

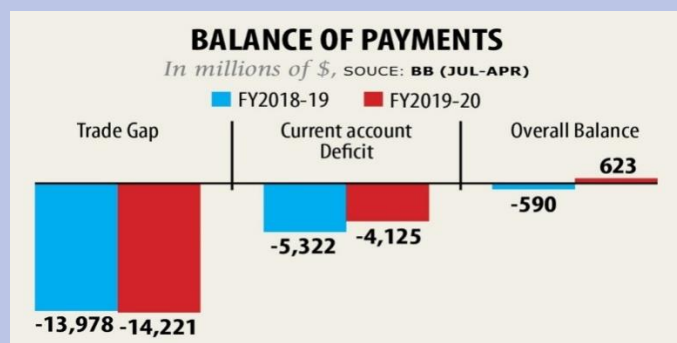
## Economy at a glance

### World Bank forecasts Bangladesh's growth to slow to 1.6 percent

World Bank predicts that Bangladesh's growth will slow to 1.6 percent in the current fiscal year. The global lender made the prediction in its "Global Economic Prospects 2020" report. The country's growth is estimated to have slowed as the recovery in industrial production is reversed by Covid-19 related disruptions such as mitigation measures and global exports plunge, and as remittances fall -- the World Bank observed in its report. The report said the GDP in the South Asian region is projected to contract by 2.7 percent in 2020 as pandemic mitigation measures hinder consumption and services activity and uncertainty about the course of the pandemic chills private investment.

### Trade deficit widens amid economic fallout

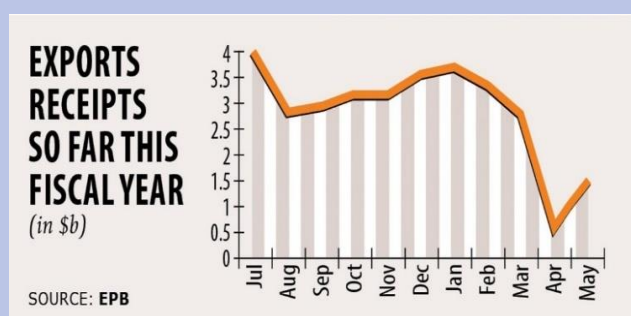
The economic fallout brought on by the ongoing coronavirus pandemic has had an adverse impact on the country's balance of payments as both trade gap and deficit in the current account widened remarkably in April.



Trade deficit stood at \$14.22 billion in the first 10 months of the current fiscal year in contrast to \$12.07 billion in the nine-month lead up to March, according to data from the central bank. The existing global recession is mainly responsible for the upward trend of the trade deficit and the financial indicator will get worse in the days ahead, economists said. The significant decrease in both exports and remittance has also had a negative impact on the country's current account. Current account deficit in the July-April period stood at \$4.12 billion, up 71.16 per cent from the first three quarters of this fiscal year.

### Exports' rally has begun

A glimmer of hope just appeared for the bruised and battered economy: exports seem to be looking up. After crashing to a 40-year-old low in April, export receipts almost trebled to \$1.46 billion last month, according to data from the Export Promotion Bureau.



Although May's receipts are down 61.57 percent from a year earlier, it is still a decent figure seeing that much of the global economy was still in some state of an induced coma last month. Some experts believe that export will grow in the near future as the major importing countries are slowly opening up their economies.

### Inflation declines drastically

Inflation fell 61 basis points to 5.35 per cent in May from a month earlier owing to a drastic fall in food prices caused by a collapse in demand because of the coronavirus pandemic. This is the lowest general inflation rate in the last 23 months. In April, general inflation stood at 5.96 per cent, according to a Bangladesh Bureau of Statistics (BBS) report. The general inflation was 5.63 per cent in May last year and 5.58 per cent in April last year. Food inflation dropped 82 basis points to 5.09 per cent in May from 5.91 per cent in April. Non-food inflation also fell, to 5.75 per cent, down 29 basis points from April's 6.04 per cent.

### Remittance inflow falls more than 14pc in May

Remittance inflows dropped off 14 percent year-on-year to \$1.50 billion in May on the back of the global coronavirus pandemic, in a departure from historic trends that saw money sent by Bangladeshi migrant workers go up ahead of Eid-ul-Fitr. This meant the contagion, which has caused havoc in the oil-rich countries where Bangladeshi migrant workers are mostly based, has hit the incomes of the expatriates so hard that they could not send a higher amount for their families and relatives back home.

### Remittance's growing stature over the past two decades

(in \$b) \*as of May; SOURCE: BB



However, the country received \$16.36 billion between July last year and May this year, up 8.72 per cent from a year earlier, showed data from the Bangladesh Bank.

### BB's April, May interest waiver policy issued

The central bank issued a policy asking banks to waive certain portions of the interest accrued on the outstanding amount of loans during April and May this year, officials said. The entire amount of interest accrued on a Tk.0.01 million loan during the period of April and May 2020 has to be waived by the bank concerned, according to the new policy, issued by the Bangladesh Bank (BB). Besides, 2.0 percent of the accrued interest during the period on the amount of loan, which is in the range of more than Tk.0.01 million to Tk.1.0 million shall have to be waived by the bank. On the other hand, 1.0 percent of the accrued interest during the period under review on the amount of a loans above Tk.1.0 million shall have to be waived by the bank but the amount of such waiver in this category should not exceed Tk.1.2 million. The waived amounts of interest will be reimbursed as interest subsidy by the government, provided that the rate of interest on the loans is maximum 9.0 per cent.

## NBFIs seek refinancing fund of Tk. 100 billion

Prime Minister Sheikh Hasina joined a ceremony on 4<sup>th</sup> June, 2020 via video conference where a delegation of Bangladesh Leasing and Finance Companies Association (BLFCA) donated Tk.95 million to the Prime Minister's Relief and Welfare Fund. On the event, BLFCA sought directives from the Prime Minister to set up a refinancing fund of Tk.100 billion to help ease the liquidity crisis faced by the FIs. During the ceremony, the delegation briefed the Prime Minister on the activities of the NBFIs and the importance of their contribution to the socio-economic development of the country. BLFCA already urged Bangladesh Bank to help overcome the liquidity crisis, being faced by the Non-Banking Financial Institutions (NBFIs).

## Implementation of stimulus package for large industries: 14 banks sign deal with BB

Fourteen banks on 18<sup>th</sup> May signed separate agreements with the Bangladesh Bank to disburse Tk.150 billion in loans as part of refinancing facilities to support implementation of the stimulus package for large industries. The banks are Sonali Bank, Rupali Bank, Agrani Bank, Mercantile Bank, Dhaka Bank, Southeast Bank, Trust Bank, Shahjalal Islami Bank, One Bank, South Bangla Agriculture and Commerce (SBAC) Bank, NRB Commercial Bank, NRB Global Bank, Union Bank and the Commercial Bank of Ceylon PLC. Under this scheme, banks and non-bank financial institutions (NBFIs) will be entitled to get funds from the central bank's refinance scheme at four per cent interest. Banks and NBFIs will get 50 percent as refinance from the Bangladesh Bank against the loans they disburse to affected industries and service sector entities. The refinance facility will only be issued against the working capital provided by the banks to sectors allowed by the Bangladesh Bank.

## REAL ESTATE NEWS

### Real estate sector, linkage units in a fix

The country's real estate sector is now facing a serious blow, as all activities related with the sector have been suspended for a long period due to Covid-19 pandemic, industry people have said. The deadlock in such a vital sector has already resulted in unemployment of a huge number of people, and created uncertainty over massive investment in the sector. It is getting difficult for the realtors to maintain relation with their clients, as many of them are now unable to pay instalments, while the house builders cannot handover flats within stipulated timeframe. Sources said it will be difficult for many of the realtors as well as linkage industries concerned to continue paying salary to their staffs, if the situation prolongs. The Real Estate & Housing Association of Bangladesh (REHAB) First Vice President Liakat Ali Bhuiyan said the present situation is a bolt out of the blue for entrepreneurs as well as workers of the sector.

### Govt. to give Tk. 4.0b for interest payment

Amid the Covid-19 pandemic, the government is set to earmark Tk.4.0 billion for the next fiscal year to meet interest payment of home loan meant for public servants. The government bears nearly 50-per cent interest of the loans sanctioned by commercial banks and financial institutions in favor of them. The remaining interest is borne by an employee who takes out a home loan from a designated bank or financial institution. This allocation is, however, equivalent to the amount allocated for the outgoing fiscal year. According to the officials of finance division, government's burden reduced to some extent this year following introduction of single-digit interest rate in the banking system. Government now have to pay 4.0-per cent interest as subsidy to the loanees instead of 5.0 per cent earlier.

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