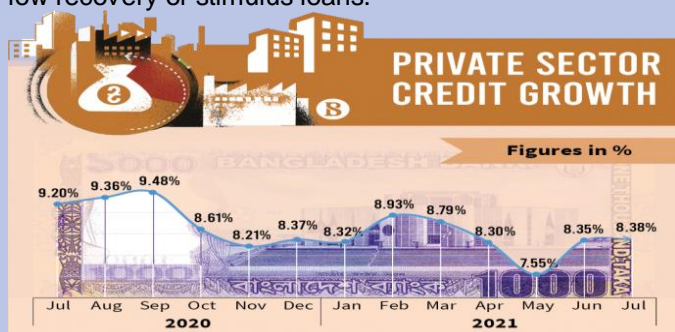


## Economy at a glance

### Private credit growth moves upward for 2nd consecutive month

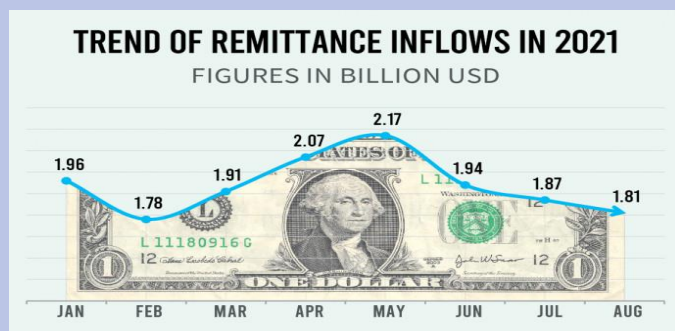
Private sector credit flow marked a positive growth for two months in a row on the back of the resumption of economic activities following the vaccine rollout. Lending to businesses recorded 8.38% growth in July – a slight increase from 8.35% in the previous month. The credit growth, however, is yet to get pace as bankers have remained cautious in lending amid rising default loans and low recovery of stimulus loans.



The Bangladesh Bank in its monetary policy for the current 2021-2022 fiscal year has set the target of credit growth in the private sector at 14.8%. The central bank's monetary policy statement says the economy will start to get back vibrancy soon once the pandemic is brought under control. As a result, the demand for credit in all sectors will increase in the coming months, it adds.

### Remittance earnings drop 19% in July-August

The inflow of remittance from expatriate Bangladeshis, which maintained an upward trend throughout the last fiscal year even amid the Covid-19 pandemic, dropped by 19% year-on-year in the first two months of the current fiscal year. The country received \$3.68 billion in remittance in the July-August period of this year, down from \$4.56 billion in the same period of last year, according to the Bangladesh Bank.



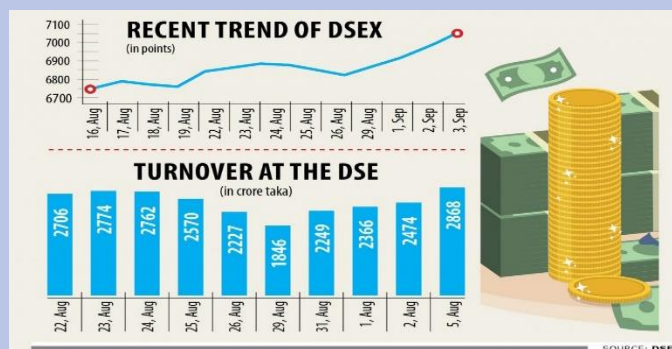
According to experts, economic instability in gulf countries amid falling oil prices and job losses of migrant workers have caused the remittance growth to slow down in recent months. In its financial stability report for the year 2020, the Bangladesh Bank also apprehended that slumps in oil prices might affect Bangladesh as the oil-dependent countries are a major hub for the country's migrant laborers.

### Bangladesh Bank widens refinance scheme

Bangladesh Bank increased the volume of a refinance Scheme dedicated to marginal and landless farmers, low-income professionals and small businesses. The central bank rolled out the fund worth Tk 200 crore in 2014, but it has since widened the amount to Tk 500 crore given the ongoing economic hardships brought on by the coronavirus pandemic. Under the program, clients can borrow with a 7 per cent interest rate instead of the previous 9 per cent. In addition, banks are allowed to manage the fund from the central bank scheme by paying 1 per cent interest in contrast to the previous 4 per cent. An individual will be permitted to take a maximum of Tk 5 lakh from the scheme, which has a repayment tenure of three-and-half years, including a six-month grace period.

### Stock market climbs to new peak

The Dhaka bourse scaled new heights September 3, 2021, crossing 7,000 points as buoyant investors increased their bets in hopes that the market would maintain its upward trend in the coming days. The DSEX, the benchmark index of the Dhaka Stock Exchange (DSE), surged 71 points, or 1.02 per cent, to close at 7,052. This is the highest level the index has reached since its inception in 2013.



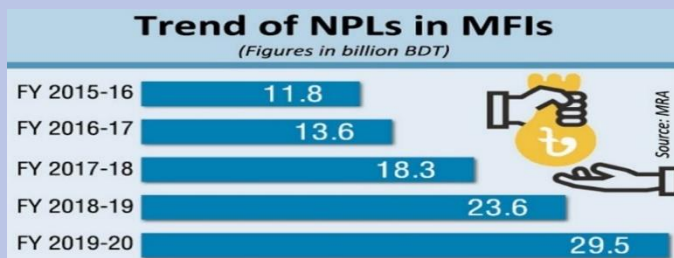
Due to lower interest rates in the banking sector, many savers have chosen the stock market to keep their funds to ensure a sizeable profit according to experts. In fact, stock markets worldwide have been climbing new heights, powered by mass coronavirus vaccination and rebounding economies.

### Breather for NBFIs borrowers

Bangladesh Bank on September 1, 2021, said borrowers of non-bank financial institutions (NBFIs) would not become defaulters until December if they pay 50 per cent of their loans' instalment. The central bank took this decision given the ongoing business slowdown brought on by Covid-19. Borrowers will have to pay the rest of the amount of instalments within one year after completion of the repayment tenure of the loans. NBFIs will not be allowed to transfer their unrealized interest or profit to their income segment during the given period mentioned by Bangladesh Bank. This means only the interest amount, which is recovered from clients, can be added to the income segment, the notice said.

## Microfinance institutions falling into non-performing loan trap

The amount of classified loans in the micro-finance institutions (MFIs) jumped by 25 per cent in fiscal year (FY) 2019-20 mainly due to the Covid-19 pandemic, according to officials. The non-performing loans (NPLs) grew by Tk 5.9 billion to Tk 29.5 billion in FY'20 from Tk 23.6 billion in the previous FY, according to the latest statistics of Micro-credit Regulatory Authority (MRA).



The central bank in its latest Financial Stability Report (FSR) 2020 expressed its concern that the borrower selection and their credit needs are not assessed prudently, overlapping of loans of borrowers may create credit traps in the long run, which may increase the sector's NPLs ratio further. However, the MRA has already taken preparations to set up a CIB aiming to check overlapping of loans in the MFIs.

## Default loan rates highest in shipbreaking, SME

Shipbreaking and shipbuilding, small and medium enterprises, trading, agriculture and garment are the top five sectors that generated the highest level of bad loans in



## REAL ESTATE NEWS

### Flat prices on the rise

The prices of flats have started to rise in Dhaka ending a three-year stagnation as demand for new homes increased and construction costs surged. Flats in Dhaka are as much as 6 per cent more expensive now, depending on their location and amenities. Prices could go up further in the coming months,

## NATIONAL HOUSING NEWS

### National Housing Finance and Investments celebrated 23<sup>rd</sup> anniversary

National Housing Finance and Investments Limited celebrated its 23<sup>rd</sup> anniversary at its corporate head office on 18<sup>th</sup> August, 2021. The program was presided over by Mohammad Shamsul Islam, Managing Director of the company.

All Branch Managers, Departmental Heads, Senior Executives and staffs were present at the program. The Managing Director appreciated all the Managers and Executives for the business growth of the Company and give necessary direction to improve and achieve the business performance in 2021.

Bangladesh in 2020, official figures showed. Fund diversion by borrowers, lack of farsightedness among businesses when it came to investment, and banks' failure to maintain due diligence were mainly responsible for the highest amount of default loans in the sectors

However, the overall default loans in the banking industry went down in 2020 on the back of a general forbearance on loan payments extended because of the coronavirus pandemic. However, bad loans went up heavily in June this year. It was Tk 99,205 crore, up 11.80 per cent from six months earlier and 3.21 per cent year-on-year.

## Low incomes shrink further

The already low incomes of skilled and unskilled workers have been squeezed further for last month's countrywide lockdown, making it more difficult for them to stay afloat amid the Covid-19 fallout. Their general wage growth dropped by 25 basis points to 5.72 per cent in July compared to that in June, according to the Wage Rate Index (WRI) of the Bangladesh Bureau of Statistics (BBS).



In June, it was 5.97 per cent, which was 44 basis points down from May's 6.41 per cent. July's rate was the lowest since 2014, according to the BBS. The downturn came on the back of workers being unable to go to work for a majority of last month for the restrictions. The situation had turned dire, for living expenses of families had to be met amid a continuous price hike of daily essentials. Declining earnings significantly affected food intake and nutrition.

according to realtors. Industry people say the demand for properties is picking up as there have been limited investment opportunities in the productive sectors because of the pandemic-induced economic slowdown, a drastic fall in bank deposit rates, cheap loans, and the continued scope to invest untaxed money. The lowering of registration costs has also pushed up the demand.

