

### Monthly Macro Update

Price Level	Mar'18	Mar'19
P2P General Inflation	5.68%	5.55%
P2P Food Inflation	7.09%	5.72%
P2P Non-Food Inflation	3.52%	5.29%
Monetary Aggregates and Credit	Mar'18	Mar'19
Broad Money Growth	9.25%	10.86%
Domestic Credit Growth	14.07%	13.70%
Public Sector Credit Growth	-12.97%	25.65%
Private Sector Credit Growth	17.98%	12.42%
Interest Rates	Mar'18	Mar'19
Repo Rate	6.75%	6.00%
Reverse Repo Rate	4.75%	4.75%
Monthly Average Call Money Rate (May'19)	2.96%	4.53%
Weighted Average Deposit Rate	5.30%	5.35%
Weighted Average Lending Rate	9.70%	9.50%
Interest Rate Spread	4.40%	4.15%
Fixed Deposit Rate (Apr'19)	10.95%	7.10%
External Sector	Mar'18	Mar'19
Export (USD mn) (Apr'19)	2,955	3,034
Growth (YoY)	6.45%	2.69%
Growth (MoM)	-3.24%	-9.16%
Remittance (USD mn) (Apr'19)	1,327	1,434
Growth (YoY)	21.47%	8.05%
Growth (MoM)	2.05%	-1.69%
Import (USD mn)	4,753	4,993
Growth (YoY)	29.85%	-13.22%
Growth (MoM)	26.81%	30.16%
Foreign Exchange Reserve (USD bn) (May'19)	32.35	31.17
Exchange Rate (BDT) (May'19)	82.98	84.50
Balance of Payments	Jul'17-Mar'18	Jul'18-Mar'19
Trade Balance (USD mn)	(13,202)	(11,928)
Current Account Balance (USD mn)	(7,083)	(4,234)
Balance of Payments (USD mn)	(1,409)	(329)

Liquidity scenario remained unchanged as excess liquidity stood at 34.98% of required liquid asset as on March 2019 compared to 34.89% as on February 2019. Bangladesh Bank (BB) continues to mop up money from market by selling USD to arrest depreciation of BDT. Since July 2018, Bangladesh Bank sold USD 2.24bn to private commercial banks.

Following the ongoing liquidity crunch, private sector credit growth dipped further to 12.42%, lowest since October 2015. Ratio of private sector credit to broad money reached highest in last 7 years. Moreover, deadline for adjusting Advance-Deposit ratio (ADR) is on the brink which would push most of the banks to cut back on lending and hunt for deposits. Revised deadline for bringing ADR to within the limit of 83.5% for conventional banks and 89.0% for Shariah-based banks is on 30 September 2019. As on December 2018, ADR of private commercial banks stood at 85.9% which exceeded the revised limit. In such scenario, upward pressure on interest rate would continue. However, we observed that median fixed deposit interest rate slid 50 bps to 7.10% in April 2019 compared to 7.60% in March 2019. We anticipate that interest rate would revert back to upward trend running up to the deadline for maintaining ADR within the revised limit. Government borrowing from banks has been scaling up. Public sector credit growth increased 25.7% in March 2019 from 24.8% in February 2019.

Current account balance has squeezed further during Jul'18-Mar'19 at USD 4.23bn compared to USD 7.08bn during the same period of previous year. Import posted de-growth further on YoY basis by 13.2% in March 2019. However, import increased by 30.16% compared to previous month. We anticipate pressure on import would increase as we observe import of petroleum products is scaling up due to demand for fuel oil for recently commissioned power plants. Currently, 45 HFO based power plants are operating in the country out of total 129 power plants. Meanwhile, BB doubled the deferred payment period for import of raw materials only for power generating enterprises. Under the relaxation, importers are now allowed up to 360 days instead of 180 days to settle the deferred payment for import of raw materials for power generation. Such relaxation would relieve some pressure on foreign reserve on short term basis. Accumulative payment pressure would go up when the payments would be due. Meanwhile, we observe subdued growth in export and remittance. Since BB intends to continue their sale of USD to prop up depreciation of BDT, Bangladesh may lose competitiveness in the export market. We anticipate that liquidity scenario would continue to remain tight.

Source: Bangladesh Bank & UCBCML Research

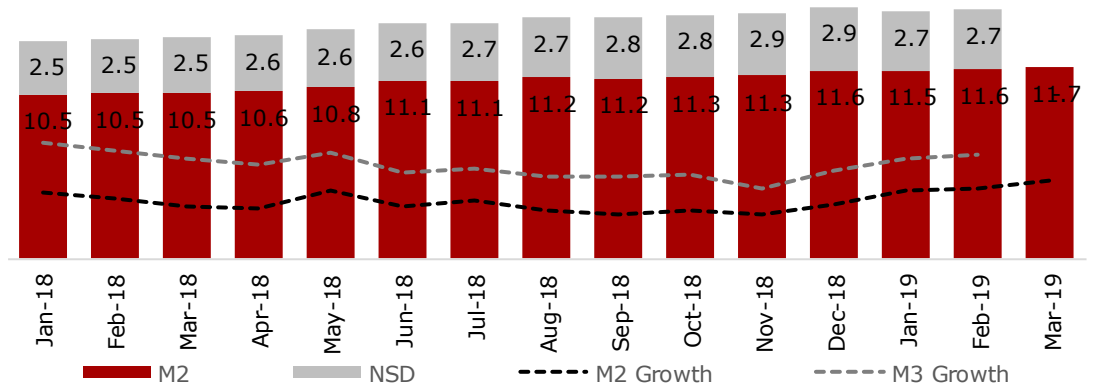
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### Capital Market Implication

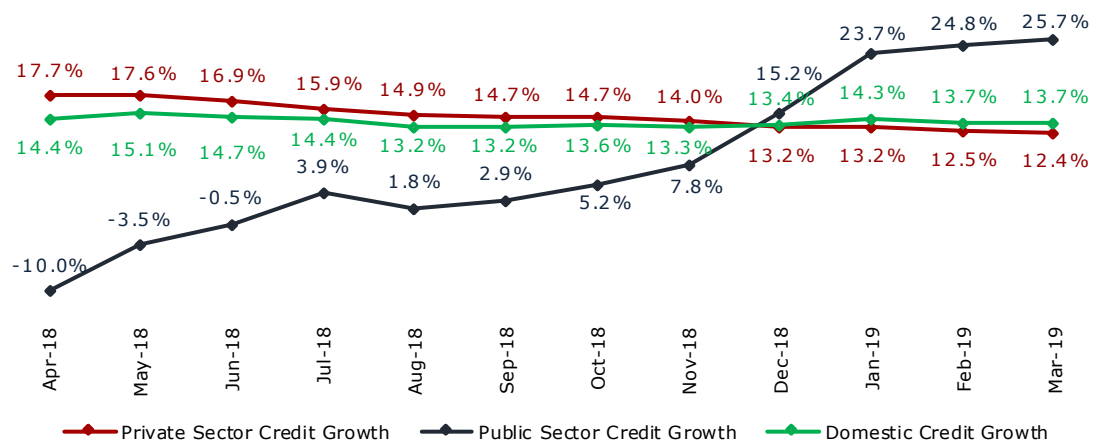
Upward pressure on interest rate, declining growth in private sector credit, and dearth of liquidity would continue to affect capital market with low turnover. Moreover, listed companies who are significantly levered and subject to high working capital requirement would continue to face challenges.

Broad Money (M2 & M3) (BDT Tn), and their Respective Growth



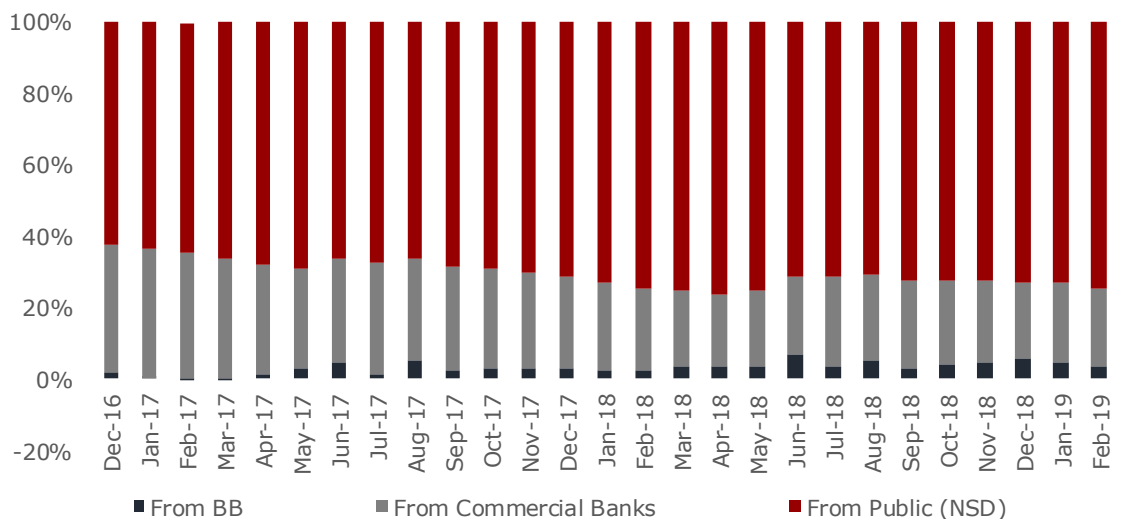
Source: Bangladesh Bank & UCBCML Research  
\*M3 data of Feb'19 is not available yet

Domestic, Private and Public Sector Credit Growth



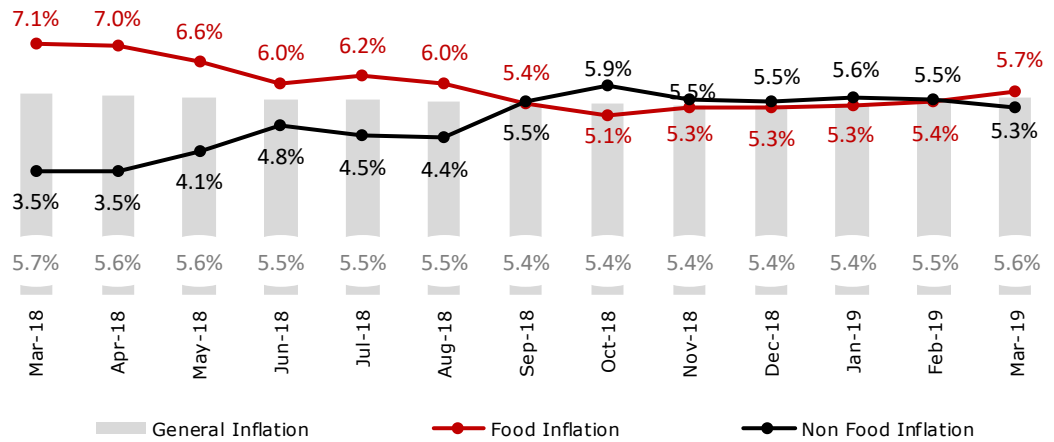
Source: Bangladesh Bank & UCBCML Research

Government's Borrowing From BB, Commercial Banks & Public (NSD)



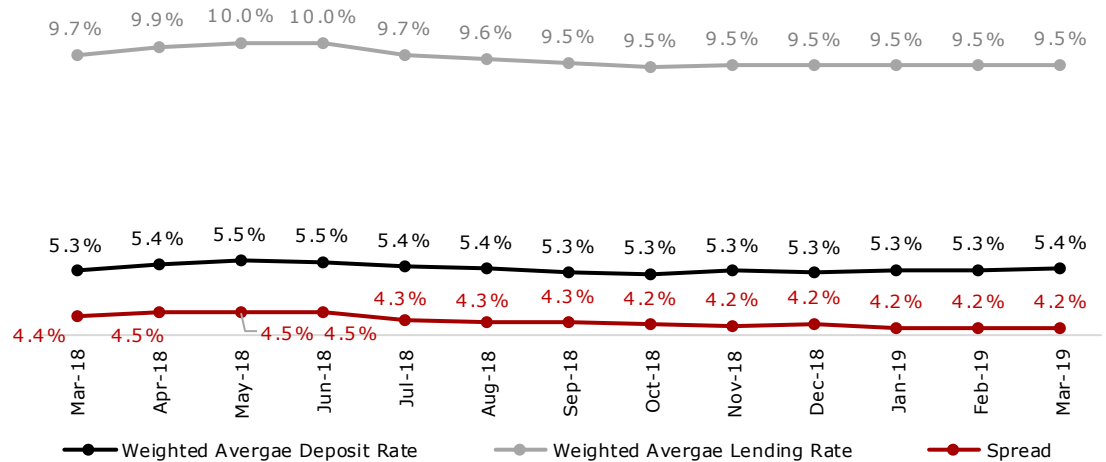
Source: Bangladesh Bank & UCBCML Research

General (P2P), Food (P2P) and Non-Food Inflation (P2P)



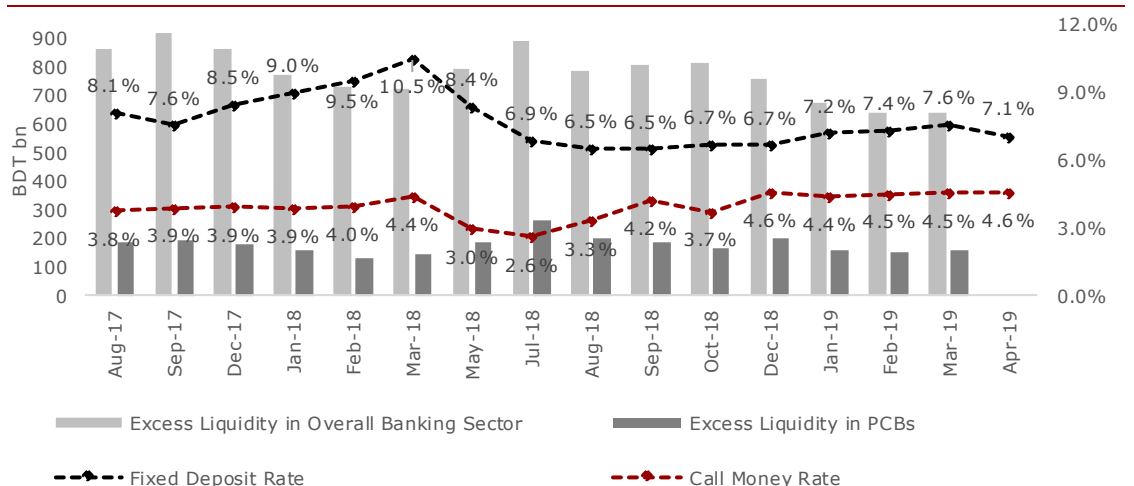
Source: Bangladesh Bank & UCBCML Research

Weighted Average Deposit Rate, Weighted Average Lending Rate & Spread



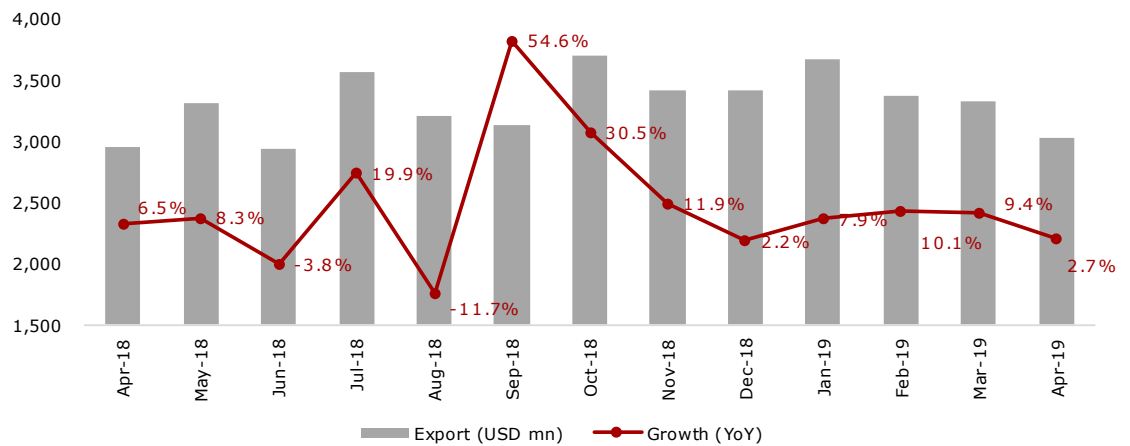
Source: Bangladesh Bank & UCBCML Research

Excess Liquidity in Banks, Median Fixed Deposit Rate and Call Money Rate



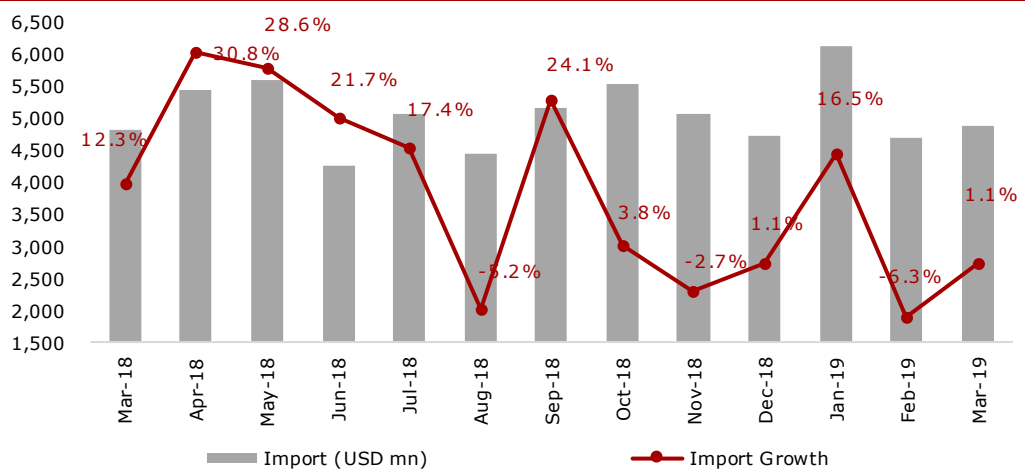
Source: Bangladesh Bank & UCBCML Research  
\*Data of Apr'19 Excess liquidity are not available yet

### Export and Export Growth (YoY)



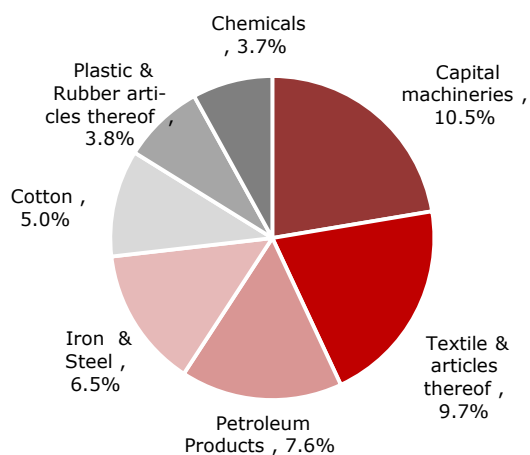
Source: Bangladesh Bank & UCBCML Research

### Import and Import Growth (YoY)



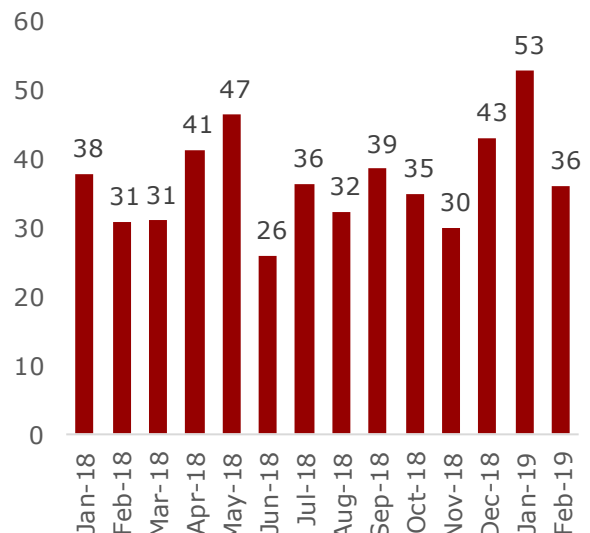
Source: Bangladesh Bank & UCBCML Research

### Major Products of Import Basket (Feb'19)



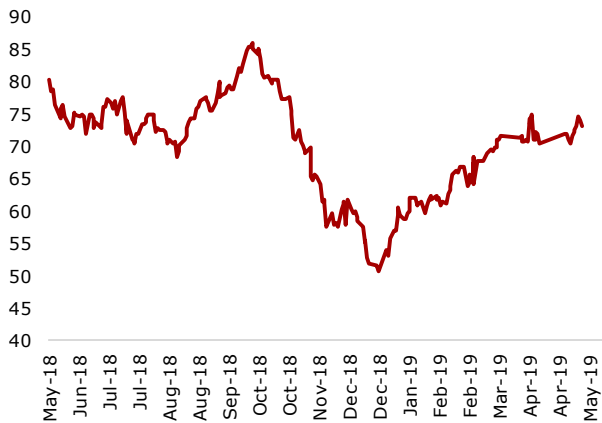
Source: Bangladesh Bank & UCBCML Research

### Import of Capital Machineries (BDT bn)



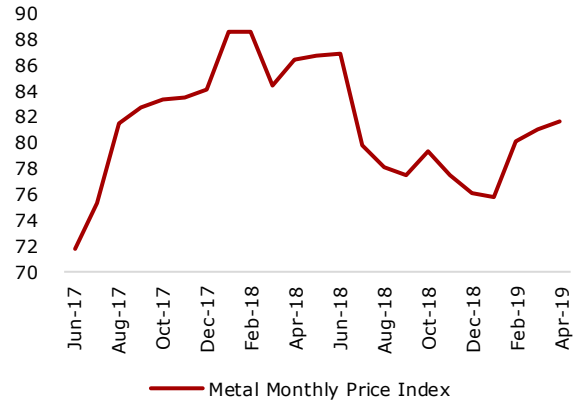
Source: Bangladesh Bank & UCBCML Research

Brent Crude Oil Price (USD per Barrel)



Source: Bloomberg

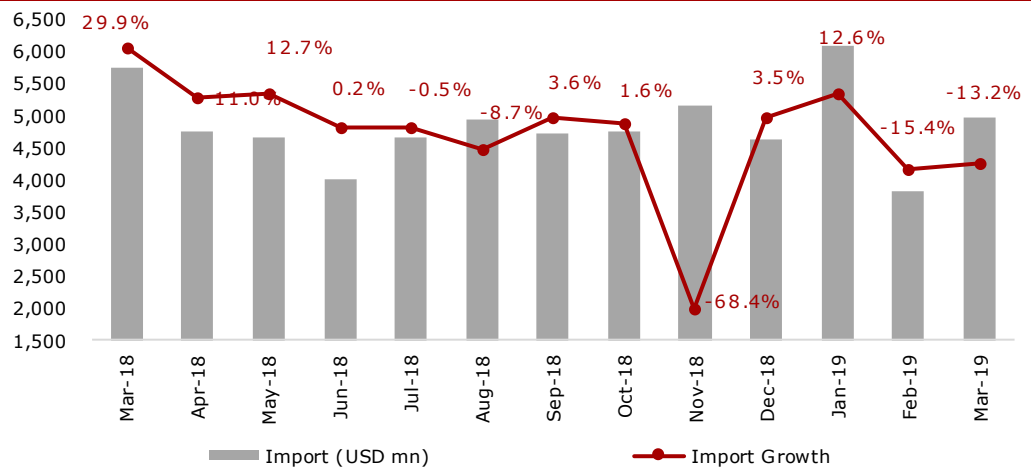
Monthly Metal Price Index\*



Source: Index Mundi

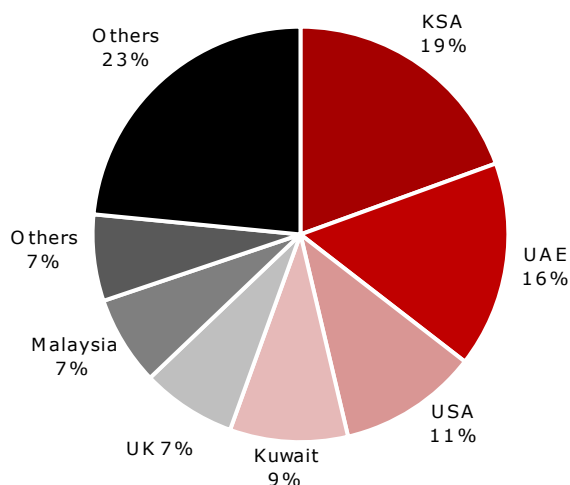
\* Includes Copper, Aluminum, Iron Ore, Tin, Nickel, Zinc, Lead & Uranium Price

Remittance and Remittance Growth (YoY)



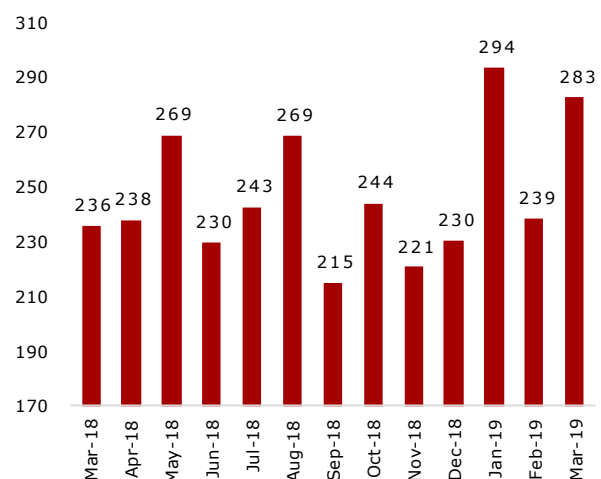
Source: Bangladesh Bank & UCBCML Research

Country wise Contribution of Remittance



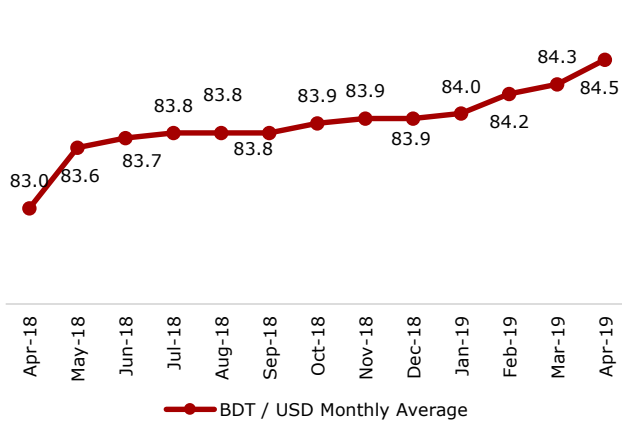
Source: Bangladesh Bank & UCBCML Research

Inward remittance from KSA USD mn



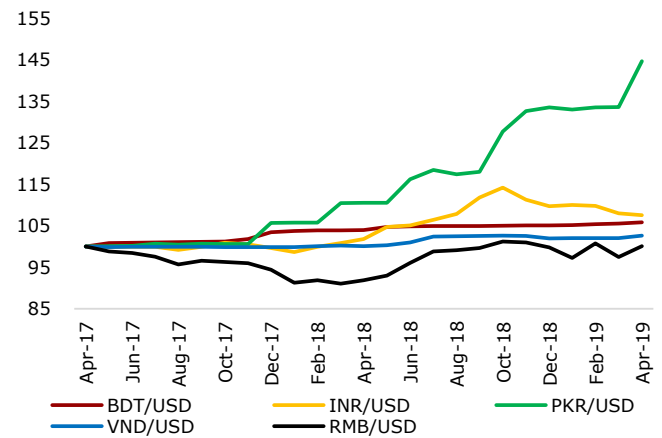
Source: Bangladesh Bank & UCBCML Research

Exchange Rate (BDT against USD)



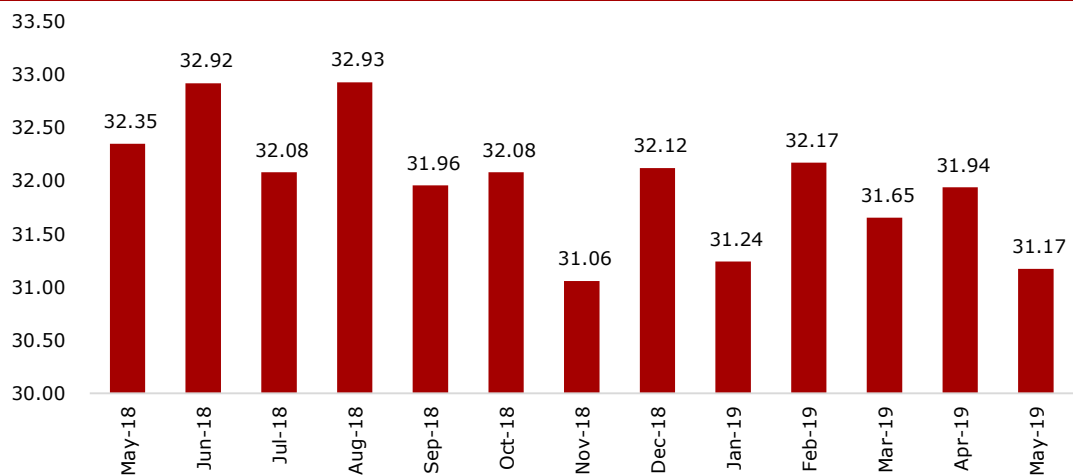
Source: Bangladesh Bank

Comparison among BDT and Peer Exporting Countries (India, Pakistan, Vietnam and China) in terms of Change in Currency



Source: Central Bank, Investing.com & UCBCML Research

Foreign Exchange Reserve (USD bn)



Source: Bangladesh Bank & UCBCML Research

### Balance of Payments

Particulars (USD mn)	Jul'18-Mar'19	Jul'18-Feb'19	Jul'17-Mar'18
Trade balance	(11,928)	(10,695)	(13,202)
Services	(2,680)	(2,370)	(3,336)
Primary income	(1,824)	(1,922)	(1,607)
Secondary income	12,198	10,717	11,062
<b>Current account balance</b>	<b>(4,234)</b>	<b>(4,270)</b>	<b>(7,083)</b>
<b>Capital account</b>	<b>188</b>	<b>156</b>	<b>229</b>
<b>Financial account</b>	<b>4,209</b>	<b>3,723</b>	<b>6,055</b>
Errors and omissions	(492)	(108)	(610)
<b>Overall Balance</b>	<b>(329)</b>	<b>(499)</b>	<b>(1,409)</b>

Source: Bangladesh Bank & UCBCML Research

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Expected absolute returns are calculated as the percentage of difference between our target price and latest close price. Stock recommendations are based on absolute upside (downside) and have a 12-month horizon. Please note that future price fluctuations could lead to a temporary mismatch between upside/downside for a stock and our recommendation.

Recommendation Type	Holding period (if not otherwise mentioned)	Absolute Return Potential
Buy	12 Months	More than +15%
Neutral/ Hold	12 Months	Between +15 % and -5 %
Underweight	12 Months	Less than -5 %

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