

Bangladesh must boost investment to avoid economic crisis: Analysts

UNB- The country risks plunging into an economic crisis in the coming days if the government fails to accelerate public and private investments within the shortest possible time, analysts have warned.

According to Planning Adviser Dr Wahiduddin Mahmud, private investment remains stagnant in the country.

“At present the stagnant situation of private investment is going on, this is due to instability and political insecurity and indiscipline,” he said recently during a briefing on ECNEC meeting.

According to sources in the Planning and Finance Ministry, the country is now facing challenging times in sustaining production in the private sector.

Already RMG and other factories in the private sector have faced serious instability and disruption of production due to various types of movement including labour movement.

“There is no interest at all (from the private investors) in investment in the private sector,” the planning adviser had told the briefing.

Meanwhile, the accelerating interest rate on bank lending caused another trouble for the economy as this acceleration put barriers for the private investors to take loans from the banks.

“As a result, the investors are not showing interest in going for new investments,” Wahiduddin said.

Bangladesh Bank on October 22 hiked the policy or repo rate further by 50 basis points to 10 percent in its efforts to rein in inflation, which has been stubbornly high for the last two years. Banks borrow from the central bank at the repo rate. The latest hike comes in less than a month after the BB increased the repo rate to 9.50 percent from the previous 9 percent.

The general point-to-point inflation rate in Bangladesh rose in November reaching 11.38 percent, up from 10.87 percent in October 2024. This rate is the highest in the last four months.

According to the latest data from the Bangladesh Bureau of Statistics (BBS), the increase was driven by a rise in food inflation, which jumped to 13.80 percent from 12.66 percent.

Meanwhile, non-food inflation showed a slight rise of 9.39 percent from 9.34 percent in November.

The general point-to-point inflation rate both in urban and rural areas also increased last month.

The point-to-point inflation in rural areas in November was 11.53 percent which was 11.26 percent in October. The food inflation in the rural areas was 13.41 percent in November from 12.75 percent in October while the non-food item was 9.72 percent in November from 9.72 percent in October.

On the other hand, the point-to-point inflation rate in urban areas in November was 11.37 percent which was 10.44 percent in October. The food inflation in November was 14.63 percent which was 12.53 percent in October while the non-food item in November was 9.31 percent which was 9.06 in October.

The wage rate index in November was 8.10 percent which was 8.07 percent in October 2024.

On the other hand, the review meeting of the Bangladesh Bank

(BB) monetary policy committee (MPC) has decided not to increase the policy interest rate for the time being.

The committee acknowledged that although inflation remains elevated, the monetary policy stance is on the right track and there is no immediate need to raise the policy rate further.

The MPC assessed the current macroeconomic situation, challenges, and outlook from domestic and global perspectives.

Moreover, the MPC focused on reviewing the current inflation trend and outlook, economic activities and growth prospects, recent financial market developments, and developments in the external sector.

Specifically, the MPC extensively reviewed the overall banking sector's liquidity situation, particularly the cash flow shortage of some conventional as well as Islamic banks, interest rate trends, the foreign exchange reserve position, and exchange rate developments.

The committee anticipates that inflation will likely decrease due to the downward trend in the global price outlook, moderation in geopolitical tensions, the stability in our exchange rate, the expected good harvest of Aman paddy, and the increasing supply of winter season vegetables.

Meanwhile, Bangladesh Bank (BB) has fixed the maximum interest rate on credit cards at 25 percent from 20 percent after banks insisted the central bank raise the rate to recover operation costs.

According to the BB, banks will be able to charge a maximum interest of 25 percent from credit card customers. So far, the maximum interest limit was 20 percent.

The planning ministry officials apprehended that as the private investment is remaining stalled and public investment

is experiencing lowest ever, the economy of the country might go through a tough time in the coming days,

“If the public expenditure does not improve also then there would be an economic recession in the country,” the planning adviser had said in the briefing.

During the first four months of the current fiscal year, from July to October, the ADP implementation rate stood at only around 8%, the lowest figure in recent years, according to the Implementation Monitoring and Evaluation Division (IMED) of the Planning Ministry.

Its data highlights that, in contrast, the same period last year saw an execution rate of 11.54%.

Specifically, for the period from July to October of the current fiscal year, the government managed to implement development projects worth Tk 21,978 crore, according to the IMED.

Finance Ministry sources said that as the stagnant situation is on and the inflation is increasing, employment generation will suffer whether the economy does not see any expansion in the coming days.

They mentioned that middle income group and lower middle income group are experiencing the worst of this inflation.

The planning commission officials hoped that while stability will come in the economy, the private investors will step forward with their investments.