

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 Bank (BB) cuts key policy rates**

- The central bank unveiled on Wednesday an expansionary monetary policy for the current fiscal year aiming to speed up recovery of the pandemic-hit economy. As part of the expansionary policy stance, the Bangladesh Bank slashed overnight repurchase agreement (repo) rate by 50 basis points to 4.75% while cut reverse repo rate to 4.00% from 4.75%. The central bank cut the policy rates to ensure the availability of cheaper funds for banks and greater flow of funds into the economy. Besides, the bank rate has been re-fixed at 4.0% from 5.0% to rationalise it with the current interest rate regime.
- The BB's latest move came after slashing the cash reserve requirement (CRR) by 1.5 percentage points to 4.0% from 5.50% to help the banks implement the government-announced stimulus packages aimed at boosting investments in productive sectors. The BB slashed the overnight repo to 4.75% from 5.25% and reverse repo to be 4.0% from the 4.75%. The BB projects GDP (gross domestic product) growth of 8.20% for FY '21 while 12-month average inflation to be 5.4% in June 2021 in line with the projection made in the national budget.
- The central bank, however, fixed domestic credit growth target at 19.3% for FY '21 while goals of broad money (M2) supply and reserve money have been projected at 15.5% and 13.5% respectively. The private sector credit growth target has been set at 11.5% and 14.8% respectively for the first half (H1) and the second half (H2) of the FY '21 while the public sector credit growth target at 35.6% and 44.8% respectively.
- The country's average inflation as measured by consumer-price index (CPI) rose to 5.65% in June last from 5.61 a month before. It was 5.48% in June 2019. The central bank recommended monitoring of domestic price developments continuously to curb the possible inflationary pressure on time.

<https://today.thefinancialexpress.com.bd/first-page/bb-cuts-key-policy-rates-1596045914>  
<https://today.thefinancialexpress.com.bd/first-page/economists-heap-praise-on-monetary-policy-1596045981>  
<https://tbsnews.net/economy/banking/bangladesh-bank-slashes-policy-rates-support-banks-113122>  
<https://tbsnews.net/analysis/monetary-policy-supportive-situation-not-113374>  
<https://tbsnews.net/analysis/fy21-monetary-policy-conventional-one-just-numbers-figures-113377>  
<https://www.thedailystar.net/business/news/monetary-policy-meets-the-test-time-1938529>  
<https://www.thedailystar.net/business/news/bb-throws-kitchen-sink-downturn-its-latest-monetary-policy-1938533>  
<https://www.newagebd.net/article/112413/bb-cuts-key-rates-in-expansionary-accommodative-monetary-policy>

### **Bangladesh Bank sees further deterioration of current account deficit**

- Even though the foreign exchange market is stable with a surplus balance of payment, the Bangladesh Bank anticipates further deterioration of the current account deficit in the near future due to negative export earnings and job losses among Bangladeshi migrant workers. In the latest monetary policy announced on Wednesday for the current fiscal year, the deficit in the current account is anticipated to slightly deteriorate with moderate receipts in financial accounts as compared to the previous year. The balance of payment witnessed a surplus of USD 3,655 million in FY20, contributed to by a decline in the current account deficit on the back of robust remittance inflows along with higher inflows of Foreign Direct Investment (FDI) and somewhat healthy inflows of medium and long-term loans.
- The deficit in trade balance widened to USD 17,861 million during this period amid a decline in exports and imports by 16.9% and 8.6% respectively owing mainly to sluggish domestic and international demand during H1 FY20, which was further aggravated by the worldwide outbreak of Covid-19, according to the monetary policy statement. The export growth fell by 16.9% in last fiscal year when import expenditure declined by 8.6%, central bank data shows. Despite an economic slowdown in most of the remittance source countries, the government's 2.0% cash incentive was instrumental to achieving a 10.9% growth of inward remittances in FY20, reasonably higher than the 9.6% growth recorded in FY19.
- The exchange rate remained broadly stable and competitive in FY20 aided by the timely interventions of the Bangladesh Bank, it added. During the first half of FY20, the exchange rate of taka against dollar faced a little depreciating pressure, which disappeared gradually during the second half due mainly to shrinking growth of imports and a significant amount of receipt in the financial accounts along with a good inflow of workers' remittances. However, the exchange rate of taka against the dollar depreciated by 0.5% in FY20 which is markedly smaller than that of India and China but in line with other Asian competitors like Vietnam and Cambodia.

<https://tbsnews.net/economy/bangladesh-bank-sees-further-deterioration-current-account-deficit-113392>

### **Foreign firms get three more months to borrow from parent companies**

- The Bangladesh Bank has extended by three months the validity of a policy relaxation that allows foreign-owned

companies operating in Bangladesh to get short-term working capital loans from their parent companies or shareholders abroad. As per the extended validity, the foreign-owned companies will get the scope till December 31 this year. In May, the central bank granted the policy relaxations for five months ending on September 30. The central bank extended the validity of the facility based on the ongoing coronavirus situation in the country.

■ In May, a BB circular issued in this regard said, 'Given the prevailing COVID-19 pandemic related disruptions, it has been decided that foreign-owned or controlled companies operating in Bangladesh irrespective of sectors may access short-term working capital loans, for the tenure of one year extendable to another one year, from their parent companies or shareholders abroad.'

■ The foreign-owned or controlled companies can take the loans to meet actual needs for payments of three months' wages and salaries to staff regardless of their length of engagement in manufacturing or services output activities.

<https://www.newagebd.net/article/112424/foreign-firms-get-3-more-months-to-borrow-from-parent-cos>

### **Income erosion slows down mobile banking**

■ Mobile banking registered negative growth in terms of transactions in June, with a significant number of people losing their incomes as a result of the coronavirus pandemic. Many people have gone back to their villages after losing jobs during the last two to three months. They thus lost the ability and need for using mobile financial services. According to central bank data, in June, person-to-person transactions made through mobile phones decreased by 11.4% compared to those in May. The number of transactions dropped by 9.1% and the total amount of transactions fell by 5.8% in the month.

■ According to the head of Corporate Communications and Public Relations at bKash Limited, in May, Eid-ul-Fitr was one of the reasons for an increase in transactions. In June, mobile banking activities, especially person-to-person money transfers, slowed down a bit due to many people's income losses at this time of the pandemic. Average daily transactions made through mobile phones came down to BDT 14.9 billion in June from BDT 15.4 billion a month earlier, according to the latest data from Bangladesh Bank. However, in June the number of active users of mobile financial services increased by 8.8% to around 38.6 million.

■ Sector insiders said the country's mobile banking service providers had come by a fresh 6.2 million registered clients due to transfer of wages of export-oriented factories under the stimulus package of BDT 50.0 billion – which later increased to BDT 75.0 billion – in the last three months (April to June). Although there was a countrywide shutdown from March 26 to May 31, the number of fresh registered clients reached 6.9 million, a tremendous growth in account opening, during the period. In June, salary disbursement through mobile banking increased by 7.2%, payments of utility bills by 66% and merchant payment by 73%, according to the central bank data.

<https://tbsnews.net/economy/banking/income-erosion-slows-down-mobile-banking-112942>

### **Government allows rawhide export to ensure fair prices**

■ The government has decided to allow export of rawhide and wet-blue of sacrificial animals on a case-to-case basis to ensure their fair prices during this Eid-ul-Azha. To this effect, the commerce ministry issued a circular on Wednesday relaxing a section of existing export policy 2018-21. In line with the ministry's instructions, the office of Chief Controller of Imports and Exports has also issued a public notification in this regard.

■ The export facility has been provided as per the decisions taken at the meeting of Prime Minister's Office, and task force meeting on recommendations and work plan for the development of the leather sector by the cabinet division and discussion with the stakeholders concerned of the leather sector recently. It appears that the existing ban (Section 9.15 of export policy 2018-21, Annex-1) on export of rawhide and wet-blue needs to be temporarily relaxed to ensure the demand and supply of such hide during the upcoming Eid-ul-Azha, according to the ministry circular. In such circumstances, it was decided to allow export of rawhide and wet-blue leather on a case-to-case basis, if necessary, following the recommendations of the committee formed by the commerce ministry.

<https://today.thefinancialexpress.com.bd/last-page/govt-allows-rawhide-export-to-ensure-fair-prices-1596046927>  
<https://www.thedailystar.net/business/news/rawhide-export-allowed-select-businesses-and-limited-time-1938505>  
<https://www.newagebd.net/article/112419/ban-on-rawhide-export-lifted>  
<https://tbsnews.net/economy/industry/leather-gets-raw-deal-112870>

### **Monetary Policy Statement (MPS) for enhancing depth of stock market**

■ Bangladesh Bank (BB) has said coordinated initiatives should be taken to enhance the market capitalisation through the listing of companies having good fundamentals. According to MPS, to enhance the market capitalisation, listing of quality companies, especially profitable state-owned and multinational entities, is required. It said the securities regulator, merchant banks and stock exchanges should take coordinated initiatives to ensure the listing of good companies for enhancing the market capitalisation.

■ The bourses' market cap to GDP ratio still remains insignificant compared to that of other countries including neighbouring ones. Criticising the low market cap to GDP ratio, experts repeatedly said the country's capital markets are not expanding in tandem with the growth of the economy. The DSE's market cap to GDP ratio is only 12% while the ratios of the neighbouring countries are up to 74%.

■ In its MPS, the central bank said bringing quality IPOs (initial public offering), ensuring good governance, upgrading information technology, and disseminating/disclosing standard industry information is the vital policy priority for market development in the medium to longer term. The central bank said despite favorable policy support by the BB and related regulatory bodies, falling prices and trade volume with much volatility continued in the capital market during H2FY20 due to investors' disquiet stemmed mainly from the COVID-19 pandemic compared to H1FY20.

<https://today.thefinancialexpress.com.bd/stock-corporate/mps-for-enhancing-depth-of-stock-mkt-1596047716>

### **bKash offers payment service in buying sacrificial animal online**

■ Mobile financial service (MFS) provider bKash offers payment service in buying sacrificial animal online. The company in a media release yesterday said that the consumers now can purchase their chosen sacrificial animal from 11 digital cattle markets, and make their payments directly using the bKash service. Customers from all districts can buy sacrificial animals from Ajkerdeal.com and Bikroy.com under the offer, while only the capital residents can take the opportunity on Amar Hutt, Barendra Traders (Goruchai.com), Fish Expert Limited (Bhalojinish.com), HungryNaki, Priyoshop, Sadeeq Agro, SobjibazaarGoruHaat and FarmHut, it reads. Besides, the bKash offers the payment service on Daraz for Chittagong and Khulna people as well.

■ The release also said that the payment service is not available for purchasing sacrificial animals only, but also for home delivery service payments. By clicking on <https://www.bkash.com/qurbani-hat> any one can get a list of all the digital cattle markets which are accepting bKash payment, the press release mentions.

<https://www.dhakatribune.com/business/2020/07/29/bkash-offers-payment-service-in-buying-sacrificial-animal-online>

### **World Stock and Commodities\***

| Index Name         | Close Value  | Value Change | % Change YTD |
|--------------------|--------------|--------------|--------------|
| Crude Oil (WTI)*   | USD 41.31    | (USD 20.32)  | -32.97%      |
| Crude Oil (Brent)* | USD 43.80    | (USD 24.64)  | -36.00%      |
| Gold Spot*         | USD 1,965.84 | USD 444.37   | 29.21%       |
| DSEX               | 4,171.21     | -281.72      | -6.33%       |
| S&P 500            | 3,258.44     | 27.66        | 0.86%        |
| FTSE 100           | 6,131.46     | (1,456)      | -19.19%      |
| BSE SENSEX         | 38,492.95    | (3,149)      | -7.56%       |
| KSE-100            | 38,627.27    | (2,108)      | -5.17%       |
| CSEALL             | 5,099.42     | (1,030)      | -16.80%      |

### **Exchange Rates**

USD 1 = BDT 84.71\*  
 GBP 1 = BDT 109.98\*  
 EUR 1 = BDT 99.77\*  
 INR 1 = BDT 1.13\*

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

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