

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.

Historically bad toxic loan situation makes government creative

- The government is homing in on forming a public asset management company (PAMC), a brainchild of the Finance Minister, as part of its efforts to redress the financial sector that is fast approaching a losing battle against default loans. The finance ministry has already prepared a draft act titled "Bangladesh Asset Management Company Act" to purchase default loans from banks and sell them off to individuals or corporate entities. Until September last year, default loans in the banking sector stood at BDT 1.16 trillion, up 23.82% from nine months earlier.
- The company will kick off its operation with an initial paid-up capital of BDT 50.00 billion. The PAMC will be allowed to ink agreement with both local and foreign institutions in order to increase its capital and funds. The Asian Development Bank has already showed its interest in providing financial support to the government in setting up the PAMC. The PAMC will take over the default loans, including collaterals such as lands and industrial plants of defaulters.
- In order to make the PAMC vibrant, a secondary market for default loans will be created, where people would be allowed to buy and sell default loans. As per the draft act, the government will form the board of directors of the PAMC comprising of 13 members, of which 12 will come from the different government agencies and the rest from the Federation of Bangladesh Chambers of Commerce and Industry. The central bank will be empowered to monitor the PAMC's operation and it will prepare regulations on how the company will run as well.

<https://www.thedailystar.net/business/news/historically-bad-toxic-loan-situation-makes-govt-creative-1861045>

Bangladesh economy to graduate from 40th to 26th by 2029: Centre for Economics and Business Research (CEBR)

- Bangladesh's economy will reach to 25th position in the Economic League Table (WELT) by 2034 from current 40, says a recent report of US-based Centre for Economics and Business Research (CEBR) report. The report also said the country will be in 30th largest economy of the world by 2024 in the WELT, outperforming the economy of Malaysia, Hong Kong and Singapore. The global report, titled World Economic League Table (WELT) 2020, of the CEBR also says that Bangladesh's economy will further climb from the 40th place in the World Economic League Table in 2020 and 26th by 2029. The world economic league table with forecasts for 193 countries to 2034 was published recently.
- With a PPP adjusted GDP per capita of USD 5,028 in 2019, Bangladesh is a lower middle-income country, CEBR says. Bangladesh's economy performed well last year, recording a 7.8% growth, according to the report. The country recorded 7.9% growth in 2018. The population increased at a rate of 1% per year since 2014. This has meant that per capita incomes have grown considerably in recent years. The government debt as a share of GDP rose to 34.6% last year. This is up from 34% in 2018. Despite this increase, the public sector finances remain in good shape. The relatively low debt burden has provided the government with the fiscal headroom to operate a budget deficit of 4.8% in 2019. The annual rate of GDP growth is forecast to slow to an average of 7.3% between 2020 and 2025, according to the report. Over the subsequent nine years, CEBR forecasts that the economy will remain at this impressive rate, which will see Bangladesh climb from 40th place in the World Economic League Table in 2020 to 25th place by 2034.

<https://www.dhakatribune.com/business/2020/01/29/bd-economy-to-graduate-from-40th-to-26th-by-2029>

Defaulted industrial loans surge by 24.75% in one year till September

- The amount of defaulted loans in the industrial sector increased by 24.75% or BDT 107.95 billion as of September 30 last year as most of the bad loans that had been rescheduled in 2015 under a special loan restructuring facility for the sector became defaulted again. According to BB data, the amount of industrial non-performing loans increased to BDT 544.16 billion at the end of September last year from BDT 436.20 billion a year ago.
- The maximum amount of industrial loans, disbursed to the large borrowers who enjoyed restructuring facility under a special BB scheme in 2015, had failed to repay their loans, thus resulting in the surge in defaulted loans. Experts and bankers blamed lack of good governance, corruption, political interference in approving loans, and a culture of impunity for the surge in NPL (Non-Performing Loans).
- Showing economic damages caused by political unrests as an excuse, 15 big industrial groups had appealed to the Bangladesh Bank for long-term loan rescheduling under the central bank's large-loan restructuring policy. In response, the central bank, in a major move on January 27, 2015, approved defaulters of large loans BDT 5 billion and above to reschedule their debts on the grounds that they were affected by 'various external and domestic factors beyond their control'.

<https://www.newagebd.net/article/98035/defaulted-industrial-loans-surge-by-2475pc-in-one-year-till-sept>
<https://www.dhakatribune.com/business/2020/01/29/industrial-npls-surge-by-BDT54-416cr-in-a-year>

Meena Bazar in talks to take over Agora

- Meena Bazar, one of the country's biggest supermarket chains, is in talks to acquire its peer Agora in a bid to scale up its business volume to strengthen its foothold. The discussions, which is halfway through, is expected to be complete by the middle of this year. Insiders said Agora's owners, Brummer and Partners and Rahimafrooz, started discussions with Meena Bazar's owner Gemcon Group a couple of months ago for what will be the first acquisition in Bangladesh's organised grocery retail sector.
- Once the acquisition is complete, the number of Meena Bazar stores will double to 34 and it will become the second biggest retail chain after Shwapno. Agora has 17 stores, mostly in Dhaka. Shwapno, a concern of ACI, is the biggest retail supermarket with more than 120 stores, including 61 Shwapno stores and 67 franchisees, known as Shwapno Express, mostly in Dhaka and Chattogram.
- Today, Bangladesh has more than 150 supermarkets and convenience stores. Annual turnover in organized grocery retail sector rose 19% year-on-year to BDT 23 billion in 2019, according to operators. The sector has been registering 24% compound annual growth. Yet, organized grocery sector accounts for 2% of wholesale and retail trade as 5% VAT on sales keeps many customers away from superstores and is holding back the sector from expanding at a brisk pace, according to operators.

<https://www.thedailystar.net/business/news/meena-bazar-talks-take-over-agora-1861033>
<https://today.thefinancialexpress.com.bd/last-page/talks-start-for-agora-sell-off-1580322726>

Government cuts stamp duty on bond trust deed

- Finance ministry has cut the stamp duty on registration of trust deed of issuance of bond, debenture and sukuk (Islamic bond) to 0.1% from 2% to boost the country's bond market. The ministry has also set the highest amount of the duty at BDT 1 million on total value of a deed.
- The committee in its report also said that the high rate of stamp duty along with other fees, including issue manager fee, trustee fee and liability fee, increased the cost of issuance of bond. For example, an issuer had to pay BDT 40 million as stamp duty for registration of trust deed of bond worth BDT 2 billion, the committee said.
- Currently, 0.1% transaction tax, 0.05% for buyer and 0.05% for seller, is applicable on bond market.

<https://www.newagebd.net/article/98034/govt-cuts-stamp-duty-on-bond-trust-deed>
<https://today.thefinancialexpress.com.bd/last-page/ird-cuts-stamp-duty-on-bond-deed-reg-1580322444>

WB 'committed to develop Bangladesh'

- The World Bank's portfolio in Bangladesh has nearly doubled in the last six years to USD 11.6 billion, with the country being one of the largest beneficiaries of concessional credit.
- The World Bank is committed to join Bangladesh on its journey to upper middle-income status, in close cooperation with the government, stakeholders and development partners, and for the benefit of all people. It was among the first development partners to support Bangladesh following its independence. Since then, the World Bank has committed over USD 30 billion, mostly in grants, interest-free and concessional credits to Bangladesh.

<https://www.thedailystar.net/business/news/wb-committed-develop-bangladesh-1861024>

Bangladesh Bank warns banks of regulatory measures for import payments delay

- A good number of banks have recently showed an unwillingness to make import payments on time, which has had an adverse impact on the country's international image. As a result, many foreign banks are reluctant to accept letters of credit. Malpractice in the industry has also had a negative impact on the country's balance of payments.
- The central bank instructed banks to make their import payment to corresponding foreign banks on time or else strict actions will be taken against the errant lenders. The banks are also forced to pay additional interest to their corresponding lenders due to their failure to settle LCs promptly. Besides, the confirmation charge for LCs is also on the rise as a result of the added pressure on the country's foreign exchange reserve.
- In breach of global norms, some banks do not make import payments in order to provide extra facilities to their clients. Clients get extra time to adjust the bank loans against their LCs if their lenders do not duly make import payments. The illicit collaboration between banks and clients should be stopped for the greater interest of the country's financial sector.

<https://www.thedailystar.net/business/news/make-prompt-lc-payment-or-face-the-music-1861042>
<https://www.newagebd.net/article/98041/bb-warns-banks-of-regulatory-measures-for-import-payments-delay>

Bangladesh Special Economic Zone (BSEZ) may bring in foreign investment of USD 20 billion

• Bangladesh Special Economic Zone (BSEZ), dedicated for Japanese investors, is expected to bring in foreign investment worth USD20 billion. The Special Economic Zone (SEZ) being developed on 1,000 acres of land in Arahazar upazila of Narayanganj will be operational by 2022. The IDJEZP is a joint venture between the Bangladesh Economic Zones Authority (BEZA) and Japanese Sumitomo Corporation. Under the contract, Japanese firm TOA Corporation will develop the EZ exclusively for the Japanese investors.

<https://thefinancialexpress.com.bd/economy/bsez-may-bring-in-foreign-investment-of-us20b-1580189923>

World Stock and Commodities*

Index Name	Close Value	Value Change	% Change
Crude Oil (WTI)*	\$52.77	-0.56	-1.05%
Crude Oil (Brent)*	\$59.20	-0.61	-1.02%
Gold Spot*	\$1,578.88	+2.05	+0.13%
DSEX	4481.79	-28.98	-0.64%
Dow Jones Industrial Average	28,734.45	+11.60	+0.04%
FTSE 100	7,483.57	+2.88	+0.04%
Nikkei 225	23,013.60	-365.80	-1.56%
BSE SENSEX	41,198.66	+231.80	+0.57%

Exchange Rates

USD 1 = BDT 84.83*

GBP 1 = BDT 110.43*

EUR 1 = BDT 93.43*

INR 1 = BDT 1.19*

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

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