

Monetary Policy Statement (MPS) Q2'FY27: Key Highlights

Bangladesh Bank has kept the policy repo rate unchanged at 9.50%, with the Standing Lending Facility (SLF) at 11.00% and the Standing Deposit Facility (SDF) at 7.50%, following the 50-bps rate cut in July. The decision reflects a balancing act: while economic activity remains weak, the recent fuel-price adjustment, elevated global energy prices, and potential impact from new pay scale implementation have **raised near-term inflation risks**.

This marks BB's first quarterly MPS, following the Monetary Policy Committee's July 30 decision to move to quarterly publication.

Inflation Improves, But Disinflation Looks Harder

Headline inflation eased to 8.26% in Aug'26 from 9.16% in Jun'26, which BB has attributed largely to softer food prices. Food inflation fell to 7.02%, while non-food inflation remained elevated at 9.32%. BB cautions that the late-September fuel-price increase **could interrupt the recent disinflation trend** through higher transport and production costs, while wage adjustments could add demand-side pressure. BB has also highlighted that survey evidence indicates inflation expectations have risen.

Lower Rates are Transmitting to Markets, Not Yet to the Economy

Following the July policy-rate cut, the interbank money market rate dropped below the policy rate and simultaneously government security yields declined as **system liquidity increased**. However, private-sector credit growth remained only 4.75% in Aug'26, suggesting that liquidity availability has yet to revive credit demand or bank risk appetite. Banks continue to hold more government securities amid subdued investment demand, stressed borrowers, and impaired balance sheets of several banks.

Broad money growth stood at 12.40% in Aug'26, driven by higher net government credit and stronger net foreign assets. The increase in government borrowing from the banks indicates weak revenue mobilization and significant fiscal financing needs.

Growth Remains on the Weaker Side

BB sees the economy operating below potential, with subdued PMI, soft capital-goods demand, and weak private credit pointing to cautious business sentiment. BB has highlighted that the firms appear to be **delaying expansion** amid high financing costs, energy shortages, infrastructure bottlenecks, and uncertainty surrounding domestic and external demand.

BB and the government have introduced a **BDT 600 Bn stimulus package**, expected to support recovery, however also highlights implementation delays, weak bank balance sheets, and high borrower indebtedness could constrain its effectiveness. The World Bank forecasts FY27 GDP growth at 4.60%, while the IMF has reduced its forecast to 3.50% from 4.30%.

External Stability Remains Supportive For Now

FY26 closed with a USD 6.60 Bn overall BoP surplus, supporting FX reserves and exchange-rate stability. However, the overall BoP moved into deficit in 2MFY27 as the financial account weakened. **Remittances** remain the main support, growing 18.9% in 2MFY27, while higher fuel, LNG and fertilizer prices have raised the **import bill**.

Our Read

The Q2FY27 MPS reads as a **wait-and-assess** policy. Renewed inflation risks reduce the scope for further near-term easing, while weak private credit and a widening output gap also weaken the case for renewed tightening.



Click here to access
Q2'FY27 MPS

Despite ample liquidity and softer money-market and government-security rates, private credit remains weak. A recovery in private credit demand now relies increasingly on **borrower confidence**, overall bank sector capacity, energy availability, and lower government borrowing demand. BB similarly stresses on **strengthening monetary transmission** through restoring bank solvency, governance, and credit discipline, while preserving external stability through **exchange rate flexibility**.

IMPORTANT DISCLOSURES

Analyst Certification: Each research analyst and research associate who authored this document and whose name appears herein certifies that the recommendations and opinions expressed in the research report accurately reflect their personal views about any and all of the securities or issuers discussed therein that are within the coverage universe.

Disclaimer: Estimates and projections herein are our own and are based on assumptions that we believe to be reasonable. Information presented herein, while obtained from sources we believe to be reliable, is not guaranteed either as to accuracy or completeness. Neither the information nor any opinion expressed herein constitutes a solicitation of the purchase or sale of any security. As it acts for public companies from time to time, BRAC-EPL may have a relationship with the above-mentioned company(s). This report is intended for distribution in only those jurisdictions in which BRAC-EPL is registered and any distribution outside those jurisdictions is strictly prohibited.

Compensation of Analysts: The compensation of research analysts is intended to reflect the value of the services they provide to the clients of BRAC-EPL. As with most other employees, the compensation of research analysts is impacted by the overall profitability of the firm, which may include revenues from corporate finance activities of the firm's Corporate Finance department. However, Research analysts' compensation is not directly related to specific corporate finance transaction.

General Risk Factors: BRAC-EPL will conduct a comprehensive risk assessment for each company under coverage at the time of initiating research coverage and also revisit this assessment when subsequent update reports are published or material company events occur. Following are some general risks that can impact future operational and financial performance: (1) Industry fundamentals with respect to customer demand or product / service pricing could change expected revenues and earnings; (2) Issues relating to major competitors or market shares or new product expectations could change investor attitudes; (3) Unforeseen developments with respect to the management, financial condition or accounting policies alter the prospective valuation; or (4) Interest rates, currency or major segments of the economy could alter investor confidence and investment prospects.

AI Usage and Verification: We use AI tools to assist with certain cases of data processing and drafting; however, all inputs, analyses, and outputs are reviewed, verified, and approved by qualified BRAC-EPL research analysts before publication. Where AI assistance is material, sections may be marked "AI-assisted." All published views, ratings, targets, and estimates are human-generated, fact checked against source data and documented under our internal audit controls. AI tools are used in compliance with our data governance and research-independence policies.

BRAC EPL Stock Brokerage Limited Research

Salim Afzal Shawon, CFA	Head of Research	salim@bracepl.com	01708 805 221
Fahim Hassan	Research Analyst	fahim.hassan@bracepl.com	01709 636 546
Hossain Zaman Towhidi Khan	Research Analyst	hztowhidi.khan@bracepl.com	01708 805 224
Foyisal Ahmed, CFA	Research Analyst	foysal.ahmed@bracepl.com	01708 805 201
S M Toufique Imran	Research Analyst	smtoufique.imran@bracepl.com	01708 805 228
Tasviha Taher Trishila	Research Associate	tasviha.trishila@bracepl.com	01730 701 733

International Trade and Sales

Kumares Saha	CEO (Acting)	kumares@bracepl.com
--------------	--------------	--

FOR SERVICE RELATED QUERIES, REACH OUT TO

 care@bracepl.com

 Call 16285

 Research  Analytics  Advisory