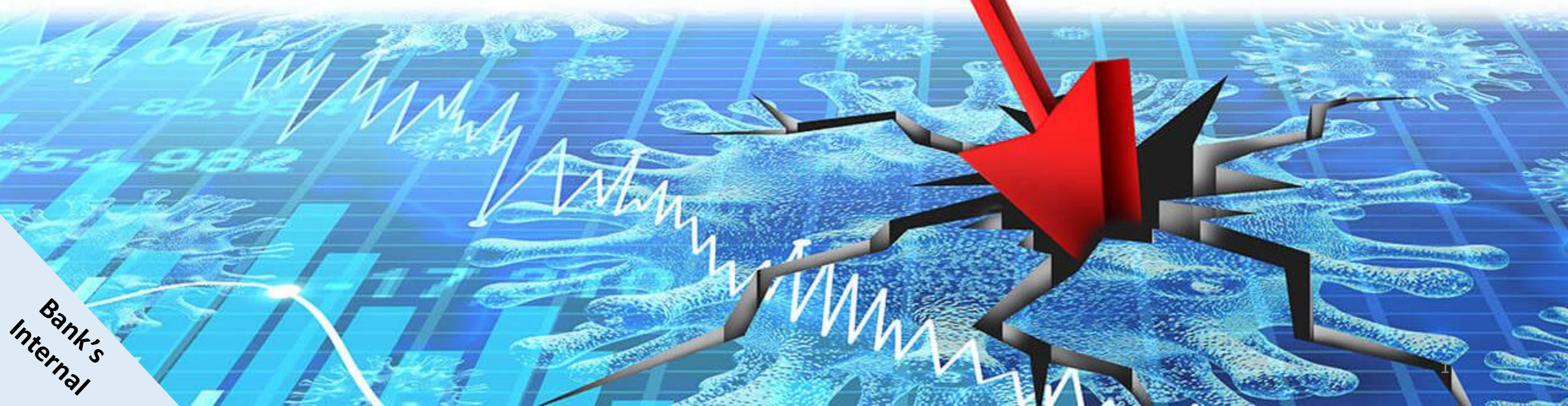


Business News Flash:

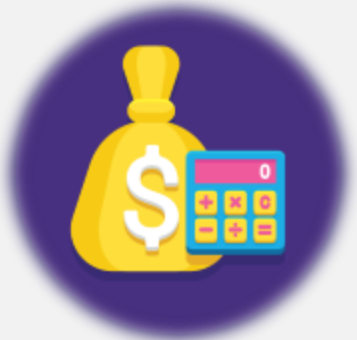
A Fortnightly Update

29 April 2021

Research & Strategy Division



Summary of Bangladesh Economy



Government will prepare a budget of over **Tk 6 lakh crore** for the fiscal year (FY) 2021-22, which is Tk 74,000 crore more than the revised budget

- Government revised the GDP growth projection to **6.1%** for FY 20-21 from 7.4%.
- GDP growth target for the **next fiscal year** could be set at **7.2%**.



In the first 15 days of April, Bangladeshi expatriates sent home **more than \$1.15 billion remittances** which was **0.06 billion higher** on year-on-year (YoY) basis

Pandemic had negatively affected the businesses of **86% of young entrepreneurs** (YE). Around YE, 88% experienced reduced customer demand, 34% suffered supply chain disruptions, and 25% witnessed distribution disruptions.



Summary of Local Banking Sector



BB has **extended the deadline for submission of audited financial statements till June 30, 2021 for the banks.**

BB has **extended the exemption period for borrowers on loan repayment of non-bank financial institutions (NBFIs) till June in 2021.**



Internet banking, debit card, credit card & prepaid card transactions **increased by 34.58%, 22.24%, 23.89% and 15.97% respectively on Feb'21 on YoY basis**

Banks can form **start-up fund with 1.0% of net profits** as per BB instruction. Size of the fund will reach around Tk 28 billion if the banks establish their own start-up funds with the aforementioned % of their operating profits.



Summary of Local Banking Sector



Banks need to set aside 1% of net profits earned in 2021 for CSR programmes in the form of providing essential goods and medical equipment to the underprivileged affected by the coronavirus pandemic.

Bangladesh Bank (BB) has reduced interest rate by 1% from existing 6% to 5% for borrowers who took loans under the Tk 5,000 crore pre-shipment refinance scheme



Tk 35,000 crore defaulted by traders of all sectors in 8 years, amid consumer goods sector defaulted Tk 14,000 crore

Summary of Local Industry/Sector



Garment factory owners **demanding more stimulus** funds from the government to pay 3 months' salaries alongside festival allowances to workers

Home appliance makers and retailers are **witnessing better sales in this year than that of year 2020** on the back of online shopping, promotional offers and free delivery ahead of Eid-ul-Fitr.



Sales of mobile handsets **dropped more than 40% in April** compared to the January level due to coronavirus pandemic. Sales have dropped by 50%- 60% in March and April. Annual **market size TK 11,000 crore** of this industry

Domestic plastic pipe industry **is growing at 20% per year** mainly due to the **ongoing government development projects**, modern water supply, and sewerage and irrigation systems.



Production and sale of pasteurized milk have fallen due to decrease in demand in the strict lockdown. **Cost of milk production has increased** a lot due to high prices of straw, husk, khail and scarcity of grass.



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Bangladesh Economy

The Biggest Budget of 6 Lakh 2 Thousand 880 Crore Is Coming

- Government will prepare a budget of Tk 6 lakh crore plus for FY 2021-22, which is Tk 35,000 crore more than the original budget for the current FY and Tk 74,000 crore more than the revised budget.
- Main goal of the budget for the next FY will be to deal with the effects of coronavirus.
- One of the objective of the budget is to ensure special rural economy, agriculture, health protection and social security.
- Revenue target is Tk 3,697 crore which will put the budget deficit at Tk 2,13,602 crore, which is close to 7.5% of GDP
- Government has never budgeted with such a big deficit in the history of the country
- Domestic market demand has declined
- Government has announced several incentive packages to address the situation and expects GDP growth to be 7.1%.

<https://samakal.com/economics/article/210460026/%E0%A6%86%E0%A6%B8%E0%A6%9B%E0%A7%87-%E0%A7%AC-%E0%A6%B2%E0%A6%BE%E0%A6%96-%E0%A7%A8-%E0%A6%B9%E0%A6%BE%E0%A6%9C%E0%A6%BE%E0%A6%B0-%E0%A7%AE%E0%A7%AE%E0%A7%A6-%E0%A6%95%E0%A7%8B%E0%A6%9F%E0%A6%BF-%E0%A6%9F%E0%A6%BE%E0%A6%95%E0%A6%BE%E0%A6%B0-%E0%A6%AC%E0%A7%83%E0%A6%B9%E0%A6%A4%E0%A7%8D%E0%A6%A4%E0%A6%AE-%E0%A6%AC%E0%A6%BE%E0%A6%9C%E0%A7%87%E0%A6%9F>



Bangladesh Economy



GDP Growth Target Cut Again

- Government revised the GDP growth projection to 6.1% for FY 20-21
- Initial target is to achieve an 8.2% expansion in the GDP in the current FY. But the target was reset at 7.4% due to 2nd wave of Covid-19
- GDP growth target for the next FY could be set at 7.2%.
- Government has unveiled a Tk 225,124-crore ADP for FY22.

<https://www.thedailystar.net/business/economy/news/gdp-growth-target-cut-again-2083905>

Bangladesh Sees 25m New Poor, Debt Burden Doubles During Pandemic: Survey

- New poor constituted 21.2% of the national population in June 2020, and now they constitute 14.8%, which stands at 24.5 million people.
- Percentage of new poor among the same group is 50% at present – 59% in urban slums and 44% in rural areas.
- 6,099 households observed per capita income in urban slums is still 14% below pre-Covid levels.
- High unemployment rate among women, caused by Covid-19, can push many women out of the labor market.
- Day labour is increasing the livelihoods vulnerabilities of the poor.

<https://thefinancialexpress.com.bd/economy/bangladesh/bangladesh-sees-25m-new-poor-debt-burden-doubles-during-pandemic-survey-1618915778>

\$1.15bn Remittance Inflows in 15 Days of April

- In the first 15 days of April, Bangladeshi expatriates sent home more than \$1.15 billion remittances which was 1.09 billion in the same month of 2020.
- \$847 million came through private banks, about \$302 million through state-owned banks, and \$4.25 million through foreign banks.
- People were sending extra money to their families to cover expenses for Ramadan and upcoming Eid-ul-Fitr. Besides, 2% incentive has played a role in increasing the remittance inflow.
- Many banks are also giving an additional 1% incentive.

<https://www.tbsnews.net/bangladesh/usd-115-bn-remittance-income-first-two-weeks-april-235672>

Covid-19 Puts Young Businessmen in Deep Financial Crisis

- Pandemic have negatively affected the businesses of 86% of young entrepreneurs.
- Around 88% experienced reduced customer demand, 34% suffered supply chain disruptions, and 25% witnessed distribution disruptions.
- Youth will get funds to continue their businesses from the 'youth budget'
- Government may form a central monitoring body comprising trade bodies and other non-governmental organizations to distribute loans among young entrepreneurs so that they can develop their businesses.

<https://www.tbsnews.net/coronavirus-chronicle/covid-19-bangladesh/covid-19-puts-young-businessmen-deep-financial-crisis>





Local Banking Industry

Banks Get Two More Months for Submission of Audited Financial Statements

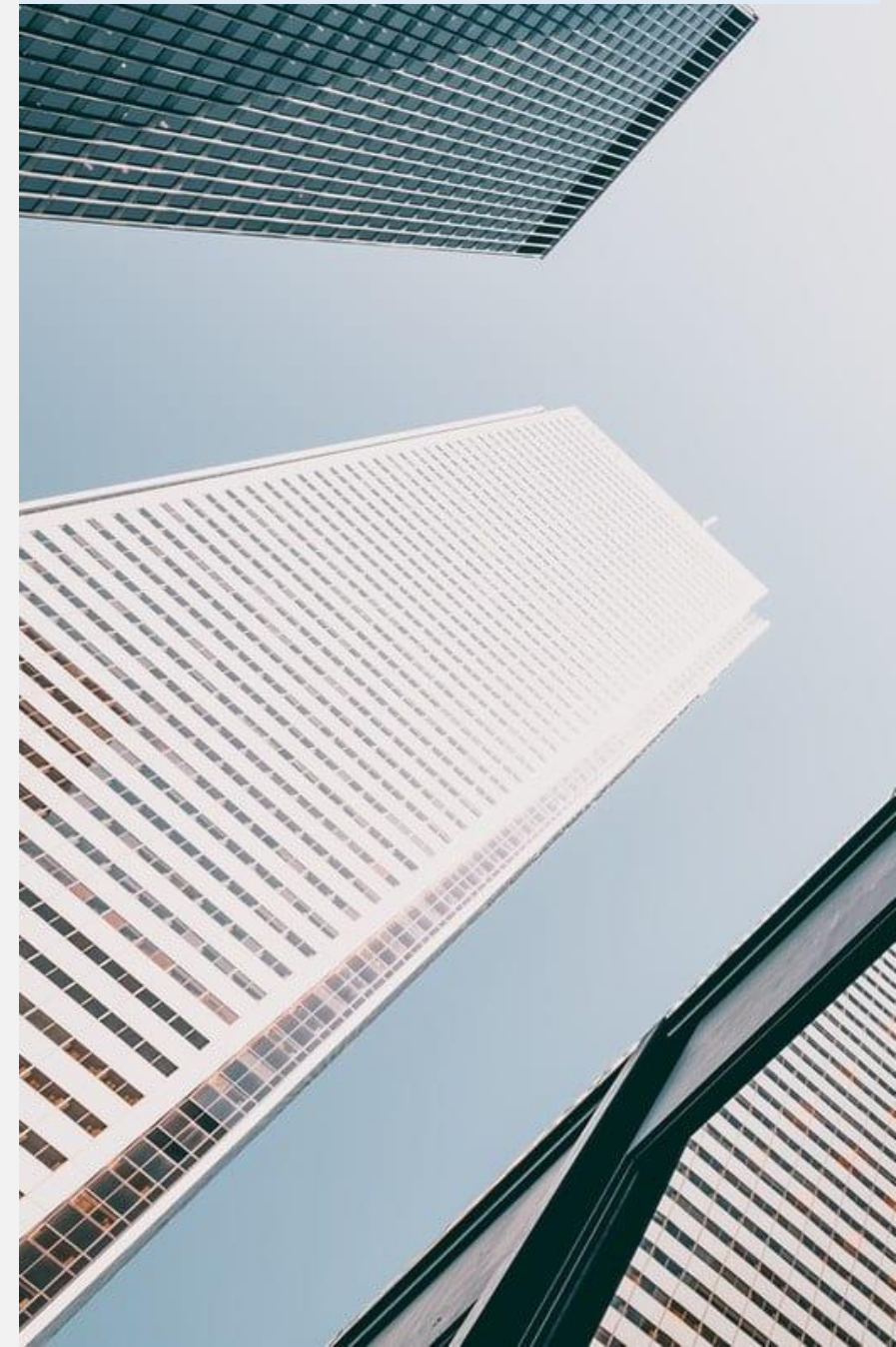
- BB has extended the deadline for submission of audited financial statements by 2 more months till June 30, 2021 for the banks.
- Deadline has been extended as the banks are not operating their full workforce during restriction period.
- Banks were exempted from following section 40 of the act thus allowed to submit audited annual financial statements by June 30, 2021.

<https://www.newagebd.net/article/136632/banks-get-two-more-months-for-submission>

NBFIs' Borrowers also Get Breather on Loan Repayment

- BB has extended the exemption period on loan repayment for borrowers of non-bank financial institutions (NBFIs) till June in 2021.
- NBFIs cannot classify loans for non-payment of installments by the borrowers between 1st March and 30th June.
- Bangladesh Bank relaxed repayments of loans taken as working capital to counter ongoing pandemic impacts, extending the time until June 2022 if borrowers regularly pay interests.
- Borrowers got facilities based on types of loans instead of getting a similar advantage.

<https://www.tbsnews.net/economy/banking/nbfi-borrowers-get-further-respite-loan-repayments-234544>



Local Banking Industry



How The Pandemic Made Banks Go Online Faster

- Internet banking transactions increased by 34.58% to Tk 8,477.3 crore on YoY basis in February 2021.
- In the same period, debit card transactions increased by 22.24%; credit card transactions 23.89% and prepaid card transactions increased by 15.97%.
- Bank plans to invest \$4-5 million for digital banking services to meet the growing demand of their clients.
- Most banks introduced mobile banking app, WhatsApp banking and online account-opening platforms.

• <https://www.dhakatribune.com/business/banks/2021/04/19/how-the-pandemic-made-banks-go-online-faster>

Banks can Form Start-up Fund with 1.0% of Net Profits

- Formation of the start-up fund will start with 1.0% of net profits on the basis of the December's financial statement for 2020.
- Size of the fund will reach around Tk 28 billion if the banks establish their own start-up funds with 1.0% of their operating profits.
- Banks will be allowed to use the central bank-formed Tk 5.0 billion refinancing funds after completing disbursement of their own start-up funds.

<https://thefinancialexpress.com.bd/economy/banks-can-form-start-up-fund-with-10pc-of-net-profits-1619494363>

Banks Must Give Tk 116 Crore in CSR to Pandemic-hit People

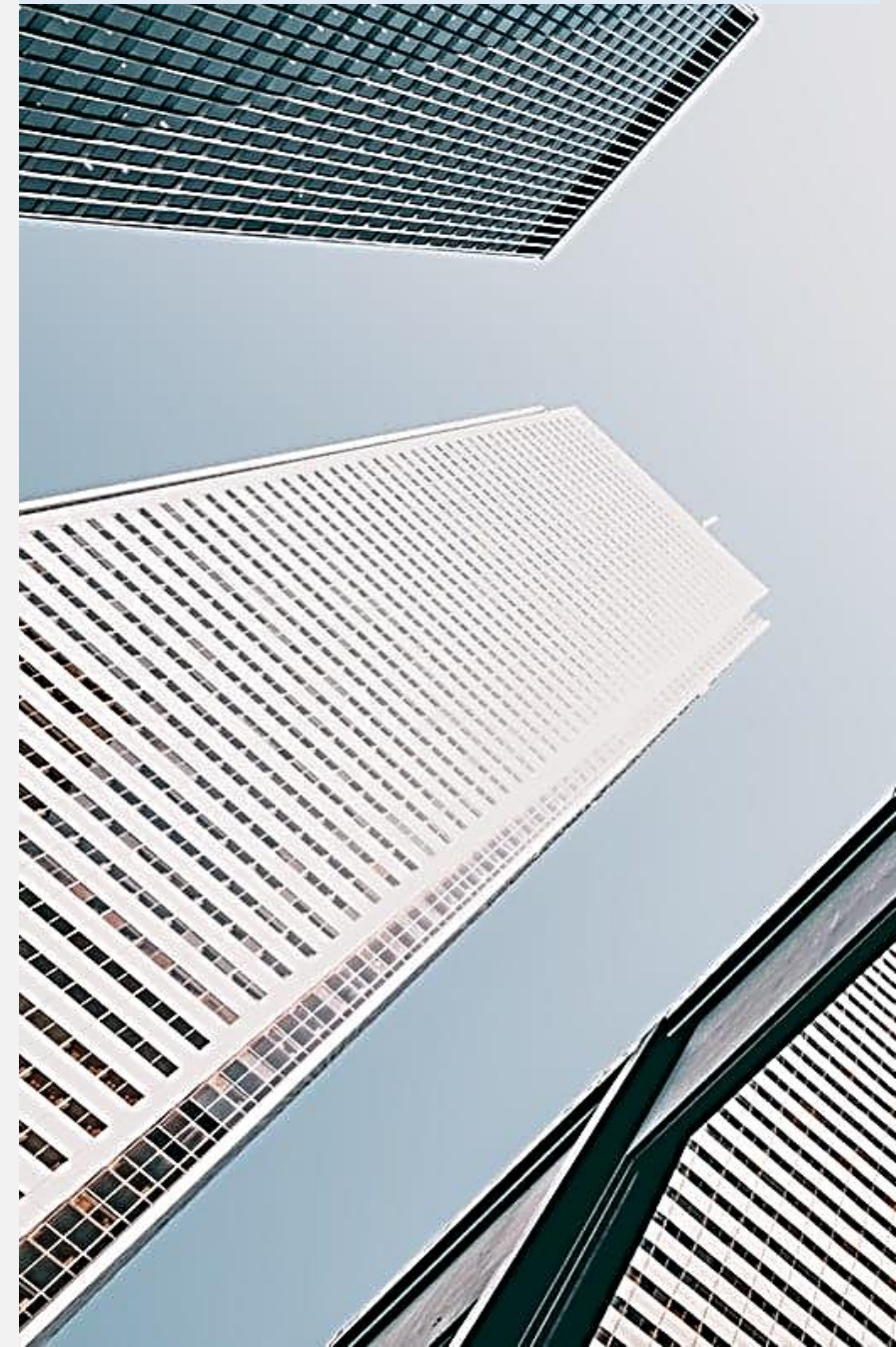
- Banks need to allocate around Tk 116 crore to carry out Corporate Social Responsibility (CSR)
- Banks will provide essential goods and medical equipment to the underprivileged affected by the coronavirus pandemic under CSR.
- Banks need to set aside 1% of net profits earned in 2021.
- Banks will be allowed to adjust 1% additional fund in the next 3 years between 2022 and 2024.
- Banks must complete the CSR activities quickest possible time
- Banks will have to submit statements to the central bank

<https://www.thedailystar.net/business/news/banks-must-give-tk-116cr-csr-pandemic-hit-people-2084401>

41% Ctg Loan Defaulters from Consumer Goods Sector

- Tk 35,000 crore defaulted by traders of all sectors in 8 years
- Of the amount, the consumer goods sector defaulted Tk 14,000 crore
- Among big groups, SA Group owes Tk 4,000 crore to 18 banks
- Loan-giving banks filed cases with Chattogram Artha Rin Adalat in 2020 to get back around Tk 2,421 crore

<https://www.tbsnews.net/economy/banking/41-ctg-loan-defaulters-consumer-goods-sector-234121>



Interest Rate on Loan Under Pre-shipment Credit Scheme Reduced By 1%

- BB has cut interest rate by 1% to 5% for borrowers who take out loans under the Tk 5,000 crore pre-shipment refinance scheme launched, aiming at assisting pandemic-affected export-oriented industries.
- Interest rate under the scheme will be 5% for borrowers, while banks will keep 3% with them as a profit and pay the remaining 2% to the central bank
- BGMEA members will now be more interested in taking out loans under the scheme
- Central bank launched the Tk 5,000 crore pre-shipment refinance scheme at a 6% interest rate for export-oriented industries amid a slowdown in external trade after the pandemic hit.
- Any export-oriented company is eligible for the fund but it depends on the banks based on bank customer relationship.
- Exporters will not get more than a 10% loan, of any consignment or commercial invoice value, from the scheme.
- Defaulters and companies that are yet to receive their export earnings are not eligible for the fund.

<https://www.tbsnews.net/economy/banking/interest-rate-loan-under-pre-shipment-credit-scheme-reduced-1-237745>



Local Industry/Sector

Local Industry/Sector



Garment Makers Want More Stimulus

- Garment factory owners demanding more stimulus funds from the government to pay 3 months' salaries alongside festival allowances to workers.
- Workers of export-oriented garment factories receive around Tk 3,000 crore every month as salary.
- Many, especially small and medium scale garment factories, are in trouble as they are struggling to survive with lower quantity of work orders from international retailers and brands during the time of Covid-19
- Commercial banks affiliated with garment factories have already enabled MFS accounts through which workers are already receiving their salaries and allowances.
- Government provided Tk 10,500 crore in stimulus funds to the export-oriented garment, leather and footwear sectors for the payment of salaries and allowances at only 2% service charge.
- Garment sector has been going through a tough time as many of the major export destinations in Europe and the US were in lockdown because of Covid-19.
- Local suppliers have faced work order cancellations or hold-ups worth \$3.18 billion and unusual payment deferrals.
- Work orders were reinstated through intense negotiations of the BGMEA, government and suppliers with the international retailers and brands.

<https://www.thedailystar.net/business/economy/news/garment-makers-want-more-stimulus-2083889>

Online Orders Boost Home Appliance Sales

- Home appliance makers and retailers are witnessing better sales than 2020 on the back of online shopping, promotional offers and free delivery ahead of Eid-ul-Fitr.
- Major players in the household appliance market are: Walton Group, Transcom Electronics, Rangs Electronics, Rangs Toshiba, Singer Bangladesh, Best Electronics, MyOne Electronics, Jamuna Electronics, Pran RFL (Vision), Esquire Electronics, Electra International, and Super Star Group.

<https://www.thedailystar.net/business/retail/news/online-orders-boost-home-appliance-sales-2083901>

Handset Sales Down 40% Since January

- Sales of mobile handsets dropped more than 40% in April compared to the January level due to coronavirus pandemic.
- Sales have fallen further as the government introduced movement restrictions and lockdowns.
- Due to the second wave of the coronavirus in March and April 2021, sales have dropped by 50%- 60%.
- Online sales doubled since March.
- Annual market size TK 11,000 crore and annual demand for mobile phone stands at 3.20 crore
- Locally made phones were 1.49 crore in the last FY 2020.
- According to the BTRC, the number of locally manufactured and imported mobile phones in Bangladesh stood at 2.94 crore units in the fiscal year of 2019-20.
- Among the handset users in the last FY, 77% uses 2G phone (bar phone), 18% 4G phones, and 5% 3G phones

<https://www.thedailystar.net/business/news/handset-sales-down-40pc-january-2084433>

Local Industry/Sector



Local Industry/Sector



Farm Credit Lending Reduced to 8%

- Interest rate for agricultural loans to 8% from the previous 9% for ensuring more disbursement of low-cost loans in the agriculture sector and boost production amid the Covid-19 pandemic.
- Central bank re-fixed the interest rate of farm and rural credit in the context of the contribution of the agricultural sector to the national economy.
- 43 banks are implementing the Tk 5,000 crore rescue package announced by the government on April 13 in 2020 for the agriculture sector.
- Banks will borrow the funds at 1% interest rate and lend at 4% to farmers in line with the BB guidelines.
- 43 lenders had disbursed at Tk 3,350.8 crore among 143,747 farmers.

<https://www.dhakatribune.com/business/banks/2021/04/22/farm-credit-lending-reduced-to-8>

Plastic Pipe Industry Growing Fast

- Domestic plastic pipe industry is growing at 20% per year.
- Demand is increasing mainly due to ongoing government development projects, modern water supply, and sewerage and irrigation systems.
- Market size for the plastic pipe industry is TK 6,000 crore.
- Currently 15,000 people are directly employed in this industry
- Local companies meet around 80% of total demand
- Major local manufacturers are RFL Plastics, National Polymer, Lira Gazi, Anwar Polymer Industries Ltd and Bengal Plastics.

<https://www.thedailystar.net/business/news/plastic-pipe-industry-growing-fast-2085605>

Pasteurized Milk Production, Sale Fall Despite Ramadan

- Normally demand for milk increases 30-40% during Ramadan than the usual time.
- Production and sale of pasteurized milk have fallen due to decrease in demand in the strict lockdown.
- Reduction in milk production due to the pandemic has affected the farmers as well.
- Cost of the main ingredients of animal feed has increased by 10%-35%.
- Cost of milk production has increased a lot due to high prices of straw, husk, khail and scarcity of grass.
- 60 Lakh Litres of milk produced in the country per day.
- Over 106.60 lakh tonnes of milk produced in farms in 2019-20
- Sweetmeat factories buying less milk than before amid the pandemic.

<https://www.tbsnews.net/economy/pasteurised-milk-production-sale-fall-despite-ramadan-236020>





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