

## Capital Market Overview

The market closed in green this week. The benchmark index DSEX (+0.29%) gained 11.83 points and closed the week at 4,080.94 points. The blue-chip index DS30 (+0.43%) gained 5.83 points and stood at 1,374.59 points. The Shariah-based index DSES (+0.06%) gained 0.61 points and stood at 946.42 points. The large cap index CDSET (+0.10%) gained 0.78 points and closed at 806.09 points. DSEX, DS30, DSES and CDSET showed YTD returns of -8.35%, -9.17%, -5.34%, -10.41% respectively.

**Total Turnover During The Week (DSE):** BDT 12.4 billion (USD 145.7 million)  
**Average Daily Turnover Value (ADTV):** BDT 2.5 billion ( $\Delta\%$  Week: -17.9%)

Market P/E: 12.19x

### Daily Index Movement during the Week:

The market performed five sessions during this week. Market opened this week with a negative movement of 0.45%. After that, market rebounded in the second session by 0.48% and continued to be positive in the third session by 0.38%. Margin turned into negative in the fourth session by 0.22%. However, market closed in positive territory by 0.10% in the last session.

### Sectoral Performance:

- The financial sectors showed positive performance during this week except Banks (-0.15%). General Insurance booked the highest gain of 6.36% followed by NBFIs (+2.04%), Life Insurance (+1.59%) and Mutual Funds (+0.65%).
- The non-financial sectors also showed positive performance during this week. Telecommunication reported the highest gain of 3.47% followed by Power (+1.03%), Engineering (+0.52%), Food & Allied (+0.41%) and Pharmaceuticals (+0.03%).

### Macroeconomic arena:

- The Bangladesh Bank injected another BDT 22.9 billion in the country's banking sector in 19 days of July through purchasing US dollars as the banks were flooded with greenbacks. The central bank had no alternative but to purchase dollars against the backdrop of a heavy inflow of remittance ahead of Eid-ul-Azha, one of the largest religious festivals of the Muslims.
- The spread defined as the gap between lending and deposit rates rose to 2.94% in May 2020 from 2.92% in the previous month. The spread was 4.07% in March. Senior bankers predicted that the existing trend in spread would continue in the near future because low-cost refinancing funds were available in the banking system.
- As of March, accounts in the agent banking platform, where 22 banks now give banking services to people, stood at 64.97 lakh accounts, which is more than double that from a year earlier. Deposits soared 129% year-on-year to BDT 85.4 billion at the end of March, while loan disbursement grew 306% to BDT 8.5 billion.
- The growth rate of deposits in the country's banks fell below 11% in June after remaining above 11.0% for three consecutive months as many people lost their savings capacity due to the COVID-19-induced economic shocks. The deposits in the banking sector increased to BDT 11.8 trillion at the end of June this year from BDT 10.6 trillion in the same month last year. The private sector credit growth in May this year dropped to 8.86% against the central bank projection for a 14.8-per cent growth.

### Stock Market arena:

- City Bank and bKash are possibly on to revolutionizing the lending landscape in Bangladesh after the two yesterday announced rolling out digital lending on a pilot basis. A select group of bKash users will now be able to get a loan of up to BDT 10,000 collateral-free on an instant.
- Not only Square but all consumer goods companies as well have expanded their businesses amid a growing demand for hygiene products, spurred by the raging Covid-19 pandemic. Unilever Bangladesh, Reckitt Benckiser, ACI, Kohinoor Chemicals, Keya Cosmetics and other major brands have begun production of hand sanitisers and liquid disinfectants along with increasing the production of soaps and detergent powders.
- The capital market would become vibrant and dynamic in two years with various reform programmes, said Bangladesh Securities and Exchange Commission chairman. BSEC chairman mentioned that the current commission took several initiatives, including product diversification, market digitalisation and prevention of rules complications.

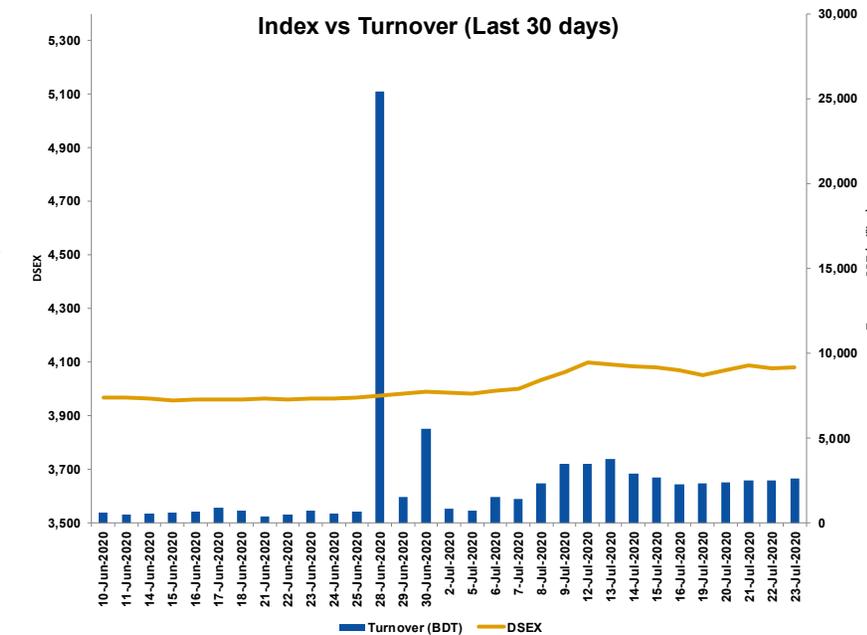
Table 1: Index

Index	Closing	Opening	$\Delta$ (Pts)	30-Dec-2019	$\Delta\%$ Week	$\Delta\%$ YTD
DSEX	4,080.94	4,069.11	11.83	4,452.93	0.29%	-8.35%
DS30	1,374.59	1,368.76	5.83	1,513.35	0.43%	-9.17%
DSES	946.42	945.81	0.61	999.83	0.06%	-5.34%
CDSET	806.09	805.31	0.78	899.76	0.10%	-10.41%

Table 2: Market Statistics

		This Week	Last Week	%Change
Mcap	Mn BDT	15,828,833.4	15,812,723.2	0.1%
	Mn USD	186,309.2	186,119.6	
Turnover	Mn BDT	12,378.1	15,080.4	-17.9%
	Mn USD	145.7	177.5	
Average Daily Turnover	Mn BDT	2,475.6	3,016.1	-17.9%
	Mn USD	29.1	35.5	
Volume	Mn Shares	411.2	463.2	-11.2%

Figure 1: DSEX & Turnover in last four weeks



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**Table 3: Top Ten Gainers**

Company Name	Close	Open	Δ%	Mcap (mn BDT)	Vol (mn BDT)	P/E	P/B
Dhaka Insurance Limited	35.50	27.30	30.0%	1,424.4	97.56	14.4x	1.5x
Pioneer Insurance	41	33.80	22.5%	2,897.2	410.68	9.3x	2.1x
Zeal Bangla Sugar Mills	60.00	49.60	21.0%	360.0	7.89	NM	NM
Asia Insurance Limited	23.30	19.60	18.9%	1,096.7	98.55	15.4x	1.5x
Eastern Insurance	52.10	44.40	17.3%	2,246.0	192.38	14.3x	1.7x
Shaympur Sugar	33.40	28.80	16.0%	167.0	4.53	NM	NM
Phoenix Insurance	26.80	23.20	15.5%	1,081.2	34.42	11.6x	0.6x
Prime Textile	18.20	15.80	15.2%	695.2	15.91	NM	0.5x
Dacca Dyeing	4.30	3.80	13.2%	374.8	1.00	NM	0.3x
ADN Telecom Limited	36.20	32.10	12.8%	2,340.4	127.50	14.2x	2.2x

**Table 4: Top Ten Losers**

Company Name	Close	Open	Δ%	Mcap (mn BDT)	Vol (mn BDT)	P/E	P/B
Islami Bank	17.40	19.80	-12.1%	28,013.8	93.66	5.1x	0.5x
United Commercial Bank Limited	12.00	13.00	-7.7%	14,610.3	17.71	5.1x	0.4x
Hakkani Pulp & Paper	74.20	80.20	-7.5%	1,409.8	143.94	NM	2.7x
Progressive Life Ins	105.80	113.20	-6.5%	1,524.5	114.04	NM	10.6x
Tung Hai Knitting & Dyeing Limited	1.90	2.00	-5.0%	202.6	.37	2.3x	0.2x
Paramount Textile Limited	53.20	56.00	-5.0%	7,857.4	141.54	12.4x	3.5x
Agrani Insurance Co. Ltd.	23.40	24.60	-4.9%	707.7	62.37	12.8x	1.4x
Jamuna Bank	16.00	16.80	-4.8%	11,987.6	13.44	4.7x	0.7x
Trust Bank	24.40	25.40	-3.9%	15,696.4	9.04	7.7x	0.9x
GQ Ball Pen	103.50	107.70	-3.9%	924.1	152.53	NM	0.8x

**Table 5: Top Ten Most Traded Shares**

Company Name	Close	Open	Δ%	Mcap (mn BDT)	Vol (mn BDT)	P/E	P/B
Grameenphone Ltd.	250.80	241.90	3.7%	338,655.2	533.40	9.8x	8.0x
Square Pharmaceuticals	174.70	176.60	-1.1%	147,488.6	453.15	11.1x	2.2x
Beximco Pharmaceuticals	74.80	74.30	0.7%	30,335.6	441.53	9.3x	1.1x
Pioneer Insurance	41.40	33.80	22.5%	2,897.2	410.68	9.3x	2.1x
Nahee Aluminium Composite Panel Ltd.	55.30	53.10	4.1%	3,533.0	350.77	16.0x	4.2x
Bangladesh Submarine Cable Company Limited	91.50	92.40	-1.0%	15,088.9	266.57	20.9x	2.5x
Indo-Bangla Pharmaceuticals Limited	20.80	21.50	-3.3%	2,319.3	253.59	12.3x	1.6x
Beacon Pharmaceuticals Limited	75.00	74.20	1.1%	17,325.0	248.08	165.6x	5.9x
Fine Foods Ltd	56.80	56.40	0.7%	793.7	203.66	53.6x	5.4x
Sonar Bangla Ins	39.90	38.10	4.7%	1,597.7	201.57	20.5x	2.6x

**Table 8: Most Appreciated YTD in BRAC EPL Universe**

Top 10 Most Appreciated Stocks	Close	Δ% YTD	Mcap (mn BDT)	P/E
Glaxo Smithkline	2,157.00	22.82%	25,984.2	89.4x
ACI Limited	210.70	16.09%	12,088.4	NM
Reckitt Benckiser	3,642.30	14.06%	17,209.9	27.8x
M.I. Cement Factory Limited	43.80	12.31%	6,504.3	NM
MJL Bangladesh Limited	71.00	12.16%	22,489.4	12.1x
Bangladesh Steel Re-Rolling Mills Limited	53.50	9.63%	12,629.7	7.9x
Baraka Power Limited	24.70	8.81%	5,435.5	11.8x
Beximco Pharmaceuticals	74.80	7.78%	30,335.6	9.3x
LafargeHolcim Bangladesh Limited	35.90	6.85%	41,693.3	23.9x
The ACME Laboratories Limited	62.60	2.79%	13,246.3	9.2x

**Table 6: Sector Indices**

Sector Name	Week Close	Week Open	Year Open	%Δ Week	%Δ YTD
Banks	1135.96	1137.63	1319.28	-0.15%	-13.90%
NBFIs	1392.23	1364.45	1565.13	2.04%	-11.05%
Mutual Funds	572.76	569.09	591.17	0.65%	-3.11%
General Insurance	1839.55	1729.50	1927.02	6.36%	-4.54%
Life Insurance	1846.63	1817.76	2194.70	1.59%	-15.86%
Telecommunication	3519.60	3401.51	3993.59	3.47%	-11.87%
Pharmaceuticals	2512.20	2511.51	2492.51	0.03%	0.79%
Fuel & Power	1449.60	1434.80	1515.21	1.03%	-4.33%
Cement	1182.07	1182.23	1132.29	-0.01%	4.40%
Services & Real Estate	955.03	950.94	886.70	0.43%	7.71%
Engineering	2039.12	2028.60	2257.22	0.52%	-9.66%
Food & Allied	11356.54	11310.25	12121.49	0.41%	-6.31%
IT	1865.25	1805.59	1823.13	3.30%	2.31%
Textiles	971.56	958.86	1042.04	1.33%	-6.76%
Paper & Printing	5036.64	5096.26	5233.20	-1.17%	-3.76%
Tannery	1667.26	1667.41	1826.45	-0.01%	-8.72%
Jute	7932.25	7925.62	11393.28	0.08%	-30.38%
Ceramics	389.73	389.73	459.10	0.00%	-15.11%
Miscellaneous	1682.82	1675.22	1745.96	0.45%	-3.62%

**Table 7: Sector Trading Matrix**

Sector Name	Daily average this Week	Daily average last week	% Change	% of Total Turnover	P/E	P/B
Banks	122.1	195.7	-37.62%	5.90%	6.6x	0.6x
NBFIs	42.0	18.0	133.22%	2.03%	82.3x	1.9x
Mutual Funds	58.6	41.5	41.06%	2.83%	NM	0.4x
General Insurance	434.0	155.1	179.74%	20.97%	12.9x	1.2x
Life Insurance	70.7	54.3	30.18%	3.42%	NM	7.6x
Telecommunication	160.0	115.1	39.01%	7.73%	10.0x	7.3x
Pharmaceuticals	427.8	702.3	-39.09%	20.67%	16.5x	2.2x
Fuel & Power	94.5	107.4	-12.05%	4.57%	9.4x	1.7x
Cement	1.4	0.8	82.73%	0.07%	26.1x	2.2x
Services & Real Estate	9.0	3.8	135.11%	0.44%	57.1x	0.8x
Engineering	160.3	54.9	191.88%	7.75%	12.3x	1.2x
Food & Allied	103.6	45.5	127.79%	5.00%	20.4x	6.5x
IT	80.0	12.9	521.57%	3.87%	16.6x	2.5x
Textiles	144.5	29.6	387.46%	6.98%	NM	0.7x
Paper & Printing	29.1	1.9	1423.55%	1.41%	250.1x	1.3x
Tannery	1.0	0.9	17.66%	0.05%	20.6x	1.8x
Jute	2.3	5.8	-60.53%	0.11%	NM	3.6x
Ceramics	16.1	1.4	1025.56%	0.78%	24.2x	1.5x
Miscellaneous	112.5	50.5	122.71%	5.44%	18.5x	1.0x

**Table 9: Least Appreciated YTD in BRAC EPL Universe**

Top 10 Least Appreciated Stocks	Close	Δ% YTD	Mcap (mn BDT)	P/E
BRAC Bank	31.90	-39.94%	42,295.5	8.6x
Eastern Cables	140.80	-29.32%	3,379.2	NM
Lankabangla Finance	12.90	-24.75%	6,951.0	13.8x
City Bank	16.20	-23.22%	16,465.5	6.3x
Runner Automobiles Limited	46.10	-22.52%	5,234.2	9.1x
Prime Bank	14.20	-21.98%	16,078.4	9.7x
Singer Bangladesh	147.00	-18.51%	14,656.3	14.2x
Heidelberg Cement	137.30	-16.69%	7,757.9	NM
IFAD Autos Limited	38.50	-16.67%	9,547.6	13.4x
Active Fine Chemicals Limited	12.30	-16.33%	2,951.2	5.5x

## Important News: Business & Economy

### Farm credit target at BDT 262.9 billion

■ The central bank on Wednesday set a target of disbursing agriculture credit of BDT 262.9 billion for the banks in the current fiscal year (FY), 2020-21. The loan amount is 8.99% higher than the target of last FY, according to the agriculture and rural credit policy and programme for FY 2020-21, announced by the Bangladesh Bank (BB) on the day. Of the total target in FY 21, BDT 32.0 billion will be disbursed by six state-owned commercial banks, while two specialised development banks will provide BDT 78.5 billion to interested farmers. Besides, 39 private commercial banks, out of 41, will lend BDT 145.5 billion, while nine foreign commercial banks will disburse BDT 7.0 billion.

■ The BB has already announced a stimulus package amounting to BDT 50 billion for small and medium businesses and entrepreneurs in the farm sector. The affected bank clients can receive an additional 20% of their existing credit ceiling under the scheme. Under the scheme, the banks are allowed to borrow low-cost fund from the central bank at 1.0% interest and lend at 4.0%. On April 27, the central bank announced another policy, asking the banks to provide crop loans to farmers at 4.0% interest rate, while the BB will provide the rest 5.0% as interest subsidy. Meanwhile, the overall disbursement of farm loans by all the scheduled banks stood at BDT 227.5 billion in FY 20, which is 5.70% lower than the target of BDT 241.2 billion, the BB data showed.

<https://today.thefinancialexpress.com.bd/first-page/farm-credit-target-at-BDT-1595439907>

<https://www.newagebd.net/article/111849/banks-farm-loan-target-raised-to-BDT-for-fy21>

<https://www.thedailystar.net/business/news/banks-just-not-getting-worked-farm-loans-1934877>

### Bangladesh Bank (BB) relaxes loan classification, provisioning rules for cottage, micro, small and medium enterprise (CMSME) sector

■ Bangladesh Bank on Tuesday relaxed loan classification and provisioning rules for the cottage, micro, small and medium enterprise (CMSME) sector to encourage bank lending in the sector. The central bank circular, issued on the day, said that in the CMSME sector banks would now treat loans as substandard if no installments were paid from six months to 18 months, the latter of which was nine months previously. Non-payment of loan installments for a period of 18 months or beyond but less than 30 months will now be classified as doubtful, up from 12 months currently. Those which remain unpaid for a period of 30 months or beyond will now be treated as bad or loss.

■ As per the new directives, banks will also have to keep 0.25% provision for their regular loans in the CMSME sector; 5% provision for substandard loans; 20.0% provision for doubtful loans and 100% provision for bad and loss-classified loans. Currently, banks have to keep 0.50% to 5.0% provision against defaulted loans of regular category, 20% against substandard category, 50% against doubtful category, and 100% against bad or loss category.

■ As of June 30, banks had disbursed only BDT 2.5 billion in the sector out of the BDT 200.0 billion stimulus package, revealed the latest BB data. However, the central bank instructed banks to implement the stimulus funds by August this year.

<https://www.dhakatribune.com/business/2020/07/22/bb-relaxes-loan-classification->

[provisioning-rules-for-cmsme-sector](#)

### Bangladesh Bank (BB) allows foreign firms to avail domestic loans

■ Bangladesh Bank has relaxed its policy for the foreign owned and controlled companies, which are operating in the country, allowing banks and non-bank financial institutions (NBFIs) to issue credit to the entities in local currency against foreign guarantees. For issuing credit to such entities, the guarantee that would be provided by the borrowers must be acceptable to the lending banks and NBFIs. No fees can be paid against the guarantee, the circular said. A high-level official of the central bank said the relaxation was introduced by the central bank to facilitate companies' easy access to loans against external guarantees. The facilities will be applicable till June 2021.

■ The circular also said in case of lending by NBFIs, the guarantees should be issued by local banks issued against back to back foreign guarantees. Foreign exchange regulations allow banks and NBFIs to extend loans in local currency taka to foreign owned or controlled companies. However, banks and NBFIs need permission from Bangladesh Bank to extend loans to borrowers against overseas guarantees or collateral regardless of ownership or controlling status of borrowing entities.

<https://www.dhakatribune.com/business/banks/2020/07/22/foreign-firms-to-get-easy-access-to-domestic-loans>

### Government to use forex reserves to finance profitable projects

■ The government plans on taking out long-term credits from the foreign exchange reserves to finance profitable projects. The debts will be repaid with the revenue generated from those projects after their completion. If the earnings fall short of making the loan repayment, the government will meet the deficit by allocating funds in the national budget. The Ministry of Finance has asked the Bangladesh Bank to prepare a guideline in this regard outlining ways in which the government can take out loans from the forex reserves. Officials at the finance ministry said loan support from foreign sources such as the World Bank, the Asian Development Bank, and China in large development projects in the public sector might shrink in the future because of the current Covid-19 situation. Therefore, initiatives must be taken to implement projects with the government's own fund.

■ While talking about repaying loans taken from the forex reserves with revenue generated from the projects concerned, a finance division official mentioned that loans taken out for the construction of the Bangabandhu Bridge on the Jamuna River have been repaid with the money earned as tolls. The government is now making a profit from the project, he said, adding that the same will happen with the Padma Bridge. He also mentioned that the government has undertaken an initiative to build a 10-kilometre bridge in Barishal and Bhola. Tolls will be collected on that bridge as well. Besides, there are scopes for the government to generate revenue from projects in various sectors including power and energy, and economic zones, the finance division official added.

<https://tbsnews.net/economy/govt-use-forex-reserves-finance-profitable-projects-110293>

### FY'20 revenue rises by BDT 30 billion on fresh data

■ The revenue board has managed to collect BDT 30 billion more for the public exchequer in the last fiscal year, reducing the extent of shortfall it suffered due to the COVID-19

pandemic. The National Board of Revenue (NBR) has collected BDT 2.18 trillion against its revised target of BDT 3.0 trillion for FY 2019-20. As of July 7, it was reported that the NBR collected BDT 2.15 trillion in tax revenue facing a 3.79% negative growth in the last FY compared to that of the previous FY.

■ However, the latest data of the research and statistics wing, though provisional, of NBR also pointed out 2.26% negative growth in revenue collection in the FY 2019-20. The NBR also lagged behind its revised target by 27.32%. A senior NBR official said that the NBR received a significant amount of VAT and other withholding tax after 5th of a month that contributed to the additional revenue.

■ He said the ambitious target for revenue collection and COVID-hit economic activity are the main reasons for the huge shortfall in revenue collection. In the month of June, the NBR collected BDT 298.90 billion in tax revenue against its target of BDT 357.32 billion, facing a BDT 58.42 billion shortfall. However, the revenue collection faced a negative 1.22% growth in the month of June.

<https://today.thefinancialexpress.com.bd/first-page/fy-20-revenue-rises-by-BDT-30b-on-fresh-data-1595354127>

<https://www.thedailystar.net/business/news/revenue-collection-did-not-stutter-badly-last-fiscal-year-feared-1934337>

<https://www.newagebd.net/article/111759/nbr-receipts-BDT-82094cr-short-of-fy20-revised-target>

### **BDT 18.31 billion cash incentives for exporters**

■ The government has released a sum of BDT 18.31 billion in favour of the Bangladesh Bank for the payment of cash incentives/subsidy to local exporters. It is the first instalment of cash incentives/subsidy for the July-September quarter of the current fiscal year (FY), 2020-21. Of the amount, BDT 1.25 billion will go to the jute sector while BDT 17.06 billion to other sectors, according to the finance division. A special 1.0% cash incentive support fund for the readymade garment (RMG) industry has also been included in the 1st instalment. The government has yet to announce the rates of cash incentive/subsidy for the current fiscal. An official of the finance ministry said the installment fund has been released in favour of the central bank.

<https://today.thefinancialexpress.com.bd/trade-market/BDT-1831b-cash-incentives-for-exporters-1595349573>

### **Bangladesh Bank (BB) makes lending easier to foreign companies**

■ Banks and non-bank financial institutions have been allowed to give out local currency loans to foreign companies against overseas guarantees without taking prior approval from the central bank. The central bank eased the rule yesterday given the ongoing coronavirus pandemic, according to a notice. The new rule will be in force until June 30, 2021.

■ The rule relaxation aims at facilitating easy access to loans against external guarantees, a central bank official said. No fees will be payable against the guarantees. The central bank would have to be informed immediately in case of encashment of guarantees due to the payment default by borrowers. Permission from the central bank will be required in case of payment abroad of the amount encashed by lenders.

<https://www.thedailystar.net/business/news/bb-makes-lending-easier-foreign-companies->

[1934321](https://tbsnews.net/economy/banking/lending-against-overseas-guarantee-foreign-firms-allowed-109606)

<https://tbsnews.net/economy/banking/lending-against-overseas-guarantee-foreign-firms-allowed-109606>

<https://www.newagebd.net/article/111758/bb-keeps-simplifying-rules-for-foreign-investors-to-attract-fdi>

<https://www.dhakatribune.com/business/banks/2020/07/22/foreign-firms-to-get-easy-access-to-domestic-loans>

### **Bangladesh Bank (BB) to declare BDT 20 billion credit insurance scheme for SMEs**

■ Bangladesh Bank is going to announce a BDT 20 billion credit guarantee insurance scheme for the small and medium enterprises (SMEs), said the Private Industry and Investment Adviser of the Prime Minister. The scheme will be introduced as the commercial banks are reluctant to disburse loans among the SMEs in accordance with the interest rate cap at 9%, he added. So they are now going to do is to announce a credit insurance scheme for the SMEs. The announcement may come next week from the central bank, he also said. He said the government will increase the amount of insurance scheme if this BDT 20 billion becomes successful.

<https://today.thefinancialexpress.com.bd/last-page/bb-to-declare-BDT-20b-credit-insurance-scheme-for-smes-1595354757>

### **Bangladesh Bank (BB) relaxes classification rules for CMSME loans**

■ The Bangladesh Bank on Tuesday relaxed the loan classification and provisioning rules for the cottage, micro, small and medium enterprise sector in an attempt to encourage banks to issue credit to the sector. A BB circular issued on the day said that in the CMSME sector, the banks will now treat loans as sub-standard if no installments were paid from six months to 18 months, raising the upper ceiling from nine months. In case of non-payment of installments for a period of 18 months or beyond but less than 30 months, the loan will be treated as doubtful. The previous lower ceiling for this category was 12 months.

■ In the event of non-payment of installments for a period of 30 months or beyond, the loan would be treated as bad and loss, as per the central bank circular. As per the new rules, the banks will have to keep 0.25% provision for their regular loans in the CMSME sector — 5% provision for sub-standard loan, 20% provision for doubtful loans and 100% provision for bad and loss.

■ The banks previously had to keep 0.50 to 5% provision against defaulted loans against regular category, 20% against sub-standard category, 50% against doubtful category, and 100% against bad or loss category. They relaxed the loan classification and provisioning policy for the CMSME sector to encourage participation of the banks in disbursing loans to the sector, said the Bangladesh Bank executive director. As of June 30, the banks have disbursed only BDT 2.50 billion to the sector out of the BDT 200.00 billion stimulus package, as revealed by the latest BB data.

<https://www.newagebd.net/article/111761/bb-relaxes-classification-rules-for-cmsme-loans>

### **Government move to enact single act**

■ The government has moved to bring the activities of the securities regulator and

operations of the capital market under a single act to be enacted by the parliament on completion of relevant processes. As part of the move, the Financial Institutions Division (FID) of the ministry of finance (MoF) has drafted an act accommodating the Securities and Exchange Ordinance, 1969 and the Bangladesh Securities and Exchange Commission Act, 1993.

- The BSEC official said the draft of the accommodated act has included some new provisions regarding the operations of newly-formed clearing corporation and the formation of prosecution unit for the tribunal on capital market. As per the proposed act, the securities regulator will be able to form its own permanent prosecution unit appointing required number of prosecutors to deal the cases filed with the special tribunal of the capital market. The proposed act has also empowered the securities regulator to contain rumours spread through social media.

<https://today.thefinancialexpress.com.bd/stock-corporate/govt-move-to-enact-single-act-1595348818>

### **Private sector credit growth remains sluggish in June**

- The stimulus packages announced in April appear to have had no impact on the market as private sector credit growth continued its sluggish trend in June due to banks' reluctance to lend during the pandemic. Private sector credit growth declined to 8.61% in June from 8.86% in May, according to the Bangladesh Bank's data. The credit growth was far below the monetary target of 14.8% set for the last fiscal year.

- In a recent assessment report placed with the International Monetary Fund (IMF), the Bangladesh Bank projected private sector credit growth will bounce back to 12% in the next year. However, in the financial stability report for 2019, the central bank saw a risk of credit for the private sector being crowded out by high bank borrowing and banks' preference to invest in risk-free government securities.

- The government has announced stimulus packages of BDT 727.5 billion to support affected businesses, of which BDT 500.0 billion will be disbursed through banking sources. In a quick response to Covid-19, the Bangladesh Bank created additional money worth BDT 707.9 billion to support banks in lending to virus-struck businesses. The money was created by forming various refinance schemes and easing the cash reserve requirement. However, banks seem reluctant to disburse loans due to implementation of the lending rate cap from April and fear of high default loan risks during pandemic, said industry insiders.

<https://tbsnews.net/economy/banking/private-sector-credit-growth-remains-sluggish-june-109237>

### **Bank deposit growth dips below 11.0% in June on COVID-19**

- The growth rate of deposits in the country's banks fell below 11% in June after remaining above 11.0% for three consecutive months as many people lost their savings capacity due to the COVID-19-induced economic shocks. Against the backdrop of economic woes, the deposit growth in the country's banking system dropped to 10.94% in June from 11.28% in the previous month, according to Bangladesh Bank data. The deposits in the banking sector increased to BDT 11.8 trillion at the end of June this year from BDT 10.6 trillion in the same month last year. At the end of May this year, deposits in the banking sector were BDT 11.6 trillion.

- The BB data showed that the currency outside the banking system increased by BDT 371.1 billion BDT 19 trillion at the end of May this year from BDT 1.6 trillion at the end of December 2019. The private sector credit growth in May this year dropped to 8.86% against the central bank projection for a 14.8-per cent growth. In December last year, the deposit growth in the banks was 12.58%. The growth rate was 12.75% and 12.82% in January and February this year. The rate, however, dropped to 11.07% in March when the pandemic started in the country. In April, it was 11.88%.

<https://www.newagebd.net/article/111679/bank-deposit-growth-dips-below-11pc-in-june-on-covid-19>

### **Agent banking was a rough diamond. Pandemic has buffed and shined its great potential.**

- The ongoing pandemic, no doubt, has been a sucker punch to both lives and livelihoods like no other in recent memory. But, amidst the catastrophe, there are a few bright spots. And one such bright spot has been the lenders' agent banking window, which has been in operation since 2016. If harnessed well, the digital banking channel -- thanks to its reach to the remotest parts, where banks have not set their foot in yet -- can make it an important cog in the wheels of the economic locomotive that would pull the country out of the ongoing crisis.

- As of March, accounts in the agent banking platform, where 22 banks now give banking services to people, stood at 64.97 lakh accounts, which is more than double that from a year earlier, according to data from the central bank. The lenders have mobilised deposits and given out loans exponentially in recent months by way of using the model. Deposits soared 129% year-on-year to BDT 85.4 billion at the end of March, while loan disbursement grew 306% to BDT 8.5 billion. As of March, the total number of accounts, which could be opened with deposits ranging from BDT 10 to BDT 100, under the programme stood at 21.3 million and aggregate deposits BDT 2,3.9 billion.

- The International Monetary Fund (IMF) has recently said that the countries with strong and vibrant financial inclusion could absorb the shocks from the ongoing recession. The IMF research paper -- The Promise of Fintech: Financial Inclusion in the Post-COVID-19 Era -- has also given a message that the traditional inclusion will be unable to address the ongoing crisis. There will be a requirement for digital financial inclusion to address the pandemic-stricken economy. Such financial system also helps people maintain social distancing to avoid the deadly pathogen, it said.

<https://www.thedailystar.net/business/news/agent-banking-was-rough-diamond-pandemic-has-buffed-and-shined-its-great-potential-1933797>

### **Bangladesh Bank (BB) to release BDT 250.0 billion new notes before Eid-ul-Azha**

- Bangladesh Bank will release new currency notes of around BDT 250.0 billion in the market before Eid-ul-Azha. The denominations of the new currency notes will include BDT 10, BDT 20, BDT 50, BDT 100, BDT 200, BDT 500 and BDT 1,000. On Eid-ul-Fitr, the circulation of new currency notes was lower than Bangladesh Bank's projection of around BDT 300.0 billion mainly as a consequence of the Covid-19 pandemic.

- Unlike previous years, the central bank will not release new currency notes from its

Motijheel branch. Meanwhile, a BB press release on Monday said that the central bank had issued new BDT 1,000 notes containing new security features. However, the design and colour of the new currency note was kept unchanged.

<https://www.dhakatribune.com/business/banks/2020/07/20/bb-to-release-BDT-25-000cr-new-notes-before-eid-ul-azha>

### Interest rate spread on decline

■ Interest rate spread in the country's banking system improved slightly in May as banks slashed interest rates on deposits more than on lending. The spread defined as the gap between lending and deposit rates rose to 2.94% in May 2020 from 2.92% in the previous month, according to the Bangladesh Bank or BB statistics. The spread was 4.07% in March. The average rate on deposits fell to 5.24% in May from 5.37% a month earlier, and the interest on lending dropped to 8.18% from 8.29%, the BB data showed. Senior bankers predicted that the existing trend in spread would continue in the near future because low-cost refinancing funds were available in the banking system.

■ The central bank bought around USD 550 million from the banks in the first two weeks of this month to keep the inter-bank foreign exchange market stable, according to the central bank statistics. The average spread with state-owned banks was 2.23% in May 2020, the private banks 2.97%, the foreign banks 5.39%, and the specialized banks 2.03%. In April 2020, the spread came down to 2.92% from 4.07% in the previous month following the implementation of the single-digit interest rate in the banking sector.

<https://today.thefinancialexpress.com.bd/first-page/interest-rate-spread-on-decline-1595181609>

### Defaulted industrial loans rise by BDT 7.0 billion in January-March

■ The amount of defaulted loans in the country's industrial sector increased by BDT 7.0 billion in January-March quarter to reach BDT 458.3 billion as of March 30 this year even though the government relaxed policy to lower the figure on paper. Experts said that the amount would rise further in the coming months not only for the coronavirus-induced economic shocks but also for the absence of good governance in the banking sector that had been becoming more vulnerable gradually.

■ According to BB data, the amount of defaulted industrial loans increased to BDT 458.3 billion at the end of March this year from BDT 451.3 billion at the end of December 2019. Experts said that the problems in the sector were so deep even the wholesale policy relaxation failed to keep the volume of bad loans down for a longer period. The relief for the government and for the central bank lasted only for a quarter that ended in December last year when the volume dropped by BDT 92.9 billion from BDT 544.2 billion.

■ From April 1 this year, the ceiling on lending rate came into force. In case of the industrial loan disbursement, the banks preferred large industries to the small and medium ones. The large industries received BDT 761.2 billion in loans from the banks in the January-March quarter, up 9.05% on BDT 698.1 billion in the same period in 2019. Loan disbursement to the small and medium entrepreneurs dropped by 22.3% and 23.23% respectively. Small industries and medium industries- each received BDT 77.7 billion in the January-March quarter this year.

<https://www.newagebd.net/article/111583/defaulted-industrial-loans-rise-by-BDT-704cr-in->

[jan-mar](#)

### RMG export earnings in July 1-18 total USD 1.57 billion

■ The country's ready-made garment (RMG) export earnings in the first 18 days of July stood at USD 1.57 billion despite the Covid-19 pandemic, which local manufacturers consider as a good sign of reviving new or cancelled work orders. Bangladesh fetched USD 1.78 billion during the same period of July 2019. The July 2020 earnings over that of last year declined by 11.74%, according to Bangladesh Garment Manufacturers and Exporters Association (BGMEA) data. The country fetched USD 2.25 billion, USD 374.67 million, USD 1.23 billion and USD 2.24 billion in March, April, May and June of this year respectively. Subsequently, growth declined by 20.14%, 85.25%, 62.06% and 6.63% from March to June over the corresponding months of last year, according to data.

■ BGMEA president Dr Rubana Huq said RMG exports is around USD 210 million lower than the 18 days' earnings of last July. The industry lost USD 4.33 billion worth of export from March to June, and its growth is still below the positive trend, she noted. Regarding work orders, the BGMEA president said orders are being placed up to 60% over that of last year, which is not enough for most factories to run in their full capacity.

<https://today.thefinancialexpress.com.bd/trade-market>

<https://www.newagebd.net/article/111588/rmg-exports-fetch-157b-in-18-days-as-buyers-reviving-orders>

### Bangladesh Bank goes for dollar buying spree as remittance hits USD 1.36 billion in two weeks

■ The Bangladesh Bank injected another BDT 22.9 billion in the country's banking sector in 19 days of July through purchasing US dollars as the banks were flooded with greenbacks. An official of the central bank told New Age that the central bank had no alternative but to purchase dollars against the backdrop of a heavy inflow of remittance ahead of Eid-ul-Azha, one of the largest religious festivals of the Muslims.

■ Although the migrants in many destinations were facing joblessness due to the coronavirus pandemic, the inflow of remittance in May and June marked a significant turnaround after the downward trend in the first four months of the year. In the first 16 days of July, the inflow of remittance increased to USD 1,360 million as the expatriates continued to support their kith and kin even at their hard times while some of the expatriates sent money as part of their preparations to come back to the country due to their joblessness. In June, the country received remittance worth USD 1,832.6 million.

■ The country's reserve that struck the USD 36-billion mark for the first time on July 2, after falling short of the mark for few days due to the USD 700 million in payments to the Asian Clearing Union, again rebounded to USD 36.1 billion on Sunday. Even though the central bank continued purchasing the greenbacks that had been piling up due to the import fall and heavy inflow of remittance, the exchange rate of the US dollar dropped a bit to BDT 84.8. To check the local currency appreciation, the BB had purchased greenbacks worth around USD 870 million from the banking system in the fiscal year 2019-2020. The BB injected USD 835 million into the banking sector before the pandemic began in the country in March.

<https://www.newagebd.net/article/111585/bangladesh-bank-goes-for-dollar-buying-sprees-as-remittance-hits-136b-in-2-weeks>

## **Asian Development Bank (ADB) reorganizes projects to offset pandemic effect**

■ The Asian Development Bank or ADB has reshuffled the current year's projects, pushed back a few and included some fresh programmes with the objective of offsetting the impact of the pandemic on life and livelihood in Bangladesh. The changes were made while preparing the country operation business plan for 2021-2023 and updating it for 2020-2022 through fielding a mission during the March-June period. By changing the pipeline for 2020, the Manila-based lender included five new programmes in response to the Covid-19 pandemic.

■ The programmes are: Covid-19 active response and expenditure support programme, Covid-19 response emergency assistance for the health sector, mitigating medium and long term economic and social impact of Covid-19, post Covid-19 small-scale employment creation fund, and support to finance compensation package for frontline Covid-19 response workers. It also advanced two projects-third public-private infrastructure development facility (tranche 2) and microenterprise development project (additional financing) 2021 pipeline to the current one to provide credit access to micro, small and medium enterprises to help mitigate the impact of pandemic-induced economic slowdown, especially in rural areas.

■ The ADB also changed the pipeline for 2021 to accommodate some new projects for the post-Covid-19 economic recovery. These are: the second programme for mitigating medium and long-term economic and social impact of Covid-19, agricultural productivity improvement project, and second microenterprise development project. In its aid memo, the ADB said, the spread of Covid-19 pandemic has impacted the traditional growth drivers of the economy---export-oriented industries, remittances, and domestic consumption, thus slowing down the economic growth in the just-out fiscal year.

<https://today.thefinancialexpress.com.bd/first-page/adb-reorganises-projects-to-offset-pandemic-effect-1595181416>

## **Amount of money outside banks rises by BDT 371.1 billion in five months**

■ The amount of money outside the country's banking system increased by BDT 371.1 billion in the January-May period this year as a section of people, panicked by the economic setback amid the coronavirus outbreak, preferred keeping cash in their hands to depositing the money in banks while another section withdrew their bank savings to survive after job loss. The situation may not fuel inflation much but will squeeze the banks' lending capacity, hampering the implementation of the stimulus packages worth around BDT 0.103 million announced by the government to revive the economy hit hard by the outbreak of coronavirus, said experts and bankers.

■ As per Bangladesh Bank data, currency outside the banks increased to BDT 193,751 at the end of May this year from BDT 1.6 trillion at the end of December 2019. From July 2018 to December 2019, currency outside the banking system was between BDT 1.6 trillion and BDT 1.4 trillion. BB officials said that money outside the banking system started rising in March this year and jumped in April and May this year growing by BDT 204.0 billion in two months as the coronavirus outbreak intensified in the country.

■ In the first five months of 2020, the central bank injected BDT 392.1 billion into the banking system. With the injection of cash, the currency issued by the central bank

increased to BDT 2.11 trillion at the end of May this year from BDT 1.7 trillion five months ago. Even after the injection of a huge amount of fund by the central bank, the private sector credit growth dropped to 8.9% in May this year, far below the BB-set 14.8% target for FY20.

<https://www.newagebd.net/article/111494/amount-of-money-outside-banks-rises-by-BDT-37105cr-in-5-months>

## **SMEs are not getting incentive loans**

■ Banks are reluctant to lend money to small and medium enterprises (SMEs) from the government-announced incentive packages due to a lack of guarantors and a transactional relationship with the banks. Entrepreneurs in the sector are most-affected by Covid-19, but they are not getting loans mainly due to the high costs involved in lending to the SME sector and the fear of non-repayment. The government is going to formulate a credit guarantee scheme of BDT 50.0 billion to allay the fears regarding non-repayment.

■ According to the central bank, the banks have so far disbursed only BDT 2.1 billion to SMEs whereas SME entrepreneurs have applied for loans worth BDT 5.2 billion. The government is going to form a steering committee in each district under the leadership of the deputy commissioners so that the district-level bank officials are interested in giving loans to SMEs. The Bangladesh Bank issued a circular on April 13 announcing an incentive package of BDT 200.0 billion to ensure working capital supply to SMEs affected by Covid-19. The government will subsidise 5.0% of the 9% interest on SME loans. The remaining 4.0% will be paid by the borrower.

■ Referring to the SME sector as the backbone of the economy, Salman F Rahman, private industry and investment adviser to the prime minister, said banks were reluctant to lend as there were no guarantors for SME loans. To solve this problem, a credit guarantee scheme of BDT 50.0 billion is being implemented. Work is going on in this regard. If any SME entrepreneur is unable to repay the bank loan, the bank will be repaid from this scheme. In the credit guarantee scheme, the government will provide BDT 10.0 billion from its funds and the World Bank will provide BDT 40.0 billion. Discussions are underway with the World Bank in this regard.

<https://tbsnews.net/coronavirus-chronicle/covid-19-bangladesh/smes-are-not-getting-incentive-loans-107374>

## **Banking sector's stressed asset figure, once unveiled annually, is now under wraps**

■ The central bank has stopped publishing the figure of stressed assets in its annual financial stability report with a view to painting a rosy picture of the banking sector at a time when lenders are facing one of their worst crises in living memory. This may create a confidence crisis among investors and commoners in the financial sector as they would be completely in the dark about the true financial strength of banks. The BB unveiled the Financial Stability Report 2019 on July 1 and it did not include the data on the stressed assets for the first time. Stressed assets, which include default loans, restructured and rescheduled advances, shot up 18.9% to BDT 2.2 trillion in the first half of 2019, central bank data showed. The ratio of stressed assets in the banking sector was 22.0% of total loans as of June last year, up 16.10% from four and a half years earlier.

■ The IMF recently said the BB would need to monitor closely banking sector conditions

given the elevated level of default loans. Controlling stressed assets of the banking sector will be imperative with banks bearing the entire credit risk for the stimulus package routed through banks, it said. The BB would implement a major portion of BDT 1.03 trillion stimulus packages unveiled by the government to keep the battered economy on track and business, industries and farmers withstand the impacts of the coronavirus pandemic.

<https://www.thedailystar.net/business/banking/news/banking-sectors-stressed-asset-figure-once-unveiled-annually-now-under-wraps-1932641>

### **USD 3.0 billion RMG payment uncertain**

■ The readymade garment industry might fail to realise or face deferred payment worth USD 3.0 billion because of the Covid-19 pandemic, exporters say. Local clothing exporters faced USD 3.18 billion work order cancellations or suspension during the pandemic. Of the total, USD 1.93 billion work orders were cancelled or held by buyers from European Union, followed by USD 574 million by US, and USD 52.0 million by Canadian buyers. Besides, USD 620 million were cancelled or held by buyers from non-traditional markets.

■ During March to June period of the current calendar year, RMG export earnings declined by USD 5.28 billion over that of last year, and the unsettled liability would be around USD 2.11 billion, according to the Bangladesh Garment Manufacturers and Exporters Association or BGMEA.

<https://today.thefinancialexpress.com.bd/first-page/30b-rmg-payment-uncertain-1595091858>

### **Ban on free internet for social media**

■ The BTRC has ordered the mobile phone operators and other telecom service providers to end totally or partially free internet data for social media use, reports bdnews24.com. The operators have begun implementing the order issued by the Bangladesh Telecommunication Regulatory Commission that cited 'unhealthy' competition between the companies as a reason behind the decision. The information ministry had dictated the BTRC to ban free internet for social media in order to ensure safe internet and maintain normal market competition, said Zakir Hossain Khan, a spokesman for the commission.

<https://today.thefinancialexpress.com.bd/first-page/ban-on-free-internet-for-social-media-1595091546>

### **Mongla port earns record profit in last FY despite Covid-19**

■ Country's second busiest seaport Mongla has achieved a record profit of BDT 1.2 billion 1.5 million 30 thousand in the just concluded 2019-20 fiscal year (FY) despite Covid-19 pandemic situation. According to Mogla Port Authority (MPA), the import-export trade did not have much impact on the seaport as a total of 903 vessels have been berthed at the port which handled 11.0 million tons of goods in the fiscal 2019-20. The port also handled 59 thousand 476 Twenty Equivalent Units (TEUs) of containers in the same period.

<https://tbsnews.net/economy/mongla-port-earns-record-profit-last-fy-despite-covid-19-108004>

### **Refrigerator retailers brace for dismal sales this Eid too**

■ Refrigerator manufacturers and retailers could witness poor customer turnout this Eid-ul-Azha, a major Islamic festival that typically accounts for nearly half of the industry's yearly sales, due to the ongoing coronavirus pandemic, according to market players. Last year the industry failed to see the usual pre-Eid rush of customers following a dengue outbreak across the country and floods in the northern regions. As an Islamic tradition, livestock are sacrificed during the three-day festival and people purchase refrigerators to preserve the meat, leading to a 40 to 50.0% jump in sales around this period. Besides, the surge in sales around Eid is also propelled by various purchase offers such as discounts, cashback and prizes, industry insiders said.

■ About 14 lakh refrigerators were sold in 2014, but the number ran into 2.0 million in 2017 and 2.2 million in 2018 while sales were around the same in 2019. This shows that the industry saw an average annual growth rate of 11.42% for the past six years, the industry insiders said. According to Esquire Electronics' general manager, the industry's sales target for the festive period can no longer be attained while the yearly tally would be 22 lakh units at best, just like last year.

<https://www.thedailystar.net/business/news/refrigerator-retailers-brace-dismal-sales-eid-too-1932621>

### **Readymade Garment (RMG) workers cannot leave workplaces during Eid holidays: Home Minister**

■ Home Minister Asaduzzaman Khan Kamal on Thursday said apparel workers will not be allowed to leave their workplaces during the upcoming holidays for Eid-ul-Azha in a bid to stop further spread of coronavirus. He made the announcement during a meeting held to discuss the present situation of the workers, their wage and Eid bonus issues with garment factory owners, trade union leaders, and law enforcement agencies on Thursday.

■ Meanwhile, the minister also urged factory owners to pay the Eid bonus to their workers and the salary of June before the end of this month. According to Bangladesh Garment Manufacturers and Exporters Association (BGMEA) data, as of Thursday, a total of 1,465 RMG factories have paid their workers for June, while workers of 461 factories are yet to receive their salaries.

<https://www.dhakatribune.com/business/2020/07/16/home-minister-rmg-workers-cannot-leave-workplaces-during-eid-holidays>

### **Important News: Capital Market**

#### **Bangladesh Securities and Exchange Commission (BSEC) to freeze shares of Shurwid directors**

■ The securities regulator has decided to freeze the shares of the directors of Shurwid Industries for submitting compliance reporting without completing the distribution of dividend for the year ended on June 30, 2019. One of the BSEC directors said that the securities regulator will also conduct a special audit of the financial statement of Shurwid Industries. The securities regulator has also asked the Dhaka Stock Exchange (DSE) to submit a report conducting an inspection of the company.

■ The Board of Directors of the Shurwid Industries recommended 10% cash dividend for

the year ended on June 30, 2019. But some investors filed complaints with the stock exchanges for not getting dividend for the year ended on June 30, 2019. That's why the BSEC has taken action against the company.

<https://today.thefinancialexpress.com.bd/stock-corporate/bsec-to-freeze-shares-of-shurwid-directors-1595349118>

<https://tbsnews.net/economy/stock/regulator-freezes-shurwid-insiders-bo-accounts-109780>

<https://www.newagebd.net/article/111764/bsec-freezes-shares-of-shurwids-top-brass-over-false-info-submission>

<https://www.dhakatribune.com/business/stock/2020/07/21/bsec-freezes-shares-of-shurwid-industries-s-directors-officials>

### **The future of lending is here. And it is thanks to City Bank and bKash.**

■ City Bank and bKash are possibly on to revolutionising the lending landscape in Bangladesh after the two yesterday announced rolling out digital lending on a pilot basis. A select group of bKash users will now be able to get a loan of up to BDT 10,000 collateral-free on an instant. To take a loan, banks require consumers to visit a branch, open an account first and then start the cumbersome process of applying for the loan. And there is no surety that the loan would be sanctioned. Often, applications get rejected for a minor glitch in the form or documents provided, meaning the customer have to return to the branch and go through the entire cycle all over again.

■ But the digital lending model that harnesses the power of technology, loan seekers no longer need to under a completely physical process to procure a loan. The whole process is presence-less and paperless and the service delivery cashless. And all this is done in just a few minutes. The lending model is immensely popular in neighbouring India, and the Bangladesh Bank has warmed to the idea as it stands to expedite the financial inclusion agenda in the country. Upon successful completion of the pilot, the product would be rolled out on a wider scale.

■ The credit ceiling may be increased if the ongoing pilot project is completed successfully, the managing director of City Bank said. They believe the collateral-free, instant digital loan will bring transformative impact among marginalised people, micro entrepreneurs and students to meet their emergency personal or business needs," bKash CEO added.

<https://www.thedailystar.net/business/news/the-future-lending-here-and-it-thanks-city-bank-and-bkash-1934333>

<https://tbsnews.net/economy/technology-takes-over-banking-industry-109753>

<https://www.newagebd.net/article/111766/city-bank-bkash-launch-countrys-1st-instant-digital-loan>

<https://www.dhakatribune.com/business/2020/07/21/city-bank-launches-loan-disbursement-pilot-project-for-bkash-users>

### **Dhaka Bank to change the age-old banking structure**

■ Dhaka Bank Limited (DBL) has planned to introduce diversified financial technology (FinTech) based-services to ensure uninterrupted banking services for their customers, the bank's top executive has said. Cash withdrawal tendency has created an immense pressure on the overall liquidity condition of the banks mainly due to the slowdown in the recovery along with lower deposit growth. If this situation is covered accordingly, banking sector will be able to handle the situation, he added.

■ The senior banker predicted that the banks and other financial institutions might face liquidity pressure in the near future mainly due to lower cash flow in the recent months. The CEO also feared that most of the private commercial banks might face lower profitability by the end of this calendar year following implementation of 9.0% interest rate on all loans except credit cards.

<https://today.thefinancialexpress.com.bd/stock-corporate/dhaka-bank-to-change-the-age-old-banking-structure-1595348902>

### **Government move to use surplus funds of state-run firms to spook stock investors: analysts**

■ The government's decision to use the surplus funds of state-run companies, including listed ones, is eroding investor confidence as the move will reduce profits of the companies, according to market analysts. Among the state-run companies, the 18 that are listed have a combined BDT 162.36 billion surplus fund, most of which is kept at banks as fixed deposit receipts (FDRs). However, foreign clients who invested in state-run firms are irked by the sudden development with many having decided to reclaim their stakes in the companies, the official said.

■ In fiscal 2019-20, foreign investors pulled out BDT 13.99 billion in financing from the stock market, making it the largest withdrawal of funding in any given year. The government's decision, among others, to utilise surplus funds also affects local investors, he said. In January, the government passed a bill aimed at bringing a total of BDT 2.19 trillion held by state-owned enterprises as surplus funds to the national exchequer for use in various development projects. The decision to reallocate those funds will have a negative impact on the stock market since investors finance companies after seeing if said company's FDR breeds huge profits, said the chief executive officer of Amarstock.com.

■ The listed state-run companies are: Titas Gas, Usmania Glass, Atlas, Eastern Cables, National Tubes, Renwick Jasneswar, DESCO, Eastern Lubricants, Jamuna Oil, Meghna Petroleum, Padma Oil, Power Grid, Bangladesh Shipping Corporation, Bangladesh Submarine Cable, Shyampur Sugar, Zeal Bangla, Rupali Bank and Investment Corporation of Bangladesh.

<https://www.thedailystar.net/business/news/govt-move-use-surplus-funds-state-run-firms-spook-stock-investors-analysts-1934301>

### **Sales of hygiene products skyrocket as demand grows**

■ Even though Square Toiletries Limited began production of hand sanitisers in 2007 for use in hospitals and clinics, it could market only 20 tonnes annually in the 13 years till the end of 2019. Since the Covid-19 pandemic made inroads into the country, the company has been manufacturing and marketing 60-70 tonnes of hand sanitisers per day with demand for hygiene products skyrocketing. It also has had to turn a few other production lines into sanitiser units to meet the growing needs.

■ Not only Square but all consumer goods companies as well have expanded their businesses amid a growing demand for hygiene products, spurred by the raging Covid-19 pandemic. Unilever Bangladesh, Reckitt Benckiser, ACI, Kohinoor Chemicals, Keya Cosmetics and other major brands have begun production of hand sanitisers and liquid disinfectants along with increasing the production of soaps and detergent powders. Besides, more than 100 small and big companies have entered the market.

■ On March 8, after the first coronavirus patient was identified in the country, people were making a dash for buying hand sanitisers. Initially, there was a severe crisis in the market for the product. Reckitt Benckiser, ACI, Eskayef Pharmaceuticals, Incepta, Beximco, ACME Laboratories, Ibn Sina, Popular Pharma and other pharmaceutical companies quickly started producing hand sanitisers in the country. Next came Marico Bangladesh, Berger paints, Carew & Co and hundreds of small and large companies, including Unilever Bangladesh and Walton. As a result, the hand sanitiser business began to skyrocket with growing demand. An official at Square Toiletries, the country's largest company, said the firm has to supply 60-70 tonnes of hand sanitisers per day at present although it used to produce and market 15-20 tonnes a year previously. Previously in Bangladesh, beauty soap and laundry soap were commonly used. But due to the coronavirus, the sale of these soaps as well as antiseptic soaps has also increased.

■ In addition to increasing the production of existing soaps, many companies have also come up with new soaps that are more effective against germs. According to the head of operations at Square Toiletries they started production and marketing of Sepnil soap in addition to the existing Meril brand. In all, soap recorded 40% growth. Unilever, which controls about 60% of the country's market, saw a record growth in soap sales during the pandemic. Sales of the country's best brands like Dove, Lifebuoy, Lux and Wheel have increased by 30%. Other local and foreign companies, like Reckitt Benckiser, ACI, Kohinoor Chemicals and Keya Cosmetics, have seen similar sales growth. However, before the epidemic, global soap growth was below 2.0% and slightly above 2.0% in Bangladesh.

<https://tbsnews.net/economy/trade/sales-hygiene-products-skyrocket-demand-grows-109240>

### **Foreign investors withdraw record BDT 13.99 billion at DSE in FY20**

■ Foreign portfolio investors at the Dhaka Stock Exchange (DSE) withdrew a record BDT 13.99 billion in the just concluded 2019-20 fiscal year. The withdrawal of funds was the highest ever in the history of the prime bourse of the country. With the pulling out of the funds, foreign investment at the DSE fell for the second consecutive year. The foreign investors went for large scale sales of shares due to a protracted confidence crisis in the stock market even as a rampaging Covid-19 outbreak added to their worries.

■ According to DSE data, net foreign investment at the stock exchange slumped by BDT 13.99 billion in FY20 against BDT 1.8 billion in the previous fiscal year. In the given year, foreign investors sold shares worth BDT 55.4 billion against their purchase of shares totaling BDT 41.4 billion. In the last six months of the last fiscal year, foreign investment in DSE was BDT 7.7 billion negative, as trading on the bourse remained closed for 66 days due to the public holiday announced as a step to halt the spread of the deadly coronavirus.

<https://www.dhakatribune.com/business/stock/2020/07/20/foreign-investors-withdraw-record-BDT-1-399cr-at-dse-in-fy20>

### **Who owns how much of the stock market?**

■ A recent compilation of the latest Dhaka Stock Exchange data on shareholding and market capitalisation of listed companies reveals that promoters and directors of listed companies own securities contributing over 55% of the DSE market capitalisation, while government holding accounts for 4.3%. Institutional and foreign portfolio investors who literally need liquidity – sufficient buyers and sellers – in the market contribute 15.6% and

6.4% of the total market capitalisation respectively. On the other hand, the market of free float securities accounts for 41% of the total DSE market capitalization – BDT 1.5 trillion of the BDT 2.6 trillion in total.

■ A compilation of DSE data by a top equity research team reveals that of the free float market capitalization, retail investors are the biggest single contributor, 45.7%, followed by local institutional investors with 38.5% and foreign investors with 15.9%. Local institutional investors and foreign investors together surpass the total retail holding of free-float shares.

<https://tbsnews.net/economy/stock/who-owns-how-much-stock-market-109156>

### **Indices of bourses escape large fall during January to March**

■ Benchmark indices of both the bourses witnessed moderate correction against the sharp losses observed by some of the indices of south Asian stock exchanges amid Covid-19 pandemic. The market insiders said the indices of the country's stock exchanges escaped large fall during the period of January to March mainly riding on floor prices of the listed securities introduced to arrest the market fall. At the end of December 2019, the DSEX, benchmark index of Dhaka Stock Exchange (DSE), closed at 4,452.93 points. Later, the DSEX came down to 4008.28 points with a loss of 10% or 444.65 points on March 25. At the end of March 2020 the benchmark index of Chittagong Stock Exchange (CSE) stood at 11,328.12 points with a loss of 16% or 2,177.58 points from the mark observed at the end of December, 2019.

■ The Bangladesh Securities and Exchange Commission (BSEC) issued a directive on March 19 setting floor prices of the listed securities. 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.

<https://today.thefinancialexpress.com.bd/stock-corporate/indices-of-bourses-escape-large-fall-during-jan-to-march-1595175495>

### **bKash had the foresight to invest on tech. Pandemic is now bearing fruit**

■ Futureproofing – has been the preoccupation of bKash, the company that revolutionized the mobile financial service in Bangladesh, in recent years. Which is why, the company is fine with forfeiting profits in the short-term if it means its future dominance is assured. Over the past two years, the company has invested more than BDT 4.0 billion for product development and marketing activities, according to the annual statement of BRAC Bank, the parent company of bKash. And in that time, its net profit slid from BDT 185.0 million to BDT 625.0 million in the negative – in what is a steep comedown from its dizzy heights in the preceding years. In 2019, its total revenue grew 10.9% year-on-year to BDT 24.2 billion.

■ According to the chief executive officer of bKash, they will continue this investment in 2020 and the company will have to make a loss this year also. The company, which is 20.0% owned by Chinese payment giant Alipay, has the capital to absorb the losses.

■ Since the onset of the pandemic in March, bKash raked in BDT 210.0 million in charges from sending money and withdrawals and BDT 275.0 million from disbursing salaries of garment workers from the government's BDT 50.0 billion stimulus package, according to Shamsuddin Haider Dalim, head of corporate communications and public relations at bKash. It also gained about 7.0 million new customers to take the tally to 45.0 million in

June, according to bKash. To put things into perspective, Rocket, one of bKash's main rivals, gained 18 lakh fresh customers during the period.

<https://tbsnews.net/economy/bkash-had-foresight-invest-tech-pandemic-now-bearing-fruit-108694>

### **Eastern Bank's profits rise on higher loan recovery, low NPL**

■ Eastern Bank's profits grew at a handsome rate in 2019 thanks to a higher recovery from written-off and classified loans, new client acquisition and deeper penetration both in retail and SME segments despite it being a challenging year for almost every financial institution. The profit after tax of the lender, which started operations in 1992, rose 30.1% year-on-year to BDT 4.0 billion last year.

■ The lender recovered BDT 636.0 million from its written-off loans last year which was BDT 423.0 million and BDT 501.0 million in 2018 and 2017 respectively. Meanwhile its recovery from classified loans were BDT 947.0 million, BDT 700.0 million and BDT 858.0 million respectively. Its non-performing loan (NPL) ratio was 3.35% last year whereas the industry average was 9.32%, according to its annual report.

■ Though the NPL ratio was low compared to others in the industry last year, it was higher than 2.35% in 2018 which was preceded by 2.50%, 2.69% and 3.27% in the past successive years. This rise was mainly caused by a single account from the textile industry, according to the annual report. A big contributor to the profit of 2019 was net interest income, which rose by 8.69% to BDT 8.3 billion riding on a 10.87% portfolio expansion in the retail and SME sectors, according to the financial report of 2019.

■ The net interest income growth was 8.69% last year which was 31.0% in 2018. Non-interest income increased by 14.0% in 2019 mainly due to an increase in investment income, fees and service charges. The bank's deposit base swelled 20.5% year-on-year to BDT 240 billion. The bank's advance to deposit ratio was at 77.2% in 2019, a reduction from 83.08% the previous year. The question was whether the bank reduced its lending to keep the ratio low.

<https://www.thedailystar.net/business/banking/news/eastern-banks-profits-rise-higher-loan-recovery-low-npl-1933209>

### **Eastern Bank Limited (EBL) to get USD 40.0 million from DEG and FMO**

■ Eastern Bank Limited (EBL) recently signed a term loan agreement for USD 40.0 million with German Investment Corporation - DEG and Netherlands Development Finance Company - FMO, said a statement. Ali Reza Iftekhar, Managing Director and CEO of EBL signed the agreement with Petra Kotte, DEG Senior Director of FI and German Business and Huib-Jan de Ruijter, Member of FMO's Executive Committee and Director FI.

■ DEG-FMO will fund EBL in foreign currency to provide financing to corporate, green businesses and SME customers at competitive pricing. The funds will be routed through EBL's Offshore Banking. EBL as a leading Bank in Bangladesh continues funding infrastructural, sustainable and environment focused projects nationwide through strong support from major DFI partners including DEG and FMO. Strong monitoring, quality customer base and foreign DFI partners have made EBL one of the vibrant brands in the banking industry.

<https://today.thefinancialexpress.com.bd/stock-corporate/eb-l-to-get-usd-40m-from-deg-and-fmo-1595175522>

### **Capital market to become vibrant, dynamic in two years: Bangladesh Securities and Exchange Commission (BSEC) Chairman**

■ The capital market would become vibrant and dynamic in two years with various reform programmes, said Bangladesh Securities and Exchange Commission chairman Shibli Rubayat-Ul-Islam on Saturday. He made the comments at an online seminar titled 'Capital Market and Covid-19: Charting Impact and Path to Recovery', organised by the Chittagong Stock Exchange. Shibli said that the commission emphasised prevention of various anomalies to bring good governance practices in the market that would help to improve investors' confidence.

■ BSEC chairman mentioned that the current commission took several initiatives, including product diversification, market digitalisation and prevention of rules complications. The commission is working to ease the IPO process, digitalise trading and official activities, and to diversify the market with good products. He added that the floor price is a barrier for the capital market, and they are in discussion with government high officials on how and when the restriction can be lifted without harming the investors' interests.

<https://www.newagebd.net/article/111499/capital-market-to-become-vibrant-dynamic-in-2-years-bsec-chair>

### **Bangladesh Securities and Exchange Commission (BSEC) extends time for provisioning against unrealised losses**

■ The Bangladesh Securities and Exchange Commission (BSEC), has extended the time limit for provisioning for stock dealer accounts, client margin accounts of stockbrokers and merchant banks' own and client portfolios against unrealised losses. The commission has extended the time for provisioning till December 31, 2023 due to the Covid-19 pandemic. In response to the application of DSE Brokers Association of Bangladesh and Bangladesh Merchant Bankers Association, the securities regulator has extended the time limit in a meeting held on Thursday. There is no need for provisioning against unrealised losses in 2020 and anyone can take the opportunity, said the regulator.

■ After a terrible collapse in the stock market in 2010, the securities regulator issued a directive about provisions against unrealised losses in 2013. Later the regulator extended the time period several times responding to the application of related firms.

<https://tbsnews.net/economy/stock/bsec-extends-time-provisioning-against-unrealised-losses-107329>

### **Securities regulator to restructure Investment Corporation of Bangladesh (ICB)**

■ The Bangladesh Securities and Exchange Commission (BSEC) has recently announced that it will restructure the Investment Corporation of Bangladesh (ICB) - the state-owned investment institution for the capital market. According to the chairman of BSEC, the commission recently appointed a foreign advisory institution to restructure the ICB. It is seeking the advisory report from the foreign institution within November this year. The restructuring decision has been taken to strengthen the ICB's ability to support the capital market properly.

■ From January to March this year, the DSEX fell by 10.0% to 4,008 points amid the Covid-19 pandemic. During this period, ICB made a consolidated net profit of BDT 1.0 billion as compared to BDT 254.9 million during the same period in the previous year. Its earnings per share (EPS) was BDT 1.33, up from BDT 0.33 during the same time in the previous year. Although the state-owned company made huge profits, it was still facing a loss of BDT 478.1 million in the first three quarters of the last financial year. Its loss per share was BDT 0.62. The net asset value per share stood at BDT 2.61 during this period, which was lower than that of the first three quarters of the previous year. In the 2018-19 fiscal year, the net asset value per share was BDT 40.52.

<https://tbsnews.net/economy/stock/securities-regulator-restructure-icb-108151>

### **City Bank gets USD 30.0 million in IFC loans for cos, SMEs hit by COVID-19**

■ IFC, a member of the World Bank Group, is providing a loan of up to USD 30 million to City Bank to provide financing for small and medium enterprises and corporate companies affected by the COVID-19 pandemic, said a press release. The financing package is part of IFC's USD 8 billion global COVID-19 fast-track financing facility which aims to help companies stay in business. This investment comes under the Working Capital Solutions programme of the COVID-19 response envelope which provides USD 2.0 billion globally to emerging-market banks. This allows them to extend credit so firms can cover expenses and pay their employees.

<https://www.newagebd.net/article/111502/city-bank-gets-30m-in-ifc-loans-for-cos-smes-hit-by-covid-19>