

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.

Current account deficit improves slightly

■ Despite an increase in the country's merchandise trade gap with the rest of the world in the last fiscal year, current account deficit eases slightly, thanks to robust incoming remittances. Moreover, higher inflow of medium and long-term foreign debts helped the financial account balance post a big surplus in FY'20. As a result, overall balance of payments (BoP) of the country hit a record surplus of USD 3.65 billion in the last fiscal year, which was only USD 179 million in FY'19. The latest BoP table, released by Bangladesh Bank on Tuesday, showed that gap in merchandise trade stood at USD 17.86 billion in FY'20, posting 12.83% growth over the trade imbalance worth USD 15.83 billion in FY'19.

■ Receipts from exports, in terms of Free on Board (FoB) value, declined by 17.10% to USD 32.83 billion in the past fiscal year while payments for imports dropped by 8.56% to USD 50.69 billion during the same period. Deficit in trade in services, however, declined moderately to USD 2.98 billion in FY'20 from USD 3.17 billion in FY'19. Still, the inflow of remittance surged around 11.0% to USD 18.20 billion in the last fiscal year over the previous fiscal. Thus, it helped ease some pressure on current account deficit, which reached USD 4.84 billion in the last fiscal year, falling by around 5.0% from the gap of USD 5.10 billion in FY'19.

■ Bangladesh Bank statistics showed that surplus in financial account jumped by around 35.0% in the last fiscal year to USD 7.95 billion from USD 5.90 billion in FY'19. Despite the decline in foreign direct investment (FDI), as per the provisional BoP of FY'20, there was a big jump in medium and long-term loans in the last fiscal year, which contributed significantly to the surplus in financial account. Central bank statistics showed that medium and long-term loans increased by 11.70% in FY'20 to USD 6.99 billion, which was USD 6.26 billion. It means the country financed its current account deficit largely by foreign credit.

<https://today.thefinancialexpress.com.bd/first-page/current-account-deficit-improves-slightly-1595958727>
<https://www.dhakatribune.com/business/2020/07/28/trade-deficit-widens-to-12-79-in-fy20>

Forex reserves cross USD 37.0 billion for the first time

■ Bangladesh's foreign exchange reserves have crossed the USD 37-billion mark for the first time. According to the central bank, the country's foreign exchange reserves rose to USD 37 billion on July 27. Earlier on July 2, the reserves had crossed the USD 36 billion mark for the first time. According to central bank data, the country received USD 2.24 billion as remittance from expatriates between July 1 and July 27. Before this, the country had never received such a large amount of remittance in a single month. The single-month highest remittance was previously recorded at USD 1.83 billion in June this year.

■ In the 2019-20 fiscal year, USD 18.20 billion came into the country as remittance, which was 10.87% higher than inward remittance in FY2018-19. Bangladesh received USD 16.49 billion in remittances from migrant workers in the 2018-19 fiscal year. Moreover, the country recently received mission funds and some project loans from the World Bank, the Asian Development Bank, Japan International Cooperation Agency (JICA) and others. Funds from the IMF were received just two weeks ago.

■ Another reason behind the increase in remittance is the government's decision to provide 2% incentive on inward remittance from the current fiscal year to discourage migrant workers from sending money through Hundi (illegal channels), said the official. Currently, there are over 10.2 million Bangladeshis working in 174 countries across the world.

<https://tbsnews.net/economy/forex-reserves-cross-37bn-first-time-112801>
<https://www.dhakatribune.com/business/economy/2020/07/28/forex-reserve-hits-record-high-of-37-1-billion>

Bangladesh banks face highest asset yield erosion in Asia-Pacific region: Moody's

■ Bangladesh's banking sector witnessed the highest fall in asset yield in the Asia-Pacific region during the last six years despite the fact that the banks' funding cost declined by more than 2% during the same period, according to a report released by Moody's Investors Service. The report also said that the banking sector in the region would face deterioration in profitability as an impact of coronavirus pandemic. Besides, it said that the efficiency gains from digitalisation would be small as banks were rechanneling cost savings to technology investment while operating expenses of the banks in the region would grow faster as coronavirus outbreak accelerated digital transformation. Moody's Investors Service, an US-based credit rating entity, published the sector in-depth report titled 'Banks – Asia-Pacific: Structural changes hurt profitability, hitting laggard banks harder'.

■ In its evaluation on Bangladesh's banking sector, the report showed that the country's banking sector had witnessed around 1.25% decline in yield against asset. The net interest margin shrank across most APAC systems between 2014 and 2019 as declines in asset yields, a result of accommodative monetary policy adopted by many central banks in the

region, were greater than reductions in funding costs, the report mentioned.

■ About the fall in asset yield in the last six years, Mahbubur, also a former chairman of the Association of Bankers, Bangladesh, said that the interest rate in the country's banking sector dropped significantly during the period and so did the asset yield. Many banks had previously charged up to 20% interest against loans to the small and medium entrepreneurs and the rate has now come down to as low as 9% from April this year as the central bank set the lending rate ceiling for all the sectors at 9%. For around two years, businesses had mounted pressure on the government for introducing single-digit lending rate that prompted the government to instruct the central bank to set the ceiling. In 2014, many banks had issued credit to the SMEs at the rate of 18% and the rate came down to 11% in 2019.

<https://www.newagebd.net/article/112333/bangladesh-banks-face-highest-asset-yield-erosion-in-asia-pacific-region-moodys>

Bangladesh Securities and Exchange Commission (BSEC) rejects Beka Garments, SF Textile IPOs for data manipulation

■ The Bangladesh Securities and Exchange Commission on Tuesday rejected the initial public offering proposals of two companies — Beka Garments and Textile Limited and SF Textile Industries — for showing inflated revenues and profits. BSEC officials said that both companies 'doctored' their financial statements and presented rosy pictures to obtain IPO approvals. The commission found that the companies inflated revenues and profits and overstated inventories and assets in their financial statements. The company showed BDT 131.9 million in profits in its financial year 2019. It also showed BDT 2.2 billion in sales and BDT 2.7 billion in total assets in the financial year.

■ SF Textile showed net profit after tax of BDT 213.3 million for the year 2019 and BDT 217 million for the year 2018. It also showed BDT 1.8 billion in sales and BDT 3.2 billion in total assets in the year 2019. The principal activities of SF Textile are to carry on the business of spinning mills to manufacture all types of cotton, viscose and CVC yarn for export to 100% export-oriented dyeing or textiles industries and export thereof, according to the company's IPO prospectus. Chartered accountant Shiraz Khan Basak and Co is the auditor of the two companies.

<https://www.newagebd.net/article/112334/bsec-rejects-beka-garments-sf-textile-ipos-for-data-manipulation>

Bata Shoe sinks into losses for the first time in its 58-year stay in Bangladesh

■ Footwear giant Bata Shoe has incurred losses for the first time in Bangladesh as it missed the country's main shopping season after people's income was wiped out by the coronavirus pandemic. The sales collapse of the shoes, a basic item, indicated the deep scar the pathogen has created for the economy and its people since the government revealed the country's first coronavirus cases on March 8.

■ Earnings of 51.0% households in the country plunged to zero while a massive 95.0% people suffered losses in income due to the coronavirus outbreak, a recent study of Brac found. The ongoing flood has added another blow. Bata's sales dropped 85.37% to BDT 412.4 million in the second quarter of 2020. Sales dropped 55.37% to BDT 2.0 billion in the first half of the year. Due to the collapse in sales, Bata Shoe sank into losses in the April-June period, giving up BDT 735.1 million, whereas it had netted a profit of BDT 216.8 million a year earlier. Half-yearly loss stood at BDT 706.8 million against a profit of BDT 261.4 million year-on-year.

■ About 25% of Bata Shoe's business comes during the Eid festivals, according to the financial report of the company. So, it ramped up stock three months before Eid-ul-Fitr, the largest religious festival in Muslim-majority Bangladesh. The hope soon dashed after the government imposed a countrywide lockdown on 26 March to contain the soaring cases of coronavirus infections. By the time, the economy was partially opened on 31 May, the shopping season has gone. Eid-ul-Fitr was celebrated on 25 May. Though the government had allowed the limited opening of shops ahead of Eid-ul-Fitr, the turnout of the panicked people was low, so were the sales, said a store manager of the company in Dhaka, requesting anonymity. The store normally posts revenue of BDT 3.0 million in Eid-ul-Fitr during normal times, but it was BDT 0.2 million this year. According to the company secretary, the sales are rising centring Eid-ul-Azha, which is only three days away, but it cannot match the revenue stream recorded during normal times before the pandemic hit.

<https://www.thedailystar.net/business/news/bata-shoe-sinks-losses-the-first-time-its-58-year-stay-bangladesh-1937989>
<https://www.newagebd.net/article/112335/bata-declares-huge-losses-as-covid-19-hits-sales>

World Stock and Commodities*

Index Name	Close Value	Value Change YTD	% Change YTD
Crude Oil (WTI)*	USD 41.06	(USD 20.57)	-33.38%
Crude Oil (Brent)*	USD 43.33	(USD 25.11)	-36.69%
Gold Spot*	USD 1,950.20	USD 428.73	28.18%
DSEX	4,156.55	-296.38	-6.66%
S&P 500	3,218.44	-12.34	-0.38%
FTSE 100	6,129.26	-1457.79	-19.21%
BSE SENSEX	37,934.73	-3707.41	-8.90%
KSE-100	38,221.16	-2513.92	-6.17%
CSEALL	5,105.12	-1024.09	-16.71%

Exchange Rates

USD 1 = BDT 84.75*

GBP 1 = BDT 109.58*

EUR 1 = BDT 99.41*

INR 1 = BDT 1.13*

*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

Symphony, Plot No.: S.E.(F) – 9(3rd Floor), Road No.: 142
 Gulshan Avenue, Dhaka – 1212
 Phone: + (880)-2-9852446-50
 Fax: + (880)-2-9852451-52
 E-Mail: research@bracepl.com