



Name of presentation

**Inflation in
Bangladesh Economy**



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AGENDA

- ☒ What is Inflation?
- ☒ What are the causes of Inflation?
- ☒ How Inflation is measured?
- ☒ How does it impact or effect on our country's economy?
- ☒ Control Mechanisms for Inflation in Bangladesh.



WHAT IS INFLATION?



- ☐ Inflation is defined as a rise in the general price level over a period of time.
- ☐ It's measured as a annual percentage increase.
- ☐ For example, If there is 3% inflation, what you could buy for 100 Tk this year would cost 103 Tk next year due to the increase in prices. Inflation erodes the purchasing power of money over time.



UNDERSTANDING INFLATION

YEAR 2017



= 100



YEAR 1996



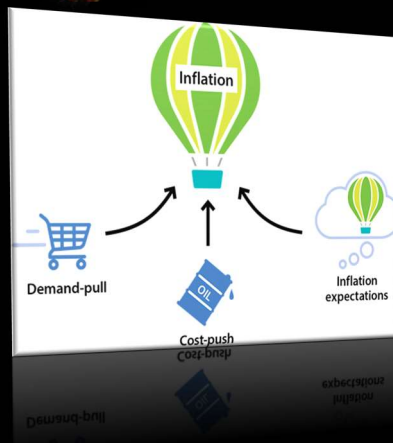
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An upward trend in inflation over last couple of years, reduce the net consumption of the poor.

💰 Value of Money goes down ↓↓ And Prices rise High ↑↑



CAUSES OF INFLATION



- DEMAND-PULL INFLATION (WHEN THERE IS EXCESS DEMAND)
- COST-PUSH INFLATION (WHEN COSTS RISE)
- GLOBAL COMMODITY PRICES
- EXCHANGE RATE FLUCTUATIONS
- MONETARY POLICY
- WEATHER-RELATED FACTORS
- STRUCTURAL ISSUES



CAUSES OF INFLATION

- ✓ The main cause of inflation is the increase in the demand of goods and services and at the same time decrease in the supply of goods and services.
- ✓ Excess population demands more goods and services every year. Thus demand pull inflation takes place.
- ✓ Dependency on imported products and syndicate of importers also causes prices to rise and Cost push inflation occurs.
- ✓ Good amount of foreign aid and overseas loans from international financial institutions increases the supply of money and causes high inflation.
- ✓ When there is excess demand when cost rise



MEASUREMENT OF INFLATION



📌 In our country, inflation is estimated fundamentally through the Consumer Price Index (CPI), which tracks changes in the costs of a bushel of labor and products. Different pointers like the Wholesale Price Index (WPI), Gross domestic product Deflator, and Cost for most everyday items are additionally used to evaluate inflation. The Bangladesh Department of Measurements and the Bangladesh Bank assume key parts in gathering and breaking down expansion information to illuminate monetary strategies.



INFLATION RATE!

Source: BBS (Bangladesh Bureau of Statistics)

	Dec, 2023	Nov, 2023	Dec, 2022
Rate of Inflation (as measured by CPI, from Apr,2023 base 2021-22)			
Point to point	9.41%	9.49%	8.71%
Monthly Average(Twelve Month)	9.48%	9.42%	7.70%



IMPACT OF INFLATION

💰 Inflation has the potential to reduce purchasing power, cause uncertainty, impact income distribution, distort pricing, alter interest rates and investments, harm a company's ability to compete internationally, raise operating costs, and have social and political repercussions. It can have an impact on people, companies, and a nation's overall economic stability.

Effects of
Inflation

GENERAL

NEGATIVE

POSITIVE



IMPACT OF INFLATION



The following are some important aspects of how Bangladesh's economy is impacted by inflation:

1. Purchasing Power and Consumer Spending
2. Interest Rates and Investment
3. Agricultural and Food Prices: Foreign Exchange Rates
4. Export Competitiveness
6. Impact on Fixed-Income Groups
7. Social and Political Consequences
8. Business Operations and Profit Margins
9. Government Policy Response
10. Impact on Poverty and Inequality
11. Unemployment
12. Discourages investment and savings
13. Higher interest
14. Rising prices of imports

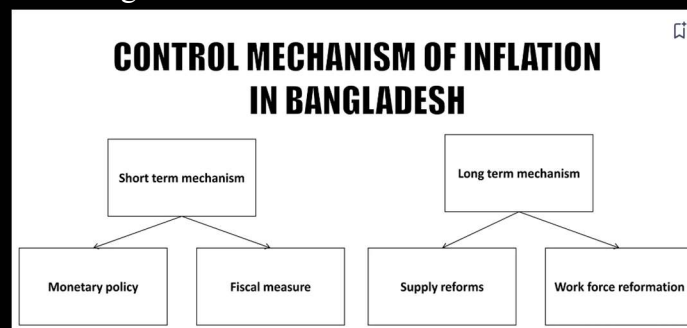


CONTROL MECHANISM



Government follows some mechanisms to control the inflation rate of the country. There are two control mechanisms:

1. Short Term Mechanism
2. Long Term Mechanism





CONTROL MECHANISM

Short Term Mechanism

Monetary Policy

Bank rate policy
CRR
SLR
Open Market
Operation

Fiscal Measure

Changing in
Taxes
Savings
Surplus
Budget

Long Term Mechanism

Supply Reformation

Minimizing
Input cost
More output at
lower cost

Work Force Reformation

It decreases the
labor cost
Introduce part
time work force



**THANK YOU FOR YOUR
PARTICIPATION!**

Why does the government like inflation?

