Press Release

BUILD/02/2025/54  **Date**: 24 February 2025

**Attn: News Editor/ Chief Reporter/ Assignment Editor /Business Page-in-Charge**:

**Title: Concerns on Impact of High Inflation Restraints Business and Investment**

Business Initiative Leading Development (BUILD) organized its 12th Financial Sector Development Working Committee (FSDWC) on 24 February 2025 at its Conference Room chaired by Ms. Nurun Nahar, Deputy Governor -1, Bangladesh Bank (BB).

At the onset, BUILD CEO Ferdaus Ara Begum presented a follow-up of the previous meeting and informed the summary of 15 recommendations submitted, of which an online software for the Export Facilitation Prefinancing Fund(EFPF), circulars for safeguard measures for the EFPF and for export proceed realization(EPR), policies for aligning monetary and fiscal policies, abolishing the SMART( Interest Rate Corridor) can be considered as implemented, remaining are in the process and some explanation by the BB has been given.

Responding to the other recommendations, DYG, BB informed that out of BDT 10,000 crore, BDT 5,000 has already been spent and mentioned that there is no scope to lower the interest rate for EFPF in the existing monetary policy framework, however she agreed to examine the possibility of extending the EFPF for the partial exporters as NBR is working on it. She informed that BB has announced a policy to provide up to BDT 10 lakh loan facilities to an individual Non-Resident Bangladeshi (NRB) to be repaid through the banking channel on domestic currency.

Asif Haider, Research Associate, BUILD presented a policy paper on “Long-Lasting Inflation and Its Impact on The Economy-Remedial Measures”. The study pointed out that private sector credit growth projected to 9.8%, against that actual is only 7.3% in December 2024 as per MPH2FY25 while public sector credit growth increased to 18.1% against the target of 14.2%. The key causes of inflation identified include the dominance of extortionists at the market level and failure of administration, high policy rate, increase of interest rate coupled with exchange rate, drives are conducted at the retail level instead of conducting at the primary stages of supply chain, unclear role of competition commission, increased public expenditure etc.

Explaining successful examples of other countries, the study recommended for increase of loanable fund of Banks, for this, as like in the past securities can be dealt at the institutional levels only, 42% of the economic establishment are informal, some measures can be announced for all transactions through banking channel, crawling peg mechanism is not working properly, Bangladesh Bank should think of switching to a market-based exchange rate, refinancing schemes for CMSMEs would need to work as a cushion for supporting them, updates of Monetary-Fiscal coordination Council meetings can be informed to the people, spread of Banks can be reduced, some special arrangements need to be taken with the aggregators to take control of remittance sent by the people staying abroad.

Ms. Nurun Nahar lauded the study and expressed optimism about bringing the inflation down to 7-8% within June 2025. Regarding raising the reserve requirements ratio of Banks, Bangladesh Bank will look into the issue. On formalizing the economy, BB is collaborating with NBR to take policy measures. She also mentioned that the BB is taking different awareness programs on increasing financial inclusion. She informed about BB’s effort to reduce the dominance of aggregators in the forex market and hoped to enter into a market-based exchange rate by December 2025. She underscored holding the Fiscal-Monetary Coordination Council meetings regularly involving govt agencies and the private sector as recommended by BUILD to bring a balance between the macroeconomic policies. BB can look into the issue of reducing the high spread rate of the banks. She also mentioned about the Master Circular to be issued soon to address the issues of CMSMEs.

Discussants said that the late policy response of BB for the longstanding inflation is a concern. In response to a query of Nurul Absar, Joint Secretary CCCI about the need for a public sector-backed cold storage for agricultural products in addressing the price hike in private cold storage facilities, Shaikh Murshidul Islam, Deputy Secretary, Ministry of Agriculture informed that the ministry is mulling for cold storage facility in the public sector.

Mr. Wajid Hasan Shah, Member, Competition Commission Bangladesh said that the commission is reviewing the existing law as it is a quasi-judiciary organization to broaden its scope of work. Dr. AKM Asaduzzaman Patwary, Acting Secretary General of DCCI, pointed out the lack of mismatch in the credit targets of Bangladesh Bank and mentioning that the private sector credit growth has declined at an alarming rate. He underscored the synergy between monetary and fiscal policies aligning with market mechanisms. Mr. Aditya Majumder, Program Officer, MCCI, said that MCCI is working with ILO to formalize the economy.

Mr. Md. Iqtadul Haque from Bangladesh Agro Processing Association (BAPA) endorsed BUILD proposal on refinancing facilities for CMSMEs, echoing the necessity of cold storage based on PPP. Mr. Sumon Chandra Saha, DGM, SME Foundation acknowledged that the raw materials cost is rising for the SMEs due to interest rate rise. He stressed the effective disbursement of the SME funds. Md. Sajib Hossain from BKMEA stated that the EFPF has not gained any momentum and that EDF should be the main concern instead of the EFPF. He raised the issue of wage board recommending wage hike while their cost of production is increasing. Representatives from BBS stated that they are planning to change the base year from 2016 to 2022 for calculating the core inflation where the basic necessity of consumed products will be incorporated.

Mr. Shihab Uddin Ahmed, Senior Assistant Secretary, Finance Division endorsed the recommendations of BUILD and ensured their collaboration. Mr. Magfirul Hasan Abbasi, Senior Assistant Secretary, Ministry of Commerce mentioned that the MoC formed a price monitoring cell about a month ago which is working effectively to prevent any supply-chain disruptions.

In the end Mr. Khan Mohammad Saifjada, Additional Director of BB stated that the central bank does not have any target of broad money they just make a projection of it. He pointed out that due to negative balance of payments, the net foreign asset growth slowed down but now the current account is stabilized to some extent that has eased the pressure on BoP.

Economists, academia, representatives of banks, chambers/associations put forward their opinions and expressed their concerns for a long-standing inflation in the country and expect that the efforts of BB to contain inflation will see success soon.

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