

Monetary Policy 'Can't Tackle Inflation'

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Inflation is more likely to reach at least 7.5 percent, pushing the prices up, he warned.

"In terms of macro-economic scenario the monetary policy is non-committal."

The discussion meant to get feedback on the monetary policy announced for the second half of the year was organised by private think-tank Policy Research Institute (PRI).

Mirza Azizul came down hard on the monetary policy statement published by the Bangladesh Bank saying it was a "hard document to decipher".

According to him, only one and half pages of the 10-page document throw light on the policy that regulates the money supply and interest rates by the central bank.

"The rest of it is only about future plans and what they had done earlier."

The keynote paper presented at the discussion by PRI's Ahsan Mansur echoed Mirza Azizul on the price issue.

"Government wage bill will also be sharply higher due to the general increase in public sector salaries, which in turn will push up the price level."

Mansur, a former IMF staff, however, said the monetary policy would give a guideline for the financial sector.

Former central bank governor Salehuddin Ahmed observed that cutting interest rate [of saving instruments] would lead to more consumption and lower investment.

Generally, lower investment leads to lower production, thus driving the prices up.

Discussants also criticised the policy to borrow from the banks for public sector as it will limit the private sector's credit flow.

"It will squeeze opportunity of loans for SMEs," said business leader Abdul Hai Sarker.

The large-scale entrepreneurs can always turn to the capital market but the SMEs will be "waiting at the backdoor", according to the president of the Bangladesh Textile Mills Association.

Defending the monetary policy, Bangladesh Bank's senior consultant Allah Malik Kazmi said they were aware of their limitations.

"We want to go in favour of growth, even in the cost of inflation." He added that there was not much to do in an open economy.

Governor Atiur Rahman assured the discussants that the central bank would make sure that funds go to the appropriate sector.

"The private sector does not need to worry about investment, we will take pragmatic steps," Rahman responded to the discussion's concern over private sector credit flow.

The Bangladesh Bank is strictly monitoring how the disbursed loans are utilised, he added.

Source: bdnews24.com