

Fuel price hikes to stoke inflation, but ministers see limited impact

Economists say Bangladesh's already high inflation makes it harder for households to absorb fresh increases in fuel-linked costs

MD ASADUZ ZAMAN

After the onset of the US-Israel war on Iran, some policymakers initially took a firm stance, publicly claiming credit for not adjusting fuel prices to shield consumers from global shocks. They argued that they did not want to pass the burden onto the people.

However, the government could not maintain its stance as it quickly unravelled under fiscal and market realities.

Within weeks, the government reversed course. It raised the price of a 12kg liquefied petroleum gas (LPG) cylinder by 45 percent after two successive hikes in April.

On April 18, it also pushed fuel prices to record highs: diesel rose by Tk 15 per litre to Tk 115, octane by Tk 20 to Tk 140, petrol by Tk 19 to Tk 135, and kerosene by Tk 18 to Tk 130.

The scale and timing of these adjustments suggest that fiscal constraints, subsidy pressures, and external account vulnerabilities outweighed earlier political commitments.

From a macroeconomic perspective, such hikes drive costs and thus prices of commodities in the supply chain, as higher energy costs spread through transport, production, and supply chains, often creating second-round effects in import-dependent economies like Bangladesh.

A recent report on inflation dynamics of Bangladesh by the central bank showed gas price hikes have pushed up energy inflation to 14.9 percent during the January-March quarter of the current fiscal year 2025-26 from 14.4 percent in the previous quarter.

ANALYSIS

Economists say the effect of hiking petroleum prices is going to be felt soon, and consumers have already begun to feel the pinch. Transport costs for both passengers and freight have gone up. Farmers complained about the higher cost of harvesting rice and threshing the grains. Consumer goods companies are reducing pack sizes and squeezing margins to cope.

Yet, two ministers – finance and commerce – downplayed the inflationary risks.

According to a report published in this newspaper on April 20, Finance Minister Amir Khosru Mahmud Chowdhury said, "It



Fuel oil and LPG price hikes are set to push commodity prices higher, as consumers have already begun to feel the pinch. The photo was taken at a grocery shop in Barishal city last night.

PHOTO: TITU DAS

may increase or it may not. If the supply side remains stable, then prices may not rise."

In reply to a question in the parliament, Commerce Minister Khandakar Abdul Mukhtar said it was unlikely that the recent fuel price hike would exacerbate inflation, terming the adjustment "moderate."

He said the 15 percent increase in diesel prices may raise commodity prices by around Tk 0.30 per kg. However, he said this would not have any major impact on overall inflation, which has remained around 9 percent for more than three years, deepening consumers' woes.

The wage rate index for unskilled workers illustrates this trend. Inflation has outpaced wage growth for 50 consecutive months, steadily eroding the purchasing power of consumers, particularly those in middle- and lower-income groups. It means that real wages have been in the negative for more than four years.

Consumers are set to face further pressure as the commerce ministry has allowed refiners to raise soybean oil prices by Tk 4 per litre, or 2 percent.

The situation worsened by earlier supply disruptions triggered by the Iran War, which had already pushed up global energy and transport costs. Diesel-dependent sectors such as agriculture, manufacturing, and transport are

now under additional pressure, raising concerns that the increased costs will eventually be passed on to consumers in an already high-inflation economy.

Mustafizur Rahman, distinguished fellow at the Centre for Policy Dialogue (CPD), said the recent fuel price hike is likely to ripple across the economy through a "multiplier effect."

He noted that fuel acts as a "barometer of commodity prices," meaning its increase will inevitably influence a wide range of goods, though not uniformly.

He explained that the current situation reflects "cost-push inflation," driven by rising input costs rather than demand.

However, he cautioned against overstating the scale of the impact, emphasising that the extent of price increases will depend on how significant fuel costs are within each product's overall cost structure.

"If fuel accounts for a portion of total costs, a 15 percent increase in fuel prices does not translate into a 15 percent rise in final prices," he said, illustrating that the actual effect would be proportionally smaller.

Rahman stressed that while some level of price increase is unavoidable, the degree to which it affects consumers will depend heavily on market behaviour and oversight.

"The pass-through to retail prices depends significantly on market management," he said, warning that unchecked responses, such as transport operators raising fares disproportionately, could worsen inflationary pressures.

He also underscored the growing importance of regulatory monitoring, particularly in sectors with administered pricing, and highlighted the need for stronger safeguards for vulnerable groups.

"For low-income people, even a small increase in prices creates significant hardship," he said, adding that effective implementation of social safety measures will be critical to easing the burden.

Mohammad Abdur Razaque, chairman of the Research and Policy Integration for Development, echoed similar concerns, warning that higher energy prices would inevitably feed into overall price levels.

"If energy and oil prices increase, our price levels will increase. This is almost inevitable," he said. "There is a 'one-to-one' correspondence, as the transmission channel is very deep."

He explained that a fuel price increase typically triggers broader inflationary pressures across the economy.

"When oil prices increase, we've seen a 15-20 percent increase across different varieties. It exerts pressure on other supply chain elements, which overall impacts our prices. They might be saying it for political reasons, but the economic reality is that this will fuel inflationary pressure further," he added.

Razaque also noted that the impact is more severe in Bangladesh compared to other countries due to already elevated inflation.

"It's not just happening in Bangladesh; many countries have already increased their fuel prices. The problem for Bangladesh is that our baseline inflation rate was already high, hovering around 9 to 10 percent. When this impact is added, it creates even more pressure. In countries like Cambodia, where inflation was lower, it was easier to absorb. But for us, it's almost inevitable that prices will go up," he said.

He also raised concerns over inflation measurement, especially LPG pricing. He said the Bangladesh Bureau of Statistics (BBS) relies on government set rates, which may not reflect market reality.

Razaque added that official figures could be misleading if based on listed prices rather than what consumers actually pay, urging surveys of real market prices for more accurate inflation data.

How the govt can fix the tax system

SUVOJIT CHATTOPADHYAY

The tax to GDP ratio in Bangladesh remains chronically low. Revenue is insufficient and unevenly imposed, limiting public investment in services that support long-term growth. A larger economy requires a government able to raise and spend revenue effectively. Reform of the National Board of Revenue (NBR) sits at the centre of that challenge. A year after an ordinance meant to fix the NBR, reform has stalled. Bangladesh now has an elected government with a two-thirds majority, yet the economy is fragile. Prime Minister Tarique Rahman and Finance Minister Amir Khosru Mahmud Chowdhury are preparing the next budget. In the run-up to the budget, several economic policy reforms have been announced.

On May 12, 2025, the interim government split the NBR into two divisions – Revenue Policy and Revenue Management. Officials responded with a six-week strike. A revised ordinance in September allowed revenue cadres to apply for senior posts, easing tensions. But the momentum has already faded. The NBR chairman acknowledged that the reforms had run into difficulties and that the new government would need to make them "practical". The episode sent signals to markets and international financial institutions monitoring Bangladesh's economy. Yet the NBR split is only one element of a deeper structural weakness.

The BNP manifesto pledged to raise the tax-to-GDP ratio to 15 percent by 2035 without introducing new taxes. It proposed widening the income tax and VAT base, taxing carbon and improving efficiency through technology. The business community is unlikely to welcome higher taxes or stricter enforcement with fewer exemptions. Bangladesh depends heavily on export-oriented sectors such as garments and pharmaceuticals, where exemptions and negotiated compliance have long been embedded. An elected government faces constraints that did not apply to the previous interim government.

But the July Charter, approved by more than 60 percent in a referendum, offers a mandate for difficult reform. The IMF programme adds pressure, as do economic stress and the approaching graduation from least developed country status. Reform should begin with a



clear diagnosis, validated by key stakeholders, including revenue cadres. Sequencing will matter. Early visible wins could build trust, for example, by pursuing high-profile evasion cases before demanding more paperwork from small traders. Technology can help, but simple steps such as digital notices and taxpayer reminders may deliver quick gains.

The FY2026-27 budget will be instructive. Will the government revisit the NBR split in a cleaner form? A fresh law passed by parliament, rather than another ordinance, would carry greater legitimacy. Drafted in consultation with revenue and administration cadres, it could clarify reporting lines and reduce conflict, signalling commitment to durable reform. Will ministers advance proposals for wealth and inheritance taxes raised in pre-budget discussions? The NBR has indicated it is considering reintroducing a wealth tax and creating an inheritance tax, alongside higher taxation of top earners and tighter exemptions. Such measures would test the government's willingness to tax accumulated domestic wealth and would require stronger administration.

At the other end, will the government bring parts of the urban informal economy into the tax net without stifling activity? Burdensome compliance for small traders would yield limited revenue and risk political capital. The broader challenge is to build an economy that generates enough revenue to fund reliable urban services, functioning public hospitals and basic infrastructure. Bangladesh, like neighbouring India, shows signs of a K-shaped economy, with widening inequality in wealth and consumption. The state lacks resources to meet demands that surfaced during the 2024 monsoon protests. The BNP inherits stalled NBR reform and a narrow fiscal base. The coming budget will not resolve every structural weakness, but it can signal intent. Failure to act risks continued revenue stagnation as IMF conditions tighten and LDC graduation adds pressure on export sectors. The government should not let this moment pass.

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Dubai airport passenger traffic falls 66% amid war

AFP, Dubai

Dubai airport's passenger traffic plunged by two-thirds in March following Iran's attacks on the United Arab Emirates during the Middle East war, the emirate's media office said in a statement on Monday.

Traveller numbers at Dubai International, usually the world's busiest for international passenger traffic, sank to 2.5 million, down 66 percent year on year, Dubai Media Office said.

The airport endured "a period of regional disruption that significantly constrained airspace capacity and flight schedules", it said.

"With airspace within the UAE now fully restored, Dubai Airports is moving decisively to scale up operations, increasing flight movements in line with available regional routing capacity."

Dubai International was targeted several times by drones as the oil-rich UAE bore the brunt of Iran's retaliation for US-Israeli strikes.

Quarterly traffic was down 21 percent to 18.6 million in the first quarter of 2026. Dubai International handled a record 95.2 million passengers last year, and had been expecting to receive 99.5 million this year.

"The extraordinary events of the past few weeks are unprecedented for any major airport hub," Dubai Airports CEO Paul Griffiths was quoted as saying in the statement.

India resumes wheat exports after 4 years

REUTERS, Mumbai/New Delhi

Indian traders have begun exporting wheat for the first time in four years, as ample stocks, higher global prices and firmer freight rates have opened a window for them to make small shipments to buyers in Asia and the Middle East, trade sources said.

Consumer goods conglomerate ITC has started loading 22,000 metric tons of wheat at the western port of Kandla for shipment to the United Arab Emirates, sources said, declining to be identified as they were not authorised to speak to the media.

ITC did not immediately respond to a Reuters request for comment.

India, the world's largest wheat producer after China, has allowed exports of the grain this year, lifting a ban on overseas sales imposed in 2022.

New Delhi extended curbs in 2023 and 2024 after extreme heat shrivelled crops and depleted stocks, pushing domestic prices to record highs and fuelling speculation it might need to import wheat for the first time since 2017.

Last year's favourable weather led to a robust harvest, quashing speculation about imports, helping the government rebuild depleted reserves and giving it the confidence to allow exports.

Earlier this year, Prime Minister Narendra Modi's government allowed traders to export 2.5 million tons of wheat, before permitting another 2.5 million tons late last month for shipments.

US restaurant sales drop as Iran war pushes gasoline prices higher

REUTERS

Several US restaurant chains including Wingstop and Domino's reported weaker-than-expected sales growth in the latest quarter, saying that soaring gasoline prices caused by the US-Israeli war on Iran have forced their customers to cut back on other spending.

Many don't expect consumers to feel relief anytime soon. Analysts expect other restaurant chains also will show declining sales growth in upcoming earnings including Shake Shack and Jack in the Box, according to LSEG averages.

The US-Israeli war on Iran, which began in February, has brought the worst-ever disruption to global oil supplies, driving up average US gasoline prices to \$4.43, a nearly 40 percent increase since this time last year, according to GasBuddy.com.

Gasoline prices have broken \$6 in California, which regularly ranks as the largest state for restaurants.

Wingstop, a chicken-wing chain that pitches itself on affordability, said higher pump prices contributed to an 8.7 percent plunge in quarterly same-store sales. While CEO Michael Skipworth said it was "extremely difficult for anyone to predict this macro environment", he told investors Wednesday to expect shrinking sales over the year in part because of expectations that pump prices will remain high.

Even chains that did well in the latest quarter are staying cautious. Chipotle, which posted better-than-expected same-store sales growth of 0.5 percent, maintained an outlook of flat growth over the year, which Chief Financial Officer Adam Rymer attributed in part to uncertainty over the war and gasoline prices.

Wall Street forecasts reflect the darker mood. In April, nearly twice as many restaurant analysts cut profit forecasts for next quarter as raised them, according to LSEG data.

Flagging investor confidence in the sector is also evident in the 5 percent drop in the LSEG US restaurant index since the start of the war, erasing more than \$40 billion in market value, according to LSEG data.

The \$4 mark at the pump is a tipping point, according to Sebastien Fernandez, chief analyst at US-based restaurant consulting firm Revenue Management Solutions. Shortly after the war began, the firm analyzed 14.6 billion restaurant transactions over the last four years and found that as pump prices rise, restaurant visits gradually tick down – until the \$4 mark, at which point the impact doubles.

The firm estimated that \$4.20 average gasoline prices mean approximately 1.5 percent fewer visits, and if pump prices reach \$5.10 or more, fast-food restaurants could see a 3 percent drop in traffic.

The firm estimated that for a restaurant drive-through with 300 daily transactions, a

\$1 spike in gasoline prices loses the restaurant about six customers a day, piling up to \$22,000 in lost annual sales.

Even before the latest spike in fuel costs, customers had been cutting back on restaurant spending, prompting costly discounts to win customers back. On Wednesday, Yum Brands' Taco Bell, which launched a value meal starting at \$3 in January, reported 8 quarterly same-store sales growth in its US restaurants.

"We're seeing a record level of value menus right now," said Mark Wasilefsky, head of restaurant finance at TD Bank.

Domino's CEO Russell Weiner told investors on Tuesday that his chain's competitors ran promotions "out of our playbook", partly contributing to the chain's weaker-than-expected 0.9 percent US same-store sales growth. Although Weiner said his chain was better positioned to sustain these discounts, the company still cut sales forecasts for the year.



Workers at a Chinese restaurant enjoy lunch in the Manhattan borough of New York City.

PHOTO: AFP/FILE