

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.

### **Bangladesh economy may grow by 7.80% in FY20: United Nations**

- Growth rate of the Gross Domestic Product (GDP) of Bangladesh may decline to 7.80% in the current fiscal year (FY20) from 8.10% in the previous fiscal year. Nevertheless, the projected growth rate of Bangladesh will be the highest in South Asia in 2020, according to the latest report of the United Nations on global economy. It pointed out that regional GDP growth fell faster than the global average, dropping from 5.6% in 2018 to 3.3% in 2019, but was moderated by strong growth in Bangladesh, Bhutan, Maldives and Nepal. It also projected that growth rate of India and Pakistan may be recorded at 6.6% and 2.10%, respectively.

- The UN WESP 2020, released on Friday, also projected that Bangladesh would face higher inflation in the current year. Rate of consumer price inflation may reach 5.90% in the current year which was 5.10% in the previous year, according to the UN estimate.

<https://thefinancialexpress.com.bd/economy/bd-economy-may-grow-by-780pc-in-fy20-un-1579347315>  
<https://www.newagebd.net/article/96993/bangladesh-economy-to-grow-78pc-in-fy20-un>

### **Yasir Azman becomes 1st Bangladeshi CEO of GP**

- The Board of Directors of Grameenphone (GP) has appointed Yasir Azman as the new chief executive officer (CEO) of the Bangladeshi operation, effective on February 01, replacing current CEO Michael Foley. Yasir Azman has served as the chief marketing officer (CMO) of GP since June 2015 and also as Deputy CEO of the company since May 2017. Before this, Azman was Telenor Group's head of distribution and e-business. He has worked across all Telenor operations.

<https://today.thefinancialexpress.com.bd/public/stock-corporate/yasir-azman-new-ceo-of-gp-1579194678>  
<https://www.newagebd.net/article/96766/yasir-becomes-1st-bangladeshi-ceo-of-gp>  
<https://www.thedailystar.net/business/news/grameenphones-first-bangladeshi-ceo-1855252>

### **Bangladesh may face rating downgrade due to sea level rise: Moody's**

- The credit rating of Bangladesh and some other countries might face a downward rating due to the global sea level rise, said a study report released by Moody's Investors Service, a global credit rating agency, on Thursday. The report said that the sea level rise and related shocks might pose material credit risk to Vietnam, Egypt, Suriname, the Bahamas and other small island sovereigns including Maldives and Fiji, Bangladesh, Indonesia and Thailand.

- Moody's has assigned Bangladesh Ba3 rating with stable outlook for last few years. A relatively gradual increase in the frequency and severity of sea level-related disasters would give governments some time to adapt but if the manifestations of sea level rise intensify abruptly, without effective adaptation, these sovereigns might face some downward rating pressure. Moody's, however, said Bangladesh was less exposed than Vietnam, Egypt and Suriname but the country might also face challenges addressing these risks, and as such could experience some related credit pressure.

<https://www.newagebd.net/article/96808/bangladesh-may-face-rating-downgrade-due-to-sea-level-rise-moodys>

### **Loan rescheduling hits new record**

- Banks rescheduled a record amount of defaulted loans in 2019 in their frantic efforts to minimize or, in other words, to make the ever growing non-performing loans (NPLs) look small. In the year, non-performing loans amounting to BDT 504.34 billion were rescheduled, up 117.29% from a year earlier, according to the Bangladesh Bank (BB) data. Banks rescheduled BDT 232.10 billion in 2018.

- The NPLs of banks rose by a staggering BDT 38.63 billion in three months till September in 2019, taking the amount of stress loan in the banking sector to BDT 1.16 trillion, according to BB data. According to the BB data, in 2019, the state-run banks rescheduled BDT 152.86 billion, private commercial banks BDT 307.98 billion, foreign commercial banks BDT 369.1 million and specialized banks BDT 43.15 billion.

<https://www.dhakatribune.com/business/2020/01/18/loan-rescheduling-hits-new-record>

### **Government's bank borrowing exceeds entire FY's target in six months**

- The government has exhausted its net borrowing target for the fiscal year of 2019-20 from the banking system in just

six months (July-December) with the net borrowing reaching BDT 480.16 billion in the period. In the budget for the fiscal year 2019-2020, the government had projected to borrow BDT 473.64 billion from the banking sector. The latest borrowing figure shows that the government's bank borrowing has already exceeded by BDT 6.52 billion with another six months of the fiscal year to spare. According to Bangladesh Bank data, the government's net outstanding borrowing from the banking sector increased to BDT 1.56 trillion at the end of December 2019 from BDT 1.08 trillion on June 30, 2019.

- Revenue collection by the National Board of Revenue fell short of target by BDT 268.76 billion in the first five months of the fiscal year 2019-2020. Apart from the dismal revenue collection, the sales of NSC, another source of borrowing money for the government, also dropped significantly.
- Economists cautioned that the government's high borrowing from the banking sector has squeezed credit flow to the industries. Lower credit flow to the private sector would ultimately hamper industrial expansion thus resulting in unemployment along with social disparity, they said. In November 2019, private sector credit growth, a determining factor of the country's industrial expansion, dropped to a record low at 9.87% against the Bangladesh Bank's projection for a cautious 14.8% growth in FY20.

<https://www.newagebd.net/article/96906/govts-bank-borrowing-exceeds-entire-fys-target-in-six-months>

### **Foreign Direct Investment (FDI) stuck in low gear**

- The declining trend in the net inflows of foreign direct investment, or FDI, in the country sustained until the third quarter of the immediate past calendar year, according to government data. The nation witnessed nearly 30% drop in FDI during July-September period of 2019 compared with the previous quarter (April-June). The net FDI flow reached USD 462.20 million during the third quarter of 2019, down from USD 656.10 million during the second quarter of the year. If the January-September period of 2019 is considered, the flow fell by 4.93%.
- In terms of sector-specific net FDI inflow, power sector attracted the highest volume of foreign investment (USD 82.44 million), followed by telecommunication (USD 75.63 million), textile and clothing (USD 70.05 million), food (40.38) and construction (USD 38.13 million). The highest amount of FDI came from the United Kingdom (USD 90.01 million), followed by Norway (USD 50.40 million), the United Arab Emirates (USD 47.12 million), the United States (USD 44.46 million) and Hong Kong of China (USD 36.02 million).
- Economists were not surprised at the declining FDI inflow since the country's overall macroeconomic outlook was not good as it was in 2018. Executive director of Policy Research Institute (PRI) explained the reasons behind the increased FDI in 2018. He said Japan Tobacco's acquisition of Dhaka Tobacco by around USD 1.5 billion and another major transaction through investment of Chinese consortium to buy 25 stakes in Dhaka Stock Exchange (DSE) boosted the FDI inflow. We did not see any major transaction in 2019. So, it has affected the FDI growth, he said. But borrowing keeps increasing here, that means all want to give loans to Bangladesh but nobody wants to take Bangladesh's stake, which is not a good sign, he added.

<https://today.thefinancialexpress.com.bd/first-page/fdi-stuck-in-low-gear-1579365892>

### **Unconventional non-bank debt up**

- The government's non-bank borrowing from unconventional sources has been growing fast, driven by its needs to meet higher public spending. Apart of savings tools, non-bank instruments include provident fund, public deposits kept in the national exchequer as security required for procurement rules and legal suits and government payables. This type of borrowing by the government shot up by more than 33% to BDT 242 billion during the first four months of the fiscal year compared with the year-earlier period, according to official documents. The figure represents almost half the annual borrowing target from domestic non-banking sources.
- Officials at the ministry of finance said that such type of borrowing remained almost unutilized in the past, because the government relied on national savings instruments to meet public expenditure. But sales of savings instruments declined significantly during the period due to complicated procedures and tax imposition. The borrowing from savings tools was merely BDT 59.2 billion during July-October of this fiscal year against BDT 182 billion borrowed during the same period previous fiscal. They said that borrowing from such non-traditional instruments climbed, as the government is taking the adverse impact of huge bank borrowing on the financial market into consideration.

<https://today.thefinancialexpress.com.bd/public/first-page/unconventional-non-bank-debt-up-1579284020>

### **Government borrows from banks at above 9% belies its rate stance**

- The government is borrowing funds from banks at more than 9% interest rates against treasury bills and bonds, which contradicts its move to force banks to implement 9% lending rate. As per rules, lending to the government or even against any government guarantee does not create any financial vulnerability to banks as it is considered risk-free, said

Bangladesh Bank officials. The central bank does not include any amount of lending to the government in banks' risk weighted assets, meaning that the banks are exempted from keeping any capital against such borrowing.

- The scarcity of funds in the country's banking sector, caused by lower deposit growth and high non-performing loans, has forced the government to borrow funds from the banks at above 9% interest rate against long-term securities, taking the market situation into consideration, said bankers. Even a year ago, the government had borrowed funds at less than 5% interest rate when the fund flow in the banking sector was a bit better and the government's bank borrowing was less, reflecting the dominance of demand and supply situation in determining the lending and deposit rates, they said.

<https://www.newagebd.net/article/96990/govt-borrows-from-banks-at-above-9pc-belies-its-rate-stance>

### **H1 import duty: Receipts from top 20 items dip**

- Tax collection from top 20 imported items has plummeted by 39% during the first half of the current fiscal year, in a major blow to the revenue target. The National Board of Revenue, or NBR, received BDT 34.11 billion in July-December from the key revenue-spinning imports, down by BDT 21.06 billion from the year-earlier period. High-speed diesel, crude soybean oil, base-oil, steel-made line pipe, mobile phone, rice, black tea, road tractors for semi-trailers and flat rolled products are among the traditional key sources of tariff collection.
- In its analysis, the customs wing found the number of tax exemptions availed by different sectors to go up by 12% during the period. A senior official said the trend in offering tax waivers has seen a rapid rise in the half-yearly period. Up to December, the NBR has offered general and special exemptions, valued at BDT 223.28 billion, up by 23.22 billion against the release of imported products. The official said the import of products enjoying duty waiver increased with the implementation of different mega projects such as Padma bridge, metro-rail, Karnaphuli tunnel, Rooppur nuclear power plant, etc. The import of products falling under the zero tariff-slab jumped by 35% or 442 tonnes, the analysis said.

<https://today.thefinancialexpress.com.bd/first-page/receipts-from-top-20-items-dip-1579365816>  
<https://www.newagebd.net/article/96995/customs-duty-collection-BDT-13031cr-short-of-target-in-h1>

### **40 companies eye BDT 30 billion through IPOs**

- Forty companies are waiting to raise around BDT 30 billion from the country's capital market by floating initial public offerings. Of the firms, 12 companies are expected to raise BDT 15.68 billion in total under the IPO book building method, while the rest 28 would raise BDT 14 billion under the fixed price method. Of the IPO seeking companies, most of them are poor- and small-capitalized companies as good companies including multinational and state-owned ones are reluctant to come to the capital market as they prefer banks for meeting their financial need.
- Stock market experts said strong policy and government's incentives were needed to bring better companies to the market. They also said that delay in IPO approval, widespread anomalies on the market, poor regulatory control, unpredictable regulations and asymmetrical regulatory approach towards the companies and institutions were the other reasons for the companies' reluctance.

<https://www.newagebd.net/article/96938/40-cos-eye-BDT-3000cr-thru-ipos>

### **Government swings into action to stabilize capital market**

- The government on Thursday swung into action to stabilize the country's stock market that has been in turmoil for the last 11 months. A press release issued by the BSEC said that a meeting of 'policymakers' at the PMO 'directed' the authorities concerned to implement a 6-point proposal as short-term measures to develop the capital market.
- The meeting discussed that banks and non-bank financial institutions could be asked to increase investment in the capital market. The investment capacity of state-run Investment Corporation of Bangladesh could be enhanced. The senior government officials may take initiatives to enlist on the stock market good companies including multinational and government-owned companies. Merchant bankers and institutional investors can be given loan facilities on easy terms. Necessary measures should be taken to attract foreign investment and build their confidence in the country's stock market.

<https://www.newagebd.net/article/96801/govt-swings-into-action-to-stabilise-capital-market>

### **Higher allocation for Delta Plan**

- The government has increased the allocation for the Delta Plan 2100 to 0.86% of the gross domestic product this fiscal year, which was 0.58% in the previous year. It has also selected some 80 projects to be implemented on a priority basis, for which about USD 37 billion or 2.5% of the GDP will be spent by 2030. Bangladesh's GDP stood at BDT 25.36

trillion in 2018-19.

- The USD 4.02 billion Integrated Jamuna-Padma Rivers Stabilization and Land Reclamation project is one of the major ones taken under the plan, said a member of the General Economics Division, adding that the World Bank has already showed interest in providing USD 2 billion for the project. Another USD 5.28 billion project titled 'Construction of Padma Barrage and Ancillary Works' has been added to the list.

<https://www.thedailystar.net/business/news/higher-allocation-delta-plan-1855249>

#### World Stock and Commodities\*

Index Name	Close Value	Value Change	% Change
Crude Oil (WTI)*	\$58.54	+0.02	+0.03%
Crude Oil (Brent)*	\$64.85	+0.23	+0.36%
Gold Spot*	\$1,557.24	+4.73	+0.30%
DSEX	4,149.83	+81.63	+2.01%
Dow Jones Industrial Average	29,348.10	+50.46	+0.17%
FTSE 100	7,674.46	+64.75	+0.85%
Nikkei 225	24,041.26	+108.13	+0.45%
BSE SENSEX	41,945.37	+12.81	+0.03%

#### Exchange Rates

USD 1 = BDT 84.93\*  
GBP 1 = BDT 110.53\*  
EUR 1 = BDT 94.19\*  
INR 1 = BDT 1.20\*

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

## IMPORTANT DISCLOSURES

**Analyst Certification:** Each research analyst and research associate who authored this document and whose name appears herein certifies that the recommendations and opinions expressed in the research report accurately reflect their personal views about any and all of the securities or issuers discussed therein that are within the coverage universe.

**Disclaimer:** Estimates and projections herein are our own and are based on assumptions that we believe to be reasonable. Information presented herein, while obtained from sources we believe to be reliable, is not guaranteed either as to accuracy or completeness. Neither the information nor any opinion expressed herein constitutes a solicitation of the purchase or sale of any security. As it acts for public companies from time to time, BRAC-EPL may have a relationship with the above mentioned company(s). This report is intended for distribution in only those jurisdictions in which BRAC-EPL is registered and any distribution outside those jurisdictions is strictly prohibited.

**Compensation of Analysts:** The compensation of research analysts is intended to reflect the value of the services they provide to the clients of BRAC-EPL. As with most other employees, the compensation of research analysts is impacted by the overall profitability of the firm, which may include revenues from corporate finance activities of the firm's Corporate Finance department. However, Research analysts' compensation is not directly related to specific corporate finance transaction.

**General Risk Factors:** BRAC-EPL will conduct a comprehensive risk assessment for each company under coverage at the time of initiating research coverage and also revisit this assessment when subsequent update reports are published or material company events occur. Following are some general risks that can impact future operational and financial performance: (1) Industry fundamentals with respect to customer demand or product / service pricing could change expected revenues and earnings; (2) Issues relating to major competitors or market shares or new product expectations could change investor attitudes; (3) Unforeseen developments with respect to the management, financial condition or accounting policies alter the prospective valuation; or (4) Interest rates, currency or major segments of the economy could alter investor confidence and investment prospects.

### BRAC EPL Stock Brokerage Limited

#### Research

Ayaz Mahmud, CFA	Head of Research	<a href="mailto:ayaz.mahmud@bracepl.com">ayaz.mahmud@bracepl.com</a>	01708 805 221
Sadman Sakib	Research Associate	<a href="mailto:sadman.sakib@bracepl.com">sadman.sakib@bracepl.com</a>	01730 727 939
Md. Rafiqul Islam	Research Associate	<a href="mailto:mrafiqulislam@bracepl.com">mrafiqulislam@bracepl.com</a>	01708 805 229
Md. Mahirul Quddus	Research Associate	<a href="mailto:mmahirul.quddus@bracepl.com">mmahirul.quddus@bracepl.com</a>	01709 636 546

#### International Trade and Sales

Ahsanur Rahman Bappi	Head of International Trade & Sales	<a href="mailto:bappi@bracepl.com">bappi@bracepl.com</a>	01730 357 991
----------------------	-------------------------------------	--	---------------

#### BRAC EPL Research [www.bracepl.com](http://www.bracepl.com)

121/B Gulshan Avenue  
Gulshan-2, Dhaka  
Phone: +880 2 881 9421-5  
Fax: +880 2 881 9426  
E-Mail: [research@bracepl.com](mailto:research@bracepl.com)