

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.

### **Forex reserves cross USD 34.0 billion for the first time**

- The country's foreign exchange reserves crossed the USD 34-billion mark for the first time. Amid coronavirus pandemic, foreign trade became slower and the aid of developing partners started to arrive, so the foreign exchange reserves piled up, a senior official of the Bangladesh Bank told The Business Standard on Wednesday night.
- According to the central bank, country's foreign exchange reserves rose to USD 34.2 billion on June 3. Earlier, the previous highest reserves were recorded on September 5 in 2017- the amount was USD 33.7 billion. The official said, remittance is the key driver to raise the reserve to this highest point.
- From July 1, 2019 to June 2 this year, total remittance stood at USD 16.5 billion, which was 10% higher than the amount of same period of the previous fiscal year.

<https://tbsnews.net/economy/forex-reserves-cross-34-billion-first-time-88420>

### **Budget spending to go up by 11.0% in FY'21**

- The appointment of additional number of doctors and nurses to fight coronavirus pandemic will push up the operating expenditure of the government by around 11% in the next fiscal year (FY'21) on top of other public sector spending, finance ministry officials say. The government's operating expenditure includes salaries, allowances, payment of pensions, interest, subsidy, incentives and grant. The revenue budget also includes capital expenditure and spending on supply and services.
- According to people involved in budget preparation, some BDT 3.5 trillion has been earmarked for the next fiscal year as operating expenditure. In the revised budget for the outgoing fiscal year, the amount was set at BDT 3.1 trillion.
- Against this background, the government in early May appointed 2,000 doctors and 5,054 nurses and plans to appoint 5,000 medical technologists to help narrow down the manpower shortage in the health sector. The expenses on account of incentives and subsidies for various export-oriented sectors, other than the BDT 1.0 trillion relief packages announced, will also go up in next fiscal year to offset the Covid-19 impacts, according to a finance ministry official.

<https://today.thefinancialexpress.com.bd/first-page/budget-spending-to-go-up-by-11pc-in-fy-21-1591205818>

### **5.4% inflation rate likely next fiscal**

- The government is likely to keep the average inflation rate within the 5.4% limit in fiscal year 2020-21, officials said on Wednesday. The inflation target for the next fiscal will be proposed in the upcoming national budget, to be announced on June 11 at the parliament, they said.
- In the outgoing fiscal, the government set the 12-month average inflation target at 5.5% as it wanted to keep the Consumer Price Index or CPI in the comfortable zone. Data from the state-controlled Bangladesh Bureau of Statistics or BBS on Tuesday showed the point-to-point inflation rate in May fell to 5.35% from 5.96% month on month. The year-on-year average inflation from June through May, however, recorded 5.61%, the BBS data showed.
- In the national budget of the current fiscal, the government's target for the 12-month average inflation was 5.5%. In FY 2019, the 12-month average inflation was recorded at 5.48%, 0.08 percentage points lower than the government's 5.6% target. The World Bank, in its latest South Asia Economic Focus report, said Bangladesh's inflation rate could go up to 5.7% in FY2020 before rising in the next fiscal.

<https://today.thefinancialexpress.com.bd/first-page/54pc-inflation-rate-likely-next-fiscal-1591205998>

### **Debt at heart as Finance Minister strikes balance amid falling revenue, rising expenditure**

- Between a rock and a hard place is where Finance Minister AHM Mustafa Kamal finds himself in as he is set to unveil his second budget on June 11. It appears Kamal is preparing a debt-dependent budget for next fiscal year, which begins from July 1. The fiscal year may be one of the most challenging years from the perspective of fiscal management.
- The government is facing pressure on public expenditure to tackle the contagion, strengthen the weak health system, support livelihoods of the millions of people and keep businesses afloat reeling from the pandemic. Subsequently, the budget deficit may be set at BDT 1.8 trillion in fiscal 2020-21, up from BDT 1.5 trillion this fiscal year.

■ Kamal would look to borrow BDT 800 billion from the banking sector to meet the budget deficit, which is way higher than the target of BDT 473.6 billion this fiscal year. Borrowing through the sales of savings certificates could be lowered to BDT 240 billion in fiscal 2020-21 from BDT 270 billion this year, as cash-strapped people are showing less interest in buying the instruments.

■ However, the finance minister would find it difficult to meet the bank borrowing target by relying on the banking sector since lenders have long been facing liquidity crisis and would now carry the major burden of implementing the BDT 1.0 trillion stimulus packages.

<https://www.thedailystar.net/business/news/debt-heart-kamal-strikes-balance-amid-falling-revenue-rising-expenditure-1908717>

### **Applying for moratorium on foreign debt repayment not in the offing**

■ Like the rest of the world, Bangladesh is confronted with an economic crisis due to the Covid-19 pandemic. However, it is not yet thinking of applying for a moratorium on a repayment of foreign loans. The situation is not so bad yet, according to an official of the Economic Relations Division (ERD) of the finance ministry.

■ Beginning in March, Bangladesh's economy went from bad to worse due to the coronavirus-induced shutdown. Industrial manufacturing and other economic activities were largely affected. Export earnings saw a steep 83% year-on-year fall in April. Revenue collection for the current fiscal year may stand at BDT 2.2 trillion, posting a staggering shortfall of BDT 150 billion.

■ According to the ERD, inclusive of the current fiscal year and the next two, Bangladesh will have to pay USD 6,050 million to its development partners in principal and interest. The projections were made before the pandemic. In fiscal year 2019-20, the government will be paying USD 1,850 million. Of the amount, interest will be to the tune of USD 570 million, while principal will amount to USD 1,280 million.

■ In 2020-21, the government's projection is to pay USD 2,000 million to the development partners in principal and interest. Interest will be USD 600 million while principal will be USD 1,400 million. In 2021-22, the government will have to pay USD 2,200 million – USD 700 million in interest and USD 1,500 in principal.

<https://tbsnews.net/economy/foreign-aid/applying-moratorium-foreign-debt-repayment-not-offing-88417>

### **Next budget would be an immense balancing act: An Economist**

■ Next fiscal is likely to be one of the most challenging years from a fiscal management perspective, among others. With the virus still around, the economy will take time to recover. When recovery is going to start is extremely uncertain.

■ There will be pressure on public expenditure to fight COVID-19, strengthen the health system, support livelihoods at risk and keep businesses afloat. At the same time, expenditure on critical infrastructure projects must continue. Revenue mobilisation will be a daunting task, given the various tax concessions and administrative forbearance that will have to be allowed to individuals and institutions in these very difficult times.

■ Budget deficit target will most likely exceed the usual 5% of GDP. What the finance ministry will propose is anybody's guess. Assuming it will be somewhere between 6 to 7% of GDP, the issue will be finding harmless ways of financing it. Given a relatively low public debt to GDP ratio, debt sustainability is not currently any major concern, particularly given the fact that the cost of existing foreign debt is very low. There is, therefore, space for increasing public borrowing from concessional external sources.

■ While, over the decade – since the beginning of 2010 until the end of 2019 – the market as a whole returned virtually nothing, but the cash dividends saw an average yield of over 3.0%. And investors lost up to 95% of their money in shares of some weak companies.

■ An early recovery is unlikely, but the banks are already assigned with a large financial package to finance the working capital needs of the affected small and large business enterprises. Bangladesh Bank will be refinancing a significant portion of it. However, the banks will have to bear all the risk. In this situation, the banks may be more than happy to park their money in treasury bills and bonds that offer 7 to 9% interest without any default risk.

<https://tbsnews.net/economy/stock/long-term-stock-investment-pays-88027>

### **Bank earning slump makes import financing costlier**

■ Cost of foreign import financing by the country's local banks increased up to 2.0 percentage points in the last couple of months due mainly to a slump in earnings of the banks. Earnings of all scheduled banks slumped, in most of the cases turned negative in April and May, as the Bangladesh Bank asked the entities to refrain from booking interest

earnings for the two months, bankers and BB officials said. Earlier, most of the foreign banks were issuing credit against imports at around 2.5% to 3% interest.

- The fall in earnings of the banks has prompted the overseas banks and financial institutions to charge up to 5% interest for such credit. Some of the foreign entities were found reluctant in issuing credit against the country's import settlement.
- On May 3, a BB circular issued in this connection asked the banks to transfer the suspended interest on loans to an interest-free blocked account. The banks which had already charged the customers the interest was asked to reverse the sum to the borrowers. According to the government estimate, the total amount of suspended interest of the two months stands at BDT 165.5 billion.

<https://www.newagebd.net/article/107580/bank-earning-slump-makes-import-financing-costlier>

### **Labour wages rise nearly 6% in April, May: Bangladesh Bureau of Statistics (BBS)**

- The deadly Covid-19 pandemic has so far brought nothing but a string of bad news for Bangladesh, hitting the country with shutdown of companies, unemployment, salary cuts and unpaid wages. Amid such scenario, the [Bangladesh Bureau of Statistics \(BBS\)](#) has revealed that the workers' wages in Bangladesh have increased by 6.1% in April and 5.9% in May this year, compared to the same period previous year.
- The BBS disclosed this information in the latest issue of the Wage Rate Index (WRI), adding that workers' wages have increased by 6.5% in March this year, compared to the same month previous year. However, several experts think that the latest BBS data regarding labour wages lacks consistency with data from different foreign and domestic research organisations and is disconnected from the current reality in the country.
- Data from the international financial institution World Bank projected that the rate of extreme poverty in Bangladesh has increased from 12.8% last year to 21.8% in 2020. Another 15.17 million extreme poor have joined the already existing 21.6 million in the country.

<https://tbsnews.net/economy/labour-wages-rise-nearly-6-april-may-bbs-88414>

### **Foreign RMG buyers commit irresponsible act: Foreign Minister**

- [Foreign Minister](#) Dr A. K. Abdul Momen has said the foreign readymade garment (RMG) buyers who cancelled export orders amid coronavirus pandemic have committed an irresponsible act. During his recent conversation with Irish Deputy Prime Minister and Foreign Minister Simon Coveney, he said that such irresponsible behavior by foreign companies is adversely affecting 4.0 million workers in Bangladesh, most of whom are women, a foreign ministry spokesperson said on Wednesday.
- The minister informed his counterpart about the availability of a huge pool of IT experts (600,000) in Bangladesh and requested Ireland to utilise the expertise. He also requested the Irish government to ease and facilitate visa procedures for the Bangladesh nationals. The Irish Deputy Prime Minister highly lauded Bangladesh's gesture in hosting the 1.1 million persecuted Rohingyas from Myanmar.
- The foreign minister hoped that if elected as a non-permanent member of the UN Security Council, Ireland will play a more robust role in the council. The Irish Deputy Prime Minister assured of Ireland's continued support and active engagement in this regard.

<https://today.thefinancialexpress.com.bd/last-page/foreign-rmg-buyers-commit-irresponsible-act-momen-1591206365>

### **Textile millers moving away from Indian cotton**

- Import of cotton from India, once the main sourcing destination for Bangladesh's textile millers, dipped further last year as locals are increasingly moving to suppliers in North and West African countries to cut reliance on the neighboring country. In 2019, 18% of the cotton imported by Bangladesh came from the neighboring country, according to data from the Bangladesh Textile Mills Association (BTMA). A year earlier, it was 26%.
- Last year, Bangladesh, the largest importer of cotton in the world, met 41% of its requirement for the white fibre from East and West African countries. The local spinners and importers have been diversifying sourcing -- and cutting reliance on India -- mainly for a price advantage, followed by quality shipment.
- The low quality of the Indian cotton is the main reason behind the falling imports from the neighboring country, said Monsoor Ahmed, secretary of the BTMA. A section of Indian cotton traders also doesn't maintain timely shipment and deliver the right quantity as per agreements, he said. For example, it is written in the letters of credit that there may be 3 to 4% less cotton than the amount agreed upon when the imported fibre is weighed in Bangladesh. But in many cases, it is 10 to 15% less, he said.

<https://www.thedailystar.net/business/news/textile-millers-moving-away-indian-cotton-1908685>

### **Chinese company to invest USD 1.02 million in Chattogram Export Processing Zone (EPZ)**

■ Chinese Company Ms Unicorn Leather Goods Factory Limited will establish a leather and artificial leather products manufacturing industry in Chattogram Export Processing Zone (EPZ), reports BSS. The fully foreign-owned company will invest US USD 1.02 million which will create employment opportunity for 764 Bangladeshi nationals, as per a Bangladesh Export Processing Zones Authority (BEPZA) press release issued in Dhaka on Wednesday.

■ Unicorn Leather Goods Factory will produce annually one million bag, belt, wallet and various leather items. To this end, BEPZA and Ms Unicorn Leather Goods Factory Limited inked an agreement at BEPZA Complex in the city.

<https://today.thefinancialexpress.com.bd/trade-market/chinese-co-to-invest-102m-in-ctg-epz-1591199218>

### **Panic grips central bankers as 50 officials test positive for coronavirus**

■ At least 50 officials of the Bangladesh Bank have tested positive for the novel coronavirus in a chilling development as the role of the central bank has emerged critical in insulating the financial system from the pandemic and keeping the economy going. The entire financial sector will face a severe crisis if the disease is spread further among the officials of the BB, said officials.

■ According to a report of the Anwer Khan Modern Hospital, at least 50 officials of the central bank tested positive for the coronavirus. But the figure might be much higher as many employees had their samples tested at other hospitals. The situation compelled the Bangladesh Bank Officers' Welfare Council to submit a memorandum to the governor on June 1 requesting him to introduce an alternate duty roster on a weekly or biweekly basis. The council had submitted another letter to the higher-ups on May 7 requesting measures before reopening the economy, but the management has not done anything to this end yet.

■ As a result, the officials are spending days nervously as the coronavirus spread alarmingly among the officials, several officials told The Daily Star yesterday. The central bank has issued many notices to banks instructing them to follow roster duty and maintain social distancing to keep the contagion at bay. Besides, the BB asked lenders to draw up a business continuity plan so that they can run operations during the pandemic.

<https://www.thedailystar.net/business/news/panic-grips-central-bankers-50-officials-test-positive-coronavirus-1908713>

### **Daraz to invest BDT 5.0 billion to build logistics infrastructure**

■ Chinese e-commerce giant Alibaba's subsidiary Daraz has announced plans to invest BDT 5.0 billion by 2021 in Bangladesh to set up logistics infrastructure and hubs that would help expand its footprint to all 64 districts. The announcement comes at a time when the novel coronavirus pandemic is prompting shoppers to go online more than ever for all sorts of items, ranging from groceries to medicine. However, e-commerce platforms have been struggling to cope up with the swelling number of orders because of a lack of infrastructure, ill-preparedness, scant manpower and inadequate supplies.

■ The majority of the investment will be made on developing logistics infrastructure, including a 200,000-square-foot warehouse, a 1,50,000-square-foot fully automated sorting centre and more than 150 hubs. It already has over 60 hubs across the country. Daraz is also planning to offer home delivery of groceries and other products through its own logistics service, DEX or Daraz Express, which employs 3,000 people, in 13 new districts by June.

<https://www.thedailystar.net/business/news/daraz-invest-BDT-500cr-build-logistics-infrastructure-1908681>

### **'Floor price' keeps buyers aloof**

■ Trading on both the bourses in the country remained dull as the majority of sale orders placed above the 'floor prices' kept the buyers aloof in last few sessions. As per existing system, the market prices of the listed securities have no scope to fall below individual floor prices set in the middle of March last to contain the abnormal price fall.

■ Talking to the FE, the officials of some merchant banks and brokerage firms said under the existing system the buyers have not enough scope to purchase securities at their desired prices. A trader of a leading brokerage firm said investors placed more than 0.5 million orders on Tuesday on the premier bourse to sell their shares owned in a company of engineering sector, but only 1,367 sales orders were executed on Wednesday.

■ Both the bourses set floor prices of listed securities on March 19 to contain abnormal price fall following a directive of the Bangladesh Securities and Exchange Commission (BSEC). As per the BSEC directive, opening price of any listed security shall be set at the average of the closing price of immediate preceding five trading days of March 19, and this average price calculated for each security shall be considered as floor price and the lowest limit of the circuit breaker.

■ Before the introduction of floor prices, the Dhaka Stock Exchange (DSE) featured a turnover above BDT 4.3 billion on March 18. But the DSE's turnover came down to BDT 491.2 million on March 19. On the day, the trading, however, was conducted for a very limited timeframe. Later, the DSE posted its turnover above BDT 1.45 billion on March 22, above BDT 2.54 billion on March 23, above BDT 1.39 billion on March 24, and BDT 3.48 billion on March 25.

■ After a 66-day break, the trading resumed on Sunday and the DSE posted a turnover above BDT 1.43 billion on the day. The turnover value was above BDT 1.97 billion on Monday, above BDT 1.55 billion on Tuesday and above BDT 1.52 billion on Wednesday.

<https://today.thefinancialexpress.com.bd/stock-corporate/floor-price-keeps-buyers-alooof-1591198839>

### **IPO subscription of Express Insurance starts on June 14 and continue until June 18**

■ The public subscription of Express Insurance Ltd will start on June 14 as the insurer announced the rescheduled date for IPO subscription on Wednesday. The initial public offering (IPO) subscription for shares of the company by the eligible investors through electronic subscription system was supposed to begin on April 13 and close on April 20. But it was suspended due to ongoing Covid-19 pandemic and government holidays. The trading and settlement activities on the bourses remained closed from March 26 to May 30 in line with the government holidays.

■ The securities regulator approved the initial public offering proposal of the company on February 18, this year. As per the approval, the non-life insurer will raise a fund worth BDT 260.79 million from the capital market under the fixed price method. The insurer will float more than 26.07 million ordinary shares at an offer price of BDT 10.0 each. A market lot consists of 500 shares and an investor needs BDT 5,000 to apply for each lot of the company's IPO shares.

■ For non-resident Bangladeshi (NRB) and foreign applicants, the required amount (per lot) for subscription is USD 59.39 or GBP 45.60 or EUR 52.39. Institutional investors who intend to participate in the electronic subscription system of the company's IPO shares shall require maintaining a minimum investment of BDT 10 million only at market price in the listed securities, as per the BSEC decision.

<https://today.thefinancialexpress.com.bd/stock-corporate/ipo-subscription-of-express-ins-starts-on-june-14-1591197803>

### **World Stock and Commodities\***

<b>Index Name</b>	<b>Close Value</b>	<b>Value Change YTD</b>	<b>% Change YTD</b>
Crude Oil (WTI)*	USD 36.45	(USD 25.18)	-40.86%
Crude Oil (Brent)*	USD 39.10	(USD 29.34)	-42.87%
Gold Spot*	USD 1,703.52	USD 182.05	11.97%
DSEX	3,963.41	-489.52	-10.99%
S&P 500	3,122.87	-107.91	-3.34%
FTSE 100	6,382.41	-1,204.64	-15.88%
BSE SENSEX	34,109.54	-7,532.60	-18.09%
KSE-100	34,408.05	-6,327.03	-15.53%
CSEALL	4,790.60	-1,338.61	-21.84%

### **Exchange Rates**

**USD 1 = BDT 84.85\***

**GBP 1 = BDT 106.41\***

**EUR 1 = BDT 95.18\***

**INR 1 = BDT 1.12\***

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

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