Money and Credit

Stance of Monetary and Credit Policy

4.1 Monetary policy stance for FY18 aimed at attaining price and macro-financial stability along with sustainable economic growth. Like previous years, BB laid emphasis on inclusive, employment supportive and environment-friendly green initiatives for attaining sustainable economic growth, in tune with the government's SDG-focused sustainable development agenda. Accordingly, BB pursued monetary and credit policies and program to intensively engaging the financial sectors for fostering socially responsible financing in inclusive, employment supportive and eco-friendly green initiatives. BB undertook necessary macro-prudential measures for the 2nd half of monetary policy stance in FY18 that focused on sector composition and quality of credit flows without restricting access to credit for productive sectors. Macro-prudential steps to curb imprudent unproductive lending included closer surveillance on adherence to prescribed Asset-Liability Management (ALM) and Forex Risk Management guidelines, a new directive requiring banks to rationalize their Advance/ Deposit Ratios to reduce their over exuberance in lending, and stricter end use surveillance on bank loans including import financing commitments.

Monetary Policy Performance

4.2 Monetary Policy stance for FY18 was formulated with the target of keeping inflation at 5.5 percent as well as attaining GDP growth rate at 7.4 percent. Buoyant domestic demand, investment and consumption activities driven by strong private sector credit growth as well as increasing imports, remittances and exports contributed gross domestic product (GDP) to grow robustly at 7.86 percent in FY18 against the target of 7.4 percent set by the government, also remained up from 7.28 percent in FY17. From the analysis of sector wise GDP growth composition, it is observed that GDP experienced robust growth supported by higher growth in industry and service sector along with moderate growth in agriculture. Though GDP growth target was largely met in FY18, inflation target was slightly skipped in the FY18. Twelve month average inflation stood at 5.78 percent at the end of June 2018, up from 5.44 percent at the end of June 2017, also remained slightly above the target level of 5.50

Table 4.1 Monetary and Credit Program and Component of Broad Money

(In billion BDT)

Particulars	End June 2017	End June 2018	
	Actual	Programme	Actual
1. Net foreign assets	2650.2	2653.8	2537.6
	(+11.5)	(0.1)	(-4.2)
2. Net domestic assets (a+b)	7504.0	8850.8	8554.6
	(+10.7)	(+17.9)	(+14.0)
a) Domestic Credit (i+ii)	8842.4	10236.2	10131.5
	(+11.2)	(+15.8)	(+14.6)
i) Credit to the public sector[1]	1081.8	1171.8	1055.3
	(-13.0)	(+8.3)	(-2.5)
ii) Credit to private sector	7760.6	9064.3	9076.2
	(+15.7)	(+16.8)	(+17.0)
b) Other items (net)	-1338.4	-1385.3	-1576.9
3. Narrow money (i+ii)	2394.2		2541.3
	(+13.0)		(+6.1)
i) Currency outside banks	1375.3		1409.2
	(+12.7)		(+2.5)
ii) Demand deposits[2]	1018.9		1132.2
	(+13.5)		(+11.1)
4. Time Deposits	7760.0		8550.9
	(+10.2)		(+10.2)
5. Broad money (1+2) or (3+4)	10154.1	11504.6	11092.2
	(+10.9)	(+13.3)	(+9.2)

Figures in the parentheses indicate y-o-y percentage changes. P=Provisional
[1] Govt. lending fund is treated as deposit in calculating claims on Govt. (net).
[2] Demand deposits of monetary authority are excluded.
Source: Monetary Policy Department, Bangladesh Bank.

Box 4.1 Calculation of NEER and REER Indices in Bangladesh Bank

Nominal Effective Exchange Rate (NEER) is the weighted average of bilateral nominal exchange rates of home currency against a basket of foreign currencies. It defines the extent by which the exchange rate of home currency relative to that of trading partner countries changes compared to a base year. However, the change in NEER does not reflect the change in the purchasing power of home currency, nor to what extent the competitiveness of goods produced in the home country changes during a specific period of time. To fulfill this deficiency, Real Effective Exchange Rate (REER) is calculated by many central banks in the world including Bangladesh Bank. Actually, REER is an index as like as NEER adjusted with relative price of home country with respect to the weighted average prices of trading partner countries. The weights used in calculation of both NEER and REER are determined on the basis of home country's total trade with regard to trading partners separately.

Bangladesh Bank (BB) is mandated by regulation to stabilize domestic monetary value and maintain a competitive external par value of Bangladesh Taka (BDT). Accordingly, Bangladesh Bank monitors the movement of exchange rate of BDT vis-à-vis foreign currencies of major trading partner countries to achieve monetary policy goals and to avoid undue volatility in the foreign exchange market. In this regard, Bangladesh Bank computes both NEER and REER indices (FY16=100) on daily and monthly basis respectively, against the currencies of 15 major trading partner countries including euro. The higher value of NEER/REER index indicates nominal/real appreciation and the lower value indicates nominal/real depreciation of BDT against the trading partners' currencies. Thus the REER index focuses the real competitiveness of Bangladesh's products in the international market, though there are some other factors like differentials of labour productivity and current account situation are very important for the competitiveness.

In practice, Bangladesh Bank uses the following equations (1-3) to calculate NEER and REER indices. In equation (1), ERI indicates the bilateral nominal exchange rate index, defined in equation (2). PC stands for partner country's currency and wi stands for trade weight; i.e., the share of partner country in total trade (export plus import) of Bangladesh, where $\sum_{i=1}^{15} w_i = 1$.

$$NEER = \frac{ERI_{BDT}}{\prod_{i=1}^{15} (ERI_{PC})^{w_i}} \times 100 \ldots (1)$$

$$ERI = \frac{ER_C}{ER_B} \times 100 \ldots (2)$$

In equation (2), ER indicates bilateral nominal exchange rate, defined as the value of domestic currency in terms of U.S. Dollar, c and b stand for the current and base period respectively. In equation (3), CPI indicates the consumer price index, while BD stands for Bangladesh.

$$REER = NEER \times \frac{CPI_{BD}}{\prod_{i=1}^{15} (CPI_{PC})^{w_i}} \ldots (3)$$

percent due to flood related disruptions at the beginning of the fiscal year, increase in global commodity prices as well as buoyant economic activities stemming from both domestic and external demand. It can be mentioned that though average annual inflation was marginally higher than the target level, still remained low by nearly 0.4-0.5 percent than the advanced and emerging economies.

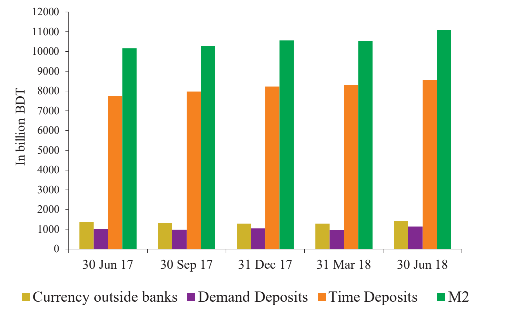
4.3 Almost all the monetary aggregates remained in line or below the programmed paths indicate attainment of key objectives of monetary and credit program and policies for FY18. Reserve money, broad money (M2) and domestic credit regarded as the important anchors of monetary programming aiming at containment of CPI inflation grew by 4.0 percent, 9.2 percent and 14.6 percent respectively in FY18 remained well below the program ceilings. A large deficit in current account stemming from a significantly higher growth of imports contributed to negative growth (-4.2 percent) of net foreign assets (NFA) and, thereby, broad money remained below the program path. Domestic credit was broadly in line with the program path, experienced a robust growth of 14.6 percent due mainly to strong private sector credit growth. On the other hand, credit to public sector constituted negative growth (-2.5 percent) due to increased government's non-bank domestic borrowing through issuing high yield national saving certificates (NSCs). Strong private sector growth at around 17.0 percent, above the deposit growth of 10.3 percent, accompanied by liquidity withdrawals from the negative growth in NFAs and competition among the banks for deposit mobilization, given the high risk-free NSC rates, increased liquidity pressures in H2 FY18. As liquidity condition tightened, Reserve money, broad money (M2) and domestic credit remained well below the program ceilings. BB reduced Cash Reserve Requirement (CRR) by 1 percent and repo rate by 75 basis points and re-fixed it at 6 percent from 6.75 percent and increased available repo tenors to 7, 14, 28 days while reverse repo rate remained unchanged at 4.75 percent. This led to subsequent improvements in liquidity conditions.

4.4 Despite having surplus in financial account, overall balance turned into deficit of USD 885 million in FY18 due to larger deficit in current account balance. In spite of having deficit in current account balance, foreign exchange reserve stood at USD 32.94 billion at the end of June 2018 supported by a remarkable surplus in financial account and significant amount of inflows of remittances. Against the backdrop of the higher demand for dollar following the declining trend of net foreign assets and high import growth, exchange rate depreciated by 3.70 percent against the US dollar. Besides, in order to maintain stability in the foreign exchange market BB intervenes in the foreign exchange market by selling foreign currency amounted to USD 2311 million in FY18. As a result, the comfortable amount of foreign exchange reserve and stability in the exchange rate boosting up the confidence of foreign investors which may support to growing Bangladesh economy at the expected level.

Money and Credit Situation

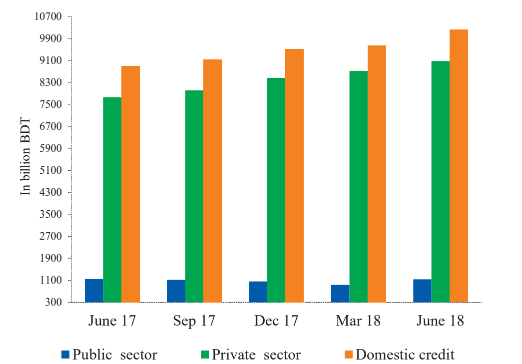
4.5 Following the growth supportive stance in monetary policy, broad money (M2) growth was programmed at 13.30 percent where growth in net foreign assets (NFA) and net domestic assets (NDA) were projected at 0.1 percent and 17.9 percent respectively in FY18. Broad money growth stood at 9.2 percent at the end of June 2018 below the target level due to negative growth in net foreign assets stemming from an unprecedented increase in import. Net foreign assets considered as one of the components affecting broad money decreased by 4.2 percent in FY18. Moreover, NDA, another component of broad money, grew at 14.0 percent in FY18, down from the targeted growth, following a negative growth in credit to the public sector including government, while credit to private sector experienced a robust growth. Government borrowing from the banking system followed downward trend in FY18 due to increase in government's earning generating from soaring revenue income and a high receipts from net sale of national saving certificates. Despite, having a negative growth in credit to public sector, NDA experienced a robust growth of 14.0 percent, up from 10.7 percent in FY17 due mainly to strong private sector credit growth. As a result, both net domestic assets (NDA) as well as domestic credit experienced strong growth in FY18 owing to robust private sector credit growth. The downward trend of government borrowing from the banking system created a room for the private sector and supported by a buoyant domestic demand driven economic activities in agriculture, industry and service sector. Private sector credit grew robustly at 17.0 percent at the end of June 2018, up from the target level of 16.8 percent. However, domestic credit growth was in line with the program path and was sufficient to accommodate the inclusive output growth due to a significantly higher credit growth in the private sector along with high borrowing by the government from the non-bank sources. As a whole, both negative growth in net foreign assets and credit to public sector contributed broad money to grow moderately and helped the economy to attain benign inflation outcome in FY18. The monetary program vis-à-vis actual outcome and development of the components of broad money are presented in Table 4.1 and Chart 4.1 respectively. Movement of domestic credit and its components are also shown at Chart 4.2.

Chart 4.1 Movements in the Components of Broad Money (M2)



Source: Monetary Policy Department, Bangladesh Bank.

Chart 4.2 Movements in Domestic Credit and its Components



Source: Monetary Policy Department, Bangladesh Bank.

Reserve Money Developments

4.6 Bangladesh Bank uses reserve money (RM) as an operating target to modulate liquidity consistent with the overall monetary projection. The weekly auctions of Bangladesh Bank's own instruments; i.e., various maturity BB bills along with Government's treasury bills and bonds were used to influence the level of RM.

4.7 In line with the projected broad money growth, monetary program set 12.0 percent growth of RM for FY18 while actual growth stood at 4.0 percent. Reserve money growth slowed down against the programmed level due to decrease in net foreign assets (NFA) and slow growth of net domestic assets (NDA). NFA of Bangladesh Bank decreased by BDT 92.4 billion in FY18 against the programmed increase of BDT 31.7 billion. Substantial decrease in NFA due to an unprecedented increase in imports as compared to remittances and exports has contributed significantly to keep reserve money below the program path. Net domestic assets (NDA) also slowed down to BDT 8.6 billion at the end of June 2018 against the targeted level of BDT 63.5 billion. Although BB's credit to public sector remained buoyant following the upward trend of government borrowing from BB, NDA substantially remained below the programmed level in FY18 due mainly to increased unclassified liabilities emerged from rescheduling of discount loans for specialized banks. Domestic credit of BB associated with its components increased by BDT 68.2 billion or 40.4 percent in FY18 against the targeted increase of BDT 20.0 billion or 11.9 percent. BB's credit to the deposit money banks also increased by 2.4 billion to BDT 55.4 billion at the end of June 2018 from the target level of BDT 53.0 billion. In spite of a substantial increase of BB's domestic credit, actual NDA was lower than the programmed level resulting from slower reduction of liabilities in other items (net). The slower reduction of liabilities in other item (net) along with reduction of NFA induced RM to grow at a slower pace than the program. Actual and programmed growth of RM during FY18 can be seen in Table 4.2. Actual developments of M2 and RM against their respective programmed paths can also be seen in Chart 4.3.

4.8 Money multiplier (M2/RM) increased to 4.76 in FY18 as compared to 4.53 in FY17. From analysis of the decomposition of money multiplier it can be mentioned that reserve-deposit ratio decreased to 0.095 in FY18 from 0.098 in FY17 and currency-deposit ratio also decreased to 0.146 in FY18 as compared to 0.157 in FY17. Both the decrease in reserve-deposit ratio and currency-deposit ratio stemming from increase in bank deposits relative

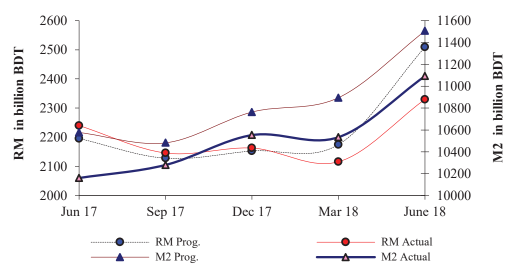
Table 4.2 Actual and Programmed Growth of Reserve Money and its Components

(in Billion BDT)

Particulars	End June 2017	End June 2018	
	Actual	Programme	Actual
Net foreign assets[1/@]	2430.4	-	2430.4
Net foreign assets[2/@]	2413.6	2445.3	2321.2
Net domestic assets[1/]	-190.4	-	-100.5
Net domestic assets[2/]	-173.6	63.5	8.6
Domestic Credit	168.7	188.7	236.9
	(-27.1)	(+11.9)	(40.4)
Credit to the public sector[3/]	125.7	135.7	181.5
	(-33.0)	(+8.0)	(44.4)
Credit to deposit money banks[4/]	43.0	53.0	55.4
	(-1.7)	(+23.3)	(28.8)
Other items (net)	-342.4	-125.3	-228.3
Reserve money	2240.0	2508.8	2329.8
	(+16.3)	(+12.0)	(+4.0)
Currency issued	1512.7	1744.1	1549.4
	(+14.3)	(+15.3)	(+2.4)
Deposits of banks with BB[5/]	727.3	764.6	780.4
	(+20.6)	(+5.1)	(+7.3)
Money multiplier	4.53	4.59	4.76

Note: Figures in the parentheses indicate y-o-y percentage changes.
@ Excluding foreign currency clearing account balance and offshore bank account.
1/ Calculated from monetary survey data using end-period exchange rates.
2/ Calculated using constant exchange rates of end June 2017.
3/ Govt. lending fund is treated as deposit in calculating net credit to Govt.
4/ Considers only loans and advances to DMBs.
5/ Excluding foreign currency clearing account balance and non-bank deposits.
Source: Monetary Policy Department, Bangladesh Bank.

Chart 4.3 Programmes and Actual Developments of M2 and RM in FY18



Source: Monetary Policy Department, Bangladesh Bank.

to cash holding as well as banks' reserves led to increase the money multiplier. Alternatively, it can be said that strong domestic production and investment activities led to decrease in cash holding and the provision of maintaining CRR of scheduled banks with BB at a reduced rate led to decrease bank reserves.

Income Velocity of Money

4.9 The income velocity of money (GDP/M2) increased to 2.03 in FY18 from 1.94 in FY17 (Table 4.3). The rate of increase in FY18 was 4.64 percent as against an increase of 2.65 percent in FY17. This means the growth of nominal income was faster than the growth of M2 for the two consecutive fiscal years following buoyancy in economic activities and a historically high growth of sales in national savings certificates (NSCs) which is not considered as component of M2[1]. Alternatively, income velocity of money might have increased in the recent years after a continued declining trend since FY11 due to financial development and innovation. Movement of GDP growth, M2 growth, inflation and income velocity of money during FY12-FY18 are shown in Chart 4.4.

Bank Credit

4.10 Outstanding bank credit (excluding foreign bills and inter-bank items) during FY18 rose by BDT 1271.53 billion or 16.46 percent to BDT 8994.93 billion against the increase of 15.84 percent in FY17. The rise in the bank credit during FY18 was fuelled by rise in advances.

Advances increased by BDT 1278.99 billion or 17.20 percent in FY18 against the increase of 15.67 percent in FY17. Bills purchased and discounted decreased by BDT 7.46 billion or 2.58 percent in FY18 as compared to the increase of 20.35 percent in FY17. The quarterly

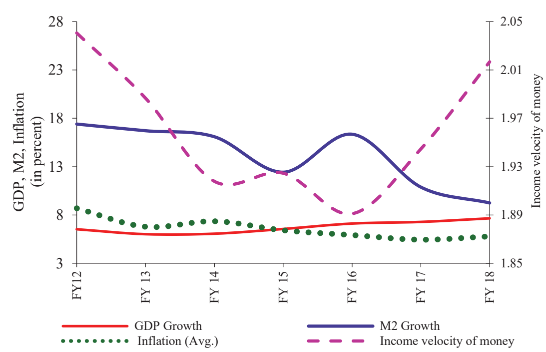
Table 4.3 Income Velocity of Money

(Billion BDT)

Year	GDP at current market prices	Broad Money (M2)	Income velocity of money
FY11	9158.29	4405.20	2.08 (-5.45)
FY12	10552.04	5171.10	2.04 (-1.92)
FY13	11989.23	6035.06	1.99 (-2.45)
FY 14	13436.74	7006.24	1.92 (-3.52)
FY 15	15158.02	7876.14	1.92 (0.00)
FY 16	17328.64	9163.78	1.89 (-1.56)
FY 17	19758.15	10160.76	1.94 (2.65)
FY 18	22504.79	11099.81	2.03 (4.64)

Note: Figures in parentheses indicate percentage changes over previous fiscal year. Source: Monetary Policy Department, Bangladesh Bank.

Chart 4.4 Movements in GDP Growth, M2 Growth, Rate of Inflation and Income Velocity of Money



Source: Monetary Policy Department, Bangladesh Bank.

position of bank credit and its components are given at Table 4.4

Bank Deposits

4.11 Bank deposits (excluding inter-bank items) increased by BDT 1015.61 billion or 10.78 percent to BDT 10440.95 billion during FY18 against 10.94 percent increase in FY17. The rise in total bank deposits was shared by all kinds of deposits. Demand deposits increased

1 NSCs are considered as component of M3.

by BDT 113.32 billion or 11.12 percent to BDT 1132.17 billion in FY18 against 13.51 percent increase in FY17. Time deposits increased by BDT 790.89 billion or 10.19 percent to BDT 8550.87 billion in FY18 as compared to the increase of 10.24 percent in FY17. Government deposits increased by BDT 111.39 billion or 17.23 percent to BDT 757.90 billion in FY18 against the increase of 15.71 percent in FY17. Quarterly position of bank deposits may be seen at Table 4.5.

Credit/Deposit Ratio

4.12 The credit/deposit ratio of the scheduled banks excluding the specialized banks was 0.86 at the end of June 2018 which was 0.82 at the end of June 2017. Increasing credit to deposit ratio indicates credit growth is higher than the deposit growth reflecting strong domestic demand driven economic activities as well as investment.

Scheduled Banks' Borrowing from Bangladesh Bank

4.13 Scheduled banks' borrowings from the Bangladesh Bank increased by BDT 79.36 billion or 32.53 percent to BDT 323.30 billion at the end of June 2018 against the increase of 32.66 percent at the end of June 2017. It may be noted that a robust credit growth against the moderate deposit growth trigger somewhat a liquidity tightening which influenced the scheduled banks' to borrow at a high rate from BB during the last two fiscal years.

Balances of Scheduled Banks with the BB and their Cash in Tills

4.14 Balances of scheduled banks with Bangladesh Bank increased by BDT 53.11 billion or 7.30 percent to BDT 780.43 billion at the end of June 2018 against the increase of 20.62 percent at the end of June 2017. Cash in tills of scheduled banks increased by BDT 2.90 billion or 2.11 percent to BDT 140.23 billion at the end of June 2018 against the increase of 34.23 percent as of end June 2017.

Table 4.4 Quarterly Position of Bank Credit

(In billion BDT)

Outstanding as of	Advances	Bills	Total Credit
30 June 17	7433.95 (96.25)	289.45 (3.75)	7723.40
30 Sep 17	7624.45 (96.32)	291.00 (3.68)	7915.45
31 Dec 17	8059.32 (96.20)	318.20 (3.80)	8377.52
31 Mar 18	8343.34 (96.64)	290.22 (3.36)	8633.56
30 June18	8712.94 (96.86)	281.99 (3.14)	8994.93

Figure in parentheses indicate percentage shares of total bank credit
Source: Monetary Policy Department, Bangladesh Bank.

Table 4.5 Quarterly Positions of Deposits*-FY18

(In billion BDT)

Balances as of	Demand deposits	Time deposits	Govt. deposits	Total deposits
30 June 17	1018.85	7759.98	646.51	9425.34
30 Sep 17	978.13	7973.77	635.44	9587.34
31 Dec 17	1039.70	8222.09	659.67	9921.46
31 Mar 18	964.39	8288.41	710.10	9962.90
30 June 18	1132.17	8550.87	757.90	10440.95

*Excluding inter bank and restricted deposits.
Source: Monetary Policy Department, Bangladesh Bank.

Cash Reserve Requirement (CRR)

4.15 The Cash Reserve Requirement (CRR) for the scheduled banks with the Bangladesh Bank has been decreased by 100 basis points to 5.5 percent of their total demand and time liabilities with effective from 15 April, 2018. BB reduced CRR to ease the liquidity tightening position considering the increased credit demand on the perspective of wider investment and production activities. It may be noted that banks are required to maintain CRR at the rate of 5.5 percent on bi-weekly average basis provided that the CRR would not be less than 5.0 percent in any day with effective from 15 April, 2018.

Statutory Liquidity Ratio (SLR)

4.16 According to the amendment of sub section (2) under section 33 of the Bank Company Act, 1991, it was decided that banks should have maintained SLR separately, (a) for the conventional banks the statutory liquid assets inside Bangladesh, which also includes excess reserves with Bangladesh Bank, will not be less than 13.0 percent of their total demand and time liabilities, and (b) for the shariah based Islami banks, this rate shall not be less than 5.5 percent. This became effective on February 01, 2014 and remained unchanged in FY18.

Bank Rate

4.17 The bank rate remained unchanged at 5.0 percent in FY18 which became effective on November 6, 2003.

Interest Rates on Deposits and lending

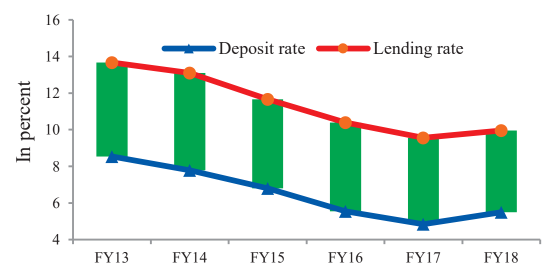
4.18 The weighted average interest rates on deposits followed downward trend from a pick of 8.54 percent in FY13 to 4.84 percent in FY17 which increased to 5.50 percent in FY18. Similarly, weighted average interest rates on lending rate gradually declined to 9.56 percent in FY17 from a pick of 13.67 percent in FY13 and marginally increased to 9.95 percent in FY18. Both weighted average interest rates on deposits and lending rate turned to upward in FY18 due to increased credit demand following buoyant domestic production and investment activities, elevated inflationary pressure in the domestic economy as well as tightening of finanical condition in advanced and emerging economics. However, the spreads between lending and deposit rates also narrowed from above 5 percent in FY14 to 4.45 percent in FY18. Weighted average interest rates of scheduled banks on deposits and lending along with the spread during FY13 to FY18 are shown in Table 4.6 and Chart 4.5

Table 4.6 Trends in Weighted Average Interest Rates of Scheduled Banks

Items	as of end June (percent)					
	FY13	FY14	FY15	FY16	FY17	FY18
Deposit rate	8.54	7.79	6.80	5.54	4.84	5.50
Lending rate	13.67	13.10	11.67	10.39	9.56	9.95
Spread	5.13	5.31	4.87	4.85	4.72	4.45

Source: Monetary Policy Department, Bangladesh Bank.

Chart 4.5 Trends in Weighted Average Interest Rates of Scheduled Banks



Source: Monetary Policy Department, Bangladesh Bank.

Table 4.7 Liquidity Indicators-FY18

(In percent)

As On	ADR	LCR	NSFR	Call Money Rate
30 June 2017	73.91	178.45	110.22	4.06
30 Sept 2017	74.84	172.19	110.13	3.86
31 Dec 2017	75.88	174.88	107.51	4.07
31 March 2018	77.03	167.40	108.95	4.56
30 June 2018	76.66	175.29	109.08	3.41

Source: Department of Off-site Supervision and Monetary Policy Department, Bangladesh Bank.

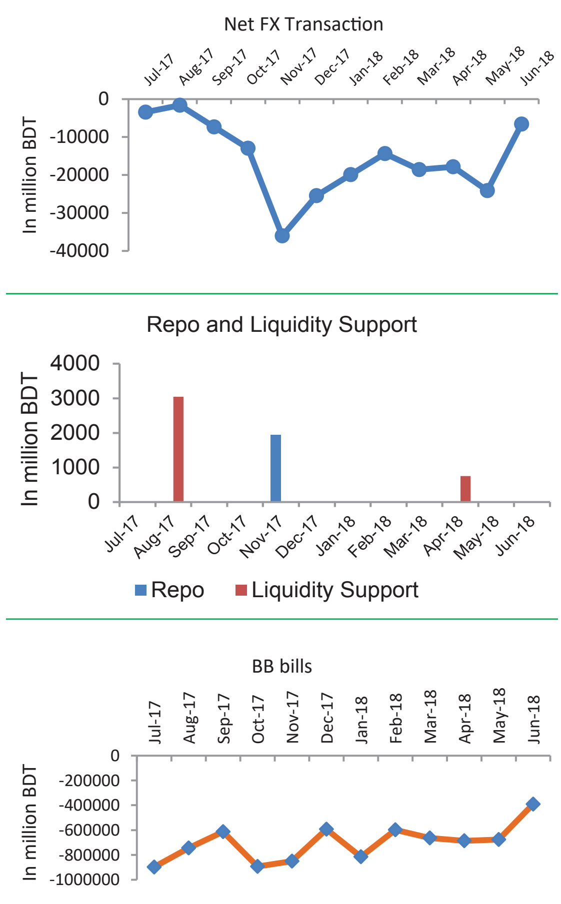
Liquidity Management Framework

4.19 Effective liquidity management in the banking system ensures the stability in the money market, long term interest rate as well as exchange rate and, thereby, promotes economic growth. Liquidity condition of the banking sector can be assessed by call money rate, Advance Deposit Ratio (ADR) ratio, Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio

(NSFR). At the beginning of Q4FY18 rising demand for liquidity from strong private sector credit growth accompanied by the negative growth in NFAs caused tightening of liquidity conditions. As liquidity condition tightened, BB reduced Cash Reserve Requirement (CRR) by 100 basis points to 5.5 percent and repo rates by 75 basis points to 6.0 percent with effect from April 2018. Moreover, to ease the liquidity conditions, BB increased available repo tenors to 7, 14 and 28 days. Under this situation, banks can now borrow from BB for longer period. This will give banks and financial institutions a scope to recalibrate their liquidity position in case of adverse conditions. BB's policy measures led to improvements in liquidity conditions as reflected in the call money rate which came down from 4.40 percent in March to 3.41 percent in June 2018.

On the other hand, banking sector maintained the LCR much above the minimum requirement of 100 percent throughout FY18, indicating banks had high-quality and liquid asset that would cover the banks cash outflows for a minimum of 30 days. In FY18 banks also maintained the minimum regulatory requirement of holding NSFR that indicates they had enough funding for the whole year in any unfavorable situation (Table 4.7). It may be noted that excess liquidity in the banking system mop up and sterilize with careful use of Bangladesh Bank bills and government treasury bills and bonds. Liquidity management operations are graphically shown in Chart 4.6.

Chart 4.6 Liquidity Management Operations during FY18



Source: Monetary Policy Department, Bangladesh Bank.