

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.

Banks' capital rises, but artificially

- The banking sector's capital base strengthened in the third quarter of the year as state-run Sonali Bank got a shot in the arm from the central bank as it exercised its 'regulatory forbearance' right. Regulatory forbearance is a policy that allows the central bank to not take any disciplinary action against problem banks for a certain period of time to keep them afloat. As of September, Sonali's capital base was BDT 8.48 billion, in contrast to a shortfall of BDT 66.02 billion three months earlier.
- The state-run lender was given extra time of up to 3/4 years to keep the required provisioning in many cases against its defaulted and unclassified loans, said a Bangladesh Bank official. Banks are required to maintain at least 11.817 % capital adequacy ratio (CAR) -- which is a measure of a bank's financial strength expressed as a ratio of its capital to assets -- as per the roadmap set by the central bank to implement Basel III.
- But when it came to Sonali, as part of its regulatory forbearance support, the banking watchdog disregarded the bank's provisioning requirement to some extent while calculating the required capital against its risk exposures. It is the provisioning requirement that burns a hole in a bank's capital base. This ultimately showed a strong financial health of the lender, as per Bangladesh Bank (BB) official.
- In reality, the strong capital base of the bank is completely artificial as the improvement has mainly not stemmed from recovering the non-performing loans, he said. As of September, banks' CAR stood at 10.89 percent, up from 10 % a quarter earlier, according to data from the central bank. In other words, despite the extraordinary support extended to Sonali, the banking sector fell short of maintaining the regulatory requirement.
- The state-run banks have been conducting their operation for long taking bail-out support from the government, which is not expected, said a former finance adviser to a caretaker government. Such trend has created a "moral hazard" in the banking sector as other lenders may like to think that the government will extend the same support in the event of their capital shortfall.

<https://www.thedailystar.net/business/banking/news/banks-capital-rises-artificially-1679743>

BANKS, POLITICS BIGGEST WORRIES

- A flagging banking sector and possible post-election instability are the two biggest concerns for the economy in the incoming year, according to an opinion poll run by The Daily Star. As many as four-fifths of the respondents said the ongoing indiscipline in the financial sector may deepen in the new year. The other risks include: external shocks from geo-political tension and trade war, exchange rate volatility, policy inconsistency, stagnant private investment, and slow implementation of large infrastructure projects.
- More than 62 % of the respondents expect the political stability, which they had enjoyed throughout the tenure of the outgoing government, will continue into 2019. Taming of corruption and improvement in governance are their other major expectations. More than one-third of the respondents are hoping on tangible improvements in the ease of doing business in the new year. Some of the respondents also mentioned of the need to enhance the skills of human resources, alleviate traffic congestion, and ensure stable energy supply to clock in higher economic growth in 2019.

<https://www.thedailystar.net/business/news/banks-politics-biggest-worries-1679764>

Exports in fiscal 2018 could have been USD 17.4 billion more: Policy Research Institute

- Bangladesh could have exported USD 17.4 billion more last fiscal year even with the current capacity were there certain constraints not in place, found a study by the Policy Research Institute. Export receipts in fiscal 2017-18 amounted to USD 36.66 billion, up 5.81 % from a year earlier but short of the government's target of USD 37.5 billion, according to data from the Export Promotion Bureau. Had Bangladesh utilised its full export potential, receipts that year would have been USD 54.06 billion, according to the study styled "Bangladesh LDC graduation and apparel exports to the EU".
- The major constraints include low productivity, poor infrastructure and low price negotiation capacity by the manufacturers and so on, said research director of the PRI, while presenting the study yesterday at the PRI office in Dhaka. Bangladesh may lose USD 1.6 billion worth of apparel business from the EU once the country graduates from the least-developed country bracket to the developing country one in 2027 as the local exporters will have to pay 8 % to 10 % duty upon export to the EU, he added.
- Currently, the EU is the largest export destination for Bangladesh, accounting for USD 21 billion worth of shipments.

He also suggested for intense negotiation with the buyers for better prices, lobbying with the EU for signing the Free Trade Agreement, product diversification, improving infrastructure and promoting competitiveness through technology upgradation.

<https://www.thedailystar.net/business/news/exports-fiscal-2018-could-have-been-174b-more-pri-1679737>

Most banks post higher operating profits in 2018

- Most of the banks made higher operating profits in the just concluded year amid swelling of bad loans in the country's banking sector. Although the majority of the banks managed to attain higher operating profits in 2018, it would now depend on the banks whether they would be able to make higher net profits or not, said Bangladesh Bank officials. According to available data, operating profits of 19 banks out of 24 increased in the period and that of the rest five decreased.
- Operating profit is the profit generated from the core business of a company that includes interest and taxes. Dividend is disbursed by a bank to its shareholders after excluding taxes and other expenses from its operating profit. Bank officials said that rampant credit disbursement by the banks in 2017, when banks disbursed loans without complying with rules properly, might be the main reason for achieving higher amount of operating profits by the banks in 2018. But the banks were subsequently forced to streamline advance deposit ratio that reduced their financial capacity to disburse loans in the year of 2018, they said.
- Besides, the defaulted loans of the banks hit BDT 993.70 billion as of September 30, 2018, which is 11.48 % of BDT 8.66 trillion total outstanding loans in the country's banking system. BB officials said that if the banks failed to bring down their defaulted loans, their net profits would take a hit in final count as they would have to keep provisions against the defaulted loans. 'It's usual that the operating profits of the banks will increase as their balance sheets are growing every year,' said Dhaka Bank managing director.
- Asset quality of the banks and their distributable profits are much more important than the operating profits, said Mahbubur, also the chairman of Association of Bankers, Bangladesh. Of the banks, Islami Bank Bangladesh posted the highest operating profit — BDT 27.70 billion — among the scheduled banks in 2018. The bank's operating profit was BDT 24.20 billion in 2017. Along with Islami Bank, Sonali Bank, NBL, Southeast Bank and Pubali Bank made more than BDT 10.00 billion in operating profits in the just concluded year.

<http://www.newagebd.net/article/60472/most-banks-post-higher-operating-profits-in-2018>

Internet users fell for first time in 2 years

- The mobile phone operators collectively lost 6.48 lakh active internet connections in November, the first decline in two years. At the end of November, active internet connections fell to 91.8 million from 92.4 million in October, according to a report of the Bangladesh Telecommunication Regulatory Commission published yesterday. The head of corporate and regulatory affairs at Robi said that they have been observing an overall downtrend in recent times. Data consumption also declined.
- Of the internet users, the number of mobile internet connections was 86.2 million, broadband connections 5.73 million and WiMax connections 61,000, the report showed. A senior executive of another mobile phone operator said people had been very shaky about using data in the last two months, so data consumption had declined. The number of active internet connections might be much lower in December's report. A number of executives say ahead of the 11th general elections scheduled on Sunday people have been using less data and making less voice calls compared to previous months in order to avoid trouble.

<https://www.thedailystar.net/business/news/internet-users-fell-first-time-2yrs-1679731>

World Stock and Commodities*

Index Name	Close Value	Value Change	% Change
Crude Oil (WTI)*	\$45.41	+0.08	+0.18%
Crude Oil (Brent)*	\$53.80	+0.59	+1.11%
Gold Spot*	\$1,282.60	+0.11	+0.01%
DSEX	5385.64	+36.46	0.68%
Dow Jones Industrial Average	23,327.46	+265.06	+1.15%
FTSE 100	6,728.13	-5.84	-0.09%
Nikkei 225	20,014.77	-62.85	-0.31%

Exchange Rates

USD 1 = BDT 83.60*

GBP 1 = BDT 106.39*

EUR 1 = BDT 95.85*

INR 1 = BDT 1.20*

**Currencies and Commodities are taken from Bloomberg.*

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