

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.

Private sector credit growth remains sluggish in June

- The stimulus packages announced in April appear to have had no impact on the market as private sector credit growth continued its sluggish trend in June due to banks' reluctance to lend during the pandemic. Private sector credit growth declined to 8.61% in June from 8.86% in May, according to the Bangladesh Bank's data. The credit growth was far below the monetary target of 14.8% set for the last fiscal year.
- In a recent assessment report placed with the International Monetary Fund (IMF), the Bangladesh Bank projected private sector credit growth will bounce back to 12% in the next year. However, in the financial stability report for 2019, the central bank saw a risk of credit for the private sector being crowded out by high bank borrowing and banks' preference to invest in risk-free government securities.
- The government has announced stimulus packages of BDT 727.5 billion to support affected businesses, of which BDT 500.0 billion will be disbursed through banking sources. In a quick response to Covid-19, the Bangladesh Bank created additional money worth BDT 707.9 billion to support banks in lending to virus-struck businesses. The money was created by forming various refinancing schemes and easing the cash reserve requirement. However, banks seem reluctant to disburse loans due to implementation of the lending rate cap from April and fear of high default loan risks during pandemic, said industry insiders.

<https://tbsnews.net/economy/banking/private-sector-credit-growth-remains-sluggish-june-109237>

Bank deposit growth dips below 11.0% in June on COVID-19

- The growth rate of deposits in the country's banks fell below 11% in June after remaining above 11.0% for three consecutive months as many people lost their savings capacity due to the COVID-19-induced economic shocks. Against the backdrop of economic woes, the deposit growth in the country's banking system dropped to 10.94% in June from 11.28% in the previous month, according to Bangladesh Bank data. The deposits in the banking sector increased to BDT 11.8 trillion at the end of June this year from BDT 10.6 trillion in the same month last year. At the end of May this year, deposits in the banking sector were BDT 11.6 trillion.
- The BB data showed that the currency outside the banking system increased by BDT 371.1 billion BDT 19 trillion at the end of May this year from BDT 1.6 trillion at the end of December 2019. The private sector credit growth in May this year dropped to 8.86% against the central bank projection for a 14.8-per cent growth. In December last year, the deposit growth in the banks was 12.58%. The growth rate was 12.75% and 12.82% in January and February this year. The rate, however, dropped to 11.07% in March when the pandemic started in the country. In April, it was 11.88%.

<https://www.newagebd.net/article/111679/bank-deposit-growth-dips-below-11pc-in-june-on-covid-19>

Agent banking was a rough diamond. Pandemic has buffed and shined its great potential.

- The ongoing pandemic, no doubt, has been a sucker punch to both lives and livelihoods like no other in recent memory. But, amidst the catastrophe, there are a few bright spots. And one such bright spot has been the lenders' agent banking window, which has been in operation since 2016. If harnessed well, the digital banking channel -- thanks to its reach to the remotest parts, where banks have not set their foot in yet -- can make it an important cog in the wheels of the economic locomotive that would pull the country out of the ongoing crisis.
- As of March, accounts in the agent banking platform, where 22 banks now give banking services to people, stood at 64.97 lakh accounts, which is more than double that from a year earlier, according to data from the central bank. The lenders have mobilised deposits and given out loans exponentially in recent months by way of using the model. Deposits soared 129% year-on-year to BDT 85.4 billion at the end of March, while loan disbursement grew 306% to BDT 8.5 billion. As of March, the total number of accounts, which could be opened with deposits ranging from BDT 10 to BDT 100, under the programme stood at 21.3 million and aggregate deposits BDT 2,3.9 billion.
- The International Monetary Fund (IMF) has recently said that the countries with strong and vibrant financial inclusion could absorb the shocks from the ongoing recession. The IMF research paper -- The Promise of Fintech: Financial Inclusion in the Post-COVID-19 Era -- has also given a message that the traditional inclusion will be unable to address the ongoing crisis. There will be a requirement for digital financial inclusion to address the pandemic-stricken economy. Such financial system also helps people maintain social distancing to avoid the deadly pathogen, it said.

<https://www.thedailystar.net/business/news/agent-banking-was-rough-diamond-pandemic-has-buffed-and-shined-its-great-potential-1933797>

Bangladesh Bank (BB) to release BDT 250.0 billion new notes before Eid-ul-Azha

■ Bangladesh Bank will release new currency notes of around BDT 250.0 billion in the market before Eid-ul-Azha. The denominations of the new currency notes will include BDT 10, BDT 20, BDT 50, BDT 100, BDT 200, BDT 500 and BDT 1,000. On Eid-ul-Fitr, the circulation of new currency notes was lower than Bangladesh Bank's projection of around BDT 300.0 billion mainly as a consequence of the Covid-19 pandemic.

■ Unlike previous years, the central bank will not release new currency notes from its Motijheel branch. Meanwhile, a BB press release on Monday said that the central bank had issued new BDT 1,000 notes containing new security features. However, the design and colour of the new currency note was kept unchanged.

<https://www.dhakatribune.com/business/banks/2020/07/20/bb-to-release-BDT-25-000cr-new-notes-before-eid-ul-azha>

Sales of hygiene products skyrocket as demand grows

■ Even though Square Toiletries Limited began production of hand sanitisers in 2007 for use in hospitals and clinics, it could market only 20 tonnes annually in the 13 years till the end of 2019. Since the Covid-19 pandemic made inroads into the country, the company has been manufacturing and marketing 60-70 tonnes of hand sanitisers per day with demand for hygiene products skyrocketing. It also has had to turn a few other production lines into sanitiser units to meet the growing needs.

■ Not only Square but all consumer goods companies as well have expanded their businesses amid a growing demand for hygiene products, spurred by the raging Covid-19 pandemic. Unilever Bangladesh, Reckitt Benckiser, ACI, Kohinoor Chemicals, Keya Cosmetics and other major brands have begun production of hand sanitisers and liquid disinfectants along with increasing the production of soaps and detergent powders. Besides, more than 100 small and big companies have entered the market.

■ On March 8, after the first coronavirus patient was identified in the country, people were making a dash for buying hand sanitisers. Initially, there was a severe crisis in the market for the product. Reckitt Benckiser, ACI, Eskayef Pharmaceuticals, Incepta, Beximco, ACME Laboratories, Ibn Sina, Popular Pharma and other pharmaceutical companies quickly started producing hand sanitisers in the country. Next came Marico Bangladesh, Berger paints, Carew & Co and hundreds of small and large companies, including Unilever Bangladesh and Walton. As a result, the hand sanitiser business began to skyrocket with growing demand. An official at Square Toiletries, the country's largest company, said the firm has to supply 60-70 tonnes of hand sanitisers per day at present although it used to produce and market 15-20 tonnes a year previously. Previously in Bangladesh, beauty soap and laundry soap were commonly used. But due to the coronavirus, the sale of these soaps as well as antiseptic soaps has also increased.

■ In addition to increasing the production of existing soaps, many companies have also come up with new soaps that are more effective against germs. According to the head of operations at Square Toiletries they started production and marketing of Sepnil soap in addition to the existing Meril brand. In all, soap recorded 40% growth. Unilever, which controls about 60% of the country's market, saw a record growth in soap sales during the pandemic. Sales of the country's best brands like Dove, Lifebuoy, Lux and Wheel have increased by 30%. Other local and foreign companies, like Reckitt Benckiser, ACI, Kohinoor Chemicals and Keya Cosmetics, have seen similar sales growth. However, before the epidemic, global soap growth was below 2.0% and slightly above 2.0% in Bangladesh.

<https://tbsnews.net/economy/trade/sales-hygiene-products-skyrocket-demand-grows-109240>

Foreign investors withdraw record BDT 13.99 billion at DSE in FY20

■ Foreign portfolio investors at the Dhaka Stock Exchange (DSE) withdrew a record BDT 13.99 billion in the just concluded 2019-20 fiscal year. The withdrawal of funds was the highest ever in the history of the prime bourse of the country. With the pulling out of the funds, foreign investment at the DSE fell for the second consecutive year. The foreign investors went for large scale sales of shares due to a protracted confidence crisis in the stock market even as a rampaging Covid-19 outbreak added to their worries.

■ According to DSE data, net foreign investment at the stock exchange slumped by BDT 13.99 billion in FY20 against BDT 1.8 billion in the previous fiscal year. In the given year, foreign investors sold shares worth BDT 55.4 billion against their purchase of shares totaling BDT 41.4 billion. In the last six months of the last fiscal year, foreign investment in DSE was BDT 7.7 billion negative, as trading on the bourse remained closed for 66 days due to the public holiday announced as a step to halt the spread of the deadly coronavirus.

<https://www.dhakatribune.com/business/stock/2020/07/20/foreign-investors-withdraw-record-BDT-13-99cr-at-dse-in-fy20>

Who owns how much of the stock market?

■ A recent compilation of the latest Dhaka Stock Exchange data on shareholding and market capitalisation of listed companies reveals that promoters and directors of listed companies own securities contributing over 55% of the DSE

market capitalisation, while government holding accounts for 4.3%. Institutional and foreign portfolio investors who literally need liquidity – sufficient buyers and sellers – in the market contribute 15.6% and 6.4% of the total market capitalisation respectively. On the other hand, the market of free float securities accounts for 41% of the total DSE market capitalization – BDT 1.5 trillion of the BDT 2.6 trillion in total.

■ A compilation of DSE data by a top equity research team reveals that of the free float market capitalization, retail investors are the biggest single contributor, 45.7%, followed by local institutional investors with 38.5% and foreign investors with 15.9%. Local institutional investors and foreign investors together surpass the total retail holding of free-float shares.

<https://tbsnews.net/economy/stock/who-owns-how-much-stock-market-109156>

World Stock and Commodities*

Index Name	Close Value	Value Change YTD	% Change YTD
Crude Oil (WTI)*	USD 40.87	(USD 20.76)	-33.68%
Crude Oil (Brent)*	USD 43.25	(USD 25.19)	-36.81%
Gold Spot*	USD 1,819.42	USD 297.95	19.58%
DSEX	4,070.15	-382.78	-8.60%
S&P 500	3,251.84	21.06	0.65%
FTSE 100	6,261.52	-1325.53	-17.47%
BSE SENSEX	37,020.14	-4622	-11.10%
KSE-100	37,330.85	-3404.23	-8.36%
CSEALL	4,988.50	-1140.71	-18.61%

Exchange Rates

USD 1 = BDT 84.75*

GBP 1 = BDT 107.26*

EUR 1 = BDT 97.13*

INR 1 = BDT 1.13*

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

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