

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.

RTGS transactions rebound to BDT 1.76 trillion in July

- Real-time gross settlement has increased by 17.95% or BDT 268.13 billion in July month-on-month as business and economic activities continue to accelerate defying the risk of coronavirus infection. RTGS is an electronic settlement system where transfer of funds takes place from one account of a bank to that of another bank on a real-time and gross basis and it settles more than or equal to BDT 0.1 million local currency transactions. In July, the volume of transaction through RTGS surged to BDT 1.76 trillion in July from BDT 1.49 trillion in June this year, as per the Bangladesh Bank data.
- The increase in number and volume of transactions represent a rise in business and economic activities, an official of the central bank said. Even though the extent of coronavirus infections in the country is yet not negligible, people are trying to complete their day-to-day activities despite the risk of catching the virus, the official said. Prime Bank managing director said that it's a positive sign and testament to the country's progress towards embracing digital financial solutions.'

<https://www.newagebd.net/article/113954/rtgs-transactions-rebound-to-BDT-176176cr-in-july>

Saving costs: Banks moving to cyberspace from brick and mortar

- Banks are now re-engineering their business strategies to cope with the "new normal" amid the pandemic and the lending rate cap regime. Prime Bank – one of the largest private banks in the country – has decided to cut office space by around 50,000 square feet by December this year as part of its cost minimization plan. Around 30% of the bank's 3,150 employees are attending the office physically for the last several months in the wake of the pandemic, while the remaining 70% have been working from home. The bank will continue this remote work policy permanently to minimize rental expenditures. Internet registration has increased three to four times during the pandemic situation. Prior to the coronavirus outbreak, monthly internet banking registration was 400 which increased to above 1,500 in April.
- BRAC Bank – the largest SME (small and medium enterprise) centric bank having the largest network of SME offices across the country – is also planning to reduce its dependence on real estate for offices. The bank has decided to start a remote working system for its employees. Around 500 among 1,200 employees of the bank have been attending office physically since the coronavirus outbreak in the country. The bank will continue this practice. The bank has also cut its travelling and training costs as all training programmes are currently being held virtually. This practice will continue in the future. Customers also have adapted to digital banking as online banking registration of the bank has now improved to 15,000 to 20,000 per month, which was between 4,000 and 5,000 before the virus outbreak.
- Meanwhile, Mutual Trust Bank has taken steps to reduce its operational cost. The bank will release an office building by January next year which will save it annual rental expense of BDT 500 million. Moreover, the bank will revise down its office rents by 15-20% for at least six months. The bank has also invested heavily in digitalization. It has purchased a software that enables its employees to access the office server and work remotely.

<https://tbsnews.net/economy/banking/saving-costs-banks-moving-cyberspace-brick-and-mortar-121699>

Banks keep imposing higher rates on credit cards, flouting BB instructions

- Most commercial banks are imposing staggeringly high interest rates on their credit cards bills, violating Bangladesh Bank (BB) regulations. Some of them are even charging as high as 27%, according to the BB. Banks cannot charge more than 5% on top of the highest interest rate of a consumer loan for credit cards, meaning the rate could go as high as 14%, as per BB regulations on credit card operations.
- It was not possible to reduce interest rate on credit cards because the operating costs of such cards were high, said the former Chairman of the Association of Bankers, Bangladesh (ABB). The interest rates of credit cards are also high in other countries of the world, he added. The credit card business was not doing well amid the pandemic, said bankers. The Head of Card of Southeast Bank said clients made a majority of their payments for travel, tourism and lifestyle products through credit cards. But all the activities had reversed due to the deadly virus, he added.
- According to the Bangladesh Bank data, 35 banks are operating credit card business, out of the total 60 banks in the country. The 35 banks had 1.56 million credit cards till January this year. Credit card transactions in the country declined to BDT 5.23 billion in April from BDT 11.35 billion of the previous month due to the economic fallout caused by the COVID-19 pandemic.

<https://www.newagebd.net/article/113817/42pc-drop-in-june-july-income-though-economy-reopens>

July wage growth drops to 5.82%

- Wage growth in July dropped to 5.82% from 5.90% in June as a result of declining wages in all three sectors — agriculture, industry and services— due to the fallout of coronavirus outbreak in the country. Monthly wage of low-paid skilled and unskilled labour engaged in agriculture, industry and services dropped in the month, according to the Bangladesh Bureau of Statistics data. The wage index rates for industry and services also dropped to 5.18% and 5.52% respectively in the month from 5.31% and 5.78% in the previous month.
- On Tuesday, the Power and Participatory Research Centre and the BRAC Institute of Government Development in findings of a survey conducted by them jointly said that household income in June-July remained on average 42% below the pre-COVID-19 level despite resumption of economic activities. Urban slum dwellers experienced the highest income drop — 43% — followed by rural people 41% in June-July, they said.
- According to the BBS data, the point-to-point inflation dropped by 0.49% points to 5.53% in July, the first month of the current fiscal year 2020-2021, from that of 6.02% in June mainly due to a decline in the food inflation. The point-to-point inflation in June had increased to 6.02% from 5.35% in May due mainly to the coronavirus outbreak-induced price hike of essential food items. According to the BBS data, both the general and food inflation decreased in both the urban and rural areas in July from the previous month.

<https://www.newagebd.net/article/113947/july-wage-growth-drops-to-582pc>

Shocks await banks next year. Should they begin preparations now?

- Many businesses are now living on a knife edge, and it is widely expected that the pandemic will leave a lasting legacy of bankruptcies and redundancies. Common sense would dictate that banks would be doing the groundwork such that when the catastrophe takes place, they would not be dragged six feet under along the way. In fact, three of the biggest American banks have taken preparations for this eventuality, putting aside a combined USD 28 billion in provisions for current and future loan losses as part of their efforts to absorb the shocks emanating from the ongoing economic meltdown.
- But in Bangladesh, banks are feeling comfortable as the central bank has given a regulatory forbearance, barring them from classifying loans until September in case of a failure to pay instalments by businesses given the ongoing financial recession. The deadline may be extended to December. The comfort may not last. The default loans may escalate alarmingly when the moratorium period expires as a large number of businesses are seeing their capacity to pay back loans is eroding gradually. If banks don't start preparing to keep provisioning immediately to tackle the future shocks, the entire financial sector will face deep trouble, said the executive director of the Policy Research Institute of Bangladesh.
- Both the lenders in Western nations have received moratorium support to survive during the ongoing economic hardship, but they have also taken a mega programme to protect their financial health by increasing provisioning, he said. The central bank should carry out a study immediately on the financial sector to take the stock of the actual condition of both businesses and banks, said a former high official of the International Monetary Fund. Based on the findings, BB may pursue banks to put aside the required amount of fund for provisioning. Besides, the central bank should restrict banks to give dividends to shareholders for 2020.

<https://www.thedailystar.net/business/news/shocks-await-banks-next-year-should-they-begin-preparations-now-1947997>

Large companies foresee poor sale, tax payment

- Most of the large taxpayers are apprehending a sharp slide or poor growth in their sale and probable payment of consumption tax in the current fiscal year (FY), 2020-21. The Large Taxpayers Unit (LTU) contributes 65% of the NBR's total VAT collection. There are some 170 large companies under the unit.
- Among the sectors, revenue from tobacco contributes majority of the LTU's earning. There might be eight to 10% drop in sale of cigarettes in current FY, industry insiders said. The situation slightly improved in the months of June and July. But, British American Tobacco, Bangladesh (BATB), which pays the highest amount of VAT, has projected only 1.0% growth in the current FY over the corresponding year, said a senior VAT official. Pharmaceutical sector is facing crunch of raw materials in procuring those from their main source - China. So production of drugs might face a blow in near future, if immediate steps are not taken, the official further said. On the other side, mobile phone operators said use of mobile phone went down by at least 20% in the COVID pandemic due to slowdown of businesses' activities.

<https://today.thefinancialexpress.com.bd/first-page/large-companies-foresee-poor-sale-tax-payment-1597858712>
<https://www.newagebd.net/article/113953/most-large-corporate-taxpayers-project-dismal-business-in-fy21>

Floods destroy crops worth over BDT 13 billion

- The consecutive floods this year have caused damage to crops having market value of BDT13.23 billion in 37 districts of the country. Crops on 0.159 million hectares of land were totally damaged by the floods that first started on June 25 last. The agriculture minister said his ministry has already distributed farm inputs worth BDT 175.4 million to 0.239 million flood-affected farmers.

<https://today.thefinancialexpress.com.bd/first-page/floods-destroy-crops-worth-over-BDT13b-1597858586>

Tax receipts from Dhaka Stock Exchange (DSE) drop 4.0% in July

- The government's revenue earnings from the Dhaka Stock Exchange (DSE) fell nearly 4.0% in the first month of the current fiscal year, after hitting 10 years low in the last fiscal. Market analysts said the sluggish trading activities due to Covid-19 pandemic coupled with low share sales by sponsor-directors impacted the government's revenue earnings from the DSE in the first month of the Fiscal Year (FY) 2020-21. The government bagged revenue worth BDT 188 million in July, 2020 which was BDT 195 million in July, 2019, according to data available with the DSE. The government earned the amount on TREC (trading right entitlement certificate) holders' commission and share sales by sponsor-directors and placement holders.

<https://today.thefinancialexpress.com.bd/stock-corporate/tax-receipts-from-dse-drop-40pc-in-july-1597855058>

Beacon Pharma sets up dedicated antibiotic plant for BDT 2.50 billion

- Beacon Pharmaceuticals is set to inaugurate a new facility today to manufacture antibiotics exclusively -- a venture that is likely to fetch the company BDT 1.00 billion in export receipts a year. The plant, which sits on 3 acres of land in Bhaluka upazila of Mymensingh district, cost BDT 2.50 billion and was set up in compliance to Good Manufacturing Practice Regulations promulgated by the US Food and Drug Administration. It will be dedicated to manufacturing cephalosporins, which are a large group of antibiotics that kill a wide range of bacteria in a similar way to penicillin. They bind to and block the activity of enzymes responsible for making an important component of the bacterial cell wall.
- The plant will be run under its new sister concern, Beacon Cephalosporins. They spent five years to set this new sophisticated facility to conform to the highest international standard like that of the US FDA, UK MHRA, TGA Australia, the managing director of Beacon Pharmaceuticals said. Though their pharmaceuticals are already produced under strict standards, a little more is needed for specific antibiotic products, for which the new facility was created, he said. The facility was up one year back and all this time they had been carrying out trial runs to perfect the quality of their products. Beacon Pharma MD expects to export drugs worth BDT 1.00 billion per year from this facility upon meeting local demand.

<https://www.thedailystar.net/business/news/beacon-pharma-sets-dedicated-antibiotic-plant-BDT-250cr-1947985>

Walton AC sales increase this summer

- Local electronics giant Walton witnessed a sharp rise in its air conditioner (AC) sales in this year summer season following the sweltering heat wave across the country. To cater more customers, Walton brought new models of air conditioners with advanced features at reasonable prices, said a press release. Besides, the brand offered some lucrative benefits to customers, including 100% cash discounts, cash vouchers up to 50% of the paid amount, free installation and AC exchange facility, it added. From E-plaza, customers can purchase Walton's 1.5 ton Ionizer AC at BDT 32,435 and 1 ton AC at BDT 27,675, the release informed.

<https://www.dhakatribune.com/business/2020/08/19/walton-ac-sale-increases-this-summer>

Pandemic buoys demand for automation among local businesses

- The ongoing coronavirus pandemic has brought about many changes to everyday life, especially the way people deal with the outside world. Those who were previously sceptical about buying products online now fully trust digital shopping platforms to honour electronic payments and deliver the goods to their doorsteps as maintaining social distancing is an integral part of the new normal. Similarly, executives who loved to hold meetings face-to-face have now shrugged off their technophobia and carry out such activities online.
- Software developers are now receiving numerous queries about their services, according to the managing director and chief executive officer of Skylark Soft, a local IT firm that markets automated production tracking systems for garment exporters. They saw some unexpected sales and are also getting good feedback. They are seeing more interest than usual among large-scale garment producers, he added. The coronavirus outbreak seems to have actually simplified things as everyone now appreciates the importance of automation.

<https://www.thedailystar.net/business/news/pandemic-buoys-demand-automation-among-local-businesses-1947989>

World Stock and Commodities*

Index Name	Close Value	Value Change YTD	% Change YTD
Crude Oil (WTI)*	\$42.49	(\$19.14)	-31.06%
Crude Oil (Brent)*	\$44.98	(\$23.46)	-34.28%
Gold Spot*	\$1,950.82	\$429.35	28.22%
DSEX	4,789.38	336.45	7.56%
S&P 500	3,374.85	144.07	4.46%
FTSE 100	6,111.98	(1,475.07)	-19.44%
BSE SENSEX	38,614.79	(3,027.35)	-7.27%
KSE-100	40,154.11	(580.97)	-1.43%
CSEALL	5,351.03	(778.18)	-12.70%

Exchange Rates

USD 1 = BDT 84.64*

GBP 1 = BDT 110.84*

EUR 1 = BDT 100.26*

INR 1 = BDT 1.13*

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

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