



**P6** 'We will make FDC great again'



**P7** Punjab assembly dissolved on Imran's orders



**P11** Young Tigresses face Sri Lanka today



**B1** Ctg port to welcome larger ships

## Feeble monetary policy against challenges

### Consumer loan products to cost more now

AKM ZAMIR UDDIN

Bangladesh Bank yesterday unveiled a wishy-washy monetary policy for the next six months that will prove to be ineffective in tackling the headwinds passing through the economy.

As part of its cautiously accommodative monetary policy, BB has raised its policy rates by 25 basis points – a move that it hopes will contain inflationary and exchange rate pressures, support desired economic growth, and ensure the necessary flow of funds to the economy's productive and employment-generating activities.

The policy rate is the interest rate at which the central bank is willing to lend money to commercial banks. Through it, the central bank influences short-term interest rates and the money supply in the economy.

Typically, the central bank raises the policy rate to prevent the economy from overheating and ward off hyperinflation.

With the average inflation rate in the past six months coming to 8.76 percent, up from 5.7 percent a year earlier, now is certainly the time to unleash a contractionary monetary policy.

But the mechanism through which this policy works is broken in Bangladesh thanks to the interest rate cap on all loans save for consumer loan products.

Because loans to central banks are more expensive, commercial banks then raise the interest rates they charge to debtors.

An increase in bank interest rates weakens the demand of households and businesses for goods and services, especially those financed by loans. Weakening aggregate demand forces producers to cut output and reduce their labour. As a result, economic growth contracts, inflation becomes more moderate and unemployment rises.

In the monetary policy, BB relaxed the interest rate for consumer credit to vary up to 3 percentage points along with the complete removal of the deposit floor rate. This mean, the interest rate on consumer loans can go up to 12 percent.

The repo rate, which is the rate at which commercial banks borrow money by selling their securities to the central bank to maintain liquidity has been increased, has been increased to 6 percent from 5.75 percent.

The reverse repo rate, which is the rate at which the central bank borrows money from commercial banks by buying their securities, has also been raised to 4.25 percent from 4 percent as part of the current policy state.

The near-term economic outlook seems quite stable, critically depending on three external issues: the length and intensity of the Ukraine war, the spree of interest rate hikes by the Fed and the re-emergence of Covid-19 in China, BB said in its monetary policy statement.

"Improvements in these challenges will expedite Bangladesh's future economic gains. However, in case of any adverse consequences of the above external issues, the Bangladesh economy has enough resilience to remain insulated in its current condition," it added.

Economists remain sceptical of the BB's monetary policy's efficacy. "You can't pass the blame to external factors because you didn't take any measures to address the situation," said Ahsan H Mansur, executive director of the Policy Research Institute.

There are "serious shortages of positives", said Zahid Hussain, a former lead economist of the World Bank's Dhaka office.

Save for the hike in the interest rate on consumer loans, there are hardly any measures to tackle inflation.

**There are serious shortages of positives. Save for the hike in the interest rate on consumer loans, there are hardly any measures to tackle inflation. Instead of containing price instability, it can fuel inflation.**

Zahid Hussain, a former lead economist of the World Bank's Dhaka office



Ignoring risks, thousands of people get on every surface of a train, including the coupler at the front of the locomotive, as they leave Tongi after the first phase of Biswa Ijtema concluded yesterday. The photo was taken at the capital's Kuril.

PHOTO: PRABIR DAS

## CUTTING EXTRAJUDICIAL KILLINGS US satisfied with Rab's progress

### Says Lu, reiterates US commitment to democracy, human rights

DIPLOMATIC CORRESPONDENT

Visiting US Assistant Secretary Donald Lu yesterday expressed satisfaction that Rab reduced extrajudicial killings since late 2021, when the US imposed sanctions on the force.

"We've had quite good discussions on Rab. If you've seen the statement this week by Human Rights Watch, they recognise and we recognise tremendous progress in the area of reducing extrajudicial killings by the Rab. This is amazing work," Lu told a joint press briefing at the foreign ministry.

"It shows that Rab is able to carry out its important counterterrorism and law enforcement functions while respecting human rights," added the US assistant secretary for South and Central Asia.

After a meeting with Lu over lunch at the Foreign Service Academy, Home Minister Asaduzzaman Khan was asked at a media briefing whether the sanctions on Rab would be lifted.

"Lifting of sanctions is a complex process. It may take some time," he said, quoting Lu as saying.



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## Underground metro rail construction starts Jan 26

TUHIN SHUBHRA ADHIKARY

The physical work of the country's first ever underground metro rail line will begin on January 26, setting off a flurry of activity for the second biggest infrastructure project in Bangladesh.

This work will begin with Prime Minister Sheikh Hasina laying the foundation stone of the Tk 52,561.43 crore project, formally known as Mass Rapid Transit (MRT) Line-1, at a programme in the capital's Purbachal area, Project Director Abul Kashem Bhuiyan told The Daily Star last night.

The Road Transport and Highways Division called a meeting today at Rajuk's

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## Bangladesh should carry on reforms Says visiting deputy managing director of IMF

STAFF CORRESPONDENT

Bangladesh should continue with the measures to reform various sectors of the economy, said IMF's Deputy Managing Director Antoinette Monsio Sayeh yesterday.

She made the comment during a meeting with Finance Minister AHM Mustafa Kamal at the Pan Pacific Sonargaon.

The visiting official of the multilateral lender praised the measures taken by the government and the Bangladesh Bank to tackle the economic crisis the country is facing, the finance ministry said in a press release.

Bangladesh's current economic situation, high inflation across the global, increased interest rate, and the Russia-Ukraine war were discussed during the meeting, according to the statement.

Kamal said the size of Bangladesh economy was \$100 billion in 2009 and it grew to \$465 billion to become 35th largest in the world.



Monsio Sayeh

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## Mosharraf's free fall in AL continues

### Removed from JS body helm

STAFF CORRESPONDENT

Former LGRD minister and Awami League MP Khandker Mosharraf Hossain's fall from grace continued yesterday as he was removed from the post of chief of the parliamentary standing committee on the LGRD ministry.

Nurul Islam Nahid, former education minister, was made chairman of the committee.

Chief Whip Noor-e-Alam Chowdhury Liton, on behalf of Leader of the House Sheikh Hasina, placed the proposal in parliament that was passed by a voice vote.

Now in AL, Mosharraf is just a member, and in parliament, an MP.

Following the AL council

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People gather near the site where a twin-engine ATR 72 aircraft crashed while landing in Pokhara, Nepal, yesterday.

PHOTO: REUTERS

## 68 killed in Nepal plane crash

### Kathmandu launches probe to find out cause of accident

AGENCIES

At least 68 people were confirmed dead yesterday after a plane with 72 on board crashed in Nepal, police said, in the Himalayan country's worst aviation disaster in three decades.

Those on board the ATR 72 twin-engine turboprop aircraft that plummeted into a steep gorge, smashed into pieces and burst into flames in the central city of Pokhara included six children, officials told AFP.

The crash is Nepal's deadliest since 1992, the Aviation Safety Network database showed, when a Pakistan International Airlines Airbus A300 crashed into a hillside upon approach to Kathmandu, killing all 167 people on board.

As the light faded late yesterday and soldiers extracted bodies with ropes and stretchers out of the 300-metre-deep (1,000-foot) ravine, there was no word on the fate of the four people still unaccounted for.

"We are actively working to retrieve and identify the bodies as soon as possible and hand (them) over to their families," police official AK Chhetri told AFP at the crash site, which was still smouldering and strewn with aircraft debris, including the mangled remains of wings and passenger seats.

A local official had earlier said that "some survivors" had been taken to hospital, but this was not confirmed by the aircraft's operator Yeti Airlines or other officials.

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