

star

BUSINESS

Motorcycle sales have declined significantly as people are uncertain about buying luxury products amid the recent political changeover and higher inflation

Story on B4



BB hikes policy rate further

STAR BUSINESS REPORT

The Bangladesh Bank (BB) yesterday further hiked the policy rate, a key tool of the monetary policy, as the interim government prioritises cooling off the red-hot prices of essential items.

The policy rate at which commercial banks borrow from the Bangladesh Bank was raised by 50 basis points to 9.50 percent. It will be effective from today.

In May of 2022, the policy rate stood at just 5 percent. It was raised 9 times since, with the last increase coming in the last week of August.

The increase in the policy rate will make bank borrowing costlier, which is expected to compel people to cut back on their spending and curtail demand, subsequently bringing down inflation.

The central bank also hiked the upper limit and lower limit of the policy rate corridor for managing liquidity by commercial banks.

As a result, the interest rate of the standing lending facility (SLF) will rise to 11 percent from 10.50 percent and the standing deposit facility (SDF) to 8 percent

Monetary Policy Committee (MPC) held on August 25.

At that meeting, the MPC outlined the priority list, placing the most focus on controlling inflation, said the official, adding that the Bangladesh Bank will also avoid the new high-powered money issuance for government spending and stop illegitimate liquidity support to Islamic banks.

The committee is optimistic that overall inflation will come down to tolerable levels in the coming months.

The MPC's optimism is based on the downward trend in global commodity prices, recent exchange rate stability and above all, the fine-tuning of BB's policy rate.

In a roundtable yesterday, the central bank governor said the BB would not print any new money or sell any dollars from the country's foreign exchange reserve to resolve problems in the financial sector.

At the roundtable, AK Azad, former president of the Federation of Bangladesh Chambers of Commerce and Industry (FBCCI), urged the governor not to increase the policy rate and interest rate, saying

KEY POINTS

- Indian contractors left Bangladesh following govt ouster
- They were concerned about safety, overall security
- Interim govt says India-funded projects will continue
- Delhi notes work resumption relies on restoring normalcy

Over 50 Indians of contracting and consulting firms left the country after August 5 citing security concerns. So, civil works on our project are halted

Nazneen Ara Keya
Project director of a railway project



PHOTO: PALASH KHAN

RAIL LINE

Construction of Dhaka-Tongi third and fourth rail lines: Tk 3,342cr

Kulaura-Shahbazzpur rail line rehabilitation: Tk 678cr

Conversion of metre gauge into broad gauge for Parbatipur-Kaunia rail line: Tk 1,683cr

Construction of Khulna-Darshana double line: Tk 3,506cr

Construction of Bogura-Sirajganj rail line: Tk 5,579cr

Construction of Khulna-Mongla rail line: Tk 4,225cr

PROJECTS AND COSTS

ROAD

Widening road from Ashuganj river port to Akhaura land port: Tk 5,791cr

Widening road from Cumilla to Brahmanbaria: Tk 7,188cr

KEY POINTS

BB hiked policy rate for second time so far during the tenure of interim govt

Inflation dropped to **10.49%** in August from **11.66%** in July

Controlling inflation remains a top priority for BB

Central bank will not print money for government spending

BB hopes overall inflation will come down soon

Increased policy rate will raise expenses, businesspeople say



from today.

This means banks can lend at a maximum of 11 percent and borrow at a minimum of 8 percent from the interbank money market.

For businesses, the excessive use of policy rate hikes in the battle against inflation could be worrying.

In reaction to the central bank hike, top business leaders said the move would translate to higher production costs, lower competitiveness and fewer new jobs.

The hike comes a day after Bangladesh Bank Governor Ahsan H Mansur announced that the policy rate would be increased this week and once more next month.

"There is no doubt that the monetary policy is already quite tight," the governor said. "Yet, we will increase the policy rate by this week and will do it again next month."

A senior official of the Monetary Policy Department of the central bank told The Daily Star that the central bank hiked the policy rate to 9.50 percent, which was decided at the 5th meeting of the

that such a step would impact businesses adversely and reduce the country's export earnings.

At the programme, Monzur Hossain, research director of the Bangladesh Institute of Development Studies (BIDS), said he did not disagree with the monetary policy stance to control stubbornly high inflation.

He, however, doubted whether it would be possible to reduce inflation, which has been hovering above 10 percent for the past two months, to around 6-7 percent through only monetary tightening.

He said it is important to create scopes for businesses to expand even amid the contractionary monetary regime.

Ashraf Ahmed, president of the Dhaka Chamber of Commerce & Industry (DCCI), said while a policy rate hike may reduce inflation in the short term, it can also reduce credit flow to businesses.

"As a result, entrepreneurs will have to sustain higher interest costs and face difficulty in getting liquidity support, which can lead to higher production costs,

READ MORE ON B3

Banks asked to freeze accounts of former UCB director, family

STAR BUSINESS REPORT

The Bangladesh Financial Intelligence Unit (BFIU) has directed banks in the country to freeze all accounts belonging to Anisuzzaman Chowdhury Ronny, a former director of United Commercial Bank (UCB) and brother of former land minister Saifuzzaman Chowdhury Javed, along with his family members.

As such, the bank accounts of Ronny's wife and daughter will also be frozen.

The BFIU issued the order yesterday, instructing banks to block the accounts for 30 days at first.

Last month, Ronny and other family members of former land minister Saifuzzaman Chowdhury Javed lost their control over UCB as the Bangladesh Bank dissolved the bank's board of directors.

Over the years, Saifuzzaman and his family have exerted influence over various activities at the bank, including loan approvals, according to insiders.

Factory owners accept all 18 demands of RMG workers

STAR BUSINESS REPORT

Garment factory owners in Bangladesh have accepted all 18 of the demands of the workers, such as ensuring provisions for tiffin and night allowances, to tame ongoing unrest in the sector.

Labour and Employment Secretary AHM Shafiquzzaman announced the decision at a press briefing at the labour ministry in Dhaka yesterday. He was joined by four advisers to the interim government, union leaders and leaders of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA).

According to our Savar correspondent, around 55 garment factories in the Ashulia area remained closed yesterday.

Normal operations in the industrial zones are expected to resume on Wednesday as demands have been addressed, Labour and Employment Adviser Asif Mahmud Sajib Bhuiyan said at the briefing.

The arrears in salary will also be cleared, he said, adding that normalcy would be restored to the sector from today.

Home Affairs Adviser Jahangir Alam Chowdhury echoed Bhuiyan's sentiments, urging workers to return to their workplaces.

"I want to see all industrial units operating from tomorrow [Wednesday]. Please do not take the law into your own hands," Chowdhury said at the meeting.

Speaking on behalf of union leaders, Kutub Uddin Ahmed, former secretary general of IndustriALL Bangladesh Council, also urged workers to return to work.



Army personnel are posted outside a shuttered garment unit in the Narasinghpur area of Savar. Industrial belts have been hit hard by unrest as garment workers agitated to have their demands met. The government and factory owners yesterday accepted all of their demands.

PHOTO: AKLAKUR RAHMAN AKASH

He added that different quarters outside the garment sector had been instigating the unrest.

The workers' key demands included implementing the existing minimum wage in all factories and settling all outstanding payments. Additionally, workers sought to raise attendance bonuses by Tk 225, night shift bonuses by Tk 10 and tiffin allowance by Tk 10.

Shafiquzzaman said around 1 to 2 percent of garment factories did not implement the latest wage structure that came into effect in December last year.

He added that the government would also provide support in dense industrial areas under the Trading Corporation of Bangladesh's open market sales programme, allowing workers to

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IMF mission wants workplan on revenue mobilisation, inflation

STAR BUSINESS REPORT

A fact-finding mission of International Monetary Fund (IMF) yesterday sought to know about the interim government's workplan for revenue mobilisation, curbing inflation and increasing foreign exchange reserves alongside reform initiatives for the banking sector.

Arriving in Dhaka yesterday on a weeklong visit, the four-member delegation, led by Mission Chief Chris Papageorgiou, made the query at a meeting with Salehuddin Ahmed, finance and commerce adviser to the interim government.

The mission is to assess Bangladesh's potential financial needs as Ahmed and Bangladesh Bank Governor Ahsan H Mansur had sought an extra \$3 billion loan during separate virtual meetings with the IMF earlier.

The multilateral lender has an ongoing \$4.7 billion loan programme for Bangladesh, which was approved in January last year.

The query highlights the fact that inflation has been at an elevated level for the past two years. Last month, overall inflation stood at 10.49 percent while food inflation was at 11.36 percent.

Meanwhile, revenue collection has dropped by 11 percent year-on-year in the first two months of the current fiscal year of 2024-25.

Moreover, foreign currency reserves have been dwindling over the past two years, having barely enough to cover import payments of a couple of months, which is the IMF's minimum benchmark.

And the scam-hit banking sector is struggling with a huge amount of bad loans and a lack of good governance.

At yesterday's meeting, the IMF mission gave a presentation on their plans centring the visit. It also

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