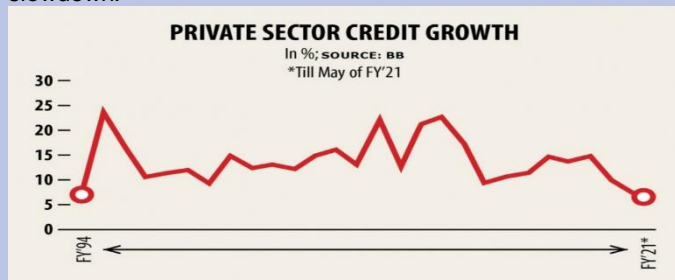


## Economy at a glance

### Private credit growth sinks to 28-year low

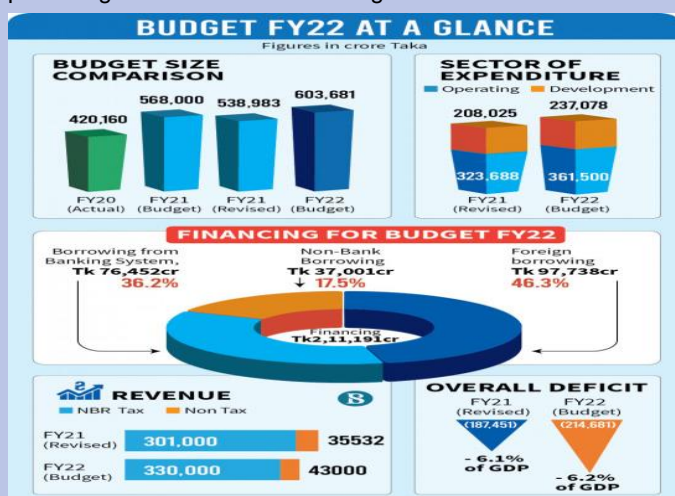
Bangladesh's private sector credit growth decelerated to 7.55 per cent in May, the lowest in at least 28 years, due to the depressed demand for loans amid the Covid-19 pandemic. Banks and NHFIs have also adopted a cautious approach to giving out credit as loans tend to become non-performing given the ongoing business slowdown.



As a result, the private sector credit growth has been on a downward path. It stood at 8.29 per cent in April, way lower than the central bank's target of 14.8 per cent for the just-concluded fiscal year. The outstanding loans in the private sector stood at Tk.11,71,808 crore in May. The amount has expanded by Tk.82,252 crore in the last one year, almost equal to the volume of the stimulus loans disbursed.

### Parliament passes Tk.6.04 trillion budget for FY22

The parliament has passed a Tk. 6.04 trillion budget for the 2021-22 fiscal year starting on July 1. The budget passed by voice vote during a parliamentary session chaired by Speaker Shirin Sharmin Chaudhury on June 30, 2021. The budget passed after the approval of several amendments. The budget for the coming fiscal year is approximately 17.5 per cent of GDP and 12 percentage points higher than the revised budget in fiscal 2020-21.



The government is seeking to finance 64.45 per cent of proposed expenditures from revenue sector, setting a revenue target of Tk.3.89 trillion, about an 11 per cent increase over the current fiscal year. However, the proposed budget runs a record deficit of Tk.2.15 trillion, or 6.2 per cent of GDP, crossing the conventional 'red line' of 5 per cent gap, much of which will be offset by heavy borrowings from domestic and foreign sources.

## NATIONAL HOUSING NEWS

### Mohammad Shamsul Islam new MD of NHFIL



Mohammad Shamsul Islam is appointed as Managing Director of National Housing Finance and Investments Ltd. (NHFIL) for next three years. Earlier in February he joined NHFIL as additional managing director.

Board of directors of NHFIL appointed him as new MD upon retirement of immediate past MD, Mr. Khalilur Rahman. Earlier, he was the Deputy Managing Director of Global Islami Bank Ltd. He has been working in banking sector for last 32 years. He started his career in 1989 with AB Bank Limited. He completed his Bachelor of commerce in accounting from Chittagong University and MBA from Faculty of Business Studies, Dhaka University. We, NHFIL family welcome and congratulate him on his new journey.

### Banks log higher than expected profits despite slowdown

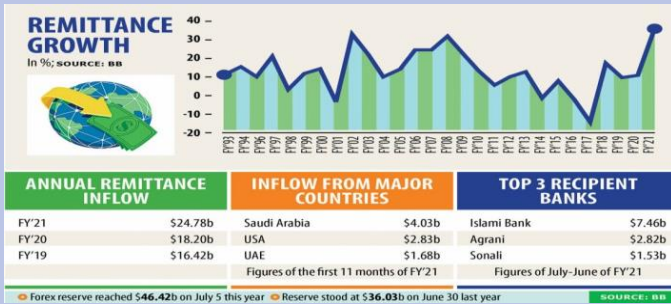
Banks in Bangladesh posted a hefty operating profit in the first half of 2021 despite the business slowdown caused by the coronavirus pandemic, data of 20 lenders showed. The lower interest rate on deposits and the moderate lending rate helped banks register the higher operating profit in the January-June period. Lenders also managed a good profit from their investment in the capital market as the bourses performed well during the period. The foreign exchange business also made a turnaround, and banks received good commissions and fees from the sharp rise in exports and imports.

OPERATING PROFIT OF BANKS					
In crore taka					
BANK	FIRST HALF-2020	FIRST HALF-2021	BANK	FIRST HALF-2020	FIRST HALF-2021
Islami	1,007	1,020	Dhaka	263	310
DBBL	417	504	Al-Arafah	305	310
Pubali	401	503	Jamuna	262	301
Bank Asia	351	484	Premier	186	301
Southeast	342	472	Shahjalal	247	280
Eastern	372	450	Social Islami	175	227
Mercantile	243	358	NRBC	91	150
EXIM	317	340	Modhumoti	124	127
NCC	290	328	South Bangla	70	80
IFIC	159	321	Meghna	12	70

A number of officials of the Bangladesh Bank, however, said that some banks might have shown their incomes from credits even if they did not get any instalment on the loans in the first half of the year. The BB earlier allowed banks to grant deferral supports to clients in the first quarter. In such a situation, banks might have shown unrealized interest as incomes, inflating profits, according to BB officials.

### Remittance surges at sharpest pace in three decades

Remittance inflow posted 36 per cent growth in the just-concluded fiscal year, the sharpest in 30 years, thanks to the hard-earned money sent by migrant workers amid the coronavirus pandemic. Bangladeshi Diasporas sent home \$24.78 billion in 2020-21, the highest on record, in contrast to \$18.20 billion a year ago, Bangladesh Bank data showed.



Analysts say that the global hundi cartel, which operates an illegal cross-boundary financial system, has been facing a major disruption since the first quarter of 2020 as the international travelling came to a halt because of the pandemic, fuelling the growth of remittances.

## BASIC Bank, BDBL merger on cards

The troubled BASIC Bank is heading for a merger with the better-performing Bangladesh Development Bank Limited (BDBL) as part of the government's efforts to improve the overall health of the country's state banks, which have historically been sitting on a heavy pile of soured credit. The proposed merger of BASIC and BDBL has synergies.



For instance, BASIC Bank has branches and the BDBL does not. The BDBL has management acumen and their expertise will be put to use to turn around the fortune of BASIC Bank, Kamal said.

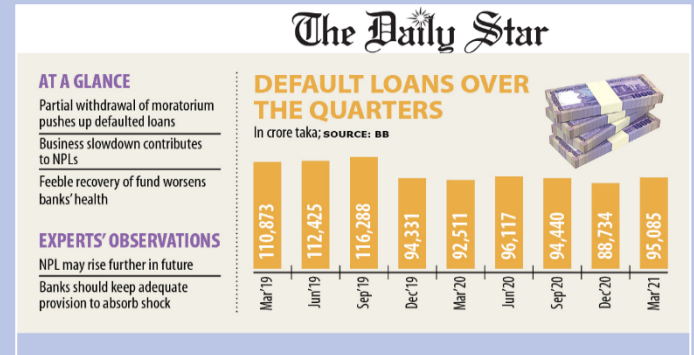
## Living cost up by 6.8pc in the capital

The cost of living in Dhaka shot up by 6.8 percent in 2020 mainly because of the rising prices of daily essentials amid the pandemic, according to a report by the Consumers Association of Bangladesh. Besides, the prices of different goods and services increased by 6.31 percent in the capital last year, it said. Last year's jump in living expenses was the

highest in three years, he said. As the cost of living increased, the income of lower- and lower-middle class people drastically fell due to the economic fallout from the pandemic, he said, adding that this has affected their living standards.

## Bad loans rise as payment holiday ends partially

Defaulted loans went up substantially in the first quarter of 2021 after the central bank partially withdrew the moratorium facility, which had barred banks from downgrading the credit status of borrowers even if they failed to pay instalments regularly.



Analysts say the volume of the bad loans would have been much higher had the central bank brought a complete end to the payment holiday, which was introduced in late March last year to help businesses ride out the unprecedented crisis. The facility continued throughout 2020 as the pandemic showed no signs of disappearing.

## NBFI LOANS: BB relaxes classification rules

Bangladesh Bank relaxed the loan classification policy for borrowers of non-bank financial institutions (NBFIs) given the ongoing business slowdown caused by the recent wave of the coronavirus pandemic. Borrowers of the NBFIs will not be considered defaulters if they repay 50 per cent of their actual installment of loans which are scheduled to become overdue in June, according to a central bank notice. Clients will be allowed to repay the 50 per cent of the installments within August. The BB asked the NBFIs not to impose any penal interest or additional fees, charge and commissions on the clients, who can avail the relaxed facility. The NBFIs will not be allowed to show their unearned interest as income, said the BB. The realised interest can only be transferred to their income books. Some 35 NBFIs are operating their business in the country.

## REAL ESTATE NEWS

### Rod prices surge for costlier raw materials lifting construction cost

The price of mild steel (MS) rods has increased by Tk 1,500 per tonne in Bangladesh in the past month because of the rising cost of raw materials globally, making building houses and implementing infrastructure projects costlier. The spike in the price came even though the source tax was slashed in the budget for fiscal 2021-22.

Manufacturers blame the increasing cost of melting scrap in the international market for the price hike in the local market. So, the cost of building private homes and implementing

infrastructures and development projects will not decline.

