



IDLC SL Q2FY27 MPS Review

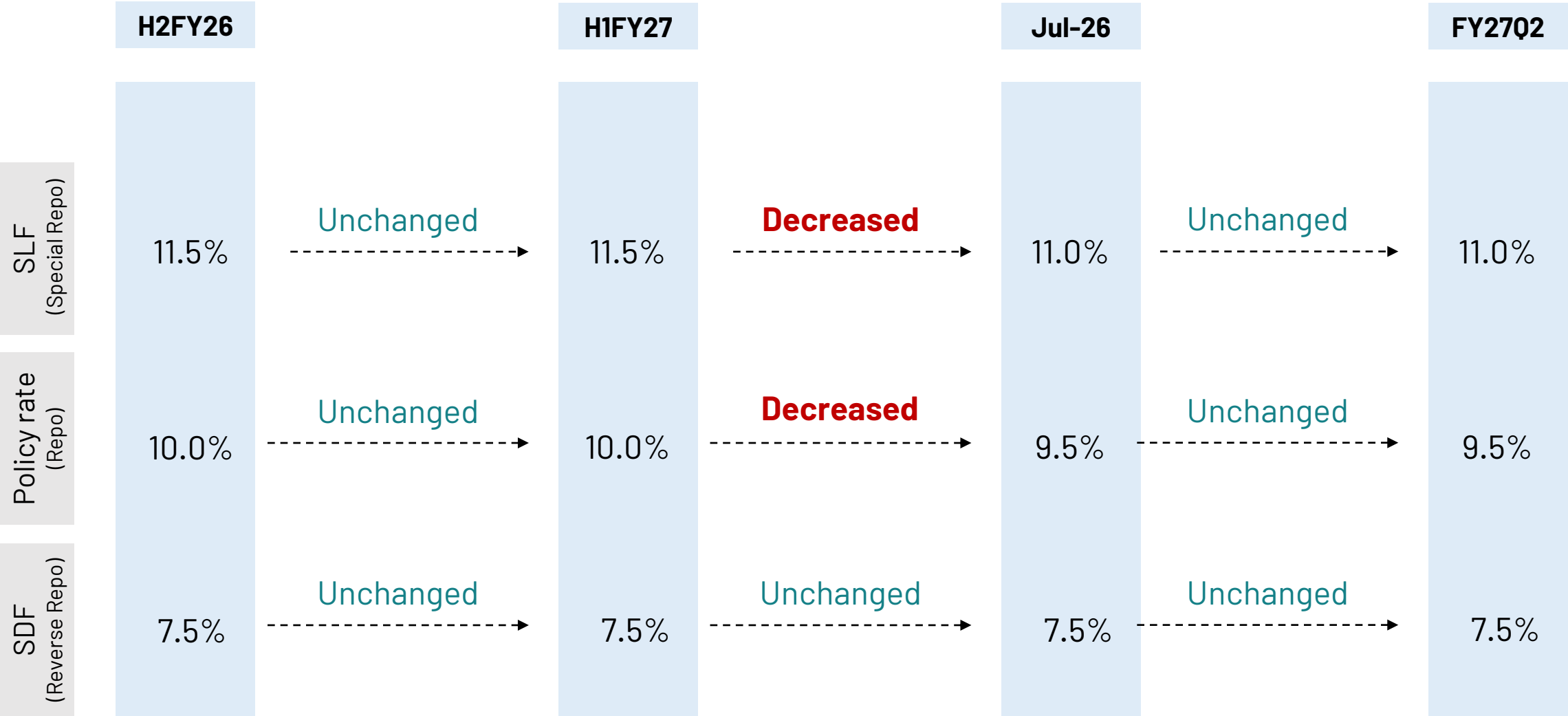
Rates held steady but decreased since last MPS

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Policy Rate & SLF Decreased since last MPS



Source: MPS FY27Q2, Bangladesh Bank

Summary

- **Policy rate held unchanged** as inflation remains sticky (against Jul-26).
- **High single-digit inflation** is likely to persist, with Bangladesh Bank projecting 8.6% for FY27.
- **Bangladesh Bank's 6.5% GDP growth** for FY27 appears to be aspirational.
- The banking sector liquidity is still **highly skewed to the stronger banks**.
- Stimulus package is to **redistribute excess liquidity** toward weaker banks, addressing the structural imbalance in the system.
- The exchange rate is expected to **remain broadly stable**, underpinned by resilient remittance inflows. Gross forex reserves (BPM6) crossed USD 32.4bn in 31-Aug-26.

Highlights

- **All corridor rates held:** Repo stays at 9.5%, SLF at 11.0%, and SDF at 7.5%, as BB prioritizes anchoring inflation expectations over near-term growth support.
- **Stimulus & credit:** A BDT 60,000cr stimulus/refinancing package (BDT 41,000cr bank liquidity + BDT 19,000cr BB funds) targets approx. 2.5mn jobs, but private credit growth is still projected at just 6.8-8.0% through FY27.
- **Banking sector:** Gross NPLs eased to 32.78% in Jun-26 from a 35.73% peak in Sep-25 but stay elevated. NPL recovery drive underway.

Source: MPS FY27Q2, Bangladesh Bank

* Jun-26(E) uses latest available reading (May-26). Growth: Jun-26(E) is FY26 provisional estimate (BBS)

^ Jun-27 is BB's forecast (National Budget is different; Budget's FY27 Inflation target: 7.5%, Budget's Economic Growth Target: 6.5%)

*NFA growth calculated using constant estimated exchange rate of 30-Jun-26 (BB methodology)

Particulars	Actual				Projection		
	Jun-25	Dec-25	Jun-26	Aug-26	Jun-26	Dec-26	Jun-27^
Inflation- General (PTP) *	8.48%	8.49%	9.4%	8.3%	7.9%	8.9%	8.6%
Economic Growth	2.47%	3.03%	4.14%	-	5.0%	-	6.1%
Reserve money growth	-0.1%	9.2%	12.1%	17.9%	8.0%	7.5%	11.0%
Broad money growth (M2)	7.0%	9.6%	10.8%	12.4%	11.5%	11.5%	13.0%
Domestic credit growth	8.1%	11.0%	10.2%	11.3%	11.5%	10.5%	10.4%
Public sector credit growth	13.6%	28.9%	25.9%	32.5%	21.6%	21.8%	17.2%
Private sector credit growth	6.5%	6.1%	5.5%	4.8%	8.5%	6.8%	8.0%
Net Foreign Asset	4.3%*	26.8%	20.2%		22.0%	21.8%	14.9%
Net Domestic Asset	7.4%	7.0%	9.2%		9.7%	9.7%	12.6%

Sticky inflation keeps liquidity polarized and interest rates elevated

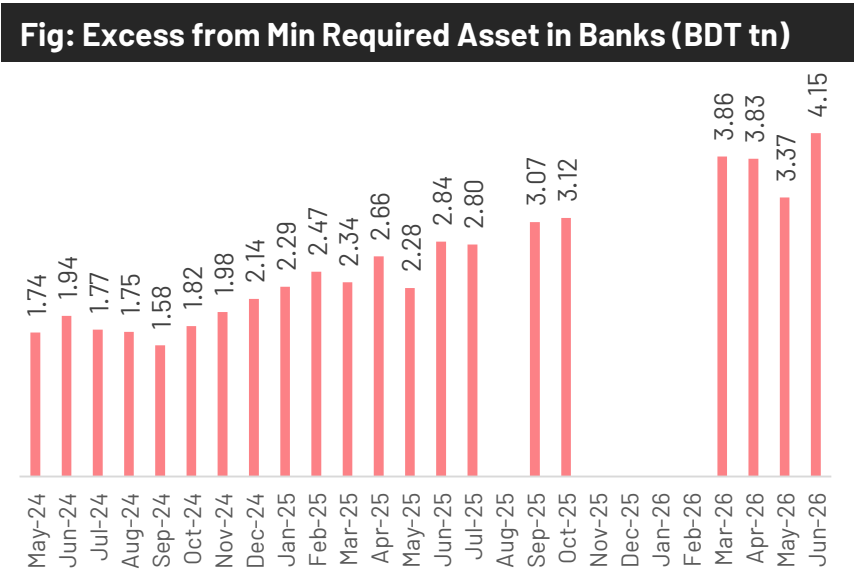
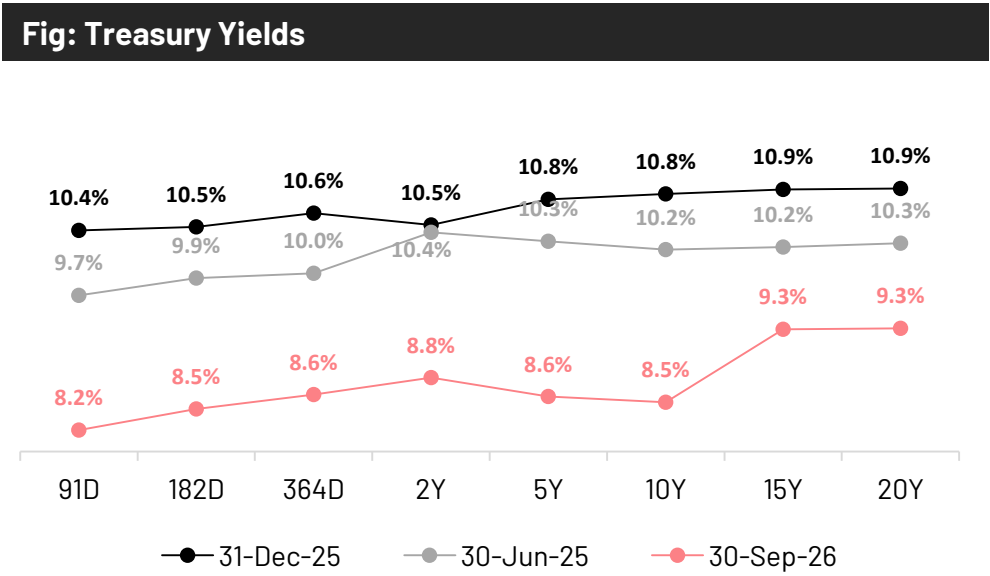
- Some banks flush with surplus funds while others face acute shortages – driven by weak private credit demand, strong deposit growth, and banks parking funds in T-bills/T-bonds amid economic uncertainty.
- Surplus liquidity is increasingly channeled into low-risk government securities rather than productive private enterprises.
- BB continues to support liquidity through repo, assured repo, SLF and special repo facilities for conventional banks, and MLS, IBLF and SLS* for Islamic banks, alongside refinancing for priority sectors such as agriculture and CMSMEs.
- The real lending rate eased to 3.5pc while the real deposit rate became -2.1pc, continuing to erode the purchasing power of savers.

Table: Interest rate structure of Banking Sector (%)				
Category	FY24 (Jun-24)	FY25 (Jun-25)	FY26 (Jun-26)	FY26 (Jul-26)
Advance Rate (%)				
Large Industries	11.58	12.46	12.06	12.05
SME	11.80	12.44	12.57	12.59
Agriculture Credit	11.48	11.72	11.70	11.64
Weighted Average Lending Rate	12.08	12.16	11.86	11.81
Deposit Rate (%)				
Less than one year (FDR)	8.72	9.60	9.13	9.04
1 to 3 Year (FDR)	8.39	9.97	9.48	9.42
3 years and above (FDR & DPS)	8.60	9.26	-	
Weighted Average Deposit Rate	6.26	6.42	6.16	6.21
Weighted Average Spread	5.82	5.74	5.70	5.60

*MLS: Mudarabah Liquidity Support; IBLF: Islami Bank Liquidity Facility; SLS: Special Liquidity Support
Source: MPS H1FY27, Bangladesh Bank; Statistics Department, BB

Treasury yield curve continues to ease as bank liquidity floods into G-secs

- Inflation decreased to 8.34pc in Sep-26 from 9.16pc in Jun-26, while the interest rates continued to decline in July, reflecting large liquidity in the banking sector and low private sector credit growth.
- Prolonged uncertainty surrounding the Middle East conflict is likely to keep inflation elevated which would increase more funds towards the government securities and consequently lower rates against the G-sec.



Source: IDLC-SL Research, Bangladesh Bank

Challenges for the country

- Domestically, Bangladesh's economy is navigating a fragile recovery phase marked by –
 - Low GDP growth
 - Elevated & sticky inflation
 - Low private sector credit growth
 - High public sector credit growth
 - Energy supply uncertainties & higher cost
 - High non-performing loans (NPLs)
 - Weak revenue mobilization
- Geopolitical tensions in the Middle East present significant downside risks, particularly through potential disruptions to oil and fertilizer supply chains, which could exacerbate domestic cost-push inflation.

Source: MPS H1FY27, Bangladesh Bank

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Outperform	N/A	N/A
Market Perform	N/A	N/A
Underperform	N/A	N/A
Total	N/A	N/A

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