

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.

Government's credit growth target raised for H2

- Higher borrowing of the government during the first half (H1) of the current fiscal year (FY20) compelled the central bank to revise the growth rate of the borrowing significantly upward for the second half (H2) of the year. A meeting of the Bangladesh Bank (BB) monetary policy committee last week made the revision keeping the credit growth rate for the private sector unchanged at 14.80%. The growth of net government borrowing had been set at 24.20% for H1 and 24.30% for H2 when the monetary policy statement for FY20 had been issued in July last. After the revision, the net government credit growth has been set at 37.70% for H2. As a result, the target of domestic credit growth has also been re-fixed at 17.40% for the January-June period of the current fiscal year against 15.90% set earlier.
- The net government borrowing posted around 57% increase in November last against 35.46% in the first five months (July-November) of FY20. The meeting also expressed optimism that the previously-projected 8.20% growth of Gross Domestic Product (GDP) would be achievable in the current fiscal year. The meeting, however, observed that keeping the consumer price inflation rate within 5.50% by the end of the fiscal year may be challenging. The improved supply of goods would help maintain the rate within the target.
- The BB has also decided to increase the money supply moderately during the second half of the current fiscal year. So, the broad money growth rate has been re-fixed at 13.0% for H2 against 12.50% set earlier. The decision to increase the money supply has been taken without bringing any change in the policy rates and to improve supply to the private sector including capital market.
- The central bank was of the view that reduction in rate of lending from export development funds by 100-basis points would also help post positive growth in export earnings by the end of the fiscal year. Exports declined by 5.84% in the first half of the current fiscal year. It also mentioned that due to increase in foreign borrowing by the government to finance mega projects as well as surge in foreign direct investment, there would be USD 410 million surplus in the country's overall balance of payments by the end of FY20.

<https://today.thefinancialexpress.com.bd/first-page/govts-credit-growth-target-raised-for-h2-1579457499>
<https://www.dhakatribune.com/business/2020/01/19/bb-amends-monetary-policy-keeping-private-credit-growth-unchanged>
<https://www.thedailystar.net/business/news/govt-allowed-borrow-more-under-new-monetary-policy-1856278>
<https://www.newagebd.net/article/97097/bangladesh-bank-targets-rise-in-money-supply-in-h2-to-boost-pvt-sector-stocks>

Bangladesh Bank rolls out capital market support plan this week

- The central bank is set to announce a long-term comprehensive plan this week aiming to support sustainable development of the country's capital market. Under the plan, the Bangladesh Bank (BB) will provide both liquidity and policy supports to the banks along with other capital market intermediaries, according to officials. The central bank is working on such liquidity supports to all the share market-related financial institutions at an 'affordable cost' through the scheduled banks in the form of repo (repurchase agreement), they explained.
- Bangladesh Merchant Bankers Association (BMBA) explained the necessity of a BDT 100 billion fund to bring dynamism in the share market. The BMBA earlier sought the fund from the government to rejuvenate the capital market. Besides, the central bank met with senior executives of five leading private commercial banks (PCBs) separately on Thursday on the same grounds, the officials added. When contacted, a senior banker said the meeting discussed the latest overall market situation alongside the role of the banks. The bankers also recommended taking effective initiatives to restore the confidence of investors along with ensuring good governance for revamping the capital market, a banker said.

<https://today.thefinancialexpress.com.bd/first-page/bb-rolls-out-capital-mkt-support-plan-this-week-1579457317>
<https://www.dhakatribune.com/business/2020/01/19/bb-to-ensure-liquidity-for-boosting-capital-market>
<https://www.newagebd.net/article/97100/bangladesh-bank-assures-bmba-of-stock-market-friendly-policies>

Car sales drop for 2nd year on economic downturn, ridesharing services

- The sales of both reconditioned and new cars were falling for the last two years in the private sector level because of decreasing buying capacity, traffic jam in the capital and increase in ownership costs. Apart from the growing number of cars being registered with ridesharing services, a decrease in loan-equity ratio to 50% since 2015 from 70% for purchasing car is another reason for the decline in car sales.
- The import of used cars declined by nearly 50% in 2018-19 and the July-November period of the current fiscal year.

The Bangladesh Road Transport Authority registered 16,783 passenger cars in 2019, down from 18,299 in 2018 and 21,959 in 2017. The registration of microbuses slumped to 3,683 in 2019 from 4,137 in 2018 and 5,575 in 2017 while the registration of pick-ups decreased to 11,952 from 13,907 in 2018 and 13,512 in 2017. The registration of jeeps, purchased mostly by the government with different project funds and higher-class people, grew slightly to 5,630 in 2019 from 5,555 in 2018 and 5,425 in 2017.

<https://www.newagebd.net/article/97099/car-sales-drop-for-2nd-year-on-economic-downturn-ridesharing-services>

Risky loans soaring. BB's plan? Hide figure.

- The central bank is planning to sweep the bulging stressed assets under the rug when it publishes its annual financial stability report in April such that it can paint a rosy picture of the banking sector. Stressed assets, which include default loans, restructured and rescheduled advances, have shot up 18.89% to BDT 2.22 trillion in the six months to June last year, according to data from the Bangladesh Bank. The ratio of stressed assets in the banking sector was 22% of total loans as of June last year, up 16.10% from four-and-a-half years earlier. This has forced the central bank to think of camouflaging the figure, four central bank officials with direct knowledge of the matter said. As of June, default loans in the banking sector stood at BDT 1.13 trillion, while rescheduled and restructured loans amounted to BDT 1.1 trillion.
- The International Monetary Fund and other multilateral lenders and donor agencies have taken into account the figure while assessing our economy. This has created an uncomfortable situation for us, said a central banker requesting anonymity due to sensitivity of the topic. Such risky assets can put adverse effect on banks' balance sheets and profitability because of the need for provisioning against the classified loans and reduced returns on investment, according to a recent central bank report on stressed assets. They also push up the cost of capital, widen assets and liability imbalance and upset the economic value addition by banks.

<https://www.thedailystar.net/business/news/risky-loans-soaring-bbs-plan-hide-figure-1856347>

World Stock and Commodities*

Index Name	Close Value	Value Change	% Change
Crude Oil (WTI)*	\$59.11	+0.57	+0.97%
Crude Oil (Brent)*	\$65.58	+0.73	+1.13%
Gold Spot*	\$1,558.77	+1.53	+0.10%
DSEX	4,149.83	+81.63	+2.01%
Dow Jones Industrial Average	29,348.10	+50.46	+0.17%
FTSE 100	7,674.56	+64.75	+0.85%
Nikkei 225	24,097.11	+55.85	+0.23%
BSE SENSEX	42,263.00	+317.63	+0.76%

Exchange Rates

USD 1 = BDT 84.90*
GBP 1 = BDT 110.40*
EUR 1 = BDT 94.19*
INR 1 = BDT 1.19*

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

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