



Bangladesh Bank

Head Office
Motijheel, Dhaka
Bangladesh.

Monetary Policy Department

Date: 25 August, 2024

Minutes for the 5th meeting of Monetary Policy Committee (MPC)

The fifth meeting of the Monetary Policy Committee (MPC) in FY25 was held on August 25th, 2024 presided over by the Dr. Ahsan H. Mansur, Governor, Bangladesh Bank. The other members of the committee – Dr. Md. Habibur Rahman, Deputy Governor, Bangladesh Bank; Dr. Sadiq Ahmed, Economist; Dr. Binayak Sen, Director General, Bangladesh Institute of Development Studies (BIDS); Ms. Masuda Yasmeen, Chairman, Department of Economics, University of Dhaka; and Dr. Md. Ezazul Islam, Executive Director, Bangladesh Bank were present at the meeting. Mr. Mahmud Salahuddin Naser, Director, Monetary Policy Department, member secretary of MPC, was also present. At the beginning of the meeting all the MPC members expressed their deepest condolence to the martyr and injured person of the student-public mass uprising.

02. The MPC assessed the current macroeconomic situation, challenges, and outlook from both domestic and global perspectives. In line with the advanced economies, the Euro area, and our major trading partners, Bangladesh has also implemented policy measures to control inflation, however, our policy initiatives have so far not yielded the desired results mainly because of supply chain disruptions and imperfect domestic market structure. In light of the rising trend of inflation, the MPC has recognized the necessity to further increase the policy rate. The MPC remains committed to bringing inflation down and decided to continue focusing on accommodative measures to ensure inflation gradually aligns with the target.

03. The MPC also recognized the need to adjust the government's bank borrowing target set for FY25's national budget, as the current target may lead to a crowding-out effect. Additionally, the MPC conducted a thorough review of current trends in inflation, monetary aggregates, liquidity, interest rates, foreign exchange reserves, and exchange rate developments.

04. The committee is optimistic that overall inflation will come down to a tolerable level in the coming months. This optimism is based on the downward trend in global commodity prices, the stability of the exchange rate and above all the government and BB's policy actions.

05. The MPC also emphasized the need for the independence of the Bangladesh Bank (BB) to align with global best practices and recommended ensuring its autonomy.

06. Inflation control remains a top priority for BB. Accordingly, BB has maintained a contractionary monetary policy for more than a year, significantly increasing the policy rate, avoiding new high-powered money issuance for government spending and stop illegitimate

liquidity support to Islamic banks. BB has also instructed banks to maintain minimum withdrawal limit of cash for combating recent liquidity stress in banking system amid political instability. The MPC also emphasized the need for continuous support of foreign currency for import of essential commodities, power sector, agricultural intermediaries, and high-demand products instead of luxury commodity imports.

Resolution

Based on an assessment of the current and evolving macroeconomic situation, the following decisions have been made by the MPC:

- a) To anchor inflation expectations at the desired level, the policy rate will be increased by 50 basis points to 9.00 percent from 8.50 percent. Subsequently, the Standing Lending Facility (SLF) rate will be increased by 50 basis points to 10.50 percent from 10.00 percent, and the Standing Deposit Facility (SDF) rate will be increased by 50 basis points to 7.50 percent from 7.00 percent, maintaining the policy rate corridor \pm 150 basis points accordingly.

07. The above decisions will be effective immediately. The monetary contractionary measures will be continued until the inflation target is achieved.

Sd/-

(Dr. Ahsan H. Mansur)
Governor
Bangladesh Bank