

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.

Interest rate spread on decline

■ Interest rate spread in the country's banking system improved slightly in May as banks slashed interest rates on deposits more than on lending. The spread defined as the gap between lending and deposit rates rose to 2.94% in May 2020 from 2.92% in the previous month, according to the Bangladesh Bank or BB statistics. The spread was 4.07% in March. The average rate on deposits fell to 5.24% in May from 5.37% a month earlier, and the interest on lending dropped to 8.18% from 8.29%, the BB data showed. Senior bankers predicted that the existing trend in spread would continue in the near future because low-cost refinancing funds were available in the banking system.

■ The central bank bought around USD 550 million from the banks in the first two weeks of this month to keep the inter-bank foreign exchange market stable, according to the central bank statistics. The average spread with state-owned banks was 2.23% in May 2020, the private banks 2.97%, the foreign banks 5.39%, and the specialized banks 2.03%. In April 2020, the spread came down to 2.92% from 4.07% in the previous month following the implementation of the single-digit interest rate in the banking sector.

<https://today.thefinancialexpress.com.bd/first-page/interest-rate-spread-on-decline-1595181609>

Defaulted industrial loans rise by BDT 7.0 billion in January-March

■ The amount of defaulted loans in the country's industrial sector increased by BDT 7.0 billion in January-March quarter to reach BDT 458.3 billion as of March 30 this year even though the government relaxed policy to lower the figure on paper. Experts said that the amount would rise further in the coming months not only for the coronavirus-induced economic shocks but also for the absence of good governance in the banking sector that had been becoming more vulnerable gradually.

■ According to BB data, the amount of defaulted industrial loans increased to BDT 458.3 billion at the end of March this year from BDT 451.3 billion at the end of December 2019. Experts said that the problems in the sector were so deep even the wholesale policy relaxation failed to keep the volume of bad loans down for a longer period. The relief for the government and for the central bank lasted only for a quarter that ended in December last year when the volume dropped by BDT 92.9 billion from BDT 544.2 billion.

■ From April 1 this year, the ceiling on lending rate came into force. In case of the industrial loan disbursement, the banks preferred large industries to the small and medium ones. The large industries received BDT 761.2 billion in loans from the banks in the January-March quarter, up 9.05% on BDT 698.1 billion in the same period in 2019. Loan disbursement to the small and medium entrepreneurs dropped by 22.3% and 23.23% respectively. Small industries and medium industries- each received BDT 77.7 billion in the January-March quarter this year.

<https://www.newagebd.net/article/111583/defaulted-industrial-loans-rise-by-BDT-704cr-in-jan-mar>

RMG export earnings in July 1-18 total USD 1.57 billion

■ The country's ready-made garment (RMG) export earnings in the first 18 days of July stood at USD 1.57 billion despite the Covid-19 pandemic, which local manufacturers consider as a good sign of reviving new or cancelled work orders. Bangladesh fetched USD 1.78 billion during the same period of July 2019. The July 2020 earnings over that of last year declined by 11.74%, according to Bangladesh Garment Manufacturers and Exporters Association (BGMEA) data. The country fetched USD 2.25 billion, USD 374.67 million, USD 1.23 billion and USD 2.24 billion in March, April, May and June of this year respectively. Subsequently, growth declined by 20.14%, 85.25%, 62.06% and 6.63% from March to June over the corresponding months of last year, according to data.

■ BGMEA president Dr Rubana Huq said RMG exports is around USD 210 million lower than the 18 days' earnings of last July. The industry lost USD 4.33 billion worth of export from March to June, and its growth is still below the positive trend, she noted. Regarding work orders, the BGMEA president said orders are being placed up to 60% over that of last year, which is not enough for most factories to run in their full capacity.

<https://today.thefinancialexpress.com.bd/trade-market>

<https://www.newagebd.net/article/111588/rmg-exports-fetch-157b-in-18-days-as-buyers-reviving-orders>

Bangladesh Bank goes for dollar buying spree as remittance hits USD 1.36 billion in two weeks

■ The Bangladesh Bank injected another BDT 22.9 billion in the country's banking sector in 19 days of July through purchasing US dollars as the banks were flooded with greenbacks. An official of the central bank told New Age that the central bank had no alternative but to purchase dollars against the backdrop of a heavy inflow of remittance ahead of Eid-ul-Azha, one of the largest religious festivals of the Muslims.

■ Although the migrants in many destinations were facing joblessness due to the coronavirus pandemic, the inflow of remittance in May and June marked a significant turnaround after the downward trend in the first four months of the year. In the first 16 days of July, the inflow of remittance increased to USD 1,360 million as the expatriates continued to support their kith and kin even at their hard times while some of the expatriates sent money as part of their preparations to come back to the country due to their joblessness. In June, the country received remittance worth USD 1,832.6 million.

■ The country's reserve that struck the USD 36-billion mark for the first time on July 2, after falling short of the mark for few days due to the USD 700 million in payments to the Asian Clearing Union, again rebounded to USD 36.1 billion on Sunday. Even though the central bank continued purchasing the greenbacks that had been piling up due to the import fall and heavy inflow of remittance, the exchange rate of the US dollar dropped a bit to BDT 84.8. To check the local currency appreciation, the BB had purchased greenbacks worth around USD 870 million from the banking system in the fiscal year 2019-2020. The BB injected USD 835 million into the banking sector before the pandemic began in the country in March.

<https://www.newagebd.net/article/111585/bangladesh-bank-goes-for-dollar-buying-spree-as-remittance-hits-136b-in-2-weeks>

Asian Development Bank (ADB) reorganizes projects to offset pandemic effect

■ The Asian Development Bank or ADB has reshuffled the current year's projects, pushed back a few and included some fresh programmes with the objective of offsetting the impact of the pandemic on life and livelihood in Bangladesh. The changes were made while preparing the country operation business plan for 2021-2023 and updating it for 2020-2022 through fielding a mission during the March-June period. By changing the pipeline for 2020, the Manila-based lender included five new programmes in response to the Covid-19 pandemic.

■ The programmes are: Covid-19 active response and expenditure support programme, Covid-19 response emergency assistance for the health sector, mitigating medium and long term economic and social impact of Covid-19, post Covid-19 small-scale employment creation fund, and support to finance compensation package for frontline Covid-19 response workers. It also advanced two projects-third public-private infrastructure development facility (tranche 2) and microenterprise development project (additional financing) 2021 pipeline to the current one to provide credit access to micro, small and medium enterprises to help mitigate the impact of pandemic-induced economic slowdown, especially in rural areas.

■ The ADB also changed the pipeline for 2021 to accommodate some new projects for the post-Covid-19 economic recovery. These are: the second programme for mitigating medium and long-term economic and social impact of Covid-19, agricultural productivity improvement project, and second microenterprise development project. In its aid memo, the ADB said, the spread of Covid-19 pandemic has impacted the traditional growth drivers of the economy---export-oriented industries, remittances, and domestic consumption, thus slowing down the economic growth in the just-out fiscal year.

<https://today.thefinancialexpress.com.bd/first-page/adb-reorganises-projects-to-offset-pandemic-effect-1595181416>

Indices of bourses escape large fall during January to March

■ Benchmark indices of both the bourses witnessed moderate correction against the sharp losses observed by some of the indices of south Asian stock exchanges amid Covid-19 pandemic. The market insiders said the indices of the country's stock exchanges escaped large fall during the period of January to March mainly riding on floor prices of the listed securities introduced to arrest the market fall. At the end of December 2019, the DSEX, benchmark index of Dhaka Stock Exchange (DSE), closed at 4,452.93 points. Later, the DSEX came down to 4008.28 points with a loss of 10% or 444.65 points on March 25. At the end of March 2020 the benchmark index of Chittagong Stock Exchange (CSE) stood at 11,328.12 points with a loss of 16% or 2,177.58 points from the mark observed at the end of December, 2019.

■ The Bangladesh Securities and Exchange Commission (BSEC) issued a directive on March 19 setting floor prices of the listed securities. As per the BSEC directive, opening price of any listed security shall be set at the average of the closing price of immediate preceding five trading days of March 19, and this average price calculated for each security shall be considered as floor price and the lowest limit of the circuit breaker.

<https://today.thefinancialexpress.com.bd/stock-corporate/indices-of-bourses-escape-large-fall-during-jan-to-march-1595175495>

bKash had the foresight to invest on tech. Pandemic is now bearing fruit

■ Futureproofing – has been the preoccupation of bKash, the company that revolutionized the mobile financial service in Bangladesh, in recent years. Which is why, the company is fine with forfeiting profits in the short-term if it means its future dominance is assured. Over the past two years, the company has invested more than BDT 4.0 billion for product

development and marketing activities, according to the annual statement of BRAC Bank, the parent company of bKash. And in that time, its net profit slid from BDT 185.0 million to BDT 625.0 million in the negative – in what is a steep comedown from its dizzy heights in the preceding years. In 2019, its total revenue grew 10.9% year-on-year to BDT 24.2 billion.

■ According to the chief executive officer of bKash, they will continue this investment in 2020 and the company will have to make a loss this year also. The company, which is 20.0% owned by Chinese payment giant Alipay, has the capital to absorb the losses.

■ Since the onset of the pandemic in March, bKash raked in BDT 210.0 million in charges from sending money and withdrawals and BDT 275.0 million from disbursing salaries of garment workers from the government's BDT 50.0 billion stimulus package, according to Shamsuddin Haider Dalim, head of corporate communications and public relations at bKash. It also gained about 7.0 million new customers to take the tally to 45.0 million in June, according to bKash. To put things into perspective, Rocket, one of bKash's main rivals, gained 18 lakh fresh customers during the period.

<https://tbsnews.net/economy/bkash-had-foresight-invest-tech-pandemic-now-bearing-fruit-108694>

Eastern Bank's profits rise on higher loan recovery, low NPL

■ Eastern Bank's profits grew at a handsome rate in 2019 thanks to a higher recovery from written-off and classified loans, new client acquisition and deeper penetration both in retail and SME segments despite it being a challenging year for almost every financial institution. The profit after tax of the lender, which started operations in 1992, rose 30.1% year-on-year to BDT 4.0 billion last year.

■ The lender recovered BDT 636.0 million from its written-off loans last year which was BDT 423.0 million and BDT 501.0 million in 2018 and 2017 respectively. Meanwhile its recovery from classified loans were BDT 947.0 million, BDT 700.0 million and BDT 858.0 million respectively. Its non-performing loan (NPL) ratio was 3.35% last year whereas the industry average was 9.32%, according to its annual report.

■ Though the NPL ratio was low compared to others in the industry last year, it was higher than 2.35% in 2018 which was preceded by 2.50%, 2.69% and 3.27% in the past successive years. This rise was mainly caused by a single account from the textile industry, according to the annual report. A big contributor to the profit of 2019 was net interest income, which rose by 8.69% to BDT 8.3 billion riding on a 10.87% portfolio expansion in the retail and SME sectors, according the financial report of 2019.

■ The net interest income growth was 8.69% last year which was 31.0% in 2018. Non-interest income increased by 14.0% in 2019 mainly due to an increase in investment income, fees and service charges. The bank's deposit base swelled 20.5% year-on-year to BDT 240 billion. The bank's advance to deposit ratio was at 77.2% in 2019, a reduction from 83.08% the previous year. The question was whether the bank reduced its lending to keep the ratio low.

<https://www.thedailystar.net/business/banking/news/eastern-banks-profits-rise-higher-loan-recovery-low-npl-1933209>

Eastern Bank Limited (EBL) to get USD 40.0 million from DEG and FMO

■ Eastern Bank Limited (EBL) recently signed a term loan agreement for USD 40.0 million with German Investment Corporation - DEG and Netherlands Development Finance Company - FMO, said a statement. Ali Reza Iftekhar, Managing Director and CEO of EBL signed the agreement with Petra Kotte, DEG Senior Director of FI and German Business and Huib-Jan de Ruijter, Member of FMO's Executive Committee and Director FI.

■ DEG-FMO will fund EBL in foreign currency to provide financing to corporate, green businesses and SME customers at competitive pricing. The funds will be routed through EBL's Offshore Banking. EBL as a leading Bank in Bangladesh continues funding infrastructural, sustainable and environment focused projects nationwide through strong support from major DFI partners including DEG and FMO. Strong monitoring, quality customer base and foreign DFI partners have made EBL one of the vibrant brands in the banking industry.

<https://today.thefinancialexpress.com.bd/stock-corporate/eb1-to-get-usd-40m-from-deg-and-fmo-1595175522>

World Stock and Commodities*

Index Name	Close Value	Value Change YTD	% Change YTD
Crude Oil (WTI)*	\$40.31	(\$21.32)	-34.59%
Crude Oil (Brent)*	\$42.87	(\$25.57)	-37.36%
Gold Spot*	\$1,808.28	\$286.81	18.85%
DSEX	4,050.65	-402.28	-9.03%
S&P 500	3,224.73	-6.05	-0.19%
FTSE 100	6,290.30	-1296.75	-17.09%
BSE SENSEX	36,471.68	-5170.46	-12.42%
KSE-100	37,001.44	-3733.64	-9.17%
CSEALL	4,953.54	-1175.67	-19.18%

Exchange Rates

USD 1 = BDT 84.75*
GBP 1 = BDT 106.13*
EUR 1 = BDT 96.76*
INR 1 = BDT 1.13*

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

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