

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.

Private sector credit growth marks historic 8.2% low in March

- Private sector credit growth, which has been slowing down since the beginning of the current fiscal year amid pressure of interest rate capping, dropped to a historic low at 8.2% year-on-year in March, posing huge risks for employment and economic growth. Despite having huge amounts of excess liquidity, banks were reluctant to lend amid the pressure of implementing single digit lending rate, which came into effect from April 1, said industry insiders.
- The credit growth in March was far below the monetary target of 14.8% set for the fiscal year 2019-20 by the Bangladesh Bank. In a recent report placed to the International Monetary Fund (IMF), the Bangladesh Bank expected private sector credit growth to end up at 8.5% by the end of the fiscal year. The government's bank borrowing dropped to 44.6% in March, which was 74.6% in February, central bank data shows.
- Export earnings saw a steep 83% fall year-on-year in April when import fell by 62%, according to Bangladesh Bank data. In a quick response to Covid-19, the Bangladesh Bank created additional money worth BDT 707.9 billion to support banks in lending to virus-struck businesses. The injection of new money is part of the plan to implement a stimulus package of BDT 727.5 billion announced by the prime minister to mitigate the economic impacts of the coronavirus outbreak. The central bank expects about BDT 300 billion to come from banks this year.

<https://tbsnews.net/economy/banking/private-sector-credit-growth-marks-historic-82-low-march-88024>
<https://www.thedailystar.net/business/news/credit-growth-plunges-12-year-low-1908225>

Higher debt to drive up interest payment

- With the government's bank and non-bank borrowing on a steep rise, the next fiscal's budget is likely to earmark an allocation of BDT 635.3 billion for paying interest. The allocation is up by BDT 64.6 billion or 11.31%, compared to the current fiscal year's provision.
- By early June, the borrowing from banks has almost doubled the target of BDT 473.6 billion set for the entire fiscal year. On the other hand, the government could borrow less than half of BDT 270 billion it wanted to raise from savings instruments because of lower sales. The rate of interest of savings instruments is almost double that of loans from banks, thus the government has increased its reliance on the banking sector to secure funds, said the official.
- Finance Minister is set to announce a BDT 5.6 trillion budget for fiscal year 2020-21 on June 11 in parliament where he is setting a target of 8.2% growth in gross domestic product or GDP. He will also pledge to keep the inflation rate at 5.4% in the upcoming fiscal.

<https://today.thefinancialexpress.com.bd/first-page/higher-debt-to-drive-up-interest-payment-1591118607>

Inflation falls on better crop production, smooth supply

- According to Bangladesh Bureau of Statistic (BBS) data released on Tuesday, the inflation rate was 5.63% in the same month of last year. Both food and non-food inflation also dropped due to better rice production and ensuring smooth supply of goods across the country even during this coronavirus pandemic, officials said. Planning Minister MA Mannan unveiled the consumer price index (CPI) after a meeting of the Executive Committee of the National Economic Council (ECNEC) in Dhaka.
- According to the BBS, the food inflation dropped significantly to 5.09% in May from 5.91% in April while non-food inflation fell to 5.75% in May than that of 6.04% in the previous month. The inflation in urban and rural areas also dropped slightly in May. In rural Bangladesh, the inflation rate was recorded at 5.65% in May, lower than 6.08% in April.
- In the villages, food inflation dropped to 5.61% in May from that of 6.17% in April. The non-food inflation fell to 5.73% in May as compared to 5.92% in the previous month. In the urban areas, the point-to-point inflation stood at 4.81% in May from that of 5.73% in April. The food inflation in the towns went down to 3.94% in May as compared to 5.33% in April. The non-food inflation dropped to 5.79% in May from that of 6.20% in the previous month.

<https://today.thefinancialexpress.com.bd/last-page/inflation-falls-on-better-crop-production-smooth-supply-1591119407>

Garment exports to major destinations nosedive

- Bangladesh's garment exports to major destinations suffered a devastating blow in April as factories put up the

shutters while demand hit rock bottom because of the coronavirus pandemic worldwide. Apparel shipment to the EU, Bangladesh's largest export market, was only USD 220 million in April, while the average monthly earnings usually stand at nearly 1.5 billion, according to data from Bangladesh Garment Manufacturers and Exporters Association (BGMEA).

■ In July-April, Bangladesh exported garment items worth USD 15.06 billion to the EU, which is 14.61% lower than that in the same period last fiscal year. Garment export to the US, the country's single largest export destination, amounted to only USD 70 million in April, against the average monthly earnings of USD 500 million in the usual times, the BGMEA data shows. In July-April, the amount stood at USD 4.44 billion, which is 12.64% lower than the earnings in the same period last year. Export also declined to the Canadian market: In April, Bangladesh exported garment items worth USD 9.5 million. During July-April the amount reached USD 746.35 million, a 21.64% drop year-on-year.

■ With almost 70% of those experiencing labour shortages looking for new workers, the likelihood of poor recruitment practices is exacerbated in times of crisis. Hiring child or forced labour may increase, the report has found. Fifty-six% sought better payment terms, 49% improved forecasting and planning, 48% longer production timelines and no late delivery fees during this period.

■ According to the BGMEA President Rubana Huq, April and May have seen freefall in exports and based on the current discussions with the buyers, exporters would have to be skeptic in making a generalised prediction. The sector may see exports plummeting by 30-40% in upcoming months since retail markets are yet to pick up and the impact of COVID-19 on consumer behaviour is still unknown.

<https://today.thefinancialexpress.com.bd/last-page/rmg-footwear-suffer-most-during-pandemic-1591119351>

RMG, footwear suffer most during pandemic: Sedex Survey

■ Garment, footwear and construction sectors have suffered the biggest economic hit during the Covid-19 pandemic with supply chain disruption as the top challenge, according to a latest report. An estimated 68% of the surveyed garment members reported that their revenue has decreased 'significantly or critically', it said.

■ Sedex conducted the survey on 469 suppliers from the garment sector across 51 countries, mostly in Bangladesh, China, India and Turkey. It also studied sectors like chemical, pharmaceutical, retail, cleaning, wholesale and fishing.

■ With many units struggling to stay afloat, closures and reduced work have devastating impacts on jobs and income for most workers in garment and textile sectors. Of those with more labour than work (56%), the most common option for managing this was reducing the number of shifts per worker (46% executing this option) with 31% suppliers reducing headcount. Some 25% businesses will temporarily close and 21% stop workers coming in to work during this period, according to the report.

■ With almost 70% of those experiencing labour shortages looking for new workers, the likelihood of poor recruitment practices is exacerbated in times of crisis. Hiring child or forced labour may increase, the report has found. Fifty-six% sought better payment terms, 49% improved forecasting and planning, 48% longer production timelines and no late delivery fees during this period.

<https://today.thefinancialexpress.com.bd/last-page/rmg-footwear-suffer-most-during-pandemic-1591119351>

Shipbreakers suffering huge loss for AT, Covid-19

■ The leaders of the Bangladesh Ship Breakers and Recyclers Association (BSBRA) have urged the government to withdraw 5.0% AT or VATable tax (which is refundable) on import of scrap ships from the next budget and also giving incentive for scrap ship importers from its stimulus package.

■ Talking to the FE a top BSBRA leader said they have already sent a letter to the National Board of Revenue (NBR) and the concerned ministry requesting them to withdraw the AT on scrap ships import. He said scrap ship imports sharply declined in the last 11 months of fiscal year 2019-20 (FY20) due to imposition of the AT by the NBR in the current national budget. Besides, he said, the business has hit snag in the last two-and-a-half months due to the coronavirus-induced nationwide general holidays. In the FY20, ship-breaking business has almost remained standstill due to the AT, he said.

■ The BSBRA leaders said the importers are yet to get back a total of BDT 2.38 billion paid as AT during the outgoing financial year. According to the customs authorities, the shipbreakers imported a total of 250 scrap ships in 2015-16 fiscal year and paid BDT 8.22 billion tax to the government. A total of 188 scrap ships were imported in 2016-17 fiscal year and tax worth BDT 6.32 billion was paid, 202 scrap ships were imported in FY18 paying BDT 5.96 billion tax and 272 scrap ships imported in FY19 with BDT 7.92 billion paid as tax while only 138 ships imported in the last 11 months of FY20 and BDT 4.78 billion tax paid to the NBR.

■ The total turnover of the ship-breaking industry is around BDT 50 billion per year. A total of four types of old vessels

are scrapped on shipyards of Sitakunda. The vessels are: Turbine Tanker (TT), Motor Vessel (MV), Steam Vessel (SV) and Fishing Trawler (FT). Of them scrapping of Turbine Tanker is very dangerous for environment and also health of workers.

<https://today.thefinancialexpress.com.bd/trade-market/ship-breakers-suffering-huge-loss-for-at-covid-19-1591115361>

Stocks keep losing amid growing virus tension

■ Stocks kept the losing streak on Tuesday amid growing tension over the impacts of Covid-19 pandemic on the lives and livelihoods. DSEX, the key index of the Dhaka Stock Exchange, went down by 29.91 points or 0.75% to close at 3,969. The core index eroded 91 points in two straight sessions while added 52 points in the opening session after 66-day closure. Of the issues traded, 229 remained unchanged while only 12 issues advanced and 53 declined on the DSE trading floor.

■ The recently introduced circuit break annoyed many investors as most of the shares remained non-traded at the floor. A very few buyers came and picked some of the offered shares. The news that the Bangladesh Bank is likely to allow banks to disburse cash dividend only to the general shareholders before September this year, also failed to attract investors.

■ Earlier on May 11, the central bank asked all the banks not to disburse any cash dividend before September 30 this year with a view to ensuring adequate cash in the banking system to support the economic rebuilding process amid the deadly virus crisis.

<https://today.thefinancialexpress.com.bd/stock-corporate/stocks-keep-losing-amid-growing-virus-tension-1591114837>

The other side of stock investment

■ Long-term investments in stocks can pay off hefty returns, no matter how volatile the market becomes. The only thing an investor needs to keep in mind is that the stocks must be fundamentally good ones – and worth holding for years.

■ Like Renata, the descendant of Pfizer in Bangladesh, has come up with more than 180 times return for its patient shareholders over 16 years till December last year, according to an analysis of data of Dhaka Stock Exchange. Even if somebody had bought Renata shares at the end point of the 2010 bull market, his or her money already has grown by 4.2 times in just nine years, nearly three times higher return than the bank deposits.

■ The return over the same time horizon was more than 400% for Marico Bangladesh and British American Tobacco Company Bangladesh – the respective champions in the market of hair care and tobacco products in Bangladesh respectively.

■ While, over the decade – since the beginning of 2010 until the end of 2019 – the market as a whole returned virtually nothing, but the cash dividends saw an average yield of over three%. And investors lost up to 95% of their money in shares of some weak companies.

<https://tbsnews.net/economy/stock/long-term-stock-investment-pays-88027>

Beximco Pharma (DSE: BXPBARMA) bracing for remdesivir export to 30 countries

■ Beximco Pharmaceuticals seem to be going through a purple patch of late. After grabbing headlines globally last month for being the first company to market remdesivir, the antiviral drug that has shown promise in treating COVID-19 patients, the local pharmaceutical company is now set to export the medicine to more than 30 countries this month.

■ Though Beximco Pharmaceuticals' stocks plunged 2.8% to Tk 68 on the Dhaka Stock Exchange yesterday, the price is far better than it was three months ago, according to data of the premier bourse. Market analysts said investors are optimistic about the company's performance as it has produced a drug like remdesivir to meet the growing demand of the local and international markets. When most other listed companies suffered a massive drop in their prices amid the fallout of the pandemic, Beximco Pharmaceuticals was faring quite well, they said.

■ Some other local companies including Eskayef (SK-F), Incepta, Beacon, Healthcare and Square have also got the go-ahead to manufacture remdesivir, a drug developed by American biopharmaceutical company Gilead Sciences. Eskayef began distributing its version of remdesivir, Remivir, last month.

<https://www.thedailystar.net/business/news/beximco-pharma-bracing-remdesivir-export-30-countries-1908209>

Two more Mutual Funds of ICB Asset Management Company get another 10-year extension

■ The tenure of two more closed-end mutual funds, managed by [ICB Asset Management Company](#), have been

extended for another 10 years, said an official disclosure on Tuesday. The two mutual funds are Phoenix Finance 1st Mutual Fund and ICB AMCL Third NRB Mutual Fund.

- The Phoenix Finance 1st Mutual Fund's tenure has been extended up to May 3, 2030 while ICB AMCL Third NRB Mutual Fund's up to May 19, 2030, according to the disclosure.
- The Phoenix Finance 1st Mutual Fund has reported its net asset value (NAV) of BDT 5.85 per unit on the basis of the current market price and BDT 11.93 per unit on the basis of the cost price against the face value of BDT 10 as of the close of operation on March 23. Each unit price of Phoenix Finance 1st Mutual Fund closed at BDT 8.10 on Tuesday, remaining unchanged over the previous day on the Dhaka Stock Exchange.
- Currently, 37 closed-end mutual funds are listed on the Dhaka Stock Exchange.

<https://today.thefinancialexpress.com.bd/stock-corporate/two-more-mfs-get-another-10-year-extension-1591114907>

General holidays discarded while counting deadlines in capital market

- All the mandatory events and filing deadlines in the capital market, other than publishing price sensitive information, have been extended for a period equal to the general holidays — March 26 to May 30. In the 727th commission meeting on Tuesday, The Bangladesh Securities and Exchange Commission (BSEC) has decided to discard the days of general closure while counting deadlines for conducting meetings, adopting financial statements, submission of any report or statement to the securities regulator or any other capital market entities.
- All the issuers, stock exchanges, facilitating entities like electronic depository service providers, and market intermediaries, along with the concerned individuals will avail and obey the extension. However, one thing was kept aside like before – the rule of dissemination and publication of price sensitive information on time.
- Earlier on March 24, just before the shutdown on the wake of Covid-19 pandemic, BSEC declared a temporary waiver for the regulated entities to conduct meetings and submit mandatory reports during the emergency days of pandemic. It also allowed listed companies to conduct online meetings to avoid crowding. However, through the latest directive the deadline relaxation has got its exit point – around nine-week deferral.

<https://tbsnews.net/economy/stock/general-holidays-discarded-while-counting-deadlines-capital-market-88003>
<https://www.newagebd.net/article/107497/bsec-excludes-gen-holidays-for-time-calculation>

Bangladesh Securities and Exchange (BSEC) gets another commissioner

- Md. Abdul Halim, former secretary of the industries ministry on Tuesday joined the securities regulator as a commissioner. Mr. Halim has joined the Bangladesh Securities and Exchange (BSEC) following a gazette notification, issued by the ministry of finance (MoF), on his appointment for four years from the date of joining.
- Mr. Halim served the industries ministry till May 26 as secretary. Before serving the industries ministry, he was the director general of governance innovation unit at the Prime Minister's Office. The commission at the securities regulator has now been fulfilled through his appointment.

<https://today.thefinancialexpress.com.bd/stock-corporate/bsec-gets-another-commissioner-1591115018>

World Stock and Commodities*

Index Name	Close Value	Value Change YTD	% Change YTD
Crude Oil (WTI)*	USD 37.58	(USD 24.05)	-39.02%
Crude Oil (Brent)*	USD 40.10	(USD 28.34)	-41.41%
Gold Spot*	USD 1,727.97	USD 206.50	13.57%
DSEX	3,969.58	-483.35	-10.85%
S&P 500	3,080.82	-149.96	-4.64%
FTSE 100	6,220.14	-1366.91	-18.02%
BSE SENSEX	33,825.53	-7816.61	-18.77%
KSE-100	34,021.97	-6713.11	-16.48%
CSEALL	4,795.40	-1333.81	-21.76%

Exchange Rates

USD 1 = BDT 84.90*

GBP 1 = BDT 106.87*

EUR 1 = BDT 95.14*

INR 1 = BDT 1.13*

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

IMPORTANT DISCLOSURES

Analyst Certification: Each research analyst and research associate who authored this document and whose name appears herein certifies that the recommendations and opinions expressed in the research report accurately reflect their personal views about any and all of the securities or issuers discussed therein that are within the coverage universe.

Disclaimer: Estimates and projections herein are our own and are based on assumptions that we believe to be reasonable. Information presented herein, while obtained from sources we believe to be reliable, is not guaranteed either as to accuracy or completeness. Neither the information nor any opinion expressed herein constitutes a solicitation of the purchase or sale of any security. As it acts for public companies from time to time, BRAC-EPL may have a relationship with the above mentioned company(s). This report is intended for distribution in only those jurisdictions in which BRAC-EPL is registered and any distribution outside those jurisdictions is strictly prohibited.

Compensation of Analysts: The compensation of research analysts is intended to reflect the value of the services they provide to the clients of BRAC-EPL. As with most other employees, the compensation of research analysts is impacted by the overall profitability of the firm, which may include revenues from corporate finance activities of the firm's Corporate Finance department. However, Research analysts' compensation is not directly related to specific corporate finance transaction.

General Risk Factors: BRAC-EPL will conduct a comprehensive risk assessment for each company under coverage at the time of initiating research coverage and also revisit this assessment when subsequent update reports are published or material company events occur. Following are some general risks that can impact future operational and financial performance: (1) Industry fundamentals with respect to customer demand or product / service pricing could change expected revenues and earnings; (2) Issues relating to major competitors or market shares or new product expectations could change investor attitudes; (3) Unforeseen developments with respect to the management, financial condition or accounting policies alter the prospective valuation; or (4) Interest rates, currency or major segments of the economy could alter investor confidence and investment prospects.

BRAC EPL Stock Brokerage Limited

Research

Ayaz Mahmud, CFA	Head of Research	ayaz.mahmud@bracepl.com	01708 805 221
Sadman Sakib	Research Associate	sadman.sakib@bracepl.com	01730 727 939
Md. Rafiqul Islam	Research Associate	mrafiqulislam@bracepl.com	01708 805 229
Md. Mahirul Quddus	Research Associate	mmahirul.quddus@bracepl.com	01709 636 546

International Trade and Sales

Ahsanur Rahman Bappi	Head of International Trade & Sales	bappi@bracepl.com	01730 357 991
----------------------	-------------------------------------	--	---------------

BRAC EPL Research www.bracepl.com

Symphony, Plot No.: S.E.(F) – 9(3rd Floor), Road No.: 142
Gulshan Avenue, Dhaka – 1212
Phone: + (880)-2-9852446-50
Fax: + (880)-2-9852451-52
E-Mail: research@bracepl.com