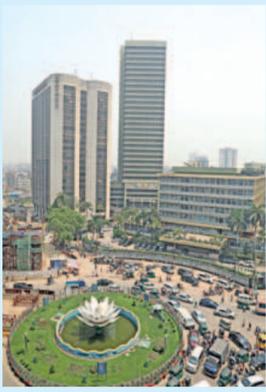




## BB holds policy rate at 10% in tough trade-off: inflation vs growth

Economists support a tight stance as businesses say prolonged contraction has failed to ease price pressure and is weighing on economic activity

### MPS FOR JAN-JUN 2026



#### MAJOR TARGETS



GDP growth: 5%



Average inflation: 7%



Policy rate unchanged at 10%

#### EXPERTS' REACTIONS

Prolonged tight monetary policy will hold back growth: Dhaka chamber

Maintaining policy rate at 10% a prudent choice: PRI economist Ashikur Rahman

Hiking interest rate alone won't rein in inflation: MTB MD Syed Mahbubur Rahman

#### OTHER TARGETS



Standing Lending Facility (SLF) unchanged at 11.5%



Standing Deposit Facility (SDF) lowered from 8% to 7.5%



Private sector credit growth target raised to 8.5%



Public sector credit growth target rose to 21.6%

### HALAL INVESTMENT PROMISING TOMORROW

As per the Shariah Guidelines of Bai Murabaha, Muajjal, Salam, Istisna, Ijarah, HPSM & Ujrah

Home, Auto & Personal Investment

SME & Corporate Investment

Credit Card



Shairah-compliant investment facilities for all your personal or business needs



#### STAR BUSINESS REPORT

The Bangladesh Bank (BB) kept its policy rate unchanged at 10 percent yesterday, citing persistent high inflation ahead of the national election this week.

The policy rate, or repo rate, is a key tool used to influence credit demand and money circulation, aiming to contain demand-driven inflation. The central bank said it would maintain its tight monetary stance throughout the January-to-June period.

In line with this approach, the BB has kept the double-digit policy rate since

October 2024.

Despite this monetary tightening, inflation rose for the third consecutive month, reaching 8.58 percent in January.

Rising food prices ahead of Ramadan, the month of fasting for Muslims when demand for certain food items usually ticks up, contributed to the increase, according to the state statistical agency BBS.

The 12-month average inflation in January stood at 8.66 percent, well above the BB's target of reducing the price pressure below 7 percent.

While unveiling the monetary policy,

BB Governor Ahsan H Mansur said many objectives had been achieved, but inflation remained above target. He highlighted broader economic improvements, especially in governance and stabilising the banking and financial sector.

"However, inflation remains slightly behind target. The goal was to bring it down to around 7 percent, but it is still about 8.5 percent," Mansur said, adding that monetary policy alone cannot achieve all outcomes, and that it must be coordinated with fiscal measures.

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## Reserves cross \$29b under IMF method

### STAR BUSINESS REPORT

Bangladesh's foreign exchange reserves crossed \$29 billion for the first time since the central bank began calculating the stock in line with the International Monetary Fund (IMF) method.

Yesterday, reserves stood at \$29.47 billion, up from \$29.23 billion recorded on February 5, according to Bangladesh Bank (BB).

This is the highest level since July 12, 2023, when the BB started computing reserves under the sixth edition of the IMF's Balance of Payments and International Investment Position Manual (BPM6) — a global framework that reflects readily available reserves to clear import bills and other international obligations.

Thanks to rising remittances and moderated import demand, reserves have been gradually replenishing for more than a year.

The turnaround began after the fall of the Awami League government in August 2024, as remittance inflows increased.

The BB said gross reserves reached \$34.06 billion yesterday, the highest since November 2022. Continued purchases of the greenback also supported the rebound.

Previously, the BB had sold dollars to support the taka's value, but at the start of the current fiscal year, it began buying US dollars from banks to curb depreciation and stabilise the exchange rate.

The central bank reported purchasing \$4.3 billion during this fiscal year from the interbank market through transparent auctions to build reserves.

In its monetary policy for January-June, the BB said it will maintain a focus on exchange rate flexibility, leveraging strong

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## Abandoning reforms will bring people to streets again

Finance adviser warns next govt

### STAR BUSINESS REPORT

The next elected government must continue the ongoing reform agenda in the country's interest, or risk facing public backlash, Finance Adviser Salehuddin Ahmed warned yesterday.

"We, as the interim government, tried to prioritise some reform initiatives. But many things cannot be completed within a short time — they require more time," he said at an event organised by the Policy Research Institute (PRI) of Bangladesh in Dhaka on the reform agenda for the next government.

Warning the next government of potential consequences if reforms are abandoned, the adviser said, "Unless you do this for the country, for the good of the country, people will come back to the streets and pull you down again. You will not be able to get away with deception the way you did before."

"Whatever we started, these are not one-offs. They must continue. You can certainly do more, but you have to choose and prioritise," he also said.

Ahmed urged political leaders not to dismiss reforms simply because they are associated with the International Monetary Fund (IMF) or the World Bank.

"Not all of their prescriptions are bad. Some of them deserve serious attention," he said.

The government undertook reforms based on "the felt needs of the country" and what was "absolutely necessary," Ahmed said, rather than personal preference.

He said the interim government had to address multiple pressing issues, including high inflation, the current account deficit, and the energy crisis. The government also encountered problematic contracts.

"We were shocked to see some contracts — independent contracts, such as those of Adani and Rampal. Astonishing! We were told the High Court would review these contracts," he said.

"They were extremely distorted, and we tried to revise them. We couldn't. It was too complicated," he added.

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## BB plans collateral audits in fraud crackdown

### STAR BUSINESS REPORT

The Bangladesh Bank (BB) plans to take the unprecedented step of directly inspecting properties offered as collateral for loans exceeding Tk 50 crore as Governor Ahsan H Mansur intensifies efforts to root out fraud and restore discipline to the crisis-hit banking sector.

In a move that signals a significant tightening of oversight for high-value exposures, BB will no longer rely solely on commercial banks' internal valuations.

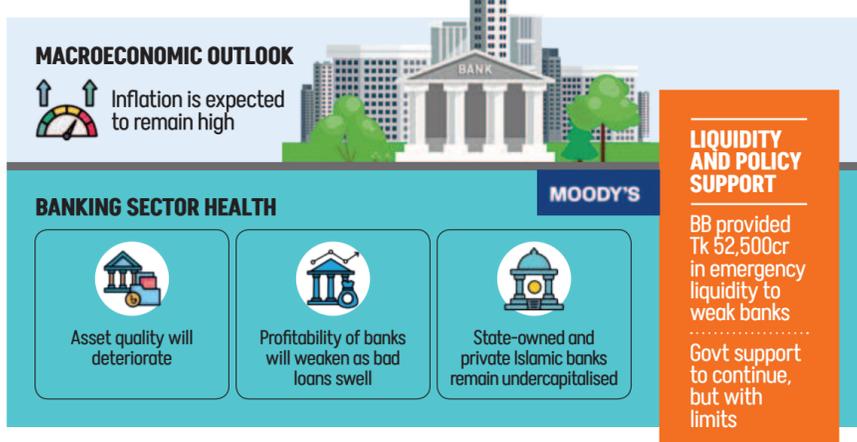
Instead, BB teams will verify the existence and value of lands or properties pledged as security.

The initiative aims to dismantle governance failures in the financial system, where politically connected borrowers have historically secured inflated loans against non-existent or grossly overvalued assets.

"Properties or lands used as collateral will be inspected by a BB team, so that lending can be disciplined," Mansur said at a press conference on monetary policy in Dhaka yesterday. "Those properties must be registered with the BB for scrutiny."

## Moody's maintains negative outlook on banking sector

Report blames persistently weak economic conditions



#### STAR BUSINESS REPORT

Bangladesh's banking sector is facing mounting strains as weak growth, high inflation, and political uncertainty weigh on lenders' balance sheets, said Moody's, a leading global credit ratings and research agency.

In its latest outlook published yesterday, the firm maintained a negative outlook on the

country's banking system as it predicts a challenging operating environment amid below-potential economic growth and a high inflation rate.

Economic growth in Bangladesh is expected to recover only modestly to 5 percent in the current fiscal year 2025-26, up from 4 percent in the previous year, it said.

"Bangladesh's economy will

continue to navigate multiple macroeconomic challenges, including institutional weaknesses and poor governance, as well as a high unemployment rate," Moody's said.

The report said economic recovery will heavily hinge on an orderly transition to a new government following elections slated for the first half of 2026 and

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## Japan EPA to cost Bangladesh Tk 20cr annually

Will unlock export and job opportunities, Bashir says

### STAR BUSINESS REPORT

The newly signed Economic Partnership Agreement (EPA) with Japan will cost Bangladesh less than Tk 20 crore annually in forgone import duties on Japanese goods, while potentially delivering substantial benefits through expanded exports and labour mobility to the world's fifth-largest economy.

The February 6 agreement, signed in Tokyo, creates a heavily asymmetric arrangement that favours Bangladesh, according to a briefing by Commerce Adviser Sk Bashir Uddin held at the commerce ministry office in Dhaka yesterday.

Under the deal, Japan will provide immediate duty-free access to 7,379 Bangladeshi products while Bangladesh will grant the same privilege to just 1,039 Japanese items, a ratio of more than seven to one.

The number of duty-free Japanese products will increase gradually over 18 years. Bangladesh's garment industry, the crown jewel of the export sector, stands to gain significantly from favourable terms that could enhance its competitiveness in the Japanese market.

The agreement permits single-stage transformation, allowing manufacturers to enjoy zero-duty

benefits even when using imported fabrics, Commerce Secretary Mahbubur Rahman said at the conference.

This provision addresses a key constraint for Bangladeshi exporters, who often rely on imported textiles due to limited domestic fabric production capacity.

**Bangladesh's garment industry stands to gain significantly from favourable terms that could enhance its competitiveness in the Japanese market**

The secretary also noted that Bangladesh, being a least developed country (LDC), enjoyed a privilege in some areas in the deal with Japan, a developed nation.

For instance, he said Bangladesh has been given 10 years of relaxation in the intellectual property rights which means Japan will not ask for the patent right of the goods in next 10 years from the date of enforcement of the EPA.

Beyond trade in goods, the EPA creates significant opportunities for Bangladeshi professionals in Japan's ageing, labour-constrained economy.

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