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# Summary of Bangladesh Economy



Expatriate Bangladeshis sent **\$1.91 billion** Remittances in Mar'21, up by **50.16%** on the receipts of the same month of 2020.

- Import growth increased by **only 1.91%** to **\$37.06 billion** in first 8 months of FY20



Export earnings in Mar'21 increased by **12.59%** to **US\$ 3.07 billion** on YoY basis

Total budgetary spending in the first 6 months of the current fiscal shrank **10.58%** to **Tk 141,514 crore** on YoY basis.



# Summary of Local Banking Sector



BB will provide a total of **Tk 600 billion** financing to Small and Medium Enterprises (SMEs) by 2023 to ensure economic resilience

Non-performing loans (NPLs) in the **33 NBFIs** in the country stood at **Tk 10,053 crore**, which is **15.02%** of the total outstanding loans in December 2020.



Commercial banks will get commission at the rate of **0.10 %** for taking the invoice in an **automated manner**.

Islamic banks brought in **40% of the total remittance in 2020** and it was **35%** in 2019.



# Summary of Local Banking Sector



Deposit growth in the banking sector was **13.5% in 2020**, while the growth rate was **16.67% in Shariah-based banks**.

- **7,000 cases** with 4 money loan courts stayed in the last 10 years with an amount of **BDT 20,000** crore bank money stuck against these cases due to **mortgage dilemma**



- Industries will now be able to send a certain amount of money abroad as **royalty and fees for technical knowledge, technical assistance and franchise** without prior approval of the Bangladesh Investment Development Authority (BIDA).



# Summary of Local Industry/Sector/Sub-Sector



- RMG exporters decided to run factories **at full capacity, maintaining health guidelines** as the buyers were creating pressure to promptly deliver the existing orders.
- **Work orders had fallen by 30-40%** due to the second wave of the pandemic.
- **Gas crisis has continued to severely impact production in textile and garment factories** not only in Narayanganj and Narsingdi but also in the country's largest industrial belt of Gazipur and Maona.

**Shrimp exports fell by 18% which is \$ 224 million on YoY basis**



- 1,500 e-commerce companies and more than one lakh Facebook-based shopping platforms dealing around 1.2 lakh orders daily.
- Online sales jumped to 10% of its overall sales in 2020, up from 2% in 2019



*What's Inside*

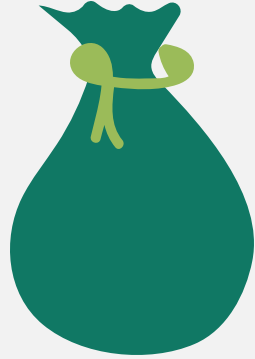
## Bangladesh Economy

- Remittance Posts 50% Growth in March
- Exports Rise 12.59% in March
- Trade Deficit Widens as Import Slightly Rises
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- This Could Be A Banner Year for Bangladesh's Start-up Ecosystem

## Local Banking Industry

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- Experimental Vannamei Shrimp Cultivation Underway
- As Covid Surges, Brands Step Up Digital Push to Salvage Sales
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- Online Sales, Takeaways Too Scanty





**Bangladesh Economy**





## Remittance Posts 50% Growth in March

- Expatriate Bangladeshis sent \$1.91 billion Remittances in March, up by 50.16% on YoY basis
- Bangladesh received \$1.78 billion in remittances in February but it was 7.63% higher than March.
- Remittance earnings are increasing day by day amid the Covid-19 pandemic
- 2% cash incentive on remittance earning has played a vital role for increasing remittance.
- Country's foreign exchange reserves hit a new record amid the pandemic due to the increasing trend of remittance earnings.

<https://www.dhakatribune.com/business/economy/2021/04/01/remittance-posts-50-growth-in-march>

## Exports Rise 12.59% in March

- Country's export earnings in March 2021 increased by 12.59% to US\$3.07 billion on YoY basis. It was \$2.73 billion in March 2020.
- Single month earnings fell short of the target by 10.79% in Mar'21
- Overall export earnings during the first nine months of the current fiscal year (FY), 20-21, stood at \$28.93 billion of which RMG sector fetched \$23.48 billion
- Country earned \$12.65 billion from knitwear exports in the same time frame
- Earnings from home textile exports grew by 41.5% to \$846.45 million.

<https://thefinancialexpress.com.bd/economy/bangladesh/exports-rise-1259pc-in-march-1617762907>

## Trade Deficit Widens as Import Slightly Rises

- In the period July-February FY20, deficit increased by \$1.02 billion to \$11.79 billion on YoY basis.
- Import growth increased by 1.91% to \$37.06 billion from \$36.37 billion in FY20 on YoY basis
- Increasing trend of import growth will not sustain in further owing to the present situation of the global Covid-19
- Current account surplus stood at \$1.55 billion in the eight months of FY21, which was a \$2.10 billion deficit in the same period of the FY20.

<https://www.dhakatribune.com/business/economy/2021/04/03/trade-deficit-widens-as-import-slightly-rises>

## Budget Spending Falls 10.58pc in First Half

- Total budgetary spending in the first 6 months of the current FY shrank 10.58% to Tk 141,514 crore on YoY basis.
- Expenditure target for the current FY was set up at Tk 567,999 crore
- Of this amount, 29.75% has been spent in the first half of the ongoing FY21.
- Government has taken steps to sign Free Trade Agreements (FTAs) and Preferential Trade Agreements (PTAs) to develop trade relations and increase exports with various countries.
- According to government strategies, recover losses, increasing public investment in education, health and human resources, accelerate private investment, reduce poverty, and expand export trade, tax management and reform in the financial sector are the priorities

<https://www.thedailystar.net/business/news/budget-spending-falls-1058pc-first-half-2072293>





## **This Could Be A Banner Year for Bangladesh's Start-up Ecosystem**

- A start-up is a young company founded by one or more entrepreneurs to develop a unique product or service and bring it to market
- It is different from a small- and medium-sized enterprises in that it does not generate revenue from the first day of opening and is not sustainable off the bat
- As much as 94.3% of the funding managed by Bangladeshi start-ups over the past decade came from abroad
- Of the \$317 million received since 2010, only \$18 million was from local sources.
- Investment in start-ups will generate more jobs than in a manufacturing company
- Startup Bangladesh plans to invest in tech-based start-ups working in logistics, edu-tech, fintech, frontier tech and agro-tech.

<https://www.dhakatribune.com/business/economy/2021/04/01/2021-could-be-the-banner-year-for-bangladesh-s-start-up-ecosystem>



# **Local Banking Industry**

## Central Bank to Support SMEs Build Resilience

- BB will provide a total of Tk 600 billion financing to Small and Medium Enterprises (SMEs) by 2023 to ensure economic resilience that will enhance GDP, employment, and inclusive development.
- Tk 20 billion collateral-free loan opportunity for SMEs made available under the credit guarantee scheme to be utilized.
- Central bank is also facilitating expansion of aggregate demand by nurturing Bank-MFI linkages that have a base of 30 million people across the country.
- Banks to provide credit and technical support to ensure proper utilization of the loan and its repayment
- Coconut oil mills, rice mills, small traders, and many other sectors have faced tremendous shock due to the COVID-19.
- Finance to be distributed to the cottage, micro and small enterprises without stringent requirements for rescuing the endangered businesses.

<https://thefinancialexpress.com.bd/economy/central-bank-to-support-smes-build-resilience-1617382162>

## Default Loans At NBFIs Just Keep Souring Despite Loan Moratorium

- Default loans at non-bank financial institutions (NBFIs) increased by 57.10% in 2020.
- Non-performing loans (NPLs) in the 33 NBFIs in the country stood at Tk 10,053.60 crore, which are 15.02% of the total outstanding loans in December 2020.
- NBFIs to keep classification unchanged until June to help borrowers tide over the economic shock.
- Loan moratorium facility was extended until the end of 2020.
- At least 10 NBFIs were involved in loan scams and huge irregularities.
- Sector is facing an image crisis owing to the 4 or 5 NBFIs

<https://www.dhakatribune.com/business/2021/04/07/default-loans-at-nbfis-just-keep-souring-despite-loan-moratorium>





## Commercial Banks Will Get 0.10% Commission if They Take the Invoice in Automatic Mode

- Commercial banks will get commission at the rate of 0.10 % for taking invoice in an automated manner but some conditions are applicable for the payment of the commission.
- This will play a big role in reducing the harassment of traders
- Earlier, invoices could be submitted to 1-2 state-owned banks including BB but now invoices can be submitted from any branch of any public or private bank in the country.
- Local Scheduled Banks will remit the commissionable demand to BB on monthly or quarterly basis at the rate of 0.10% of the total amount of invoices received.
- Banks have to deposit all the money received through automatic invoicing on the same day (on day) as government.
- 9 branches of Bangladesh Bank and 1,224 branches of Sonali Bank take treasury invoices.
- There is an opportunity to deposit money through cash, check and account debit at the branch counter of the bank through automatic invoicing system.
- Customers will also be able to deposit invoices through online banking and mobile financial services (MFS).

<https://www.dailyjanakantha.com/details/article/568392/%E0%A6%B8%E0%A7%8D%E0%A6%AC%E0%A7%9F%E0%A6%82%E0%A6%95%E0%A7%8D%E0%A6%B0%E0%A6%BF%E0%A7%9F-%E0%A6%AA%E0%A6%A6%E0%A7%8D%E0%A6%A7%E0%A6%A4%E0%A6%BF%E0%A6%A4%E0%A7%87-%E0%A6%9A%E0%A6%BE%E0%A6%B2%E0%A6%BE%E0%A6%A8-%E0%A6%A8%E0%A6%BF%E0%A6%B2%E0%A7%87-%E0%A6%B6%E0%A7%82%E0%A6%A8%E0%A7%8D%E0%A6%AF-%E0%A6%A6%E0%A6%B6%E0%A6%AE%E0%A6%BF%E0%A6%95-%E0%A7%A7%E0%A7%A6-%E0%A6%B6%E0%A6%A4%E0%A6%BE%E0%A6%82%E0%A6%B6-%E0%A6%95%E0%A6%AE%E0%A6%BF%E0%A6%B6%E0%A6%A8-%E0%A6%AA%E0%A6%BE%E0%A6%AC%E0%A7%87/>

## Bank Account Maintenance Cost Halved for 2021

- BB has reduced the bank maintenance fee to half for the current year.
- Central bank has taken the initiative to attract potential depositors to the banking system and provide incentives to small depositors in the ongoing Covid-19 crisis.
- Depositors who will have a deposit of Tk 10 lakh or less on average in their savings accounts in 2021 will get this facility.
- Depositors, those who have an average deposit of Tk 25,000 to Tk 10 lakh a year in their bank accounts have to pay Tk 200-600 as fee.
- Banks had to keep their provisions low due to the current pandemic situation, which resulted in better operating profit.

<https://www.tbsnews.net/economy/banking/bank-account-maintenance-cost-halved-2021-230260>

## The Mortgage Dilemma of Banks

- Mortgage properties are not properly valued while approving loans.
- Banks cannot realize entire loan amount principal plus interest filing one case
- Banks have to file a new case to recover the remaining amount after selling mortgaged assets.
- Such cases remain pending for so long for multiple reasons.
- 7,000 cases with 4 money loan courts stayed in the last 10 years.
- Tk 20,000 crore bank money stuck against these cases.

<https://www.tbsnews.net/economy/banking/mortgage-dilemma-banks-227356>





## Islamic Banks Winning Hearts of Remitters

- Foreign remittance inflow through the country's Islamic bank clocked 46% growth on YoY basis in 2020
- According to BB, expatriates are more interested in sending remittances through Islamic banks than the conventional ones.
- Islamic banks brought in 40% of the total remittance in 2020 and it was 35% in 2019.
- Some banks are trying to attract customers in various ways. Many banks are also offering 3% incentive for remittance instead of 2%.
- Pandemic also inspired many expatriates to remit through Islamic banks owing to religious perspectives.
- Islamic banks are providing the customers with online banking facilities and the banks have performed well in ensuring health safety of the employees.

<https://www.tbsnews.net/economy/banking/islamic-banks-winning-hearts-remitters-227344>

## Bank Deposits Grow by 13.5pc in 2020, Islamic Banks Fare Better

- Deposit growth in the country's banking sector was 13.5% in 2020, while the growth rate was 16.67% in Shariah-based banks.
- Lending growth in Islamic banks was 11.93 % in 2020 compared with 8.14 % growth in the overall banking sector in the same period.
- Demand for Shariah-based banking products is on the rise.
- With the growth in market influence of the Islamic banks, the traditional banks are losing market share.

<https://www.newagebd.net/article/134737/bank-deposits-grow-by-135pc-in-2020-islamic-banks-fare-better>



## **MFS Transaction Limit, Credit Card Billing Time Extended**

- Central bank has extended Mobile Financial Services (MFS) transaction limits and credit card billing time.
- Monthly transaction limit for individual customers using MFS, has been increased from Tk75,000 to Tk2 lakh.
- Limit of uncharged single transaction has been increased to Tk10,000.
- Both banks and MFS providers need to campaign on social media about financial fraud.

<https://www.tbsnews.net/economy/banking/mfs-transaction-limit-credit-card-billing-time-extended-226822>

## **Sending Royalty, Franchise Fees Abroad Eased**

- Industries will now be able to send a certain amount of money abroad as royalty and fees for technical knowledge, technical assistance and franchise without prior approval of the Bangladesh Investment Development Authority (BIDA).
- BB asked the authorized dealer (AD) banks to follow the guidelines issued by the BIDA for sending remittances abroad as royalty and other fees.
- Schedule-1 allows remittances of franchise fees and fees payable to contractors in a project, including advance payment.
- Central bank circular advised the AD banks to observe the prevailing regulatory instructions of foreign exchange guidelines.

<https://www.tbsnews.net/economy/trade/sending-royalty-franchise-fees-abroad-eased-230323>





## Small Businesses Left Alone Amid Pandemic

- Small businesses are considered the lifeline of the economy,
- These businesses had hoped that the government would take care of them to help them stay afloat from the pandemic in March 2020.
- Small entrepreneurs and businesses resumed operations by borrowing loans from banks as bankers were reluctant to extend the loans.
- There are about 78 lakh micro, small, and medium enterprises (MSME).
- SMEs contribute about 25% to GDP
- Micro-businesses were left alone to manage their recovery although the government announced Tk 121,353 crores worth of stimulus packages, which is 4.3% of the country's GDP.
- Central bank declared a stimulus fund of Tk 20,000 crore for SMEs. But banks disbursed 65% of the fund as of March 18.
- Government can give tax rebates and waiver on electricity bills under its fiscal measures.

<https://www.thedailystar.net/business/news/small-businesses-left-alone-amid-pandemic-2072869>



**Local Industry/Sector**

## RMG Owners Decide to Run Factories at Full Capacity

- RMG exporters decided to run factories at full capacity, maintaining health guidelines, despite the government's recent directive to reduce the workforce in all organizations by half amid the surge in Covid-19 infections and deaths.
- Full-fledged factory operations are needed to ship goods on time in order to avoid possible order cancellations or deferred payments
- Workers need to wear masks, undergo temperature checks, wash hands, use hand sanitizer and should maintain health guidelines.
- Work orders had fallen by 30-40% due to the second wave of the pandemic.
- Buyers were creating pressure to promptly deliver the existing orders.

<https://www.tbsnews.net/economy/rmg/rmg-owners-decide-run-factories-full-capacity-225955>

## Recovery of Apparel Exports Top Priority

- Earnings from apparel shipment, contributes about 85% to national shipment, declined to \$27.94 billion from \$34.13 billion in the last FY20.
- According to the entrepreneur, Bangladesh can export more garment items made from artificial fiber, known as man made fiber, and local suppliers can immediately get at least 10% higher prices
- Government's cash incentives on export receipts should be given with purposes as the effective rate of purposeful incentive was higher than the flat incentive.
- Bangladesh's apparel shipment to emerging markets stands at about \$6 billion, which was nearly \$600 million a decade ago.

<https://www.thedailystar.net/business/news/recovery-apparel-exports-top-priority-2072841>





## Gas Crisis Haunts Gazipur Garment Factories As Well

- Gas crisis has continued to severely impact production in textile and garment factories not only in Narayanganj and Narsingdi but also in the country's largest industrial belt of Gazipur and Maona.
- Nearly 500 textile, spinning, dyeing, finishing and weaving mills impacted in the industrial belts of Narayanganj, Narsingdi, Madhabdi, Maona, Bhabanipur and Kanchpur.
- Gas supply is critical for production since the industrial and commercial energy users convert it to generate captive power for their own energy consumption.
- Tk 1,600 crore investment in his composite mill and 10,000 workers would fall in jeopardy if the factories could not be run in full swing.
- Export figure was feared to be very low this month because of reduced production for low gas pressure.

<https://www.thedailystar.net/business/news/gas-crisis-haunts-gazipur-garment-factories-well-2073989>

## Experimental Vannamei Shrimp Cultivation Underway

- Bangladesh has finally started to farm vannamei shrimp on pilot basis from exporters as locally grown black tiger shrimp and freshwater prawn are unable to compete with cheaper varieties in western markets.
- Though the main challenge is the shortage of raw materials.
- Exporters allowed vannamei cultivation as export earnings from local varieties have fallen consistently since fiscal 2014-15.
- Local varieties are priced higher than the vannamei farmed in huge quantities mainly in China, Southeast Asia, India and some Latin American regions
- Shrimp exports fell 18% year-on-year to \$224 million.

<https://www.thedailystar.net/business/news/experimental-vannamei-shrimp-cultivation-underway-2072853>

## As Covid Surges, Brands Step Up Digital Push to Salvage Sales

- Currently, stores are arming themselves with better automation for online sales, especially building delivery mechanism or partnering with logistic aggregators setting a minimum target 20% of the sales online.
- Online sales jumped to 10% of its overall sales in 2020, up from 2% in 2019.
- Online customers can avail all options such as exchange of product, cancellation of orders, return of products, free of cost.
- Retail clothing industry has started to rebound from pandemic-induced woes, and the sales have nearly reached pre-pandemic levels in recent months.
- Sales in Baishakh and Eid-ul-Fitr festivals will fall drastically due to 3rd wave of pandemic.

<https://www.thedailystar.net/business/news/covid-surges-brands-step-digital-push-salvage-sales-2071721>





## E-commerce Eyes Another Boom

- E-commerce and digital shopping platforms expect another boom in their business with the country entering a fresh weeklong lockdown when shopping malls will remain closed.
- Some online shopping companies have already hired new delivery heroes or staff while others offer free home delivery of products.
- 1,500 e-commerce companies and more than one lakh Facebook-based shopping platforms dealing around 1.2 lakh orders daily.
- Sector has seen a 150-200% growth since the coronavirus broke out in the country in March 2020.

<https://www.tbsnews.net/economy/industry/e-commerce-eyes-another-boom-226810>

## Online Sales, Takeaways Too Scanty

- Over 60,000 restaurants, sweet shops in Bangladesh.
- Almost 25 to 30 lakh people work in the sector.
- Around 80% were unemployed for 5 months in 2020.
- Approximately 30% still are jobless.
- Over 1000 were closed permanently.
- Home delivery accounts for 10% of overall sales and it may be double now.
- Only 10% of restaurants in the country are connected with the network of the food delivery aggregators.

<https://www.thedailystar.net/business/news/online-sales-takeaways-too-scanty-2072865>



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