

IMF Approves USD 4.7bn Fund Facility for Bangladesh

IMF Executive Board approved Bangladesh's request for USD 3.3bn under the Extended Credit Facility (ECF) and the Extended Fund Facility (EFF) arrangements and USD 1.4 billion under the newly created Resilience and Sustainability Facility (RSF) as Bangladesh becomes first Asian country to access the RSF.

- IMF's ECF/EFF approval has enabled the immediate disbursement of about USD 476mn as the first of the seven instalments slated over 42 months. The remaining amount will be in six equal instalments of USD 704mn each.
- IMF recognizes that Bangladesh has taken a comprehensive set of measures to deal with the latest economic disruptions caused by Russia's War in Ukraine.
- IMF also stated that the IMF-supported program under the ECF/EFF arrangements would help preserve macroeconomic stability and prevent disruptive adjustments to protect the vulnerable, while laying the foundations for strong, inclusive, and environmentally sustainable growth.
- According to a renowned national daily, there are some specific conditions imposed by IMF that include:
 - Dynamic adjustment of fuel prices
 - Bringing down the default loan of state-owned banks to 10%
 - Setting up asset management companies to recover defaulted loans
 - Leaving the exchange rate to the market
 - Separating the allocation of interest on savings certificates and pensions of government employees from the social safety net allocation
- We may see further reforms targeting both fiscal and monetary policy in the coming months.

IMF shared their estimates and projections on key economic indicators of Bangladesh in the press release. Few of the key indicators are mentioned below.

Particulars	IMF's Estimates				IMF's Projections				
	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27
Real GDP growth rate	7.9%	3.4%	6.9%	7.2%	5.5%	6.5%	7.1%	7.3%	7.4%
CPI Inflation (annual average)	5.5%	5.6%	5.6%	6.1%	8.9%	6.5%	5.6%	5.5%	5.5%
CPI inflation (end of period)	5.5%	6.0%	5.6%	7.6%	8.1%	5.9%	5.5%	5.5%	5.5%
Balance of Payments (as % of GDP)									
Current account balance	-1.3%	-1.5%	-1.1%	-4.1%	-3.2%	-4.2%	-3.5%	-3.0%	-3.0%
Capital account balance	0.1%	0.1%	0.1%	0.0%	0.0%	0.1%	0.1%	0.1%	0.1%
Financial account balance	1.5%	2.3%	3.1%	3.0%	2.5%	5.5%	5.2%	5.0%	4.6%
Gross international reserves (billions of U.S.dollars)	32.7	36	46.4	33.4	30.0	34.2	40.0	46.4	53.1
Import coverage (in months)	6.5	6.1	5.8	4.6	3.5	3.8	4.2	4.4	4.5

Link of IMF press release: <https://www.imf.org/en/News/Articles/2023/01/30/pr2325-bangladesh-imf-executive-board-approves-usd-ecf-eff-and-usd-under-rsf>

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EQUITY RECOMMENDATION STRUCTURE (ABSOLUTE RATINGS)

We calculate our target price by weighting DCF, DDM, SOTP, asset-based and other relative valuation methods, and applying appropriate premiums/ discounts and/or other relevant adjustments.

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

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It has not been determined in advance whether and in what intervals this document will be updated. Unless otherwise stated current prices refer to the most recent trading day's closing price.

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