

Bangladesh Bank Interest Rates Report 2024-2025

Executive Summary

This report provides a comprehensive overview of interest rates in Bangladesh's banking sector based on recent data from Bangladesh Bank and other official sources. The analysis covers key interest rate indicators, policy changes, and market trends as of July 2025.

Key Findings

Current Interest Rate Environment

- **Deposit Interest Rate (March 2025):** 6.17% (increased from 6.14% in previous month)
- **Lending Interest Rate (2023):** 7.57% according to World Bank data
- **Interest Rate Spread:** 1.05% (2023 World Bank data), though recent local reports indicate spread reaching 6.03%
- **Policy Rate:** Expected to be around 9.50% following recent adjustments

Recent Policy Changes

- **Reverse Repo Rate Cut:** Bangladesh Bank reduced the standing deposit facility rate by 50 basis points to 8% (as of July 2025)
- **Policy Rate Adjustments:** The central bank implemented rate hikes in 2024 to combat inflation

Detailed Analysis

1. Deposit Interest Rates

Current Trends:

- Bank deposit interest rates have shown an upward trajectory in 2025
- The deposit rate increased to 6.17% in March 2025, continuing the rising trend
- Historical average from January 2015 to March 2025: 5.64%

2024 Performance:

- Deposit interest rates increased significantly to 8.53% in 2024 from 6.52% in 2023
- This represents a substantial 2.01 percentage point increase year-over-year

2. Lending Interest Rates

Current Status:

- Lending rates remain relatively stable at 7.57% (2023 data)
- Banks continue to maintain lending spreads over deposit rates

Sector-Specific Rates:

- Agricultural and agro-based industries: 7% under special refinance schemes
- Special education deposit schemes: Up to 9.25% for certain products

3. Government Securities and Long-term Rates

Treasury Bonds:

- 10-year Bangladesh Government Treasury Bond yield: 12.06% (January 2025)
- This represents a slight decrease from 12.41% in the previous month
- Long-term rates reached an all-time high of 12.59% in June 2024

4. Policy Rate Environment

Recent Adjustments:

- The central bank's policy rate is expected to reach 9.50% following incremental increases
- Rate hikes implemented in phases to combat inflationary pressures
- Standing deposit facility rate reduced by 50 basis points to 8% in July 2025

5. Interest Rate Spread Analysis

Market Dynamics:

- Interest rate spread between lending and deposit rates shows varying measurements
- World Bank data indicates a spread of 1.05% for 2023
- Local reports suggest the spread reached 6.03% in September 2024, the highest in two decades
- This wide spread indicates significant profit margins for banks

Market Implications

For Depositors

- Rising deposit rates provide better returns for savers
- Term deposits and fixed deposits offer competitive rates
- Special schemes like children's education deposits provide higher returns (9.25%)

For Borrowers

- Lending rates remain relatively stable but may face upward pressure
- Specialized sectors like agriculture benefit from subsidized rates
- Interest rate environment suggests cautious monetary policy

For Banks

- Wide interest rate spreads indicate healthy profitability
- Banks are benefiting from the rate differential
- Regulatory oversight continues to monitor spread levels

Regulatory Framework

Bangladesh Bank's Role:

- Continues to use interest rate policy as a tool for economic management
- Implements rate adjustments to balance inflation control and economic growth
- Maintains oversight of banking sector interest rate practices

Recent Circulars:

- BRPD Circular Letter No-10 dated May 08, 2024 provides current guidelines
- Various refinance schemes maintain lower rates for priority sectors

Outlook and Recommendations

Short-term Outlook

- Interest rates likely to remain elevated due to inflationary pressures
- Deposit rates may continue gradual increases
- Policy rate adjustments expected to continue based on economic conditions

Long-term Considerations

- Interest rate normalization expected as inflation pressures ease
- Continued focus on supporting priority sectors through subsidized rates
- Regulatory attention to interest rate spreads and banking sector profitability

Conclusion

Bangladesh's banking sector interest rates reflect a tightening monetary policy environment aimed at controlling inflation while supporting economic growth. The current rate structure shows:

1. **Rising deposit rates** benefiting savers
2. **Stable lending rates** with sector-specific variations
3. **Wide interest rate spreads** indicating strong bank profitability
4. **Active monetary policy** with regular rate adjustments

The banking sector continues to adapt to changing economic conditions while maintaining support for priority sectors and managing inflationary pressures through coordinated interest rate policies.

Sources:

- Bangladesh Bank Official Data
- World Bank Development Indicators
- The Daily Star Business Reports
- CEIC Economic Data
- Trading Economics Database
- Individual Bank Publications (Mutual Trust Bank, Mercantile Bank)

Report Date: July 19, 2025 **Data Coverage:** 2023-2025 (Latest Available)

This report is compiled from publicly available sources and official government data. Interest rates are subject to change based on monetary policy decisions and market conditions.