

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.

Q1 budget deficit soars

- The budget deficit during the July-September period last increased by nearly 200% compared with the corresponding three months in 2018, as gains in tax receipts were offset by higher spending and growing debt servicing, according to the government statistics. The statistics show that the deficit widened to BDT 321.44 billion during the first quarter or Q1 of this fiscal year. The rise is 183% compared to the same period a year earlier. During the period under review the total spending was BDT 876 billion against the revenue receipts to the tune of BDT 554.6 billion.
- There was no grant during the Q1, but loan disbursement and other flows from external sources were much lower than expectation and stood at BDT 6.37 billion. On the other hand, borrowing from the banking sources (net) was astonishingly high at BDT 279.5 billion through bills, bonds and other debt instruments. The budgetary target of borrowing from the banking system was BDT 473.4 billion for the entire fiscal year. Debt-servicing was also high at nearly USD 500 million during the period under review, approximately USD 100 million higher than that of the previous period a year earlier, according to the statistics.
- Economists view that this budget deficit will jump significantly during the second half of the fiscal year at a time when the payment for both development and non-development activities usually remain high. They suggest prioritizing development activities, otherwise the deficit will far exceed the benchmark and unsustainability may stalk the economy.
- The lead economist at the Dhaka office of the World Bank said that banks usually find comfort while lending to the government as such investment is viewed as risk-free from the banks' perspective. If borrowing from the banking system by the government increase further, it will create a crowding out effect on the economy. We now see around 10% growth in the credit to the private sector, and it will drop to a single digit, once the borrowing persists further, he said. On the other hand, an executive director at the privately-owned think-tank Policy Research Institute of Bangladesh (PRI) said the borrowing from the banking system would even touch BDT 1.2 trillion. Another economist said that such higher a deficit leads to unsustainability of the economy.

<https://today.thefinancialexpress.com.bd/public/first-page/q1-budget-deficit-soars-1575653946>

Exports fall 10% in November

- Exports declined in the month of November mainly because of poor performance of apparel shipment, in an ominous sign that can thwart Bangladesh's target to earn USD 45.50 billion from merchandise shipment in the current fiscal year. In November, exports slumped 10.20% to USD 3.05 billion, which is also 17.90% shy of the monthly target of USD 3.72 billion, according to data from the Export Promotion Bureau (EPB).
- Also, the overall earnings from the merchandise exports between July and November fell 7.59% to USD 15.77 billion, again 12.59% short of the four-month target of USD 18.05 billion. Lower shipment of apparel items, which accounted for more than 80% of the national exports, contributed to the decline. Between July and November, garment exports declined 7.74% to USD 13.08 billion, missing the target of USD 15.15 billion by 13.63%, the EPB data showed. Of the garment shipment, USD 6.80 billion came from the knitwear sector and USD 6.27 billion from the export of woven items. The overseas sales of knitwear and woven garments were respectively 8.94% and 18.20% behind the targets. President of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA) said the export of garment declined by 11.98% in November and the export growth of garment has fallen for the fourth consecutive month out of the first five months of the current fiscal year.
- In July-September, Bangladesh registered 1.7% growth in the US market whereas Vietnam grew by 14.23%, India by 3.93%, Cambodia by 15.56%, and Pakistan by 6.58%. The situation in Europe is equally dismal. Bangladesh's apparel exports managed to grow at only 0.90%, whereas it was 2.98% for Turkey, 2.88% for Vietnam, and 6.17% for Sri Lanka.
- Frozen and live fish exports declined by 7.62% to USD 235.11 million between July and November, while export receipts from agricultural products slipped 2.69% to USD 446.32 million and leather and leather goods exports gave up 10.03% to USD 391.09 million. The export of cement, specialised textiles, home textile, and terry towel also declined.
- Some sectors, however, performed well during the period. Of them, the shipment of jute and jute goods was up 15.16% to USD 404.79 million. Bicycle exports went up by 9.81% to USD 36.70 million, the EPB data showed.

<https://www.thedailystar.net/business/news/exports-fall-10pc-november-1836475>
<http://www.newagebd.net/article/92766/exports-plunge-by-13b-in-five-months-as-competiveness-slips>
<https://today.thefinancialexpress.com.bd/public/first-page/exports-see-downtrend-in-july-november-1575567067>
<https://www.dhakatribune.com/business/2019/12/05/exports-slump-10-7-in-november>

Moody's publishes ratings on 8 Bangladeshi banks

- Moody's Investors Service has downgraded the ratings of five Bangladeshi banks and affirmed the ratings of three others. The rating actions reflect Moody's expectation that credit conditions in Bangladesh will weaken, despite the robust economic conditions in the country, driven by persistent weaknesses in underwriting standards and high credit concentrations in large domestic corporates, the report said. Moody's has, therefore, downgraded Bangladesh's Macro Profile to "Weak-" from "Weak", by introducing a one-notch negative adjustment to Credit Conditions.
- Moody's revised the outlooks of Al-Arafah Islami Bank, Brac Bank, The City Bank, Mercantile Bank, NCC Bank, and Social Islami Bank, from stable to negative, to reflect Moody's expectation that the deterioration in credit conditions will pressure the asset quality and profitability of these banks. The global credit ratings giant maintained the outlook on Dutch-Bangla Bank's ratings at stable, underpinned by robust funding and liquidity, because of its market position as the leading transaction bank in the country. It also maintained the outlook on Eastern Bank's ratings at stable, based on the bank's track record of good asset quality.
- Moody's downgraded the BCAs of Eastern Bank and Dutch-Bangla Bank to b2 from b1, largely because of the elevated levels of problem loans — including rescheduled loans and loans under stay orders — and high credit concentrations in their loan portfolios. Moody's downgraded the BCAs of Al-Arafah Islami Bank, Mercantile Bank, and Social Islami Bank to b3 from b2 because their problem loan ratios at double digits, are much higher than their rated peers in Bangladesh. These banks are also exposed to single party concentration risks. The affirmation of Brac's b1 BCA reflects the bank's strength in the SME segment that has led to superior asset quality and profitability when compared to its rated peers in Bangladesh.

<https://www.dhakatribune.com/business/banks/2019/12/06/moody-s-takes-negative-rating-actions-on-8-bangladeshi-banks>

Transaction through mobile financial service (MFS) grows by 6.6% in October

- Money transactions through mobile financial service (MFS) grew by 6.6% or BDT 23.29 billion in October this year compared with that in the previous month as the MFS operators focused on making the service more convenient for clients. As per the Bangladesh Bank data, transactions through MFS increased to BDT 377.63 billion in October from BDT 354.33 billion in September. The number of transactions, daily average transactions and number of MFS accounts also increased in October.
- Apart from MFS transaction value, the number of transactions in October increased by 7% or 14.8 million. In October, the number of transactions increased to 227.2 million from 212.4 million in the previous month. The number and value of daily average transaction through MFS increased by 3.6% and 3.10% respectively in October compared with that in the previous month. The number of registered clients of MFS operators increased by 1.9% or 1.4 million to 77.3 million in October from 76 million in the previous month. However, the number of active MFS subscribers fell by 15.6% or 5.4 million to 29 million in October from 34.4 million in September. Remittance inflow through MFS stood at BDT 249.9 million in October this year from BDT 241.8 million in the previous month.

<http://www.newagebd.net/article/92871/transaction-thru-mfs-grows-by-66pc-in-oct>

Capacity payments up five times in nine years

- Country's privately-owned power plants, especially the oil-fired ones, received a staggering BDT 89.29 billion in 'capacity payments' from the government in fiscal year (FY) 2018-19. The plants got the fund without generating any electricity. The capacity payments were 43% up from that of FY '18. The Bangladesh Power Development Board (BPDB) that makes the payments to private power plants faced a revenue shortfall worth BDT 86.08 billion in FY '19.
- The BPDB pays the owners under a contractual obligation as 'incentives' for keeping their plants idle. The amount may go up further as more oil-fired power plants are expected to come on line soon, a senior BPDB official said. Energy experts and industry insiders deem it as the consequence of awarding 'more than required' expensive oil-fired power plants to the private sector. According to the BPDB, the board had to pay around BDT 62.41 billion to privately-owned power-plant sponsors during FY '18 as capacity payment. Capacity payment is a sort of penalty for BPDB that pays to plant owners if the government fails to buy a certain portion of power readily available with them. According to the BPDB statistics as of December 04 last, countrywide power generation during day peak hours was 6,876 megawatt (MW), which is only 35% of total installed capacity of 19,570MW.

<https://today.thefinancialexpress.com.bd/public/first-page/capacity-payments-up-five-times-in-nine-yrs-1575653851>

National Board of Revenue (NBR) cuts VAT on coal import for power plants

- The National Board of Revenue (NBR) reduced value added tax on the import of coal for power plants to 5% from

present 15% for five years until June 2025 to allow electricity generation at lower costs, according to a notification issued on Tuesday. After the VAT cut to 5%, a 5% advance tax and 5% advance income tax will still be applicable for private sector power plants. Public sector power plants will need to pay only the 5% VAT to import coal, said an NBR official. As coal accounts for nearly 65% of the electricity production cost, a reduction in the VAT rate will bring down the cost of generation, said the meeting minutes.

<https://www.thedailystar.net/business/news/nbr-cuts-vat-coal-import-power-plants-1836466>

Move to set up mega power plant on closed Khulna Newsprint Mills (KNM) land

- The government has taken a move to set up an 800-MW power plant on the land of the closed Khulna Newsprint Mills (KNM). According to official sources, state-owned North-West Power Generation Company Ltd (NWPGL) will set up the combined cycle dual-fuel power plant having two units of 400 MW each. The joint venture company will install the first unit of the project within 30 months and the second one within 36 months, NWPGL Managing Director and Chief Executive Officer (CEO) said. The government officially closed down the state-owned KNM on November 30, 2002 amid short supply of raw materials.

- Officials said it was initially estimated that the power plant would require an investment of BDT 85 billion (about USD 1.0 billion) - BDT 60 billion (USD 705 million) will come as loan while the government will provide BDT 25 billion and NWPGL BDT 50 million for the project. NWPGL said they are planning to operate the power plant through imported LNG as there is gas supply network within 12 km of the area. But there will be a provision to operate the plant with liquid fuel in case of any gas supply shortage.

<https://today.thefinancialexpress.com.bd/trade-market/move-to-set-up-mega-power-plant-on-closed-knm-land-1575731161>

World Stock and Commodities*

Index Name	Close Value	Value Change	% Change
Crude Oil (WTI)*	\$59.20	+0.77	+1.32%
Crude Oil (Brent)*	\$64.39	+1.00	+1.58%
Gold Spot*	\$1,460.17	-15.83	-1.07%
DSEX	4,671.34	-31.65	-0.67%
Dow Jones Industrial Average	28,015.06	+337.27	+1.22%
FTSE 100	7,239.66	+101.81	+1.43%
Nikkei 225	23,354.40	+54.31	+0.23%
BSE SENSEX	40,445.15	-334.44	-0.82%

Exchange Rates

USD 1 = BDT 84.95*

GBP 1 = BDT 111.60*

EUR 1 = BDT 93.95*

INR 1 = BDT 1.19*

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

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