



Business News Flash:

A Fortnightly Update

2 September 2021

Research & Strategy Division

Highlights of Local Economy

Micro Economic Indicators

48 Billion
Foreign Exchange
Reserve as of
Aug'21



8%

Remittance
declined on YoY
basis to \$1.81
billion in Aug'21



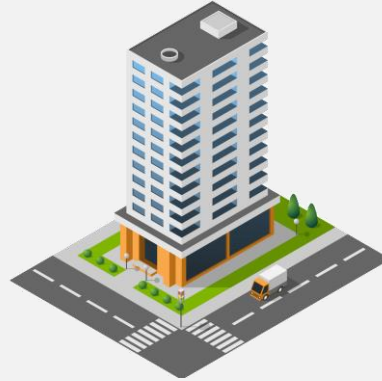
22%

Import growth to
\$4.76 billion in
Jul'21 on YoY
basis



14%

Export earning
increased to
\$3.38 billion in
Aug'21 on YoY
basis



- Flat price is increasing in Dhaka due to due to limited investment opportunities, drastic fall in bank deposit rates, cheap loans, and the scope to legalize untaxed money without facing any question, higher cost of construction material etc.

- Decline in remittances, increase in import costs and government's decision to import food increased the value of the dollar



- Asian Development Bank (ADB) approved \$1.78 billion to improve mobility, road safety, and regional trade along Dhaka-Sylhet trade corridor in Bangladesh.

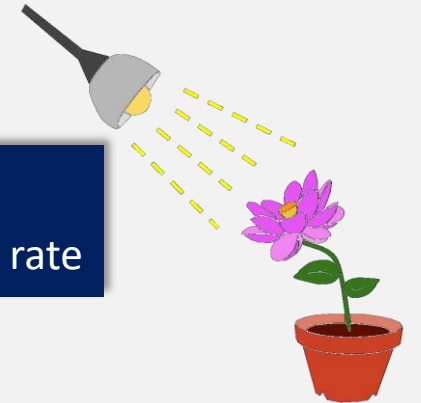
Highlights of Local Banking Industry



- Non-performing loans (NPLs) stood at Tk 99,205 crore in June, up 11.80% from Dec'20 and 3.21% YoY basis and it is 8.18% of the total outstanding debts of Tk 121,314 crore in Jun'21
- Shipbreaking and shipbuilding (18%), small and medium enterprises (12%), trading (11%), agriculture (10%) and garment (9%) are the top five sectors are suffering from higher NPL

Stimulus Package

- SME Foundation will provide another Tk 2 billion as loans for CMSME segment with 4% interest rate
 - Tk. 30 billion allotted as refinance scheme for the agriculture sector with 4% interest rate



Bangladesh Bank (BB) Instructions



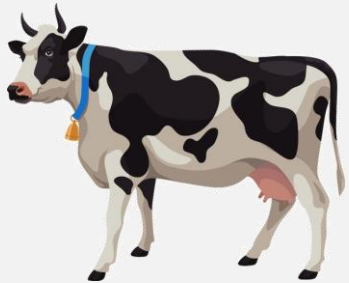
- BB cancelled the credit card bill payment special facility like bill payment period, late payment fee, etc,
- Borrowers will be able to avoid the default zone by paying 25% of each installment of their loans until Dec'21
- BB asked banks to provide information every month instead of a quarterly basis about the special funds for investment in the capital market.

Highlights of Local Businesses



- Garment exporters experienced cost of production increased by 30% fuelled by hikes in yarn prices, freight charges and increased local transportation cost
- Cotton prices have climbed to 93 cents per pound in international futures markets
- Freight charge increased from 100% to 400%
- Transportation cost increased by 2 to 2.5 times

- Increasing demand of Jute in international market drawing attention from leading businesses like: Pran and Akij, Mohan Jute and Pacific Jute of India and the Jute Republic in UK



- Unsold livestock (worth BDT 290 billion), high costs of cattle feed, saturation of local market from frozen meat imports, and bank loan repayments are some major challenges of local cattle farmers

- Monthly average registration of motor cycle in 2021 was 3% higher than 2020 mainly due to decline of registration cost



- Market size of ink market is BDT 30 billion and the demand is growing at rapidly. It is import oriented industry.



Bangladesh Economy

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Local Industry/Sector



Local Economy



Flat Prices on the Rise

- Flats in Dhaka are 6% more expensive now, due to limited investment opportunities, a drastic fall in bank deposit rates, cheap loans, and the scope to legalize untaxed money without facing any question
- Besides, higher cost of construction materials (Cement and steel prices increased 10% and 34% respectively) also contributed significantly to price increase according to the industry insiders

<https://www.thedailystar.net/business/economy/news/flat-prices-the-rise-2160236>

Remittance Earnings Drop 19% in July-August

- Remittance dropped by 19% of YoY basis in the first 2 months of the current FY
- \$3.68 billion in remittance was sent in the July-August period of this year, down from \$4.56 billion in the same period of last year
- In August this year, remittance growth fell by around 8% to \$1.81 billion
- BB apprehended that slumps in oil prices might affect Bangladesh as the oil-dependent countries are a major hub for the country's migrant laborers.

<https://www.tbsnews.net/economy/remittance-earnings-drop-19-july-august-296431>



Dollar Gets Expensive



- In last few weeks dollar witnessed some instability, as the currency's value rose in the country's inter-bank foreign exchange market.
- Dollar purchases registered a record average in the FY 20-21, when the BB bought a total of around \$8 billion from banks.
- Slight decline in remittances, increase in import costs and government's decision to import food had an impact on the value of the dollar
- Inward remittances dropped nearly 28% to \$1.87 billion in July and 8% in Aug'21 to \$1.81 billion on YoY basis
- Import payments, however, jumped by nearly 20% to \$60.68 billion in the July-June period of FY2020-21 from \$50.69 billion on YoY basis
- Export earnings decreased more than 11% to \$3.47 billion in July, from \$3.91 billion in the same period of the previous fiscal year (FY)

<https://www.dhakatribune.com/business/2021/08/24/dollar-gets-expensive>

ADB Approves \$1.78 Billion to Improve Regional Trade Route in Bangladesh

- Asian Development Bank (ADB) approved \$1.78 billion multi-tranche financing facility (MFF) to improve mobility, road safety, and regional trade along Dhaka-Sylhet trade corridor in Bangladesh.
- Dhaka-Sylhet corridor will support a new trade route that connects Chattogram port with India's northeastern states through three land ports of Akhaura, Sheola, and Tamabil, and from there to Bhutan and Myanmar

<https://www.thedailystar.net/business/economy/news/adb-approves-178-billion-improve-regional-trade-route-bangladesh-2162366>





Local Banking Industry



Default Loans Surge Close to Tk 1 Lakh Crore

- Non-performing loans (NPLs) stood at Tk 99,205 crore in June, up 11.80% from Dec'20 and 3.21% YoY basis
- NPLs also increased 4.33 % in June compared to March when the volume stood at Tk 95,085 crore.
- NPL accounted for 8.18% of the total outstanding debts of Tk 121,314 crore in Jun'21. The ratio was 8.07% in Mar'21 and 7.66% in Dec'20
- Slow economic recovery due to covid-19 is the key reason for such high amount of NPL

<https://www.thedailystar.net/business/economy/banks/news/default-loans-surge-close-tk-1-lakh-crore-2156571>

Default Loan Rates Highest in Shipbreaking, SME

- Shipbreaking and shipbuilding, small and medium enterprises, trading, agriculture and garment are the top five sectors are suffering from higher NPL
- Fund diversion by borrowers, lack of farsightedness among businesses when it came to investment, and banks' failure to maintain due diligence are some key reasons for higher NPL
- Below table represents outstanding and NPL % in the aforementioned sectors:

	Ship Breaking	CMSME	Trading	Agri	Garments
Outstanding in crore TK.	16,980	44,790	24,700	4,4650	130,850
NPL %	18	12	11	10	9



11 Banks Have Tk 15,000cr Provision Deficit

- Eleven commercial banks had a deficit of about Tk 15,000 crore in provisions at the end of last Jun'21 which was Tk 12,649 crore in Mar'21
- Janata Bank, BASIC Bank, Agrani Bank, Rupali Bank, Bangladesh Commerce Bank, Dhaka Bank, Mutual Trust Bank, National Bank, Social Islami Bank, Standard Bank and Bangladesh Krishi Bank are the ones that had a shortage of provisions.
- By June end, Janata's deficit stood at Tk 5,351 crore, followed by BASIC Bank (Tk 3,671 crore), Agrani Bank (Tk 1,526 crore) and Rupali Bank (Tk 943 crore).
- Among the private banks, Nation Bank had the highest deficit of security reserves – Tk2,393 crore

<https://www.tbsnews.net/economy/banking/11-banks-have-tk15000cr-provision-deficit-291703>

3.0m Marginalized People Taking Services from Agent Banking Outlets

- As of Jul'21, around 3 million marginalized people are taking banking services from a total of 4,470 digital centers across the country.
- Total amount of deposit collection stood at Taka 13.7 billion while agent outlets disbursed Taka 19.6 billion in remittance in the aforementioned timeframe
- Combination of technology and agent network, digital center entrepreneurs are now capable of providing banking services in rural areas to the marginalized and deprived community

<https://thefinancialexpress.com.bd/economy/30m-marginalised-people-taking-services-from-agent-banking-outlets-1629637371>



Tk 3,000cr Refinance Scheme for Farmers

- BB rolled out a fresh refinance scheme worth Tk 3,000 crore for the agriculture sector.
- Lenders will receive funds at a 1% interest rate from the scheme. This will provide them with an interest rate margin of 3%
- Repayment period is 18 months, including a grace period of 6 months.
- Banks will give out at least 30% of the targeted amount under the package to the crop sector.

<https://www.thedailystar.net/business/economy/banks/news/tk-3000cr-refinance-scheme-farmers-2159476>



No More Loans Against Cash Reserve for NBFIs

- NBFIs will no longer be allowed to take out loans against depositors' funds kept in the form of treasury bills, bonds and fixed deposits as statutory liquidity ratio (SLR).
- There are 34 NBFIs in the country with Tk44,232 crore in term deposits as of Mar'21
- Asset quality of the NBFIs weakened in 2020. NPL jumped from 9.5% in 2019 to 15% in 2020.
- 13 NBFIs were in the red or risky zone by the end of 2020.
- Total net profit of the entire NBFIs sector declined by 61% to Tk356 crore in 2020 as default loans rose alarmingly

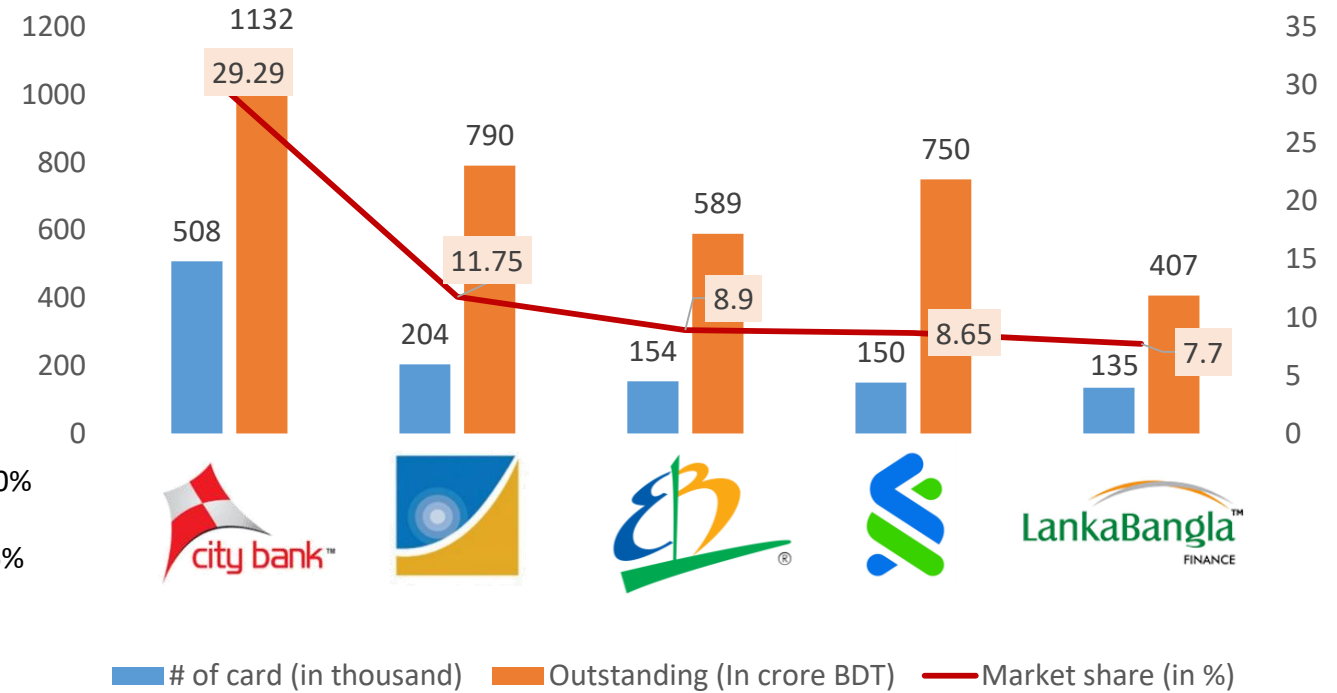
<https://www.tbsnews.net/economy/banking/no-more-loans-against-cash-reserve-nbfis-292180>



No of Cards & Transaction Increased by 11% And 115% Respectively

- As of Jun'21, # of credit card was 1.77 million which is 11.31% higher on YoY basis.
- In the same time frame, BDT 19.3 billion were transacted through credit card which is 115% higher on YoY basis
- As of Jun'21, total credit card outstanding and classified loan were BDT 64.1 billion 5% respectively

https://bonikbarta.net/home/news_description/272568/%E0%A6%95%E0%A7%8D%E0%A6%B0%E0%A7%87%E0%A6%A1%E0%A6%BF%E0%A6%9F-%E0%A6%95%E0%A6%BE%E0%A6%B0%E0%A7%8D%E0%A6%A1%E0%A7%87%E0%A6%B0-%E0%A6%B8%E0%A6%82%E0%A6%96%E0%A7%8D%E0%A6%AF%E0%A6%BE-%E0%A6%AC%E0%A7%87%E0%A7%9C%E0%A7%87%E0%A6%9B%E0%A7%87-%E0%A7%A7%E0%A7%A7-%E0%A6%B2%E0%A7%87%E0%A6%A8%E0%A6%A6%E0%A7%87%E0%A6%A8-%E0%A6%AC%E0%A7%87%E0%A7%9C%E0%A7%87%E0%A6%9B%E0%A7%87-%E0%A7%A7%E0%A7%A7%E0%A7%AB



BB Revokes Credit Card Bill Payment Facility

- BB has cancelled the credit card bill payment special facility like bill payment period, late payment fee, and interest
- As per new instruction, i) Financial Institution can charge interest after the final date of payment ii) Late payment fee can be charged once against a bill

<https://www.tbsnews.net/economy/banking/bb-revokes-credit-card-bill-payment-facility-293170>



BB Extends Relaxed Loan Classification Policy



- As per Bangladesh Bank decision, borrowers will be able to avoid the default zone by paying 25% of each installment of their loans until December this year.
- The remainder of each installment will have to be paid within next year.

<https://www.thedailystar.net/business/economy/banks/news/bb-extends-relaxed-loan-classification-policy-2163406>

CMSME to Get Tk 200 Crore at 4% Interest too Offset Covid-19 Losses

- SME Foundation will provide another Tk200 crore in loans CMSMEs as part of the government's second round of stimulus packages
- Interest rate will be 4% and tenor will be 24 months. Maximum loan size to be reduced from Tk 75 lakh to Tk 50 lakh.
- 50% borrowers are to get less than Tk 20 lakh each, women entrepreneurs 30%, and SME cluster entrepreneurs to get 10%. Trading enterprises would get 30%
- Priority to be given to entrepreneurs who have not received stimulus loans before.
- Besides, single and joint venture, group-based loans can be disbursed in favor of a maximum of five entrepreneurs based on banker-customer relationship

<https://www.tbsnews.net/economy/cmsme-get-tk200-crore-4-interest-offset-covid-19-losses-295318>





BB Seeks Monthly Info of Special Funds for Stocks

- BB asked banks to provide information every month instead of a quarterly basis about the special funds for investment in the capital market.
- BB rolled out a package allowing banks to set up a Tk200-crore fund against treasury bills and bonds to boost up the stock market.
- The decision was taken to strictly monitor the cash flow to the capital market as money is now cheaper than ever.

<https://www.tbsnews.net/economy/banking/bb-seeks-monthly-info-special-funds-stocks-295894>

Padma Bank Seeks to Merge with State Bank

- Padma Bank, has sought to be merged with any state bank as the bank is suffering from severe shortfall of liquidity.
- Its advance deposit ratio stood at 94% while non-performing loans at 65% or Tk 3,519 crore as per Bangladesh Bank as of June 2021.
- The bank incurred a operating losses of Tk 120 crore in the first half of 2021
- Its capital shortfall was Tk 2,100 crore as of Jun'21
- It urged for considering a merger or acquisition with Bangladesh Development Bank to protect itself from any further collapse in the future.

<https://www.thedailystar.net/business/economy/banks/news/padma-bank-seeks-merge-state-bank-2165686>





Local Business Insights



Yarn Price Fixed at \$4.20 Per Kg

- Spinners will sell the yarn at \$4.20 per kg if the cotton price goes up to \$1 per pound.
- The lower limit of cotton price has been fixed at 85 cents per pound

<https://www.thedailystar.net/business/economy/news/no-scope-lowering-yarn-price-btma-2157751>

High Transport Costs Bear Down on RMG Exporters

- Truck and covered vans with a capacity to carry 6 to 7 tonnes of goods are charging as much as Tk 20,000 and Tk 25,000 respectively to take apparel items from Dhaka and its adjacent areas to the Chattogram port.
- In normal times, the fare ranges from Tk 10,000 to Tk 12,000
- Abnormal traffic congestion, increasing demand, congestion of vessels in the port are some causes of increasing transportation cost
- The freight charge between Chattogram port and Shanghai port has risen by 100-400%

<https://www.thedailystar.net/business/economy/news/high-transport-costs-bear-down-rmg-exporters-2157766>



Number of Big Business Conglomerates have Stepped Up to Take Over Shut State-run Jute Mills to Cash in On Growing Export Potentials.



- Two local giants: Pran and Akij, Mohan Jute and Pacific Jute of India and the Jute Republic in London have submitted lease applications
- Exports of jute and jute goods fetched \$1.16 billion in FY21, drawing attention from leading businesses.
- Jute has immense possibilities in packaging. Besides, there are huge demand for diversified jute products all around the globe
- Bangladesh has 291 jute mills, and 54 of them are currently closed.
- Active mills produce around 78 lakh bales of jute annually. Bangladesh has domestic demand of about 65 lakh bales of jute, while 14 lakh bales are exported.

<https://www.tbsnews.net/economy/big-groups-foresee-business-jute-291721>

<https://www.tbsnews.net/economy/jute-exports-rise-record-31-fy21-291742>

No End in Sight to Cattle Farmers' Woes

- Unsold livestock (worth BDT 290 billion), high costs of cattle feed, saturation of local market from frozen meat imports, and bank loan repayments are some major concerns of local cattle farmers
- Frozen meat imports amounted to 2,500 tonnes this July, an increase from Bangladesh's monthly average volume of 1,000-1,500 tonnes as it is relatively cheaper
- Illegal influx of cattle through the border has made it a challenge to sell livestock to butchers
- Bangladesh currently has 6.98 lakh dairy farms across the country.

<https://www.tbsnews.net/dropped/industry/no-end-sight-cattle-farmers-woes-290272>



Motorcycle Sales Slowly Gaining Momentum

- In 2019 and 2020, motor cycle sales was 401,452 and 311,016 respectively. Due to pandemic, sales dropped by 23% in 2020 compared to 2019
- As of May'21, 133,044 motor cycle have been registered. Monthly average registration in 2021 was 3% higher than 2020
- Global market declined by 14% from the previous year to 56.5 million in 2020
- Authorities came up with a 50% cut on registration duty which prompted the sales of motor cycle in 2021

<https://www.dhakatribune.com/business/2021/08/22/motorcycle-sales-slowly-gaining-momentum>



Tk3,000cr Ink Market Growing, Yet Mostly Depends on Import

- Market size of ink market is BDT 30 billion which is highly contributed (BDT 20 billion) by 15k print press
- Computer printing ink is worth BDT 8.5 billion every year in Bangladesh where as pen makers uses ink worth BDT 1 billion
- Currently, Bangladesh imports ink from around 25 countries.
- Buyers prefers imported inks as imported items can print more and the printing quality is better too.

<https://www.tbsnews.net/dropped/industry/tk3000cr-ink-market-growing-yet-mostly-depends-import-293758>





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