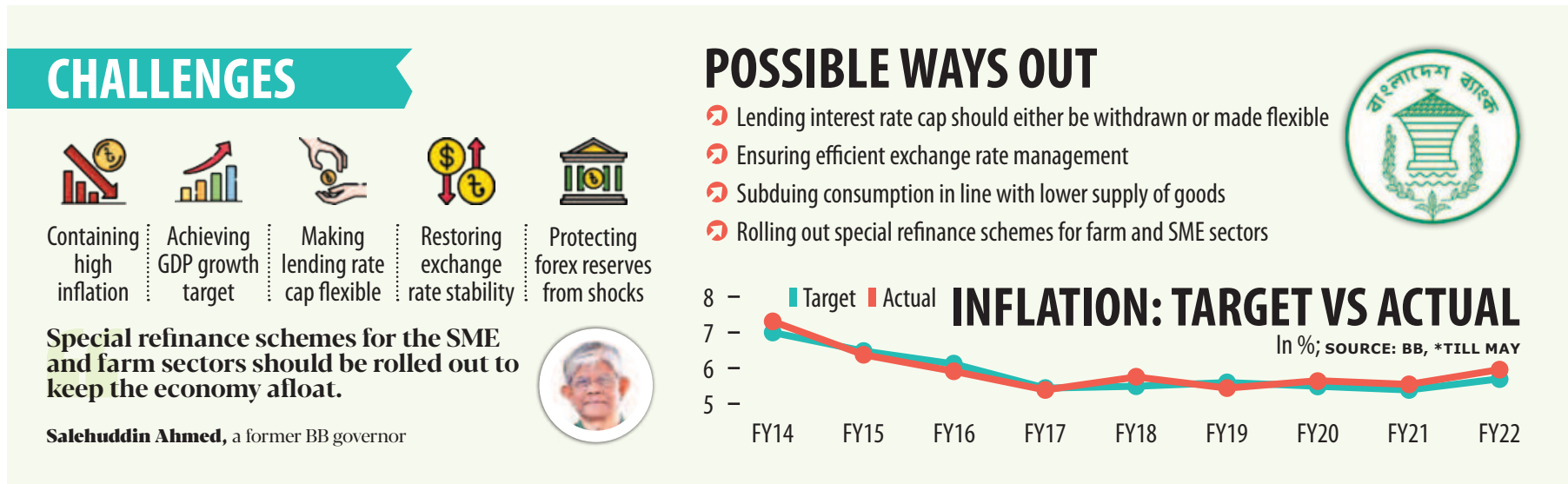


star BUSINESS



Stabilisation need of the hour

Bangladesh Bank unveils monetary policy today

AKM ZAMIR UDDIN

Central banks globally are struggling to contain inflation even after raising their key interest rates. And although Bangladesh is experiencing a similar situation, the monetary instrument is largely ineffective in the country because of the 9-per cent lending cap.

Banks have been ordered to comply with the lending rate cap since April 2020 following the government instruction – a move that rendered the central bank's monetary policy statement (MPS) ineffective.

The issue has come to the fore again as the Bangladesh Bank is set to unveil its MPS for the next fiscal year, starting from July 1.

The urgency to reverse the course is ringing louder as higher inflation, which rose to an eight-year high in May, is pummeling households.

A number of officials say the BB is finding it difficult to come up with appropriate tools to address the soaring inflation.

Almost all countries are fighting higher consumer prices, largely caused by abnormally high commodity prices and supply bottlenecks owing to the Russia-Ukraine war. This forced central banks around the world to take a contractionary monetary policy with a view to tightening the money supply.

For instance, the Federal Reserves, the central bank

of the United States, hiked the key interest rate by 75 basis points, the steepest climb since 1994, on June 15. The rate is expected to see a further rise.

On June 8, India's central bank raised rates for the second time in as many months.



Other central banks also following a similar path. In a welcoming move, the BB hiked the policy rate 25 basis points to 5 per cent on May 29, but it frustratingly kept the lending rate unchanged. As a result, the rate hike has hardly brought any positive output to the economy.

The key interest rate, also known as the policy rate, is followed by commercial banks to set the interest rates on both loans and deposits. A spike in policy rates makes loans expensive.

Because of the existing lending rate ceiling in

Bangladesh, the appetite for loans from businesses has not diminished despite the escalation in cost of production. A number of central bankers working on drawing up the MPS say that the political economy is dominating the monetary economy in Bangladesh, so the BB's task to contain inflation has become even more challenging than in other nations.

If there is no lending rate cap, the interest rate on all loans, including those for import financing, will increase automatically, said a central banker.

A hike in the lending rate would go on to reduce import payments, the biggest driver of higher consumer prices in Bangladesh. This will ultimately stop the depletion of foreign exchange reserves.

Under the current circumstances, the BB might make the lending rate cap flexible so as to reduce the money supply further.

The country's major macro-economic indicators such as inflation, imports, remittance, trade deficit and current account balance are all now in a stressed condition. The latest floods have added further woes.

"So, the new MPS will face an uphill task in order to bring back stability to the macroeconomy," said a senior central banker.

Ahsan H Mansur, executive director of the Policy Research Institute of Bangladesh, argues in favour of squeezing consumption at any cost in keeping up with the supply shortage of goods.

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3cr people in Bangladesh still unbanked: WB

MAHMUDUL HASAN

Despite its push for financial inclusion, Bangladesh has remained one of the top seven countries with a sizeable part of the population unbanked, according to a World Bank survey.

About 30 million of its nearly 170 million people still do not have an account with a



financial institution or mobile money platform, it said.

The international financial institution published "The Global Findex Database 2021: Financial Inclusion, Digital Payments, and Resilience in the Age of COVID-19" yesterday.

Of the world's 1.4 billion unbanked population, over half or 740 million comes from seven economies, including China, India, Pakistan and

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STOCKS	
DSEX ▲	CASPI ▲
0.12%	0.14%
6,350.46	18,690.49

COMMODITIES	
Gold ▼	Oil ▲
\$1,816.8	\$112.96
(per ounce)	(per barrel)

ASIAN MARKETS			
MUMBAI	TOKYO	SINGAPORE	SHANGHAI
▼ 0.28%	▼ 0.91%	▼ 0.17%	▼ 1.40%
53,026.97	26,804.60	3,134.87	3,361.52

20th Bangladesh Business Awards

DHL The Daily Star

BRIDGE TO PROSPERITY

CONNECTING BEYOND BORDERS

Honouring Our Business Leaders

CALL FOR NOMINATIONS

The categories are:

Enterprise of the Year 2021	Business Person of the Year 2021
Best Financial Institution of the Year 2021	Outstanding Woman in Business of the Year 2021

Last date for submitting nominations is July 5, 2022.

For the 20th time, we are going to honour individuals and organizations for their outstanding contribution to business and the economic growth of Bangladesh. Your valuable nomination will help us select the right nominees.

For further details please log on to our website:
www.dhl.com/bd-en/home/about-us/dhl-in-bangladesh/bangladesh-business-awards.html

You can submit nominations via e-mail to:
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Salt stock sufficient, no possibility of crisis, say millers: B3

Mango exports hit five-year high: B4

WB FUNDS Bangladesh gets \$753m for trade, connectivity

STAR BUSINESS REPORT

The World Bank yesterday approved a \$1.03 billion financing to help improve regional trade in Bangladesh and Nepal by reducing trade and transport costs and transit time along the regional corridors.

The Accelerating Transport and Trade Connectivity in Eastern South Asia (ACCESS) Programme Phase-1 will help the governments address the key barriers to regional trade – manual and paper-based trade processes, inadequate transport and trade infrastructure, and restrictive trade and transport regulations and processes.

The Phase-1 will help replace lengthy manual and paper-based trade processes with digitalised automated solutions in Bangladesh and Nepal, said the WB in a press release.

The automation will enable faster border crossing times and install electronic tracking of truck entry and exit, electronic queuing, and smart parking.

The programme will also help improve selected road corridors and upgrade key land ports and custom infrastructure while ensuring a green and climate-resilient construction. It will help the integration of landlocked Nepal

READ MORE ON B3

AA-

Getting Stronger...

Rating	Long Term	Short Term
Credit Rating 2022	AA-	ST-2
Credit Rating 2021	A+	ST-3

Credit Rating Information and Services Limited (CRISL) has upgraded the entity rating of Lankan Alliance Finance Limited to "AA-" and short term rating to "ST-2", valid till 7 June 2023.

The rating has been awarded on the basis of an in-depth analysis of the operational and financial performance of the NBFI (based on audited financial statements of the year ending 31 December 2021).

A+

CREDIT RATING

Credit Rating	2021	2020	Interpretation
Long Term	A+	A+	Above average credit quality
Short Term	ST-2	ST-2	Above average ability to meet short term financial commitments.
Outlook	Stable	Stable	Indicates that a rating is likely to remain unchanged.
Date of Rating	16 June, 2022	17 June, 2021	—
Validity of Rating	15 June, 2023	16 June, 2022	—

Rating by: Alpha Credit Rating Limited

Union Bank Limited thanks to its all valued stakeholders for making it happen. We are upbeat of further upswing of our rating in future