

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.

Country backpedals on growth goal

- Bangladesh backtracks from its ambitious economic growth target as it takes a 'conservative approach' amid possible local and global shocks. In its next eighth five-year plan (FYP), the government looks to expand gross domestic product (GDP) at an 8.5% rate in the terminal fiscal year (FY) 2024-25. In the Perspective Plan 2021, it set a target to the economy to expand at a 10% cent rate at the terminal FY 2021.
- As most local economic indicators are facing a bumpy ride amid a gloomy global economy, considering a realistic target instead of an ambitious one seems to be the way forward which is why the government has proposed to trim the GDP target in its macroeconomic framework in the next FYP to be implemented between FY 2021 and FY 2025. As per the draft FYP, economy will grow at 8.2% in FY 2021, 8.3% in FY 2022 and 2023, 8.4% in FY 2024 and 8.5% in FY 2025.

<https://today.thefinancialexpress.com.bd/first-page/country-backpedals-on-growth-goal-1580839113>

China coronavirus epidemic poses a threat to Bangladesh trade

- Bangladesh's trade and economy may suffer badly due to the ongoing Coronavirus contagion in China, as nearly 28% of the country's import comes from China. China supplies mostly fabrics and garment accessories to local clothing manufacturers, on which Bangladesh's major export sector is highly dependent. More than 40% of its textile and textile-related goods come from China. Nearly 30% machinery comes from there. The country's import from China also includes agricultural machinery, mobile phone sets, electrical and electronics goods, fruits, and essential spices etc.
- Currently, China is observing New Year, the country's biggest festival, and almost all its factories are closed. But after the vacation, supply of goods and raw materials from China may be trimmed, and thus affect Bangladesh's export sectors that are struggling in recent months.
- At present, a number of Chinese people are working in different large infrastructure projects in Bangladesh, including the Padma multipurpose bridge, and they are also contributing to the country's tourism sector as well. However, there is an opportunity for Bangladesh to grab a share of Chinese clothing market, as many foreign buyers will search for alternative sourcing of their products.

<https://thefinancialexpress.com.bd/economy/china-coronavirus-epidemic-poses-a-threat-to-bd-trade-1580705385>

RMG hiccups pull down July-Jan export receipts

- The country's merchandise shipments fell by 5.21% in the first seven months of the current fiscal year over that of the same period of last fiscal year (FY). The total export earnings during the July-January period of the fiscal year (FY) 2019-20 reached USD 22.19 billion against USD 24.17 billion earned in the corresponding period of the last fiscal year. The earnings also fell short of the target by 13% set for the period, according to the latest data of the state-run Export Promotion Bureau (EPB).
- The ready-made garment (RMG) sector is the country's top foreign currency earner, accounting for more than 84% of the total overseas sales. Exporters and officials concerned attributed the overall fall in overseas sales to the declining export receipts from mainly apparel items. Overall export earnings from the garment items, both knitwear and woven, fell by 5.71% during the seven-month period of the current fiscal year. The apparel sector fetched nearly USD 19.06 billion during the July-January period of FY '20 against USD 20.21 billion during the same period a year earlier.
- Unit prices of locally-made garment items declined by 2.49% to USD 13.65 per kg in January last from USD 14.0 per kg in January 2019, Bangladesh Garment Manufacturers and Exporters Association (BGMEA) President said citing data. The volume of RMG exports, however, increased by 2.48% in January last, compared to that a year earlier, the BGMEA chief added.
- According to the EPB data, export earnings from leather and leather goods fell by 10.78% to USD 558.9 million during the period under review from USD 626.42 million of the corresponding period of last FY. Jute and jute goods exports during the period, however, climbed by 20.82% to USD 602.49 million from USD 498.66 million. Agro-products like vegetables, fruits and spice fetched USD 603.91 million, up by 4.19%. Pharmaceuticals exports grew by 8.11% to USD 85.70 million. Frozen and live fish exports fetched USD 337.33 million in the first seven months of this fiscal, registering a negative growth of 6.58%. Export of engineering products fell by 2.28% to USD 194.82 million from USD 199.36 million.

<https://today.thefinancialexpress.com.bd/first-page/rmg-hiccups-pull-down-july-jan-export-receipts-1580838995>

<https://www.thedailystar.net/business/news/exports-remain-sluggish-1863658>
<https://www.newagebd.net/article/98599/export-earnings-slump-by-126b-in-july-jan>

Trade deficit widens by 5.41% in H1 FY'20

- The country's trade deficit increased further in the first half of the current fiscal year 2019-2020 by 5.41% or USD 422 million as the import fall was overshadowed by the export fall. According to the Bangladesh Bank data released on Tuesday, trade deficit increased to USD 8.22 billion in July-December of FY20 from USD 7.8 billion in the same period of FY19. In July-December of FY20, imports fell by 2.72% to USD 27.07 billion from USD 27.82 billion in the same period last year. On the other hand, the country's export earnings dropped by 5.89% to USD 18.84 billion in the first half of FY20 against USD 20.02 billion in the same period of FY19.
- Experts, however, said the fall both in export and import at the same time indicated a slowdown in the country's economy. Considering the import dependency of the country's economy, the fall in import cannot be treated as a positive indication, they said. On the other hand, the slowdown in global economy contributed to the fall in the country's export earnings during the first half of FY20.
- The current account deficit, however, dropped by 60.24%, or USD 2.04 billion, to USD 1.35 billion in July-December of FY20 from USD 3.39 billion in the same period of FY19. The BB data also showed that the country's net foreign direct investments increased by 2.57% to USD 1.36 billion in July-December of FY20 from USD 1.33 billion in the same period of last fiscal year. The net portfolio investment, meant for the investment in the country's capital market, dropped by 48.61%, or USD 35 million, to USD 37 million from USD 72 million.

<https://www.newagebd.net/article/98600/trade-deficit-widens-by-541pc-in-h1>

Defaulted Loans: BDT 501.86 billion rescheduled last year

- Banks rescheduled a record amount of defaulted loans last year as part of their efforts to contain bad debt and show hefty profit. Last year, defaulted loans amounting to BDT 501.86 billion were regularized, the highest on record for a single year, according to Bangladesh Bank data. Of the sum, BDT 185.84 billion was regularized under the central bank's relaxed policy announced on May 16 last year, allowing defaulters to reschedule their classified loans with a down payment of only 2% of the outstanding amount instead of the existing 10-50%. Banks recovered only BDT 4.79 billion as down payment from the loans rescheduled under the relaxed policy.
- The rescheduled loans will become defaulted again as banks regularized those on a wholesale basis without verifying the defaulters' ability to repay, said an executive director of the Policy Research Institute. In fact, BDT 132.84 billion of the soured loans, regularized last year, has already become defaulted, show BB data. This means nearly one-fourth of the rescheduled loans has turned bad again. Actually, this is just an eyewash to camouflage the actual situation of defaulted loans, he said. In November last year, defaulted loans dropped to BDT 969.86 billion from BDT 1.16 trillion two months earlier, as defaulters jumped at the BB offer to reschedule loans under relaxed conditions.

<https://www.thedailystar.net/backpage/news/defaulted-loans-BDT-50186cr-rescheduled-last-year-1863562>

Initial Public Offering (IPO) proceeds spent on business expansion shrink

- The publicly listed companies last year spent smaller amount of initial public offerings (IPOs) proceeds in business expansion compared to previous year amid economic volatility and low-quality IPOs. The nine private firms raised BDT 5.4 billion through the IPOs last year. They spent BDT 4.1 billion or 76% of the total takings for expanding their businesses. The amount collected in 2018 through IPOs was BDT 4.95 billion, of which 85.25% was spent on their business expansion.
- The companies followed two methods, fixed price and book-building, while issuing IPOs in the capital market. Of them, two companies raised BDT 2.5 billion using the book building method, while the rest seven collected BDT 2.9 billion under the fixed price method.

<https://www.dhakatribune.com/business/stock/2020/02/04/ipo-proceeds-spent-on-business-expansion-shrink>

Sonali Bank inks deal with global payments firm Skrill

- Sonali Bank Limited, HomePay, which enables payment platforms to tap into Bangladesh, signed a memorandum of understanding (MoU) with global payments firm Skrill Limited at a function in London on Monday. The collaboration will allow Bangladeshis to use Skrill Money Transfer as a fast and low-cost way to remit money to Bangladesh as well as use Skrill to pay online merchants directly by using their Bangladeshi bank accounts.
- Skrill has been making digital payments simple, secure and quick since 2001. It's an acknowledged world-leader in developing global payment solutions for people's business and personal needs, whether they are buying online or

sending money to family and friends. It also meets the needs of businesses worldwide, helping them to build a global customer base and drive growth.

<https://www.newagebd.net/article/98608/sonali-bank-inks-deal-with-global-payments-firm-skrill>

World Stock and Commodities*

Index Name	Close Value	Value Change	% Change
Crude Oil (WTI)*	\$50.19	+0.58	+1.17%
Crude Oil (Brent)*	\$54.66	+0.70	+1.30%
Gold Spot*	\$1,556.25	+3.33	+0.21%
DSEX	4479.40	-27.48	-0.61%
Dow Jones Industrial Average	28,807.63	+407.82	+1.44%
FTSE 100	7,439.82	+113.51	+1.55%
Nikkei 225	23,350.00	+265.41	+1.15%
BSE SENSEX	40,789.38	+917.07	+2.30%

Exchange Rates**USD 1 = BDT 84.83*****GBP 1 = BDT 110.51*****EUR 1 = BDT 93.63*****INR 1 = BDT 1.19***

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

IMPORTANT DISCLOSURES

Analyst Certification: Each research analyst and research associate who authored this document and whose name appears herein certifies that the recommendations and opinions expressed in the research report accurately reflect their personal views about any and all of the securities or issuers discussed therein that are within the coverage universe.

Disclaimer: Estimates and projections herein are our own and are based on assumptions that we believe to be reasonable. Information presented herein, while obtained from sources we believe to be reliable, is not guaranteed either as to accuracy or completeness. Neither the information nor any opinion expressed herein constitutes a solicitation of the purchase or sale of any security. As it acts for public companies from time to time, BRAC-EPL may have a relationship with the above mentioned company(s). This report is intended for distribution in only those jurisdictions in which BRAC-EPL is registered and any distribution outside those jurisdictions is strictly prohibited.

Compensation of Analysts: The compensation of research analysts is intended to reflect the value of the services they provide to the clients of BRAC-EPL. As with most other employees, the compensation of research analysts is impacted by the overall profitability of the firm, which may include revenues from corporate finance activities of the firm's Corporate Finance department. However, Research analysts' compensation is not directly related to specific corporate finance transaction.

General Risk Factors: BRAC-EPL will conduct a comprehensive risk assessment for each company under coverage at the time of initiating research coverage and also revisit this assessment when subsequent update reports are published or material company events occur. Following are some general risks that can impact future operational and financial performance: (1) Industry fundamentals with respect to customer demand or product / service pricing could change expected revenues and earnings; (2) Issues relating to major competitors or market shares or new product expectations could change investor attitudes; (3) Unforeseen developments with respect to the management, financial condition or accounting policies alter the prospective valuation; or (4) Interest rates, currency or major segments of the economy could alter investor confidence and investment prospects.

BRAC EPL Stock Brokerage Limited

Research

Ayaz Mahmud, CFA	Head of Research	ayaz.mahmud@bracepl.com	01708 805 221
Sadman Sakib	Research Associate	sadman.sakib@bracepl.com	01730 727 939
Md. Rafiqul Islam	Research Associate	mrafiqulislam@bracepl.com	01708 805 229
Md. Mahirul Quddus	Research Associate	mmahirul.quddus@bracepl.com	01709 636 546

International Trade and Sales

Ahsanur Rahman Bappi	Head of International Trade & Sales	bappi@bracepl.com	01730 357 991
----------------------	-------------------------------------	--	---------------

BRAC EPL Research www.bracepl.com

121/B Gulshan Avenue
Gulshan-2, Dhaka
Phone: +880 2 881 9421-5
Fax: +880 2 881 9426
E-Mail: research@bracepl.com