in household purchasing power.

In this context, maintaining policy vigilance remains imperative to anchor inflation expectations, mitigate persistent inflationary pressures and safeguard households' purchasing power, thereby preserving macroeconomic stability and fostering conditions conducive to sustainable and inclusive long-term economic growth.

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