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World is facing deep recession: International Monetary Fund (IMF)

- The International Monetary Fund's (IMF) forecast for the world economy fluctuated from expansion to reduction, making the loudest downgrade in projections for the world's leading economies. The IMF has projected the global growth to shrink by 4.9% in 2020, which is 1.9 percentage points below the April 2020 World Economic Outlook forecast. For 2021, IMF forecasts a growth of 5.4%, down from April projection of 5.8%. Overall, this would leave 2021 GDP some 6.5 percentage points lower than in the pre-Covid-19 projections of January 2020.
- Two months after its dire predictions of the steepest recession in almost a century, the IMF released this new global economic forecast on Wednesday. Few days back in this June, the World Bank forecast a 5.2% contraction in global GDP in 2020 – the deepest global recession in decades. It also said that per capita incomes in most emerging and developing economies will shrink this year. Now, the IMF comes up with this bad news for the world.
- IMF in its latest outlook said consumption growth, in particular, has been downgraded for most economies, reflecting the larger-than-anticipated disruption to domestic activity. In 2021, the growth rate for emerging market and developing economies is projected to strengthen to 5.9%, largely reflecting the rebound forecast for China (8.2%). The growth rate for the group, excluding China, is expected to be –5.0% in 2020 and 4.7% in 2021, leaving 2021 GDP for this subset of emerging markets and developing economies slightly below its 2019 level.
- Global trade will suffer a deep contraction this year of –11.9%, reflecting considerably weaker demand for goods and services, including tourism. Consistent with the gradual pickup in domestic demand next year, trade growth is expected to increase to 8%.

<https://tbsnews.net/world/global-economy/world-facing-deep-recession-imf-97684>

BDT gains on falling imports, rising remittances

- The local currency has started appreciating suddenly due to a massive fall in import payments and rise in remittances in recent weeks. This helped the country's foreign exchange reserve surpass the USD 35-billion mark for the first time yesterday, according to data from the central bank. Typically, an increase in the value of one currency makes imports cheaper and exports costlier.
- Bankers and an economist said the central bank will have to step in to stop the appreciating trend of the taka at any cost in the interest of the country's export sector, or else it will impact badly the financial sector as a whole in the days to come. Yesterday, the interbank exchange rate stood at BDT 84.80 per dollar, down from BDT 84.95 on June 18. The exchange rate of the taka had been maintaining a stable position since November last year until the latest uptick.
- Multilateral lender agencies have recently released nearly USD 1.5 billion in soft loans to help Bangladesh fight against the ongoing economic meltdown brought on by the coronavirus pandemic along with meeting their previous commitments for various projects. In addition, the expatriate Bangladeshis sent remittance amounting to USD 1.4 billion in the first 23 days of June, which is higher than the same period a year ago when the inflow stood at USD 1.3 billion. Against the backdrop, the reserve rose to a record high of USD 34.0 billion on June 3 and made another record yesterday.
- The Bangladesh Bank purchased USD 115.0 million from banks on June 23 as part of its effort to tackle the appreciation of the currency. Between July and April, export earnings stood at USD 28.8 billion, down 13.2% from a year earlier. Import payments fell 8.77% to USD 42.97 billion. Bangladesh is not the only country that is witnessing a higher foreign currency reserve: almost all emerging economies are seeing the same trend. For instance, India's reserves crossed the USD 500-billion mark for the first time on June 5 as there has been no sufficient demand for foreign currencies from oil marketing companies. The central bank of India secured an additional foreign exchange reserve of USD 31.8 billion in the two-and-a-half months to June 5.

<https://www.thedailystar.net/business/news/taka-gains-falling-imports-rising-remittances-1920177>

<https://www.newagebd.net/article/109307/reserve-hits-record-35b-dollar-price-drops-as-import-sags>

<https://today.thefinancialexpress.com.bd/last-page/reserves-hit-record-35b-amid-pandemic-1593021729>

Corporate tax cut will not benefit companies

- Slashing of corporate tax in the budget is unlikely to help bring down the effective tax rates of companies, hamstrung by a set of new provisions. Despite the cutback on corporate tax for non-listed firms, the effective tax rate of a company could go up to 40% in FY 2021, said businesses and tax experts. Large corporate taxpayers, foreign investors and tax experts termed the cut by 2.5% "a completely theoretical reduction."

■ Officials of the National Board of Revenue NBR implicitly agreed, saying there would be no significant loss in the collection of direct taxes, despite offering a set of tax benefits in the budget. The benefits include a 2.5% cut in corporate tax for non-listed firms, increase in tax-free threshold for individual taxpayers to BDT 0.3 million, a new tax rate 5.0% for marginal taxpayers, bringing down the highest slab of income tax rate by 5.0%, etc.

■ The benefits include a 2.5% cut in corporate tax for non-listed firms, increase in tax-free threshold for individual taxpayers to BDT 0.3 million, a new tax rate 5.0% for marginal taxpayers, bringing down the highest slab of income tax rate by 5.0%, etc. Businesses said the tax on promotional expenses may cause increase of effective tax rates ranging from 6.0% to 40% depending on the profit base of 5.0% to 30%.

<https://today.thefinancialexpress.com.bd/first-page/corporate-tax-cut-wont-benefit-cos-1593020217>

Bangladesh's electricity use drops by 4,000 Megawatt

■ Coronavirus pandemic and resultant low demand of power and energy have reduced around 4,000 MW of electricity and 300 mmcf of natural gas consumption across the country. According to the state-run Bangladesh Power Development Board (BPDB) Chairman, currently, the country's electricity consumption could have been around 14,000 megawatts (MW), if the coronavirus outbreak did not spread and overall electricity consumption did not fall. He also added that the country's overall electricity consumption is currently hovering around 10,500 MW due to lower than expected consumption.

■ Natural gas consumption could have been around 3,300 million cubic feet per day (mmcf), if the coronavirus pandemic was not there, said a senior official of the state-run Petrobangla. Overall natural gas consumption, including re-gasified LNG (liquefied natural gas), is now around 3,000 mmcf. Earlier, industries and commercial operations were shut for over two months of the nationwide shutdown until May 30. Almost all types of gas-based industries and factories were also shuttered during the nationwide shutdown, imposed for slowing the spread of coronavirus outbreak.

■ Electricity consumption in industries fell by around 50% and in commercial entities by around 40% during the shutdown, said a senior official of the state-owned Dhaka Electricity Supply Company Ltd (DESCO). Electricity consumption in households, however, increased by around 15% during the period.

<https://today.thefinancialexpress.com.bd/last-page/bds-electricity-use-drops-by-4000-mw-1593021677>

Bangladesh Bank (BB) approves BDT 30.0 billion in loans for 140 entities

■ The Bangladesh Bank has approved around BDT 30.0 billion in loan proposals of 140 entities, which were placed by different banks for approval under the government-announced package meant for the industries and service sectors affected by the coronavirus pandemic. Besides, the process of approval for another BDT 20.0 billion in stimulus loans would be completed in a few days, which would take the total amount of BB-approved stimulus loans to around BDT 50.0 billion.

■ The loan facility would be issued for one year. However, the tenure can be extended based on the bank-customer relationship. In such case, the borrower would not get interest subsidy for more than one year. Asked about the progress of loan disbursement, City Bank managing director and chief executive officer Mashrur Arefin told New Age on Wednesday that the bank had applied for issuing BDT 10.2 billion in credit facility to its clients.

■ Under the stimulus package, the banks would issue credits at the rate of 9.0% to the SMEs. Of the interest, the government will pay 5.0% while the borrower will have to pay the rest 4.0%. The government have so far announced different stimulus packages worth around BDT 1.03 trillion. Apart from the two packages meant for the industries and SMEs, the BB has formed a BDT 50.0 billion pre-shipment refinance scheme for the export-oriented industries, a BDT 30.0 billion fund for the low-income people and for the farmers, and another BDT 50.0 billion fund for the farmers.

<https://www.newagebd.net/article/109330/bb-approves-BDT-3000cr-in-loans-for-140-entities>

World Bank (WB) approves USD 500.0 million in loan for Bangladesh road connectivity improvement

■ The World Bank on Tuesday approved USD 500.0 million in loans to Bangladesh for improving road and digital connectivity along the Jashore-Jhenaidah corridor covering four western districts. The Western Economic Corridor and Regional Enhancement (WeCARE) Phase I project is the first of a multi-phased USD 1.4 billion World Bank programme to upgrade the existing 110 KM two-lane highway —Bhomra-SaBDT hira-Navaron and Jahore-Jhenaidah — to a safer and climate-resilient four-lane highway in the region, said WB in a statement.

■ The project will support the government's plan of developing a 260 km economic corridor in the western part and benefit over 20.0 million people, it said. The first phase of the programme will upgrade 48 kilometer of the N7 highway between Jashore and Jhenaidah and improve about 600 km connecting rural roads and 32 rural markets/growth centers to stimulate the local economy, it said.

■ Under the project, fiber optic cables will also be installed along the highway to provide reliable and affordable internet access. The credit from the WB's International Development Association (IDA), which provides concessional financing, has a 34-year term, including a four-year grace period. With this financing, the World Bank's total commitment in the current financial year 2019-2020 stands at USD 2.3 billion. Bangladesh currently has the largest IDA ongoing programme totaling over USD 13.5 billion.

<https://www.newagebd.net/article/109302/wb-approves-500m-in-loan-for-bangladesh-road-connectivity-improvement>

Problems with overcapacity in power sector may deepen in post-pandemic period: Center for Policy Dialogue (CPD)

■ The Bangladesh Power Development Board has confronted a rising financial burden due to overcapacity-related problems exacerbated by the Covid-19 pandemic. However, the problems will deepen in the post-Covid-19 period as the board must pay a capacity charge to plant owners while the plants remain unused due to low energy demand, reads analysis by the Centre for Policy Dialogue (CPD).

■ According to the CPD report, In January and March of 2020, the highest overcapacity was reported at 63.3% and 62.5%, respectively. However, on June 16 of FY18, FY19 and FY20 the overcapacity was found to be 59%, 46%, and 49.8% respectively his overcapacity is a result of the power sector's master plan where the reserve margin was set at 25% – which is significantly higher than the reserve capacity maintained by developing countries – 10%.

■ Regarding budget allocation for the power division: the power division needs to follow a "go-slow" policy in power generation-related projects both under the public and private sector given the huge amount of overcapacity that currently exists.

<https://tbsnews.net/bangladesh/energy/problems-overcapacity-power-sector-may-deepen-post-covid-period-cpd-97525>
<https://www.thedailystar.net/business/news/overcapacity-power-sector-growing-concern-cpd-1920173>

Safety net outlay goes up substantially for FY '21

■ The government has substantially increased the allocation on the social safety net programmes mainly due to supporting the coronavirus affected people. It allocated BDT 955.74 billion or nearly 17% of the proposed budget for fiscal year 202-21, with some programmes designed directly for the virus affected people.

■ The social protection programmes are also directly linked with the assistance for partial interest waiver of deferred loans of the commercial banks, refinancing scheme for low income farmers and traders, and interest subsidy for small industry and service sector enterprises. The government has allocated a total of BDT 80 billion for the above programmes for the next fiscal year.

■ However, there are a large number of programmes meant for the non-poor people under the social security programmes. The pension payment for the retired government employees is the biggest programme in terms of resource allocation. The government has proposed BDT 230 billion for over 600,000 pensioners.

<https://today.thefinancialexpress.com.bd/last-page/safety-net-outlay-goes-up-substantially-for-fy-21-1593021438>

National Board of Revenue (NBR)'s bid to cap promotional expenses leaves firms hot and bothered

■ The revenue authority has sought to tax companies' promotional expenditure exceeding 0.5% of their turnover, an unprecedented move that has left firms flustered. Promotional expenses exceeding the proposed cap would instead be listed as income and therefore, companies will have to pay tax on the expenditure from the upcoming fiscal year. In turn, this may increase the effective tax rate from 6.0% to 36.0% depending on a profit base range between 5.0 and 30.0%, Rupali Chowdhury, president of the Foreign Investors' Chamber of Commerce and Industry (FICCI), told Finance Minister last week in a letter seeking the cap's removal. Due to the increase in effective tax rates, non-listed companies, the country's biggest taxpayers, will not be able to take full advantage of the proposed reduction of corporate tax from 35.0% to 32.5%.

■ The FICCI also said that fast-moving consumer goods (FMCG) and similar industries spend between 5.0 to 10.0% of their turnover on promotional activities, a long-established practice that drives sales. The proposed cap on such expenditures means that the cost of doing business will increase. This will also likely force companies to cut down on promotional activities at a time when the economy needs more investment to make a speedy recovery from the pandemic fallout.

<https://www.thedailystar.net/business/news/nbrs-bid-cap-promotional-expenses-leaves-firms-hot-and-bothered-1920185>

Dhaka businesses struggle with collapsed demand

■ Economic activities resumed on May 31 across the metropolis of 20 million people after a 66-day nationwide shutdown, but consumer demand has fallen to a fraction of what it used to be before the pandemic, with people not opening their wallets for anything unless it is very essential. Although the industries that manufacture health products, groceries and some specialised items, such as bicycles, hair trimmers or washing machines, are witnessing a rise in demand, their contribution to the economy is very nominal. Most businesses are struggling to come out of a vicious cycle that reduced their sales by 60%-90%.

■ All formal employments – except for government jobs – are working under the spectre of job or pay cuts while more than 60.0 million people employed informally had a tougher time with no or little income during the shutdown. Despite the risk of getting infected with coronavirus, they are desperate to get back to work wherever they had been before the pandemic.

■ City and Meghna groups, two market leaders in essential commodities like oil, sugar or flour –are also experiencing a slump in demand after the reopening of the economy. Mostofa Kamal, chairman of Meghna Group of Industries, said he is very concerned about the demand decline by 30% to 40%. Manwar Hossain, president of Bangladesh Steel Manufacturers Association, said the steel industry sales figure is one-fourth of what it used to be a year ago. Liakat Ali Bhuian, vice-president of the Real Estate and Housing Association of Bangladesh, told The Business standard that except some large companies, most of the real estate firms are struggling to keep their offices open as there is neither client visit, nor sale. Less than 10% of the sales a year ago is now taking place, and those are mainly contracts signed earlier, he added.

<https://tbsnews.net/economy/trade/dhaka-businesses-struggle-dampened-demand-97255>

World Stock and Commodities*

Index Name	Close Value	Value Change YTD	% Change YTD
Crude Oil (WTI)*	USD 37.79	(USD 23.84)	-38.68%
Crude Oil (Brent)*	USD 40.04	(USD 28.40)	-41.50%
Gold Spot*	USD 1,760.15	USD 238.68	15.69%
DSEX	3,964.83	-488.10	-10.96%
S&P 500	3,050.33	-180.45	-5.59%
FTSE 100	6,123.69	-1463.36	-19.29%
BSE SENSEX	35,430.43	-6211.71	-14.92%
KSE-100	34,052.61	-6682.47	-16.40%
CSEALL	5,083.07	-1046.14	-17.07%

Exchange Rates

USD 1 = BDT 84.81*
 GBP 1 = BDT 106.24*
 EUR 1 = BDT 96.04*
 INR 1 = BDT 1.12*

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

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