

Following is a summary of important business news published in the leading daily newspapers of Bangladesh. For the complete news, please follow the online link given below each news. Please note that the news summary doesn't reflect the opinion of BRAC EPL Stock Brokerage Limited.

The rise in investment-GDP ratio confounds

- Bangladesh's investment to gross domestic product (GDP) ratio rose in the just-concluded fiscal year, data from the Bangladesh Bureau of Statistics showed on Tuesday, in what can be viewed as an inexplicable development as most indicators were pointing towards a contrary scenario. The finance ministry itself projected a far lower investment to GDP growth in fiscal 2019-20 as the economy came to a screeching halt in the last quarter for the coronavirus outbreak in the country. BBS data showed the overall investment rose 18 basis points to 31.75% last fiscal year, which was 31.57% in fiscal 2018-19. Private investment went up nine basis points to 23.63% and public investment advanced by the same amount to 8.12% last fiscal year, even though businesses and industries were shut for at least two months before the easing of the nationwide lockdown in June.
- The investment estimate for fiscal 2019-20 is perhaps the hardest to understand, said a former lead economist of the World Bank Dhaka office. Most of the materials Bangladesh uses in investment are imported, the economist said. Construction uses a lot of imported iron and steel. Import of iron and steel declined 4.8% in fiscal 2019-20. Investment in building new factories or expanding existing, one requires capital equipment. The import of capital goods decreased 18.9%. Private investment trends were weak even before the coronavirus pandemic. This was evident from capital machinery imports and credit growth data during the July-February period. Private sector credit growth, one of the key indicators of the investment climate, was 8.61% in the last fiscal year, down from 11.32% a year earlier. Gross foreign direct investment contracted 36.17% and net FDI flow shrank 31.35% in fiscal 2019-20.

<https://www.thedailystar.net/business/news/the-rise-investment-gdp-ratio-confounds-1944221>

Standard Chartered foresees fast recovery for Bangladesh

- Bangladesh may recover faster from the pandemic-ravaged economic slowdown than many other economies, a leading global bank says, analyzing the trends in some key indicators including external balance. Balance of payment surplus, a healthy foreign exchange reserve and very low public debt-GDP ratio are among the factors that give Bangladesh room for boosting the growth, members of the global research team of Standard Chartered Bank said in a digital briefing Wednesday.
- Despite a global recession which is shaping up to be historic in scale, Bangladesh might be one of only two ASEAN and South Asian economies – the other being Vietnam – to register a positive growth in 2020, said Edward Lee, chief economist of Standard Chartered for ASEAN and South Asia. Lower growth will partly be driven by a slowdown in key trading partners, with the Eurozone, US and Middle East likely to contract sharply in FY20 and FY21.

<https://tbsnews.net/economy/standard-chartered-foresees-faster-recovery-bangladesh-118633>

Stimulus for SMEs: Slow progress in fund disbursement

- Banks and non-bank lenders could disburse only BDT 15 billion of the stimulus package until July 30 for smaller firms. The disbursed amount is just 7.50% of total BDT 200 billion financial support meant for small and medium enterprises (SMEs). The support is to help the SMEs weather the adverse impact of the Covid-19 pandemic. Loans amounting to BDT 27.50 billion were sanctioned to more than 8000 SMEs during the period, according to central bank's statistics.
- Senior bankers, however, said that some strict conditions, imposed by the BB on the policy as well as higher operational costs than those of large industrial and service sector loans are mainly responsible for the slower disbursement of such loans. But they are hopeful about increasing the disbursement of such loans after the full operations of the BB-announced Credit Guarantee Scheme (CGS) for cottage, micro and small enterprises. The central bank has already announced the CGS worth BDT 20 billion aiming to expedite financing for the CMS enterprises.

<https://today.thefinancialexpress.com.bd/first-page/slow-progress-in-fund-disbursement-1597251797>

Banks show reluctance to get refinance scheme fund

- Disbursement of refinance to the banks from the Bangladesh Bank's BDT 150 billion-scheme, designed to support the banks with liquidity for implementation of the BDT 300-billion stimulus package, has drawn little attention in around four months of its formation. BB officials and bankers said an increase in excess liquidity in the banking system in the first half of this year along with slow disbursement of stimulus loans are the reasons for the banks' little interest to get refinance.

- Immediately after the announcement of the stimulus package by the government, the central bank formed the refinance scheme for quick implementation of the package in April this year. As per the Bangladesh Bank data, the central bank has so far disbursed BDT 1.52 billion to four banks. The amount disbursed to the banks account for 1.01% of the size of the refinance scheme. The four banks are Prime Bank, City Bank, Trust Bank and IFIC Bank. Apart from these banks, Agrani Bank's application for refinance was being reviewed for processing by the BB.

- Asked about the reason behind the poor demand for refinance loans, Mutual Trust Bank managing director said that although the central bank had already approved a major portion of the stimulus loans, disbursements to clients were being processed. Initially disbursement of stimulus loans to the large industries and services was a bit slow and that's why the applications for refinance loans are not that significant, he said. Demand for the refinance fund by the banks would increase gradually as the disbursement of stimulus loan had gained momentum in the last one month, he said.

<https://www.newagebd.net/article/113336/banks-show-reluctance-to-get-refinance-scheme-fund>

Associated Oxygen under FRC scanner

- The Financial Reporting Council is investigating the financial data of Associated Oxygen Limited on suspicion of anomalies. The Bangladesh Securities and Exchange Commission, however, on July 15 approved the initial public offering of Associated Oxygen despite Dhaka Stock Exchange's reservations about the company's IPO. An IPO panel of the DSE, the country's premier bourse, made the reservations in January this year. Earlier on June 18, 2019, the DSE proposed 'no recommendation' about the company's IPO to the BSEC.

- FRC executive director said that the regulatory body had recently launched an investigation into the Associated Oxygen's financial documents on suspicion of financial flaws. It had sought documents from the company and its auditor Shiraz Khan Basak & Co, he said, adding that the company had already provided the documents sought, but the auditor was yet to respond to the request.

- As per the company's financial statements, the issuer has cash in hand BDT 0.9 million and cash in bank BDT 34,918, and the same situation has continued for the last five years. This indicates that the company has little or no capacity to meet up any future emergencies such as dividend payment to its shareholders, capital machinery purchase or any other foreseeable obligations, DSE IPO panel observed. 'Inventory turnover ratio for the year 2018 was 4.59 times while the industry average ratio was 46.55 times which indicates that the company is not capable enough to turn its inventory to sales, it said.

<https://www.newagebd.net/article/113339/associated-oxygen-under-frc-scanner>

World Stock and Commodities*

Index Name	Close Value	Value Change YTD	% Change YTD
Crude Oil (WTI)*	\$42.57	(\$19.06)	-30.93%
Crude Oil (Brent)*	\$45.29	(\$23.15)	-33.83%
Gold Spot*	\$1,937.94	\$416.47	27.37%
DSEX	4,633.38	180.45	4.05%
S&P 500	3,380.35	149.57	4.63%
FTSE 100	6,154.34	(1,432.71)	-18.88%
BSE SENSEX	38,369.63	(3,272.51)	-7.86%
KSE-100	40,473.18	(261.90)	-0.64%
CSEALL	5,220.57	(908.64)	-14.82%

Exchange Rates

USD 1 = BDT 84.91*
GBP 1 = BDT 110.97*
EUR 1 = BDT 100.33*
INR 1 = BDT 1.14*

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

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