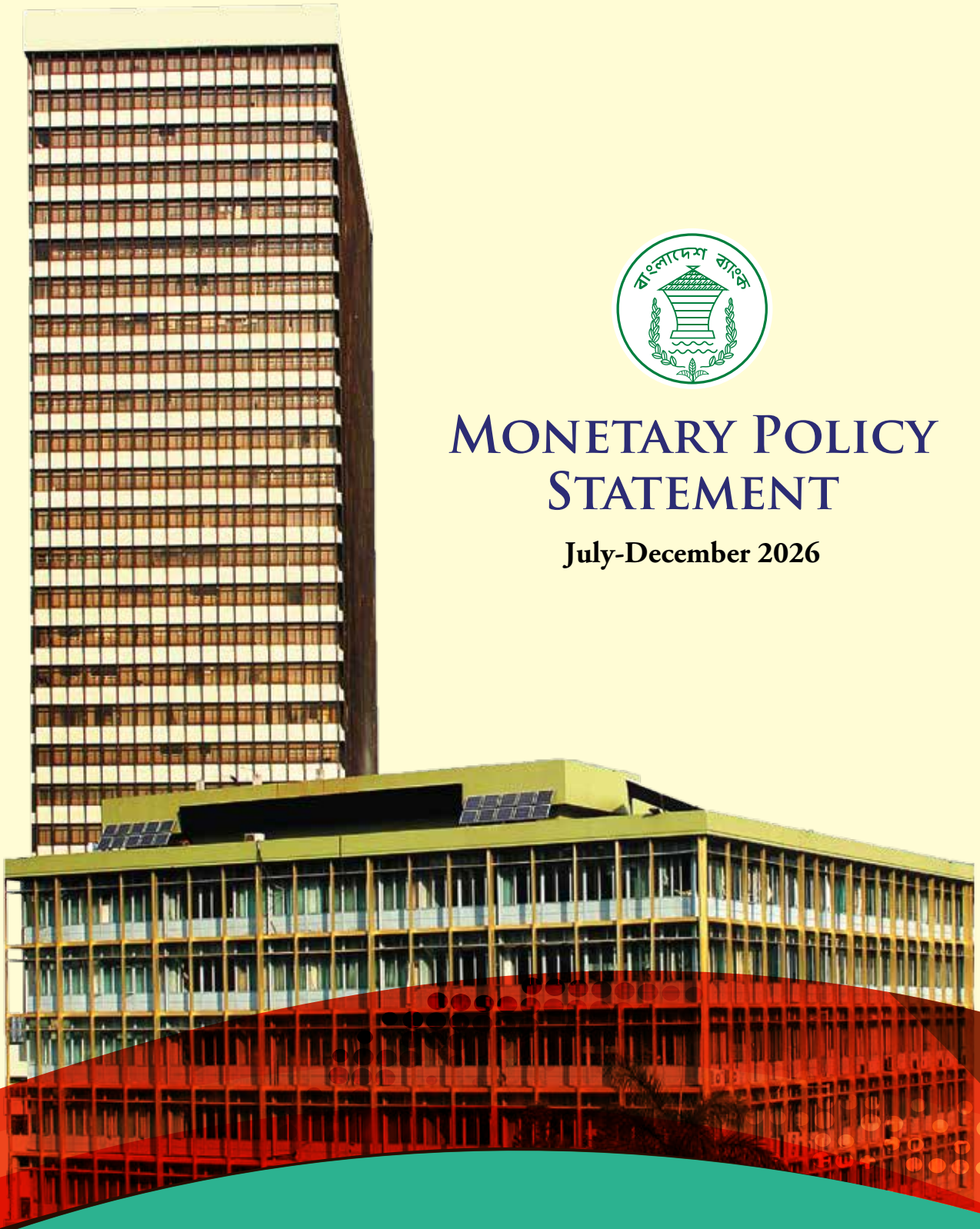

Monetary Policy Statement

July-December 2026

Bangladesh Bank

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Monetary Policy Statement

July-December 2026

Bangladesh Bank

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Acronyms and Abbreviations

ARTF	Asset Recovery Taskforce
AQR	Asset Quality Reviews
ARIN-AP	Global Network and the Asset Recovery Interagency Network-Asia Pacific
BB	Bangladesh Bank
BBS	Bangladesh Bureau of Statistics
BDT	Bangladesh Taka
BFIU	Bangladesh Financial Intelligence Unit
BPM-6	Balance of Payments and International Investment Position Manual 6
BRD	Bank Resolution Department
BRRF	Bank Restructuring and Resolution Fund
CAB	Current Account Balance
CBDC	Central Bank Digital Currency
CIBRR	Construction of Important Bridges on Rural Roads
CMSMEs	Cottage, Micro, Small, and Medium Enterprises
COVID	Coronavirus Disease
DAMA	Distressed Asset Management Act
DPS	Deposit Pension Scheme
DSEX	Dhaka Stock Exchange
ECL	Expected Credit Loss
ELA	Emergency Liquidity Assistance
EU	European Union
FC	Finance Companies
FDI	Foreign Direct Investment
FDR	Fixed Deposit Receipt
FMI	Financial Market Infrastructure
FX	Foreign Exchange
FY	Fiscal Year
GDP	Gross Domestic Product
H1	First Half
IACCC	International Anti-Corruption Coordination Centre
IBLF	Islamic Banks Liquidity Facility
ICAR	International Centre for Asset Recovery
IFRS	International Financial Reporting Standard

IMF	International Monetary Fund
IRC	Interest Rate Corridor
IRIDPNFL	Important Rural Infrastructure Development Project in Noakhali, Feni and Laxmipur
JITs	Joint Investigation Teams
L.H.S	Left Hand Side
LC	Letter of Credit
LNG	Liquefied Natural Gas
MFS	Mobile Financial Service
MLAR	Mutual Legal Assistance Requests
MLS	Mudarabah Liquidity Support
MoU	Memorandum of Understanding
MPD	Monetary Policy Department
MPS	Monetary Policy Statement
NDA	Net Domestic Asset
NFA	Net Foreign Asset
NPL	Non-Performing Loan
NSCs	National Savings Certificates
OMO	Open Market Operations
OVOP	One Village, One Product
PKSF	Palli Karma-Sahayak Foundation
PSPs	Payment Service Providers
QR	Quick Response
R.H.S	Right Hand Side
RBS	Risk-Based Supervision
RM	Reserve Money
RMG	Ready-Made Garments
SBS	Sectoral Balance Sheet
SDF	Standing Deposit Facility
SLF	Standing Lending Facility
SLS	Special Liquidity Support
SMA	Special Mention Accounts
UNODC	United Nations Office on Drugs and Crime
US	United States
USA	United States of America
USD	US Dollar

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Executive Summary

In alignment with the Bangladesh Bank Order 1972 (amended 2003), the primary objective of Bangladesh Bank's (BB) monetary policy is to maintain low and stable inflation. By maintain price stability, BB aims to support sustainable economic growth, encourage investment, maintain real exchange rate stability, and facilitate international trade.

The current government took office during a period of acute economic strain, characterized by financial sector vulnerabilities and weakened public confidence. Following the February 2026 general election, the new government was mandated to restore discipline, transparency, and stability across the financial ecosystem. The government remains deeply committed to shielding poor and marginalized populations from sustained inflationary pressures, reflecting a policy paradigm centered on equity and social justice.

Bangladesh is actively transitionary toward an export-oriented, private sector-led growth strategy. Within this model, the real exchange rate plays a vital role in resource allocation, economic efficiency, and macro-expansion. Since controlling inflation is fundamental to this strategy, BB has tightened its monetary policy, successfully lowering point-to-point headline inflation from its peak of 11.7 percent in July 2024 to 9.4 percent in May 2026. Recognizing that this disinflationary path has coincided with a growth moderation, the government has introduced a measured mix of fiscal and monetary stimulus to accelerate recovery. BB has aligned its targets with the government's FY27 budget, which aims for 6.5 percent GDP growth and a 7.5 percent inflation ceiling.

Globally, economic growth is projected to slow throughout 2026, exacerbated by conflicts in the Middle East and heightened geopolitical uncertainty. Central banks globally face a policy dilemma: raising interest rates to curb sticky inflation risks deepening the growth slowdown, while inaction risks embedding price pressure.

Domestically, Bangladesh's economy is navigating a fragile recovery phase marked by modest GDP growth, elevated inflation, sluggish investment, employment pressures, energy supply uncertainties, high non-performing loans (NPLs), and rising global economic uncertainty. Geopolitical tensions in the Middle East present significant downside risks, particularly through potential disruptions to oil and fertilizer supply chains, which could exacerbate domestic cost-push inflation.

While BB has maintained a tight monetary policy stance since August 2024, monetary tightening alone cannot fully resolve inflation driven by structural market inefficiencies and supply chain bottlenecks rather than excess demand. These restrictive financial conditions, coupled with broader economic uncertainties, have dampened private sector credit demand. Commercial banks have adopted a cautious lending posture due to elevated loan defaults and increased government borrowing requirements, which pulled private sector credit growth down to 5.0 percent by end-May

2026. Consequently, surplus liquidity is increasingly channeled into low-risk government securities rather than productive private enterprise.

Following comprehensive stakeholder consultations, BB has decided to maintain the policy repo rate at its current level for the immediate term. Concurrently, the central bank remains committed to a flexible, market-determined exchange rate regime to strengthen external resilience, bolster exports, and maximize remittance inflows.

> *Under these conditions, BB will sustain its contractionary monetary policy stance through the first half of FY27 (H1FY27) to rein in headline inflation and anchor long-term inflation expectations. Accordingly, the policy rate will remain unchanged at 10.0 percent. The Standing Lending Facility (SLF) rate will remain at 11.5 percent and the Standing Deposit Facility (SDF) rate will be 7.5 percent, respectively.*

A succession of global shocks—including the COVID-19 pandemic, the Russia-Ukraine war, and escalating Middle East conflicts—has led to a depreciation of the Taka, driving up import costs and eroding the working capital of domestic manufacturing and CMSME units. Consequently, many industrial operations are currently running below capacity. To prevent immediate distress, BB has provided regulatory flexibility, including extended repayment timelines for importers.

To directly counter the private sector credit crunch and stimulate economic recovery, BB has unveiled a Tk. 60,000 crore stimulus package targeting core industries, agriculture, and CMSMEs. To mitigate the inflationary impact of this liquidity injection, Tk. 41,000 crore will be sourced from surplus banking sector liquidity, with the remaining Tk. 19,000 crore funded directly from BB's internal sources. This package is projected to generate nearly 25 lakh direct and indirect jobs while revitalizing industrial output.

On banking sector reform, BB is addressing elevated NPLs through rigorous audits and an overhauled resolution framework, underpinned by the newly enacted Bank Resolution Act 2026 and the Deposit Protection Act 2026. The central bank is accelerating the transition to an Expected Credit Loss (ECL) framework under IFRS 9 and strengthening Risk-Based Supervision (RBS). Furthermore, the Distressed Asset Management Act (DAMA) is being finalized to allow banks to offload non-performing assets without utilizing taxpayer funds, while targeted reforms to the Money Loan Courts Act will fast-track asset recovery. To enhance financial transparency and minimize market frictions, BB has institutionalized "Bangla QR" an interoperable digital payment standard that enables seamless transactions across commercial banks and mobile financial service (MFS) providers.

The near-term economic outlook anticipates a gradual recovery in growth and investment, supported by duties and taxes rationalizations in the FY27 national budget and BB's targeted credit stimulus. However, prominent risks persist, including energy shortages, structural cost-push inflation, unanchored inflation expectations, financial sector stress, and external imbalances driven by volatile import costs and moderating remittance momentum.

Monetary Policy Statement: H1FY27

1. Foreword

Bangladesh's economy has navigated a highly challenging macroeconomic environment over the past two fiscal years, experiencing pressures across inflation management, GDP growth, employment, and stability within the financial and external sectors. While inflationary pressures have moderated during the second half of FY26 (H2FY26), they remain stubbornly high; average general inflation stood at 8.63 percent in May 2026 against the targeted ceiling of 7.00 percent set for June 2026. Concurrently, real GDP growth moderated to 3.49 percent in FY25 and 3.03 percent in Q2FY26, primarily due to suppressed private investment and weakened credit demand driven by domestic and external economic uncertainties.

Of particular concern for financial sector stability is the gross non-performing loan (NPL) ratio, which reached an alarming 32.26 percent in March 2026. Conversely, the external sector has shown resilience, particularly regarding exchange rate stability and foreign exchange reserve accumulation, buoyed by robust inward remittances. However, the trade deficit widened significantly in the latter half of the FY26 due to a slowdown in export receipts and mounting import bills, the latter driven by surges in global commodity and energy prices following the outbreak of conflict in the Middle East in late February 2026.

To mitigate these compounding structural challenges, the elected government and Bangladesh Bank (BB) have launched several strategic policy initiatives. These include social protection and agricultural support frameworks via "family cards" and "farmers' cards," alongside a landmark Tk. 60,000 crore stimulus package designed to restore industrial capacity, rebuild investor confidence, and revitalize economic activity. Additionally, BB has spearheaded the nationwide deployment of "Bangla QR" to accelerate the transition toward a secure, cashless digital economy.

As Bangladesh Bank presents its Monetary Policy Statement for the first half of Fiscal Year 2027 (H1FY27), it reaffirms its commitment to a prudent, data-driven, and forward-looking monetary framework. This policy aims to guide inflation toward its desired target path while ensuring that productive sectors of the economy receive adequate credit support. BB will continue to utilize interest rate corridors to manage money supply effectively, complemented by active liquidity management and a flexible exchange rate framework to optimize monetary transmission.

The central bank will closely monitor evolving trends across domestic inflation, economic growth dynamics, credit availability, external sector balances, and global financial markets. Monetary interventions will remain agile and responsive to emerging structural risks. Moving forward, primary emphasis will be placed on anchoring inflation expectations, preserving foreign exchange market stability, and ensuring that credit flows preferentially support productive investment, employment generation, and inclusive development.

In drafting this MPS, BB conducted extensive consultations with policymakers, members of the Monetary Policy Committee, the Board of Directors, financial sector executives, business leaders, academic researchers, and independent think-tanks. Their diverse perspectives have enriched the policy formulation process, allowing for a comprehensive evaluation of prevailing risks and opportunities. BB remains fully committed to institutional transparency, accountability, and evidence-based policy execution as it guides the economy toward a more resilient, stable, and inclusive growth trajectory.

2. Monetary Policy Outcomes and Macroeconomic Developments in H2FY26

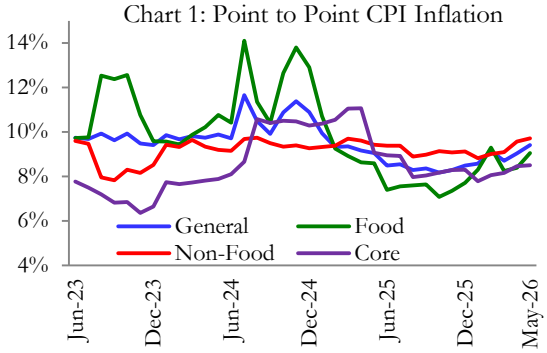
2.1 Price Development and Outlook

Bangladesh experienced persistent inflationary pressures throughout FY25, driven by political transitions, severe supply shocks from seasonal flooding, the lingering effects of global commodity price shocks, exchange rate realignments, and domestic market frictions. To combat these pressures, BB maintained a contractionary monetary policy stance, keeping its benchmark policy rate fixed at 10.0 percent since October 2024. Although consumer price inflation eased gradually during the second half of the fiscal year, it remained above the target set by BB.

Clear signs of disinflation emerged in the first half of FY26 (H1FY26). Headline point-to-point inflation, which peaked at 11.66 percent in July 2024, declined to 8.49 percent by December 2025 (Chart 1), demonstrating measurable progress in containing price growth. This moderation was primarily driven by a significant contraction in food inflation, which fell from 14.10 percent in July 2024 to 7.71 percent in December 2025. Improved domestic agricultural yields, alongside proactive supply-side interventions—such as the rationalization of import duties on essential food items, the removal of Letter of Credit (LC) margin requirements for core commodities, and enhanced market monitoring—helped temper food price volatility.

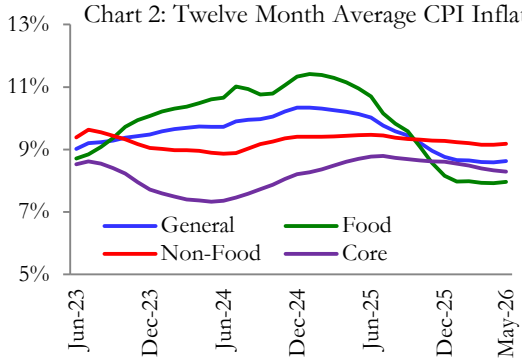
In contrast, non-food inflation exhibited significant stickiness, fluctuating within a rigid 8.81 percent to 9.74 percent range throughout FY25 and FY26. This persistence reflects embedded cost pressures within housing, transportation, healthcare, education, and essential services, positioning non-food components as the primary driver of structural inflation. This underlying rigidity, compounded by upward adjustments in administered domestic fuel prices, pushed non-food inflation to 9.71 percent in May 2026.

Chart 1: Point to Point CPI Inflation



Source: Bangladesh Bureau of Statistics (BBS).

Chart 2: Twelve Month Average CPI Inflation



Source: Bangladesh Bureau of Statistics (BBS).

Soon after the current government took office, the emergence of the Middle East crisis presented significant challenges, including rising global prices for energy and chemical fertilizers. These increased costs, along with supply interruptions, have driven production costs upwards and escalated uncertainty. The ongoing nature of inflation in Bangladesh, combined with the rising production costs and persistent uncertainty, has hindered the decline of inflation expectations—resulting in upward pressure on inflation by the conclusion of H2FY26.

BB's Inflation Expectation Survey, conducted in June 2026, indicated that market participants expect headline inflation to settle between 8.0 percent and 10.0 percent by June 2027. Concurrently, BB's quantitative forecasting models project headline inflation to moderate to 8.9 percent by December 2026 and further contract to 8.6 percent by June 2027. By comparison, the International Monetary Fund (IMF) projects average consumer price inflation for Bangladesh at 9.4 percent for calendar year 2026, moderating sharply to 4.9 percent in 2027.

2.2 Growth

Bangladesh's economic growth remained subdued throughout the period, reflecting the lingering effects of supply chain disruptions, slow private investment growth, and the political unrest that

began in mid-2024. Provisional estimates compiled by the Bangladesh Bureau of Statistics (BBS) indicate a real GDP growth rate of 4.14 percent for FY26, representing a modest recovery from the 3.49 percent growth recorded in FY25.

The new government has enacted growth-supportive but fiscally prudent expansion focused on development expenditure as its fiscal stance for FY27, achievable through annual development plan prioritization, tax reforms, expenditure rationalization, targeted subsidies, and social-protection programme. The government has adopted a comprehensive economic strategy focused on restoring macroeconomic stability and advancing structural reforms, with an objective of laying the foundation for investment-led growth. The first phase of the 3R Strategy (Recovery and Stabilization, Restoration, and Reconstruction for Acceleration), as expressed in the national budget for FY27, focuses on restoring macroeconomic stability and protecting vulnerable groups from the immediate effects of economic shocks—to be implemented over a one-year horizon. Key priorities include strengthening social protection programmes, improving public service delivery, simplifying business procedures, and enhancing coordination among public institutions. Looking ahead, according to BB's forecast, it is expected that the GDP growth will be 6.1 percent in FY27, while government has set the target of 6.5 percent.

2.3 Monetary Aggregates

Broad money (M2), an information variable of moneytary policy, is estimated to grow 10.8 percent at the end of June 2026 against the projection of 11.5 percent (Chart 4). Broad money growth is slightly lower than the projection due to lower growth in Net Foreign Assets (NFA). The NFA of the banking system is estimated to grow 20.2 percent at the end of June 2026 against the projection of 22.0 percent (Chart 5). A moderate growth in NFA compared to its projection is due to the lower than anticipated inflow of foreign loan and grants in June 2026. On the other hand, Net Domestic Assets (NDA), a key component of broad money, estimated 9.2 percent growth in June 2026, which is almost align with the projection of 9.7 percent. The higher growth in NDA is primarily attributed to the higher net credit to the government. The higher growth in NDA, coupled with moderate growth in NFA, has played a crucial role in the broad money (M2) growth.

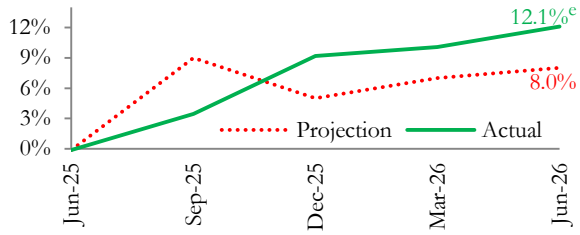
The Reserve Money (RM), another information variable of monetary policy, is projected to 12.1 percent (year-over-year) by the end of June 2026 (Chart 3). The growth of RM is higher than the projected trajectory in June 2026 due to the strong growth in the NFA of BB. The positive growth

of NFA was also driven by BB's net purchase of USD 6.43 billion from the domestic foreign exchange market during H2FY26 (up to 18 June 2026).

Credit growth in both the private and public sectors-an indicator of the national investment landscape-exhibited mixed trends during H2FY26. Private sector credit estimated to grow 5.5 percent in June 2026, which marked the lower growth and was significantly below the projected growth rate (Chart 8). Several factors may have contributed to this lower growth, including reduced credit demand from private investors, banks' higher investment in T-bills and bonds rather than credit disbursement, implementation of a contractionary monetary policy to contain high inflation that led to higher borrowing costs and broader economic uncertainty. In contrast, public sector credit estimated to 25.9 percent growth in June 2026 against the projected growth rate of 21.6 percent (Chart 7). This substantial increase can be attributed to higher credit demand from the government to meet its spending needs, as revenue collection has fallen significantly below target. Overall, domestic credit growth is well below the projected trajectory for June 2026, primarily driven by the strong growth in public sector credit alongside lower expansion in private sector credit (Chart 8).

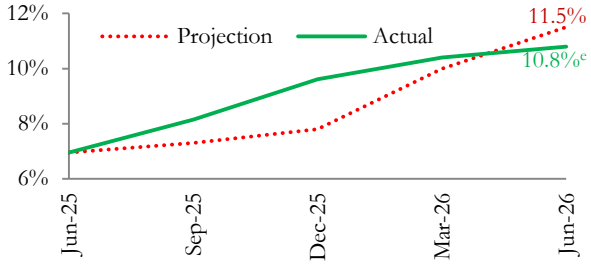
In summary, most monetary aggregates expanded faster than their anticipated trajectories during H2FY26. However, credit aggregates lay below the projection trajectories during H2FY26. Charts 3-8 show the actual growth paths of major monetary and credit aggregates against the projections for H2FY26.

Chart 3: Reserve Money Growth



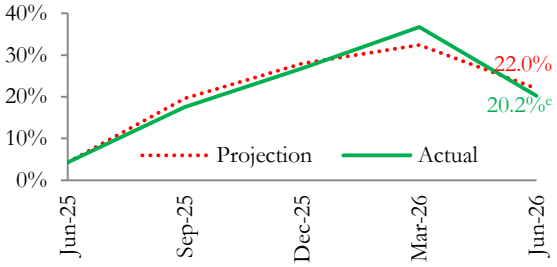
Source: Bangladesh Bank. e=estimate

Chart 4: Broad Money Growth



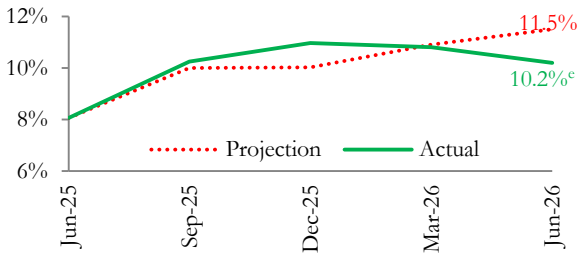
Source: Bangladesh Bank. e=estimate

Chart 5: Net Foreign Assets Growth



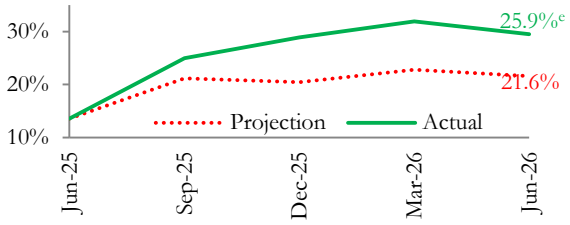
Source: Bangladesh B ank . e=estimate

Chart 6: Domestic Credit Growth



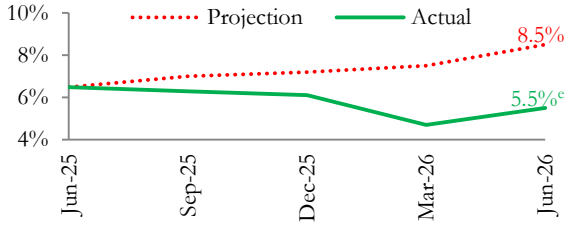
Source: Bangladesh Bank. e=estimate

Chart 7: Public Sector Credit Growth



Source: Bangladesh Bank. e=estimate

Chart 8: Private Sector Credit Growth



Source: Bangladesh Bank. e=estimate

According to the latest data, the government's net credit from the banking system during FY26 (up to 14 June 2026) amounted to Tk. 1,31,711 crore, which surpassed the revised borrowing target set from the banking sector of Tk. 1,18,000 crore for FY26. During this period, the government borrowed a net amount of Tk. 1,23,402 crore from the scheduled banks, and Tk. 8,309 crore from BB, respectively. With BB ceasing devolvement, the government's net credit now predominantly relies on borrowing from the scheduled banks. Moreover, government borrowing from the NSCs during July-April of FY26 increased significantly by Tk. 19,829 crore compared to Tk. 11,541 crore decreased during the same period in FY25. This increase suggests government borrowing appetite increased from the NSCs as alternative sources amid the lower revenue collection. However, net foreign financing totaled Tk. 20,942 crore during July-April of FY26, reflecting a deceleration of Tk. 14,835 crore recorded in the corresponding period of the previous fiscal year.

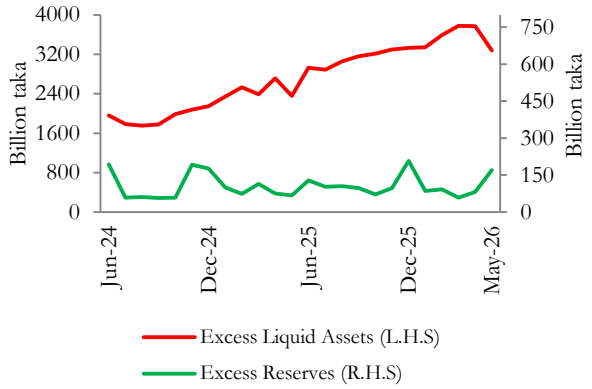
2.4 Liquidity and Interest Rate

The total liquid assets (cash plus securities) significantly increased (on average) during H2FY26. However, this liquidity remains highly polarized, with well-governed banks flush with funds while others face an acute liquidity crunch. The existence of huge liquidity in the banking system can be attributed to several factors: weak credit demand from private investors, a significant increase in deposit growth, and banks' higher investment in T-bills and T-bonds due to subdued investment activity and broader economic uncertainty. Besides, the BB's purchase of USD from the foreign exchange market further boosted the banking system's overall liquidity. The movement of the liquidity scenario is depicted in Chart 9.

The improved liquidity in the money market led to a moderate easing of interest rates across the board during H2FY26. The weighted average call money rate in the inter-bank money market decreased slightly and stood at 9.93 percent on 24 June 2026 compared to 9.99 percent at the end of December 2025 (Chart 10). Similarly, the inter-bank repo rate also stood at 10.00 percent on 24 June

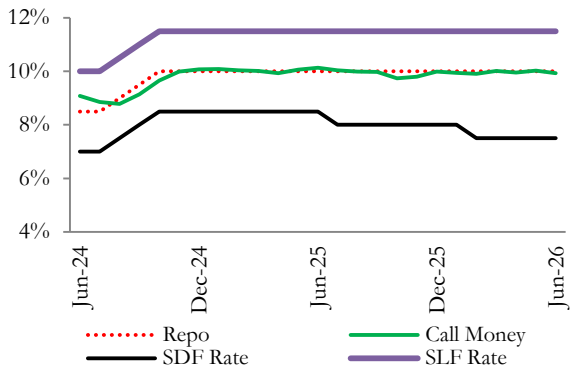
2026 compared to 10.14 percent at the end of December 2025. The deposit rate stood at 6.24 percent at the end of April 2026 compared to 6.34 percent at the end of December 2025. The lending rate stood at 11.96 percent at the end of April 2026 compared to 12.03 percent at the end of December 2025. Short-term interest rates in the money market remaining broadly stable within the Interest Rate Corridor (IRC).

Chart 9: Movement of Excess Liquidity



Source: Bangladesh Bank

Chart 10: Movement of Call Money and Policy Rates



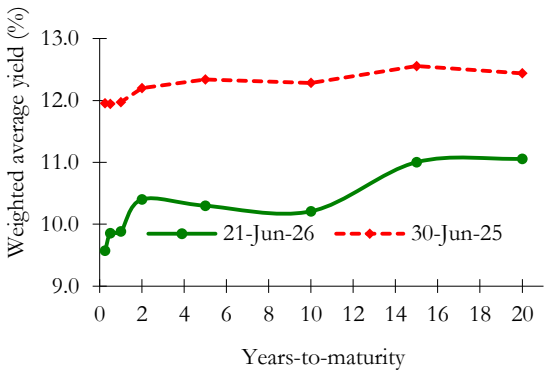
Source: Bangladesh Bank

BB consistently supports the banking system through various liquidity facilities with an aim to streamline Open Market Operations (OMOs), ensure liquidity stability, and foster an active money market. These include repo facilities, assured repo, standing lending facility, and special repo facilities for conventional banks and non-bank financial companies. Additionally, BB provides liquidity support specifically for Shariah-compliant Islamic banks through Mudarabah Liquidity Support (MLS), the Islamic Banks Liquidity Facility (IBLF), and Special Liquidity Support (SLS). Furthermore, BB actively offers refinancing and pre-financing facilities designed to support the growth of priority sectors like agriculture and CMSMEs (Cottage, Micro, Small, and Medium Enterprises). These strategic measures aim to ensure adequate liquidity while simultaneously promoting employment opportunities and stimulating output-generating activities.

The excess liquid assets in the banking system reached at Tk. 3,27,877 crore at the end of May 2026 from Tk. 3,32,944 crore in December 2025 (Chart 9). Additionally, banks' excess reserves stood at Tk 16,991 crore at the end of May 2026 from Tk 20,779 crore in December 2025. Meanwhile, the excess liquid assets of Islamic banks fell to Tk 13,612 crore at the end of May 2026 from Tk 18,217 crore at the end of December 2025. Moreover, the excess reserves of Islamic banks were Tk 3,396 crore by the end of May 2026 compared to Tk 5,651 crore at the end of December 2025.

Amid ample liquidity in the money market and higher deposit growth, both the weighted-average nominal lending and deposit rates decreased slightly at the end of April 2026 compared to December 2025 (Chart 12). The weighted average lending rate declined from 12.03 percent in December 2025 to 11.96 percent in April 2026**.** Concurrently, the weighted average deposit rate decreased from 6.34 percent to 6.24 percent**.** Given that the decrease in deposit rates exceeded that of lending rates, the interest rate spread widened further and at 5.72 percent in April 2026. The interest rate spread in Bangladesh persists higher for a longer period which urges to take effective measures to reduce it in the near future.

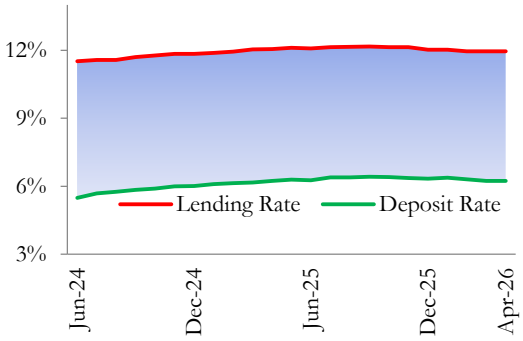
Chart 11: Yields on Government Securities



Source: Bangladesh Bank

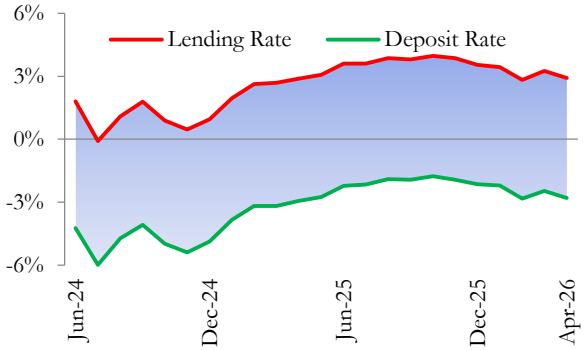
One important positive development was that the government securities-related yield curve at the end of June 2026 is significantly lower than that of at the end of December 2025 (Chart 11). The lower yield curve reflects lower interest rates on T-bills and T-bonds, stemming from higher investment demand from banks, non-banks, and individuals. Armed with higher deposit growth, banks wanted to acquire more treasury bills and bonds instead of lending to the private sector borrowers.

Chart 12: Weighted Average Nominal Interest Rates



Source: Bangladesh Bank

Chart 13: Weighted Average Real Interest Rates



Source: Bangladesh Bank

The weighted average real lending rate decreased from 3.5 percent in December 2025 to 2.9 percent in April 2026 (Chart 13). This decline indicates a modest reduction in the inflation-adjusted cost of borrowing, reflecting the combined effects of lending rate adjustments and evolving inflation dynamics. The lower real lending rate may support private-sector credit demand and investment

activities by easing financing conditions. Similarly, the weighted average real deposit rate declined from negative 2.2 percent in December 2025 to negative 2.8 percent in April 2026 (Chart 13). The further deterioration in the real return on deposits suggests that inflation continued to outpace deposit remuneration, thereby reducing the purchasing power of savings held in the banking system.

Table 1: Interest Rate Structure of the Banking Sector (in percent)

Category	FY24 (Jun-24)	FY25 (Jun-25)	FY26 (Apr-26)
Advance Rate (percent)			
Large Industries	11.58	12.46	12.15
SME	11.80	12.44	12.61
Agricultural Credit	11.48	11.72	11.68
Deposit Rate (percent)			
Less than one year (FDR)	8.72	9.60	9.20
1 to 3 years (FDR)	8.39	9.97	9.85
3 years and above (FDR & DPS)	8.60	9.26	9.18

Source: Statistics Department, Bangladesh Bank.

A modest easing in real borrowing suggests more supportive financing conditions for economic activity. However, the continued negative real deposit rate may hinder the mobilization of savings and the strengthening of deposit growth in the banking sector. Looking ahead, BB's ongoing efforts to contain inflation through various policy measures may help mitigate negative real interest rates on deposits in the coming months.

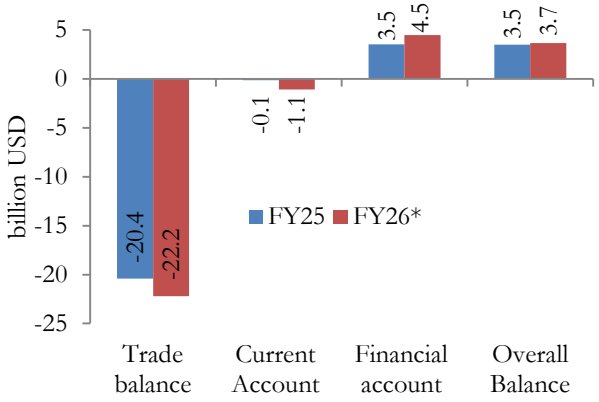
2.5 External Sector Developments

After facing intense pressure, the external sector of the Bangladesh economy rebounded strongly in FY26, reflected in an improved balance of payment (BoP), a stable exchange rate, and a recovering foreign exchange reserve. An overall surplus in the BoP, driven by a narrow current account deficit (CAB) and a substantial financial account surplus, eased pressure on the foreign exchange market and supported foreign exchange reserve accumulation.

Despite a sizable deficit in the trade balance, the current account balance (CAB) maintained a low deficit, approaching near-balance in FY26, driven mainly by a robust inflow of remittances. According to the latest data available, current account deficit narrowed to USD 1.07 billion during July-April of FY26 – an improvement over a deficit of USD 1.64 billion in the same period of FY25 (Chart 14). However, trade deficit widened considerably in H2FY26, on the back of slowdown of

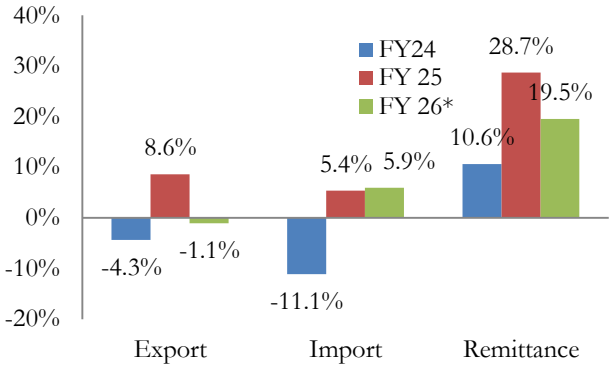
export receipts and upward pressure on import bills due to global commodity and energy price surges following the eruption of war in the Middle East since late February 2026.

Chart 14: Balance of Payment



Source: Bangladesh Bank. * July 2025-April 2026

Chart 15: Growth of Export, Import, and Remittance



Source: Bangladesh Bank. * July 2025-April 2026

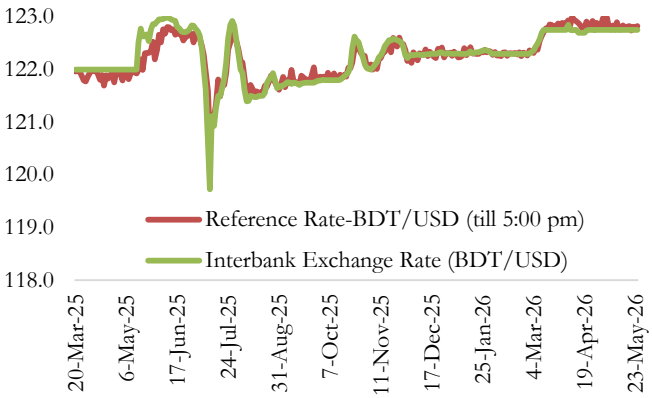
Total export earnings contracted by 1.67 percent (year on year) to USD 39.8 billion in the first eleven months of FY26 (Chart 15), driven mainly by slowdown of readymade garments (RMG). The RMG exports, accounting for around 80 percent of total exports, fell by 2.61 percent during July-May of FY26. The slowdown of RMG exports is attributable to receding global apparel demand—particularly knitwear demand, changing global trade structure, and intense price competition from RMG export competitors in the EU market. The deceleration of RMG exports originated mainly from the EU market, the largest destination of Bangladesh's RMG.

The total import payments expanded by 5.92 percent (year on year) to USD 61.62 billion during July–April of FY26, witnessed a sharp 21.42 percent growth in April 2026 (Chart 15), fueled mainly by higher import bills for petroleum, LNG, and fertilizer. However, as an import-dependent country, Bangladesh has already begun to face significant upward pressure on its import payments, spurred by a surge in global petroleum and fertilizer prices, alongside inflated freight and insurance costs triggered by the eruption of war in the Middle East and disruptions in the Strait of Hormuz.

Fueled by a robust 19.07 percent growth, remittance inflows climbed to USD 32.75 billion during the July–May of FY26 (Chart 16). This growth was supported by a market-oriented competitive exchange rate, stricter oversight of informal networks, and expanded access to financial services. Ultimately, this influx helped offset the trade gap and brought the current account deficit closer to balance.

Meanwhile, the financial account surplus widened significantly to USD 4.47 billion during July–April of FY26, up from USD 1.13 billion in the same period of FY25 (Chart 14). This surplus in the financial account was primarily driven by net FDI inflow, government's medium and long-term external borrowings, and a reversal in net trade credit, which shifted from a USD 1.47 billion deficit last year to a substantial USD 3.57 billion surplus. The financial account surplus offset the current account deficit, driving the BoP to an overall surplus of USD 3.74 billion—a sharp reversal from a deficit of USD 655 million recorded in the same period last fiscal year (Chart 14).

Chart 16: Trends in Exchange Rates (BDT/USD)



Source: Bangladesh Bank

Looking ahead, the external position of the economy is expected to remain stable in the near-term with nearly balanced current account and expanding financial account surplus. However, this outlook is surrounded by a number of downside risks. The current account may come under pressure from a higher import cost due to elevated global commodity and energy prices amid lingering geopolitical tension in the Middle East, a sluggish export performance, and a potential deceleration of remittance inflows following their recent surge. Although the financial account surplus has supported the overall BoP, its sustainability remains a concern as it is increasingly driven by trade credit and external borrowings rather than stronger underlying capital inflows. Strengthening exports, sustaining remittance momentum, and managing external liabilities will be key to maintaining external stability in the period ahead.

2.6 Movements of the Exchange Rate and Foreign Exchange Reserves

The foreign exchange market gained stability in FY26, supported by a notable overall surplus in the BoP, ongoing tight monetary policy, and introduction of market-oriented new exchange rate regime. Consequently, the exchange rate of Taka (BDT) vis-à-vis USD remained broadly stable, despite some moderate fluctuation through the year (FY26), particularly a short-lived nominal appreciation in mid July 2025 in the face of strong inflows. However, the interbank spot exchange rate moved to BDT 122.75/USD at the end of May 2026—closer to the level of BDT 122.77/USD at the end of

June 2025 (Chart 16). Following a similar trend, the reference exchange rate moved to BDT 123.18/USD on 29 June 2026 with 0.39 percent depreciation during FY26.

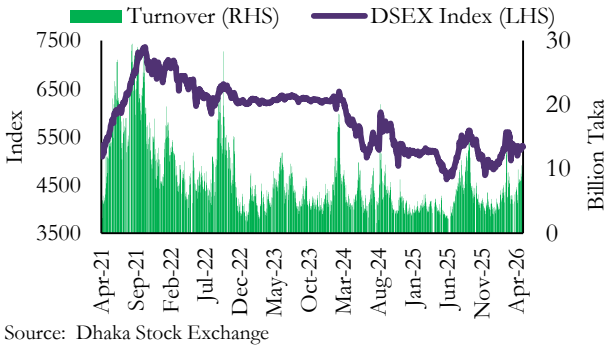
Expanding liquidity in the foreign exchange market prompted BB to purchase foreign currency from the foreign exchange market to build up its reserve buffer. In FY26, BB purchased (net) a total of USD 6.43 billion (up to 28 June 2026) from the FX market through auction process following its intervention strategy. Consequently, gross international reserve (BPM 6) reached a recent high of USD 31.74 billion up to 28 June, 2026 from USD 26.74 billion at the end of June 2025.

2.7 Capital and Bond Markets

Confronted with pronounced macroeconomic challenges and acute geopolitical disruptions, Bangladesh's capital market demonstrated improvement during FY26 (up to April 2026), propelled by marked increases in turnover, higher market capitalization, and renewed investor participation. The DSEX, the benchmark index of Bangladesh's capital market, reached 5,286.87 points at the end of April 2026 compared to 4,917.92 points at the end of April 2025, reflecting an annual increase of 7.5 percent (Chart 17). Market capitalization also increased to Tk. 685,118.7 crore from Tk. 656,569.4 crore over the same period. Despite several adverse developments in both domestic and international economies including ongoing monetary tightening, declining investor confidence, political uncertainty, and instability resulting from global geopolitical tensions such as the war in the Middle East, the capital market has shown signs of recovery.

The bond markets witnessed substantial advancement, particularly in government securities and Sukuk segments. BB reinforced market infrastructure by enhancing the Financial Market Infrastructure (FMI), aiming to standardize the auction procedures for government securities (G-sec), optimize liquidity support mechanisms for banks and Finance Companies (FCs), streamline the investment process, and foster a robust secondary market for G-sec. Additionally, the Bank disseminated secondary-market yield curves to make Treasury bond valuations more reflective of prevailing market dynamics and consistent with international best practices. Treasury bonds were listed on stock exchanges to develop a vibrant secondary market for G-sec, alongside reforms in primary dealers and Sukuk allocation frameworks. As of 30 April 2026,

Chart 17: DSEX and Turnover



Source: Dhaka Stock Exchange

the outstanding stock of Treasury bills, Treasury bonds, and Special Treasury Bonds stood at Tk. 837,484.06 crore, an increase from Tk. 744,850.70 crore in FY25. Over the same period, the outstanding Sukuk balance rose to Tk. 36,500 crore from Tk. 24,000 crore. The secondary trading turnover of Treasury bills and bonds likewise increased to Tk. 545,520.42 crore as of 31 March 2026, up from Tk. 321,009.60 crore in FY25, indicating heightened activity in the domestic debt market.

Recent Sukuk issuances further strengthened the Islamic finance segment. In January 2026, BB issued the Bangladesh Government Special Sukuk-1 worth of Tk. 10,000 crore. The government also issued the IRIDPNFL Socio-Economic Development Sukuk worth of Tk. 2,500 crore in February 2026 and the CIBRR-1 Socio-Economic Development Sukuk worth of Tk. 5,900 crore in May 2026. The strong bid coverage ratio for recent Sukuk auctions indicates growing demand for Shariah-compliant government securities.

3. Global Macroeconomic Development in H2FY26 and Outlook for H1FY27

According to the IMF's April 2026 World Economic Outlook, global GDP growth reached 3.4 percent in calendar year 2025 and is projected to moderate to 3.1 percent in 2026 before rising slightly to 3.2 percent in 2027. This growth path is affected by several compounding factors, including the continuation of the Russia–Ukraine war, tensions involving Iran and the United States, and ongoing trade frictions between Venezuela and the US, all of which influence global energy markets.

The global macroeconomic outlook also faces potential downside risks from maritime transit constraints in the Strait of Hormuz, infrastructure adjustments in key hydrocarbon-producing regions, supply chain normalizations, and the fiscal or monetary policy rebalancing required under changing international conditions. Elevated energy prices and tight financial conditions also continue to influence global commercial activity.

Advanced economies face structural and cyclical adjustments, with GDP growth projected to moderate from 1.9 percent in 2025 to 1.8 percent in 2026 and 1.7 percent in 2027. Emerging market and developing economies are expected to see a broader moderation, with aggregate growth moving from 4.4 percent in 2025 to 3.9 percent in 2026 and 3.4 percent in 2027. This growth adjustment and its associated price dynamics are particularly relevant for developing economies that rely on commodity imports or maintain specific structural vulnerabilities.

China's growth forecast for 2026 was adjusted upward to 4.4 percent, reflecting domestic policy stimulus measures and a reduction in effective tariff burdens with the United States. India is projected to sustain a real GDP growth rate of 6.5 percent across both 2026 and 2027, remaining one of the faster-growing major economies. Conversely, Bangladesh's growth outlook was revised to 4.7 percent for 2026 and 4.3 percent for 2027, reflecting structural economic adjustments and domestic reform processes, as detailed in Table 2.

Table 2: Overview of Global Economic Growth

(In percent)

Region	Growth			
	Actual		Projection	
	2024	2025	2026	2027
World	**3.4**	**3.4**	**3.1**	**3.2**
Advanced Economies	1.8	1.9	1.8	1.7
USA	2.8	2.1	2.3	2.1
Euro Area	0.9	1.4	1.1	1.2
Other Advanced Economies	2.1	2.5	2.1	2.0
Emerging Market and Developing Economies	4.5	4.4	3.9	3.4
China	5.0	5.0	4.4	4.0
Indonesia	5.0	5.1	5.0	5.1
Vietnam	7.0	8.0	7.1	6.7
South Asia				
Bangladesh	5.0	5.0	4.7	4.3
India	7.1	7.6	6.5	6.5
Pakistan	2.6	3.1	3.6	3.5

Source: World Economic Outlook, April 2026, International Monetary Fund.

Global headline inflation is projected to rise from 4.1 percent in 2025 to 4.4 percent in 2026, before declining to 3.7 percent in 2027. Geopolitical dynamics in the Middle East have influenced global energy and fertilizer markets, where changes in crude oil and natural gas prices affect production and distribution costs across the agricultural and petrochemical sectors.

Consumer price inflation in advanced economies is forecasted to rise from 2.5 percent in 2025 to 2.8 percent in 2026, before easing to 2.2 percent in 2027. Emerging market and developing economies are expected to see an increase from 5.2 percent in 2025 to 5.5 percent in 2026, before moderating to 4.6 percent in 2027, as summarized in Table 3.

Table 3: Global Inflation

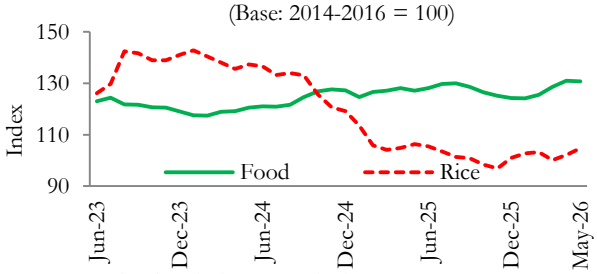
(In percent)

Region	Actual		Projection	
	2024	2025	2026	2027
World	5.8	4.1	4.4	3.7
Advanced Economies	2.6	2.5	2.8	2.2
Emerging Market and Developing Economies	8.0	5.2	5.5	4.6

Source: World Economic Outlook, April 2026, International Monetary Fund.

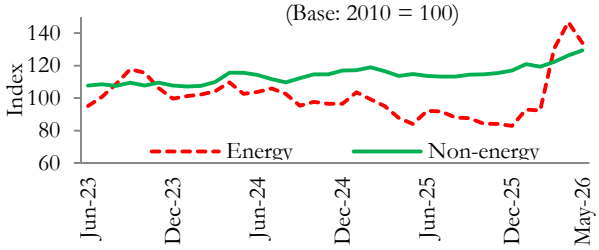
The global food price index experienced a trend reversal by mid-2026, driven by higher international fertilizer costs, elevated logistics expenses, and steady demand for bio-fuels. While the global rice price index eased in early 2026 following adjustments to India's export policies, renewed market uncertainties contributed to an uptick in international prices between December 2025 and May 2026 (Chart 18). Concurrently, global energy price indices remained elevated from January 2026 onward (Chart 19), as localized supply adjustments interacted with operational requirements across regional natural gas processing and extraction networks.

Chart 18: Global Food and Rice Price Indices
(Base: 2014-2016 = 100)



Source: Food and Agriculture Organisation.

Chart 19: Global Commodity Price Indices
(Base: 2010 = 100)

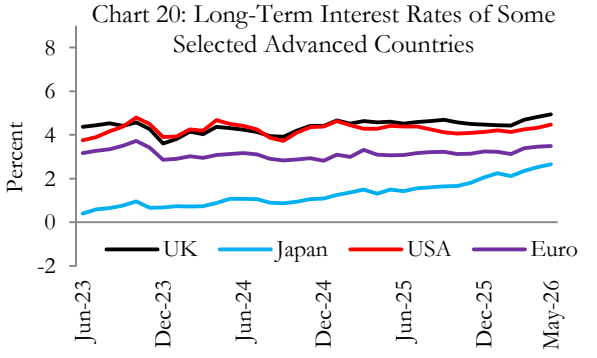


Source: World Bank.

Long-term interest rates have risen across most advanced economies. This trend, which began to take shape after October 2023, reflects proactive monetary tightening by major central banks addressing persistent inflation. Recent data indicates that yields remain on an upward trajectory across several advanced markets (Chart 20).

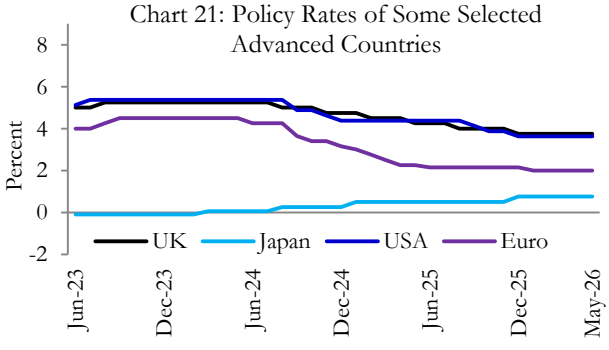
With the exception of Japan, the US Federal Reserve, the Bank of England, and the European Central Bank raised their policy rates between early 2022 and August 2023 to manage inflation. As inflation approached target levels in several industrial economies, central banks began easing their policy stances through December 2025 (Chart 21). The IMF projects a gradual reduction in the US federal funds rate over the medium term, balanced by targeted monetary policy adjustments in Japan and the Eurozone to keep inflation expectations anchored.

Chart 20: Long-Term Interest Rates of Some Selected Advanced Countries



Source: Organization for Economic Co-operation and Development.

Chart 21: Policy Rates of Some Selected Advanced Countries



Source: Bank for International Settlements.

4. Forward-Looking Policy Initiatives

4.1 Promoting Growth and Employment Generation

The domestic economy continues to navigate a challenging macroeconomic environment characterized by subdued private investment, persistent inflationary pressures, and moderate growth prospects. Elevated levels of classified loans and liquidity constraints at certain financial institutions have affected credit flows to productive sectors, impacting broader investment and employment trends.

To address these challenges, BB has launched a Tk. 60,000 crore stimulus and refinancing package, consisting of Tk. 41,000 crore in refinancing and pre-financing facilities alongside Tk. 19,000 crore allocated from BB's internal sources. This initiative is designed to support industrial capacity, enhance investor confidence, and foster economic activity.

The package focuses on private sector projects with the potential to support up to 25 lakh direct and indirect employment opportunities. The refinancing component is structured around several targeted allocations: a Tk. 20,000 crore window dedicated to supporting closed or distressed industrial and service enterprises, a Tk. 10,000 crore allocation aimed at supporting rural output and employment, a Tk. 5,000 crore dedicated facility to sustain small business enterprise, a Tk. 3,000 crore line designed to promote non-traditional export sectors.

Complementing these initiatives, allocations from BB's internal sources include a Tk. 5,000 crore pre-shipment credit line executed through scheduled commercial banks and a Tk. 5,000 crore development window managed via the Palli Karma-Sahayak Foundation (PKSF).

Additionally, Probashi Kallyan Bank, Karmasangsthan Bank, and the Ansar-VDP Unnayan Bank will each administer Tk. 1,000 crore windows focused on youth employment, overseas employment integration, and rural small enterprise. Targeted credit lines are also being directed toward value-added segments, including frozen seafood exports, leather goods, the creative economy, and technology startups.

Concurrently, the One Village, One Product (OVOP) initiative aims to support rural economic development by establishing specialized regional production hubs. Under this framework, Tk. 10,000 crore will be channeled through 52 participating financial institutions to support rural entrepreneurs nationwide. Together, these credit programs are intended to expand productive capacity, foster entrepreneurship, and support inclusive economic growth.

4.2 Road Map to Managing Non-Performing Loans

The level of non-performing loans (NPLs) remains a key focus area for the banking sector, affecting bank profitability, capital adequacy ratios, liquidity distribution, and the transmission efficiency of monetary policy. The gross NPL ratio rose from 20.20 percent in December 2024 to 35.73 percent in September 2025, before moderating to 32.26 percent in March 2026. Similarly, the net NPL ratio shifted from 10.57 percent in December 2024 to 26.40 percent in September 2025, before settling at 15.01 percent in March 2026. This trend reflects the evolving debt-servicing capacity of borrowers, adjustment timelines for short-term working capital facilities, and interest accrual patterns on stressed accounts.

During FY26, BB introduced updates to its regulatory and supervisory frameworks to manage asset quality. Regulatory guidelines were updated to allow the write-off of bad debts with limited recovery prospects to improve balance sheet clarity. Stressed borrower frameworks were adjusted to permit the restructuring of classified portfolios for up to 10 years, including a grace period of up to 2 years, with specific support facilities extended through June 2026. In December 2025, updated loan classification and provisioning directives were issued to strengthen credit discipline. To support credit flow to employment-intensive sectors, BB permitted lower provisioning ratios on standard and Special Mention Accounts (SMA) within agriculture and CMSMEs through December 2026. A central element of BB's medium-term strategy is the transition from a rules-based provisioning methodology to an Expected Credit Loss (ECL) framework under IFRS 9, with full implementation targeted for calendar year 2027.

Moving forward, the strategy for NPL management focuses on long-term resolution through structural measures. First, BB will strengthen Risk-Based Supervision (RBS) and execute bank-specific Asset Quality Reviews (AQRs), with a primary focus on institutions showing specific governance or concentration risks. Second, capital restoration and provisioning plans will be linked directly to asset recovery metrics, dividend restrictions, and supervisory actions. Third, loan restructuring frameworks will be reserved for viable enterprises, while non-compliant borrowers will face appropriate legal and regulatory measures. Fourth, asset recovery for large exposures will be accelerated by establishing specialized internal recovery units, strengthening institutional legal departments, fast-tracking Artha Rin Adalat (Money Loan Court) proceedings, and optimizing collateral enforcement frameworks. Fifth, BB is operationalizing a structured Emergency Liquidity Assistance (ELA) framework to ensure liquidity support is distinct from capital restructuring. Sixth,

the implementation of the Bank Resolution Act 2026 and the Deposit Protection Act 2026 will provide tools to manage weak institutions, protect retail depositors, and mitigate moral hazard. Finally, BB will support the operationalization of the ECL framework by enhancing data infrastructure and credit risk modeling capabilities to identify changes in credit quality early.

4.3 Bank Resolution Planning and Enforcement

BB has updated its structural banking sector reforms to enhance institutional governance, build market confidence, and manage balance sheet vulnerabilities. This has been supported by improved asset quality assessments, the operationalization of a bank resolution framework, and enhanced depositor protection measures. A standardized Asset Quality Review (AQR) framework was introduced to improve financial transparency, under which comprehensive reviews were executed for six Shariah-based financial institutions. Following these assessments, a structural reorganization was initiated to merge five Shariah-compliant lenders into a single state-owned entity, Sammilito Islami Bank PLC, supported by a government capital injection of Tk. 20,000 crore, raising its total paid-up capital base to Tk. 35,000 crore.

This reform agenda is supported by the Bank Resolution Act 2026 and the Deposit Protection Act 2026, alongside their corresponding enabling regulations. The depositor protection framework increases deposit insurance coverage from Tk. 1 lakh to Tk. 2 lakh, managed via an independent Deposit Protection Fund. In parallel, the Bank Restructuring and Resolution Fund (BRRF) has been operationalized to support timely resolution actions and reinforce broader financial system stability.

Additionally, based on reviews of December 2024 financial statements, fifteen out of thirty-five non-bank finance companies were assessed as maintaining adequate financial metrics, while twenty institutions showed specific financial stress across asset quality, capital adequacy, and liability coverage. Subsequent evaluations identified nine institutions facing significant capital deficits and limited recovery profiles. In the public interest and absence of viable private recapitalization plans, structural resolution proceedings were initiated under the Bank Resolution Ordinance 2025. The Bank Resolution Department (BRD) is currently overseeing these cases and managing appropriate restructuring or liquidation protocols.

4.4 Risk-Based Supervision

BB has continued its transition toward a Risk-Based Supervision (RBS) framework, shifting from a compliance-focused inspection model to a forward-looking, risk-sensitive supervisory approach. A

comprehensive pilot program involving all scheduled commercial banks was completed by January 2026, allowing for the refinement of supervisory processes ahead of full implementation. The RBS framework was formally launched on January 1, 2026, supported by the restructuring of internal supervisory departments, the formation of specialized risk-governance committees, and capacity-building programs for supervisors and financial institution executives.

Moving forward, BB aims to enhance the RBS framework by integrating IFRS 9 principles, expanding SupTech-enabled data analytics, and modernizing supervisory data reporting systems. The central bank will also develop supervisory protocols tailored to digital banking operations, strengthen oversight of bank subsidiaries, and invest in continuous professional development for supervisory personnel. These initiatives are intended to support a proactive, data-driven supervisory environment that reinforces banking sector resilience.

4.5 Recovering Stolen Assets

The Bangladesh Financial Intelligence Unit (BFIU), in coordination with relevant state law enforcement bodies, has prioritized the tracking and recovery of assets illicitly transferred abroad by leveraging international cooperation networks and interagency frameworks. During FY26, the BFIU generated intelligence reports for law enforcement agencies investigating cross-border illicit financial flows.

To coordinate these efforts, the government established an interagency Asset Recovery Taskforce (ARTF) focused on stolen asset recovery and management, chaired by the Governor of Bangladesh Bank with secretariat support provided by the BFIU. Additionally, the BFIU provided technical and administrative support to 11 joint Investigation Teams (JITs) handling complex money laundering cases, assisting them in drafting Mutual Legal Assistance Requests (MLARs) to secure evidence from international jurisdictions.

To strengthen international operational links, the BFIU joined the Global Network and the Asset Recovery Interagency Network-Asia Pacific (ARIN-AP). It also collaborates with the United Nations Office on Drugs and Crime (UNODC), the World Bank's Stolen Asset Recovery (StAR) Initiative, the International Centre for Asset Recovery (ICAR), and the International Anti-Corruption Coordination Centre (IACCC). Concurrently, commercial banks impacted by unauthorized cross-border fund transfers have initiated processes to retain international law firms on a "No Win, No Fee" basis to pursue asset recovery via external civil litigation.

Moving forward, the BFIU will continue to assist the ARTF and active JITs in accordance with state directives. It will support efforts to update the domestic legal and institutional frameworks for asset recovery in line with international standards, while implementing quality assurance mechanisms to accelerate MLAR processing. The BFIU will also provide technical support to commercial banks expanding civil asset recovery litigation in international jurisdictions, with the goal of supporting financial sector resilience and market confidence.

4.6 Enhancing Financial Inclusion and Cashless Society

BB has continued to support financial inclusion through programs designed to increase formal financial service adoption and integrate underserved segments into the digital financial ecosystem. On financial literacy, commercial banks and finance companies executed 5,531 dedicated training programs across the country during calendar year 2025, reaching over 2,85,000 individuals; the target has been raised to 5,818 programs for 2026 to further expand financial awareness.

Youth financial integration received support with the issuance of updated Student Banking Guidelines in February 2026. Designed for individuals up to 25 years of age, this framework provides accessible bank accounts, supports digital transaction platforms, and accommodates the direct receipt of scholarships, stipends, and freelance earnings. Concurrently, the Digital Nano Loan Refinance Scheme continues to support access to credit by providing collateral-free digital micro-loans to underserved communities, with the scheme extended through June 2028.

Bangla QR, the national interoperable QR-based digital payment standard, saw further expansion supported by targeted regulatory measures. To encourage merchant adoption, BB mandated the real-time settlement of all Bangla QR transactions into merchant bank accounts effective December 2025. Additionally, the Ministry of Local Government directed municipalities and city corporations to include Bangla QR transaction capability as a standard requirement for the issuance and renewal of commercial trade licenses.

To reduce payment market fragmentation, BB directed that all proprietary, closed-loop merchant QR codes be phased out and replaced with the interoperable Bangla QR standard by 30 June 2026. This migration is intended to improve transaction interoperability and support the transition toward a less-cash economy.

BB has also initiated projects to expand the digital payment ecosystem, including a pilot framework for supply chain-integrated interoperable QR payments. Dedicated Bangla QR Implementation

Units have been established at BB's headquarters and regional branches to monitor implementation progress across commercial banks, Mobile Financial Service (MFS) providers, and Payment Service Providers (PSPs).

Furthermore, BB signed a Memorandum of Understanding (MoU) with the Bill & Melinda Gates Foundation to support the development and launch of an Instant Interoperable Payment System (IIPS), targeted for operational deployment by June 2027. Concurrently, BB continues to monitor international developments and research regarding Central Bank Digital Currencies (CBDCs) to evaluate their potential opportunities and operational risks within the domestic payment architecture.

5. Monetary Policy Stance for H1FY27 and Monetary & Credit Projections for FY27

5.1 Monetary Policy Stance for H1FY27

Globally, economic growth is projected to slow down in 2026, primarily due to the economic impact of the conflict in the Middle East. This conflict has resulted in higher energy prices, disrupted supply chains, increased inflationary pressures, and heightened uncertainty. Central banks around the world are facing a dilemma in this increasingly uncertain inflationary environment: raising interest rates to combat inflation could further weaken growth, while inaction risks entrenching price pressures. Energy costs are expected to drive the rise primarily in global commodity prices. World food prices, in particular, are a significant concern. Disruptions in fertilizer supplies have led to increased costs, which could potentially reduce crop yields and exert upward pressure on food prices.

Domestically, Bangladesh's economy remains in a fragile and uneven recovery phase, characterised by subdued GDP growth, persistent high inflation, sluggish investment, employment challenges, energy uncertainty, consistently high levels of non-performing loans, and increasing global economic uncertainty. Geopolitical conflicts in the Middle East could further create severe headwinds by disrupting the oil and fertilizer supply chains. Disruptions in oil supply would lead to higher inflation, tighter financial conditions, and pressure on the balance of payments. Additionally, fertilizer supply chain disruptions will significantly impact agricultural production.

Though BB has been maintaining a high policy rate for an extended period to contain high inflation, it has remained high and above the target range set by BB. Tighter monetary policy alone cannot fully address the inflationary pressures because it is being fueled less by excess demand and more by inefficiencies in supply chains, distribution systems, and market management. Additionally, energy

supply-side shocks from the Middle East conflict have exacerbated inflationary pressures. Moreover, investment remains sluggish, and overall economic activity shows signs of stagnation. Furthermore, money supply softened during H2FY26, with low private-sector credit growth. Liquidity in the banking system increased significantly, leading to a decrease in all types of interest rates. Amid economic uncertainty, banks are investing this liquidity in T-bills and T-bonds rather than disbursing credit to the private sector. However, the exchange rate remains stable due to improvements in the balance of payments and BB's initiatives towards a fully flexible exchange rate regime.

BB conducts a comprehensive analysis of the aforementioned global and domestic macroeconomic developments an BB conducts a thorough analysis of the global and domestic macroeconomic developments mentioned earlier, along with their near-term outlook, while formulating its monetary policy stance and credit projections for H1 FY27. Additionally, BB ensures that its policies align with the government's budgetary target of achieving a 6.5 percent GDP growth and maintaining inflation within the ceiling of 7.5 percent for FY27.

> *Under these conditions, BB will sustain its contractionary monetary policy stance through the first half of FY27 (H1FY27) to rein in headline inflation and anchor long-term inflation expectations. Accordingly, the policy rate will remain unchanged at 10.0 percent. The Standing Lending Facility (SLF) rate will remain at 11.5 percent and the Standing Deposit Facility (SDF) rate will be 7.5 percent, respectively.*

With a focus on the exchange rate, BB is committed to maintaining its current strategy of a fully flexible market-based exchange rate regime in the upcoming months. This strategy is designed to enhance exports, imports, and remittance inflows while reducing the impact of external shocks. Given that Bangladesh's economy is in a transitional phase and grappling with structural weaknesses, it is essential to implement strategies that stimulate economic growth by controlling inflation, increasing investment, enhancing GDP growth, and creating employment opportunities.

BB has introduced a substantial stimulus package of Tk. 60,000.0 crore to tackle complex challenges such as declining GDP growth, stagnant investment, and a credit crunch in the private sector, while also aiming to generate employment. This initiative seeks to provide extensive support to industries, agriculture, and CMSMEs, thereby injecting new momentum into the economy. The primary goal is to overcome economic stagnation and restore growth in production and investment activities. BB expects that the effective implementation of this large-scale stimulus and refinancing programs will boost productivity, attract new investments, and create employment opportunities for nearly 25 lakh

people, both directly and indirectly. Additionally, successful execution of this plan is anticipated to revitalize the stagnant industrial sector and reinvigorate the overall economy.

This stimulus package comprises two main components. The first one is a Tk. 41,000 crore refinancing fund, to be mobilized from banks with surplus liquidity at a policy interest rate of 10 percent. BB will provide a refinance facility at a 4.0 percent interest rate, with the government subsidising the remaining 6.0 percent. The second component is a Tk. 19,000 crore fund, sourced directly from the central bank's own resources. Customers will have to pay an interest rate of 7.0 percent, much lower than the market interest rate, which will create an opportunity for the investment. These initiatives are not expected to trigger inflation through money creation, as the Tk. 41,000 crore will come from the banking system's surplus liquidity, and the remaining Tk. 19,000 crore will be drawn from BB's own source.

5.2 Monetary and Credit Projections for H1FY27

Table 4 presents the half-yearly movements of major monetary and credit aggregates, along with their projections for FY27. Under the interest rate targeting framework, monetary aggregates such as broad money and reserve money serve as key informational variables for monetary policy. Therefore, accurate monetary and credit projections are crucial for aligning the interest rate target to maintain price stability, ensure financial stability, and foster desired economic growth. BB controls reserve money and broad money by adjusting the policy rate and managing liquidity through instruments such as the Cash Reserve Ratio (CRR); open market operations, including repo operations, Standing Lending Facility (SLF), Standing Deposit Facility (SDF), and BB bills; special liquidity support; refinance/pre-finance facilities; Mudarabah Liquidity Support (MLS); and the Islamic Bank Liquidity Facility (IBLF).

Table 4: Monetary and Credit Projections for FY27

(YoY % change

Item	Actual		Est.	Projection	
	Jun-25	Dec-25	Jun-26	Dec-26	Jun-27
Broad money	7.0	9.6	10.8	11.5	13.0
Net Foreign Assets*	4.3	26.8	20.2	21.8	14.9
Net Domestic Assets	7.4	7.0	9.2	9.7	12.6
Domestic Credit	8.1	11.0	10.2	10.5	10.4
Credit to the public sector	13.6	28.9	25.9	21.8	17.2
Credit to the private sector	6.5	6.1	5.5	6.8	8.0
Reserve money	-0.1	9.2	12.1	7.5	11.0
Money multiplier	5.27	5.16	5.21	5.35	5.30

Source: MPD staffs' calculation based on SBS. * Calculated using constant estimated exchange rates of 30 June 2026.

Broad money growth is projected at 13.0 percent in June 2027, considering the GDP growth target of 6.5 percent and CPI-based average inflation ceiling of 7.5 percent along with the positive change

in the velocity of money in FY27. Public sector credit growth is projected to be 17.2 percent by taking into account lower credit demand of the government from the banking system. Moreover, the government budgetary target of borrowing Tk. 1,120 billion from the banking system is also duly considered in projecting the public sector credit growth. Private sector credit growth is projected to be 8.0 percent considering the lower credit appetite from the private investors amid the slow recovery phase of the economy. However, BB also confirms supply-side interventions to support necessary credit flows to productive and employment-generating sectors such as agriculture and CMSMEs (Cottage, Micro, Small, and Medium Enterprises) through refinance and pre-finance schemes. Considering the moderate growth in the public sector and private sector, domestic credit growth is projected to be 10.4 percent in June 2027. The projection of Net Foreign Assets (NFA) of the banking system is expected to be a positive growth of 14.9 percent in June 2027 based on the anticipation of a surplus in the overall balance of payment while predicting 8.0 percent growth both in exports and remittances and 10.0 percent growth in imports in FY27. The Reserve Money (RM) growth is projected at 11.0 percent, considering the economic realities and the stable movement of the money multiplier, which is influenced by currency deposit and reserve deposit ratios.

6. Near-term Macroeconomic Issues and Challenges

Slow GDP growth, persistent inflation, limited fiscal space, and financial stress have complicated macroeconomic management in Bangladesh. In response, the BB has maintained a tight monetary stance, keeping the policy rate unchanged at 10 percent since October 2024. This approach aims to contain inflationary pressures and support external balance. Concurrently, the government and the BB have implemented a series of policy and reform measures to stabilize the economy and promote sustainable recovery.

Recent macroeconomic developments indicate a gradual economic recovery and a notable improvement in external balance. According to the latest estimates from BBS, real GDP growth increased to 4.14 percent in FY26, up from 3.49 percent in FY25, supported by a smooth post-election transition following the 2024 uprising. However, this growth was primarily concentrated in the services sector, while industrial activities remained sluggish. Although headline inflation significantly declined from its peak, it continued to exceed BB's expectations and reaccelerated in the latter half of FY26. This reacceleration was due to domestic energy price adjustments, crop losses caused by flash floods, and the pass-through of elevated global commodity prices amid conflicts in

the Middle East. Meanwhile, the external position rebounded in FY26, which helped stabilize the exchange rate and build foreign exchange reserves.

Recent policy measures to support economic recovery focus on restoring macroeconomic stability, strengthening growth momentum, and protecting vulnerable people of the society. The government's FY27 budget adopts a growth-supportive stance by prioritizing investment-led growth, streamlining development spending, and rationalizing tax measures to encourage private investment and help narrow the economy's negative output gap. Additionally, reductions in duties and taxes on essential commodities are expected to ease cost pressures and support disinflation. Complementing these fiscal efforts, BB's targeted and subsidized credit stimulus package aims to revive industrial activity, boost employment, and support private sector recovery. Together, these measures are designed to achieve the government's FY27 objectives of reaching 6.5 percent GDP growth while containing inflation at 7.5 percent.

Looking ahead, the near-term macroeconomic outlook is expected to strengthen, with anticipated increases in real GDP growth, a rebound in private investment, and moderating inflation as supply conditions improve and global commodity and energy prices ease. However, this outlook remains vulnerable to downside risks, including energy shortages, weak investment demand, and persistent inflation, which could hinder the supply response, destabilize inflation expectations, and create second-round inflationary pressures.

The effectiveness of targeted credit support depends on several factors: efficient credit allocation, sound and transparent risk assessment, proactive monitoring, and strong governance. Additionally, vulnerabilities within the banking sector, particularly the presence of high non-performing loans, may hinder private sector credit and investment, as banks tend to favor risk-free government securities over private lending. Furthermore, the external sector could remain susceptible to rising import costs, sluggish export growth, and a decline in remittance inflows following their recent increase. The sustainability of the financial account surplus also remains uncertain, given its dependence on trade credit and external borrowing.

Prepared by: Monetary Policy Department, Bangladesh Bank
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Published by: Saeda Khanam, Director (Ex. Cad. Publications)
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Website: www.bb.org.bd

Printed by : Rupa Printing & Packaging, 28/A-5, Toyenbee Circular Road, Motijheel, Dhaka-1000

DCP-06-2026-450