

MONETARY POLICY FOR FY23

Key tools not there to rein in inflation

BB raises policy rate but keeps lending rate cap unchanged

AKM ZAMIR UDDIN

Bangladesh Bank yesterday attached the highest importance to curbing inflation in its monetary policy for fiscal 2022-23 but didn't deploy major tools needed to ride out the current economic challenges.

Though the BB hiked the policy rate by 50 basis points to 5.50 percent yesterday to reduce the money supply to the market, it didn't lift the lending rate cap.

Economists say the measure will not be effective enough to contain inflation.

They have long been suggesting that the central bank withdraw the lending rate cap of 9 percent or make it flexible to check inflation and restore stability in the foreign exchange market.

BB Governor Fazle Kabir unveiled the monetary policy statement at the central bank headquarters in the capital.

"We will give all-out efforts to contain inflation and keep the foreign exchange reserves stable. The central bank will then give attention to GDP growth," he said.

Driven by a hike in food costs, inflation surged to an eight-year high of 7.42 percent in May.

Inflation averaged 5.99 percent between July last year and May this year against the government target of 5.7 percent.

The government has set an inflation target of 5.6 percent for FY23 starting today.

Economists say the increase in the policy rate is definitely good, but the economy will not reap the benefit immediately from the monetary policy.

The policy rate has been hiked twice within a month for the first time since its introduction in 2003. The BB raised it by 25 basis points on May 29 this year and by 50 basis points yesterday.

The policy rate is a pivotal benchmark interest rate that commercial banks follow for fixing interest rates on both loans and deposits. An increase in the rate makes loans more costly.

Quoting the policy rate, cash-strapped banks take short-term loans from the BB and disburse those to individual borrowers.

Talking to The Daily Star, Ahsan H Mansur, executive director of the Policy Research Institute of Bangladesh, said the monetary programmes will not help contain inflation immediately for the absence of effective tools.

The increase in the policy rate will create liquidity pressure in the banking sector but it will take time to slow down the money supply, he pointed out.

Had the BB withdrawn the lending rate cap or made it flexible, inflation could have been managed efficiently within the quickest possible time, Ahsan said.

The BB has set a lower private sector credit growth target of 14.1 percent for FY23, compared to 14.80 percent in FY22.

As per the BB projection, the credit growth will be at 13.1 percent in the last fiscal year.

Md Habibur Rahman, chief economist of the central bank, said, "The central bank set a lower credit growth target to reduce the supply of money to the market."

SEE PAGE 2 COL 1



6 YEARS OF HOLEY ARTISAN CAFÉ ATTACK

Neo JMB on the wane, some groups active online

SHARIFUL ISLAM and MOHAMMAD JAMIL KHAN

Militant group Neo JMB, which carried out a deadly attack at a Gulshan restaurant in 2016, currently has no strength to carry out another attack, but officers and security analysts see several other groups as threats.

Militant groups and extremists continue to be active online, they said, adding that individuals get motivated and radicalised by the large volume of extremist content available on the internet.

"Neo-JMB is now in an existential crisis. It has no activists or leaders," said Asaduzzaman, chief of Counter Terrorism and Transnational Crime (CTTC) unit of police.

The banned outfit's chief Mehedy Hasan John is believed to be working from a hideout in Turkey, CTTC officers said.

But there is no room for complacency as other groups like Ansarullah Bangla Team (ABT)

and Hizb ut-Tahrir (HuT) are still active. The former is still a major concern because its top leaders Major (sacked) Syed Ziaul Haque and Akram Hussain are on the run, they added.

The group operates through what police say are the "sleeper

Online activities of militants and radicalisation of individuals increased amid the coronavirus restrictions, but they are now largely under control.

cells" in which the members do not know each other's identity and their leaders operate anonymously.

They use encrypted messaging apps to communicate and use unique codes as their virtual identity, said a CTTC officer. "Even if one of them gets arrested, law enforcers cannot

detect the others."

CTTC chief Asaduzzaman said ABT has been neutralised to some extent because its key operatives were arrested at different times.

Online activities of militants and radicalisation of individuals increased amid the coronavirus restrictions, but they are now largely under control, he said.

Banned outfit HuT's members, who are mostly students of well-off families, are now trying to get recruited in government and private jobs as part of their plan to establish a caliphate, said an officer with years of experience in tracking down militants.

Banned outfits Harkatul Jihad al Islam, Bangladesh (Huji-B) and Jam'atul Mujahideen Bangladesh (JMB) have been inactive in the last few years, officials added. According to CTTC data, Huji-B killed 145 people in 16 attacks between 1999 and 2004. The JMB killed 70 in 23 attacks from 2002 to 2016.

SEE PAGE 2 COL 4

Revisiting the HORROR

STAFF CORRESPONDENT

The evening of July 1, 2016, -- a Friday near the end of Ramadan -- had descended quietly on the Holy Artisan Bakery as the busy capital settled down after breaking the day's fast.

The upscale eatery on Road-79 in the posh Gulshan neighbourhood had a thin crowd. As the evening progressed, the Western-style café, a favourite for both expatriates and Bangladeshis, started getting busier.

Guests were ordering lime-glazed donuts, croissants, bagels, pizzas, pastries and coffee with

SEE PAGE 6 COL 6

CTTC to start deradicalising militants in jail this month

SHARIFUL ISLAM and MOHAMMAD JAMIL KHAN

The Counter Terrorism and Transnational Crime (CTTC) unit is going to start a long overdue process of deradicalising militants inside prisons from this month.

Social, clinical and educational psychologists, religious clerics and counterterrorism experts are expected to start deradicalising jailed militants and also those on bail, said CTTC chief Md Asaduzzaman.

"The home ministry recently gave approval

SEE PAGE 7 COL 1

In tears, we remember
SEE PAGE 9, 10

Northeast braces for another blow

DWOHA CHOWDHURY and MINTU DESHWARA

"How much more can we take?"

This is a question being asked by those in the country's Northeast, as the rivers there have been swelling for the second consecutive day yesterday, raising the chances of the region going underwater yet again.

The Flood Forecasting and Warning Centre stated that the water levels in all rivers, except the Surma and the Kushiara, will rise in the 48 hours from yesterday morning.

Surma's water level at Chhatak upazila point was already flowing 99cm above the danger level yesterday.

The worst flood in the past 122 years has already affected 60 lakh people, destroyed one lakh homes, several thousands of kilometres of road systems, tens of thousands of latrines and water sources -- and may wreak more havoc.

The Sylhet divisional administration yesterday said that over 63 lakh people have been affected and at least half of them are from Sylhet district itself.

District officials confirmed it saying 30 lakh have been affected so far.

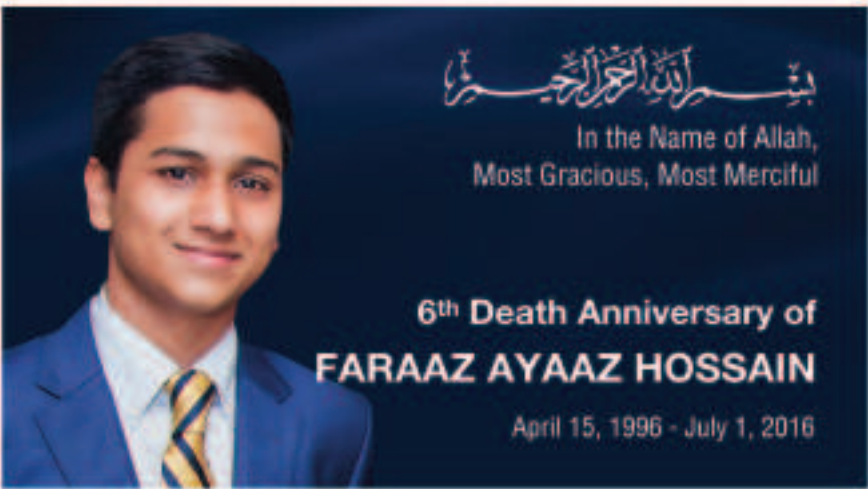
As many as 99,791 homes have been destroyed across the division, the administration said.

At least 1.3 lakh people are currently housed in about a thousand shelters there. The rest are boarding with relatives, renting homes or migrating to the slums.

Those who had returned home after the water began receding last week are in fear of having to evacuate again.

So far, the worst affected areas are Sunamganj's

SEE PAGE 2 COL 4



6th Death Anniversary of FARAAZ AYAAZ HOSSAIN

April 15, 1996 - July 1, 2016

Six years have passed since you left us, and not a day has gone by that we haven't thought of you. Though you left us in grief when you chose to stand by your friends and sacrificed your life to protect them, we hold our heads high today knowing you were our own.

You make us immensely proud when we witness your powerful legacy of courage, friendship, and humanity for the world. You are no longer just our Chotoo, today you are Bangladesh's, and you are the world's.

You live on as a symbol of courage and continue to serve as our moral compass to this day.

Though you are no longer with us, your memory, and bravery live on to impact the world.

To all who have stood by us, we thank you for your love, and support. Please keep our beloved Faraaz in your prayers and may Allah (SWT) grant him the highest place in Jannatul Firdaus.

Shahnaz Rahman and Family



2nd Death Anniversary of LATIFUR RAHMAN

28 August 1945 - 1 July 2020

Two years since you left us, and you remain as our guiding light. Your strong values of ethics and integrity are still woven into every moment.

You were the pillar of our family and to all those around you. You remain a shining example of honesty, patriotism, and excellence in every sphere of life. We may miss your physical presence, but you live on in all our hearts.

You live on in all your strength and as a symbol of ethics.

Though you are no longer with us, your memory, and glorious legacy continues.

To all who have stood by us, we thank you for your love, and support. Please keep our beloved Latifur Rahman in your prayers and may Allah (SWT) grant him the highest place in Jannatul Firdaus.

Shahnaz Rahman and Family