

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.

The UN Economic and Social Commission for Asia and the Pacific (ESCAP) sees Bangladesh's positive trade growth in 2019

- Despite sluggish merchandise exports from Bangladesh in the outgoing year 2019, a United Nations (UN) body forecasts positive annual export growth for the country. The UN Economic and Social Commission for Asia and the Pacific (ESCAP) made the projections in its latest Asia-Pacific Trade in Goods Trends and Outlooks. According to the ESCAP, exports from Bangladesh would rise by 9.10% in value and 6.30% in volume in 2019. The outlook, released on Wednesday, also cited that goods imports to Bangladesh would increase by 5.80% in value and 6.10% in volume. The ESCAP said only Vietnam would register higher growth in trade than Bangladesh. Exports of Vietnam are anticipated to rise by 7.70% and import by 9.40% in volume.
- Citing the shrinkage of the Asia-Pacific trade, it said trade is declining in both value and volume in the region for the first time since the 2009 global economic crisis. The total export volume fell by 2.5% and import by 3.5%, the report revealed. In addition, an overall lower price level pushed trade value down further to record 3.60% and 4.80% contractions of exports and imports, it said. In 2018 and 2019, the ESCAP said, trade performance in Asia and the Pacific followed the global trend, slowing down from the second half of 2018 onwards.

<https://today.thefinancialexpress.com.bd/first-page/escap-sees-bds-positive-trade-growth-in-2019-1576691687>

Taka strengthens against dollar

- The local currency appreciated by two paisa against US dollar on Wednesday after nearly three years in the inter-bank foreign exchange (forex) market. Dollar was quoted at BDT 84.88 per unit on the day against BDT 84.90 of the previous working day, according to market operators. Explaining the overall forex market situation, a senior official of Bangladesh Bank (BB) said the exchange of taka against dollar has been fixed in line with the market requirement. The demand for dollar decreased slightly following a higher inflow of remittance and lower import payment obligations recently, the central banker said.
- BB data shows remittance inflow rose by 22.57% to USD 7.71 billion from July to November of fiscal year 2020 from USD 6.29 billion in the same period last year. On the other hand, import expenses maintained a falling trend in recent months mainly due to lower imports of food grains and capital machinery, according to the BB officials. The country's overall import fell by more than 3.0% to USD 18.14 billion from July to October of FY '20 from last fiscal's USD 18.73 billion in the same period.

<https://today.thefinancialexpress.com.bd/last-page/taka-strengthens-against-dollar-1576691931>

Government in bank borrowing spree, takes BDT 471.39 billion in 5 months

- The government has almost exhausted its net borrowing target for the fiscal year of 2019-20 from the banking system in just five months (July-November) with the net borrowing reaching BDT 471.39 billion in the period, leaving a very tiny space for the industrialization-led job creation. The government has projected to borrow BDT 473.64 billion from the banking sector in the fiscal year.
- According to Bangladesh Bank data, the government's outstanding borrowing from the banking sector increased to BDT 1.55 trillion on December 9 this year from BDT 1.08 trillion on June 30 this year. Private sector credit growth, a determining factor of the country's industrial expansion, in October dropped to a fresh a nine-year low of 10.04% against the Bangladesh Bank's projection for a cautious 14.8% growth in FY20.
- In July-October of FY20, the National Board of Revenue managed to collect only BDT 650.96 billion with 4.33% year-on-year growth against BDT 853.17 billion revenue collection target for the period. On the other hand, the net sales of NSCs, another source of borrowing for the government to meet budget deficit, dropped by 69.08% or BDT 123.17 billion to BDT 55.12 billion in July-October of FY20 against BDT 178.29 billion in the same period of FY19.
- In the fiscal budget for FY20, the government has planned to borrow BDT 638.48 billion from overseas sources and the rest BDT 773.63 billion from domestic ones to meet BDT 1.45 trillion deficit financing. The government's bank borrowing trend in the five months (July-November) of this fiscal year indicates that its actual borrowing in the entire fiscal year might exceed BDT 1 trillion as 85% of the government's annual development programme is yet to be implemented, economists said. The government's net borrowing from the banking sector was BDT 198.01 billion in the entire fiscal year of 2018-2019 while it repaid BDT 10.73 billion to the banks instead of borrowing from the banks. The government repaid BDT 184.05 billion and BDT 28.51 billion in FY17 and FY18 respectively against its borrowing from the banking sector.

<http://www.newagebd.net/article/93958/govt-in-bank-borrowing-spree-takes-BDT-47139cr-in-5-months>

National Board of Revenue (NBR) loses revenue as smokers switch cigarette brands

- Collection of value added tax (VAT), which accounts for the lion's share of government revenue, faced major setback in the first quarter as revenue board's strategy to increase earnings from tobacco sector backfired. Smokers are switching cigarette brands from high priced to lower priced after the National Board of Revenue hiked prices of higher tier cigarette brands in June, which caused a loss in revenue collection by the NBR. The revenue board became aware of the strategic error in an internal evaluation of VAT collection situation recently.
- According to NBR finding, the revenue board collected BDT 59 billion from the tobacco sector in the first quarter (July to September) of the current fiscal, down by BDT 10 billion from that of corresponding period of the previous fiscal. The revenue board cited this revenue loss from tobacco sector as a reason for slow growth in VAT collection in the first quarter of the current fiscal.
- The NBR increased the cigarette price by BDT 5 to BDT 18 for a 10-stick packet depending on different tiers on June 13. The NBR had then estimated BDT 70 billion additional revenue income in the current fiscal from the increased cigarette prices. An NBR Member said it was expected that VAT collection would increase after the rise in cigarette prices but the situation was the other way round. He said the price of the middle tier cigarette, the most consumed category, was increased by 31.25% while the lower tier cigarette price was increased only 5.71%. All of the cigarette companies including British American Tobacco Bangladesh faced a fall in sales of middle tier cigarettes, he informed, adding that the lower tier cigarette sales, on the other hand, increased. But as the revenue from the lower tier cigarette was also low, the overall VAT collection faced a setback, the member said. NBR got BDT 26.27 revenue from a lower-tier 10-stick pack cigarette, while it was BDT 38.88 in middle tier cigarette.

<https://www.dhakatribune.com/business/2019/12/18/nbr-loses-revenue-as-smokers-switch-cigarette-brands>

Finance Minister against devaluation of taka

- Finance Minister ruled out any further devaluation of the local currency saying that it would escalate the cost of development projects and discourage foreign direct investment. He said that there was widespread apprehension that the local currency would be devaluated again to halt the sliding of exports. The Bangladesh Bank has allowed the devaluation of the taka against the US dollar at least twice since October as the local currency lost its value by BDT 0.40.
- The country's exports in the July-October period of the current fiscal year fell by 6.82% to USD 12.72 billion from USD 13.65 billion in the same period of the last fiscal. Finance Minister said that they would specifically provide incentives to the affected sectors instead of devaluing the local currency as recommended by many, including the country's exporters. Referring to the continued withdrawal of funds by foreign investors from the country's share market, he noted that the further devaluation of the taka would discourage them even more.

<http://www.newagebd.net/article/93959/kamal-against-devaluation-of-taka>

BDT 100 billion stock market lifeline: Government seeks opinions of central bank, Bangladesh Securities and Exchange Commission (BSEC)

- The Ministry of Finance (MoF) has sought opinions from the central bank and the securities regulator on a loan amount of BDT 100 billion sought by stock brokers to shore up the moribund stock market. The BB (Bangladesh Bank) will fix the structure and conditions of the loan sought by the stock brokers. We will just give our opinions as elicited by the MoF, the BSEC chairman said. Earlier on October 24 around 20 stock brokers submitted the proposal to the MoF seeking BDT 100 billion in loan from the government against the backdrop of the continuing erosion in stock prices.
- In their work-plan, the stock brokers said they would invest the fund in shares of listed companies, which have the record of disbursing at least 10% cash dividend. The listed companies having a growth record for at least three years, out of last five years, will be chosen for investment of the fund, according to the work plan. The listed companies should also have at least 10% return on equity (ROE). The stock brokers also said the fund would be invested in shares of listed companies having market capitalization of at least BDT 5.0 billion each.

<https://today.thefinancialexpress.com.bd/first-page/govt-seeks-opinions-of-central-bank-bsec-1576691634>

USD 50 billion export not achievable by 2021: Bangladesh Garment Manufacturers and Exporters Association (BGMEA) president

- Bangladesh will not be able to export USD 50 billion-worth apparel products by 2021 because of low valuation and declining global trade, according to the President of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA).

- According to World Trade Organization, the world trade forecast took a downward turn to 1.2% for 2019 from a previous 2.6%. The President said RMG's contribution to the GDP was only 11%, which clearly indicated that the value addition was very little. She said the garment sector was going through a very bad time as exports had witnessed negative growth of over 6% in the past five months of the fiscal year.

<https://www.thedailystar.net/business/news/50b-export-not-achievable-2021-bgmea-president-1842268>

World Stock and Commodities*

Index Name	Close Value	Value Change	% Change
Crude Oil (WTI)*	\$60.90	-0.03	-0.05%
Crude Oil (Brent)*	\$66.17	+0.01	+0.01%
Gold Spot*	\$1,477.52	+2.12	+0.14%
DSEX	4,417.95	-1.88	-0.04%
Dow Jones Industrial Average	28,239.28	-27.88	-0.10%
FTSE 100	7,540.75	+15.47	+0.21%
Nikkei 225	23,862.67	-71.76	-0.30%
BSE SENSEX	41,534.70	-23.87	-0.06%

Exchange Rates

USD 1 = BDT 84.91*

GBP 1 = BDT 111.13*

EUR 1 = BDT 94.52*

INR 1 = BDT 1.20*

*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

121/B Gulshan Avenue
Gulshan-2, Dhaka
Phone: +880 2 881 9421-5
Fax: +880 2 881 9426
E-Mail: research@bracepl.com