PBIL Prime Bank Investment Ltd.
Powering Business Solutions
(A Subsidiary of Prime Bank Limited)

Monetary Policy Statement Review H1'FY26 (July-December 2025)

Date: 31.07.2025

Key Highlights of Monetary Policy FY'26

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Inflation Rate

Inflation 8.48%
(FY'2025)
Target Inflation 6.5%

Policy Repo Rate

10%

SDF (Standing Deposit Facility) Rate

8%

SLF (Standing Lending Facility) Rate

11.5%

Broad Money (M2)

7.8% (Dec'25)
8.5% (Jun'26)

Reserve Money (M1)

5% (Dec'25)
8% (Jun'26)

Major Highlights

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- Bangladesh Bank has continued its tight monetary policy for H1FY26 to curb inflation, stabilize the exchange rate, and restore financial stability. The inflation target is set at **6.5%** on average for FY26, with a 6.0% point-to-point goal by June 2026.
- Inflation showed a declining trend, with headline inflation dropping from **11.66%** in July 2024 to **8.48%** in June 2025, supported by tight monetary policy and supply-side measures. Food inflation fell sharply to 7.39% in June 2025 from **14.10%** in July 2024, while non-food inflation remained stable at **9.37%.**
- The policy rate remains at **10.0%**, while Standing Lending Facility (SLF) and Standing Deposit Facility (SDF) rates are **11.5%** (unchanged) and **8.0%** (reduced), respectively.
- Real GDP growth in FY25 was subdued at **3.97%**, falling short of the 6.75% target, due to floods, political instability, and weak private investment.
- Private sector credit growth and reserve money is targeted at **8%**, while broad money growth is projected to be at **8.5%.**

Major Highlights

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- A major reform is the adoption of a crawling peg exchange rate regime in May 2025, enhancing market flexibility and reducing volatility. publishing reference rates twice daily to improve transparency and guide the interbank forex market.
- Interest rates are now guided by a market-based reference rate, replacing SMART to improve monetary transmission.
- FX reserves improved to USD 26.7 billion in June 2025, driven by record remittance inflows (USD 30.3 billion), a BoP surplus of USD 3.29 billion, and strong export performance (8.6% growth) compared to a USD 4.3 billion deficit in FY24, supported by strong remittances and export growth.
- Banking sector reforms continue, with stricter NPL classification, rollout of risk-based supervision from January 2026, and a roadmap to implement IFRS 9 by 2027. To ease liquidity stress, particularly in Islamic banks, BB provided over BDT 1.2 trillion in support through repo, special facilities, and guarantees, raising excess liquidity to BDT 2.35 trillion by May 2025.
- Governance reforms include dissolving 15 bank boards, issuing new limits on related-party lending, and launching asset recovery efforts through inter-agency coordination. Financial inclusion is being promoted through digital microcredit and green sukuk investments, school banking, and support for a cashless economy.

Major Highlights

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- Structural reforms in the banking sector have been accelerated. Bangladesh Bank has established three specialized task forces: one to strengthen banking regulation (BSR-TF), another to restructure the central bank's governance, and a third to lead asset recovery and investigate financial crimes. In this context, the central bank has signed a Memorandum of Understanding with the UK Foreign, Commonwealth & Development Office to receive technical assistance from Deloitte.
- An Asset Quality Review is underway, and a draft Bank Resolution Ordinance 2025 has been prepared. Risk-based supervision will start in January 2026 to improve oversight.
- Weighted average nominal lending rates rose to 12.11% (May 2025), while weighted average nominal deposit rates increased to 6.29%, reflecting tighter monetary conditions
- The Nominal Effective Exchange Rate which Measures BDT's value against trade partners' currencies; depreciated by 7.31% in FY25.

H1FY26 MPS reflects BB's commitment to stabilizing the economy through a tight monetary policy, a flexible exchange rate regime, and comprehensive banking sector reforms, while closely monitoring domestic and global risks.

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Interest Rate Structure of the Banking Sector (%)

Category	FY23(Jun-23)	FY24 (Jun-24)	FY25 (May-24)
Advance Rate (%)			
Large Industries	7.23	11.58	12.46
SME	6.99	11.80	12.54
Agricultural Credit	7.48	11.48	12.03
Deposit Rate (%)			
Less than one year (FDR)	6.56	8.72	9.59
1 to 3 years (FDR)	6.71	8.39	9.88
3 year and above (FDR & DPS)	7.62	8.60	9.18

Revised Monetary and Credit Projections for FY26

YOY%

Particulars	Actual			Projection	
	Jun-24	Dec-24	Jun-25	Dec-25	Jun-26
Broad money	7.7	7.6	7.0	7.8	8.5
Net Foreign Assets	-17.4	-15.7	4.5	28.3	21.8
Net Domestic Assets	13.8	12.1	7.4	4.8	6.2
Domestic Credit	10.0	9.4	8.0	10.0	10.3
Credit to the public sector	10.5	18.1	13.6	20.4	18.1
Credit to the private sector	9.8	7.3	6.4	7.2	8.0
Reserve money	7.9	7.3	-0.1	5.0	8.0
Money Multiplier	4.92	5.15	5.27	5.28	5.30

Sources: Bangladesh Bank

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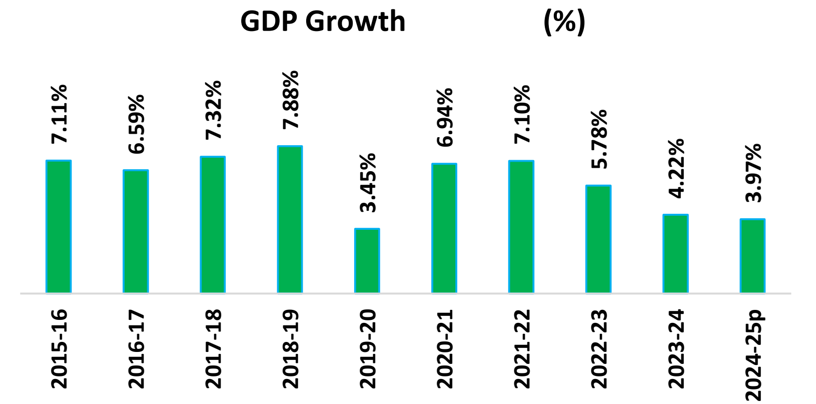
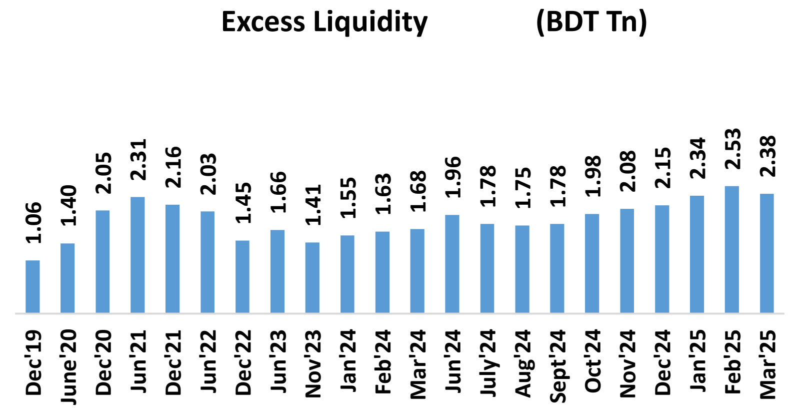
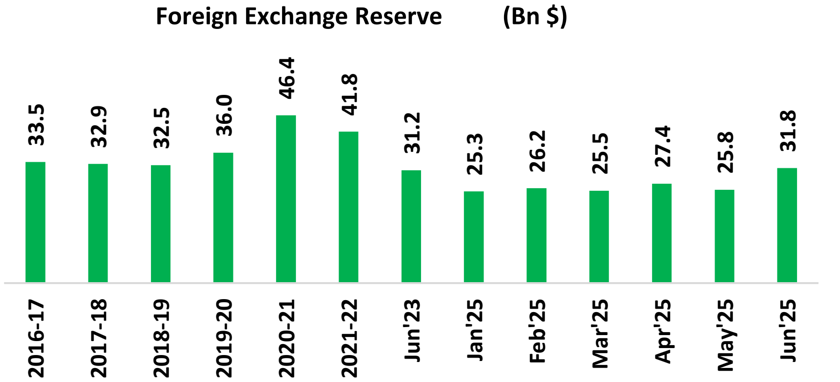
GDP Growth (%)



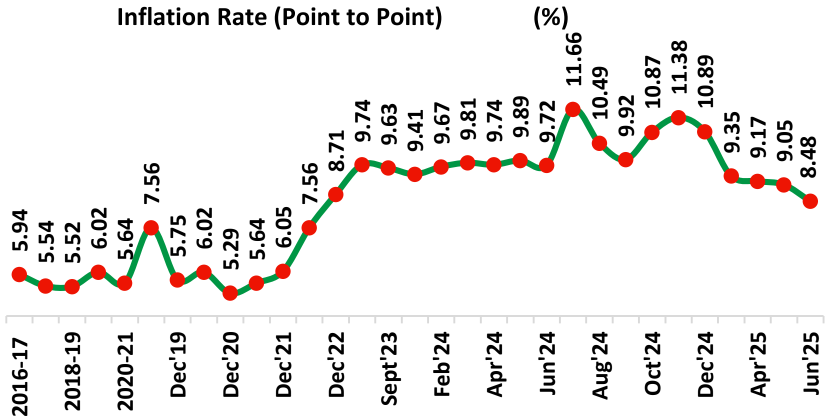
Liquidity Surplus (BDT tn)



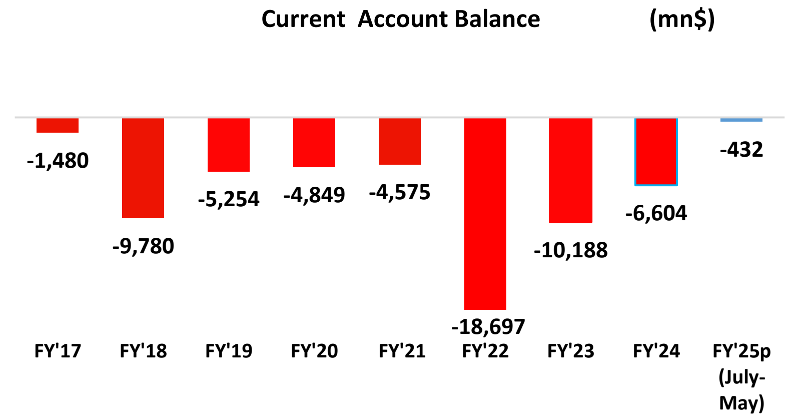
Foreign Exchange Reserve (bn $)



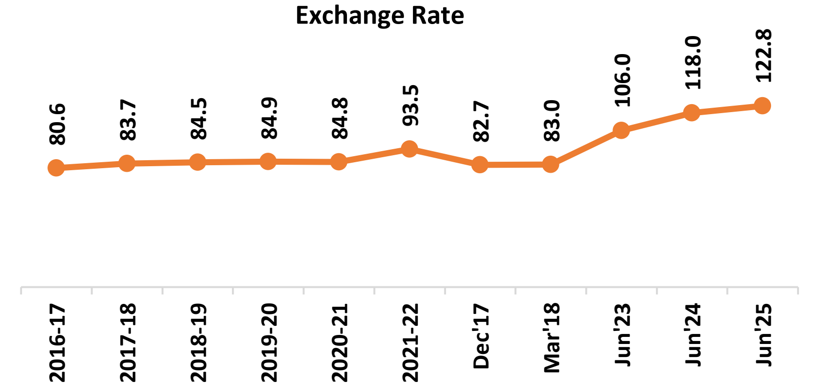
Inflation Rate (Point to Point) (%)



Current Account Balance (mn $)

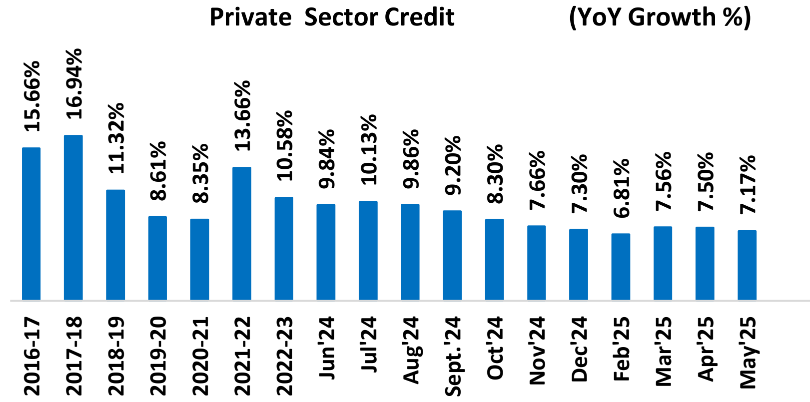


Exchange Rate BDT/USD

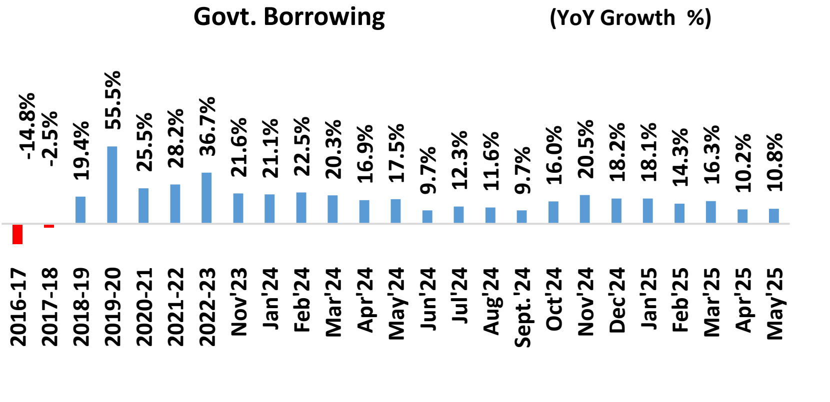


Sources: Bangladesh Bank

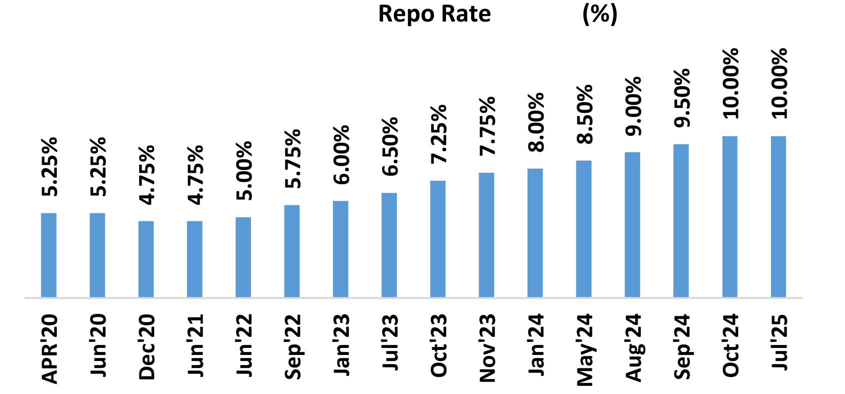
Private Sector Credit Growth (YoY Growth %)



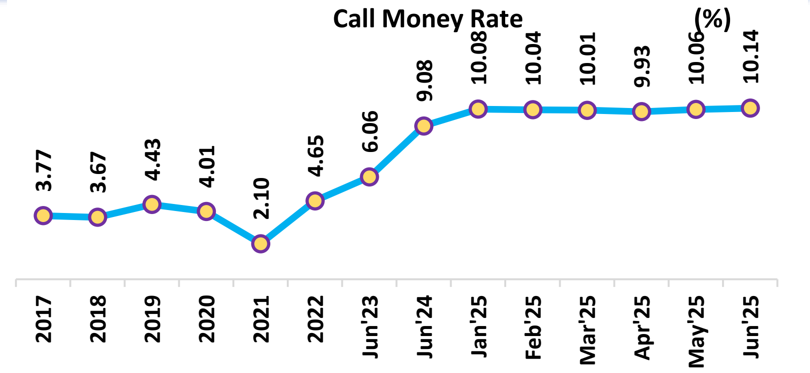
Government Borrowing (YoY Growth %)



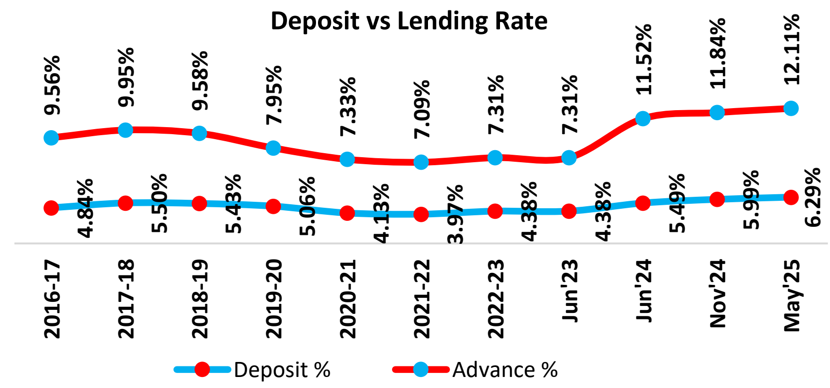
Repo Rate (%)



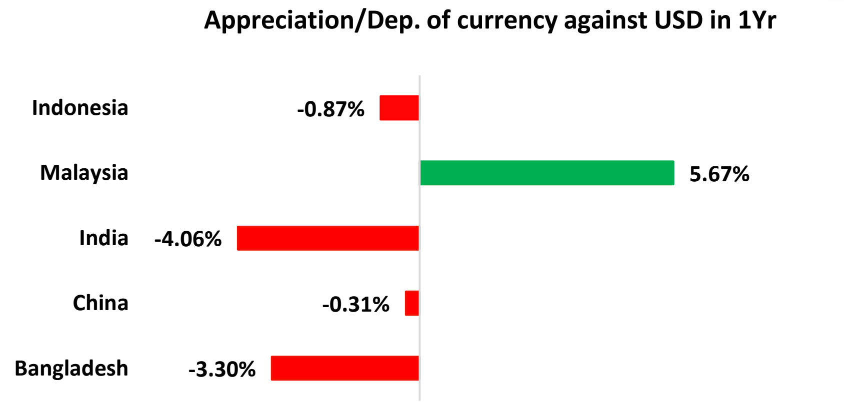
Call Money Rate (%)



Deposit vs Lending Rate



Appreciation - Depreciation of Domestic Currency vs USD



Sources: Bangladesh Bank

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