

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.

Forex reserve crosses USD 46 billion

- Bangladesh's foreign exchange (forex) reserve crossed USD 46 billion-mark for the first time on Tuesday mainly due to higher growth of inward remittances, officials said. The forex reserve rose to USD 46.08 billion on the day, setting a new record, from USD 45.93 billion of the previous working day. It was USD 45.01 billion on May 03, 2021. The reserve, one of the major macroeconomic indicators of an economy, touched the USD 41 billion-mark on October 28 and rose to USD 42 billion on December 15 and USD 43 billion on December 30 last year. The country's forex reserve was USD 44.03 billion on February 24, 2021.
- Forex reserve has crossed the USD 46 billion-mark mainly due to higher inflow of inward remittance in the recent months, the deputy governor of the Bangladesh Bank (BB) said. The flow of inward remittances grew by more than 39% to USD 22.84 billion during the July-May period of fiscal year (FY) 2020-21 from USD 16.37 billion in the same period of the previous fiscal year, the BB data showed. The central bank officials, however, said higher inflow of foreign loans and assistants have also helped push up the forex reserve in the recent months.
- Besides, purchasing of the US currency continuously from the commercial banks directly has contributed to achieve the new record of forex reserve, they explained. Nearly USD 8.0 billion, so far, was bought from the commercial banks in the outgoing FY '21 as part of the central bank's intervention into the market, according to the BB officials. The central bank resumed purchasing the USD from the commercial banks in March 2020 after around three years to help the country's forex market remain stable.

<https://today.thefinancialexpress.com.bd/first-page/forex-reserve-crosses-46b-1624992742>

<https://www.thedailystar.net/business/economy/industries/news/forex-reserve-hits-record-46b-2120897>

<https://www.tbsnews.net/economy/forex-reserves-hit-all-time-high-46bn-268132>

Government set for higher bank borrowing in July

- The government is set to start fiscal year (FY) 2021-22 with a higher bank borrowing target for July to adjust expenditure in June and partly finance budget deficit. It may take up to BDT 206.50 billion in gross borrowing from the banking system in July, the first month of FY22, by issuing treasury bills (T-bills) and bonds. Officials said the government's net bank borrowing may reach BDT 80 billion in the single month of July, after deducting BDT 126.50 billion against the government securities that would mature in the month.
- Government borrowing from the banking system normally increases in July... mainly due to adjusting higher expenditure in the previous month, said a senior Bangladesh Bank official. In June, such borrowing rises because of releasing funds for execution of various development projects across the country, he explained. A senior official familiar with the government debt management activities said the bank borrowing target for July was higher considering the entire fiscal target. The government has set a lower borrowing target from the banking system to meet the budget deficit in FY22.

<https://today.thefinancialexpress.com.bd/first-page/govt-set-for-higher-bank-borrowing-in-july-1624992683>

Money whitening scope widened

- Undisclosed money holders have yet another year to legalise their dirty money without facing any question about sources of income through investments in almost all sectors. Black money invested in new factories can now be whitened by paying only a flat 10% tax. The government has offered a special package allowing investment of untaxed money in the manufacturing industry in the next fiscal year on the condition of paying only a 10% tax. Besides, investment of such money will be allowed in the stock market subject to paying 25% regular tax plus a 5% penalty. The undisclosed money can also be parked as cash, bank deposits, and savings instruments on similar conditions, according to the Finance Act.
- The black money owners will be required to pay BDT 200-BDT 6,000 per square metre to legalise investments in apartments and land. The government incorporated a legal indemnity provision amending the Finance Act to bar relevant government agencies from asking any questions about the sources of such undisclosed money in income tax return. There are currently no accurate statistics on the amount of black money in the country. But a finance ministry report in 2010 revealed that the amount would be around 37% of Bangladesh's GDP.

<https://www.tbsnews.net/economy/budget/money-whitening-scope-widened-268153>

<https://www.tbsnews.net/economy/black-money-can-be-invested-stock-market-flats-and-new-industrial-undertakings-267979>

Export development fund size rises to USD 6 billion

- The size of the Export Development Fund (EDF) has been increased again after three months, with it reaching USD 6 billion. Asked about the USD 500 million increase in the fund, the deputy governor of the Bangladesh Bank said that the move was aimed at growing export earnings and exporters' competitiveness in the pandemic. In March, the size of the fund was increased from USD 5 billion to USD 5.5 billion. Earlier in April last year, the size of the fund was increased from USD 3.5 billion to USD 5 billion.
- Under back-to-back letters of credit, members of Bangladesh Garment Manufacturers and Exporters Association (BGMEA), Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA), Bangladesh Textile Mills Association (BTMA), and other export organisations receive loans from the EDF to increase raw material import facilities. BGMEA and BTMA members borrow more from the EDF and their credit limit is also higher. They can borrow up to USD 30 million. The BGMEA vice-president said that they had demanded the EDF be raised to USD 10 billion. He said loans received from the fund play a key role in meeting import costs.

<https://www.tbsnews.net/dropped/trade/export-development-fund-size-rises-6bn-268129>

Only 19 banks offering above 5% interest against deposits

- Only 19 out of 60 banks offered above 5% interest against their deposit products in May as most of them, except several scam-hit banks, are holding adequate liquidity in their hands in the absence of credit demand from both private and public sectors, according to Bangladesh Bank data. Amid the poor credit demand and excess liquidity in the banks, the weighted average deposit rates of the remaining 41 banks dropped below 5%, taking the deposit rate below the inflation of 5.26% in May.
- As a result, making deposits in those banks would ultimately result in devaluation of depositors' money, discouraging depositors to keep money with the banks and prompting them to search for alternative investment scopes like national savings certificates. The weighted average lending rate of 18 banks dropped below 7% in May 2021 as the banks were desperately trying to lure customers amid a very poor credit demand from the businesses. Of the 60 banks, the other 42 banks were charging interest rates ranging between 7-9% except First Security Islami Bank as its weighted average lending rate stood at 9.18% in May.
- Amid the significant decline in deposit and lending rates in the last one year, 27 banks have managed to keep their interest rate spread within 3% while the spread of 33 banks were maintaining interest rate spread above 3%. Amid falling deposit rates, the overall interest rate spread of the banks excluding the interest rates of credit cards has surged sharply to 3.21% points in May from 2.99% points in the previous month.

<https://www.newagebd.net/article/142331/only-19-banks-offering-above-5pc-interest-against-deposits>

Banks, FIs sandwiched between conflicting regulatory issues

- The central bank has requested the securities regulator to amend or fine-tune its directives issued under the corporate governance code (CGC) for the listed banks and financial institutions (FIs). Formed and operated under different laws, the banks and FIs have no scope to comply with such directives, the Bangladesh Bank (BB) pointed out in a recent letter to the Bangladesh Securities and Exchange Commission (BSEC). The directives under the code contradict the directives and rules under the laws relevant to the bank companies and FIs, according to the letter sent to BSEC chairman.
- On the other hand, the BSEC chairman said there was no scope to scrap or amend the CGC meant for ensuring better governance in all the listed companies including banks and FIs. In response to these varied standpoints, experts have suggested reaching a consensus or seeking guidance from the law ministry in this regard. The BSEC had issued the mandatory CGC on June 10 in 2018 that included formation of a nomination and remuneration committee (NRC) by listed companies. But, insiders said the central bank did not recognise such a body due to absence of a provision in this regard in the relevant laws of banking companies and FIs.

<https://today.thefinancialexpress.com.bd/last-page/banks-fis-sandwiched-between-conflicting-regulatory-issues-1624992861>

MFS to pay 30% corporate tax

- Corporate tax on mobile financial services (MFS) will be applicable, like for other companies, at a 30% rate. Previously MFS providers had to pay 32.5% in corporate tax. The slashed tax rate for MFS companies was approved at the National Parliament today. Earlier, in the budget for FY22, the finance minister had proposed increasing corporate taxes on MFS up to 40% from the existing 32.5%, to bring them into the category of banks, insurance companies and other financial organisations that have been paying a 40% tax.

<https://www.tbsnews.net/economy/mfs-pay-30-corporate-tax-267913>

<https://www.dhakatribune.com/business/2021/06/29/mfs-providers-to-enjoy-30-corporate-tax>

Home appliance sales to dry up this Eid

- Sales for home appliances could dry up in the run-up to Eid-ul-Azha as non-essential retail outlets will remain closed during the strict countrywide lockdown beginning tomorrow. The government is set to impose a week-long nationwide curf from July 1 to control the raging Covid-19 infections. Retailers and manufacturers say the curf would affect the business of the electronic home appliance sector during the ongoing peak season, which accounts for 70% of their annual sales. This means the sector is set to suffer losses for the second year running.
- Eid-ul-Azha is the peak season for the refrigerator market as demand rises as people tend to preserve the meat of sacrificial animals. This prompts retailers to come up with offers, including discounts, cash backs and prizes to boost sales. Like in the past, market players also introduced offers to attract customers this year. The general manager of Esquire Electronics, the sole authorised distributor of Japanese brands General and Sharp, said two Eid festivals made up the peak season for home appliance retailers as the working class got festival bonuses and companies offer various offers.
- But, the situation is not favourable as retail outlets will have to shut during the lockdown period, he said. He requested the government relax online sales and delivery options so that people could purchase products digitally and receive the delivery of the items smoothly. If online sales are allowed, some staff will need to go to the office to complete the official procedure and ensure delivery and installation, he noted.

<https://www.thedailystar.net/business/economy/industries/news/home-appliance-sales-dry-eid-2120913>

BB extends interim licensing period for Nagad

- Bangladesh Bank has extended the interim licensing period for Nagad, a fast-growing provider of mobile financial services (MFS), until 30 September. The central bank issued a notification on Tuesday confirming the extension. Earlier, Nagad sought an extension of the interim licensing period for the fourth time to complete the process in line with the central bank's requirement, which was set to expire on 30 June.
- According to the Bangladesh Bank's licensing condition, Nagad will have to transfer the trust cum settlement account to the Bangladesh Post Office from Third Wave Technologies Limited. Trust cum settlement account is a custody account where the legal tender shall be stored against the issuance of e-money by a payment service provider. Nagad is operated by Third Wave Technologies and its customer money is managed in the bank account of Third Wave. It was asked to regularly send statements of the balance of e-money and physical money to the central bank.
- According to the MFS guideline, the balance of e-money and physical money will have to be equal. Though Nagad is sending transaction statements, those are not acceptable to the Bangladesh Bank. It is because Third Wave has loans with two private commercial banks against the fund of the trust cum settlement account. The balance of e-money and physical money cannot be equal until the loans are adjusted.

<https://www.tbsnews.net/economy/bb-extends-interim-licensing-period-nagad-267787>

<https://www.dhakatribune.com/business/banks/2021/06/29/nagad-gets-interim-licence-extended-for-3-more-months>

<https://www.newagebd.net/article/142325/nagad-gets-bbs-interim-approval-extension>

Who owns Nagad?

- In March 2019, Nagad started out as the mobile financial service (MFS) of the Bangladesh Post Office (BPO), and it has since been operated by Third Wave Technologies Ltd. Third Wave Technologies was renamed Nagad Ltd in February this year allegedly without informing the BPO. Now, the government has set out to form a new subsidiary to help it secure a full-fledged licence from the central bank. Although the debate about the ownership of the fast-growing MFS provider is deepening, the most important issue about the service has been hanging in the air: Nagad has been operating without any full-fledged licence from the central bank since its beginning, and its 52.0 million customers are transacting BDT 7.00 billion daily.
- The director-general of the Directorate of Posts, said that they are running Nagad as per our agreement with Third Wave Technologies. The managing director of Nagad Ltd. claimed that the BPO would eventually hold a 51% stake in Nagad Ltd. Although Nagad is the brand name of the MFS of the BPO, Third Wave Technologies did not take any permission from the government agency to change the name, Telecom Secretary said. The number of MFS account-holders was 96.4 million in April, and the average daily transaction through the MFS industry was BDT 21.15 billion in April.

<https://www.thedailystar.net/business/economy/banks/news/who-owns-nagad-2120921>

BSEC to form Shariah board to monitor Islamic products

- The Bangladesh Securities and Exchange Commission has decided to form a Shariah supervisory board to ensure compliance with Shariah laws by Islamic compliant securities. One of the BSEC commissioners said that that the regulator wanted to frame a permanent composition of Shariah board to monitor Sukuk-like Islamic products. He said that the board would ensure compliant requirement of Islamic Shariah in such products. The board might be formed with local and foreign distinguished persons, he said.
- The necessity of Shariah board came to fore after the Bangladesh Export Import Company proposal to issue BDT 30.00 billion in Islamic compliant Sukuk. On June 23, Bangladesh Export Import Company got a letter of intent from the BSEC for issuing BDT 30.00 billion in Islamic compliant Sukuk. The board would supervise the compliance of Islamic Shariah in such products.

<https://www.newagebd.net/article/142329/bsec-to-form-shariah-board-to-monitor-islamic-products>

World Stock and Commodities*

Index Name	Close Value	Value Change YTD	% Change YTD
Crude Oil (WTI)*	\$73.46	\$24.94	51.40%
Crude Oil (Brent)*	\$75.18	\$23.38	45.14%
Gold Spot*	\$1,762.11	(\$132.99)	-7.02%
DSEX	6,042.50	640.43	11.86%
S&P 500	4,291.80	535.73	14.26%
FTSE 100	7,087.55	627.03	9.71%
BSE SENSEX	52,549.66	4,798.33	10.05%
KSE-100	47,137.77	3,382.39	7.73%
CSEALL	7,856.64	1,082.42	15.98%

Exchange Rates

USD 1 = BDT 84.82*

GBP 1 = BDT 117.50*

EUR 1 = BDT 100.93*

INR 1 = BDT 1.14*

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

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