Alliance Capital Asset Management Limited

Monetary Policy Highlights

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sustainable growth with sound price level

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Key Policy Figures	%
Repo rate	6.0
Reverse Repo rate	4.75
Domestic Credit Growth	15.9
Broad Money Growth (M2)	10.2
Reserve Money Growth	8.0
Public Sector Credit Growth	8.6
Private Sector Credit Growth	16.8

Source : Bangladesh Bank, ACAML Research

MPS Summary

⇒ For facilitating sustainable growth, along with a stable price level, growth ceiling for private sector credit, domestic credit & broad money are set at 16.8%, 15.9%, 12% respectively.

⇒ Broad money (M2) growth target is set 10.2% (ceiling 12%), down from 13.3% target in 2nd half of 2017-18, which may help to keep inflationary risk concerns under control.

⇒ Repo rate will be maintained at 6%, after the reduction by 75 basis points since the last MPS and Reverse repo to be maintained at 4.75%.

⇒ Growth projection for public sector bank borrowing is 8.5%, which is expected to provide a sound space for private sector credit to grow within the target of 16.8%.

⇒ A move towards market-rate linked National Savings Certificate pricing mechanism, reduction in NPLs and persuading corporates for increasing engagement in Capital market stays in top priority for improving monetary transmission mechanism, financial stability and development of capital markets.

(Y-O-Y growth in %)

Key Monetary Aggregates	Actual								Program	
Particulars	FY11	FY12	FY13	FY14	FY 15	FY 16	FY 17	FY 18	Dec-18	Jun-19
Net foreign assets	6.2	7.8	50.1	40.3	21.2	21.7	11.5	-4.3	-1.2	-1.6
Net domestic assets	24.7	19.2	11.1	10.6	9.9	11.6	10.6	14.0	14.0	16.2
Domestic credit	27.5	19.2	10.9	11.6	10.1	13.2	11.2	14.6	15.9	15.9
Credit to public sector	34.6	17.4	11.1	8.8	-2.5	-2.4	-13.0	-2.5	8.6	8.5
Credit to private sector	25.8	19.7	10.8	12.3	13.2	16.4	15.7	17.0	16.8	16.8
Money supply (M2)	21.4	17.4	16.7	16.1	12.4	14	10.9	9.2	10.2	12
Reserve money	21.1	9.0	15.0	15.4	14.3	20.9	16.3	4.0	8.0	7.0

Remarks: In the observation of ACAML Research, Monetary Policy Statement (MPS) seems to be "neutral" for both Bangladesh economy and capital market. Overall growth targets set for the monetary program of H1 of 2019 seems sufficient to achieve a real GDP growth up to 7.8 percent, while keeping inflationary risk concerns under control; average annual CPI inflation upto 5.8 percent. Though Broad money(M2) growth target is set 10.2 percent, down from 13.3 percent target (actual 9.2%) in H2 2018, reduction in CRR by 1 percent and repo rate by 75 basis points will along with increased deposit by public agencies in private banks will help to maintain a sound liquidity condition.