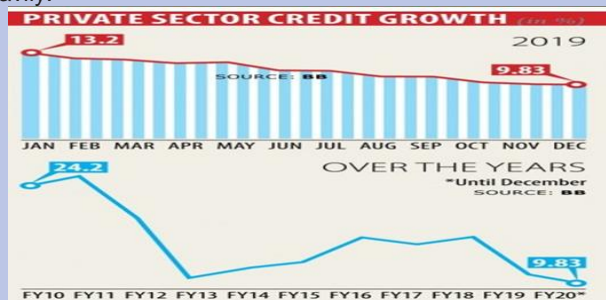


## Economy at a glance

### Private sector's appetite for credit craters

Private sector credit growth dropped to the lowest since 2008 in December last year, in continuation of its downward trend of the previous 21 months. Experts said that, private sector credit growth will continue to decline significantly within the next three to four months if the government continues to borrow from banks heavily.



The large revenue shortfall has compelled the government to borrow so heavily from banks, said experts. Besides, the government's recent decision to fix 6 percent interest rate for deposits and 9 percent for lending will create an extra pressure on private sector credit growth.

### Budget deficit crosses 5pc for first time in 11 years

Budget deficit went past the sensible limit of 5 percent last fiscal year, for the first time in 11 years, largely because of lower-than-expected revenue collection, according to the official figures showed on 23<sup>rd</sup> January. The deficit, a situation when spending exceeds revenue, was 5.18 percent in 2018-19, which was 4.05 percent a year ago, according to the data released by the finance division.



In Bangladesh, when the budget is drafted, a 5 percent deficit is projected. The actual deficit turns out to be about 4 percent every year as the ministries and divisions fail to use up their allocated funds. But it was different in FY19, as shortfall in revenue generation pushed the budget deficit up. The revised budget aimed to generate revenues of Tk.316,612 crore in the last fiscal year, but the government managed to earn Tk.251,873 crore at the end, down 20.44 percent.

### Govt. permits state-run entities to deposit 50pc funds in private banks and NBFIs

The government has allowed state-owned companies to deposit up to 50 percent of their surplus funds in private banks and non-bank financial institutions. The finance ministry's Financial Institutions Division issued a notice, saying the decision will help commercial banks and NBFIs lower lending rates to a single digit. The autonomous, semi-autonomous and government companies also will have to keep their 50 percent of their surplus fund at the lenders, according to a notice issued by the finance ministry on 20<sup>th</sup> January. The funds will have to be kept with private banks and NBFIs at six percent interest

rate. The government has taken the decision to lower the interest rate on lending to single digit as part of its move to give a boost to investment and employment generation and make the growth momentum sustainable.

State-owned companies will receive a maximum interest rate of 6 percent on deposits from private banks and NBFIs according to the notice. On the other hand, the companies will receive 5.5 percent interest rate on deposits in state-owned banks.

### Slowing exports stretching trade deficit

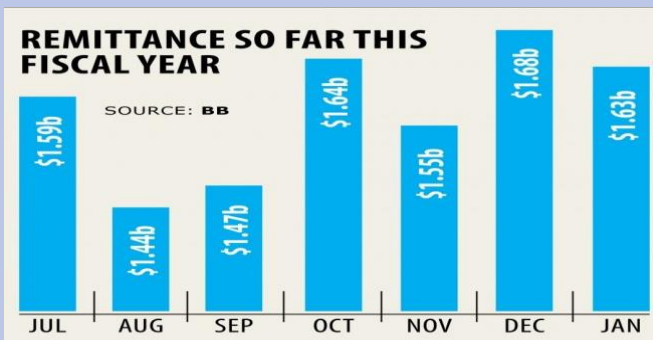
Bangladesh's trade deficit widened slightly in the first half of the fiscal year on the back of sluggish exports, in a worrying development for the government. Between the months of July and December of last year, the trade deficit, which occurs when imports outweigh exports, stood at \$8.22 billion, up 5.41 percent year-on-year, according to data from the central bank. During the period, imports declined 2.72 percent and exports 5.89 percent.



However, the current account balance deficit decreased by more than half to \$1.34 billion in the first six months of the fiscal year due to remarkable growth in remittance. Remittance is now being used to offset the other deficits in the balance of payments.

### Remittance floating uphill

Remittance continued its upward trend on last month, with migrant workers sending home 3 percent more than they did a year earlier, in what can be viewed as the perfect foil to the sliding exports, the other source of foreign exchange for the government.



In January, expatriate Bangladeshis sent home \$1.63 billion to take the total thus far in the fiscal year to \$11.04 billion. The seven-month receipts are up 21.43 percent year-on-year, according to data from the Bangladesh Bank. According to experts, remittance will hit a benchmark of \$20 billion at the end of the fiscal year, if the trend continues.

### World Bank sees headwinds ahead for Bangladesh

The World Bank praised the progress that Bangladesh achieved in recent years but apprehends a struggle ahead for the low tax revenue and banking sector's poor condition. The Washington-

based multilateral lender in its review of Bangladesh's performance under the country partnership framework (CPF) showed that, while Bangladesh is poised to maintain its current level of growth in the medium term, key structural reforms are needed to sustain the productivity growth.

### BANGLADESH'S MACROECONOMIC TREND

	2015	2016	2017	2018	2019*	2020**	2021**
Real GDP growth at constant market prices	6.6	7.1	7.3	7.9	8.1	7.2	7.3
Real GDP growth at constant factor prices	6.5	7.2	7.2	7.9	8.3	7.2	7.3
Inflation	6.4	5.9	5.4	5.8	5.5	5.9	5.7
Current Account Balance (% of GDP)	1.5	1.9	-0.5	-3.5	-1.7	-2	-2.2
Net FDI (% of GDP)	0.9	0.6	0.7	0.6	0.8	0.8	0.8
Fiscal balance (% of GDP)	-3.7	-3.7	-3.4	-4.7	-4.4	-4.8	-4.7
Debt (% of GDP)	31.8	31.5	30.8	31.9	32.8	33.9	34.8
Primary balance (% of GDP)	-1.7	-1.8	-1.6	-2.8	-2.5	-2.6	-2.5

According to WB, Bangladesh has made remarkable progress in improving the wellbeing of its citizens. The national poverty rate fell from 48.9 to 24.3 percent between 2000 and 2016, while the extreme poverty rate declined from 34.3 to 12.9 percent. Moreover, rural poverty fell substantially, average life expectancy increased to 72.5 years and economic growth has been robust, exceeding 7 percent since 2016, well above the 3.9 to 4.7 percent average for developing countries in recent years, according to the WB.

### REAL ESTATE NEWS

#### Dhaka to get 40-storey skyscraper

The 40-storey Pinnacle, set to be the country's tallest building, is being constructed on 45 kathas of land on Bir Uttam Mir Shawkat Road, also known as the Tejgaon-Gulshan link road, by Shanta Holdings, a leading developer. Rajdhani Unnayan Kartripakkha (Rajuk) approved the project in September 2018 and the construction started in November 2019. It is scheduled

### Non-food inflation increases in January

Monthly non-food inflation rate increased to 6.30 percent in January from 5.55 percent in December, according to Bangladesh Bureau of Statistics (BBS). Nevertheless, food inflation dropped to 5.12 per cent in January from 5.88 percent in December last. As food carries much weight in the country's Consumer Price Index (CPI), decline in food inflation helped to pull down general inflation during the period under review. Monthly general inflation rate dropped to 5.57 percent in January this year which was 5.75 percent in December last.

### H1 tax revenue misses target by a big margin

Collection of tax revenue by the National Board of Revenue (NBR) fell short of the target by Tk.315.08 billion in the first half (H1) of the current fiscal year (FY), 2019-20, due to sluggish economic activities, including import slowdown, tax officials said. Three wings of NBR -- Income Tax, Customs and VAT -- missed their respective targets for July-December period, according to provisional data released on 26<sup>th</sup> January. Import and export tax revenue faced the highest shortfall of Tk.131.73 billion, followed by Tk.109.05 billion from VAT at local stage and Tk.78 billion from income and travel taxes. The aggregate tax revenue collection stood at Tk.1.05 trillion until December against the target of Tk.1.36 trillion set for the period. Economists said such huge shortfall in internal revenue collection will increase the government's budget deficit in the current FY exceeding 5.0 percent for the first time.

### NATIONAL HOUSING NEWS

#### New Year 2020 celebration at NHFIL

On the very first day of the year, celebration of New Year 2020 took place with zestful participation of all the employees at its Corporate Head Office of National Housing. Mr. Md. Khalilur Rahman, Honorable Managing Director of National Housing greeted all the officials by cutting cake and sending cards.

Mr. S. M. Anisuzzaman, Deputy Managing Director, Branch Managers of Dhaka regions with other senior executives were present in that event.



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