

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.

### Financial sector clocks lower growth in FY'20

- All the financial sub-sectors recorded decline in their growth rates in the immediate past fiscal year (FY 2019-20). The sub-sector (monetary intermediation) had the worst time in many years. Overall the financial sector's contribution to the gross domestic product (GDP), however, dropped only nominally during the period under review. The ongoing Covid-19 pandemic did cause disruptions to the sector in the final quarter of the year. But loan scams, soaring non-performing loans (NPLs), problems with interest rates and low demand for funds from the private sector, among others contributed to the substantial decline in the growth of the financial sector, according to experts.
- According to the Bangladesh Bureau of Statistics (BBS) data, the financial sub-sector's growth dipped to 4.46% in FY 2020 from that of 7.38% in FY 2019. Its contribution to GDP was 3.39% in FY 2020, which was 3.42% in FY 2019. The economists said the ongoing coronavirus pandemic hit hard the banking sector transactions in the last quarter of FY 2020, but the sector's growth should not have dropped by such a big margin. The Executive Director of the Policy Research Institute said that the FE that the overall economic scenario had not been that satisfactory during the last three years.
- With erosion in people's confidence in the financial sector, the economy did fail to expand at the expected rate over the years, he added. Since the previous scams were not addressed properly, many people could not keep their trust on the banks, which has been reflected in their annual growth trend over the last three years, he added. The Executive Director of the Economic Research Group added that poor loan recovery in the banking sector may have led to huge write-offs that reduced financial assets, without necessarily reducing income in that sector by same proportion.

<https://today.thefinancialexpress.com.bd/first-page/financial-sector-clocks-lower-growth-in-fy20-1598116778>

### Big opportunity beckons local MMF segment

- The US buyers are shifting their apparel sourcing base from China, offering an opportunity for the countries like Bangladesh to further develop their apparel industry especially in the manmade fibre (MMF) segment, industry people said. The potentials have also been hinted by a recent US study titled '2020 Fashion Industry Benchmarking Study' by the US Fashion Industry Association and University of Delaware. MMF apparel could be a potential new growth engine for Bangladesh's exports, as US fashion companies are eager to diversify sourcing from China, and the sourcing capacity in Vietnam is not available, the report reads.
- The COVID-19 and the escalating US-China trade war have exerted significant and broad impacts on US fashion companies' sourcing practices, it said, adding COVID-19 and the trade war are pushing US fashion companies to reduce their 'China exposure' further. All the respondents of the study said they have "moved some sourcing orders from China to other Asian suppliers. Citing US official trade statistics, the report said that the value of Bangladesh's MMF apparel exports to the US enjoyed a 5.5% growth in the five months of 2020.
- The production of MMF items requires huge investment in backward linkage and there are hardly few ones who want to invest amid absence of required infrastructure including sufficient gas supply, the managing director of Rising Group said. He also said that buyers offer better price for MMF items.

<https://today.thefinancialexpress.com.bd/last-page/big-opportunity-beckons-local-mmf-segment-1598116373>

### Fund crunch hits hospitality industry

- Hoteliers have been trying to reopen their establishments on a limited scale across the country by following health guidelines except for Dhaka as these are mostly dependent on foreign business and corporate travelers. According to experts, the hospitality industry is in the grip of unprecedented financial crises and uncertainty of quick recovery of losses they have incurred so far. The situation is better in areas outside Dhaka considering the domestic tourist movement. From March last, many hotels have suspended operation while many of them are closed after the government had announced general holidays across the country limiting movement to contain the spread of coronavirus. As of now, some hotel owners cannot open their establishments as they have outstanding rent to building owners and no working capital. So, they can reopen their hotels and run the business even if there is no guest. Industry insiders said the whole hospitality industry is facing an uncertain future with more people losing job, rise in the number of loan defaulters and closure of more establishments due to a shortage of working capital to rerun the business. As many as 0.31 million are at risk of losing job.
- The situation of hotel business is particularly worse in Dhaka as these are dependent on business, corporate,

diplomats and development agency travellers. Over 60% guests of hotels, motels, guesthouses and resorts outside Dhaka are local while it is 90-95% foreigners for Dhaka.

<https://today.thefinancialexpress.com.bd/last-page/fund-crunch-hits-hospitality-industry-1598116550>

### **Bangladesh Securities and Exchange Commission (BSEC) won't put quality IPO proposals on ice**

- The securities regulator has adopted a policy of clearing the quality IPO (initial public offering) proposals within shortest possible timeframe to facilitate timely implementation of issuer's business expansion plans. In last week, the Bangladesh Securities and Exchange Commission (BSEC) approved a workplan to accelerate the IPO proposal process for the sake of issuers and capital market as well.
- Apart from approving the way of determining cut-off prices by Energypac Power Generation, Mir Akther Hossain, and Lub-reff (Bangladesh) under book building method, the incumbent commission has rejected some 10 IPO proposals. The companies whose IPO proposals have been rejected include JMI Hospital Requisite Manufacturing, B Brothers Garments, BD Paints, Beka Garments and Textile, SF Textile Industries, Al-Faruque Bags and Infinity Technology International.

<https://today.thefinancialexpress.com.bd/stock-corporate/bsec-wont-put-quality-ipo-proposals-on-ice-1598107132>

### **June foreign loans stand at record USD 1.98 billion amid virus**

- The government received a record USD 1.98 billion in loans from donor countries and agencies in June amid the coronavirus pandemic, reports bdnews24.com. The previous highest total foreign loans in a month for Bangladesh was USD 1.43 billion in June 2018. In the fiscal year that ended on June 30, the country received a total of USD 7.27 billion in foreign loans, a record for a financial year with 17.2% year-on-year growth. And more than half of the amount, or USD 3.76 billion, came in the last four months of the fiscal year after the government detected the first coronavirus cases in the country.
- Besides implementing the stimulus package domestically to offset the impact of the COVID-19 pandemic, the government applied for loan assistance by depicting the correct picture of our economy. The donors responded well after we called for help," Finance Minister said. Though the economy almost stalled for the last three months of the fiscal year 2019-20 due to the outbreak, the government did not face a big crisis, thanks to "good" loan flows from abroad, said an economic researcher.
- "The situation had fuelled the government's tendency to borrow from the banks. It had appeared once that the government's bank borrowing would cross BDT 1 trillion. But the foreign loans finally kept the government from borrowing from local banks and the total bank loans stood at about BDT 600 billion. The executive director of Policy Research Institute of Bangladesh (PRI), also thinks that the foreign loans contributed to foreign currency reserves surpassing USD 38 billion for the first time.

<https://today.thefinancialexpress.com.bd/public/trade-market/june-foreign-loans-stand-at-record-198bn-amid-virus-1598022232>

### **Banks' excess liquidity hits record BDT 1.40 trillion**

- Banks' excess liquidity hit the all-time high of around BDT 1.40 trillion in June, fuelled by the government's higher borrowing from the country's banking system to partly meet its budget deficit. Lower private sector credit growth also pushed up excess liquidity in the banking system, according to bankers. Private sector credit growth decelerated continuously in the recent months following lower credit demand due to supply chain disruption amid the ongoing coronavirus pandemic, they explained. Surplus liquidity surged by more than 55% to BDT 1,395.58 billion as on June 30, from BDT 899.09 billion three months before, according to the central bank's latest statistics.
- The government's borrowing from the banking system through issuing treasury bills (T-bills) and bonds more than doubled in the last fiscal year (FY), 2019-20, to partly finance its budget deficit. The government securities, covering both T-bills and bonds, are considered as liquidity while calculating the excess liquidity in the banking system. Around 90% of the excess liquidity has already been invested in the government-approved securities as a risk-free investment for banks," a senior official of the Bangladesh Bank (BB) said.
- Such liquidity may increase slightly in the coming months, as the government's higher bank borrowing may continue, mainly due to the ongoing Covid-19 pandemic, the central banker predicted. He also said slashing of policy rates, including cash reserve requirement (CRR), by the BB has also helped boost excess liquidity in the banking system during the period under review. A former chairman of the Association of Bankers, Bangladesh (ABB), said lower private sector credit growth has also pushed up excess liquidity in the banking system.

<https://today.thefinancialexpress.com.bd/public/first-page/banks-excess-liquidity-hits-record-BDT-140t-1597945365>

### Lub-rref gets nod to determine cut-off price for raising funds

- The securities regulator has allowed Lub-rref (Bangladesh) Ltd to determine its cut-off price required to raise funds from the capital market under the book building method. Under the book building method, Lub-rref (Bangladesh) will raise capital worth BDT 1.50 billion from the capital market. The company's IPO fund will be utilised to expand business operations, repay bank loan and bear the IPO expense. According to company's profile, Lub-rref imports base oil and additives to blend luboil of various formulations to cater to the needs of automotives and industries. The company produces about 35 items considering multifarious uses.

- The company's automotive products include BNO diesel super, passenger car motor oil, motorbike oil, automotive gear oil, and automotive hydraulic oil. Besides, the company produces industrial products, marine oil products and greases. As per the financial statement for the year ended on June 30, 2019, the company's net asset value per share was BDT 31.93 (with revaluation reserve) and BDT 25.96 (without revaluation reserve). For the same period, the company's earnings per share (EPS) stood at BDT 2.08. NRB Equity Management is the issue manager of Lub-rref (Bangladesh).

<https://today.thefinancialexpress.com.bd/public/stock-corporate/lub-rref-gets-nod-to-determine-cut-off-price-for-raising-funds-1597941428>

<https://tbsnews.net/economy/stock/lub-rref-gets-approval-BDT150cr-ipo-increase-market-share-122155>

### Express Insurance to make trading debut August 24

- Express Insurance Ltd. is set to make its share trading debut on both the Dhaka Stock Exchange (DSE) and Chittagong Stock Exchange (CSE) on August 24 under settlement category 'N'. The DSE trading code for the Express Insurance is 'EIL' and the DSE company code is 25,748 while the CSE scrip ID is 11,040 and scrip code is 'EIL'. Express Insurance, which received regulatory approval from the Bangladesh Securities and Exchange Commission (BSEC) on February 18 this year, raised a capital worth BDT 260.79 million under the fixed-price method.

- The non-life insurer offloaded more than 26.07 million ordinary shares at an offer price of BDT 10 each and raised the said amount. The company's IPO was oversubscribed by six times as the company received about BDT 1.58 billion against IPO shares worth BDT 260.79 million, issue manager sources said. From the IPO proceeds, the company will invest BDT 205.79 million in fixed deposit receipt (FDR) and treasury bonds and BDT 40 million in the capital market, as per the IPO prospectus. AAA Finance & Investment, IIDFC Capital and BLI Capital worked as issue managers of the Express Insurance IPO process.

<https://today.thefinancialexpress.com.bd/public/stock-corporate/express-ins-to-make-trading-debut-august-24-1597941479>

### Steel makers groan under tax burden

- Multiple tax burdens and a one-sided tax implementation system are a great impediment to the growth of steel re-rolling industries in the country, said concerned industrialists. According to the industry people, the sector has suffered losses amounting to BDT 100.00 billion since the outbreak of the Covid-19 pandemic in March this year. Meanwhile, sales in the sector have dropped by 60%. Pointing out that the current taxation system pulls back the growth of the industry, the managing director of Bangladesh Steel Re-Rolling Mills Ltd (BSRM), said that even after the government's claim to have reduced tax rate, the sector is paying around 60-70% income tax.

- The vice-chairman of PHP Family said that imposing tax at multiple stages does not ensure a healthy environment for businesses. He recommended that the government adopts a single-stage taxation policy. The managing director of Metrocem Ispat and secretary general of the BSMA, said advance income tax (AIT) and advance tax (AT) are the biggest barriers to an import-based industry like steel re-rolling. The industry association has been demanding that the value-added tax (VAT), advance tax, advance income tax (AIT) and regulatory tax should be lowered to help the sector regain lost business and overcome the shock of Covid-19 that bled the sector white.

- They added that the government has not refunded any advance income tax in the last 5-7 years. Some BDT 20.00-30.00 billion refundable tax of the sector is stuck with the revenue board. The steel sector witnessed a double-digit growth over the past several years and local demands boomed until February riding on the mega development projects before the heavy industry entered into bad times in March. With sales plummeting since then, the steel industry is running dry of cash.

<https://tbsnews.net/economy/industry/steel-makers-groan-under-tax-burden-122662>

### Finance minister expects USD 25 billion remittance inflow in FY21

- Bangladesh's inward remittance flow could rise to USD 24-25 billion in the fiscal year (FY) 2020-21. In FY20, the country received USD 18.21 billion remittance – highest in a fiscal year. In July, the first month of the current fiscal

year, the country received USD 2.60 billion remittance which is also a record remittance for a signal month. The country's foreign currency reserve is rising with the growth in remittance inflow. On August 17, forex reserves crossed USD 38.15 billion for the first time. Despite all of these positive trends, experts held a negative view about remittance and forex reserve growth as Covid-19 had recently brought many expatriates home.

- Policy Research Institute Executive Director said that the current inward remittance flow is not a real one. Many expatriates are waiting to return home soon. So, they are sending their savings. Around 0.25 million migrants have returned home amid the pandemic, according to the Brac Migration Programme.

<https://tbsnews.net/economy/finance-minister-expects-25bn-remittance-inflow-fy21-122206>

### **Inflation drops again**

• Inflation fell 49 basis points to 5.53% in July compared to a month earlier, led by the fall in food prices. July's figure is also nine basis points lower than the headline inflation in the same month of the just-concluded fiscal year, data from the Bangladesh Bureau of Statistics (BBS) showed. Food inflation declined 84 basis points to 5.7% in the first month of the new fiscal year from a month earlier. Non-food inflation nudged up six basis points to 5.28%.

• Headline inflation decreased relative to June primarily due to a significant decrease in food inflation in both rural and urban areas, said a former lead economist of the World Bank's Dhaka office. An increase in the price of non-food items in urban areas led to an increase in the non-food inflation, he said. Rice prices increased in August. Ensuring an adequate supply of essential food items in the local markets will be critical for bringing food inflation down further to ease the sufferings of the poor and vulnerable population, the economist said. Increase in non-food inflation in urban areas was driven by an increase in transport, pharmaceuticals and furniture, furnishing and household equipment. These resulted from both increases in cost and demand. The biggest concern is the acceleration in prices of pharmaceutical products. Inflation in this category is in double digits since April, the economist said.

<https://www.thedailystar.net/business/news/inflation-drops-again-1948469>

### **Factory activity slumps by more than a quarter in April**

• Manufacturing activity in Bangladesh dropped as much as 28.78% in April from a month earlier, official figures showed, in a first glimpse of the major blow the coronavirus pandemic dished out to the economy. It declined 25.57% in April from a year earlier, according to the Quantum Index of medium and large-scale manufacturing industries, mining and electricity prepared by the Bangladesh Bureau of Statistics (BBS). The manufacturing activity came to a screeching halt on 26 March after the government was compelled to enforce a countrywide lockdown to curb the spread of the coronavirus. As a result, the general manufacturing production index dropped to 282.60 in April, from 396.85 in March this year and 379.71 in April last year.

• A former lead economist of the World Bank's office in Dhaka said the recession in manufacturing may have deepened in May followed by some recovery in June as restrictions on mobility and assembly were eased. The resulting recovery in productivity and confidence will be hard to sustain if the community transmission of the virus is not brought under control, he said.

<https://www.thedailystar.net/business/news/factory-activity-slumps-more-quarter-april-1948473>

### **Import of 20 products drop by a quarter**

• Import of 20 items dropped by 25% in the fiscal year 2019-20 compared to the previous fiscal year, shows customs and NBR data. Importers and customs officials said the main reasons for the drop in imports were closure of industrial units and fewer vehicles plying amid the pandemic since March. The other reasons include decline in power demand, hike in prices of some goods in the international market, fall in demand of some products, and increase in production of some others in the domestic market, they said.

• According to data from Chittagong Customs House and National Board of Revenue (NBR), the total import volume of these 20 items came down to 20.9 million tonnes totaling BDT 325.44 billion in 2019-20 from 28.9 million tonnes totaling BDT 496.3 billion in 2018-19.

<https://www.thedailystar.net/frontpage/news/import-20-products-drop-quarter-1949329>

### **Brokers can soon buy more stocks without keeping security**

• The Dhaka Stock Exchange is coming to the rescue of stockbrokers as the premier bourse is set to increase their share buying capacity without the need to keep security deposits. The move comes following demand from brokers who can now buy stocks of BDT 100 million a day without keeping security deposits or providing bank guarantees. Turnover, an important indicator of the market, was BDT 11.55 billion a day on an average in the last two weeks, according to data from DSE.

- The premier bourse has already sought approval from the stock market regulator to raise the limit based on the performance and net assets of the stockbrokers. The limit would be two times the daily average turnover or 50% of the TREC-holder (trading right entitlement certificate-holder) company's net worth, whichever is lower, according to DSE's proposal. The bourse proposed to divide the brokers into five categories from A to E based on their performance.

<https://www.thedailystar.net/business/news/brokers-can-soon-buy-more-stocks-without-keeping-security-1949441>  
<https://www.newagebd.net/article/114122/dse-to-reset-limit-on-brokerages-share-buying-without-security-deposit>

### Rupali's secondary offering plan back on track

- The plan to offload an additional 15.2% shares of state-run Rupali Bank has been revived after a delay caused by the coronavirus pandemic and the lender's preoccupation in disbursing stimulus packages. Rupali was listed with the stock exchanges in 1986, with 9.8% of its shares now up for trade. The decision to offload another 15.2% shares of the bank came at a meeting on 9 February, where it was decided to list five state-run lenders in the stock market by September as part of the government move to prop up the ailing bourse.

- As per plans, a quarter of the shares of Sonali, Agrani, Janata, Rupali and Bangladesh Development Bank (BDBL) would be offloaded. BDBL is supposed to offload 25% share, Janata and Agrani to offload 10% to a maximum 25% shares. As Sonali acts as a treasury bank for the government, a decision on the country's largest bank would be taken later. Rupali was supposed to offload the shares by May. But the issue got stuck because of the pandemic, which brought the economy to a standstill and forced the government to keep the country under a strict lockdown at least from 26 March to 30 May before easing restrictions from June.

<https://www.thedailystar.net/business/news/rupalis-secondary-offering-plan-back-track-1949437>

### World Stock and Commodities\*

Index Name	Close Value	Value Change YTD	% Change YTD
Crude Oil (WTI)*	\$42.34	(\$19.29)	-31.30%
Crude Oil (Brent)*	\$44.35	(\$24.09)	-35.20%
Gold Spot*	\$1,940.47	\$419.00	27.54%
DSEX	4,794.07	341.14	7.66%
S&P 500	3,397.16	166.38	5.15%
FTSE 100	6,154.34	(1,432.71)	-18.88%
BSE SENSEX	38,434.72	(3,207.42)	-7.70%
KSE-100	39,621.59	(1,113.49)	-2.73%
CSEALL	5,382.38	(746.83)	-12.18%

### Exchange Rates

**USD 1 = BDT 84.82\***

**GBP 1 = BDT 111.02\***

**EUR 1 = BDT 100.05\***

**INR 1 = BDT 1.13\***

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

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