



Bangladesh Bank

Head Office
Motijheel, Dhaka
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Monetary Policy Department

Date: 21 January, 2025

Minutes for the 7th meeting of Monetary Policy Committee (MPC)

The seventh meeting of the Monetary Policy Committee (MPC) was held on January 20, 2025, chaired by Dr. Ahsan H. Mansur, Governor of Bangladesh Bank (BB). The meeting was attended by the members— Dr. Md. Habibur Rahman, Deputy Governor of Bangladesh Bank; Dr. Sadiq Ahmed, Economist; Professor Masuda Yasmeen, Chairman of the Department of Economics, University of Dhaka; and Dr. Md. Ezazul Islam, Executive Director (Grade-1) of the Monetary Policy Department, Bangladesh Bank. Additionally, Md. Sadrul Hasan, Member Secretary of the MPC and Director (current charge) of the Monetary Policy Department, was also in attendance.

02. The MPC reviewed the current economic situation, along with the decisions from the 6th MPC meeting and their implementation status. The committee assessed the current macroeconomic challenges and outlook from both domestic and global perspectives. Particular attention was given to analyzing inflation trends and forecasts, economic activity and growth potential, recent developments in financial markets, and the performance of the external sector. The MPC also reviewed liquidity support measures for banks, particularly addressing cash flow shortages in some conventional and Islamic banks, as well as interest rate trends, foreign exchange reserves, and the reference benchmark exchange rate. After reviewing these factors, the MPC believes that the monetary and exchange rate management policies were on track to support the stabilization agenda.

03. Regarding price developments, the MPC observed that headline inflation and its components— food and non-food inflation have remained persistently high for an extended period. Based on the latest available data, food inflation reached 13.80 percent in November 2024, followed by a decline to 12.92 percent in December 2024. Non-food inflation reached 9.39 percent in November 2024, and declined to 9.26 percent in December 2024. Consequently, headline inflation reached 11.38 percent in November 2024, and also declined to 10.89 percent in December 2024. The decline in headline inflation in December 2024 was due to the abundant supply of winter vegetables, a pick up in food imports, a decrease in global prices, and exchange rate stability. Supported by these positive developments, the MPC expects that inflation will come down in January 2025. In this context, the MPC emphasized that the policy rate should remain unchanged.

04. In terms of the banking sector good governance, the Chair highlighted the initiative of an asset quality assessment review program to evaluate the scope and scale of banks' tangible assets, providing essential data for future policy adjustments. Responding to the suggestion for moving from the crawling peg to a free market based exchange system, the Chair explained that this was not yet possible due to the speculative role of the Dubai foreign currency market aggregators. He emphasized BB's proactive efforts to protect the foreign exchange market volatility by curbing the influence of these foreign currency aggregators.

05. The Chair also focused on recent measures taken to rein in inflation ahead of Ramadan, including a reduction in import duties on essential goods and the relaxation of Bangladesh Bank's LC margin requirements for essential imports, both of which have contributed to the improvement of the supply side, which will further ease the inflationary pressure in near term.

Resolution

After reviewing the current and evolving macroeconomic conditions, with a particular focus on December 2024 inflation and near term inflation outlook, the MPC decided to:

- Keep the policy rate unchanged at 10.0 percent, consequently, the SDF and SLF will remain at 8.5 percent and 11.5 percent, respectively.

06. The contractionary measures will be continued until the desired level of inflation is achieved

Sd/-

(Dr. Ahsan H. Mansur)
Governor
Bangladesh Bank