

Following is a summary of important business news published in the leading daily newspapers of Bangladesh. For the complete news, please follow the online link given below each news. Please note that the news summary doesn't reflect the opinion of BRAC EPL Stock Brokerage Limited.

Banks' H1 deposit growth up slightly

- The overall deposit growth in the country's banking sector rose but slightly in the first-half (H1) of the current calendar year following a higher remittance inflow. Lower sales of national savings certificates (NSCs) in the recent months also helped push up the volume of bank deposits during the period under review, bankers said. They expect that such an upward trend of deposits in the banking sector may continue into the coming months also. The growth of deposits, on a year-on-year basis, rose to 11.48% as of June 30 last from 11.07% six months ago, according to the central bank statistics. The deposit growth was 10.96% as of March 28, 2019. All banks' deposits, excluding inter-bank balance, rose to BDT 9,772.11 billion as of June 30 last, from BDT 9,246.36 billion as of December 31, 2018. The figure was BDT 9,365.63 billion as of March 28 last.

- Investment in the NSCs decreased slightly in the recent months following higher interest rate on deposits, offered by the banks, particularly private commercial banks, the chairman of the Association of Bankers, Bangladesh (ABB), said on Tuesday. Some private commercial banks (PCBs) are now offering double digit interest rates on deposits, particularly term deposits, to attract depositors, according to the senior banker. He also said a higher remittance inflow along with disbursement of funds by the government against different development projects in June contributed to the increase in deposits of the banks.

<http://today.thefinancialexpress.com.bd/first-page/banks-h1-deposit-growth-up-slightly-1566926035>

Bad loans taking toll on banks' profit earning

- Profitability of the country's banks has declined by around 17% over the last 10 years, mainly due to growth in the volume of bad loans, according to a study report. The bulging non-performing loans again are hampering credit expansion, the report noted. The volume of bad loans and operating costs of banks have ballooned over the years, but the banks are not being able to address these problem by refixing their interest rates, the report mentioned. It has happened because of the pressure on the banks to keep their lending and deposit rates within 9.0% and 6.0% respectively, leading to the uncomfortable situation, it added.

- According to the report, return on equity (ROE) of the banks was estimated 21.7% in 2009, when their average lending rate and size of non-performing loans (NPLs) were 11.5% and 7.3% (of the total loan) respectively. The volume of bad loans increased to 10.3%, while the lending rate declined to 9.5% in 2018. As a result, ROE of the banks came down to only 4.0% in 2018, it also said.

- Presenting the research paper at the roundtable its lead author said the banks are facing the double whammy. The high volume of NPLs reduces the profitability. On the other hand, the banks ultimately pass the cost of bad loans on to the borrowers by increasing interest rates, which eventually reduces their credit growth.

<http://today.thefinancialexpress.com.bd/first-page/bad-loans-taking-toll-on-banks-profit-earning-1566925962>

International Monetary Fund skeptical about success of bad loan recovery by Asset Management Companies

- A visiting International Monetary Fund team on Tuesday expressed skepticism about success of the government move of appointing asset management companies for recovering bad loans in the country's banking sector. At a meeting with officials of the financial institutions division and Bangladesh Bank, it also observed that the recent loan restructuring policy with only two% down payment would hurt the honest borrowers and benefit the willful defaulters. Officials attending the meeting said the team also observed that short-term gain out of the current bad loan restructuring policy might aggravate the problem of the banking sector in the long run. The team pointed out at the meeting that asset management companies failed to recover bad loans in many countries, said the officials.

- The amount of defaulted loans in the country's banking sector rose by BDT 185.13 billion in the first half (January-June) of the current year with the inclusion of BDT 15.52 billion in the April-June period this year. According to BB data, classified loans in January-June period this year surged by 19.71% to reach BDT 1.12 trillion at the end of June from BDT 939.11 billion at the end of December, 2018.

<http://www.newagebd.net/article/82734/imf-sceptical-about-success-of-bad-loan-recovery-by-amcs>

Bangladesh Bank profits soar to BDT 44.61 billion in FY19

- Bangladesh Bank's operating profits soared to BDT 44.61 billion in the financial year of 2018-19 from BDT 7.91 billion

in the previous fiscal year due mainly to central bank's foreign exchange transactions in the local market and banks' heavy borrowing from the BB amid liquidity crisis in the country's banking sector. BB officials said that the central bank sold foreign exchange worth USD 2.34 billion to the local banks in FY19 because of huge demand for the forex for import payments. Besides, the central bank had a reserve worth USD 32 billion, which were invested in different treasuries like US treasury bonds and gold, they said. As a result, the BB made huge profits from forex transactions, reserve and rising value of gold on the international market.

- BB officials said the local banks also borrowed from the BB through repo and special repo amid liquidity shortage in the banks as they struggled to collect deposits. The BB got interest rate of 6% by lending money to the local banks, which helped its profits to rise.

<http://www.newagebd.net/article/82732/bangladesh-bank-profits-soar-to-BDT-4461cr-in-fy19>

Advanced Income Tax (AIT) exemption on capital machinery import to widen

- Capital machinery importers would soon be exempted from paying Advance Income Tax (AIT) on their imports on a larger scale. The National Board of Revenue (NBR) recently took a decision to this end on requests from the local manufacturing industries. The income tax wing of the NBR will shortly issue a Statutory Regulatory Order (SRO) to this effect. Now all importers of capital machinery in the manufacturing sector, except those doing it for commercial purpose, will enjoy the exemption of AIT on issuance of the SRO. In the budget for the current fiscal year of 2019-20, the income tax wing exempted only the capital machinery importers in the manufacturing sector from payment of the AIT at a rate of 5.0% as they were enjoying concessionary rates or exemption from payment of customs duty.

<http://today.thefinancialexpress.com.bd/first-page/ait-exemption-on-capital-machinery-import-to-widen-1566926092>
<http://www.newagebd.net/article/82736/ait-on-capital-machinery-import-to-be-withdrawn>

No tech transfer to the Dhaka Stock Exchange (DSE) from consortium yet

- Committees have been formed to fix priorities on what to use/adopt Chinese software translated into English. Almost one year has elapsed since a Chinese consortium bought 25% stake of the Dhaka Stock Exchange but the strategic partnership is yet to bear fruit. The consortium of the Shenzhen Stock Exchange and the Shanghai Stock Exchange, which forked out BDT 9.47 billion for the stake, had promised sweeping technological upgrades. It gave hopes to stock investors of an electronic information disclosure platform, where the listed companies' corporate information, simple analytical tools, interactive question and answer facility, and online complaint portal could be found.

- The consortium had also agreed to provide matching engine, surveillance software, and extensive business reporting language. But nothing has come thus far. Subsequently, the DSE has now decided to form a committee to work out how it can extract benefits from the consortium. Another committee has been formed by the Chinese consortium. So far, the Chinese consortium has just changed the language of their software.

<https://www.thedailystar.net/business/news/no-tech-transfer-consortium-yet-1791739>

Indo-Bangla Pharma to produce 1200 million tablets per year

- Indo-Bangla Pharmaceuticals (IBP) has inked a manufacturing agreement with RHK GLOBAL (HK), Hong Kong, to produce Super Tramex-100mg brand tablet. Under the agreement made on August 26, Tramadol, the generic name of the tablet, will be produced in Indo-Bangla Pharmaceutical's production plant situated in Barisal. The company said in a disclosure, they would produce 1200 million tablets per year and the revenue of which is projected to be BDT 600 million per annum.

<http://today.thefinancialexpress.com.bd/stock-corporate/indo-bangla-pharma-to-produce-1200m-tablets-per-year-1566922877>

The Executive Committee of the National Economic Council (ECNEC) approves 12 development projects involving BDT 54.94 billion

- The Executive Committee of the National Economic Council (EcneC) on Tuesday approved 12 projects, including a sewerage treatment plant in the city's Uttara area, involving a total estimated cost of BDT 54.94 billion, reports UNB. Today's ECNEC meeting approved 12 projects involving the total cost of BDT 54.94 billion. Of the cost, BDT 54.16 billion will come from government funds, while the remaining 780 million as project assistance, said the Planning Minister while briefing reporters after the meeting. Of the approved projects, seven are new and the remaining five are revised ones.

<http://today.thefinancialexpress.com.bd/trade-market/ecnec-approves-12-development-projects-involving-BDT-5494b-1566917135>

Chinese companies coming in droves

- Chinese investors are coming in thick and fast with at least 20 companies contacting the power sector alone every week, said the state minister for power, energy and mineral resources, yesterday. Over the past five to six years China gathered vast experience on cheap, clean and renewable energy, something Bangladesh has been transitioning into, for which their companies are exploring investment opportunities here, he said. Chinese investors are relocating their industrial and manufacturing units here mainly to address high production costs and shortages of skilled manpower, he told.
- Of the investment from China, over 80% has been made in Bangladesh's power sector, said the state minister for power, energy and mineral resources kept adding. The US-China trade war has also helped, turning Bangladesh into an investment destination for Chinese firms, one of the partners, Global China Business Network, PwC China said. Moreover, improved infrastructure, a wide consumer base and establishment of economic zones have created interest among Chinese investors, he added.
- CEO of Standard Chartered Bangladesh, said Bangladesh would require USD 3 trillion to become a developed country by 2041. It is possible to become such a big economy within the stipulated timeframe if the country can attract more foreign direct investment, he said. He also said that Bangladesh needed to invest more in infrastructure and improve the stock market as its current contribution to the economy was 18%. He also advised issuance of sovereign bonds.

<https://www.thedailystar.net/business/news/chinese-companies-coming-droves-1791727>
<https://www.dhakatribune.com/business/2019/08/28/chinese-companies-keen-to-invest-in-bangladesh>

World Stock and Commodities*

Index Name	Close Value	Value Change	% Change
Crude Oil (WTI)*	\$53.57	-0.60	-1.11%
Crude Oil (Brent)*	\$58.79	-0.55	-0.93%
Gold Spot*	\$1,539.57	+12.61	+0.83%
DSEX	5223.73	-13.12	-0.25
Dow Jones Industrial Average	25,628.90	-623.34	-2.37%
FTSE 100	7,094.98	-33.20	-0.47%
Nikkei 225	20,258.92	-451.99	-2.18%

Exchange Rates

USD 1 = BDT 83.98*
 GBP 1 = BDT 103.09*
 EUR 1 = BDT 93.57*
 INR 1 = BDT 1.17*

*Currencies are taken from XE Currency Converter and Commodities are taken from Bloomberg.

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