

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.

July trade deficit eases by 15.6%

- Country's trade deficit dropped by 15.6% or USD 181 million in July, the first month of the current fiscal year, compared with that in the same month of last fiscal year due mainly to a dismal state of imports. The country's trade deficit decreased to USD 979 million in July of FY 2019-20 against USD 1.16 billion in the same month of FY 2018-19. The fall in trade deficit in July this fiscal was the continuation of the trend observed in last fiscal. In FY19, trade deficit fell by 14.76% to USD 15.49 billion from the record USD 18.18 billion deficit in FY18.
- The fall in trade deficit can be considered as a positive sign for the economy but there is no scope for becoming complacent due to the sorry state of imports, especially those of the productivity generating items, capital machinery and industrial raw materials, experts and bankers said. Imports witnessed lenient 2.26% growth in July against 8.11% growth in export earnings, bringing down the trade deficit significantly. In July this year, import payments were USD 4.81 billion against USD 4.70 billion in the same month last year. On the other hand, export earnings reached USD 3.83 billion in the first month of FY20 against USD 3.54 billion in the same month of last fiscal year.
- Of the export earnings, export of readymade garments that constitute 86.5% of the country's exports increased to 9.68% to USD 3.31 billion from USD 3.02 billion. Due to the fall in import payments against notable growth in exports, current account balance turned positive USD 240 million in July against negative USD 179 million in the same month of FY19. Besides the current account balance, the country's overall balance also turned positive USD 124 million in July of FY20 against negative USD 199 million in the same month last year.
- The BB data also showed that the country attained USD 214 million net foreign direct investment in July this year against USD 200 million in the same month last year. However, the net portfolio investment, meant for the investment in the country's capital market, dropped to USD 7 million from USD 17 million. The BB statement also showed that the country's gross reserve stood at USD 32.55 billion in July this year from USD 32.09 billion in July last year.

<http://www.newagebd.net/article/84760/july-trade-deficit-eases-by-156pc>

Telcos' data revenue surges

- Data revenue for the top three mobile phone operators surged 23% to BDT 28.62 billion in the first half of the year on the back of fast-expanding 4G coverage. In February 2018, Grameenphone, Robi and Banglalink rolled out the fourth-generation service. State-run Teletalk followed suit in December but it does not make data public. A subscriber consumes more than 1.5GB of data every month on an average, up from below 1GB at the end of the second quarter last year.

Grameenphone, the largest operator, earned BDT 14.10 billion from January to June in data revenue, up from BDT 11.90 billion a year ago. The second largest operator, Robi, took home BDT 10.62 billion, according to its parent company's quarterly report, which was BDT 7.99 billion during the same period last year. Banglalink, the third biggest operator, made BDT 4.29 billion up from BDT 3.41 billion in the same period in 2018.

The chief corporate and regulatory officer at Robi pointed out policy inconsistency and uncertain regulatory regime which is discouraging investment. As a result, data usage is not increasing as expected. As for example, the Quality of Service Guideline has made it mandatory for operators to provide 7Mbps of speed to 4G subscribers, he said. But in case of video streaming or other 4G services, a speed of 3Mbps is sufficient for the users to enjoy the services. If they have to ensure 7 Mbps speed, each operator will need an additional 10 MHz of spectrum every year. If the current situation persists, digitalization will come to a halt and data consumption will not grow further, he added.

<https://www.thedailystar.net/business/telecom/mobile-phone-operators-data-revenue-surges-1801117>

Bangladesh Telecommunication Regulatory Commission (BTRC) may face investment arbitration soon

- With the serving of show-cause notices on Robi and Grameenphone as to why their licenses will not be cancelled for not paying the so-called 'dues', the Bangladesh Telecommunication Regulatory Commission (BTRC) has come further closer to facing investment lawsuits. In July last year, the BTRC demanded BDT 8.67 billion in taxes from Robi Axiata Ltd. Earlier this year, the commission claimed BDT 125.79 billion from Grameenphone Ltd, the largest mobile phone operator in the country. Both Robi and Grameenphone have described the claims as ill-founded.
- In this backdrop, cancellation of license of Robi and Grameenphone will allow their respective foreign investors to espouse investment claims at international forum. Since Bangladesh has concluded bilateral investment treaties (BIT) with Malaysia, Singapore and Japan, it will not be much problematic for the foreign shareholders in Robi to bring

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investment disputes before the International Centre for Settlement of Investment Disputes (ICSID) tribunal. On the other hand, Bangladesh has not concluded any BIT with Norway. Therefore, the possibility of bringing an investment dispute by TMC or Telenor ASA will much depend on their corporate structures. Apart from Telenor Group, there are chances that other foreign shareholders in Grameenphone may avail of ICSID arbitration if Bangladesh has already concluded BIT with the country of which any such shareholder is a national.

- One should take note of the fact that both Robi and Grameenphone have proposed to submit their respective disputes to arbitration under the Arbitration Act, 2001, but the which BTRC has turned down on the excuse that the Telecommunication Act, 2001 does not envisage any scope for such arbitration.
- At this point, one cannot fail to notice that the BTRC's actions to realize the claimed amounts from Robi and Grameenphone are not in compliance with the Telecommunication Act, 2001. For instance, section 26 of the Act provides that the Public Demand Recovery Act, 1913 could be availed of in order to recover dues owed to the BTRC. Thus, the BTRC's strategy to recover dues by resorting to threat of cancellation of license without having recourse to the Act of 1913 constitutes evasion of its legal obligation under the Telecommunication Act. If investment arbitration ultimately ensues, there is strong likelihood that these factors will count against the BTRC. Being a statutory body, the BTRC's actions will be squarely attributable to Bangladesh.

<https://www.thedailystar.net/business/telecom/btrc-may-face-investment-arbitration-soon-1801063>

Telcos to run TVAS without foreign partnership

- The Bangladesh Telecommunication Regulatory Commission (BTRC) will give permission to mobile phone operators under the proposed unified license to run telecommunication Value Added Services (VAS) on their own and without entering into any partnership with foreign firms. Earlier, the BTRC had decided to give licenses to foreign firms for VAS, provided they gave at least 30% ownership to local firms. Now, the mobile phone operators under the unified telcos' licensing guideline will be able to run the VAS with 100% ownership.
- VAS refers to those telecommunication services, other than the core services (voice call, SMS, data), that add value to the core. These are electronically consumable and deliverable through any access network service using direct operator billing and/or any payment method approved by the central bank. VAS includes m-health, caller ring back tone and location-based services.

<http://m.theindependentbd.com/post/215714>

Credit flow to new SMEs dries up

- Credit flowing to new small entrepreneurs fell significantly in the first-half of the year as risk-averse bankers were unwilling to offer such loans. The total lending to the fresh small and medium enterprises sector decreased by more than 15% to BDT 112.93 billion in the January-June period of the year from BDT 132.90 billion in the same period of 2018, according to the central bank latest statistics. All banks and non-banking financial institutions together disbursed the loans to new enterprises in the SME sector.
- Meanwhile, the number of new enterprises slipped by more than 17% to 65,350 in the first half of 2019 from 78,822 in the same period last year. Most banks prefer to avoid investing in the new enterprises considering the lack of experience, documents and transactions, banking sector people said. The government has already formed a high-powered committee to formulate a guideline for facilitating new entrepreneurs along with freelancers of Bangladesh.

<http://today.thefinancialexpress.com.bd/trade-market/credit-flow-to-new-smes-dries-up-1568654555>

Government eyes 300MW rooftop solar power

- The government is looking to use the rooftops of factories and public agencies to generate about 300MW of clean electricity through solar photovoltaics (PV) -- a move that can slash emissions and dependency on fossil fuel. We are considering rooftops because of scarcity of land suitable for setting up solar power plants to generate renewable energy -- and we have a lot of rooftops, said a member of the Sustainable & Renewable Energy Development Authority (Sreda). The move comes at a time when the government is falling behind its target of generating 10% of electricity by renewable energy by 2020. The share of renewable energy is just 2.83%, according to Sreda. Bangladesh's current power generation capacity is 20,834 MW, with the country remaining heavily dependent on fossil fuels and conventional energy resources to meet its energy demand for a growing economy.

- To increase generation of renewable energy, the government signed power purchase agreements with 11 private

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firms that took initiatives to establish solar parks. But thus far, only two have started operations. A lack of availability of suitable land has been blamed the most for the sluggish progress, according to officials. Rooftops of public agencies and plants offer good potential, the member of Sreda said, adding that the Sreda is hoping to generate 300 MW of electricity over the next four years through rooftops..

<https://www.thedailystar.net/business/government-eyes-300mw-rooftop-solar-power-1801123>

Pre-IPO and post-IPO earnings raise questions

- Earnings of many companies drop even after three-four years of their listing in the bourses, whereas stock investors expect it will rise with the investment of the proceeds from the initial public offering. Once their earnings slide, their stock price follow suit, leaving a hole in the stock investors' portfolio. Between 2012 and 2016, 63 companies withdrew capital from the stock market to go for further investment and loan repayment -- with the promise that their earnings will rise. Of them, earnings of 45 companies fell, 17 rose and one has been merged with another listed company and so its data was not available. The data of companies that raised funds between 2017 and 2019 have not been considered for comparison as a company generally needs two to three years to make profit from an investment.
- Market analysts said most of the companies deliberately show higher earnings per share before getting listed. The reality of their income situation comes to the fore once they get enlisted. What is more, some companies come to the market when the sponsors think the business is sinking. After completion of listing, such companies' earnings go down slowly and move towards the junk stock's status.

<https://www.thedailystar.net/business/news/pre-and-post-ipo-earnings-raise-questions-1801120>

Listing of State Owned Enterprises (SOE) to pick up speed: Finance Minister

- A high-stake meeting on Monday decided to speed up the process of listing of state-owned enterprises to help revive the country's ailing capital market. Also, an internal audit department will be established under the securities regulator to look into the financials and operations of the listed companies. On the other hand, steps will be taken to ensure 'fair' prices of initial public offerings.
- The finance minister told reporters they have taken on the challenge of restoring investors' confidence in the capital market by removing the 'hurdles' that constrain the market's growth. An internal audit department will be established in the SEC, which will look into the financial statements of the listed companies round the year, the minister said. He said the process of listing state-owned enterprises and other private companies having good fundamentals would be intensified.

<http://today.thefinancialexpress.com.bd/first-page/listing-of-soes-to-pick-up-speed-1568655788>
<https://www.thedailystar.net/business/news/special-committee-heal-stock-ills-1801105>

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World Stock and Commodities*

Index Name	Close Value	Value Change	% Change
Crude Oil (WTI)*	\$62.04	-0.86	-1.37%
Crude Oil (Brent)*	\$68.29	-0.73	-1.06%
Gold Spot*	\$1,498.36	-0.07	0.00%
DSEX	4,959.73	+17.50	+0.35%
Dow Jones Industrial Average	27,076.82	-142.70	-0.52%
FTSE 100	7,321.41	-46.05	-0.62%
Nikkei 225	21,959.79	-28.50	-0.13%
BSE SENSEX	37,025.30	-98.01	-0.26%

Exchange Rates**USD 1 = BDT 84.57*****GBP 1 = BDT 104.98*****EUR 1 = BDT 93.11*****INR 1 = BDT 1.18***

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

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