Bangladesh is implementing a new monetary policy shifting to tackle inflation and maintain supply-side interventions. The transition from monetary targeting to an interest-rate-targeting framework sets the policy-interest rate at 6.50 percent, with a symmetric corridor of plus-minus 200 basis points. This ensures stability and aligns with the interbank call-money rate.

The policy rate has increased by 50 basis points to 6.5 percent, and the standing deposit facility (SDF) rate is adjusted to 4.50 percent. These measures aim to limit consumer price impact and foster a competitive banking sector with a market-driven lending rate.

In May, inflation spiked to a staggering 9.94 percent, marking an 11-year record high. Consequently, the average inflation for the current fiscal year stands at 8.95 percent, surpassing the revised target of 7.5 percent by a significant margin. Non-food inflation is pushing the general inflation.

The Bangladesh Bank, the central bank, is poised to unveil the monetary policy for the fiscal year 2023-24 amid daunting economic hurdles. These challenges encompass surging inflation and a dwindling foreign exchange reserve.

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The Bangladesh Bank projects an increase in reserves to $31.5 billion in 2023-24 from the current level of around $30.02 billion (June 2023), which is significantly lower than the $41.44 billion recorded in June of the previous year. Moody’s, a global ratings agency, expects gross foreign exchange reserves to remain below $30 billion for the next few years. A 29% decline in reserves over the past year, driven by higher-than-usual imports and increased global commodity prices, has led to import control measures by the government. This has resulted in supply shortages and price acceleration in the local market, creating challenges for businesses reliant on imports.
Monthly Macroeconomic Overview

**JUNE AT A GLANCE**

- According to the Bangladesh Bank’s latest Monetary Policy Statement (MPS), achieving the 7.5% GDP growth target may be challenging due to high inflation in developed economies and global uncertainties.
- Despite improvements in supply chains and moderated commodity prices, the high inflation and global uncertainties are expected to impact Bangladesh’s economic recovery in the first half of FY24.
- Higher depreciation in Taka against greenback will be eased gradually.

- According to Export Promotion Bureau (EPB) data, the total RMG export for the July-May period of fiscal year 2022-23 has reached $42.63 billion, showing a 10.67% YoY growth. Of this amount, $21.22 billion was exported to the EU market, accounting for 49.78% of the total export.
- The budget for the fiscal year 2023-24 is estimated at Tk7.61 lakh crore, equivalent to 15.2 percent of the GDP.
- This includes allocations of Tk 4.36 lakh crore for operating and other sectors, and Tk 2.63 lakh crore for the Annual Development Programme (ADP).
- Under the monetary policy, the broad money target has been reduced to 9.5% until December 2023, while the domestic credit target has been set at 16.9%, both adjusted from the previous estimations.
- Credit to the public sector has increased to 43%, and credit to the private sector has decreased slightly to 10.9%, compared to the June 2023 estimations.

- The SMART rate, based on the six-month moving average rate of Treasury bills, will be announced monthly on the BB website. Banks and non-bank financial institutions will have different margin rates, with up to 3.00% for banks and up to 5.00% for NBFIs.

- The proposed budget includes a total revenue estimate of Tk 5 lakh crore, with Tk 4.30 lakh crore to be collected through the National Board of Revenue and Tk 70 thousand crore from other sources. Budget deficit of Tk 1.02 lakh crore will be financed from external sources and 1.55 lakh crore from domestic sources.

**The figures on foreign exchange reserve and exchange rate are of June and headline inflation, export, remittances are of May while import and private sector credit growth, are of April. All data have been collected from Statistics Department, Bangladesh Bank.**

Since its inception in 1994, Unnayan Shamannay today stands as a pro-people research and advocacy organization acclaimed nationally as well as internationally. This organization has pioneered research and research-based-advocacy in the fields of pro-poor public expenditure, environment and climate change, sustainable development, financial inclusion, and social innovation.