

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.

Government has a new headache: high interest rates on T-bills and bonds

- The interest rate on government Treasury bills and bonds, the main instruments for bank borrowing, doubled in the last one year -- a development that will fuel budgetary expenditure and may discourage private sector credit, both of which are already sources of concern. Yields on Treasury bills and bonds have increased by 3 to 5 percentage points in the last year and a half. They now range between 7 to 9% depending on the tenor of the instrument, according to central bank statistics.

- The high interest rate of Treasury bills and bonds tempted banks to be conducive towards the government's huge bank borrowing demand. In the first half of the fiscal year, the government's domestic borrowing reached BDT 490.2 billion, which is 63% of the full-year target. The government set a target to borrow BDT 773.63 billion from domestic sources in fiscal 2019-20 to meet the budget deficit. Interestingly, the borrowing from savings instruments declined as the government has taken various measures to ward off savers to reduce the interest burden as well as shift the public money to banks. Net borrowing from savings instruments in the first half of fiscal 2019-20 was eight times lower at BDT 32.57 billion from a year earlier, according to data from the Bangladesh Bank.

The Finance Minister told the parliament that there was no liquidity crisis in the banking sector. The scheduled banks have extra liquidity even after keeping essential cash reserve ratio and reserving the required statutory liquidity ratio. The amount of such liquidity increased to BDT 1.06 trillion in December last year from BDT 676.01 billion at the beginning of 2019.

<https://today.thefinancialexpress.com.bd/last-page/maiden-impact-investment-mf-launch-next-month-1580926560>

Slowing exports stretching trade deficit

- Bangladesh's trade deficit widened slightly in the first half of the fiscal year on the back of sluggish exports, in a worrying development for the government. Between the months of July and December of last year, the trade deficit, which occurs when imports outweigh exports, stood at USD 8.22 billion, up 5.41% year-on-year. During the period, imports declined 2.72% and exports 5.89%.

- Falling exports means that the demand for Bangladeshi products is decreasing in the outside world. Domestic consumption has also failed to get a pickup as import growth has been waning in recent months. However, the current account balance deficit decreased by more than half to USD 1.34 billion in the first six months of the fiscal year due to remarkable growth in remittance. Remittance is now being used to offset the other deficits in the balance of payments.

- The weak condition of the balance of payments reflects the sluggishness of the country's economy. The overall balance of the balance of payments could be stronger if there is a greater inflow of foreign aid and if FDIs gain momentum. The overall balance stood at USD 27 million in December last year while it was USD 513 million in the negative a year earlier. Both the feeble situation of the current account and the overall balance indicate that the country's dependence on the external sector is on the rise

<https://www.thedailystar.net/business/news/slowing-exports-stretching-trade-deficit-1864633>

Non-food inflation up in January

- Monthly non-food inflation rate increased to 6.30% in January from 5.55% in December, according to the Bangladesh Bureau of Statistics (BBS). Nevertheless, food inflation dropped to 5.12% in January from 5.88% in December. As food carries much weight in the country's Consumer Price Index (CPI), around 59%, decline in food inflation helped to pull down general inflation during the period under review.

- Monthly inflation rate dropped to 5.57% in January from 5.75% in December. Annual average rate of national inflation, however, increased slightly to 5.60% in January from 5.59% in December. The BBS data also showed that urban inflation dropped slightly from 5.73% in December to 5.67% in January. At the same time, rural inflation also declined to 5.52% from 5.76%.

<https://today.thefinancialexpress.com.bd/public/first-page/non-food-inflation-up-in-january-1581011503>

Transaction through agent banking exceeds BDT 150 billion in October

- The volume of transaction through agent banking increased by 27.41% or BDT 32.65 billion in October last year thanks to the growing popularity of the cost-efficient service. As per the latest Bangladesh Bank data, the volume of transaction through outlets and agents increased to BDT 151.78 billion in October last year from BDT 119.13 billion a

month ago.

- The BB data showed that the banks pooled BDT 65.06 billion from the agent banking system in October including BDT 47.36 billion from the rural areas and BDT 17.70 billion from the urban areas. Against the deposit collection, the banks by agent banking system disbursed only BDT 396 million in October. The figure was BDT 286 million in September.
- On the other hand, the number of agent banking accounts increased by 12.52% or 4,96,652 to 44,60,418 in October, 2019 from 39,63,766 a month ago. The BB data also showed that the number of transaction through banks' agents increased by 25.29% or 1.1 million to 5.4 million in October last year from 4.3 million in the previous month. The number of agent banking outlets and agents increased to 16,511 at the end of October from 15,981 at the end of September.

<https://www.newagebd.net/article/98923/transaction-thru-agent-banking-exceeds-BDT-15000cr-in-oct>

ICB's baffling investment decision

- ICB manages nine closed-end mutual funds. By analyzing the company's closed end funds' portfolio statement as on December of 30, 2019, it was found that BDT 565.8 million, or 8.2%, of ICB's investment in listed securities have become junks. Funds are tied in stocks that have shuttered production or have not been providing dividend for many years now.
- The asset manager sometimes bought well-performing companies' stocks at a high price, so their share value diminished over the years. ICB AMCL's net asset value (NAV) return was 1.7% during 2015 and 2019. Between 2017 and 2019, NAV dropped 2.1%. In 2019, return of net asset value (NAV) dropped 7.6% for all the closed-end mutual funds on an average, whereas ICB AMCL's NAV dropped 12.2%.
- The overall mutual fund sector is struggling to attract investors. They don't want to purchase mutual funds even after their price becomes lucrative compared with the NAV. At present, closed-end mutual funds' aggregate price is 57.3% compared to the NAV. As many as 33 of the 37 listed mutual funds traded under their face value on Thursday last week.

<https://www.thedailystar.net/business/news/icbs-baffling-investment-decision-1865404>

Active Pharmaceutical Ingredients (API) makers to get AIT waiver for 400 chemical compounds

- The National Board of Revenue is set to exempt the local producers of active pharmaceutical ingredients (API) from payment of advance income tax on import of more than 400 chemical compounds to facilitate production of basic raw materials of pharmaceuticals industry.
- Importers will have to submit a certificate issued by the DGDA certifying that the imported compounds have been used in API production to the Bangladesh Tariff Commission, related customs commissioner and VAT commissioner. Importers are not allowed to sell, transfer or use the imported chemical compounds for other purposes.
- Now the local pharmaceutical industries, which meet 98% of domestic demand, highly depend on imported API and laboratory reagents. More than 95% of raw materials are imported to produce drugs. The policy has set the target of achieving self-sufficiency in producing 370 important API molecules necessary for exports and has set the aim of reducing the raw materials import dependency to 80% by 2032 from 97% in 2016.

<https://www.newagebd.net/article/99026/api-makers-to-get-ait-waiver-for-400-chemical-compounds>

Sonali, Janata, Agrani likely to go public

- The government is pressing ahead with its plan to offload shares of three state-owned commercial banks on the stock exchanges. The authorities have started primary work on divesting the shares of Sonali, Janata and Agrani banks, aiming to give new life to the ailing capital market that needs supplies of good issues. At the same time, the government plans to divest more shares of Rupali Bank, which is now listed on the two bourses. Presently, more than 90% shares of the bank are held by the government, 4.47% by institutes, and only 5.34% by the public.
- Data show that Sonali Bank made BDT 10 billion profit in 2018, BDT 7.09 billion in 2017 and BDT 1.52 billion in 2016. Janata Bank made a net profit of BDT 2.68 billion in 2017 but incurred a massive loss of BDT 60.63 billion in 2018. Agrani Bank generated an operating profit of BDT 9.0 billion in 2018, compared with BDT 7.17 billion the year before. Rupali Bank earned BDT 3.70 billion as operating profit in 2018, up from BDT 5.41 billion in 2017.

<https://today.thefinancialexpress.com.bd/first-page/sonali-janata-agrani-likely-to-go-public-1581179867>

Nominal wage rate increases by 6.56% in January

• Country's nominal wage rate index (WRI) increased by 6.56% in January this year over the same period of last year. It also showed that the WRI for agriculture posted 6.77% growth during the period under review. The WRI for industry and services sectors also increased by 6.14% and 6.52% respectively in the first month of the current calendar year over the same month of 2019. The WRI represents average monthly wage rate of low paid skilled and un-skilled labourers of 44 occupations. Of these, 11 occupations are from agriculture sector, 22 occupations from industry sector and 11 occupations from service sector. Being a nominal wage rate index, it doesn't tell anything about the growth or decline of real wage.

<https://thefinancialexpress.com.bd/economy/bangladesh/nominal-wage-rate-increases-by-656pc-in-january-1581152201>

USD 24 million of World Bank loan for VAT online project uncertain

• The World Bank is unlikely to disburse USD 24 million or 40% of the promised loan to the VAT Online Project (VOP) of the National Board of Revenue due to failure in achieving the expected progress of the project. Under its 'revenue mobilisation programme for results, VAT improvement programme' project, the global lending agency is supposed to give USD 60 million in loans to the VOP, a BDT 6.90 billion project taken by the government to automate the country's VAT system in line with the new VAT law.

• The VOP, which started in May 2014, is scheduled to expire on December 2020. As per the WB conditions, the fund is supposed to be released based on the performance of the various components of the project but the outcome of most of the components is not up to the mark. The VOP is supposed to get USD 7.6 million if 90% of the large taxpayers under the large taxpayers unit (LTU) submit VAT returns online. The VOP did not get the fund as the LTU failed to meet the target.

• The project has now taken an initiative to help large businesses with filing returns online for the month of January to have the portion of funds released. The unreleased portion of the fund may be disbursed under a new project titled 'Medium term revenue strategy' upon completion of the unimplemented modules. The VOP officials blamed incompetency of Vietnamese VOP consultant firm FPT for the failure to complete the modules.

<https://www.newagebd.net/article/99027/24m-of-wb-loan-for-vat-online-project-uncertain>
<https://today.thefinancialexpress.com.bd/first-page/wb-could-pull-out-funds-partially-1581179953>

Brexit for Bangladeshis

• The UK is the third largest export destination of Bangladesh, making up for 9.74% of total Bangladeshi exports during 2017-2018. During this period, goods worth almost USD 4 billion were exported to the UK from Bangladesh, with 80% of them being provided by the readymade garments industry. Under the Everything but Arms (EBA) arrangement with the EU, Bangladesh was able to get duty-free access to the Union market as a less-developed country (LDC). Although the UK has stated that these provisions will stand while the country is going through the process of Brexit, it is still unclear what will happen next.

• The fact that Bangladesh gained eligibility for LDC graduation in March 2018 and is expected to graduate into a middle-income country by 2024 has only added to that uncertainty. While the EU has committed to making the EBA arrangement available to Bangladesh until 2027, the UK has made no such commitments.

<https://www.thedailystar.net/opinion/perspective/news/brexit-bangladeshis-1865212>

Concerns loom large on trade over China virus

• The extension of the New Year holiday in coronavirus-struck China has created deep concerns among businesses in Bangladesh that the country's manufacturing sector is going to face serious adversities. The Chinese authorities extended their New Year holiday —initially set from January 24 to 30—by three days to help contain the virus.

• The readymade garment shipments, comprising more than 80% of the country's merchandise exports worth USD 40.53 billion in 2018–19, will face the biggest challenge. The country's woven readymade garment sector is dependent on China for 70% of its raw material needs and the knit apparel sector is dependent on that country for 10% of the materials.

• Products worth over BDT 1 billion would remain unsold because of the suspension of shipment between the two countries. The public sector is also feeling the pinch of the coronavirus fallout as some fifty Chinese nationals quarantined in Bangladesh are linked to the implementation of the Padma Multipurpose Bridge, Padma Rail Link and Karnaphuli Tunnel projects.

• Thousands of farmers and traders in Khulna region are incurring losses worth BDT 40 million every day as crab and eel exports to China have been suspended due to the coronavirus outbreak. Of the total crab exported from

Bangladesh, around 85% goes to China.

<https://www.newagebd.net/article/99045/concerns-loom-large-on-trade-over-china-virus>
<https://www.thedailystar.net/business/coronavirus-outbreak-khulna-crab-eel-trade-losing-BDT-4-crore-every-day-1865188>

No long-term impact on Bangladesh economy due to Coronavirus: Chinese Envoy

• Bangladesh's economy will not be adversely impacted "in the long run" owing to the coronavirus epidemic in China, its envoy said on Thursday. But Chinese ambassador in Dhaka said some mega projects will face setbacks with the suspension of on-arrival visas. It will remain unhurt in the long run, he said, referring to the impact on China-funded projects and bilateral trade.

<https://today.thefinancialexpress.com.bd/public/first-page/no-long-term-impact-on-bd-economy-1581011365>

Saudi firm to ink deal on largest cement unit

• The signing a deal on investment of USD 321 million by a Saudi firm in the country's largest clinker-cement production facility at Chhatak in Sunamganj is in the final stage, officials concerned said. Saudi business firm - the Engineering Dimensions (ED) - is likely to sign the agreement this month to set up the plant having a production capacity of 15,000 tonnes of clinker-cement per day, they also said. The ED will sign the deal with the state-owned Bangladesh Chemical Industries Corporation (BCIC), and the plant is likely to be named as Saudi Bangladesh Friendship Cement Company Limited (SBFCCL).

<https://today.thefinancialexpress.com.bd/public/first-page/saudi-firm-to-ink-deal-on-largest-cement-unit-1581097954>

Mirsarai 1 economic zone to be ready on time

• The SBG Economic Zone in Mirsarai is expecting to be complete by the year end as promised. Already 90% land development work of the zone is complete and it will be ready for use by the year end, said the managing director of SBG Economic Zone. Bangladesh's Sikder Group, Bashundhara Group and Gasmin joined hands to form SBG, a consortium, to develop, operate and manage the project. About USD 2 billion in investment, especially from Japan and China, is expected in the zone, also called the Mirsarai-1 zone. The area will create around 0.25 million new jobs and the makers of electronics, pharmaceuticals, food processing and automobile spare parts will get preference here, he said.

<https://www.thedailystar.net/business/news/mirsarai-1-economic-zone-be-ready-time-1864624>

World Stock and Commodities*

Index Name	Close Value	Value Change	% Change
Crude Oil (WTI)*	\$50.32	-0.63	-1.24%
Crude Oil (Brent)*	\$54.47	-0.46	-0.84%
Gold Spot*	\$1,570.44	+3.78	+0.24%
DSEX	4452.96	-12.94	-0.30%
Dow Jones Industrial Average	29,102.51	-277.26	-0.94%
FTSE 100	7,466.70	-38.09	-0.51%
Nikkei 225	23,827.98	-45.61	-0.19%
BSE SENSEX	41,141.85	-164.18	-0.40%

Exchange Rates

USD 1 = BDT 85.00*
 GBP 1 = BDT 109.53*
 EUR 1 = BDT 93.04*
 INR 1 = BDT 1.19*

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

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