

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.

Foreign Direct Investment (FDI) in Bangladesh dropped by 55.8% in 2019: United Nations Conference on Trade and Development (UNCTAD)

■ Bangladesh saw a record drop in foreign direct investment (FDI) in 2019, with FDI inflow falling by 55.8% to USD 1.6 billion. FDI inflow to developing Asian economies is projected to plunge by 30% to 45.0% in 2020 due to the pandemic. Particularly in South Asia, FDI is expected to contract sharply this year. Mergers and acquisitions (M&A) declined by 56% in this region. With the help of major M&A sales – more than USD 1.5 billion – Bangladesh received USD 3.6 billion in FDI in 2018. The effect faded the following year and caused a recorded drop in FDI.

■ Additionally, Pakistan saw a 27.69% increase in FDI inflow. As a result, Bangladesh lost its second position in South Asia to Pakistan. The growth of Pakistan was driven by equity investments in the energy, financial, and textile industries, with major investors from China and the United Kingdom, according to the report. FDI flow to South Asia increased by 10%, which was USD 57 billion in 2019. India, which has the largest share of FDI inflow in the region, saw a 20% increase. With a rapidly growing ICT sector, India successfully attracted many international investors, especially in e-commerce. Besides Bangladesh, Afghanistan and Sri Lanka also saw a decline in FDI inflow.

■ According to the report, global FDI flows are forecast to decline by up to 40% this year from their 2019 value of USD 1.54 trillion – with a decrease of as much as five% to 10% next year while recovery is not expected before 2022. This would be for the first time that global FDI declines below the USD 1.0 trillion-mark since 2005, the report reads. The report highlights that the pandemic and its economic consequences will hit the 47 least developed countries (LDCs) hard. FDI inflows to nine Asian LDCs dropped for the first time in eight years, by 27%, to USD 8.6 billion.

<https://tbsnews.net/economy/fdi-bangladesh-dropped-558-2019-unctad-93919>

<https://www.newagebd.net/article/108572/fdi-in-bangladesh-plunges-by-56pc-in-2019>

<https://www.dhakatribune.com/business/economy/2020/06/16/unctad-fdi-in-bangladesh-falls-by-56-in-2019>

Pandemic nudging Bangladesh's Debt-to-GDP ratio out of comfort zone

■ The coronavirus pandemic is turning out to be a quite a costly affair for Bangladesh, due to which its public debt-to-GDP ratio, which has thus far been in a healthy position, is set to exceed the responsible threshold of 40.0%. In the coming years, Bangladesh's public debt-to-GDP ratio, which stood at 36.0% at the end of 2019, would swell to about 41.0% owing to increased borrowing to safeguard both lives and livelihoods, the International Monetary Fund said. In a way, this is a testament to the sound economic and fiscal policies implemented in recent years, with limited aid dependency, prudent borrowing and, up until the crisis, adherence to a deficit ceiling of 5.0% of GDP. Higher economic growth, limited revenue shortfall, the right mix of credit and stable foreign currencies helped keep the public debt-to-GDP ratio at about 35% for a decade from fiscal 2008-09.

■ The government has unveiled various stimulus packages amounting to USD 1.03 trillion, which is 3.7% of the country's gross domestic product, to help people, businesses, entrepreneurs, farmers, industrialists and exporters counter the impact of the pandemic. The stimulus packages are the second-highest among the peer countries in Asia and the highest in South Asia. As a result, the total outstanding debt expanded by 1.7 percentage points of GDP in the revised budget for fiscal 2019–20 from the original one, the paper said. The debt level would go up by another 1.2 percentage points to BDT 1.2 trillion in fiscal 2020–21 when most of the stimulus packages would be implemented. Domestic debt would account for 63% and the external financing 37% in the next fiscal year.

■ The budget deficit for this fiscal year was estimated at BDT 1.50 trillion. However, the deficit in the revised budget has been set at BDT 1.5 trillion, which is 5.5% of GDP. The overall budget deficit in fiscal 2020-21 will be BDT 1.90 trillion, which is 6.0% of GDP. Bangladesh's revenue-to-GDP ratio is 8.6% and debt-to-GDP ratio 35.0%. This means Bangladesh has a debt-to-revenue ratio of more than 400%, he said. Foreign debt stood at USD 44.4 billion fiscal 2018–19, which was 13.4% of GDP.

<https://www.thedailystar.net/business/news/pandemic-nudging-bangladeshs-debt-gdp-ratio-out-comfort-zone-1915837>

National Board of Revenue (NBR) may target private staffers' nest egg

■ Private sector employees, who have received gratuity as retirement benefit in the outgoing fiscal year, may have to pay taxes on it. The National Board of Revenue or NBR has imposed taxes on retirees according to the proposed Finance Bill-2020 if the gratuity fund of a company is not approved by the board.

■ This highlights the tax collector's desperate attempt to plug revenue shortfall in FY 2020. With the changes, retired private sector employees, who have already received gratuity from July 1, 2019 to June 30, 2020, would have to pay tax on the amount in case their employers do not secure clearance for the fund. Tax analysts said such measures would force the individual taxpayers to pay taxes at higher rate at a time on their lifetime savings. They said almost 80 to 90% of the private companies' gratuity funds have remained unapproved.

■ Under the existing income tax ordinance-1984, income from the gratuity fund was exempted up to BDT 25 million from the payment of taxes. In the finance bill, the finance minister has made gratuity fund approval a condition for enjoying the exemption irrespective of ceiling.

<https://today.thefinancialexpress.com.bd/first-page/nbr-may-target-pvt-staffers-nest-egg-1592328686>
<https://www.newagebd.net/article/108573/nbr-to-tax-private-employees-receipt-from-unapproved-gratuity-funds>

Bangladesh Bank allows banks to issue international debit cards

■ The central bank has issued a guideline, allowing banks to issue international debit cards (IDCs) in favour of eligible persons against their annual travel entitlements. According to the guideline provisions, IDCs will be issued within annual travel entitlements with endorsement on passports, according to a notification, issued by the Bangladesh Bank (BB) on Tuesday. The banks will be able to provide the service through issuing IDCs without giving any credit facility, the central banker explained.

■ According to the guideline, the authorised dealer (AD) banks will have suitable arrangement in the local currency accounts, to which IDCs are linked, to ensure that amount in foreign exchange cannot be expensed in excess of endorsement within the annual travel entitlement. The local currency accounts, to which IDCs are linked, will have sufficient fund to support the expenses to be met from the cards. Similarly, the ADs should retain endorsed amount equivalent in Taka from local currency accounts in the margin accounts, to be maintained in the names of customers for smooth adjustment of the expenses incurred through IDCs, the guideline added.

■ Currently, the banks are allowed only to issue ICC/IPC against the annual personal travel quota entitlements of the prospective cardholders in line with the existing Guidelines for Foreign Exchange Transactions.

<https://today.thefinancialexpress.com.bd/trade-market/bb-allows-banks-to-issue-intl-debit-cards-1592321711>
<https://www.dhakatribune.com/business/banks/2020/06/16/bb-banks-can-now-issue-international-debit-cards>

Bangladesh eyes foreign firms leaving China

■ Bangladesh has initiated groundwork to attract investments from large foreign firms which are planning to move out of China to reduce single-country dependence after Covid-19 pandemic. Special economic zones with ready-to-use land, longer tax holiday and availability of all services under one roof are among the offers Bangladesh is going to make if foreign companies relocate their plants here from China.

■ Although the United States, the United Kingdom, Canada and other countries have shifted investments from China, the main goal of Bangladesh is to attract Japanese investment, officials said. The list of Japanese companies that have investments in China has been collected by the Ministry of Foreign Affairs and given to Bangladesh Economic Zones Authority (BEZA) and Bangladesh Investment Development Authority.

■ Commerce ministry officials said almost 690 Japanese companies have investments in China, and 34 of those, including Sony, Toyota Boshoku, Sharp and Panasonic, have already shown interest in shifting their factories. Vietnam, India and Indonesia are among the countries which had taken initiatives months ago to get their share of the pie from the probable exodus of Japanese, Korean, European and American companies from China. Japan has already allocated USD 2.2 billion to help its companies move out of China. Officials said Indonesia is offering a 50.0% tax holiday for five years for investing USD 7.0 million, 100% for five years for investing any amount between USD 7 million and USD 70.0 million, and 100% for 20 years for any amount exceeding USD 70.0 million.

<https://tbsnews.net/economy/trade/bangladesh-eyes-foreign-firms-leaving-china-94240>

Some sectors get relief from advance tax

■ Over the past year, manufacturers have had to pay advance tax (AT) when importing raw materials that resulted in increased operating costs while also blocking working capital for various companies like mobile phone and refrigerator makers. Although many sectors are exempted from value-added tax at the manufacturing stage, the companies had to pay 5% as AT and wait for a refund after the transaction was completed.

■ Now the manufacturers who enjoy VAT exemption at the manufacturing stage will no longer be needed to pay AT, a

form of VAT which was levied on imports at the beginning of the current fiscal year, said an official of the National Board of Revenue yesterday. The official also believes that the move will help relieve some of the monetary burden faced by the manufacturers of air conditioner and freezer products, cars, elevators, and pharmaceuticals when importing raw materials.

■ The revenue authority introduced 5.0% AT under the new VAT law on imports of goods from this fiscal year in order to encourage businesses to keep records and accounts properly. The idea is to widen the VAT net and curb money laundering through trade misinvoicing. The new AT will be adjustable with the total payable VAT in their returns while the excess value will be refunded to the taxpayer, the NBR official said. Since it came into effect on Friday, various sectors have already demanded the removal of AT. In response, the NBR reduced the AT rate to 4.0% for the import of industrial raw materials.

<https://www.thedailystar.net/business/news/some-sectors-get-relief-advance-tax-1915813>

Tax hike may lower earnings of government, telcos

■ The Association of Mobile Telecom Operators of Bangladesh on Tuesday demanded the withdrawal of the newly imposed 5.0% supplementary duty on the mobile phone use in the proposed budget for the fiscal year 2020-2021. Finance minister AHM Mustafa Kamal increased SD on mobile phone usage to 15.0% from 10.0% in the proposed budget for FY21. With the imposition of additional 5.0% supplementary duty, the applicable taxes on voice call and data use has reached 33.3% and 21.8% respectively. The government's move came in just one year of increasing SD to 10% from 5.0% in FY20.

■ According to the CEO of Robi, the proposed Budget doesn't even attempt to address the long-standing issues we have with the investment climate engineered by the taxation regime. For example, on top of the corporate tax of 45.0% for non-listed operators, which is the highest in the world, 2.0% minimum turnover tax is crippling the financial health of the struggling operators, particularly. According to Robi chief corporate and regulatory officer, the imposition of additional 5% supplementary duty on the mobile services will not only increase the cost of services for the customers but also will contradict the digital vision of the government.

■ Mentioning that around 65.0% of the country's mobile phone subscribers are feature phone users and they are using phone for making calls and sending message, he said that even the government earnings would decline after the hike in SD if the feature phone users reduced using service due to the hike..

<https://www.newagebd.net/article/108574/tax-hike-may-lower-earnings-of-govt-telcos>

Dexamethasone proves first life-saving drug

■ A cheap and widely available drug can help save the lives of patients seriously ill with coronavirus, according to BBC. The low-dose steroid treatment dexamethasone is a major breakthrough in the fight against the deadly virus, UK experts say. The drug is part of the world's biggest trial testing existing treatments to see if they also work for coronavirus. It cut the risk of death by a third for patients on ventilators. For those on oxygen, it cut deaths by a fifth.

■ About 19 out of 20 patients with coronavirus recover without being admitted to hospital. Of those who are admitted to hospital, most also recover, but some may need oxygen or mechanical ventilation. These are the high-risk patients whom dexamethasone appears to help. The drug is already used to reduce inflammation in a range of other conditions, and it appears that it helps stop some of the damage that can happen when the body's immune system goes into overdrive as it tries to fight off coronavirus.

<https://today.thefinancialexpress.com.bd/first-page/dexamethasone-proves-first-life-saving-drug-1592329063>

<https://tbsnews.net/coronavirus-chronicle/steroid-dexamethasone-reduces-deaths-among-patients-severe-covid-19-trial>

<https://tbsnews.net/coronavirus-chronicle/covid-19-bangladesh/mad-rush-coronavirus-drug-dhaka-94222>

World Stock and Commodities*

| Index Name | Close Value | Value Change YTD | % Change YTD |
|--------------------|--------------|------------------|--------------|
| Crude Oil (WTI)* | USD 37.49 | (USD 24.14) | -39.17% |
| Crude Oil (Brent)* | USD 40.26 | (USD 28.18) | -41.17% |
| Gold Spot* | USD 1,724.35 | USD 202.88 | 13.33% |
| DSEX | 3,960.66 | -492.27 | -11.06% |
| S&P 500 | 3,124.74 | -106.04 | -3.28% |
| FTSE 100 | 6,242.79 | -1344.26 | -17.72% |
| BSE SENSEX | 33,228.80 | -8413.34 | -20.20% |
| KSE-100 | 33,824.51 | -6910.57 | -16.96% |
| CSEALL | 4,910.83 | -1218.38 | -19.88% |

Exchange Rates

USD 1 = BDT 84.94*

GBP 1 = BDT 106.56*

EUR 1 = BDT 96.63*

INR 1 = BDT 1.11*

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

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