

Economy at a glance

BB lowers borrowing costs to boost money flow

The central bank unveiled an expansionary monetary policy on 29th July for current fiscal year lowering borrowing costs to boost money flow for restoring the pandemic-hit economy. As part of the expansionary policy stance, the Bangladesh Bank has reduced the repurchase rate by 50 basis points to 4.75 per cent from 5.25 per cent. The central bank also reduced the reverse repo rate by 75 basis points to 4 per cent from 4.75 per cent.

Monetary policy for FY21

Private sector credit growth target set at 14.8%	Reverse Repo rate cut 75 basis points to 4%	Reserve money growth target 14.80%
Repo rate cut 50 basis points to 4.75%	Bank rate cut 100 basis points to 4%	Broad money growth target 15.6%

Besides, the bank rate has been re-fixed at 4.0 per cent from 5.00 per cent to rationalize it with the current interest rate regime. The central bank has recently cut cash reserve ratio and credit-deposit ratio in tandem, which has helped banks enjoy a large amount of liquidity to tackle the ongoing economic fallout. Besides, BB is also injecting funds to the financial sector as part of its effort to implement the stimulus packages.

BB announces credit guarantee scheme for small enterprises

The central bank has decided to introduce a credit guarantee scheme for the micro and small enterprises, the first of its kind in the country, giving a much-needed lifeline to the SME sector struggling to stay afloat. The board of the Bangladesh Bank approved the scheme worth Tk 2,000 crore for the entrepreneurs in the cottage, micro and small (CMS) sector to help them tackle the ongoing crisis brought on by the coronavirus pandemic. The scheme will initially give coverage to the fund, which is being disbursed from the stimulus package of Tk 20,000 crore for the SME sector. A credit guarantee scheme provides a third-party credit risk mitigation to lenders through the absorption of a portion of the lender's losses on the loans made to SMEs in case of default, typically in return for a fee. Banks will get 80 per cent coverage of a credit given to an individual or a company. This means banks will avail the fund from the scheme if loans go sour.

GDP growth rate reaches 5.24pc in FY20: BBS

The GDP growth rate of Bangladesh has reached 5.24 per cent in the last fiscal year (FY20) despite the impact of coronavirus pandemic while the per capita income increased to \$2,064, according to the provisional estimation of Bangladesh Bureau of Statistics (BBS). This, however, is the lowest GDP growth rate in 11 years. In fiscal 2019-20, the industrial sector bore the most brunt among the broader sectors as the pandemic forced the government to close factories to tame the rogue virus.

SECTORAL GROWTH RATE OF GDP AT CONSTANT PRICES

SOURCE: BBS



The service sector grew 5.32 per cent, in contrast to 6.78 per cent a year earlier. The agriculture sector's growth slowed to 3.11 per cent, 81 basis points less than in fiscal 2018-19, according to constant prices data of the BBS..

Budget deficit to go through the roof

Bangladesh's budget deficit may shoot to as high as 10 per cent of the GDP in the current fiscal year as the government would have to keep spending more to tackle the brunt of the coronavirus pandemic amid a drastic fall in revenue generation, according to the World Bank. The WB has projected the fiscal deficit to increase to 7.9 per cent of the country's gross domestic product in fiscal 2019-20 and 10 per cent in fiscal 2020-21 for pandemic-related expenditure. The government, however, says the budget deficit would be 5.5 per cent in fiscal 2018-19 and 6 per cent in fiscal 2019-20, from the historically comfortable level of 5 per cent maintained by the government. The overall budget deficit will be Tk 190,000 crore in fiscal 2020-21, up from Tk 153,508 crore in fiscal 2019-20, according to official documents.

Inflation overshoots target last fiscal year

Inflation ended the just-concluded fiscal year at 5.65 per cent, slightly overshooting the government's target of 5.5 per cent, owing to the dragging supply chain disruption caused by the pandemic-induced shutdown. Fiscal 2019-20's weighted-average inflation was also 17 basis points higher than the previous year's 5.48 per cent, showed data from the Bureau of Statistics (BBS).

INFLATIONARY TREND OVER THE YEARS

SOURCE: BUDGET DOCUMENTS, BBS



However, this is the third lowest annual inflation recorded by the government in the last decade, budget documents showed. In June, overall inflation rose 50 basis points to 6.02 per cent from 5.52 per cent in the same month a year earlier, driven by the increase in food inflation.

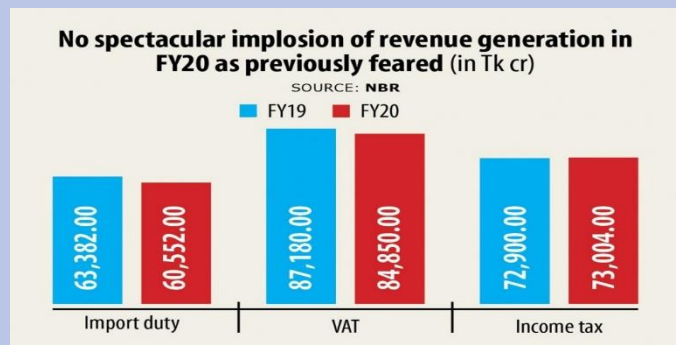
BB makes lending easier to foreign companies

Banks and non-bank financial institutions have been allowed to give out local currency loans to foreign companies against overseas guarantees without taking prior approval from the central bank. The central bank eased the rule on 21st July given the ongoing coronavirus pandemic, according to a notice.

The rule relaxation aims at facilitating easy access to loans against external guarantees. No fees will be payable against the guarantees. The central bank would have to be informed immediately in case of encashment of guarantees due to the payment default by borrowers. Permission from the central bank will be required in case of payment abroad of the amount encashed by lenders.

Revenue collection did not stutter badly last fiscal year as feared

The two-and-half-month-long countrywide general shutdown was supposed to cause a massive dent to the state's coffer as the economic locomotive was effectively chained to its track in the station. Turns out, the damage was not sweeping: revenue collection in the just-concluded fiscal year dropped 2.26 per cent.

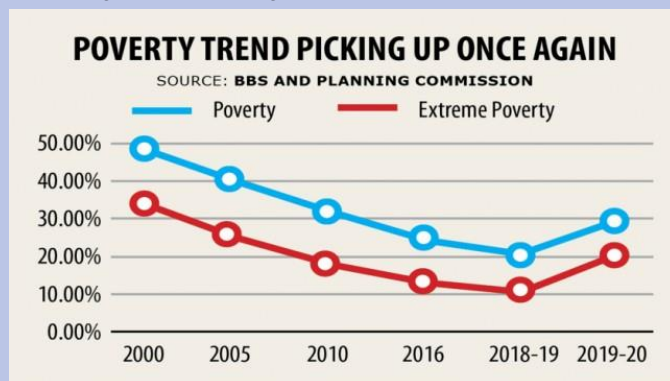


In fiscal 2019-20, the National Board of Revenue (NBR) managed to earn Tk 218,406 crore, according to its provisional estimates. The amount fell short of the target by 27.3 per cent, making it the ninth consecutive year that the NBR missed both actual and revised collection goals set by the government to finance its overall fiscal plans.

Pandemic doubles extreme poverty

The recent nationwide closure of all economic activities for two-and-a-half months has doubled extreme poverty in Bangladesh, raising the number of the country's ultra-poor from

10.5 per cent of the population to 20.5 per cent as of June, according to the Planning Commission (PC).



Similarly, the commission, operating under the guidance of the planning ministry, estimated that the incidence of poverty increased from 20.5 per cent to 29.4 per cent as a considerable number of people lost their income due to the coronavirus fallout. The PC's estimates were made following forecasts on the ongoing crisis from several independent think-tanks such as the Centre for Policy Dialogue (CPD) and the South Asian Network on Economic Modelling (SANEM).

BD emerges as 3rd largest apparel supplier to US

Bangladesh has emerged as the third largest sourcing country for the US-based apparel and fashion companies in 2020, advancing from the last year's sixth position despite the Covid-19 pandemic, according to a latest study. Bangladesh was the fifth sourcing hotspot in 2016 and 2018 while seventh in 2017. The survey was conducted jointly by the United States Fashion Industry Association (USFIA) and the University of Delaware. Bangladesh's position has improved mainly because of the 'most competitive price' it offers and exports similar products over the years, the study revealed. China and Vietnam remained the first and second sourcing countries respectively.

REAL ESTATE NEWS

Real trouble brews for real estate, subsectors

The real estate sector and its subsectors are struggling to maintain their growth due to the economic slowdown induced by the coronavirus pandemic, exemplified by a slump in earnings by most of the listed companies connected to construction. Cement makers fear that their sales tally for the first half of 2020 would showcase a fall of almost 45 per cent

whereas the value was 50 per cent for paint producers as the construction sector was hit hard alongside the economy, according to industry insiders. According to president of the Real Estate & Housing Association of Bangladesh (REHAB), the real estate sector deserves incentives from the government because it has connected to almost 250 subsectors, all of which have been impacted along with more than 4,000,000 of their employees due to the contagion.

NATIONAL HOUSING NEWS

National Housing holds 218th board meeting

The 218th Board of Directors Meeting of National Housing Finance and Investments Limited was held on 23rd July on virtual platform. The Board of Directors reviewed and approved Financial Statements for the year 2019 and recommended 10.00% cash dividend to the shareholders for the year 2019. The Board of Director in that meeting also approved Financial Statements for the quarter ended 31st March 2020 and 30th June 2020. The company earned Tk. 236.81 million as net profit after tax during the year 2019 and Tk. 93.61 million for the half year ended June 30 2020.



Mr. Mahbubur Rahman, Acting Chairman of NHFIL presided over 218th Board of Directors meeting held on Thursday, 23rd July, 2020. Others directors and top management were seen in the above picture.