

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.

Inflation cools in FY'19 after steep increase

- After a sharp rise, the average inflation rate fell to 5.48% in the just-concluded fiscal year, the government said. The inflation rate is 0.08% points lower than the government's 5.6% target in 2018-19 fiscal. But the average inflation rate in FY'18 was higher at 5.78%. After the steep rise since January this year, the point-to-point inflation rate in June dropped to 5.52%, according to the Bangladesh Bureau of Statistics (BBS) data released on Tuesday.

- In May, the point-to-point inflation rate was recorded at 5.63%. The rate of inflation on point-to-point basis in June last year was, however, lower at 5.54%. BBS data showed food inflation dropped slightly to 5.40% in June from 5.49% a month earlier. Besides, non-food inflation fell to 5.71% from 5.84% in May. According to the BBS data, the rate of point-to-point inflation in rural and urban areas also fell in June.

- The food inflation in cities dropped to 5.01% compared with 5.09% in May. The non-food inflation in urban areas also dropped to 6.64% from 6.95% in May. During FY2019-20, the government aims to keep the inflation rate within the limit of 5.5%.

<http://today.thefinancialexpress.com.bd/first-page/inflation-cools-in-fy19-after-steep-increase-1562694492>

<https://www.thedailystar.net/business/news/annual-inflation-remains-within-target-1769218>

<http://www.newagebd.net/article/77996/inflation-drops-slightly-in-fy19>

Government's July-May net borrowing up 8.0%

- The government's net borrowing from state-owned savings instruments rose by about 8.0% in the first 11 months of the just-concluded fiscal year compared to the corresponding period of the previous fiscal. According to the Department of National Savings (DNS) data, net sales of savings tools in the July-May period of FY 2018-19 stood at BDT 467.31 billion, up from BDT 433.63 billion in the same period of FY 2017-18. Sales of savings schemes have surged in recent years due to their higher yield rates, officials concerned said.

- Net sales of savings certificates in last 11 months also surpassed the government's revised target set for the FY 2018-19. The government revised the target of its net borrowing from savings instruments for FY 2018-19 upward to BDT 450 billion from BDT 261.97 billion. Meanwhile, government's interest payments also increased by more than 22% in the July-May period of the last fiscal year, the data showed. The government spent BDT 224.51 billion on interest payments in the 11 months of FY 2018-19, up from BDT 183.60 billion in the same period of FY 2017-18, according to DNS statistics.

- Amid growing sales of savings tools, the government has set a target of its net borrowing from instruments at BDT 270 billion for FY 2019-20. Officials, however, said sales of the instruments might fall in the coming months due to an increase in source tax on profit gains. The National Board of Revenue (NBR) has increased source tax on yield gains to 10% from 5.0% for all types of savings tools in the new fiscal year. Savers also find themselves in difficulties to purchase savings tools online.

- The government sells four types of savings instruments and yield rates are up to 11.76%. It also sells different types of bonds to local and expatriate Bangladeshis. An estimated 20 million investors are involved in this sector.

<http://today.thefinancialexpress.com.bd/last-page/govts-july-may-net-borrowing-up-80pc-1562694899>

Government borrowing beyond monthly auction

- The government is increasingly borrowing from the banking system going beyond the regular monthly calendar of auctions. Primary dealers (PDs) said the government had borrowed money six-times over the past six months, hurried and unusual in recent years. This signifies that the public sector is failing to finance its widening budget deficit as a result of poor revenue mobilisation. The government usually borrows through short-term and long-term debt instruments to finance its budget deficit. The dealers said that such types of auction create troubles for managing their funds as they get notice within a day or two.

- The average amount that the government borrowed from the banking system in such a hurried manner was BDT 20 billion during the last six months beginning from January last. The government also held such an unplanned auction on Monday last to borrow BDT 30 billion through short term bills. Treasury chiefs working for different primary dealers said this type of borrowing is boon to those who have surplus fund but this is a problem for those who have liquidity crunch.

- The head of treasury at a privately-owned bank said that actually this time almost all banks under liquidity pressure and holding of such quick bidding creates problems for them. He said the government should have predicted its

borrowing needs accurately. The 91-day T-bill yield rate increased by nearly 82% to 6.67 (annualised) in June over the same period in 2018, that of 182-day T-bill jumped by 59% and 364-day T-bill by 57% during period under review.

<http://today.thefinancialexpress.com.bd/first-page/govt-borrowing-beyond-monthly-auction-1562694434>

94.32% of Annual Development Programme (ADP) spent

- The government has been able to spend 94.32% of its development budget in 2018-19, going for a huge outlay in the last month of the just-concluded fiscal year, official data showed. The spending of BDT 1665.93 billion in the last fiscal year was the highest in the last six years, according to data from the Implementation Monitoring and Evaluation Division of the planning ministry. In June alone, the government spent BDT 465.51 billion, which accounted for more than one-fourth of the BDT 1766.20 billion development budget earmarked for the full fiscal year.

- From its own coffers, the government used BDT 1110.33 billion last fiscal year, which is 95.72% of the allocation. Some 92.70% of foreign aid allocation, or BDT 472.79 billion, was used for development purposes. The government's expenditure from its own sources rose in the last fiscal year, compared to what it was in 2017-18. The spending from the foreign component fell, year-on-year.

<https://www.thedailystar.net/business/news/9432pc-adp-spent-1769209>
<http://www.newagebd.net/article/77997/adp-implementation-9432pc-in-fy19>

Apparel exports to US, Canada post double-digit growth

- Bangladesh's apparel exports to major markets namely US and Canada posted a double-digit growth in the last fiscal year while that of European destinations showed a comparatively slow pace. Garment makers, however, said the ongoing trade war between the US and China helped in achieving such a higher growth in apparel export especially to the US market. They also held responsible a number of factors for slow growth in the EU countries that included diversified market options with price choice, competitor countries' devalued currencies and buyers' cautious order placing due to the last general election and wage hike in the country.

- Official data by Export Promotion Bureau (EPB) revealed that the US has again become the largest export destination for local readymade garment (RMG) items with earnings USD 6.13 billion in the just-concluded fiscal year, recording a 14.60% growth. RMG exports to US fetched USD 5.35 billion in fiscal year 2017-18. When asked, Bangladesh Garment Manufacturers and Exporters Association (BGMEA) senior vice president said that in recent months, US buyers are coming to Bangladesh as an alternative to China due to the trade war between the two countries. In last six months, US buyers were showing more interest, making queries and placing more orders, he noted.

<http://www.today.thefinancialexpress.com.bd/last-page/apparel-exports-to-us-canada-post-double-digit-growth-1562694983>

Vietnam a step closer to beating Bangladesh in apparel exports

- In a blow to apparel exporters, the EU, Bangladesh's largest export destination, has extended duty-free access to Vietnam, eliminating the competitive edge that the country held over its biggest rival in the trade. As a least-developed country Bangladesh enjoyed duty-free benefit to the EU since its independence, whereas Vietnam had to pay 12% duty. Now, Southeast Asian country has obtained the same privilege as Bangladesh thanks to the signing of a free trade agreement (FTA) with the EU on June 30. Bangladesh will face even tougher competition once it fully graduates from the LDC bracket in 2027 as the duty benefits would be withdrawn then. Exports to the EU will then face 12% duty but Vietnam will continue to ship to the trading bloc at zero duty.

- Bangladesh's apparel exports have lost 3.64% value in terms of price per unit during 2014-2018, whereas Vietnam's price has gone up, said the president of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA). Apart from erosion of competitiveness and the resulting trade diversion, the FTA may have a severe toll on the price level for Bangladeshi manufacturers, the president of BGMEA said. In 2018, Bangladesh exported USD 19.32 billion worth of garment items to the EU, up 11.17% year-on-year. Vietnam's exports that year stood at USD 3.92 billion with an annual growth of 9.74%, according to data from the BGMEA. With its 4% share Vietnam is currently is the sixth largest apparel exporting nation to the EU, whereas Bangladesh is the second with its share of 19%.

<https://www.thedailystar.net/business/news/vietnam-step-closer-beating-bangladesh-apparel-exports-1769221>

Delisting of 14 non-performing companies

- The country's premier bourse is yet to take its final decision regarding delisting of 14 non-performing companies as the securities regulator has not yet delivered its instruction. The Dhaka Stock Exchange (DSE) has reviewed the performances of the companies which violated the listing regulations by recommending no dividend in last five years.

- A senior official of the prime bourse that the DSE is unable to take its final decision before getting instruction from the securities regulator. A DSE director, however, said they would discuss the pending issue of the non-performing companies at a board meeting to be held on July 11. The prime bourse is also reviewing the performances of 14 companies in line with the section 51 (1) (c) of the listing regulations.

- The companies which are being reviewed by the DSE as per section 51 (1) (c) are: Jute Spinners, Meghna Condensed Milk Industries, Meghna Pet Industries, ICB Islamic Bank, Dulamia Cotton Spinning Mills, Samata Leather Complex, Shyampur Sugar Mills, Zeal Bangla Sugar Mills, Imam Button Industries, Savar Refractories, Beximco Synthetics, Shinepukur Ceramics, Sonargaon Textiles, Beach Hatchery, ICB Islamic Bank, Dulamia Cotton and United Airways (BD).

<http://today.thefinancialexpress.com.bd/stock-corporate/delisting-of-14-non-performing-cos-1562692824>

General shareholders may lose BDT 1.93 billion

- The general shareholders of People's Leasing and Financial Service (PLFS) that is staring at liquidation are likely to lose their entire amount, further raising the stakes for the government to penalize those responsible for driving the company into the ground. As of May 31, retail investors held 68% of the non-bank financial institution's stock, according to the Dhaka Stock Exchange. If the liquidation goes through -- which will be a first in Bangladesh's financial sector -- the general shareholders stand to lose about BDT 1.93 billion and institutional investors BDT 257.5 million.

- The general shareholders' turn comes in the end, once all parties have been paid off. They get a sum if the net asset value per share is positive. But in PLFS's case its net asset value or NAV is BDT 67.66 in the negative as of March 31.

- The NBF's problems began in earnest in 2013-14, when some of its directors made off with more than BDT 10 billion by way of submitting fake documents, according to a central bank inspection report. In 2015, the central bank had removed five directors for their involvement in the financial scandal. But it was not enough. Since then the bank has been on a downward spiral. For instance, in the first nine months of last year PLFS's operating expenses stood at BDT 224.8 million against the operating income of BDT 20.5 million. The PLFS sometimes failed to pay the wages to its employees because of the severe liquidity crunch, some officials informed The Daily Star. The NBF has failed to repay the depositors' money despite maturity of the funds, found the central bank report. Default loans and net losses have recently escalated as well.

<https://www.thedailystar.net/business/news/general-shareholders-may-lose-BDT-193cr-1769224>

<https://www.dhakatribune.com/business/2019/07/10/people-s-leasing-liquidation-move-leaves-depositors-worrying>

Gas price hike to raise ceramic production cost

- The recent gas price hike will increase the cost of ceramics production by 10%, which will be a huge blow to the local ceramic manufacturers and consumers, sector people said. The government has increased gas prices by 37.89% for industrial use, 43.97% for captive power and 7.5% for compressed natural gas (CNG), which became effective from yesterday. The hike in gas price for industrial use and captive power will increase the production cost by 5%, said the general secretary of the Bangladesh Ceramic Manufacturers and Exporters Association (BCMEA).

- The demand for ceramics in Bangladesh is increasing by 20% on an average every year, according to data from the BCMEA. The sector, with a market size of around BDT 300 billion, has experienced 200% growth in production in the last 10 years, and Bangladesh now holds 0.14% of the global export market, it said. The sector meets 80% of the local demand, president of BCMEA said. In fiscal 2017-18, local ceramic makers exported goods to over 50 countries worth around USD 50 million, a 20% year-on-year rise, according to the BCMEA.

<https://www.thedailystar.net/business/news/gas-price-hike-raise-ceramic-production-cost-1769215>

<https://www.dhakatribune.com/business/2019/07/10/the-tale-of-a-rising-industry-3-local-tableware-finds-niche-international-market>

World Stock and Commodities*

Index Name	Close Value	Value Change	% Change
Crude Oil (WTI)*	\$58.59	+0.76	+1.31%
Crude Oil (Brent)*	\$64.72	+0.56	+0.87%
Gold Spot*	\$1,392.74	-4.87	-0.35%
DSEX	5,280.05	-38.57	-0.73%
Dow Jones Industrial Average	26,783.49	-22.65	-0.08%
FTSE 100	7,536.47	-12.80	-0.17%
Nikkei 225	21,554.30	-10.85	-0.05%

Exchange Rates

USD 1 = BDT 84.46*
GBP 1 = BDT 105.19*
EUR 1 = BDT 94.66*
INR 1 = BDT 1.23*

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

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