

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.

Non-banking financial institutions (NBFIs) seeking ways to liquidity

■ Banks in Bangladesh had a 9.8% annual growth in loans last year, while it came down to 1.4% for non-banking financial institutions (NBFI). The latter group of lenders now needs access to low-cost funds so that they can keep providing a lifeline to businesses during the phase of recovery from the pandemic shocks. In an online press meet on Tuesday, Bangladesh Leasing and Finance Companies Association (BLFCA) said the NBFI sector is suffering because of the structural issues in the financial system and some wrong perceptions that need to be addressed sooner.

■ BLFCA leaders said commercial banks all over the world mainly finance short-term business activities, while NBFIs go for medium- and long-term financing with their specialisation. For that, NBFIs abroad have long-term sources of low-cost funds, like bonds and deposits. In India, the top three NBFIs get 44-69% of their total funds from low-interest bonds, which is 2-3% for Bangladeshi ones. NBFIs in Bangladesh currently depend on commercial banks for 37% of their total funds on average, according to BLFCA, and banks rush to pull their money back in cases of liquidity crisis in the money market. Currently, of the BDT 870.0 billion in NBFI assets, over BDT 300.0 billion is contribution of public deposits.

■ On top of the existing systematic disadvantages, NBFIs suffered further in recent months due to the Covid-19 pandemic. In April and May, some pre-mature encashment of deposits along with reduced loan recovery by 50-70% of NBFIs have led to difficulties. However, with the economy coming back to life, NBFI clients are also returning with their deposits and loan applications. In June, over 85.0% of loan dues, including the instalments of April and May, were recovered as the selectively chosen clients are serious about repayment despite their hardship in businesses, said BLFCA Chairman.

<https://tbsnews.net/economy/nbfis-seeking-ways-liquidity-106276>

<https://today.thefinancialexpress.com.bd/first-page/nbfis-out-of-step-with-banks-1594749531>

<https://www.newagebd.net/article/111173/blfca-urges-banks-not-to-withdraw-funds-from-nbfis>

<https://www.dhakatribune.com/business/banks/2020/07/14/non-banks-at-risk-banks-put-pressure-on-withdrawal-of-deposits>

An expansionary monetary policy or nothing

■ Bangladesh has never faced such an economic fallout, meaning the central bank in a tight spot as it draws up the monetary policy statement (MPS) for fiscal 2020-21. The MPS is scheduled to be unveiled in the last week of July. Most likely, the Bangladesh Bank will take on an expansionary monetary policy stance that the other nations have already adopted, according to a central bank official. The new MPS should give all-out effort to boost the dwindling demand, which has been hit hard by the financial meltdown. The government has set a GDP growth target of 8.2% and an inflationary target of 5.4% for this fiscal year. The central bank will try to achieve both the targets by implementing the new monetary policy, the official said

■ The credit growth stood at 8.9% in May, which is much lower than the target of 14.8% for fiscal 2019-20. Although the central bank has yet to release the data of the credit growth for June, the existing trend has given an indication that the BB is far away from the target. The central bank will not set a target for the private sector credit growth that is lower than in the just-concluded fiscal year, in order to give a boost to the confidence of businesspeople.

■ According to the executive director of the Policy Research Institute of Bangladesh, the BB will have to inject a large amount of reserve money (RM), or high-powered money, into the financial market to address the ongoing crisis. The RM is the base level for money supply, and it is also the high-powered component of the money supply. The broad money, which is multiple of RM, depends on the volume of the RM as well. The central bank had fixed 12% RM target and 13% broad money for fiscal 2019-20. Both the targets may be widened to a large extent for this fiscal year.

<https://www.thedailystar.net/business/news/expansionary-monetary-policy-or-nothing-1930653>

<https://www.newagebd.net/article/111170/reviving-economy-by-boosting-pvt-sector-credit-will-be-key-challenge-economists>

E-invoices will now work as proof of VAT payment

■ Electronic invoices would now be accepted as acknowledgement receipts for value-added tax payment to the treasury, as the National Board of Revenue edges closer to ensuring online payment of the indirect tax, the biggest source of revenue for the state. The NBR is going to open the scope for businesses to deposit the indirect tax, paid by consumers at the ultimate end, electronically -- a facility envisaged as part of the goal to fully automate the VAT system.

■ The government took the VAT automation initiative in 2013 to implement the VAT and Supplementary Duty Act 2012 to reduce the cost of businesses, improve compliance and increase revenue collection to enhance the capacity to finance its development and other expenditures. Bangladesh has the lowest tax-GDP ratio, a measure of a country's capacity to fund its own expenses, in South Asia. Since the launch of the BDT 6.9 billion VAT Online Project (VOP), the NBR could open online VAT registration facility and online submission of VAT returns or monthly transaction statements since October last year -- three months after the new VAT law came into effect from July. So far, BDT 2.4 billion out of the total estimated cost of BDT 6.9 billion for the VAT improvement project has been spent. And a large chunk of the money is likely to remain unspent.

■ The initiative to open the electronic payment for VAT option for businesses follows the rollout of the online return filing window for 150,000 VAT-registered firms in October. The responses were initially were low. But the number of online return filers has risen over time to nearly 40,000 now.

<https://www.thedailystar.net/business/news/e-invoices-will-now-work-proof-vat-payment-1930641>
<https://www.newagebd.net/article/111177/nbr-to-accept-e-notification-as-alternative-to-t-chalan>
<https://today.thefinancialexpress.com.bd/last-page/nbr-to-accept-e-notification-as-treasury-chalan-1594749980>

Covid cripples annual development programme (ADP) execution in FY'20

■ Coronavirus pandemic has impinged on the project implementation rate as the government agencies executed only 80% in the just-concluded fiscal year, official data shows. However, the public agencies had showed a surprising performance in June when they executed 23.0% of the annual development programme or ADP. Until May of FY2020, the implementation rate was 57%, with monthly accomplishment averaging 5.2%. Officials at the Implementation Monitoring and Evaluation Division or IMED said the ministries and agencies spent BDT 1.6 trillion, or 80.0% of the total outlay of BDT 2.01 trillion ADP in the fiscal year that ended in June. In FY2019, the project implementation rate was recorded at 95%, 15% higher than that of the just-concluded fiscal, the IMED data showed.

■ According to the IMED, the Railway Ministry was the worst performer among the big ministries that grabbed nearly 78.0% of the outlay. The Ministry of Railway spent only BDT 58.8 billion, which is 57.0% of its total outlay of BDT 102.5 billion. The second worst project implementer was the Public Work Ministry, which used only BDT 49.16 billion, 70.0% of its total allocation. The Primary and Mass Education Ministry, the 3rd largest budget holder, spent BDT 64.8 billion, 71.0% of the total. According to the economist, D r Ahsan H Mansur, it is impossible to implement 23.0% of ADP in a single month.

<https://today.thefinancialexpress.com.bd/last-page/covid-cripples-adp-execution-in-fy20-1594749704>
<https://www.newagebd.net/article/111168/adp-execution-rate-hits-all-time-low-in-fy20>

Foreign aid crosses record USD 7.0 billion amid Covid-19

■ The Bangladesh government has achieved record foreign aid disbursement from development partners amid the Covid-19 pandemic. Development partners disbursed USD 7.2 billion throughout Fiscal Year 2019-20, compared to USD 6.5 billion during FY2018-19. The disbursement growth is 11.0%, according to the preliminary report of the Economic Relations Division (ERD). In the beginning of FY2020-21, the opening pipeline of foreign assistance reached USD 49.55 billion, compared to USD 47.26 billion in the same period the previous year.

■ The feat was achieved because the World Bank, Asian Development Bank (ADB), International Monetary Fund (IMF) and Asian Infrastructure Investment Bank (AIIB) had disbursed budget support in accordance with their commitment, the officials added. The partners provided the support to help Bangladesh's economy recover from the Covid-19 fallout. The World Bank and ADB have quickly disbursed loans for several health-related projects to allow the purchase of Covid-19 testing equipment.

■ The ADB on May 7 this year approved USD 500 million for Bangladesh as budget support for a project, titled "Covid-19 Active Response and Expenditure Support Programme." On May 13, it approved an additional USD 100 million in the "Covid-19 Response Emergency Assistance Project" for health sector development. Besides, the AIIB provided USD 250 million in budget support to Bangladesh in the preceding fiscal year. The World Bank has quickly disbursed the previously promised USD 250 million in budget support to Bangladesh, to help the country deal with the impacts of the pandemic. The agency also approved an additional USD 100 million for a health sector project. Meanwhile, the IMF has approved USD 732 million as emergency assistance to Bangladesh.

<https://tbsnews.net/economy/foreign-aid-crosses-record-7b-amid-covid-19-106306>

World Stock and Commodities*

Index Name	Close Value	Value Change	% Change YTD
Crude Oil (WTI)*	USD 40.52	(USD 21.11)	-34.25%
Crude Oil (Brent)*	USD 43.15	(USD 25.29)	-36.95%
Gold Spot*	USD 1,809.41	USD 287.94	18.93%
DSEX	4,082.15	-370.78	-8.33%
S&P 500	3,197.52	-33.26	-1.03%
FTSE 100	6,179.75	-1407.3	-18.55%
BSE SENSEX	36,693.69	-4948.45	-11.88%
KSE-100	36,618.57	-4116.51	-10.11%
CSEALL	4,879.76	-1249.45	-20.39%

Exchange Rates

USD 1 = BDT 84.79*

GBP 1 = BDT 106.56*

EUR 1 = BDT 96.66*

INR 1 = BDT 1.13*

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

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