



Business News Flash: *A Fortnightly Update*

16 September 2021
Research & Strategy Division

 **Bank Asia**

Highlights of Local Economy

Tk 0.30-0.40

US dollar rate increased in 1st week of Sep'21 due to high import expenditure coupled with low remittance inflow.

21.63%

Growth of Import in Jul'21 on year-on-year (YoY) basis although import of capital machinery import is still negative

8.38%

Private sector credit growth in Aug'21. In last 2 months it is showing a positive trend

12.2%

Increment of Govt. borrowing in 1st two months of current fiscal year (FY)



- \$1.96 billion FDI was received in from Jul'20 to Mar'21
- In FY 20-21, the private investment-to-GDP ratio declined to 21.25%, from 22.06%

- Shanghai-based multilateral bank had offered Bangladesh 0.76% share in new development bank
- Bangladesh will have to pay some \$400 million in the next seven years for becoming a shareholder of the bank.



Highlights of Local Banking Industry

BB instructions

Businesses will get 6 months time to bring in imported goods after payments are made

Exporters will get additional 45 days to apply for export subsidy

CMSME loan disbursement target of the banks will be set based on the previous year's net disbursement

BB increased the volume of a refinance scheme from BDT 2 billion to BDT 5 billion dedicated to marginal and landless farmers, low-income professionals and small businesses

Tk 59 billion

To be arranged for Padma bank from interested investors within 4-6 months to avoid a "possible collapse" by DelMorgan

11.57%

CRAR of all the scheduled banks as on Jun'21. It declined from 11.64% six months before due to higher NPL and cash dividend

8.49%

Growth of deposit in FY 20-21 which is lower than previous FY

8.48%

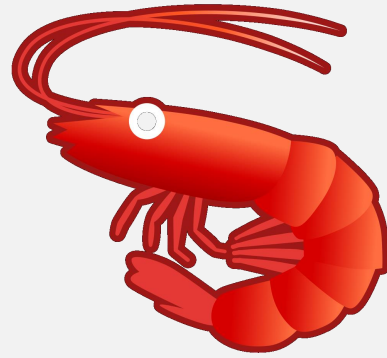
Growth of advance in FY 20-21



- Apparel shipments in August recorded an 11.56% growth yYoY basis, with exports reaching \$2.75 billion.
- According to industry leaders, it is high time to negotiate with buyers for better prices as exports in the next summer might go up by 20-30%



In FY 20-21, the amount of organic chemicals import increased to \$720 million and export increased to \$86 million.



Highlights of Local Businesses

Now 58/105 shrimp processing factories are closed mainly due to, lack of raw materials, competition with cheaper white-leg shrimp vannamei in the export markets and inadequate government support and cyclones like Amphan and Yaas etc.

- Around Tk 1,900 crore was invested in the spinning industry
- 3 new spinning mills will go into operation within the next 2 years
- Industry will be able to process 16 million bales of cotton within the next 2 years which is almost 2 times of the current production



Pran RFL Group and N Mohammad Plastic Industry announced investment of BDT 1.5 billion and BDT 5 billion respectively in plastic sector of Bangladesh



- Drug businesses surging by more than 17% in the coronavirus pandemic,
- Country's pharma sector witnessed drug sales rise by Tk40 billion to Tk 270 billion from May 2020 to March 2021



Local Economy

Dollar Gets Pricier on Rising Imports

- US dollar rate increased by Tk 0.30 to Tk 0.40 in the 1st week of Sept'21 of due to higher import expenditure coupled with low remittance inflow.
- In Jul'21, import registered a 21.63% growth while the growth in exports was negative 10.59%, leading to a crisis of dollars.
- Import of capital machinery is still negative but food and other commodity goods picked up. The price of commodity goods increased in the international market which also contributed in the import expenditure
- Travelling to abroad started to rise as some countries relaxed travel restriction on Bangladesh also increased demand for dollar
- Inflow of remittance from expatriate Bangladeshis dropped by 19% YoY basis in the first 2 months of this FY
- Dollar crisis has prompted the BB to backtrack on its dollar buying spree and sell dollars to banks in order to keep the market stable.
- Bangladesh Bank bought a record \$8 billion US dollars in the fiscal 2020-21 amid low imports and high inflow of remittance.
- Since August this year, the Bangladesh Bank has sold \$305 million dollars to banks

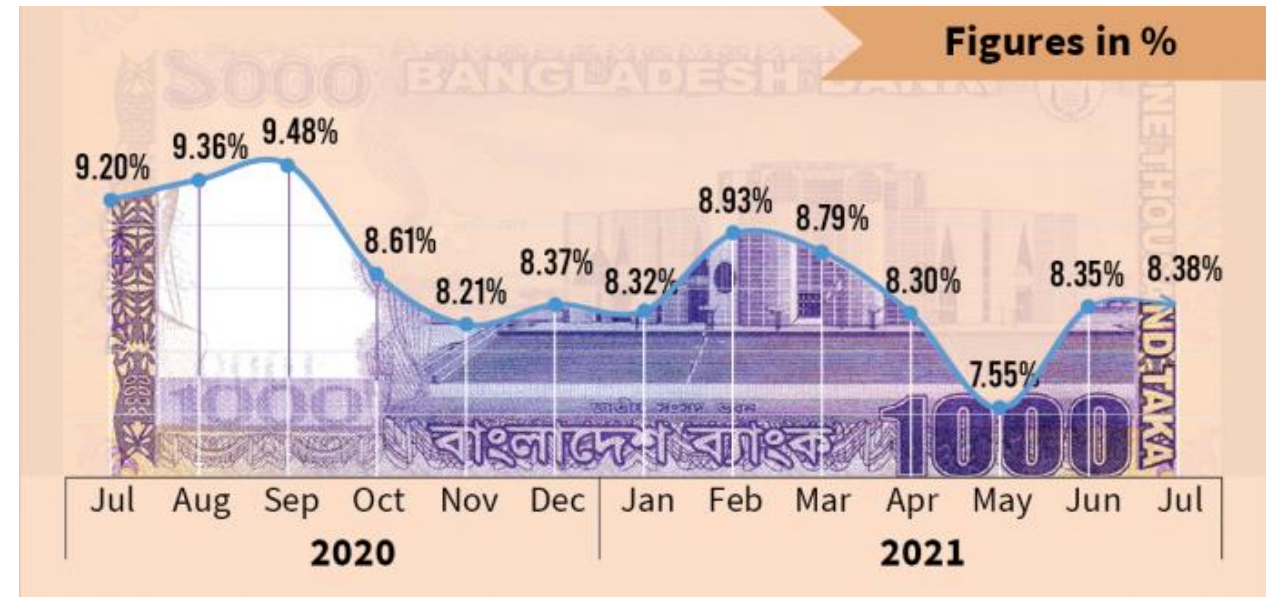
<https://www.tbsnews.net/economy/dollar-gets-pricier-rising-imports-298279>



Private Credit Growth Moves Upward for 2nd Consecutive Month

- Private sector credit flow marked a positive growth for two months in a row.
- Target of private sector credit growth is 14.8%
- It is yet to get pace as bankers have remained cautious in lending amid rising default loans and low recovery of stimulus loans.
- Private sector credit growth was 8.40% in the last FY

<https://www.tbsnews.net/economy/banking/private-credit-growth-moves-upward-2nd-consecutive-month-298750>



Govt Borrowing Jumps 12.20% in First 2 Months of FY22

- Government borrowing reached to Tk 2,09,436 crore in first 2 months of FY which is 12.2% higher on YoY basis
- Government borrowed Tk 15,710 crore from banks in the first 2 months of current FY, and repaid loans amounting to Tk 8,191 crore
- In this FY, the government has planned to borrow Tk 76,452 crore from the banking sector
- At the end of June this year, the government's net loan from savings certificates exceeded Tk 41,959 crore, which is an increase of 38.47% compared to the target set in that revised budget.

<https://www.tbsnews.net/economy/banking/govt-borrowing-jumps-1220-first-2-months-fy22-299296>

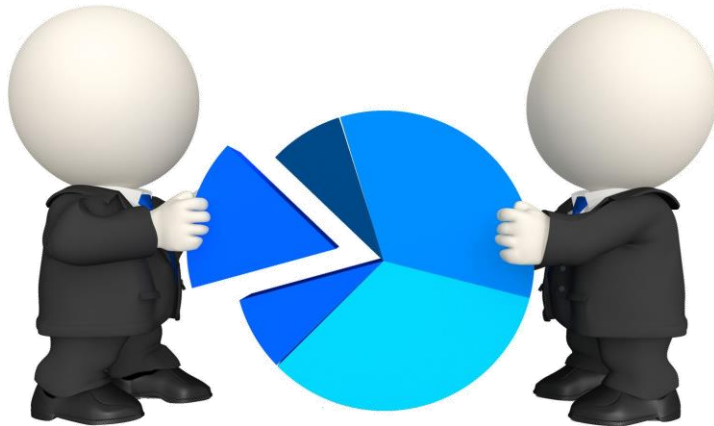
Govt Doubles Down on Efforts to Attract Foreign Investment

- Government is going to hold a summit in a bid to attract foreign investors and break the current stalemate of FDI. Currently FDI is hovering around \$2.5 billion annually.
- \$1.96 billion FDI was received in from Jul'20 to Mar'21
- In FY 20-21, the private investment-to-GDP ratio declined to 21.25% from 22.06%
- The ratio was 23.5% of the GDP in FY19
- Proper implementation of laws related to investment and effective one-stop service, development of regional connectivity, port & infrastructure facilities, no proper implementation of the OSS Act in delivering gas and electricity connections to industries and providing the environment clearance certificate within the stipulated time are discouraging foreign investors
- Summit will focus on increasing awareness about the business environment, policies, regulations, and investment facilitation and services



<https://www.thedailystar.net/business/economy/industries/investments/news/govt-doubles-down-efforts-attract-foreign-investment-2174671>

Bangladesh Acquires 1.0pc Stake of New Development Bank



- Shanghai-based multilateral bank had offered Bangladesh 0.76% share as a new member after the 5 founding members -- Brazil, Russia, India, China and South Africa (BRICS).
- Bangladesh will have to pay \$400 million in the next 7 years for becoming a shareholder of the bank.
- The board of the Shanghai-based multilateral development lender approved membership of 3 countries -- Bangladesh, the United Arab Emirates and Uruguay.

<https://thefinancialexpress.com.bd/economy/bangladesh-acquires-10pc-stake-of-new-development-bank-1631419406>



Local Banking and Finance

130,100	41.75	158,300	130,100
206,000	11.40	100	206,000
11,190,100	5.25	0	11,190,100
2,874,000	18.10	79.30	2,874,000
85,000	2.60	91	85,000
100	41.75	158,300	100
18,600	11.30	100	18,600
11,258,600	5.35	60,268,100	5.25
2,125,800	10.10	13,279,200	16.30
140,000	2.50	1,815,200	2.64
			10.06
			+2.33%

Padma Bank Hires Foreign Adviser to Raise Funds



- Padma Bank has signed a MOU with US investment firm DelMorgan & Co to get foreign investment to avoid a "possible collapse".
- DelMorgan has been hired to arrange Tk 5,900 crore for the bank from interested investors within four to six months. Of the amount, Tk 2,400 crore is expected in equity investment and the rest as debt
- March and June this year, the bank recovered Tk 58 crore during this period. At the end of June, the bank's total debt was Tk 6,708 crore, including default loans of Tk 3,519 crore. NPL is 61.55%
<https://www.tbsnews.net/economy/banking/padma-bank-hires-foreign-adviser-raise-funds-297619>

Banks' Capital Base Bends Under Weight of Non-performing Loans

- Capital-to-risk weighted-asset ratio (CRAR) of all the scheduled banks came down to 11.57% as on Jun'21 from 11.64% six months before due to NPL and cash dividend
- Amount of NPLs grew nearly 1% or Tk 104.71 billion to Tk 992.05 billion in the same period from Tk 887.34 billion six months before. Total regulatory capital increased by nearly 5.0% or Tk 62.74 billion to Tk 1381.08 billion
- 11/60 banks suffered a total capital shortfall worth Tk 253.85 billion as on Jun'21
- CRAR of 42 PCBs was 13.26% as on Jun'21 while the CRAR of 9 foreign commercial banks stood at 28.46%. The CRAR of 6 SoCBs stood at 6.82% during the period while the CRAR of 2 SBs was in the negative territory at 32.16 %,

<https://thefinancialexpress.com.bd/economy/banks-capital-base-bends-under-weight-of-non-performing-loans-1630635585>





BB: Exporters Get Additional 45 Days To Apply For Export Subsidy

- Amid the Covid-19 situation exporters who failed to apply for subsidies or cash assistance in the last financial year will be able to apply within 45 days of the issuance of this circular
- Application for export subsidy against the export of jute products has to be accompanied by a certificate issued by the Exporters Association.

<https://www.tbsnews.net/economy/banking/bb-exporters-get-additional-45-days-apply-export-subsidy-298753>

Bangladesh Bank widens Refinance Scheme

- BB increased the volume of a refinance scheme from BDT 2 billion to BDT 5 billion dedicated to marginal and landless farmers, low-income professionals and small businesses
- Underprivileged people who are allowed to open accounts with an initial deposit of Tk 10 got loans from the fund but now, Tk 50 and Tk 100 account holders can also avail the scheme.
- Interest rate is revised to 7% from the existing 9%. The loan to be collateral free, highest loan size BDT 0.5 million and tenor to be 42 months
- Banks are allowed to manage the fund from the BB scheme by paying 1% interest in contrast to the previous 4%

<https://www.thedailystar.net/business/economy/banks/news/bangladesh-bank-widens-refinance-scheme-2169466>



Bank Deposits Rise Despite Low Returns

- In FY 20-21, deposits was Tk 1,485,601 crore and loan disbursement was Tk 1,154,955 crore
- Sonali Bank secured the top position in deposit mobilization, collecting Tk 132,798 crore where as Islami Bank Bangladesh disbursed the highest amount, at Tk 100,400 crore in FY21.
- Growth of deposit and loan on YoY basis was 8.49% and 8.48% respectively which was lower than previous FY
- Robust remittance growth, inflow of foreign loans, peoples' tendency to save more, higher export earnings etc, contributed deposit growth
- Weighted average rate on deposits stood at 4.13% in June, down from 5.06% a year ago
- Net profit of banks stood at Tk 5,278 crore in 2020, down 31% from a year earlier.

<https://www.thedailystar.net/business/economy/banks/news/bank-deposits-rise-despite-low-returns-2171811>



December 2021						
S	M	T	W	T	F	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

Businesses will now Get Six Months to Bring in Imported Goods

- Businesses will now get 6 months time to bring in imported goods after payments are made, up from 4 months allowed earlier.
- Importers will get the extended time until December 31, 2021

<https://thefinancialexpress.com.bd/page/economy/bangladesh>

BB Instructs Lenders to Provide CMSME Loans without Complications

- Bangladesh Bank has instructed the country's banks and financial institutions to simplify the policy of providing loans to the CMSMEs affected by the ongoing Covid-19 pandemic.
- As per the instruction, CMSME loan disbursement target of the banks will be set based on the previous year's net disbursement. However, central bank will have the authority to increase or decrease that target if necessary.
- 70% of the total target allocated under this package has to be provided to the cottage, micro and small scale industries while the rest 30% to the medium scale industries.
- Both working capital and term loans will be provided to the cottage, micro and small sector entrepreneurs. Only medium sector entrepreneurs will be eligible for working capital loans
- Defaulting borrowers will not be eligible for this package.
- Interest or profit rate of this loan will be a maximum of 9%. The borrower will pay a maximum of 4% and the remaining 5% will be subsidized by the government.

<https://www.tbsnews.net/economy/bb-instructs-provide-cmsme-loans-without-complications-300376>





Local Industries/Sectors



RMG: Orders Cross Pre-pandemic Level, Not Price Though

- Bangladesh's woven apparel makers are optimistic about export recovery as they have booked work orders to almost their full capacities for the next five months.
- According to the industry insiders, buyers are still offering prices that were 10-15% below the pre-pandemic levels although a very small number of manufacturers are getting orders at the previous rates or even higher.
- Another season might be needed for the sector's full recovery.
- According to industry leaders it is high time to negotiate with buyers for better prices as exports in the next summer might go up by 20 to 30 % due to i) work orders are shifting to Bangladesh from Myanmar and China ii) last year's prolonged shutdowns had caused huge damage to retail outlets in the US and Europe.
- Apparel shipments in August recorded an 11.56% growth year-on-year, with exports reaching \$2.75 billion.
- Woven items saw a 4.47% growth after a 17.78% fall in July on YoY basis.

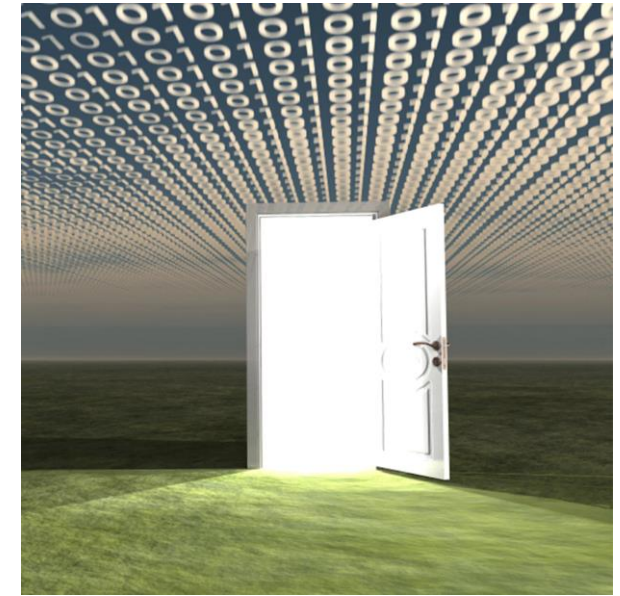
<https://www.tbsnews.net/economy/rmg/rmg-orders-cross-pre-pandemic-level-not-price-though-298789>

<https://www.thedailystar.net/business/economy/news/apparel-orders-staging-strong-comeback-2170196>

\$10bn RMG Potential in Gulf Countries Yet Untapped

- In 2020, UAE sourced about \$4.40 billion worth of apparel items from global market while Saudi Arabia \$3.01 billion, Kuwait \$1.13 billion, Qatar \$660 million, Oman \$608 million and Bahrain \$274 million
- Bangladesh exports only \$367.49 million worth of goods to this region but it has a potential to supply about 5% of the annual demand of the UAE, around 4% of Saudi Arabia's and less than 1% of the rest.
- Gulf countries sourcing most of their apparel items from China, India, Turkey and other countries

<https://www.tbsnews.net/economy/rmg/10bn-rmg-potential-gulf-countries-yet-untapped-299908>



GMEA: Bangladesh Overtakes Vietnam in RMG Earnings from Jan-July'21

- Bangladesh exported apparel products worth \$18.80 billion from Jan to July of this year, against Vietnam's exports worth \$16.86 billion
- Both, Bangladesh and Vietnam perceived a negative growth of 7.66% and 7.30% respectively during this seven-month period, compared to 2019.
- According to the General Statistics Office (GSO) of Vietnam, they earned \$18.46 billion from textile and garments export during January-July period of 2021 which is claimed to exaggerated according to the local experts

<https://www.dhakatribune.com/business/2021/09/12/bgmea-bangladesh-overtakes-vietnam-in-rmg-earnings-from-jan-july-21>



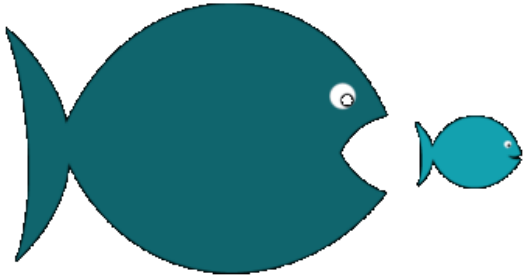
Spinners on an Expansion Spree

- Local spinners have a combined capacity to process 13.43 million bales of cotton each year. Current production is 8.5 million bales of cotton annually due to different issues
- As the demand for garment raw materials is rising, local entrepreneurs are either expanding their production capacities or setting up new units . Currently, local spinners can supply 80% of the raw materials required by the knitwear sector and 40% of the woven sector. So, local spinners are trying to expand their footprint in the market.
- Around Tk 1,900 crore was invested in the spinning industry
- 3 new spinning mills will go into operation within the next 2 years, while some of the existing millers plan to expand their capacities to meet the growing demand. As such, the industry will be able to process 16 million bales of cotton within the next 2 years which is almost 2 times of the current production
- The addition of the new spinning capacity will raise the investment in the primary textile sector to nearly \$11 billion from \$10 billion.
- Shorter lead-time, improved quality, and private consumption are pushing the domestic demand for yarn and fabrics higher.

<https://www.thedailystar.net/business/economy/industries/news/spinners-expansion-spre-2170206>



Beximco Gets Central Bank Nod to Acquire Sanofi



- BB approved Bangladeshi Beximco to acquire 54.6% shares of Sanofi Bangladesh at Tk 480 crore.
- Beximco Pharmaceuticals Limited has already applied for Tk 375 crore in loans from Agrani Bank with a tenor of 5 years and interest capping of 9%
- 45.4% shares in Sanofi Bangladesh is owned by the Bangladesh government through the Bangladesh Chemical Industries Corporation (20%) and the Ministry of Industries (25.4%).

<https://www.tbsnews.net/economy/bb-allows-beximco-buy-sanofi-shares-tk480-crore-297019>

Pandemic a Boon for Some Pharma, Bane For Many

- Drug businesses surging by more than 17% in the coronavirus pandemic, the country's pharma sector had witnessed drug sales rise by Tk40 billion to Tk 270 billion from May 2020 to March 2021
- Leading drug-makers exploited the surge in the over-the-counter sales – that resulted in even 30% sales growth for the pharma giants while sales of the smaller firms sank to around 50% compared to regular times.
- There are 269 drug-makers in Bangladesh, of which only 20-25 big pharmas put up an impressive performance in the pandemic time.
- Top-10 pharma accounts for 71% as of Mar'21, which was 69% as of May'20
- Healthcare registered the highest 30.37% sales growth followed by Beximco 28.06% growth

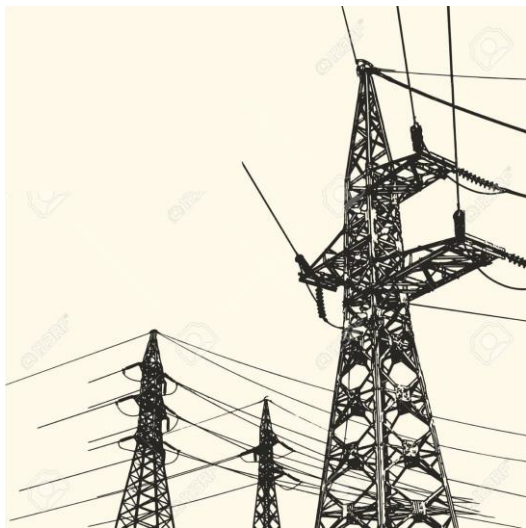
<https://www.tbsnews.net/economy/pandemic-boon-some-pharma-bane-many-298861>



Organic Chemicals Market Booming Amid Covid-19

- In FY 20-21, the amount of organic chemicals import increased to \$720 million and export increased to \$86 million.
- Organic chemicals used as key ingredients in the production of hand sanitizers, medicines, foods, cosmetics, dyes and soft drinks etc. increased the demand
- 47 companies in Bangladesh that produce organic chemicals
- 100 types of chemicals are imported by Bangladesh
- Netherlands imports 50% of the alcohol of their market from Bangladesh.

<https://www.tbsnews.net/economy/organic-chemicals-market-booming-amid-covid-19-297856>



- ## Five Power Plants add 779MW to National Grid
- Bangladesh currently has an electricity generation capacity of 25,235MW, including captive power
 - Government is all set to inaugurate four new power plants and an upgraded one, which will have the capacity to produce 779 megawatts of electricity.

<https://www.thedailystar.net/business/economy/news/five-power-plants-add-779mw-national-grid-2172596>

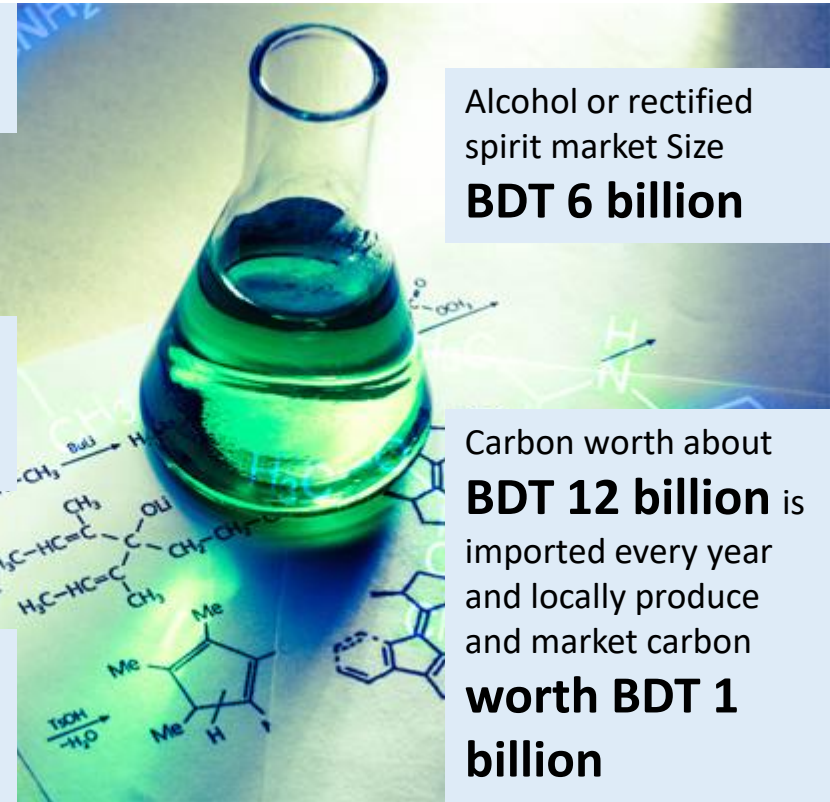
Chemical Market Size
BDT 200 billion

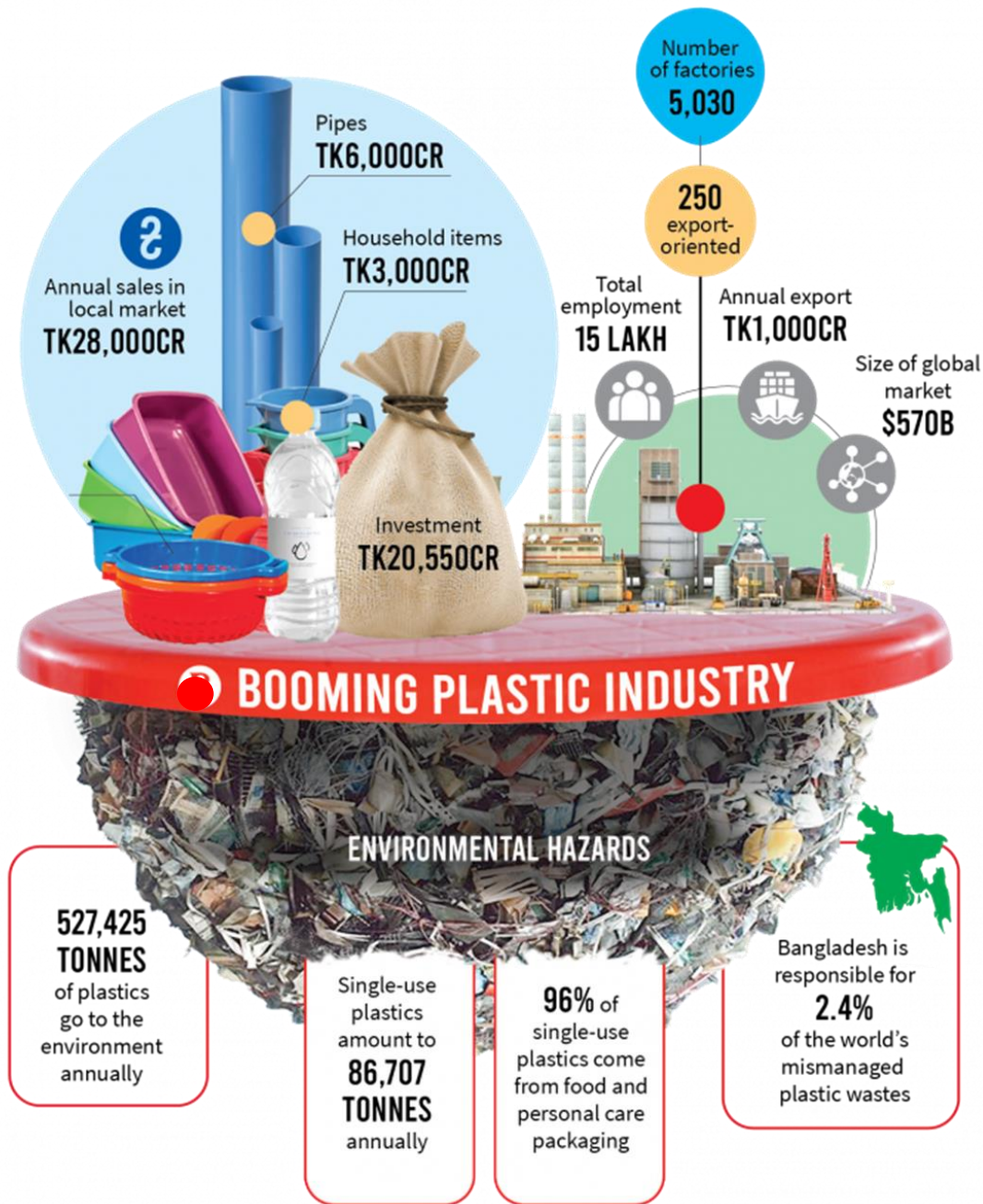
Organic Chemical
Market Size
BDT 80 billion

Ethyl alcohol
Market Size
BDT 35 billion

Alcohol or rectified
spirit market Size
BDT 6 billion

Carbon worth about
BDT 12 billion is
imported every year
and locally produce
and market carbon
**worth BDT 1
billion**





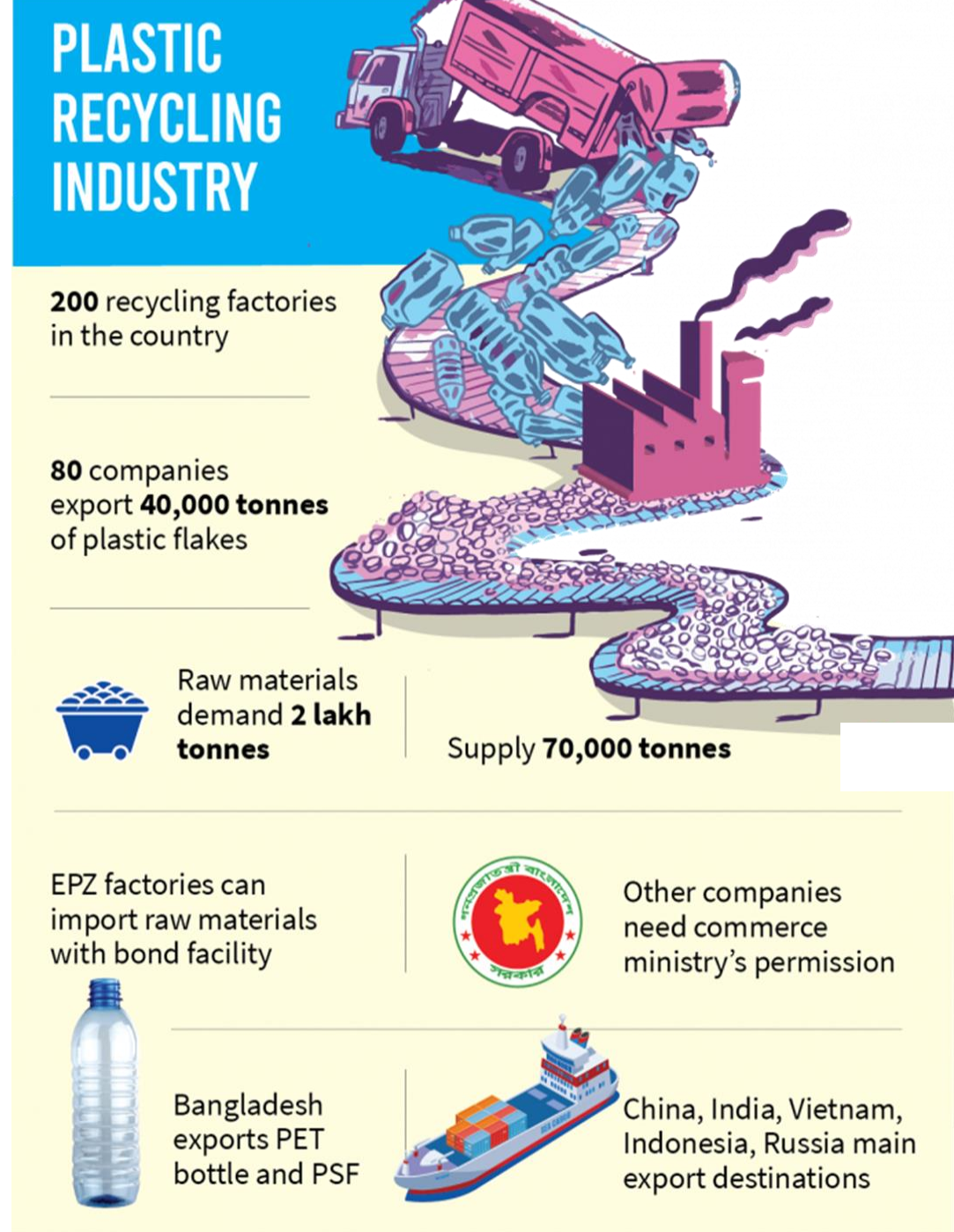
Bangladesh Plastics Aim at Global Market Pie

- Plastic industry sees huge potentials for growth in sales both in local and global markets
- Pran RFL Group announced an investment of Tk154 crore where as N Mohammad Plastic Industry announcing an investment of Tk 500 crore.
- Local companies in the sector now cater to more than 80% of the local demand
- Bangladesh holds 0.5% market share but expects to have a market share of 3% by 2030.
- Currently, there are 5,030 plastic factories in the country and 98% of them belong to the small and medium entrepreneurs
- The industry contributes around 1% of the GDP and provides around Tk3,500 crore in tax annually
- Global plastic is growing at an average annual rate of 20% and expected to reach \$721 billion in 2025.
- China market share is 26.8% and earning \$21.4 billion whereas Germany holds 12% of the global market share
- Average global use of plastic is 50 kg per capita. Usage per capita consumption in USA is 109 kg, China 38 kg, India 11 kg, and Bangladesh is only 9 kg

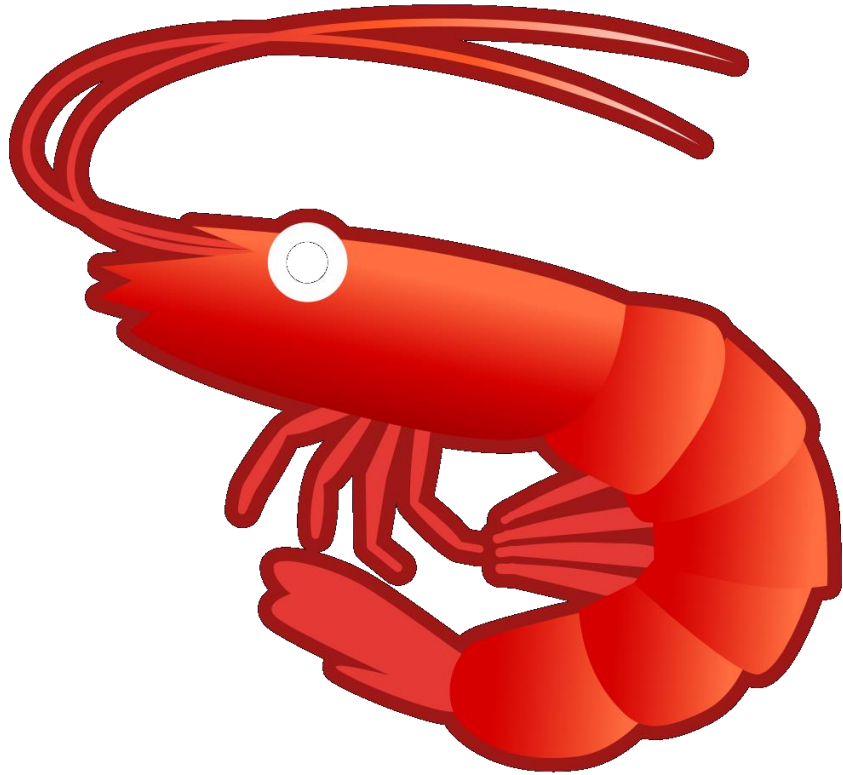
Not Enough Plastic Waste For Recyclers

- Around 300 plastic recycling factories across the country produce plastic flakes from scraps. Among them, more than 80 factories export around 40,000 tonnes of flakes annually.
- Demand is 200,000 ton whereas supply including import is only 70,000 ton
- 821,000 lakh tonnes of plastic waste generated annually in Bangladesh, only 36% are recycled and more than 5.27 lakh tonnes are dumped in landfill and environment
- Recyclers claim they have the capacity to make use of half of the total plastic waste generated in the country. But limited supply holds back plastic recycling units from running in full capacity.
- Bangladesh imports 1 lakh tonnes of raw materials every year to produce PET bottles. 20% of these bottles are reused while the rest are discarded as plastic waste. Factories get scraps from these discarded bottles which are then used as raw materials.
- About 80% of these scraps are being used as raw materials by the PET flakes, geotextile and PSF producing companies,
- Government is providing a 10% subsidy against PET bottle and polyester staple fibre exports.

<https://www.tbsnews.net/economy/not-enough-plastic-waste-recyclers-301621>




Shrimp Processors Closing Down



- Bangladesh's frozen shrimp processing industry is struggling as factories are closing down one after another due to a lack of raw materials, competition with cheaper white-leg shrimp vannamei in the export markets and inadequate government support
- Now 47/105 factories remain operational but more than half of them are struggling to survive
- When fully operational, the industry has a combined capacity to produce 4 lakh tonnes of shrimp annually. But now the industry is producing 40,000 tonnes to 45,000 tonnes
- In fiscal 2020-21, export receipts declined 1.15% on YoY basis to \$328 million
- Two-thirds of the factory owners diverted their bank loans into other sectors which resulted in higher default rate
- Besides, shortage of fry and feed cyclones Amphan and Yaas made things worse for the industry. As a result, the cost of shrimp fry and feed has risen.
- Industry requires 160-170 crore fry but it is getting merely 20 to 25 % of this amount

<https://www.thedailystar.net/business/economy/news/shrimp-processors-closing-down-2168756>

Three incandescent light bulbs are suspended from the top of the frame by thin wires. They are unlit and appear as dark, translucent shapes against the blue background. The central bulb is positioned slightly lower than the two flanking it.

Be positive with every idea
surrounding your dreams.
Think about the possibility of
what you plan to do and
approach it with an optimistic
action. Stay positively.

ISRAELMORE AYIVOR