

## Capital Market Overview

The market closed in green this week. The benchmark index DSEX (+1.65%) gained 79.11 points and closed the week at 4,873.18 points. The blue-chip index DS30 (+2.61%) gained 43.03 points and stood at 1,690.10 points. The Shariah-based index DSES (+2.75%) gained 30.27 points and stood at 1,130.61 points. The large cap index CDSET (+2.66%) gained 25.64 points and closed at 988.88 points. DSEX, DS30, DSES and CDSET showed YTD returns of +9.44%, +11.68%, +13.08%, +9.90%, respectively.

**Total Turnover During The Week (DSE):** BDT 41.4 billion (USD 487.8 million)

**Average Daily Turnover Value (ADTV):** BDT 8.3 billion (Δ% Week: -29.7%)

**Market P/E:** 15.5x

### Daily Index Movement during the Week:

Market performed five sessions during this week. Market performed positively in the first session by 0.02%. Then market reverted to negative by 0.68% in the second session. Then the market turned positive in the third session by 0.40% and continued to be positive in the fourth session by 0.96%. The market ended with a positive movement of 0.94% in the fifth session.

### Sectoral Performance:

- Financial sectors posted mixed performance this week. General Insurance booked the highest gain of 4.05% followed by General Insurance (+3.64%) and Mutual Fund (+0.58%). On the other hand, NBF1 experienced the highest loss of 1.55% followed by Bank (-0.79%).

- Non-financial sectors reported positive performance this week. Food & Allied booked the highest gain of 12.53% followed by Telecommunication (+9.18%), Fuel & Power (+3.12%), Engineering (+3.11%) and Pharmaceuticals (+1.83%).

### Macroeconomic arena:

- Disbursement of loans by the banks to the private sector remained dismal in July, the first month of the fiscal year of 2020-2021, with the credit growth to the private sector standing at 9.2% in the month. However, the private sector credit growth in July improved a bit considering the 8.61-per cent growth in June, the last month of FY 2019-20. Policy Research Institute executive director said that the increase in private sector credit growth in July was paltry and it could not be termed a turnaround. To support the economic recovery, the growth must be higher, he said. Even though the disbursement of loans by the banks to the private sector was not that significant, the interest imposed on the loans might have increased the amount of outstanding loans, he added.

- The Bangladesh Bank has agreed to use foreign exchange reserves as a source of loan, but on a limited scale only for foreign payments for government bodies instead of creating a separate fund. The board of the central bank made the policy decision to finance from forex reserve primarily in two sectors – power and port development projects.

- Banks' excess liquidity hit the all-time high of around BDT 1.40 trillion in June, fueled by the government's higher borrowing from the country's banking system to partly meet its budget deficit. Lower private sector credit growth also pushed up excess liquidity in the banking system, according to bankers. Private sector credit growth decelerated continuously in the recent months following lower credit demand due to supply chain disruption amid the ongoing coronavirus pandemic, they explained.

- Inflation fell 49 basis points to 5.53% in July compared to a month earlier, led by the fall in food prices. July's figure is also nine basis points lower than the headline inflation in the same month of the just-concluded fiscal year, data from the Bangladesh Bureau of Statistics (BBS) showed. Food inflation declined 84 basis points to 5.7% in the first month of the new fiscal year from a month earlier. Non-food inflation nudged up six basis points to 5.28%.

### Stock Market arena:

- The International Finance Corporation (IFC) has provided the City Bank Limited with a loan of up to USD 30 million, equivalent to BDT 2.55 billion, to support small and medium enterprises (SMEs) and export-import companies affected by Covid-19 in Bangladesh. This investment has come in the form of working capital support as part of the IFC's USD 8 billion global Covid-19 fast-track financing facility. Small and medium enterprises provide more than 35% of employment in Bangladesh and contribute to a quarter of the country's GDP, said IFC's country manager for Bangladesh, Bhutan and Nepal.

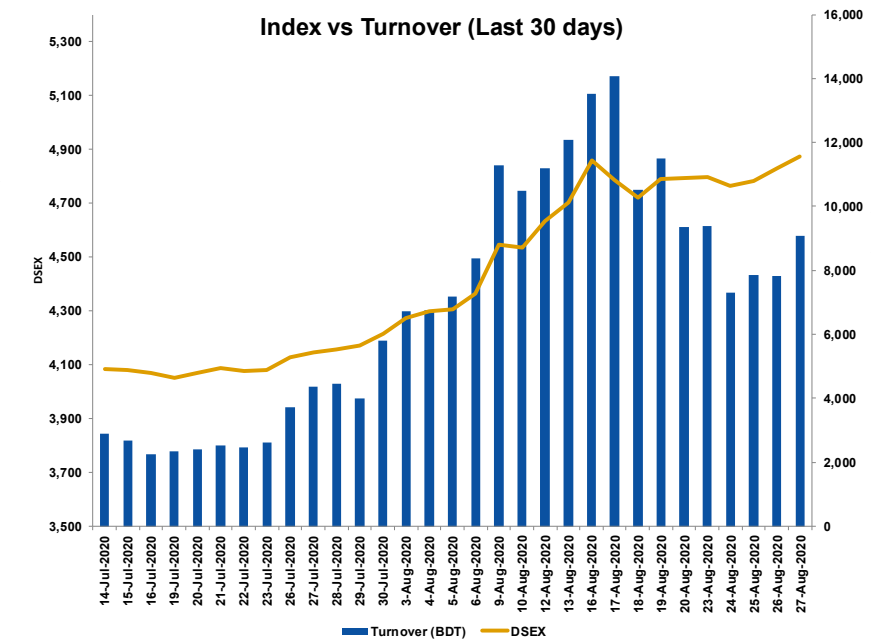
Table 1: Index

| Index | Closing  | Opening  | Δ(Pts) | 30-Dec-2019 | Δ% Week | Δ%YTD  |
|-------|----------|----------|--------|-------------|---------|--------|
| DSEX  | 4,873.18 | 4,794.07 | 79.11  | 4,452.93    | 1.65%   | 9.44%  |
| DS30  | 1,690.10 | 1,647.07 | 43.03  | 1,513.35    | 2.61%   | 11.68% |
| DSES  | 1,130.61 | 1,100.34 | 30.27  | 999.83      | 2.75%   | 13.08% |
| CDSET | 988.88   | 963.24   | 25.64  | 899.76      | 2.66%   | 9.90%  |

Table 2: Market Statistics

|                        |           | This Week   | Last Week   | %Change |
|------------------------|-----------|-------------|-------------|---------|
| Mcap                   | Mn BDT    | 3,696,562.0 | 3,597,897.4 | 2.7%    |
|                        | Mn USD    | 43,509.4    | 42,348.1    |         |
| Turnover               | Mn BDT    | 41,442.2    | 58,980.1    | -29.7%  |
|                        | Mn USD    | 487.8       | 694.2       |         |
| Average Daily Turnover | Mn BDT    | 8,288.4     | 11,796.0    | -29.7%  |
|                        | Mn USD    | 97.6        | 138.8       |         |
| Volume                 | Mn Shares | 1,389.5     | 2,250.0     | -38.2%  |

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  |
|-------------------------------------|----------|--------|--------|---------------|--------------|-------|------|
| Express Insurance Limited           | 26.00    | 10.00  | 160.0% | 1,695.1       | 354.19       | 38.7x | 1.7x |
| Zeal Bangla Sugar Mills             | 200      | 150.50 | 33.0%  | 1,201.2       | 41.97        | NM    | NM   |
| Miracle Ind.                        | 24.50    | 18.70  | 31.0%  | 862.8         | 163.77       | NM    | 0.7x |
| CAPM IBBL Islamic Mutual Fund       | 12.30    | 9.50   | 29.5%  | 822.3         | 85.84        | NM    | 1.2x |
| Queen South Textiles Mills Limited  | 33.60    | 26.00  | 29.2%  | 4,071.7       | 222.85       | 24.8x | 2.2x |
| Meghna Pet Industries               | 18.00    | 14.00  | 28.6%  | 216.0         | 9.88         | NM    | NM   |
| SEML Lecture Equity Management Fund | 8.00     | 6.30   | 27.0%  | 400.0         | 75.81        | NM    | 0.7x |
| Jute Spinners                       | 127.90   | 103.50 | 23.6%  | 217.4         | 5.23         | NM    | NM   |
| Eastern Lubricants                  | 1,172.30 | 956.40 | 22.6%  | 1,165.3       | 88.85        | 42.4x | 8.2x |
| Shaympur Sugar                      | 73.30    | 60.10  | 22.0%  | 366.5         | 23.15        | NM    | NM   |

**Table 4: Top Ten Losers**

| Company Name                       | Close  | Open   | Δ%     | Mcap (mn BDT) | Vol (mn BDT) | P/E    | P/B   |
|------------------------------------|--------|--------|--------|---------------|--------------|--------|-------|
| Premier Leasing                    | 5.10   | 6.10   | -16.4% | 678.1         | 14.22        | 55.4x  | 0.3x  |
| First Finance Limited              | 6.00   | 7.00   | -14.3% | 697.3         | .52          | NM     | 1.5x  |
| Al-Haj Textile Mills Limited       | 36.60  | 41.70  | -12.2% | 816.1         | 6.12         | NM     | 3.3x  |
| Beacon Pharmaceuticals Limited     | 77.80  | 88.40  | -12.0% | 17,971.8      | 265.00       | 156.4x | 6.1x  |
| Progressive Life Ins               | 126.60 | 141.70 | -10.7% | 1,824.3       | 47.92        | NM     | 12.7x |
| Maksons Spinning Mills Limited     | 5.60   | 6.20   | -9.7%  | 1,334.1       | 20.19        | 52.0x  | 0.3x  |
| Maksons Spinning Mills Limited     | 5.60   | 6.20   | -9.7%  | 1,334.1       | 20.19        | 52.0x  | 0.3x  |
| Tung Hai Knitting & Dyeing Limited | 3.00   | 3.30   | -9.1%  | 320.0         | 4.61         | 3.7x   | 0.2x  |
| IFIC Bank                          | 11.70  | 12.80  | -8.6%  | 18,952.5      | 971.57       | 6.5x   | 0.6x  |
| ICB Islamic Bank                   | 3.20   | 3.50   | -8.6%  | 2,127.0       | 1.30         | NM     | NM    |

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

| Company Name  | Close    | Open   | Δ%    | Mcap (mn BDT) | Vol (mn BDT) | P/E   | P/B   |
|---|----------|--------|-------|---------------|--------------|-------|-------|
| Beximco Limited                                     | 26.00    | 26.20  | -0.8% | 22,784.3      | 2,580.88     | 24.1x | 0.4x  |
| Beximco Pharmaceuticals                             | 108.20   | 111.70 | -3.1% | 43,881.2      | 2,126.09     | 12.8x | 1.6x  |
| Orion Pharma Ltd.                                   | 59.70    | 62.70  | -4.8% | 13,969.8      | 1,439.70     | 18.6x | 0.8x  |
| LafargeHolcim Bangladesh Limited                    | 45.40    | 42.90  | 5.8%  | 52,726.4      | 1,054.68     | 29.3x | 3.5x  |
| Grameenphone Ltd.                                   | 314.90   | 286.10 | 10.1% | 425,209.5     | 1,034.01     | 12.5x | 10.0x |
| IFIC Bank   | 11.70    | 12.80  | -8.6% | 18,952.5      | 971.57       | 6.5x  | 0.6x  |
| Square Pharmaceuticals                              | 216.40   | 205.40 | 5.4%  | 182,693.3     | 970.94       | 13.3x | 2.8x  |
| British American Tobacco Bangladesh Company Limited | 1,094.10 | 952.40 | 14.9% | 196,938.0     | 830.13       | 22.7x | 8.1x  |
| BRAC Bank   | 37.90    | 36.90  | 2.7%  | 50,250.8      | 778.38       | 11.1x | 1.1x  |
| Bangladesh Shipping Corporation                     | 49.50    | 46.80  | 5.8%  | 7,550.5       | 659.35       | 8.5x  | 0.4x  |

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

| Top 10 Most Appreciated Stocks            | Close    | Δ% YTD | Mcap (mn BDT) | P/E   |
|---|----------|--------|---------------|-------|
| Beximco Pharmaceuticals                   | 108.20   | 55.91% | 43,881.2      | 12.8x |
| ACI Limited                               | 273.40   | 50.63% | 15,685.6      | NM    |
| Baraka Power Limited                      | 32.00    | 40.97% | 7,042.0       | 13.6x |
| MJL Bangladesh Limited                    | 85.80    | 35.55% | 27,177.3      | 14.8x |
| Bangladesh Steel Re-Rolling Mills Limited | 66.00    | 35.25% | 15,580.5      | 11.9x |
| LafargeHolcim Bangladesh Limited          | 45.40    | 35.12% | 52,726.4      | 29.3x |
| Glaxo Smithkline                          | 2,309.00 | 31.47% | 27,815.3      | 48.8x |
| The ACME Laboratories Limited             | 79.60    | 30.71% | 16,843.5      | 11.8x |
| Islami Bank                               | 24.80    | 29.84% | 39,927.8      | 7.2x  |
| Active Fine Chemicals Limited             | 18.60    | 26.53% | 4,462.8       | 13.4x |

**Table 6: Sector Indices**

| Sector Name            | Week Close | Week Open | Year Open | %Δ Week | %Δ YTD |
|------------------------|------------|-----------|-----------|---------|--------|
| Banks                  | 1320.79    | 1331.33   | 1319.28   | -0.79%  | 0.11%  |
| NBFIs                  | 1770.07    | 1797.89   | 1565.13   | -1.55%  | 13.09% |
| Mutual Funds           | 669.92     | 666.07    | 591.17    | 0.58%   | 13.32% |
| General Insurance      | 2431.21    | 2336.53   | 1927.02   | 4.05%   | 26.16% |
| Life Insurance         | 2052.29    | 1980.18   | 2194.70   | 3.64%   | -6.49% |
| Telecommunication      | 4448.37    | 4074.41   | 3993.59   | 9.18%   | 11.39% |
| Pharmaceuticals        | 3036.68    | 2981.99   | 2492.51   | 1.83%   | 21.83% |
| Fuel & Power           | 1713.58    | 1661.81   | 1515.21   | 3.12%   | 13.09% |
| Cement                 | 1429.35    | 1364.56   | 1132.29   | 4.75%   | 26.23% |
| Services & Real Estate | 1004.48    | 1010.46   | 886.70    | -0.59%  | 13.28% |
| Engineering            | 2372.14    | 2300.65   | 2257.22   | 3.11%   | 5.09%  |
| Food & Allied          | 13721.73   | 12193.40  | 12121.49  | 12.53%  | 13.20% |
| IT                     | 2085.41    | 2119.30   | 1823.13   | -1.60%  | 14.39% |
| Textiles               | 1096.13    | 1074.37   | 1042.04   | 2.02%   | 5.19%  |
| Paper & Printing       | 6029.81    | 6006.76   | 5233.20   | 0.38%   | 15.22% |
| Tannery                | 1797.17    | 1701.08   | 1826.45   | 5.65%   | -1.60% |
| Jute                   | 10432.36   | 8921.79   | 11393.28  | 16.93%  | -8.43% |
| Ceramics               | 444.89     | 444.57    | 459.10    | 0.07%   | -3.09% |
| Miscellaneous          | 2087.63    | 2094.66   | 1745.96   | -0.34%  | 19.57% |

**Table 7: Sector Trading Matrix**

| Sector Name            | Daily average this Week | Daily average last week | % Change | % of Total Turnover | P/E    | P/B  |
|------------------------|-------------------------|-------------------------|----------|---------------------|--------|------|
| Banks                  | 722.4                   | 1,545.5                 | -53.26%  | 9.09%               | 7.3x   | 0.7x |
| NBFIs                  | 224.5                   | 320.6                   | -29.96%  | 2.82%               | 151.0x | 2.4x |
| Mutual Funds           | 236.5                   | 375.9                   | -37.08%  | 2.98%               | NM     | 0.5x |
| General Insurance      | 693.2                   | 1,306.5                 | -46.94%  | 8.72%               | 17.0x  | 1.5x |
| Life Insurance         | 74.6                    | 153.3                   | -51.34%  | 0.94%               | NM     | 8.5x |
| Telecommunication      | 317.4                   | 285.9                   | 11.00%   | 3.99%               | 12.8x  | 9.2x |
| Pharmaceuticals        | 1,687.9                 | 2,463.8                 | -31.49%  | 21.24%              | 19.4x  | 2.7x |
| Fuel & Power           | 635.6                   | 871.6                   | -27.08%  | 8.00%               | 11.5x  | 2.0x |
| Cement                 | 289.4                   | 290.0                   | -0.21%   | 3.64%               | 39.2x  | 2.6x |
| Services & Real Estate | 48.0                    | 85.4                    | -43.76%  | 0.60%               | 92.3x  | 0.8x |
| Engineering            | 680.6                   | 918.8                   | -25.93%  | 8.56%               | 16.8x  | 1.4x |
| Food & Allied          | 391.0                   | 447.2                   | -12.58%  | 4.92%               | 24.8x  | 7.8x |
| IT                     | 156.3                   | 222.1                   | -29.63%  | 1.97%               | 18.4x  | 2.7x |
| Textiles               | 636.9                   | 829.6                   | -23.23%  | 8.01%               | NM     | 0.8x |
| Paper & Printing       | 34.6                    | 110.1                   | -68.56%  | 0.44%               | 242.2x | 1.2x |
| Tannery                | 75.6                    | 90.5                    | -16.40%  | 0.95%               | 27.1x  | 2.0x |
| Jute                   | 55.7                    | 35.7                    | 55.86%   | 0.70%               | NM     | 4.8x |
| Ceramics               | 88.1                    | 113.3                   | -22.19%  | 1.11%               | 191.2x | 1.7x |
| Miscellaneous          | 899.9                   | 896.7                   | 0.35%    | 11.32%              | 24.6x  | 1.2x |

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

| Top 10 Least Appreciated Stocks     | Close  | Δ% YTD  | Mcap (mn BDT) | P/E   |
|-------------------------------------|--------|---------|---------------|-------|
| BRAC Bank                           | 37.90  | -28.65% | 50,250.8      | 11.1x |
| Runner Automobiles Limited          | 52.30  | -12.10% | 5,938.1       | 10.3x |
| Eastern Cables                      | 175.10 | -12.10% | 4,202.4       | NM    |
| Unique Hotel & Resorts Limited      | 40.20  | -8.43%  | 11,834.9      | 27.0x |
| Prime Bank                          | 16.90  | -7.14%  | 19,135.6      | 11.1x |
| Delta Brac Housing                  | 92.60  | -6.83%  | 14,273.6      | 14.9x |
| Singer Bangladesh                   | 168.10 | -6.82%  | 16,760.0      | 16.4x |
| Golden Harvest Agro Industries Ltd. | 18.30  | -6.63%  | 3,949.8       | 13.3x |
| Shahjalal Islami Bank               | 20.90  | -6.22%  | 20,483.9      | 11.4x |
| Shasha Denim Limited                | 23.60  | -4.45%  | 3,170.0       | 45.2x |

## Important News: Business & Economy

### Private credit growth dismal in July

- Disbursement of loans by the banks to the private sector remained dismal in July, the first month of the fiscal year of 2020-2021, with the credit growth to the private sector standing at 9.2% in the month. The growth in July was far behind the central bank's projection to attain 14.8% private sector credit growth as the businesses were in doubt whether they would be able to repay the banks loans given the prevailing unimpressive business and economic state and the coronavirus outbreak situation in the country.
- However, the private sector credit growth in July improved a bit considering the 8.61-per cent growth in June, the last month of FY 2019-20. Policy Research Institute executive director said that the increase in private sector credit growth in July was paltry and it could not be termed a turnaround. To support the economic recovery, the growth must be higher, he said. Even though the disbursement of loans by the banks to the private sector was not that significant, the interest imposed on the loans might have increased the amount of outstanding loans, he added.
- Even before the outbreak of coronavirus, the private sector credit growth was unimpressive. In April this year, the private sector credit growth dropped to 8.82%. It also dropped in May and June of FY20. The COVID-19 outbreak began in the country in March. Bankers said that the increase in growth in July was not a significant change because the banks remained cautious regarding disbursement of loans amid the pandemic.

<https://www.newagebd.net/article/114596/private-credit-growth-dismal-in-july>  
<https://www.dhakatribune.com/business/banks/2020/08/26/private-sector-credit-growth-recovers-from-slump-in-july>

### Forex reserve can be used for external payments

- The Bangladesh Bank has agreed to use foreign exchange reserves as a source of loan, but on a limited scale only for foreign payments for government bodies instead of creating a separate fund. The board of the central bank made the policy decision to finance from forex reserve primarily in two sectors – power and port development projects. Giving an example, a board member of the central bank said that such practice already exists in case of giving loans to national flag carrier Biman Bangladesh Airlines. He said currently, annual return from the foreign exchange reserve had come down to 1% due to a decline in interest rate worldwide. In this case, giving loans to government projects will be a better option for the central bank.
- Officials at the finance ministry said loan support from foreign sources, such as the World Bank, the Asian Development Bank, and China, for 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. Backed by strong remittance inflow and lower import expenditure, the country's foreign exchange reserve exceeded the USD 38 billion mark for the first time on August 18. The current foreign exchange reserve is enough to meet the import demand for more than seven months while the international standard is three months.

<https://tbsnews.net/economy/banking/forex-reserve-can-be-used-external-payments-124735>

### Banks' excess liquidity hits record BDT 1.40 trillion

- Banks' excess liquidity hit the all-time high of around BDT 1.40 trillion in June, fuelled by the government's higher borrowing from the country's banking system to partly meet its budget deficit. Lower private sector credit growth also pushed up excess liquidity in the banking system, according to bankers. Private sector credit growth decelerated continuously in the recent months following lower credit demand due to supply chain disruption amid the ongoing coronavirus pandemic, they explained. Surplus liquidity surged by more than 55% to BDT 1,395.58 billion as on June 30, from BDT 899.09 billion three months before, according to the central bank's latest statistics.
- The government's borrowing from the banking system through issuing treasury bills (T-bills) and bonds more than doubled in the last fiscal year (FY), 2019-20, to partly finance its budget deficit. The government securities, covering both T-bills and bonds, are considered as liquidity while calculating the excess liquidity in the banking system. Around 90% of the excess liquidity has already been invested in the government-approved securities as a risk-free investment for banks," a senior official of the Bangladesh Bank (BB) said.
- Such liquidity may increase slightly in the coming months, as the government's higher bank borrowing may continue, mainly due to the ongoing Covid-19 pandemic, the central banker predicted. He also said slashing of policy rates, including cash reserve requirement (CRR), by the BB has also helped boost excess liquidity in the banking system during the period under review. A former chairman of the Association of Bankers, Bangladesh (ABB), said lower private sector credit growth has also pushed up excess liquidity in the banking system.

<https://today.thefinancialexpress.com.bd/public/first-page/banks-excess-liquidity-hits-record-BDT-140t-1597945365>

### Inflation drops again

- Inflation fell 49 basis points to 5.53% in July compared to a month earlier, led by the fall in food prices. July's figure is also nine basis points lower than the headline inflation in the same month of the just-concluded fiscal year, data from the Bangladesh Bureau of Statistics (BBS) showed. Food inflation declined 84 basis points to 5.7% in the first month of the new fiscal year from a month earlier. Non-food inflation nudged up six basis points to 5.28%.
- Headline inflation decreased relative to June primarily due to a significant decrease in food inflation in both rural and urban areas, said a former lead economist of the World Bank's Dhaka office. An increase in the price of non-food items in urban areas led to an increase in the non-food inflation, he said. Rice prices increased in August. Ensuring an adequate supply of essential food items in the local markets will be critical for bringing food inflation down further to ease the sufferings of the poor and vulnerable population, the economist said. Increase in non-food inflation in urban areas was driven by an increase in transport, pharmaceuticals and furniture, furnishing and household equipment. These resulted from both increases in cost and demand. The biggest concern is the acceleration in prices of pharmaceutical products. Inflation in this category is in double digits since April, the economist said.

<https://www.thedailystar.net/business/news/inflation-drops-again-1948469>

## Bangladesh still in second spot in global apparel trade

- Officially, Bangladesh is still the second-largest garment exporter worldwide and it is expected that the country will be able to retain its second position globally because of the regular flow of work orders with the reopening of the stores in the western world. Between January and July, Vietnam, Bangladesh's main competitor in global apparel trade, exported textile and garment items worth USD 16.2 billion. In that time, Bangladesh's apparel exports stood at USD 15.2 billion. This might give off the impression that Vietnam has usurped Bangladesh as the second-largest supplier of apparel in the world.

- But there is a caveat: Vietnam's amount is counted for two items, textile and garments, while Bangladesh's amount is counted only on one item, garment. So, Bangladesh is still far ahead of Vietnam in terms of garment export worldwide and still the second-largest exporter. According to the latest data from the World Trade Organisation, which is of 2019, Bangladesh retained its second position in garment export, grabbing 6.8% of the market share while Vietnam took 6.1%. In 2019, Bangladesh exported garment items worth USD 34 billion and Vietnam exported garment items worth USD 31 billion, the WTO data also said.

<https://www.thedailystar.net/business/news/bangladesh-still-second-spot-global-apparel-trade-1950597>

## Defaulted loans in 16 banks above 10%

- The ratio of non-performing loans or classified loans against outstanding loans at 16 banks in the country, including nine state-owned banks, stood above 10% at the end of June this year. The size of NPL of the entities ranged between as high as 97.76% and 10.47%. The NPL at these 16 banks constitutes BDT 627.33 billion or 65.27% of the total BDT 961.17 billion defaulted loans in the country's banking system. These banks are Janata Bank, Sonali Bank, BASIC Bank, Agrani Bank, AB Bank, Rupali Bank, National Bank, Padma Bank, Bangladesh Krishi Bank, Rajshahi Krishi Unnayan Bank, the National Bank of Pakistan, Bangladesh Commerce Bank, ICB Islami Bank, Bangladesh Development Bank, Habib Bank and Probashi Kallyan Bank.

- Banking experts said that the NPL ratio at the banks stood high mainly because of lack of governance within the banks and irregularities, putting the money of the depositors at stake. As a result of the high NPLs, the government has bailed out one of the new generation banks and continued to inject fresh money into the state-owned banks, they said. No effective measure was taken either by the government or the central bank to contain the irregularities, encouraging the bank money launderers to repeatedly do the same thing, they said.

- Instead of taking tough measures to contain the NPLs by punishing the defaulters, the government last year bailed out the loan defaulters by allowing them to reschedule default loans by paying a paltry 2% down payment with a 10-year repayment tenure. A former Bangladesh Institute of Bank Management director general said, when the regulatory forbearance on loan rescheduling would be withdrawn, the NPLs would increase abnormally.

<https://www.newagebd.net/article/114503/defaulted-loans-in-16-banks-above-10pc>

## Cement industry in grave crisis

- Cement companies are facing major problems due to declining demand because of the coronavirus pandemic and tax complications. The Bangladesh Cement Manufacturers Association (BCMA) said some factories are at risk of closure due to losses and inability to meet operating costs continuously. According to industry insiders, 90% of cement production was halted in April-May during the general holidays announced after the detection of coronavirus in the country. At present, production has resumed up to 60-65%. However, the loss has exceeded BDT 40 billion.

- In addition, the sector is in crisis due to the imposition of 3% advance income tax on cement in the budget for the 2020-21 fiscal year, and clinker import tariff being higher than that in the international market. As a result, industry players think it is necessary to save this sector by changing the unreasonable tax structure of the government. Currently, the main raw material for cement, clinker, is subject to an import duty of BDT 500 per tonne. Clinker is presently imported at USD 38-40 per tonne, and thus the import duty of BDT 500 exceeds 16%. Cement companies have demanded that the import duty be set at BDT 300 per tonne or at least 5%.

- The use of cement in the country has increased manifold in the last two decades, said companies. In 2000, per capita cement use was only 45 kg, but this rose to 200 kg by the end of last year. As a result, companies have been increasing their production capacity for several years to strengthen their position in the growing market. There is stiff competition among them due to production capacity being more than double the demand. According to industry insiders, there are currently about 35 active cement factories in the country. Although the demand for cement is 35 million tonnes per annum, the total production capacity of the factories is 80 million tonnes. In the next three years, it will rise by another 11 million tonnes.

- The top 10 companies occupy 81% of the market share, with Shah Cement being the top player. LafargeHolcim, Bashundhara, Seven Rings, Heidelberg, MI Cement, Premier Cement, Fresh Cement, Akij Cement and Confidence Cement are some of the leading brands.

<https://tbsnews.net/economy/industry/cement-industry-grave-crisis-123373>

## US seeks list of apparel brands that cancelled orders

- The US Trade Representative (USTR), the chief trade negotiator for the Trump administration, has sought a list of retailers that cancelled work orders with Bangladeshi firms due to the ongoing coronavirus pandemic. After securing the list, the US government is expected to urge the retailers to accept their shipments of previously cancelled work orders. A senior official of the USTR expressed his organization's willingness to carry out this initiative during a virtual meeting of the Trade and Investment Cooperation Forum Agreement (TICFA) Council with Bangladesh's representatives on Tuesday.

- A considerable number of work orders for garment items totaling USD 3.2 billion have either been cancelled, deferred or withheld at various seaports as retailers in the US are reluctant to accept deliveries amid the current economic uncertainty, according to the Bangladesh Garment Manufacturers and Exporters Association (BGMEA).

- The issue of reinstating the Generalized System of Preferences (GSP) for certain Bangladeshi products bound for US markets was also raised. After that, the US

government outlined 16 terms and conditions to be fulfilled by its Bangladeshi counterparts before the country could regain its GSP facility.

<https://www.thedailystar.net/business/news/us-seeks-list-apparel-brands-cancelled-orders-1951713>

<https://www.newagebd.net/article/114603/us-to-assist-bangladesh-resolve-rmg-order-cancellation>

### **Like banks, NBFIs can now maintain loan status until September**

- The central bank has pushed back the deadline for loan status classification by non-bank financial institutions to 30 September, giving more breathing room to borrowers struggling to stay afloat because of the lengthy pandemic. In March, taking into account the economic devastation triggered by the pandemic, the Bangladesh Bank eased rules on classifying loans, lease and advances for both banks and NBFIs, ordering them not to downgrade any loans up to June. The deadline for banks was later extended to 30 September as the central bank forecast the economy would be enshrouded by the coronavirus-induced gloom for longer than it had imagined earlier.

- Yesterday, BB extended the deadline for the 34 NBFIs as well. Because of the coronavirus, borrowers are not being able to run their normal operations, the central bank said in a notice. It ordered NBFIs to consider all instalments against long and short-term loans, leases and advances deferred between 1 January and 30 September. The instalment size and numbers would have to be re-fixed in October, BB said. The tenure of the loans would be rescheduled by pushing back the repayment period in line with the number of instalments that would remain unpaid until 30 September.

- The central bank also ordered the NBFIs to refrain from charging any penalty or additional fees or commissions for the January-September period. Banks and NBFIs will have to maintain the same credit status of a borrower as on 30 January until the new deadline. It is a positive move, said the chief executive officer of IDLC Finance, one of the top NBFIs in Bangladesh.

<https://www.thedailystar.net/business/news/banks-nbfis-can-now-maintain-loan-status-until-sep-1951709>

<https://www.newagebd.net/article/114601/bb-extends-time-for-nbfis-borrowers-to-repay-loans>

<https://www.dhakatribune.com/business/banks/2020/08/26/nbfis-asked-not-to-classify-loans-till-september>

<https://tbsnews.net/economy/nbf-borrowers-get-more-respite-loan-repayment-124732>

### **Bangladesh plans to abandon coal, go for LNG**

- In a bid to move away from dirty energy, the Ministry of Power, Energy and Mineral Resources is seeking the prime minister's approval to convert 13 large coal power projects into clean liquefied natural gas (LNG) based plants. Coal power has become costlier in recent years than clean power. These ongoing projects have a total capacity of 13,000 megawatts – which is more than the country's current power consumption. As such, the ministry suggested keeping only the projects that are already under construction, and five ongoing coal power projects having 5,371MW of capacity fit the criteria. Around 0.06 acres of land is required for each megawatt of coal-based electricity, whereas a gas-based power plant requires only 0.004 acres of land to generate the equal amount of energy, says recent analysis made by the power division.

- Currently, the government is importing 1000 mmcf (million cubic feet) LNG per day through two floating storage units. However, it plans to increase the import capacity to 2,000 mmcf gas per day by 2030. Meanwhile, a total of five LNG-based projects with a capacity of 8,750 megawatts of electricity are in the pipeline. Payra 3,600 megawatts and Moheskhal 3,600MW combined cycle power projects are the two of these plants which will be implemented by Siemens and General Electric (GE) respectively. Summit Power also joined hands with GE to set up another big LNG based power plant in Meghnaghat.

- Commenting on the issue, an economist and environment activist said that the power system master plan of the government has never been rightly planned. These projects were taken under the influence of vested interest groups. Claiming that the country does not even need LNG and nuclear based projects, he added that we do not need these expensive primary energy based projects; instead, we need to accelerate the local gas exploration and shift the focus to renewable sources.

<https://tbsnews.net/bangladesh/energy/bangladesh-plans-shift-coal-power-lng-124261>

### **Banks' deposit growth declines alarmingly**

- Deposit growth in the country's banking sector declined consistently from March to June this year as the COVID-19 pandemic almost brought economic activities to a halt for around three months. The growth dropped to 10.94% in June from 11.28% in the previous month, according to Bangladesh Bank (BB) data. The managing director of Prime Bank Ltd noted that the deposit withdrawal trend has been minimized now as people have been going back to business. Deposit growth in the banking sector increased in July, he adds.

- Deposit collection is very difficult for new and financially insolvent banks. Old and financially strong banks are trustworthy among clients when it comes to deposits of excess liquidity, bankers say. Banks automatically brought down their deposit rates to as low as 7% from April this year because the country's banking sector implemented the single digit lending rate in the same month.

<https://www.dhakatribune.com/business/banks/2020/08/25/banks-deposit-growth-declines-alarmingly>

### **US investors urged to set up Covid-19 vaccine plants in Bangladesh**

- Bangladesh has urged US investors to set up Covid-19 vaccine manufacturing plants in Bangladesh to ensure its availability at lower cost for people of the country. They told the US to invest in contract manufacturing of medicine so that they can produce here and export from this country, the commerce secretary also said. Bangladesh also demanded relocation of US companies currently running in other countries, citing preferential trade privilege and competitive production costs in Bangladesh compared to other countries.

- Investment in pharmaceuticals sector in Bangladesh could be lucrative to foreign investors as the country is eligible for manufacturing patent drugs cheaply until January 1, 2033 as per the decision of the World Trade Organisation (WTO) under the Trade – Related Intellectual Property Rights (TRIPS) agreement.

<https://www.thedailystar.net/business/news/us-investors-urged-set-covid-19-vaccine-plants-bangladesh-1951101>

## Apparels manufactured with imported yarn to get cash incentive on value addition

- Export-oriented small and medium apparel factories manufacturing knitwear, woven wear and sweaters using imported yarn or a combination of imported yarns would get additional cash incentive at the rate of 4%. The incentive would only be applicable for industries which would ensure at least 30% local value addition. Besides, the incentive will be given on the value that would be added by the export-oriented apparel industries manufacturing knitwear, woven wear and sweaters.
- However, the entities which have received duty drawback or customs bond facility would not be considered for the cash incentive. Earlier, the additional cash incentive was only application for those small and medium factories which were manufacturing these clothing items with local yarn. Cash incentives announced for 37 sectors last year would remain in effect. In FY20, the government included consumer electronics, electrical home and kitchen appliances to the product list for the first time with 10% cash incentive and boosted incentives for a number of products manufactured in economic zones and hi-tech parks.

<https://www.newagebd.net/article/114505/apparels-manufactured-with-imported-yarn-to-get-cash-incentive-on-value-addition>

## Revenue collection, exports disappoint while reserves, remittance shine last fiscal year

- Record remittance earnings and foreign currency reserves are among a few positive takeaways for the government in an otherwise painful fiscal year as the devastating coronavirus pandemic pushed revenue collection to an unprecedented fall and exports to collapse. Bangladesh's tax collection dropped as much as 25.4% year-on-year to BDT 1.686 trillion in the just-concluded fiscal year as the coronavirus pandemic brought the economy to a standstill.
- Overall, revenue collection dipped 20.5% to BDT 2.00 trillion. This is first-ever negative growth in Bangladesh's history. The two-and-half-month-long countrywide general shutdown introduced on 26 March dented the state's coffer as economic activities saw massive disruption in the last quarter of the fiscal year ending in June. Foreign currency reserves grew 10.2% year-on-year to USD 36 billion in fiscal 2019-20, which was USD 32.7 billion a year earlier, on the back of a higher-than-expected remittance flow, a fall in imports and budget support from the development lenders.
- Money sent home by Bangladesh's more than 10 million migrant workers stood at USD 18.2 billion, up 10.9% year-on-year. Imports fell 8.6% year-on-year to USD 54.8 billion, as demand dropped drastically in the country after the deadly virus arrived at the shores of Bangladesh in March. Similarly, exports plummeted 16.9% to USD 33.7 billion as Western countries were devastated by the pestilence.

<https://www.thedailystar.net/business/news/revenue-collection-exports-disappoint-while-reserves-remittance-shine-last-fiscal-year-1950573>

## Loan disbursement time may be extended until December

- The period of loan disbursement by the banks concerned under the central bank's 'special incentive re-financing scheme for the agriculture sector' is likely to be extended until

December next, sources said. The time might be extended as disbursement of special loan to the farmers concerned has been going on at a snail's pace, they added. As per the participation agreement signed with Bangladesh Bank (BB), the banks concerned will have to disburse loan within September 30, 2020.

- Over four months have already passed after launching the stimulus package amid the Covid-19 pandemic. But the disbursement of special incentive loans to the farmers by the banks has remained very low, said a senior official of the Agricultural Credit Department. In such circumstances, the loan disbursement time may be extended by two to three months from the existing period, he added. Small and medium level farmers in rural areas producing flowers, fruits, grains, fishes, poultry, dairy farms and livestock are eligible for special loan from the refinancing scheme, according to a circular of the central bank. Only BDT 5.0 billion loan under the refinance scheme has been disbursed by the banks until July last, the official also said. The fund size of special incentive re-financing scheme for the agriculture sector is BDT 50 billion.

<https://today.thefinancialexpress.com.bd/last-page/loan-disbursement-time-may-be-extended-until-december-1598292056>

## Government plans to buy vaccine in cash too

- Apart from the global vaccine alliance, GAVI, Bangladesh has also planned to collect Covid-19 vaccine through cash payments to other manufacturers, officials have said. The health ministry at a recent meeting has asked the officials concerned to take steps for buying the vaccine from the possible manufacturers to boost immunity against the deadly virus. The step was taken amid massive criticisms by the health experts and commoners that the country might fail to get vaccine in time due to lack of proper steps, and if the government tries to get it free of cost.
- Officials said the country has already expressed its interest to GAVI to get vaccine and be enlisted as an eligible nation to get it. As a co-financier of GAVI, Bangladesh is also eligible to get vaccine from this alliance. The GAVI, the Coalition for Epidemic Preparedness Innovations (CEPI) and the World Health Organization (WHO) have taken necessary steps through its COVAX Facility to guarantee fair and equitable access of every country irrespective of their financial abilities and geographical locations.
- According to officials, Bangladesh is also communicating with the people concerned to make sure that whether a country having low per-capita income would enjoy extra facility in getting the vaccine. Finance minister informed a recent cabinet meeting that in the budget for the current fiscal year, some funds were kept aside for buying vaccine as soon as it is ready for sale. He also requested the health minister to contact with more than one source to collect the vaccine and to make sure that Bangladesh is not going to be excluded as a candidate for the vaccine.

<https://today.thefinancialexpress.com.bd/last-page/govt-plans-to-buy-vaccine-in-cash-too-1598204868>

## Default loans rise BDT 36.06 billion amid pandemic

- Default loans in the banking sector increased by BDT 36.06 billion during the April-June quarter of the current year despite a waiver of loan repayments during the pandemic. Bankers said default loans will spike further in the third quarter when banks will accumulate the due instalments of borrowers who will not repay loans using an extension of the waiver

on loan repayments till September. According to the central bank's recently approved data, the total amount of default loans stood at BDT 961.16 billion at the end of June, which was 9.16 % of the total disbursement and outstanding loan of 59 banks operating in the country. At the end of June, total bank loans stood at around BDT 10.50 trillion, said a senior official of the Bangladesh Bank.

- Explaining the reason of the rise in default loans, Bangladesh Bank spokesperson said that Banks did not mark any borrower as a new defaulter during these three months (April-June). But they were processing some default loans for rescheduling which they previously calculated as regular loans. The rescheduling process could not be completed during the pandemic. So, banks were bound to mark those loans as classified.

- Earlier on March 19, the Bangladesh Bank, as part of its crisis management strategy, directed banks not to classify any loans if borrowers fail to repay those during the pandemic. The facility had been announced for a period of six months till June this year. On June 15, the central bank extended the facility for further three months till September.

<https://tbsnews.net/economy/default-loans-rise-BDT3606cr-amid-pandemic-123277>  
<https://www.newagebd.net/article/114334/apr-june-loans-in-default-up-by-BDT-3606cr>  
<https://www.dhakatribune.com/business/banks/2020/08/23/npls-rise-by-BDT3-606cr-in-april-june-amid-covid-19-pandemic>

### **Government borrows heavily from banks as pandemic hits revenue**

- The government is borrowing heavily from the banking sector as the coronavirus pandemic has hit revenue collection, while expenses have gone up, a researcher has said, reports bdnews24.com. It borrowed BDT 109.58 billion from the commercial banks in the first 43 days of the new fiscal year to Aug 12. It has also repaid the Bangladesh Bank BDT 25.36 billion. The government has set a target to borrow a total of BDT 849.8 billion from the sector in the fiscal year 2020-21.

- Executive Director of Policy Research Institute said that the aggressive borrowing will affect the private-sector lending and thus investment. The government had to go to the banks to pay salaries and allowances to officials and workers, and expenses related to tackling the pandemic because revenue collection dropped sharply, he added. He also said that it was no surprise when the government borrowed heavily from banks due to the low revenue collection. He again said that a good flow of foreign loans saved the government from borrowing excessively in the fourth quarter (May-July) of the last fiscal year.

<https://today.thefinancialexpress.com.bd/trade-market/govt-borrows-heavily-from-banks-as-pandemic-hits-revenue-1598202902>

### **SMEs are in dire need of a lifeline from banks**

- Businesses are recovering but the small and medium enterprises (SMEs) are being left behind. Subsequently, easy and generous financing for them, particularly the micro, small and women entrepreneurs, has become urgent and imperative. The SMEs contribute about one-fourth the country's gross domestic product and employ millions of people. Still, a large number of the micro, cottage and small businesses have remained missing from formal financing and the government-announced BDT 200.00 billion stimulus package for the sector.

- Small clients of BRAC Bank were on their way to recovery following the withdrawal of the

countrywide shutdown by the government from June. BRAC Bank, one of the biggest financiers of the SMEs, also brought changes in its loan products to fit with the needs of its borrowers, he said. Initially, responses from the SMEs for the stimulus package were low because of a lack of awareness, said the managing director of Islami Bank Bangladesh. Awareness increased later and Islami Bank, another major lender to the SMEs, got more applications. The bank provided loans to 2,100 out of 3,600 applicants, he added.

<https://www.thedailystar.net/business/news/smes-are-dire-need-lifeline-banks-1949925>

### **Financial sector clocks lower growth in FY'20**

- All the financial sub-sectors recorded decline in their growth rates in the immediate past fiscal year (FY 2019-20). The sub-sector (monetary intermediation) had the worst time in many years. Overall the financial sector's contribution to the gross domestic product (GDP), however, dropped only nominally during the period under review. The ongoing Covid-19 pandemic did cause disruptions to the sector in the final quarter of the year. But loan scams, soaring non-performing loans (NPLs), problems with interest rates and low demand for funds from the private sector, among others contributed to the substantial decline in the growth of the financial sector, according to experts.

- According to the Bangladesh Bureau of Statistics (BBS) data, the financial sub-sector's growth dipped to 4.46% in FY 2020 from that of 7.38% in FY 2019. Its contribution to GDP was 3.39% in FY 2020, which was 3.42% in FY 2019. The economists said the ongoing coronavirus pandemic hit hard the banking sector transactions in the last quarter of FY 2020, but the sector's growth should not have dropped by such a big margin. The Executive Director of the Policy Research Institute said that the FE that the overall economic scenario had not been that satisfactory during the last three years.

- With erosion in people's confidence in the financial sector, the economy did fail to expand at the expected rate over the years, he added. Since the previous scams were not addressed properly, many people could not keep their trust on the banks, which has been reflected in their annual growth trend over the last three years, he added. The Executive Director of the Economic Research Group added that poor loan recovery in the banking sector may have led to huge write-offs that reduced financial assets, without necessarily reducing income in that sector by same proportion.

<https://today.thefinancialexpress.com.bd/first-page/financial-sector-clocks-lower-growth-in-fy20-1598116778>

### **Big opportunity beckons local MMF segment**

- The US buyers are shifting their apparel sourcing base from China, offering an opportunity for the countries like Bangladesh to further develop their apparel industry especially in the manmade fibre (MMF) segment, industry people said. The potentials have also been hinted by a recent US study titled '2020 Fashion Industry Benchmarking Study' by the US Fashion Industry Association and University of Delaware. MMF apparel could be a potential new growth engine for Bangladesh's exports, as US fashion companies are eager to diversify sourcing from China, and the sourcing capacity in Vietnam is not available, the report reads.

- The COVID-19 and the escalating US-China trade war have exerted significant and broad impacts on US fashion companies' sourcing practices, it said, adding COVID-19 and the trade war are pushing US fashion companies to reduce their 'China exposure' further. All

the respondents of the study said they have "moved some sourcing orders from China to other Asian suppliers. Citing US official trade statistics, the report said that the value of Bangladesh's MMF apparel exports to the US enjoyed a 5.5% growth in the five months of 2020.

- The production of MMF items requires huge investment in backward linkage and there are hardly few ones who want to invest amid absence of required infrastructure including sufficient gas supply, the managing director of Rising Group said. He also said that buyers offer better price for MMF items.

<https://today.thefinancialexpress.com.bd/last-page/big-opportunity-beckons-local-mmf-segment-1598116373>

### **Fund crunch hits hospitality industry**

- Hoteliers have been trying to reopen their establishments on a limited scale across the country by following health guidelines except for Dhaka as these are mostly dependent on foreign business and corporate travelers. According to experts, the hospitality industry is in the grip of unprecedented financial crises and uncertainty of quick recovery of losses they have incurred so far. The situation is better in areas outside Dhaka considering the domestic tourist movement. From March last, many hotels have suspended operation while many of them are closed after the government had announced general holidays across the country limiting movement to contain the spread of coronavirus. As

- of now, some hotel owners cannot open their establishments as they have outstanding rent to building owners and no working capital. So, they can reopen their hotels and run the business even if there is no guest. Industry insiders said the whole hospitality industry is facing an uncertain future with more people losing job, rise in the number of loan defaulters and closure of more establishments due to a shortage of working capital to rerun the business. As many as 0.31 million are at risk of losing job.

- The situation of hotel business is particularly worse in Dhaka as these are dependent on business, corporate, diplomats and development agency travellers. Over 60% guests of hotels, motels, guesthouses and resorts outside Dhaka are local while it is 90-95% foreigners for Dhaka.

<https://today.thefinancialexpress.com.bd/last-page/fund-crunch-hits-hospitality-industry-1598116550>

### **June foreign loans stand at record USD 1.98 billion amid virus**

- The government received a record USD 1.98 billion in loans from donor countries and agencies in June amid the coronavirus pandemic, reports bdnews24.com. The previous highest total foreign loans in a month for Bangladesh was USD 1.43 billion in June 2018. In the fiscal year that ended on June 30, the country received a total of USD 7.27 billion in foreign loans, a record for a financial year with 17.2% year-on-year growth. And more than half of the amount, or USD 3.76 billion, came in the last four months of the fiscal year after the government detected the first coronavirus cases in the country.

- Besides implementing the stimulus package domestically to offset the impact of the COVID-19 pandemic, the government applied for loan assistance by depicting the correct picture of our economy. The donors responded well after we called for help," Finance Minister said. Though the economy almost stalled for the last three months of the fiscal year

2019-20 due to the outbreak, the government did not face a big crisis, thanks to "good" loan flows from abroad, said an economic researcher.

- "The situation had fuelled the government's tendency to borrow from the banks. It had appeared once that the government's bank borrowing would cross BDT 1 trillion. But the foreign loans finally kept the government from borrowing from local banks and the total bank loans stood at about BDT 600 billion. The executive director of Policy Research Institute of Bangladesh (PRI), also thinks that the foreign loans contributed to foreign currency reserves surpassing USD 38 billion for the first time.

<https://today.thefinancialexpress.com.bd/public/trade-market/june-foreign-loans-stand-at-record-198bn-amid-virus-1598022232>

### **Steel makers groan under tax burden**

- Multiple tax burdens and a one-sided tax implementation system are a great impediment to the growth of steel re-rolling industries in the country, said concerned industrialists. According to the industry people, the sector has suffered losses amounting to BDT 100.00 billion since the outbreak of the Covid-19 pandemic in March this year. Meanwhile, sales in the sector have dropped by 60%. Pointing out that the current taxation system pulls back the growth of the industry, the managing director of Bangladesh Steel Re-Rolling Mills Ltd (BSRM), said that even after the government's claim to have reduced tax rate, the sector is paying around 60-70% income tax.

- The vice-chairman of PHP Family said that imposing tax at multiple stages does not ensure a healthy environment for businesses. He recommended that the government adopts a single-stage taxation policy. The managing director of Metrocem Ispat and secretary general of the BSMA, said advance income tax (AIT) and advance tax (AT) are the biggest barriers to an import-based industry like steel re-rolling. The industry association has been demanding that the value-added tax (VAT), advance tax, advance income tax (AIT) and regulatory tax should be lowered to help the sector regain lost business and overcome the shock of Covid-19 that bled the sector white.

- They added that the government has not refunded any advance income tax in the last 5-7 years. Some BDT 20.00-30.00 billion refundable tax of the sector is stuck with the revenue board. The steel sector witnessed a double-digit growth over the past several years and local demands boomed until February riding on the mega development projects before the heavy industry entered into bad times in March. With sales plummeting since then, the steel industry is running dry of cash.

<https://tbsnews.net/economy/industry/steel-makers-groan-under-tax-burden-122662>

### **Finance minister expects USD 25 billion remittance inflow in FY21**

- Bangladesh's inward remittance flow could rise to USD 24-25 billion in the fiscal year (FY) 2020-21. In FY20, the country received USD 18.21 billion remittance – highest in a fiscal year. In July, the first month of the current fiscal year, the country received USD 2.60 billion remittance which is also a record remittance for a signal month. The country's foreign currency reserve is rising with the growth in remittance inflow. On August 17, forex reserves crossed USD 38.15 billion for the first time. Despite all of these positive trends, experts held a negative view about remittance and forex reserve growth as Covid-19 had recently brought many expatriates home.



- Policy Research Institute Executive Director said that the current inward remittance flow is not a real one. Many expatriates are waiting to return home soon. So, they are sending their savings. Around 0.25 million migrants have returned home amid the pandemic, according to the Brac Migration Programme.

<https://tbsnews.net/economy/finance-minister-expects-25bn-remittance-inflow-fy21-122206>

### **Factory activity slumps by more than a quarter in April**

- Manufacturing activity in Bangladesh dropped as much as 28.78% in April from a month earlier, official figures showed, in a first glimpse of the major blow the coronavirus pandemic dished out to the economy. It declined 25.57% in April from a year earlier, according to the Quantum Index of medium and large-scale manufacturing industries, mining and electricity prepared by the Bangladesh Bureau of Statistics (BBS). The manufacturing activity came to a screeching halt on 26 March after the government was compelled to enforce a countrywide lockdown to curb the spread of the coronavirus. As a result, the general manufacturing production index dropped to 282.60 in April, from 396.85 in March this year and 379.71 in April last year.

- A former lead economist of the World Bank's office in Dhaka said the recession in manufacturing may have deepened in May followed by some recovery in June as restrictions on mobility and assembly were eased. The resulting recovery in productivity and confidence will be hard to sustain if the community transmission of the virus is not brought under control, he said.

<https://www.thedailystar.net/business/news/factory-activity-slumps-more-quarter-april-1948473>

### **Import of 20 products drop by a quarter**

- Import of 20 items dropped by 25% in the fiscal year 2019-20 compared to the previous fiscal year, shows customs and NBR data. Importers and customs officials said the main reasons for the drop in imports were closure of industrial units and fewer vehicles plying amid the pandemic since March. The other reasons include decline in power demand, hike in prices of some goods in the international market, fall in demand of some products, and increase in production of some others in the domestic market, they said.

- According to data from Chittagong Customs House and National Board of Revenue (NBR), the total import volume of these 20 items came down to 20.9 million tonnes totaling BDT 325.44 billion in 2019-20 from 28.9 million tonnes totaling BDT 496.3 billion in 2018-19.

<https://www.thedailystar.net/frontpage/news/import-20-products-drop-quarter-1949329>

## **Important News: Capital Market**

### **IFC provides USD 30 million to City Bank to support SMEs**

- The International Finance Corporation (IFC) has provided the City Bank Limited with a loan of up to USD 30 million, equivalent to BDT 2.55 billion, to support small and medium enterprises (SMEs) and export-import companies affected by Covid-19 in Bangladesh. This investment has come in the form of working capital support as part of the IFC's USD 8 billion global Covid-19 fast-track financing facility. Small and medium enterprises provide more than 35% of employment in Bangladesh and contribute to a quarter of the country's GDP, said IFC's country manager for Bangladesh, Bhutan and Nepal.

<https://tbsnews.net/bangladesh/ifc-provides-30m-city-bank-support-smes-124741>

### **BSEC approves IPO of Dominage Steel Building**

- The securities regulator on Wednesday approved the IPO (initial public offering) of Dominage Steel Building Systems Ltd which will raise capital worth BDT 300 million. The Bangladesh Securities and Exchange Commission (BSEC) also approved two other proposals of raising an aggregate amount of capital worth BDT 13.50 billion by two private commercial banks issuing perpetual and zero coupon bond.

- As per the BSEC's approval, Dominage Steel Building Systems will go public under fixed price method issuing 30 million shares at an offer price of BDT 10 each. The company will utilize the IPO fund for building construction, setting up electric equipments, purchasing machinery and bearing the IPO expense. As per the financial statement for the year ended on June 30, 2019, the company's net asset value (NAV) per share stood at BDT 19.81. For the same period, the company reported its earnings per share of BDT 1.49. Shahjalal Equity Management is the issuer manager of Dominage Building Systems.

- The securities regulator has allowed Standard Chartered Bank to raise a capital worth BDT8.5 billion issuing zero coupon bond. The bonds are non-convertible, fully redeemable, unsecured, and unlisted. The bond will be issued to different financial institutions, corporates, insurance companies, among others, through private placement.

<https://today.thefinancialexpress.com.bd/stock-corporate/bsec-approves-ipo-of-dominage-steel-building-1598461597>

<https://www.thedailystar.net/business/news/bsec-slaps-fines-approves-2-bonds-ipo-1951677>

<https://www.newagebd.net/article/114605/dominage-steel-allowed-to-find-ipo-cut-off-price>  
<https://www.dhakatribune.com/business/stock/2020/08/26/bsec-approves-dominage-steel-s-ipo-1-350c-in-bonds-for-scb-nccb>

<https://tbsnews.net/economy/stock/bsec-approves-bond-ncc-bank-standard-chartered-bank-124681>

### **Walton starts exporting TVs to Poland**

- Bangladeshi electronics brand Walton has begun exporting televisions to Poland. The first consignment of Walton televisions with "Made in Bangladesh" tags have already been sent to Poland, said a press release on Wednesday. Walton television Division CEO said that Walton plans to export 100,000 units of televisions to European market by next year.

Earlier, Walton signed business agreement with Google to produce smart TVs for western countries. Walton received license from Dolby, a US company, as the only manufacturer in Bangladesh.

<https://www.dhakatribune.com/business/2020/08/26/walton-starts-exporting-tvs-to-poland>

### **Energypac Power gets BSEC approval to go public**

• Energypac Power Generation Limited has received approval for the initial public offering (IPO) through the book-building process. Bangladesh Securities and Exchange Commission (BSEC) in a recent meeting gave the approval for fixing the company's cut-off price through electronic bidding. Through IPO, Energypac will raise BDT 1.50 billion from the capital market. The IPO proceeds will be used to expand the LPG business, repay bank loans and meet the cost of the IPO process. According to the consolidated financial report, for the fiscal year ended June 30, 2019, the company's net asset value per share (NAVPS) with revaluation reserves is BDT 45.15 and NAVPS without revaluation reserves is BDT 30.20. LankaBangla Investments Limited, issue manager of the company's IPO, is responsible for the issue management of the company.

<https://today.thefinancialexpress.com.bd/stock-corporate/energypac-power-gets-bsec-approval-to-go-public-1598371244>  
<https://www.dhakatribune.com/business/stock/2020/08/25/energypac-power-generation-to-enter-stock-market>

### **11 banks face provision shortfall**

• Eleven banks – four state-owned and seven from the private sector – faced a combined provision shortfall of BDT 101.77 billion the end of June this year. According to the central bank's latest approved data, BASIC Bank, a state-run financial institution, topped the list with a provision shortfall of BDT 33.14 billion at the end of June this year. National Bank, a private sector lender, which faced a BDT 16.96 billion provision deficit, occupied second place. Provision shortfall of AB Bank, another private sector lender, stood at BDT 12.14 billion. Rupali Bank faced a provision shortfall of BDT 9.20 billion, Sonali Bank BDT 8.92 billion, Agrani Bank BDT 8.86 billion, Bangladesh Commerce Bank BDT 5.65 billion, Mutual Trust Bank BDT 2.44 billion, Dhaka Bank BDT 2.03 billion, Social Islami Bank BDT 1.98 billion, and Trust Bank BDT 420 million. The rest of the banks have been able to keep more provisions than the amount required by the financial regulator, and thus the banking sector's total provision shortfall stood at BDT 44.99 billion at the end of June 2020.

• As per the data, the banking sector's default loans soared by BDT 36.06 billion in the second quarter of this year despite a waiver on loan classification, and the total amount of the default loans stood at BDT 961.16 billion at the end of June this year. A total 9.16% of the total outstanding loans of the country have defaulted.

<https://tbsnews.net/economy/banking/11-banks-face-provision-shortfall-123763>  
<https://www.newagebd.net/article/114410/11-banks-suffer-BDT-10177cr-provision-shortfalls-till-june>

### **Remdesivir can rake in BDT 7.00 billion**

• Bangladesh's pharmaceutical sector could fetch up to BDT 7.00 billion by the end of fiscal 2020-21 from export of Remdesivir, a broad-spectrum antiviral medication that has proven to be effective for the treatment of severe Covid-19 cases, according to industry insiders.

Eskayef (SK-F), Beacon, Incepta, Beximco, Healthcare and Square are producing a generic version of the drug, which was first developed by American biopharmaceutical company Gilead Sciences. Thanks to its classification as a least-developed country, Bangladesh was granted access to the patent to manufacture and export the drug.

• As such, Eskayef already started shipping the product under its brand name 'Remivir', said the company's director for marketing and sales, adding that he sees good potential for export earnings as global demand is on an upward trend. Eskayef is also in the process of exporting to regulated markets. According to Beacon's director for global business, Bangladeshi companies should be able to export a combined total of at least BDT 7.00 billion of the product this year. The chief operating officer of Beximco, told The Daily Star that his company is exporting Remdesivir to 10 countries, including some in Latin America and the Middle East.

<https://www.thedailystar.net/business/news/remdesivir-can-rake-BDT-700cr-1950581>

### **8 state banks still account for a disproportionate share of classified loans**

• Classified loans in the banking sector rose 3.9% quarter-to-quarter to BDT 961.17 billion in June largely because of a higher volume of risky assets at private and state-run specialised lenders. June's figure accounted for 9.2% of the total outstanding loans, data from the central bank showed. In March, BDT 925.10 billion was classified, which was 9% of the outstanding loans at the time. Private sector banks saw the sharpest increase in the classified loans in the second quarter of the year. They had a combined classified loan of BDT 465.92 billion in June, up 7.2% from a quarter earlier.

• The risky loans at state-owned specialised lenders rose 11.5% to BDT 45.21 billion, which accounted for 15.9% of the outstanding loans. In March, they were sitting on BDT 40.54 billion in classified loans, which were 15.1% of the outstanding loans, BB data showed. Classified loans at state-owned banks nudged up marginally to BDT 429.39 billion at the end of June, against BDT 428.73 billion in March. Foreign banks, however, saw a 0.7% decrease in classified loans to BDT 20.63 billion in June, which was BDT 20.77 billion a quarter earlier.

• Although the classified loans are on the rise, banks in Bangladesh don't seem to be much bothered as only a handful of them are preparing for the likelihood of an increase in defaults. This may be because banks are feeling comfortable as the central bank has given a regulatory forbearance, barring them from classifying loans until September in case of a failure to pay instalments by businesses given the ongoing financial recession. The deadline may be extended to December.

<https://www.thedailystar.net/business/news/8-state-banks-still-account-disproportionate-share-classified-loans-1950577>

### **Banks embark on cost-cutting measures, keeping staffers intact**

• While job termination and salary cuts have created panic in the banking sector, some banks have taken different approaches to minimize operational costs, reducing office space and other expenses to cope with the corona-induced financial losses. For instance, Mutual Trust Bank has decided to relocate its branch office from Gulshan Link Road to a smaller spaced low-cost area to reduce its operating cost. The relocation will save the Bank around BDT 50 million, the bank said. Besides, the Bank is also relocating its other branches,

reducing office building rents, conducting online training workshops, paperless office work, increasing technology-based activities and increasing the number of its officials to work from home, according to the bank source.

- Prime Bank has decided to release 25,000 to 30,000 square feet of space within a few months. The Bank has also requested office building owners to reduce the rents by at least 25% to 30%. Prime Bank managing director said they had already started digital activities, which had gained momentum during the crisis period. Fourth generation NRB commercial bank has already reduced a good portion of its additional expenses. The bank has reduced the cost of deposits and its overhead expenditure. The bank has also reduced its office rents by least 10% to 15%.

- However, five private commercial banks in the country have already implemented salary cut initiatives to adjust operational costs. Of the latest, One Bank on July 9 announced pay cuts for their officers. Earlier, Al Arafah Islami Bank, Exim Bank, City Bank, and AB Bank cut the salaries of their staff.

<https://www.dhakatribune.com/business/banks/2020/08/24/banks-embark-on-cost-cutting-measures-keeping-staffers-intact>

### **Only one insurer goes public since finance minister's warning last year**

- Only one out of the 28 non-listed insurance companies offloaded shares even though Finance Minister in September last year warned that their licences will be cancelled if they fail to go public within three months. The Bangladesh Securities and Exchange Commission (BSEC) in February approved the initial public offering of Express Insurance, a non-life insurer that raised BDT 267 million from the capital market. Some other companies are also trying to get listed. We may see them in the market soon, said the president of the Bangladesh Insurance Association.

- The process has been delayed as the coronavirus pandemic has thrown a spanner in the works, he added. However, questions surfaced over intention of Express Insurance to raise funds as the company will utilise the IPO proceeds as deposits for bank fixed deposit receipts and investment in the stock market. The insurer will invest BDT 206 million in FDR and treasury bonds, BDT 40 million in the capital market and spend the rest on IPO expenses. That means the company didn't need capital at all. It went public only to do the bidding of the minister. If they invest the IPO money in FDR and stock market, why should people go to them rather than asset management companies?" said a top official of a merchant bank asking not to be named.

<https://www.thedailystar.net/business/news/only-one-insurer-goes-public-finance-ministers-warning-last-year-1950585>

### **Bangladesh Securities and Exchange Commission (BSEC) forms body to dig out reasons for DSE's technical glitch**

- Bangladesh Securities and Exchange Commission (BSEC) on Monday formed a high-powered body to look into the reasons that caused technical breakdown on the website of Dhaka Stock Exchange (DSE) in last week. The committee led by the chairman of computer science and engineering department of Dhaka University (DU), will submit its report within seven working days. The technical glitch hampered investors' access to the DSE's website on Wednesday after introduction of the update version of the website on Tuesday's afternoon.

- Investors' sufferings also continued on Thursday although the premier bourse informed that due to maintenance and up-gradation of the website of DSE, the view of the website was temporarily interrupted. Apart from identifying responsible persons, the inquiry committee will also assess the consequences of the technical failure.

<https://today.thefinancialexpress.com.bd/stock-corporate/bsec-forms-body-to-dig-out-reasons-for-dses-technical-glitch-1598287407>

### **Nagad looks to turn into a digital bank**

- Nagad – a state run Mobile Financial Service (MFS) provider that started operation one and a half years ago – now plans on transforming into a digital bank. The digital financial service platform of the Bangladesh Post Office, which quickly became popular by securing second position in the domestic MFS market within a short time with around 35 million users, is now talking with the Bangladesh Bank to obtain a license to commence banking operations. Currently, the country's financial market is saturated with 59 banks. Nagad will be the first digital bank in the country, said the managing director of Nagad.

- The Nagad managing director went on to say that all banking services of Nagad will be given through digital channels, and customers will not be required to go to the branches. Nonetheless, around 10,000 branches of the Bangladesh Post Office all over the country will be used for providing services if customers need to go to branches in case of any emergency. Nagad does not need to bear any extra establishment cost as the Post Office already has all these branches. Currently, Nagad's daily transaction is over BDT 1 billion, according to the company.

- After more than one year of operation, the service platform applied for a license to the Bangladesh Bank in March this year, following the Bangladesh Bank's instruction to banks to stop providing salaries of garment workers under the government stimulus package to MFS accounts which are not under its surveillance. That regulatory instruction forced Nagad to become legitimate by obtaining a license from the Bangladesh Bank. Later, the central bank gave Nagad an interim licence for six months. The MFS service provider has recently requested the Bangladesh Bank to extend the time for another six months as the process for getting a full-fledged license could not be completed during the pandemic situation, said a general manager of the payment systems department of the Bangladesh Bank.

<https://tbsnews.net/economy/banking/nagad-looks-turn-digital-bank-123334>

### **Bangladesh Securities and Exchange Commission (BSEC) serves show-cause notice on Dhaka bourse**

- The securities regulator has asked Dhaka Stock Exchange (DSE) to explain the reasons that caused technical glitches on its website hampering trading activities. On Thursday, the Bangladesh Securities and Exchange Commission (BSEC) served the show cause notice on the bourse following technical glitch on DSE website observed on Wednesday. The BSEC wanted to know the reasons responsible for technical glitches on our website occurred after introduction of a new version, said the DSE's managing director.

- He said that the DSE has already received a reply from their chief technology officer (CTO) regarding technical glitch on the website. They have also discussed the issue with the securities regulator, the DSE's managing director said. The DSE, however, informed

that due to maintenance and up-gradation of the website of DSE, the view of the website was temporarily interrupted. Meanwhile, the DSE regretted for the disruption that caused investors' sufferings.

<https://today.thefinancialexpress.com.bd/stock-corporate/bsec-serves-show-cause-notice-on-dhaka-bourse-1598200341>

### **Bangladesh Securities and Exchange Commission (BSEC) won't put quality IPO proposals on ice**

- The securities regulator has adopted a policy of clearing the quality IPO (initial public offering) proposals within shortest possible timeframe to facilitate timely implementation of issuer's business expansion plans. In last week, the Bangladesh Securities and Exchange Commission (BSEC) approved a workplan to accelerate the IPO proposal process for the sake of issuers and capital market as well.

- Apart from approving the way of determining cut-off prices by Energypac Power Generation, Mir Akther Hossain, and Lub-rref (Bangladesh) under book building method, the incumbent commission has rejected some 10 IPO proposals. The companies whose IPO proposals have been rejected include JMI Hospital Requisite Manufacturing, B Brothers Garments, BD Paints, Beka Garments and Textile, SF Textile Industries, Al-Farouque Bags and Infinity Technology International.

<https://today.thefinancialexpress.com.bd/stock-corporate/bsec-wont-put-quality-ipo-proposals-on-ice-1598107132>

### **Lub-rref gets nod to determine cut-off price for raising funds**

- The securities regulator has allowed Lub-rref (Bangladesh) Ltd to determine its cut-off price required to raise funds from the capital market under the book building method. Under the book building method, Lub-rref (Bangladesh) will raise capital worth BDT 1.50 billion from the capital market. The company's IPO fund will be utilised to expand business operations, repay bank loan and bear the IPO expense. According to company's profile, Lub-rref imports base oil and additives to blend luboil of various formulations to cater to the needs of automobiles and industries. The company produces about 35 items considering multifarious uses.

- The company's automotive products include BNO diesel super, passenger car motor oil, motorbike oil, automotive gear oil, and automotive hydraulic oil. Besides, the company produces industrial products, marine oil products and greases. As per the financial statement for the year ended on June 30, 2019, the company's net asset value per share was BDT 31.93 (with revaluation reserve) and BDT 25.96 (without revaluation reserve). For the same period, the company's earnings per share (EPS) stood at BDT 2.08. NRB Equity Management is the issue manager of Lub-rref (Bangladesh).

<https://today.thefinancialexpress.com.bd/public/stock-corporate/lub-rref-gets-nod-to-determine-cut-off-price-for-raising-funds-1597941428>

<https://tbsnews.net/economy/stock/lub-rref-gets-approval-BDT150cr-ipo-increase-market-share-122155>

### **Express Insurance to make trading debut August 24**

- Express Insurance Ltd. is set to make its share trading debut on both the Dhaka Stock

Exchange (DSE) and Chittagong Stock Exchange (CSE) on August 24 under settlement category 'N'. The DSE trading code for the Express Insurance is 'EIL' and the DSE company code is 25,748 while the CSE scrip ID is 11,040 and scrip code is 'EIL'. Express Insurance, which received regulatory approval from the Bangladesh Securities and Exchange Commission (BSEC) on February 18 this year, raised a capital worth BDT 260.79 million under the fixed-price method.

- The non-life insurer offloaded more than 26.07 million ordinary shares at an offer price of BDT 10 each and raised the said amount. The company's IPO was oversubscribed by six times as the company received about BDT 1.58 billion against IPO shares worth BDT 260.79 million, issue manager sources said. From the IPO proceeds, the company will invest BDT 205.79 million in fixed deposit receipt (FDR) and treasury bonds and BDT 40 million in the capital market, as per the IPO prospectus. AAA Finance & Investment, IIDFC Capital and BLI Capital worked as issue managers of the Express Insurance IPO process.

<https://today.thefinancialexpress.com.bd/public/stock-corporate/express-ins-to-make-trading-debut-august-24-1597941479>

### **Brokers can soon buy more stocks without keeping security**

- The Dhaka Stock Exchange is coming to the rescue of stockbrokers as the premier bourse is set to increase their share buying capacity without the need to keep security deposits. The move comes following demand from brokers who can now buy stocks of BDT 100 million a day without keeping security deposits or providing bank guarantees. Turnover, an important indicator of the market, was BDT 11.55 billion a day on an average in the last two weeks, according to data from DSE.

- The premier bourse has already sought approval from the stock market regulator to raise the limit based on the performance and net assets of the stockbrokers. The limit would be two times the daily average turnover or 50% of the TREC-holder (trading right entitlement certificate-holder) company's net worth, whichever is lower, according to DSE's proposal. The bourse proposed to divide the brokers into five categories from A to E based on their performance.

<https://www.thedailystar.net/business/news/brokers-can-soon-buy-more-stocks-without-keeping-security-1949441>

<https://www.newagebd.net/article/114122/dse-to-reset-limit-on-brokerages-share-buying-without-security-deposit>

### **Rupali's secondary offering plan back on track**

- The plan to offload an additional 15.2% shares of state-run Rupali Bank has been revived after a delay caused by the coronavirus pandemic and the lender's preoccupation in disbursing stimulus packages. Rupali was listed with the stock exchanges in 1986, with 9.8% of its shares now up for trade. The decision to offload another 15.2% shares of the bank came at a meeting on 9 February, where it was decided to list five state-run lenders in the stock market by September as part of the government move to prop up the ailing bourse.

- As per plans, a quarter of the shares of Sonali, Agrani, Janata, Rupali and Bangladesh Development Bank (BDBL) would be offloaded. BDBL is supposed to offload 25% share, Janata and Agrani to offload 10% to a maximum 25% shares. As Sonali acts as a treasury bank for the government, a decision on the country's largest bank would be taken later.

Rupali was supposed to offload the shares by May. But the issue got stuck because of the pandemic, which brought the economy to a standstill and forced the government to keep the country under a strict lockdown at least from 26 March to 30 May before easing resections from June.

<https://www.thedailystar.net/business/news/rupalis-secondary-offering-plan-back-track-1949437>