**World is facing deep recession: International Monetary Fund (IMF)**

■ The International Monetary Fund's (IMF) forecast for the world economy fluctuated from expansion to reduction, making the loudest downgrade in projections for the world's leading economies. The IMF has projected the global growth to shrink by 4.9% in 2020, which is 1.9 percentage points below the April 2020 World Economic Outlook forecast. For 2021, IMF forecasts a growth of 5.4%, down from April projection of 5.8%. Overall, this would leave 2021 GDP some 6.5 percentage points lower than in the pre-Covid-19 projections of January 2020.

■ Two months after its dire predictions of the steepest recession in almost a century, the IMF released this new global economic forecast on Wednesday. Few days back in this June, the World Bank forecast a 5.2% contraction in global GDP in 2020 – the deepest global recession in decades. It also said that per capita incomes in most emerging and developing economies will shrink this year. Now, the IMF comes up with this bad news for the world.

■ IMF in its latest outlook said consumption growth, in particular, has been downgraded for most economies, reflecting the larger-than-anticipated disruption to domestic activity. In 2021, the growth rate for emerging market and developing economies is projected to strengthen to 5.9%, largely reflecting the rebound forecast for China (8.2%).  The growth rate for the group, excluding China, is expected to be –5.0% in 2020 and 4.7% in 2021, leaving 2021 GDP for this subset of emerging markets and developing economies slightly below its 2019 level.

■ Global trade will suffer a deep contraction this year of –11.9%, reflecting considerably weaker demand for goods and services, including tourism. Consistent with the gradual pickup in domestic demand next year, trade growth is expected to increase to 8%.

<https://tbsnews.net/world/global-economy/world-facing-deep-recession-imf-97684>

**BDT gains on falling imports, rising remittances**

■ The local currency has started appreciating suddenly due to a massive fall in import payments and rise in remittances in recent weeks. This helped the country's foreign exchange reserve surpass the USD 35-billion mark for the first time yesterday, according to data from the central bank. Typically, an increase in the value of one currency makes imports cheaper and exports costlier.

■ Bankers and an economist said the central bank will have to step in to stop the appreciating trend of the taka at any cost in the interest of the country's export sector, or else it will impact badly the financial sector as a whole in the days to come. Yesterday, the interbank exchange rate stood at BDT 84.80 per dollar, down from BDT 84.95 on June 18. The exchange rate of the taka had been maintaining a stable position since November last year until the latest uptick.

■ Multilateral lender agencies have recently released nearly USD 1.5 billion in soft loans to help Bangladesh fight against the ongoing economic meltdown brought on by the coronavirus pandemic along with meeting their previous commitments for various projects. In addition, the expatriate Bangladeshis sent remittance amounting to USD 1.4 billion in the first 23 days of June, which is higher than the same period a year ago when the inflow stood at USD 1.3 billion.Against the backdrop, the reserve rose to a record high of USD 34.0 billion on June 3 and made another record yesterday.

■ The Bangladesh Bank purchased USD 115.0 million from banks on June 23 as part of its effort to tackle the appreciation of the currency. Between July and April, export earnings stood at USD 28.8 billion, down 13.2% from a year earlier. Import payments fell 8.77% to USD 42.97 billion. Bangladesh is not the only country that is witnessing a higher foreign currency reserve: almost all emerging economies are seeing the same trend. For instance, India's reserves crossed the USD 500-billion mark for the first time on June 5 as there has been no sufficient demand for foreign currencies from oil marketing companies. The central bank of India secured an additional foreign exchange reserve of USD 31.8 billion in the two-and-a-half months to June 5.

<https://www.thedailystar.net/business/news/taka-gains-falling-imports-rising-remittances-1920177>

<https://www.newagebd.net/article/109307/reserve-hits-record-35b-dollar-price-drops-as-import-sags>

<https://today.thefinancialexpress.com.bd/last-page/reserves-hit-record-35b-amid-pandemic-1593021729>

**Corporate tax cut will not benefit companies**

■ Slashing of corporate tax in the budget is unlikely to help bring down the effective tax rates of companies, hamstrung by a set of new provisions. Despite the cutback on corporate tax for non-listed firms, the effective tax rate of a company could go up to 40% in FY 2021, said businesses and tax experts. Large corporate taxpayers, foreign investors and tax experts termed the cut by 2.5% "a completely theoretical reduction."

■ Officials of the National Board of Revenue NBR implicitly agreed, saying there would be no significant loss in the collection of direct taxes, despite offering a set of tax benefits in the budget. The benefits include a 2.5% cut in corporate tax for non-listed firms, increase in tax-free threshold for individual taxpayers to BDT 0.3 million, a new tax rate 5.0% for marginal taxpayers, bringing down the highest slab of income tax rate by 5.0%, etc.

■ The benefits include a 2.5% cut in corporate tax for non-listed firms, increase in tax-free threshold for individual taxpayers to BDT 0.3 million, a new tax rate 5.0% for marginal taxpayers, bringing down the highest slab of income tax rate by 5.0%, etc. Businesses said the tax on promotional expenses may cause increase of effective tax rates ranging from 6.0% to 40% depending on the profit base of 5.0% to 30%.

<https://today.thefinancialexpress.com.bd/first-page/corporate-tax-cut-wont-benefit-cos-1593020217>

**Bangladesh’s electricity use drops by 4,000 Megawatt**

■ Coronavirus pandemic and resultant low demand of power and energy have reduced around 4,000 MW of electricity and 300 mmcfd of natural gas consumption across the country. According to the state-run Bangladesh Power Development Board (BPDB) Chairman, currently, the country's electricity consumption could have been around 14,000 megawatts (MW), if the coronavirus outbreak did not spread and overall electricity consumption did not fell. He also added that the country's overall electricity consumption is currently hovering around 10,500 MW due to lower than expected consumption.

■ Natural gas consumption could have been around 3,300 million cubic feet per day (mmcfd), if the coronavirus pandemic was not there, said a senior official of the state-run Petrobangla. Overall natural gas consumption, including re-gasified LNG (liquefied natural gas), is now around 3,000 mmcfd. Earlier, industries and commercial operations were shut for over two months of the nationwide shutdown until May 30. Almost all types of gas-based industries and factories were also shuttered during the nationwide shutdown, imposed for slowing the spread of coronavirus outbreak.

■ Electricity consumption in industries fell by around 50% and in commercial entities by around 40% during the shutdown, said a senior official of the state-owned Dhaka Electricity Supply Company Ltd (DESCO). Electricity consumption in households, however, increased by around 15% during the period.

<https://today.thefinancialexpress.com.bd/last-page/bds-electricity-use-drops-by-4000-mw-1593021677>

**Bangladesh Bank (BB) approves BDT 30.0** **billion in loans for 140 entities**

■ The Bangladesh Bank has approved around BDT 30.0 billion in loan proposals of 140 entities, which were placed by different banks for approval under the government-announced package meant for the industries and service sectors affected by the coronavirus pandemic. Besides, the process of approval for another BDT 20.0 billion in stimulus loans would be completed in a few days, which would take the total amount of BB-approved stimulus loans to around BDT 50.0 billion.

■ The loan facility would be issued for one year. However, the tenure can be extended based on the bank-customer relationship. In such case, the borrower would not get interest subsidy for more than one year. Asked about the progress of loan disbursement, City Bank managing director and chief executive officer Mashrur Arefin told New Age on Wednesday that the bank had applied for issuing BDT 10.2 billion in credit facility to its clients.

■ Under the stimulus package, the banks would issue credits at the rate of 9.0% to the SMEs. Of the interest, the government will pay 5.0% while the borrower will have to pay the rest 4.0%. The government have so far announced different stimulus packages worth around BDT 1.03 trillion. Apart from the two packages meant for the industries and SMEs, the BB has formed a BDT 50.0 billion pre-shipment refinance scheme for the export-oriented industries, a BDT 30.0 billion fund for the low-income people and for the farmers, and another BDT 50.0 billion fund for the farmers.

[https://www.newagebd.net/article/109330/bb-approves-BDT-3000cr-in-loans-for-140-entities](https://www.newagebd.net/article/109330/bb-approves-tk-3000cr-in-loans-for-140-entities)

**World Bank (WB) approves USD 500.0 million in loan for Bangladesh road connectivity improvement**

■ The World Bank on Tuesday approved USD 500.0 million in loans to Bangladesh for improving road and digital connectivity along the Jashore-Jhenaidah corridor covering four western districts. The Western Economic Corridor and Regional Enhancement (WeCARE) Phase I project is the first of a multi-phased USD 1.4 billion World Bank programme to upgrade the existing 110 KM two-lane highway —Bhomra-SaBDT hira-Navaron and Jahore-Jhenaidah — to a safer and climate-resilient four-lane highway in the region, said WB in a statement.

■ The project will support the government’s plan of developing a 260 km economic corridor in the western part and benefit over 20.0 million people, it said. The first phase of the programme will upgrade 48 kilometer of the N7 highway between Jashore and Jhenaidah and improve about 600 km connecting rural roads and 32 rural markets/growth centers to stimulate the local economy, it said.

■ Under the project, fiber optic cables will also be installed along the highway to provide reliable and affordable internet access. The credit from the WB’s International Development Association (IDA), which provides concessional financing, has a 34-year term, including a four-year grace period. With this financing, the World Bank’s total commitment in the current financial year 2019-2020 stands at USD 2.3 billion. Bangladesh currently has the largest IDA ongoing programme totaling over USD 13.5 billion.

<https://www.newagebd.net/article/109302/wb-approves-500m-in-loan-for-bangladesh-road-connectivity-improvement>

**Problems with overcapacity in power sector may deepen in post-pandemic period: Center for Policy Dialogue (CPD)**

■ The Bangladesh Power Development Board has confronted a rising financial burden due to overcapacity-related problems exacerbated by the Covid-19 pandemic. However, the problems will deepen in the post-Covid-19 period as the board must pay a capacity charge to plant owners while the plants remain unused due to low energy demand, reads analysis by the Centre for Policy Dialogue (CPD).

■ According to the CPD report, In January and March of 2020, the highest overcapacity was reported at 63.3% and 62.5%, respectively. However, on June 16 of FY18, FY19 and FY20 the overcapacity was found to be 59%, 46%, and 49.8% respectively his overcapacity is a result of the power sector's master plan where the reserve margin was set at 25% – which is significantly higher than the reserve capacity maintained by developing countries – 10%.

■ Regarding budget allocation for the power division: the power division needs to follow a "go-slow" policy in power generation-related projects both under the public and private sector given the huge amount of overcapacity that currently exists.

<https://tbsnews.net/bangladesh/energy/problems-overcapacity-power-sector-may-deepen-post-covid-period-cpd-97525>

<https://www.thedailystar.net/business/news/overcapacity-power-sector-growing-concern-cpd-1920173>

**Safety net outlay goes up substantially for FY '21**

■ The government has substantially increased the allocation on the social safety net programmes mainly due to supporting the coronavirus affected people. It allocated BDT 955.74 billion or nearly 17% of the proposed budget for fiscal year 202-21, with some programmes designed directly for the virus affected people.

■ The social protection programmes are also directly linked with the assistance for partial interest waiver of deferred loans of the commercial banks, refinancing scheme for low income farmers and traders, and interest subsidy for small industry and service sector enterprises. The government has allocated a total of BDT 80 billion for the above programmes for the next fiscal year.

■ However, there are a large number of programmes meant for the non-poor people under the social security programmes. The pension payment for the retired government employees is the biggest programme in terms of resource allocation. The government has proposed BDT 230 billion for over 600,000 pensioners.

<https://today.thefinancialexpress.com.bd/last-page/safety-net-outlay-goes-up-substantially-for-fy-21-1593021438>

**National Board of Revenue (NBR)’s bid to cap promotional expenses leaves firms hot and bothered**

■ The revenue authority has sought to tax companies' promotional expenditure exceeding 0.5% of their turnover, an unprecedented move that has left firms flustered. Promotional expenses exceeding the proposed cap would instead be listed as income and therefore, companies will have to pay tax on the expenditure from the upcoming fiscal year. In turn, this may increase the effective tax rate from 6.0% to 36.0% depending on a profit base range between 5.0 and 30.0%, Rupali Chowdhury, president of the Foreign Investors' Chamber of Commerce and Industry (FICCI), told Finance Minister last week in a letter seeking the cap's removal. Due to the increase in effective tax rates, non-listed companies, the country's biggest taxpayers, will not be able to take full advantage of the proposed reduction of corporate tax from 35.0% to 32.5%.

■ The FICCI also said that fast-moving consumer goods (FMCG) and similar industries spend between 5.0 to 10.0% of their turnover on promotional activities, a long-established practice that drives sales. The proposed cap on such expenditures means that the cost of doing business will increase. This will also likely force companies to cut down on promotional activities at a time when the economy needs more investment to make a speedy recovery from the pandemic fallout.

<https://www.thedailystar.net/business/news/nbrs-bid-cap-promotional-expenses-leaves-firms-hot-and-bothered-1920185>

**Dhaka businesses struggle with collapsed demand**

■ Economic activities resumed on May 31 across the metropolis of 20 million people after a 66-day nationwide shutdown, but consumer demand has fallen to a fraction of what it used to be before the pandemic, with people not opening their wallets for anything unless it is very essential. Although the industries that manufacture health products, groceries and some specialised items, such as bicycles, hair trimmers or washing machines, are witnessing a rise in demand, their contribution to the economy is very nominal. Most businesses are struggling to come out of a vicious cycle that reduced their sales by 60%-90%.

■ All formal employments – except for government jobs – are working under the spectre of job or pay cuts while more than 60.0 million people employed informally had a tougher time with no or little income during the shutdown. Despite the risk of getting infected with coronavirus, they are desperate to get back to work wherever they had been before the pandemic.

■ City and Meghna groups, two market leaders in essential commodities like oil, sugar or flour –are also experiencing a slump in demand after the reopening of the economy. Mostofa Kamal, chairman of Meghna Group of Industries, said he is very concerned about the demand decline by 30% to 40%. Manwar Hossain, president of Bangladesh Steel Manufacturers Association, said the steel industry sales figure is one-fourth of what it used to be a year ago. Liakat Ali Bhuian, vice-president of the Real Estate and Housing Association of Bangladesh, told The Business standard that except some large companies, most of the real estate firms are struggling to keep their offices open as there is neither client visit, nor sale. Less than 10% of the sales a year ago is now taking place, and those are mainly contracts signed earlier, he added.

<https://tbsnews.net/economy/trade/dhaka-businesses-struggle-dampened-demand-97255>

**Budgetary grants raised to BDT 126.8 billion to fight pandemic**

■ The budgetary grants rose more than four times to BDT 126.8 billion in the next fiscal year on the back of a large block allocation to meet urgent health and social protection expenses. The grants were BDT 29.8 billion in the revised budget and BDT 23.2 billion in the original budget in the current fiscal year. Finance Minister has set aside BDT 100.0 billion for a fund to be used to mitigate the impacts of the deadly virus, which has so far infected 119,198 people in Bangladesh and killed 1,545.

■ The fund would be used to buy equipment for the health sector, recruit doctors, nurses and other healthcare professionals, said an official of the finance ministry. If needed, the government may go for another round of direct cash transfer to the people who have been rendered jobless since the onset of the pandemic, he said. It may be used for expanding food support.

■ The government has already allocated BDT 2,500 to each of 5.0 million families whose bread-earners have lost jobs owing to the coronavirus-induced shutdown. For FY21, the government has allocated BDT 1.0 billion in grants for the Integrated Health-Science Research and Development Fund, BDT 1.0 billion for recurring micro-credit under the rural social welfare programme and BDT 7.0 billion for compensation against the coronavirus-related health risks.

<https://www.thedailystar.net/business/news/budgetary-grants-raised-tk-12680cr-fight-pandemic-1919605>

**National Board of Revenue (NBR)'s tax receipt moves on the skids**

■ The government's revenue collection in the current fiscal year is likely to contract for the first time since the country's independence in 1971. The slump in tax collection as the fallout of the coronavirus pandemic may result in lower taxation to GDP or gross domestic product ratio. Until May of the 2020 fiscal, receipt by the National Board of Revenue or NBR shrank 2.4% from the same period a year earlier, according to provisional data.

■ In the 11 months to May, the NBR collected BDT 1.9 trillion tax revenue against its target of BDT 2.7 trillion. Last year, the board collected BDT 1.9 trillion during this period. April-June is deemed the peak period for revenue collection when the tax authority collects the bulk. In the first 11 months to May, the revenue shortfall reached BDT 762.5 billion against the revised target. During July-April, the amount was slightly lower than BDT 620 billion. Though the revenue collection posted a mere growth of 0.64% until April, May- closed in the red.

■ The government has set BDT 3.3 trillion target for NBR in the upcoming fiscal. The original target for the NBR was BDT 3.3 trillion for FY 2019-20, which has been revised to BDT 3.0 trillion. NBR Chairman projected a maximum tax collection of BDT 2.2 trillion, down from BDT 2.3 trillion the year before. With the revenue collection growth averaging 14.0% in the last five years, he projected BDT 2.5 trillion tax collection in FY 21.

<https://today.thefinancialexpress.com.bd/first-page/nbrs-tax-receipt-move-on-the-skids-1592935018>

**Hong Kong and Shanghai Banking Corporation (HSBC) structures Bangladesh's first-ever sustainability linked loan for Square Group**

■ HSBC in Bangladesh has arranged the country's first ever Sustainability Linked Loan for Square Group. The total facility of USD 118.0 million (approximately BDT 10.0 billion) worth of sustainable finance has been structured to align Square Group business to better long-term renewable energy usage.

■ Sustainability linked loans aim to improve the borrower's sustainability profile by aligning loan terms to the borrower's performance against pre-determined Sustainability Performance Target (SPT) benchmarks. For example, the interest rate under the relevant loan agreement may be reduced where the borrower satisfies a pre-determined SPT threshold or vice versa. By linking the loan terms to the borrower's sustainability performance, borrowers are economically incentives to make improvements to their sustainability profile over the term of the loan.

■ Square Group is one of the pioneer signatories of the United Nations Global Compact (UNGC), which encourages businesses worldwide to adopt sustainable and socially responsible policies and to report on their implementation. This particular proposition will reward the Group for improving their sustainability profile by aligning credit terms to a set of agreed sustainability performance metrics.

<https://today.thefinancialexpress.com.bd/stock-corporate/hsbc-structures-bds-first-ever-sustainability-linked-loan-for-square-group-1592930338>

<https://tbsnews.net/economy/banking/hsbc-arranges-118m-square-group-under-sustainable-finance-97204>

<https://www.thedailystar.net/business/news/hsbc-lends-square-tk-1000cr-bangladeshs-first-sustainability-linked-loan-1919613>

**Foreign e-commerce entities now can invest alone**

■ The government on Tuesday approved the foreign e-commerce entities for sole investment in Bangladesh, dropping the previous condition of a joint venture with local companies. This enables the global e-commerce giants such as Alibaba or Amazon to invest and own a 100.0% stake. The Ministry of Commerce said the decision came in the wake of growing importance of online shopping amid the coronavirus pandemic.

■ According to National Digital Commerce Policy-2018, the foreign e-commerce entities were not allowed to invest and run businesses on their own. The investors had to team up with local players for a joint venture, where a foreign investor had a 49.0% stake and a local company would own the remaining 51.0%.

■ Commerce ministry officials said the sector has been showing 100.0% growth for last three years. Around 7,500 entities are doing online business currently while Alibaba has entered the Bangladeshi market as it bought Daraz, a popular e-commerce platform. Amazon is also showing interest in the Bangladeshi market as the local sector has BDT 7.0 billion monthly and more than BDT 8.0 billion annual turnover. According to Statista, the size of the local e-commerce market was USD 1,648 million in 2019. It expanded to USD 2,077 million in 2020, and the predicted size will reach USD 3,077 million in 2023.

<https://tbsnews.net/economy/industry/foreign-e-commerce-entities-now-can-invest-alone-97231>

**Credit cards use depressing as pandemic rules the roost**

■ A good number of nations have cancelled international flights partially or entirely since February in order to tackle the spread of the novel coronavirus. Consumers paid around USD 35 billion for flights across the globe just before the coronavirus-induced pandemic. But they were unable to fly due to the lockdowns, according to the International Air Transport Association. Clients used credit cards to pay more than 50% of the bills for the flights, creating a difficult situation for the airlines company to refund the money as well.

■ A large number of mid-level officials at corporate entities who account for the major portion of credit card-holders in Bangladesh have either lost jobs or faced a salary cut because of the collapse of incomes of their employers. In addition, many of them, who are still on the payroll, are worried about their future as the meltdown lingers and cases of infections from the deadly virus rise. According to a senior central bank official, the situation has forced them to cut back on spending. As a result, the use of credit cards has decreased to at least 40-50%.

<https://www.thedailystar.net/business/news/credit-cards-use-depressing-pandemic-rules-the-roost-1919621>

**Japan International Cooperation Agency (JICA) to provide BDT 790.0 million medical equipment to Bangladesh**

■ The Japan International Cooperation Agency (JICA) will provide medical equipment worth one billion Yen or BDT 790.0 million to Bangladesh to assist it in fighting the Covid-19 pandemic. The Japanese grant will not come in the form of any project assistance but the country will provide it directly, said officials of the Economic Relations Division and the Health Services Division.

■ Health Services Division officials said Bangladesh wants five Polymerase Chain Reaction (PCR) machines to ramp up testing facilities for Covid-19, and other safety equipment to stem the spread of coronavirus. An equipment list was sent to JICA in March this year. On that list, Bangladesh sought 500,000 Personal Protective Equipment, 5,000 infrared thermometers, 1.0 million sterile examination gloves and 0.3 million units of safety goggles.

<https://tbsnews.net/economy/foreign-aid/jica-provide-tk79cr-medical-equipment-bangladesh-97273>

**Bangladesh Bank sets limit on income transferred to** **foreign currency (FC) accounts by foreigners**

■ The Bangladesh Bank has set a limit on the percentage of income that foreign employees can transfer to their foreign currency (FC) accounts so that authorised dealer banks can monitor the amount being sent abroad. In a circular issued on Tuesday, the central bank said from now on, foreign nationals can transfer 75% of their monthly incomes to their FC accounts. The amount can be remitted in its entirety to the home countries of the foreigners.

■ Earlier, foreign employees were allowed to transfer 100.0% of their monthly incomes to FC accounts but could only remit up to 75.0% of that amount. Authorised dealer banks said that it was difficult for them to monitor if foreign nationals were actually sending money within the limit or exceeding it, an official of the central bank told The Business Standard. So, the Bangladesh Bank instructed the authorised dealer banks to allow foreign nationals to transfer a maximum of 75.0% of their monthly incomes to their FC accounts, the official added.

■ Authorised dealer banks may, out of the balances held in these accounts, allow debit or prepaid cards to be used for permissible transactions of FC account holders, including travel-related expenses, the circular reads. Encashment of the money held in FC accounts shall be treated as inward remittances for bonafide local disbursements, including purchasing air tickets locally, as per the rules of foreign exchange transaction guidelines.

<https://tbsnews.net/economy/banking/bangladesh-bank-sets-limit-income-transferred-fc-accounts-foreigners-97189>

**Two perpetual bonds get Bangladesh Securities and Exchange Commission (BSEC) nod**

■ Both City Bank and Jamuna Bank got the greenlight from the Bangladesh Securities and Exchange Commission (BSEC) to begin issuing perpetual bonds of BDT 4.0 billion each to strengthen their additional tier-1 capital base. A perpetual bond is a fixed income security with no maturity date and is often considered as a type of equity rather than debt. These types of bonds are not redeemable but instead provide a never-ending stream of interest payments. Having been granted approval during a meeting at the BSEC office yesterday, these are the first perpetual bonds in Bangladesh's history.

■ The perpetual bonds will be unsecured and feature a floating rate while the coupon rate is 11-14%. City Bank Capital is the arranger of the bonds in Bangladesh. Previously, the market was dominated by tier-2 bonds. City Bank Capital was the company to initiate the process to bring this Basel-3 compliant new financial instrument to the market. The fund will be raised from listed banks, insurance companies, regional rural banks, private organisations, trust funds and eligible investors though private placement. The price per unit of each bond is BDT 1.0 million.

<https://www.thedailystar.net/business/news/countrys-first-perpetual-bonds-get-bsec-nod-1919597>

<https://today.thefinancialexpress.com.bd/stock-corporate/walton-hi-tech-allowed-to-raise-capital-from-public-1592930388>

**Walton Hi-Tech allowed to raise capital from public**

■ The securities regulator has allowed Walton Hi-Tech Industries to raise capital from public floating IPO (initial public offering) under the book building method. The approval to the company's IPO proposal came Tuesday at a meeting held at the office of the Bangladesh Securities and Exchange Commission (BSEC).

■ As per the BSEC's approval, Walton Hi-Tech Industries will issue above 1.54 million shares through IPO at an offer price BDT 252.0 each with 20.0% discount on cut-off price. The cut-off price was fixed at BDT 315.0 each. Under the book building method, general investors get IPO shares at 10.0% discount on the cut-off price.

■ The company will raise BDT 1.0 billion under book building method to expand business and repay bank loans. Before getting the IPO approval, the company issued stipulated amount of shares to eligible investors at the prices they quoted at the bidding.

<https://today.thefinancialexpress.com.bd/stock-corporate/walton-hi-tech-allowed-to-raise-capital-from-public-1592930388>

**Bangladesh Securities and Exchange Commission (BSEC) prescribes 5-year tax holiday for foreign firms relocating to Bangladesh**

■ The Bangladesh Securities and Exchange Commission (BSEC) has written to the National Board of Revenue (NBR) to give a five-year tax holiday facility to reputed foreign companies if they relocate to Bangladesh and get listed on local bourses. It said a trend is apparent that many industries and investments are relocating from various countries, predominantly China and Hong Kong, to other countries because of various global issues.

■ Bangladesh can take the opportunity, and the BSEC is requesting granting the companies a five-year tax holiday if they come here with prior approval from the commission and get listed on the local stock exchanges. Besides, if any of those companies sets up its factory in an export processing zone or special economic zone here, the tax holiday should surpass the existing benefits offered, suggested the capital market regulator, citing that it would help create employment and benefit many local institutions including the capital market.

■ The BSEC is tracking some global giants in industries like construction and agriculture that are relocating business from other countries. They operate in industries which are beyond the traditional recipient sectors of foreign direct investments in the special economic zones here.

■ In the proposed budget, the government has announced reducing corporate tax by 2.5 percentage points for non-listed companies only, which drew criticism from market groups as that would narrow corporate tax rate gap between listed and non-listed companies instead of widening the difference as suggested for encouraging listing of profitable businesses. The BSEC requested the NBR to reduce listed companies' corporate tax too by the same 2.5 percentage points.

<https://tbsnews.net/economy/bsec-prescribes-5-year-tax-holiday-foreign-firms-relocating-bangladesh-97195>

**Bangladesh Securities and Exchange Commission (BSEC) fines MI Cement, Intech directors for rule breach**

■ The Bangladesh Securities and Exchange Commission on Tuesday fined directors of Intech Limited BDT 2.5 million each and directors of MI Cement Factory BDT 1.0 million each for the violation of securities rules. It also fined IPO seeking company Al Faruque Bags, its issue managers and auditor for breaching public issue rules.

■ The watchdog slapped fine on the directors other than independent and nominated ones of Mi Cement as the company provided BDT 704 million to its associate companies without charging any interest and hid the information in the financial statement. The cement manufacturer also did not take its shareholders’ approval in this regard in the annual general meeting. The company showed the amount under the title ‘Current Account with Sister Concern’ in the unaudited third quarter financial statement ending on September 30, 2018. In fact, the company provided loans to its associate companies without charging any interest, the BSEC found. It also found in the audited financial statements in the previous years that the company provided loans to its associate companies without charging interest.

■ The commission at the meeting also fined the directors other than independent ones of Intech Limited as the company breached a number of securities rules. The company did not provide price sensitive information about the launching of resort projects and fisheries business, and about investments in various sectors and also about return of the investments. The company was also found non-compliant with rules related to the minimum shareholding by the company’s board of directors.

<https://www.newagebd.net/article/109240/bsec-fines-mi-cement-intech-directors-for-rule-breach>

**Government-backed loans for state enterprises rise to BDT 606.5 billion**

■ Taxpayer-guaranteed loans for Biman Bangladesh Airlines more than doubled to BDT 102.8 billion as the state-run carrier took credits to buy new Boeing aircraft. The guaranteed amount stood at BDT 49.4 billion last fiscal year. The carrier received guarantees from the government for the loans from JP Morgan, US Exim Bank, Sonali Bank and HSBC

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■ The latest credit guarantee includes BDT 26.5 billion that Biman took from state-run Sonali Bank in December last year to buy Boeing 787-9 aircraft and spare engines. It took another BDT 9.8 billion for the purchase of the third Boeing 787-8 in July last year, according to a document of the finance ministry.

■ The government's guarantee and counter guarantee for the loans at state-owned enterprises (SoEs) stood at BDT 606.5 billion as of May, which is 2.16% of the projected GDP of fiscal year 2019-20 and would account for 10.7% of the government expenditure in 2020-21, according to the mid-term macroeconomic policy statement. The total amount is about 5.0% higher than BDT 578.3 billion in the last fiscal year.

■ The government gives guarantees and counter guarantees for loans taken by the SoEs in the priority sectors such as power, energy and agriculture. If the SoEs fail to honour repayment, the government bears the responsibility. Of the indirect debt, 58.6% are in the power and energy sector, 17.0% at Biman and 6.07% in the agriculture sector. The power sector accounts for 55.6%, or BDT 337.4 billion of the total taxpayer-guaranteed debt. It was BDT 337.8 billion in FY19. The guarantee covered BDT 24.6 billion secured by Ashuganj Power Station for a 450-megawatt power project and another BDT 11.9 billion for a 225MW power project.

■ Public debt in Bangladesh was USD 105.0 billion in FY2019, around 34.9% of GDP, and the external public and publicly guaranteed (PPG) debt ratio was 14.5% of GDP. The additional external debt of USD 2.9 billion, as the government projected to tackle the impact of the coronavirus pandemic, will increase both the external PPG debt-GDP ratio and public debt-GDP ratio by 0.9% in FY2020. In the coming years, Bangladesh's public debt-to-GDP ratio would swell to about 41.0% owing to increased borrowing to safeguard both lives and livelihoods, the International Monetary Fund said recently.

[https://www.thedailystar.net/business/news/govt-backed-loans-state-enterprises-rise-BDT -60653cr-1919037](https://www.thedailystar.net/business/news/govt-backed-loans-state-enterprises-rise-tk-60653cr-1919037)

**No source tax on government securities, Bangladesh Bank urges Ministry of Finance**

■ The central bank has recommended the Ministry of Finance (MoF) not to impose the proposed source tax on the government securities, whose trading is set to start in the stock market within a couple of months. The government, in its Finance Bill 2020, has announced imposing a 5.0% source tax on profit of investment in the government securities, covering both treasury bills (T-bills) and bonds, from the upcoming fiscal year (FY), 2020-21.

■ According to a senior official of the BB, this tricky situation may potentially discourage trading of these securities, leading to impeding the development of an efficient bond market in Bangladesh. On the one hand, the government has planned to impose such tax, whereas a tripartite committee is working to include the securities on trading platform of the Dhaka Stock Exchange (DSE), he added.

■ The committee, consisting of representatives of the BB, the Bangladesh Securities and Exchange Commission (BSEC), and the DSE, has already submitted its recommendations to the authorities concerned. According to a member of the committee, their preparations are almost completed to start trading of the government securities on the DSE floor. But it's still dependent on lingering of the ongoing Covid-19 pandemic.

■ The government's bank borrowing is set to climb 79.0% to BDT 849.8 billion in FY 21 from BDT 473.6 billion a year ago, according to the budget document, unveiled on June 11. Under the arrangement, the government will borrow BDT 536.5 billion by issuing long-term bonds, while the remaining BDT 313.3 billion will come through T-bills. The government has increased its bank borrowing target by more than 74.0% to BDT 824.2 billion in FY 20 from the original target of BDT 473.6 billion. Currently, three T-bills are being transacted through auctions to adjust the government's borrowings from the banking system. The T-bills have 91-day, 182-day and 364-day maturity periods.

<https://today.thefinancialexpress.com.bd/first-page/no-source-tax-on-govt-securities-bb-urges-mof-1592846874>

**75 firms get Bangladesh Bank nod to borrow funds from stimulus package**

■ Seventy-five companies, including some large groups, have secured approval from the central bank to receive low-cost loans under the stimulus package dedicated to big borrowers in the industrial and service sector. Banks have begun applying to the central bank from May 4, seeking consent so that the companies can get the funds as they set off to make a turnaround from the ongoing economic fallout brought on by the coronavirus pandemic. The companies, which include Bangladesh Steel Re-Rolling Mills (BSRM), the largest steel-maker in the country, GPH Ispat, another steel-maker, Runner Automobiles and Shanta Holdings, have bagged approval to borrow nearly BDT 20.8 billion from the BDT 300.0 billion stimulus package.

■ The central bank took a decision on April 12 to introduce the stimulus package, allowing banks to get an interest subsidy of 4.5% on disbursed loans, which the end-users will get at 9.0%. The banking regulator later formed a refinance scheme of BDT 150.0 billion for the large borrowers as well, much to the relief of the cash-strapped banking sector that had been fretting about implementing the large package. Under the refinance scheme, lenders will get funds in the form of working capital at 4% interest from the BB and the end-users will get at 9.0%. In order to receive the refinance scheme, banks will have to give at least 50.0% of each loan to industrial and service sector borrowers from their own sources.

■ Only 10 companies had managed approval from the central bank last month, but the affected corporate entities have taken initiatives to secure the loans since the beginning of June. City Bank has accepted applications from 76 corporate organisations to provide loans worth BDT 10.2 billion. Of the applicants, 18 obtained the central bank's nod to borrow a combined of BDT 3.5 billion, according to its managing director.

<https://www.thedailystar.net/business/news/75-firms-get-bb-nod-borrow-funds-stimulus-package-1919041>

**Bangladesh Bank tightens monitoring on banks, NBFIs**

■ The Bangladesh Bank (BB) has tightened its monitoring over the banks and nonbanks financial institution regarding disbursement of loans to cottage, micro, small and medium enterprises under the stimulus package. The BB on Monday in a circular asked all the banks and NBFIs to submit fortnightly reports on disbursement of the stimulus package to its SME and special programmes department. Earlier in another circular, the central bank asked the schedule banks to submit reports on disbursing stimulus to the CMSMEs on a monthly basis.

■ The BB on Monday said that it urgently needed to tighten its monitoring to assess if the banks had failed to maintain the required pace in disbursing loans to the CMSMEs under the stimulus package. It said that the banks and NBFIs would have to submit reports on disbursement of the stimulus package within five days after one fortnight. The banks would have to submit the report for the first fortnight within the 20th day of the respective month and the report for the second fortnight within the fifth day of the next month.

■ On March 25, the government announced a BDT 200.0 billion stimulus package for the CMSMEs so that the businesses can resume their operations after the coronavirus pandemic, setting the interest rate at 9.0%. Of the interest, the government would bear 5.0 percentage points and the remaining 4.0 percentage points would borne by the CMSMEs. Following the government’s announcement, the BB on April 13 issued the complete guideline on disbursement of the stimulus package. Furthermore, the BB also announced that it would contribute 50.0% of the loans which the banks and NBFIs would disburse to the CMSMEs under the stimulus package.

<https://www.newagebd.net/article/109135/bangladesh-bank-tightens-monitoring-on-banks-nbfis>

<https://tbsnews.net/economy/banking/banks-are-not-disbursing-sme-loans-expected-bb-96682>

**Tax receipts keep falling as pandemic lingers**

■ Revenue collection fell massively for the second consecutive month in May as incomes and demand for goods and services crashed because of the lengthy shutdown put in place to battle the Covid-19 pandemic. The general closure, from March 26 to May 31, forced the National Board of Revenue (NBR) to post a negative growth in collection. In May, it generated BDT 135.3 billion which was 33% down from BDT 201.1 billion a year ago. The collection had crashed 50.0% year-on-year to BDT 99.8 billion in April.

■ The biggest revenue collector for the state logged BDT 1.9 trillion in the July-May period of the current fiscal year, down 2.0% from BDT 1.9 trillion a year ago, showed provisional data of the NBR. With just a month remaining of FY20, it is likely that the NBR's collection would be less than the previous year's receipt of BDT 2.2 trillion. It would have to generate BDT 354.0 billion in June to equal last year's total. In June last year when the situation was normal along with regular economic activities, the revenue board collected around BDT 310.0 billion.

■ In a letter to Finance Secretary, NBR Chairman said he expected that total revenue collection might be about BDT 2.2 trillion in FY20, owing to the massive fall in tax receipts caused by the pandemic and consequent stoppage of economic activities. Until May, only income tax grew marginally while the rest two areas – value-added tax and customs tariff -- declined year on year. VAT collection dropped to BDT 759.0 billion in the 11-month period, from BDT 768.7 billion a year ago. Collection from customs duty dipped 6.0% to BDT 548.2. Income tax receipts stood at BDT 578.0 billion, slightly above BDT 576.7 billion generated by the segment from July to May last year, according to the NBR.

<https://tbsnews.net/companies/apex-footwear-sales-drop-50-local-market-96340>

**National Board of Revenue (NBR) sets sight on additional BDT 20.0 billion from furnace oil import**

■ The National Board of Revenue's (NBR) Customs Wing is eyeing an additional BDT 20.0 billion import duty with the withdrawal of fiscal incentives on furnace oil import. In the Finance Bill 2020, the finance minister proposed imposition of 12.0% import duty on furnace oil. The measure came into effect from June 11, 2020 as per Provisional Collection of Taxes Act 1931.

■ According to the NBR data, the government has lost revenue worth BDT 101.8 billion since 2011 due to offering tax exemption on furnace oil import. Officials said the facility has been withdrawn following substantial increase in the government's subsidy for power sector in fiscal year (FY) 2018-19.

■ According to a report of Institute of Energy Economics and Financial Analysis (IEEFA), the amount of power sector subsidy accounts for BDT 80.0 billion in that year, although 57.0% of power production capacity remained unutilised. The country's existing power generation capacity is 19,788 megawatts (MW) against the demand for 12,893 MW (May 29, 2020). Total production capacity of the furnace oil-based power plants is currently 5,434 MW. Each kilowatt power of these plants costs BDT 13.77, which is BDT 2.72 for gas-run power plants.

<https://today.thefinancialexpress.com.bd/last-page/nbr-sets-sight-on-addl-BDT-20b-from-furnace-oil-import-592847169>

<https://www.thedailystar.net/business/news/no-more-duty-exemption-furnace-oil-1919029>

<https://www.newagebd.net/article/109136/nbr-expects-BDT> -2000cr-as-it-scraps-duty-waiver-on-furnace-oil-import

**Lull in stocks investment though 14 banks form BDT 17.0 billion funds**

■ The trend of investment in the country’s stock market has remained very pessimistic amid the coronavirus pandemic though 14 banks have formed special funds involving around BDT 17.0 billion for investing the funds in the market. Of the banks, Sonali Bank, Janata Bank, Agrani Bank, National Credit and Commerce Bank, One Bank, United Commercial Bank and Mercantile Bank have formed BDT 2.0 billion in stocks fund each, an official of Bangladesh Bank said. Besides, Pubali Bank and City Bank have formed BDT 500 million in special fund each, while EXIM Bank has formed BDT 800 million stock market fund for the purpose. Of the funds formed by the banks, the central bank has provided BDT 1.3 billion to two banks while the rest of the funds have come from the banks concerned.

■ Stockbrokers said that investors had remained pessimistic about the market due mainly to the outbreak of coronavirus that brought business activities and trade almost to a halt for around two months. Although the government withdrew shutdown on May 31, normalcy is yet to be restored due to a rapid increase in coronavirus cases and deaths, they said.

■ Besides, the imposition of floor price system by the BSEC to check free fall on the market amid the pandemic was another reason for the fall in transaction volume and a very limited movement of share prices. Amid prolonged market fall, the central bank in February this year allowed each bank to form BDT 2.0 billion in special fund for the stock market either by their own fund or by taking money for the central bank. The BB also allowed the banks to keep their investments in the stock market from the fund facility outside the banks’ stock market exposure calculation.

<https://www.newagebd.net/article/109133/lull-in-stocks-investment-though-14-banks-form-BDT> -1700cr-funds

**Bangladesh Securities and Exchange Commission (BSEC) asks bourses to launch digital data exchange platform soon**

■ The Bangladesh Securities and Exchange Commission on Monday directed the stock exchanges to immediately launch an integrated online data-gathering, information submission and dissemination platform. The commission issued an order regarding the issue on the day.

■ Companies would be allowed to submit any kind of information, including applications, shareholding reports, declarations, corporate actions, financial disclosures, publication and dissemination of Price Sensitive Information (PSI) and material information, to the platform.

■ The regulator also asked the stock exchanges to notify all listed companies and issuers of securities and mutual funds about the provisions of this order. BSEC also asked the stock exchanges to submit a report regarding the commencement of digital submission and dissemination platform to the commission within 15 working days. All listed companies must continue to submit the shareholding position as per the listing regulation within 15 days of the end of each quarter to the commission. Besides, the stock exchanges must prepare and submit a summary of the shareholding position within 15 days of the end of each month to the commission.

<https://www.newagebd.net/article/109139/bsec-asks-bourses-to-launch-digital-data-exchange-platform-soon>

**Initial Public Offering (IPO) subscription of Express Ins extended until July 2**

■ The public subscription of Express Insurance Ltd has been extended until July 2 with the permission of securities regulator, company officials said. The IPO (initial public offering) subscription of the non-life insurer, which took place between June 14 and June 18, will now continue until July 02, according to an official announcement on Monday. According to the company official, due to poor response from the investors within the scheduled time amid ongoing Covid-19 crisis, the stock market regulator gave consent to extend the subscription period until July 2.

■ The non-life insurer will raise a fund worth BDT 260.8 million from the capital market using the fixed price method. Bangladesh Securities and Exchange Commission approved the IPO proposal of the company on February 18 of this year. As per the approval, the insurer will offload more than 26.1 million ordinary shares at an offer price of BDT 10.0 each under the fixed price method.

<https://today.thefinancialexpress.com.bd/stock-corporate/ipo-subscription-of-express-ins-extended-until-july-2-1592842805>

**Omera's cylinder hits global market**

■ Omera has started exporting LPG cylinders. The renowned LPG giant manufactured and exported the first consignment of its world-class LPG cylinders to a few companies based in Africa recently, said a press release. Since the inception of Omera Cylinders Limited in 2015, the company has been catering to the need of many local LPG operators offering them with a wide range of cylinders meeting the international standards.

■ Omera's state-of-the-art European machinery and sophisticated technology, skilled human resources and the highest safety, health and environmental standards has boosted the company's growth in a short span of time, the release said.

<https://today.thefinancialexpress.com.bd/trade-market/omeras-cylinder-hits-global-mkt-1592843511>

**Bangladesh Bank cuts cash reserve ratio (CRR) to help non-bank lenders**

■ The central bank has slashed cash reserve ratio or CRR by 100 basis points to 1.5% from the existing 2.5% for non-banks in a move to help the sector overcome liquidity constraints, amid the pandemic. Under the new rules, the non-bank financial institutions are required to maintain a minimum of 1.5% CRR with the Bangladesh Bank on a bi-weekly average instead of 2.5% earlier. The NBFIs will be allowed to maintain the reserves at 1.0% instead of 2.0% on a daily basis, according to a notice issued by the Bangladesh Bank on Sunday. The new CRR requirement will take effect from June 01, 2020.

■ According to the CEO of IPDC Finance, the BLFCA, a forum of managing directors and chief executive officers of the NBFIs, has sought BDT 100 billion as liquidity support from the central bank to run their operations smoothly. Meanwhile, statutory liquidity ratio for deposit-recipient and non-deposit recipient NBFIs has been kept unchanged at 5.0% and 2.5% respectively. Currently, 34 NBFIs are running their business across the country.

<https://today.thefinancialexpress.com.bd/first-page/bb-cuts-crr-to-help-non-bank-lenders-1592761688>

<https://tbsnews.net/economy/banking/crr-drops-100-basis-points-nbfis-96334>

<https://www.thedailystar.net/business/news/bb-cuts-cash-reserve-ratio-non-banks-1918457>

<https://www.dhakatribune.com/business/banks/2020/06/21/bb-cut-crr-for-nbfis-to-boost-liquidity>

<https://www.newagebd.net/article/109043/bangladesh-bank-relaxes-crr-for-nbfis-amid-liquidity-crisis>

**Eleven banks face BDT 86.3 billion in provision shortfall**

■ Eleven scheduled banks including four state-owned banks suffered BDT 86.3 billion in provision shortfall at the end of March this year, exposing a sorry state of their financial health. The banks which faced provision shortfall are: Sonali Bank, Agrani Bank, Rupali Bank, BASIC Bank, AB Bank, Bangladesh Commerce Bank, Dhaka Bank, Mutual Trust Bank, National Bank, Social Islami Bank and Trust Bank.

■ As of March this year, state-owned BASIC Bank posted highest BDT 27.3 billion in provision shortfall followed by Sonali Bank BDT 13.6 billion, Agrani Bank BDT 11.5 billion and Rupali Bank BDT 8.0 billion. AB Bank’s provision shortfall stood at BDT 6.8 billion, Bangladesh Commerce Bank’s BDT 5.7 billion, Mutual Trust Bank’s BDT 2.8 billion, Dhaka Bank’s BDT 1.8 billion, National Bank’s BDT 4.9 billion, Social Islami Bank’s BDT 2.6 billion and Trust Bank’s BDT 980 million.

■ According to the central bank regulations, banks are supposed to keep 0.25% to 5.0% provision against loans under general category, 20.0% against substandard category, 50% against doubtful loans, and 100.0% against bad or loss category. According to the bankers, the high amount of non-performing loans in the banking sector is largely responsible for the huge provision shortfall.

■ At the end of March this year, the amount of NPLs in the banking sector stood at BDT 925.1 billion, which is 9.03% of the total disbursed loans. However, the banks’ non-performing loans declined by BDT 18.2 billion in three months till March this year as the central bank asked the country’s banks not to classify loans for nine months till September to help businesses combat the economic fallout of coronavirus.

[https://www.newagebd.net/article/109045/eleven-banks-face-BDT -8632-crore-in-provision-shortfall](https://www.newagebd.net/article/109045/eleven-banks-face-tk-8632-crore-in-provision-shortfall)

[https://www.dhakatribune.com/business/banks/2020/06/21/11-banks-suffer-BDT 8-632cr-in-provision-shortfall](https://www.dhakatribune.com/business/banks/2020/06/21/11-banks-suffer-tk8-632cr-in-provision-shortfall)

**Annual Development Programme (ADP) implementation lowest in one decade**

■ Bangladesh has seen the lowest implementation of the Annual Development Programme (ADP) in the last one decade during the first 11 months of the outgoing fiscal year, with the percentage being slightly over 57.0%. From July 2019 to May 2020, only BDT 1.2 trillion could be spent in total to implement the revised ADP allocation, with May alone seeing a release of a whopping over BDT 165.8 billion despite a stagnation in works due to the Covid-19 crisis.

■ According to a review report of the planning ministry's Implementation Monitoring and Evaluation Department (IMED), the ADP implementation rate in the country never fell below 62.0% during the first 11 months of any fiscal year since 2010-11, while it reached a maximum of 72.0%. The IMED report for the 2019-20 fiscal year was presented by Planning Minister MA Mannan at a press briefing following the meeting of the Executive Committee of the National Economic Council (Ecnec) yesterday.

■ Alongside a drop in the percetage of ADP implementation this time, the actual expenditure also reduced by BDT 46.2 billion compared to that in the last fiscal year, said the IMED. Due to the slow pace of ADP implementation, the original ADP was revised down by BDT 139.2 billion after half the current fiscal year had elapsed. According to the IMED review, the government will have to spend around BDT 857.8 billion in the last month of fiscal year 2019-20 to reach the target of 100% ADP implementation, which is impossible in the present context.

<https://tbsnews.net/bangladesh/adp-implementation-lowest-one-decade-96238>

**Government signs USD 250.0 million loan deal with World Bank**

■ The government signed on Sunday a loan agreement worth USD 250.0 million (budget support) with the International Development Association (IDA) of the World Bank Group to finance the "Second Jobs Development Policy Credit (DPC-2)" programme, reports BSS. Economic Relations Division (ERD) Secretary Fatima Yasmin and Mercy Tembon, country director of the World Bank, signed the loan agreement on behalf of their respective sides, said an ERD press release.

■ The credit amount, to be repaid in 30 years (with 5 years grace period), will have an interest rate of 1.25% along with 0.75% service charge on the outstanding amount. The release said the government in recent years laid emphasis on reform and modernization of some policy strategies and regulations with the involvement of various ministries, divisions and agencies of the government to support extended job creation, improved job quality, and inclusive access to jobs for all the Bangladeshi nationals.

■ In this context, the government and the World Bank Group (WBG) have got engaged in a three-year programme of reforms for the period 2018-2021, and the World Bank Group (WBG) agreed to extend financial assistance of USD 750 million in this regard. The first program in the series (Job DPC-1) was completed in FY 2018-19 where IDA provided USD 250 million and in its continuity, has agreed to provide another USD 250 million in the second program (Job DPC-2) in the current FY 2019-20.

■ This DPC tranche-2 was due to be released in FY 2020-2021. In order to address the adverse impacts of COVID-19, the World Bank (IDA) agreed to frontload this disbursement in FY 2019-2020 on request of the government of Bangladesh.

<https://today.thefinancialexpress.com.bd/trade-market/govt-signs-250m-loan-deal-with-world-bank-1592756852>

**Banks can discount export bills with own fund**

■ Authorised dealer banks can now discount usance export bills in foreign exchange from their own sources if the fund is not committed for otherwise use. The Foreign Exchange Policy Department of the Bangladesh Bank issued a circular in this regard on Sunday, facilitating exporters to manage their working capital needs. Earlier, the dealer banks were allowed to arrange fund for discounting usance export bills in foreign exchange through their correspondent banks, financial institutions abroad or international financing institutions.

■ Export Bill discounting is commonly used in international trade. This is one type of financing where customers sell the drafts under a usance letter of credit (LC) accepted by the issuing bank or documentary collection drafts prior to the maturity of such drafts while bank pays customers the amount of the face value of the bills less the discount charges and related fees.

<https://tbsnews.net/economy/banking/banks-can-discount-export-bills-own-fund-96325>

**Source tax a fresh blow to bond market: bankers**

■ The country's feeble bond market is going to face a major blow as the government plans to impose a 5% source tax on profits of investments in treasury bills and bonds. The government may face an impediment to managing its bulging budget deficit during the ongoing economic fallout if it implements the proposed source tax, bankers say.

■ As per the Finance Bill 2020, the government will impose the source tax from the upcoming fiscal year, in a development that will discourage both individuals and corporate entities to invest in government securities. Against the backdrop, the central bank requested the finance ministry on June 18 to withdraw the tax proposal, saying banks would be forced to lend more to the government due to lower investment by individuals and corporate entities.

■ The outstanding investment in government securities stood at around BDT 2.8 trillion, of which 30.0% came from individuals and corporate organisations, according to data from the central bank. The government earlier took a set of initiatives to encourage insurance companies, mutual funds and provident funds of private organisations to invest in government securities. This had subsequently increased the demand for government securities bringing down the interest rate, according to the central bank letter. For instance, the interest rate on 20-year T-bond stands at around 9.0%, down from 15.5% six years ago.

■ The proposed plan will raise the interest rate on government securities as individuals and corporate entities will shy away from the instruments. In addition, individuals will feel the pinch in buying and selling securities in the secondary bond market as they will have to bargain over who would foot the source tax.

<https://www.thedailystar.net/business/news/source-tax-fresh-blow-bond-market-bankers-1918465>

**Loan not before National Board of Revenue (NBR)’s VAT clearance**

■ The National Board of Revenue (NBR) is making it mandatory for scheduled banks to get its approval before disbursing loans to any businessmen or companies, in a bid to curb VAT (value added tax) evasion. The banks will have to follow the condition for giving loans to all types of businesses, excluding 100% export-oriented companies. The NBR further pointed out that if any loans are disbursed to businesses without its approval and then if any loan recipient's audit report is found inconsistent with their VAT return information, bank officials concerned will be charged over VAT evasion.

■ After the NBR launched the VAT Online Services in December last year, around 150,000 organizations registered for it. Among these companies, about 38,000 submit their VAT returns online, and the rest are still using the previous system. Under these circumstances, some believe that the recent NBR move of VAT return verification will raise concern among businessmen and bankers.

■ VAT Intelligence officials believe that the initiative is possible to implement despite criticism from the businessmen, if the government does it with sincerity. They added that the move – if implemented properly by all banks – will shut down a way for businessmen to evade VAT and also bring down the possibility of businesses defaulting on loans.

<https://tbsnews.net/economy/loan-not-nbrs-vat-clearance-96358>

**Bangladesh Telecommunication Regulatory Commission (BTRC) issues significant market power (SMP) instructions to limit Grameenphone's business**

■ The telecom regulator has issued a set of conditions to limit the country's largest telecom operator Grameenphone's business activities. The Bangladesh Telecommunication Regulatory Commission (BTRC) imposed the conditions while referring to the operator as a significant market power (SMP), reads the letter sent to Grameenphone on Sunday.

■ As part of the instructions, the regulatory authority has reduced the MNP lock-in period for Grameenphone which will be effective from July 1. So, any Grameenphone subscriber can now make a switch to another operator after 60 days of subscription. It is 90 days for the subscribers of other operators, though. Also, taking approval for all existing and new services, packages, and offers has been made mandatory for the largest operator.

■ In February 2019, the BTRC announced Grameenphone an SMP operator based on its market share. Grameenphone now has 74.4 million subscribers – 46.0% of the country's 162.9 million mobile users. And Robi has 30.0% of subscribers and Banglalink 21.0%. However, the BTRC formulated the SMP guideline in November 2018. As per the guideline, the regulator can impose some restrictions on an operator if it attains 40.0% of market share considering the number of subscribers, revenues, and spectrum or any of these categories.

<https://tbsnews.net/bangladesh/telecom/btrc-issues-smp-instructions-limit-grameenphones-business-96355>

<https://today.thefinancialexpress.com.bd/first-page/btrc-imposes-restrictions-on-gp-under-smp-rules-1592761736>

<https://www.thedailystar.net/business/news/btrc-imposes-two-restrictions-gp-1918461>

<https://www.newagebd.net/article/109041/btrc-imposes-2-smp-conditions-on-grameenphone>

**Apex Footwear sales drop 50.0% in local market**

■ The ongoing Covid-19 pandemic has profoundly affected the business of Apex Footwear Limited as sales of its shoes in the local market have reduced by almost half and many outlets are closed. Moreover, in the last three months, most of the company's export orders and shipments have been cancelled. As a result, the company has fallen into a business recession in the local market as well as in terms of exports in the last quarter of the current financial year.

■ According to company sources, Apex used to sell products worth BDT 20.0 million daily only in the local market. About 40.0% of the company's total turnover comes from sales during Eid, which was not possible this year. Moreover, shoe exports have also declined at an alarming rate because foreign buyers are unable to sell the products due to Covid-19. They are cancelling purchase orders and many are also cancelling shipments. Although Covid-19 did not affect the company's local sales in the third quarter, exports were affected the profit decreased by about 24.0%. Last year, the company had 270 sales outlets, 352 franchise outlets and 232 wholesale dealers.

■ Apex Footwear Limited - a leading shoemaking brand in Bangladesh started its journey more than two decades ago on January 4, 1990. From the inspiration of the leather business, it started the shoemaking operation. Apex started its retail chain in 1997 to fulfil the footwear needs of Bangladeshi consumers.

<https://tbsnews.net/companies/apex-footwear-sales-drop-50-local-market-96340>

**World Bank to provide USD 1.05 billion to help Bangladesh accelerate economic recovery**

■ The World Bank (WB) will provide USD 1.05 billion worth of support for three projects to help Bangladesh create quality jobs and accelerate economic recovery from the COVID-19 (coronavirus) pandemic as well as build resilience to future crises. According to the WB country director for Bangladesh and Bhutan, this is an extraordinary response to an unprecedented crisis. The COVID-19 pandemic has deeply jeopardized many of Bangladesh's remarkable achievements in poverty reduction and shared prosperity, including livelihoods of its population.

■ A USD 500 million Private Investment and Digital Entrepreneurship (PRIDE) project aims to promote and attract about USD 2.0 billion direct private investments and strengthen social and environmental standards in selected public and private economic zones and software technology parks, according to the press release. The project is also expected to create 150,000 jobs, of which about 40% of jobs in software parks and 20.0% of jobs in economic zones will be for women, it said.

■ The USD 295 million Enhancing Digital Government and Economy (EDGE) project aims to establish an integrated, cloud-computing digital platform for all government agencies and improve cyber-security, which will result in savings of USD 200 million in the public sector's IT investments, according to the WB release. It is also expected to help raise the revenues of IT firms by USD 300 million and promote local IT firms in international markets, it said, adding that to reduce vulnerabilities from the pandemic and prepare for the Fourth Industrial Revolution, the project will help digitalise small and medium enterprises and strategic industries.

■ The USD 250 million Second Programmatic Jobs Development Policy Credit will create fiscal space to support the government's response to the COVID-19 crisis, while helping recovery and building resiliency of the economy, of workers and of vulnerable populations to future shocks, it mentioned.

<https://today.thefinancialexpress.com.bd/last-page/wb-to-provide-105b-to-help-bd-accelerate-economic-recovery-1592672166>

<https://tbsnews.net/economy/world-bank-approves-over-1bn-bangladesh-95716>

<https://www.thedailystar.net/business/news/fundamental-reforms-needed-support-next-wave-digital-development-wb-1917953>

**Government borrowed 94.0% of revised target from savings tools in nine months**

■ During the first nine months of FY2019-20, the government's net borrowing from national savings schemes stood at BDT 112.0 billion, which was 94.0% of the revised target for meeting the budget deficit from savings tools. According to the statement of the Department of National Savings, the gross sale of national savings certificates stood at BDT 56.2 billion in March this year. After paying interests and refunding the principal amount of BDT 40.9 billion in that month, the government's net loan from the fiscal instrument amounted to BDT 15.4 billion.

■ In March last year, net loan from savings certificates was BDT 41.3 billion. Between July and March of the 2019-20 fiscal year, gross sale of savings certificates stood at BDT 539.2 billion, and interest payment and refund amounts were BDT 427.1 billion. In FY2019-20, the government had to cut the target to BDT 119.2 billion in the revised budget for savings tools. The total target from non-banking sources was reduced to BDT 149.2 billion. The government previously targeted BDT 300.0 billion in loans from non-banking sources for the current fiscal year, of which BDT 270.0 billion was expected to come from national savings schemes.

■ For the upcoming fiscal year, Finance Minister AHM Mustafa Kamal has proposed a loan target of BDT 250.0 billion from non-banking sources, including BDT 200.0 billion from savings instruments. The finance minister presented his budget proposal for the 2020-21 fiscal year in the parliament on June 11. Data shows that during July to March of FY2018-19, gross sales of savings certificates stood at BDT 689.7 billion and net sales were BDT 397.3 billion after paying interest and refunding the principal.

<https://tbsnews.net/economy/govt-borrowed-94-revised-target-savings-tools-9-months-96001>

<https://www.thedailystar.net/business/news/sales-savings-tools-nosedive-1917961>

**Pandemic puts banks in a tight spot**

■ Despite irregularities and loan scams, banks in Bangladesh have played a key role in building a vibrant export-oriented apparel sector with strong backward and forward linkage industries. Services sectors that account for over 50% of the country's GDP have also grown riding on bank loans. Now, after a decade-long boom, banks have hit a slump as the devastation of the Covid-19 pandemic has brought the business back down to earth. This will have a direct repercussion on creation of new employment as well.

■ According to the bankers, the impending devastation to the sector was not even imaginable even back in March. Incomes from interest and non-interest sources have plummeted so fast within a month from April that the industry is in a shock. The non-repayment rate of loans has risen to a historic high due to a halt in business activities for the last three months. Take, for example, the case of City Bank -- a leading first-generation private bank in Bangladesh. The 37-years-old lender has seen a steep fall in all its key business indicators during the pandemic. The bank is the leader in the credit card segment, but non-payment of credit card bills has surged to 46.0% at the end of May from 14.0% in the pre-pandemic period, thus impacting the lender's one of the three major income earners very negatively.

■ The situation is worse in retail and SME banking as non-payment rates of loans in these two areas have skyrocketed to 52.0% and 81.0%, respectively, from 16.0% and 2.5% earlier. Like some other banks, handling trade – export and import – was a cash cow for City Bank. The bank handled USD 220.0 million worth of import LCs on average each month before the Covid-19 outbreak, but that figure has nosedived to about one-third, only USD 80.0 million in May. The bank's income from different kinds of fees was down by BDT 800.0 million in the first five months till May this year, when compared to that of the corresponding period of the previous year.

■ Bankers said non-performing loans (NPLs) will shoot up as overdue on all loans has increased significantly due to the impacts of the Covid-19 pandemic on business activities. The Bangladesh Bank has already ordered banks not to label borrowers as defaulters, even if they fail to pay back their loans till September this year. On June 10, the central bank in another letter allowed banks to collect the suspended interest of the two months – April and May – in equal monthly instalments in twelve months starting from July 2020. These two measures may help banks to control their rising NPL rate, according to a Bangladesh Bank official. NPLs declined to 9.2% in December 2019 from 12% in September of the same year because of a loan rescheduling spree.

<https://tbsnews.net/economy/banking/pandemic-puts-banks-tight-spot-95251>

**Default loans fall, but for a different reason**

■ The banking sector saw a BDT 18.2 billion fall in default loans in the first three months of this year as the Bangladesh Bank suspended reporting of default loans from January to help businesses tide over the coronavirus pandemic. The total amount of default loans stood at BDT 925.1 billion at the end of March, which was 9.0% of the total outstanding loan in the banking sector, according to the latest Bangladesh Bank data. Earlier on March 19, the Bangladesh Bank, as part of its crisis management strategy, directed banks not to classify any loan if borrowers fail to repay those during the pandemic. The facility had been announced for a period of six months till June this year. On June 15, the central bank extended the facility for further three months.

■ The private sector credit growth came down to 8.2% in March, lowest in recent history, due to the banks' reluctance to issue loans, according to central bank data. Default loans showed a downward trend since last December due to a loan rescheduling spree under a special package at 2.0% down payment offered by the Bangladesh Bank in May last year. The government's lenient rescheduling policy apparently paid off as default loans fell drastically by BDT 220.0 billion in three months till December last year.

■ The central bank took the move with the expectation that it would bring down default loans significantly and that would pave the way for implementing a single-digit lending interest rate. However, default loans ended up increasing by BDT 223.8 billion in the first nine months of last year. As a result, banks did not implement the government instruction to bring down lending interest to a single digit. Default loans soared because the eased rescheduling policy could not be implemented fully due to a stay order from the High Court.

■ In November last year, the High Court cleared the implementation of the policy extending the deadline for three more months to avail the one-time exit policy until February 4. Subsequently, the banks started massive loan rescheduling causing the drastic fall in default loans. The default loan rate which went up to a decade high of 12.0% in September last year came down to 9.2% in December, which was the lowest in the last four years. The total default loan stood at BDT 944.2 billion in December 2019.

<https://tbsnews.net/economy/banking/default-loans-fall-different-reason-95260>

<https://www.dhakatribune.com/business/banks/2020/06/20/npls-down-by-BDT> 1-821cr-in-3-months

**Pandemic bites into telecoms’ 4.4 million subscribers**

■ The telecom operators witnessed a steep fall of 2.4 million mobile network and 2.0 million mobile internet users. In April, the number of mobile subscribers dropped to 162.920 million from 165.337 million in March, according to a newly released data of Bangladesh Telecommunication Regulatory Commission (BTRC).

■ According to the operators, now, the supplementary duty hike on mobile phone services – from 10 to 15.0% – in the proposed budget is another blow to the telecom sector which is already reeling from the novel coronavirus pandemic. Customers will have to pay BDT 133.3 to avail services worth BDT 100 – owing to the tax hike. Since the novel coronavirus has made inroads in the country, the number of mobile subscribers has begun to decrease, and this is happening with all mobile operators. Of the operators, Grameenphone lost 0.97 million, Robi 0.87 million and Banglalink 0.49 million subscribers at the end of April.

■ According to the BTRC, a subscriber is a biometric-verified user who has conducted any activity – in terms of voice, data or SMS – at least once in the preceding 90 days. In April: Grameenphone Limited had 74.4 million, Robi Axiata Limited 48.8 million, Banglalink Digital Communications Limited 34.9 million. and Teletalk Bangladesh Limited 4,8 million subscribers. Last February, the number of mobile network users was on the rise. At that time: Grameenphone had 75.9 million, Robi 49.611 million, Banglalink 35.8 million, and Teletalk 4.9 million subscribers. In the same way, in April, the number of internet users also declined to 101.2 million from 103.3 million in March.

<https://tbsnews.net/bangladesh/telecom/mobile-operators-lose-24-lakh-subscribers-last-month-95350>

<https://www.thedailystar.net/business/news/telcos-tight-spot-1917957>

**New export potential unlocked in Chinese market**

■ China has offered zero tariff facility to 97% of items imported from Bangladesh. The new announcement will come into effect on July 1 this year. From that day, 8,256 Bangladeshi products will get zero tariff facility in the Chinese market. Bangladeshi manufacturers will be able to avail this duty-free and quota-free facility after 40% value addition to these products.

■ According to sources at the Ministry of Commerce, Bangladesh has been enjoying zero tariff facility on 60% of export items to China since July 1, 2010 under Asia Pacific Trade Agreement (APTA) for LDCs. However, Bangladesh was not able to benefit much from the opportunity as the facility was on less important export items other than the principal exportable items of Bangladesh. The latest facility would ensure unimpeded access of Bangladeshi products to the Chinese market. China has been enjoying an upper hand in bilateral trade. In the last fiscal year, China exported USD 12 billion worth of goods to Bangladesh, while Bangladesh's exports to the country stood at a paltry USD 831 million.

■ According to the Secretary of Bangladesh Association of Pharmaceutical Industries, although Bangladesh's pharmaceutical industry relies on raw materials from China, we can supply cheaper drugs to China. Pharmaceutical companies in Bangladesh can still make profit by exporting drugs of similar standard at 20-25% cheaper rates than those offered by Chinese manufacturers, he said, adding that the new tariff-free facility will help to expand the market for Bangladeshi drugs in China.

<https://tbsnews.net/economy/trade/new-export-potential-unlocked-chinese-market-95629>

**RMG makers may see fall in export earnings: World Trade Organization (WTO)**

■ Textile and clothing manufacturers of least-developed countries (LDCs), including Bangladesh, are likely to face a significant fall in export earnings in 2020. The World Trade Organisation (WTO), in a report, made the projection mainly due to the clothing makers' large dependence on limited products and few markets. The ongoing pandemic may affect the near-term prospects for some countries to graduate from their LDC status.

■ Bangladesh, which is on the path to graduation within years, has been experiencing unavoidable declines in economic growth and export earnings, the report cited. The WTO released the latest report styled 'The Covid-19 Pandemic and Trade-related Developments in LDCs' on June 08. The value of LDC exports of goods and services declined by 1.6% in 2019, a greater decline than that of world exports (1.2%). Consequently, the share of LDCs in world exports also registered a marginal drop to 0.91% in 2019.

■ Top destinations for LDCs include those devastated by coronavirus like China, France, Germany, India, Italy, Spain, the United Kingdom and the United States. For instance, Bangladesh's top five markets France, Germany, Spain, the UK and the US have been severely affected by the super bug. Citing the state-owned Export Promotion Bureau, the report said the country's exports registered an 83-per cent decline in April 2020 than that in April 2019. Reportedly, Bangladesh and Cambodia have received order cancellations worth several billion US dollars. According to the Bangladesh Garment Manufacturers and Exporter Association, some 1,150 member factories had USD 3.2-billion work orders either cancelled or withheld.

<https://today.thefinancialexpress.com.bd/first-page/rmg-makers-may-see-fall-in-export-earnings-wto-1592672605>

<https://www.newagebd.net/article/108945/limited-export-markets-to-affect-2020-bangladesh-receipts-wto>

**National Board of Revenue (NBR) wants banks to cross-check financial info, VAT returns**

■ The National Board of Revenue’s VAT intelligence has requested the Bangladesh Bank to instruct commercial banks to cross-check financial reports with VAT returns before approving any business loan application. The NBR’s VAT Audit, Intelligence and Investigation Directorate on Thursday sent a letter to the central bank seeking directives to be issued to the commercial banks in this regard.

■ According to the letter, banks should verify whether there are any inconsistencies in the information provided in the value-added tax returns and financial reports or audit reports of a business entity, except for 100% export-oriented ones, before giving approval to a loan application. The banks will have to inform the VAT intelligence immediately if it finds any inconsistency in information, mainly related to sales, procurement and annual turnover of the firm, said the letter, signed by VAIID director general Syed Mushfequr Rahman.

■ VAT officials said that businesses would have to submit their VAT returns along with loan applications to the commercial banks. Traders are required to submit the VAT returns every month to the field level VAT offices of the NBR, they said. There are allegations that many businesses submit different financial reports or audit reports to the VAT office and banks with lower sales and turnovers to avoid paying VAT and declaring the actual turnover to the banks for securing loans. They said that the banks were bound to provide information sought by the VAT offices as per Section 82 of the VAT and Supplementary Duty Act-2012.

<https://www.newagebd.net/article/108946/nbr-wants-banks-to-cross-check-financial-info-vat-returns>

**Bangladesh Securities and Exchange Commission (BSEC) may set minimum share offloading at 10.0% for each Initial Public Offering (IPO)**

■ The Bangladesh Securities and Exchange Commission has initiated a move to revise its recently amended public offer rules to set the minimum share offloading at 10.0% of the total shares of a company under book building method too. The commission made the move after it had faced huge criticisms over the offloading of just 0.93% of the total shares by Walton Hi-Tech Industries under the book building method of IPO. It was the lowest even flotation by any company under the method. The company would get approval for listing soon as the existing rules cannot bar it from listing with a small amount of shares, BSEC officials said.

■ BSEC officials said that it had been drafting new rules for book building method and no more company would be allowed to offload such a nominal amount of shares. The BSEC amended for the last time the public issue rules, 2015 in September last year when it made to the rules a number of changes including tightening bidding process and raising size of IPO offer to curb manipulations.

■ As per the rules, a company intending to raise fund under the book building method must raise at least BDT 750 million through the public issue. The rules also introduced the Dutch auction in which eligible investors must be allotted shares at their own bidding price and the price of the offering is set after taking in all bids to determine the highest price at which the total offering can be sold. But the rules do not mention the minimum amount of share offloading under the book building method, but the rules set the minimum offloading at 10.0% for raising fund under the fixed price method of IPO.

■ Despite tightening the bidding process with directing eligible investors to give proper reason for their price quote, the EIs bid in a range between BDT 12 a share to BDT 765 a share of Walton, which was very abnormal. Market experts said that frequent changes in rules and policies could harm credibility and bar good companies from making long-term decisions.

<https://www.newagebd.net/article/108948/bsec-may-set-minimum-share-offloading-at-10pc-for-each-ipo>

**Entire stock trading will be automated: Bangladesh Securities and Exchange Commission (BSEC) chairman**

■ The trading platform of the stock exchanges is being wholly digitalised and automated by the stock market regulator so that all activities can be run without human assistance, said Shibli Rubayat Ul Islam, chairman of Bangladesh Securities and Exchange Commission. As per the Dhaka Stock Exchange (DSE) data, only 2.0% of beneficiary owner (BO) accounts registered for online trading.

■ BSEC chairman added, the tax gap between listed and non-listed companies was suggested to be reduced from 10.0% to 7.5% in the proposed budget for fiscal year 2020-21. This tax gap reduction will be a discouraging factor when it comes to bringing good companies to the market. Another proposal on allowing undisclosed money to be invested in the stock market on condition of a three-year lock-in period will only drive investors towards the money market where there are no such restrictions and the tax rate is the same. They will invest in the money market instead of the speculative stock market because the former requires no prior knowledge but some idea is needed for making investments in the stock market.

■ According to the BSEC chairman, instead of a company having multiple financial reports based on their purposes, the financials will be uploaded on a single platform of Financial Reporting Council Bangladesh, accessible by the BSEC and other regulators like Bangladesh Bank and the National Board of Revenue (NBR). On the ongoing tussle between Grameenphone and Bangladesh Telecommunication Regulatory Commission (BTRC), the chairman said he had already talked to the BTRC chairman as it was having a huge impact on the capital market. The result will be seen in one month.

<https://www.thedailystar.net/business/news/entire-stock-trading-will-be-automated-bsec-chief-1917941>