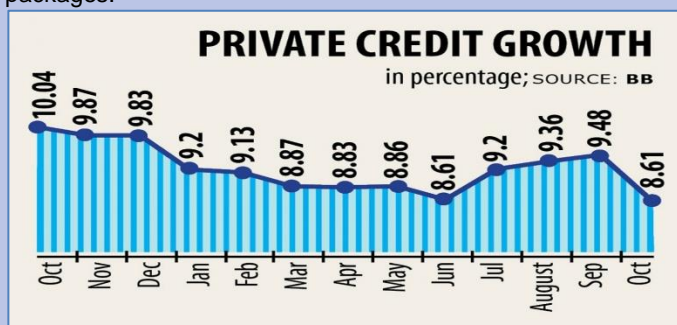


Economy at a glance

Deepening uncertainty downing credit growth

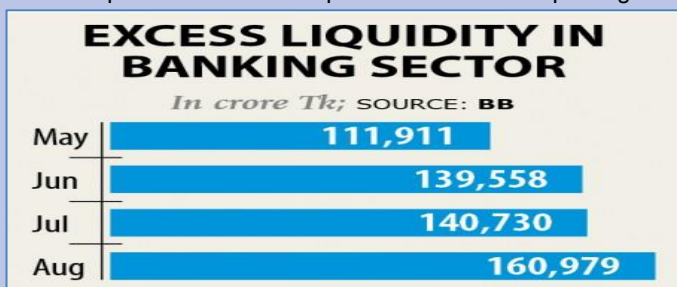
Private sector credit growth dropped heavily in October due to the eroding confidence of businesses amid the potential threat of a second wave of coronavirus infections. The year-on-year credit growth stood at 8.61 per cent in October, down 9.48 per cent from a month earlier, according to data from Bangladesh Bank. Credit growth had increased substantially in the first three months of the ongoing fiscal year riding on the implementation of the stimulus packages.



The government declared a stimulus package worth Tk.30,000 crore for the sectors. The fund size was later expanded to Tk.40,000 crore. However, businesses have adopted a cautious policy once again, given the rising Covid-19 infections. Besides, demand has also gone down as people are now highly careful about purchasing anything amid all the economic uncertainty. The import of capital machinery and industrial raw materials went down alarmingly in recent months, signaling a sluggish investment scenario.

Excess liquidity continues to increase in banks

Banks have faced excess funds in the recent period in the wake of a slower trend of investment against the large volume of money injection by the central bank into the financial sector. The implementation of the stimulus packages initiated by both the central bank and the government and an upward trend of remittances are mainly responsible for the excess liquidity in the banking sector, as per expert opinion. The Bangladesh Bank (BB) has already injected around Tk.55,000 crore in the financial sector as part of its effort to implement the stimulus packages.

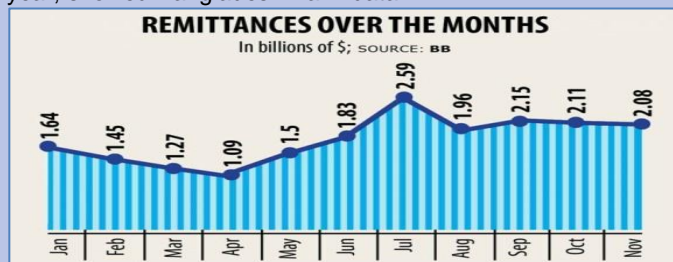


On the other hand, credit growth is declining as Businesses are persistently reluctant to expand given the economic hardship and a probable second wave of the coronavirus infection.

Remittance hits \$2b mark for third straight month

Bangladesh has once again gone past the \$2-billion mark in remittance income as migrant workers continued to send home

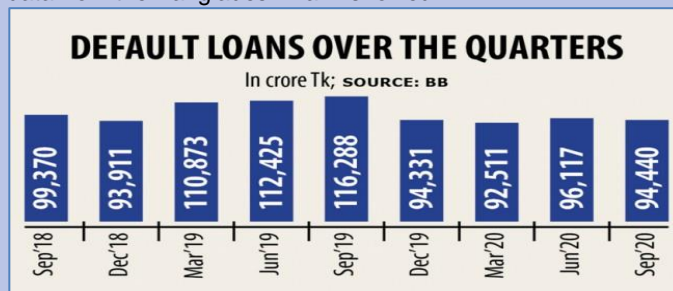
a massive amount for the third straight month. In November, migrant workers remitted \$2.08 billion, up 34 per cent year-on-year, showed Bangladesh Bank data.



The Bangladeshi diaspora continues to prefer the formal channel in sending their money due to the global hundi cartel turning ineffective amidst the coronavirus pandemic, said experts. The increasing trend in remittance has given a huge respite to the government with regard to managing its external sector from the ongoing economic hardship.

Default loans fall slightly for relaxed rules

Defaulted loans in the banking sector went down slightly in the third quarter this year thanks to the moratorium on bank loan payments provided by the central bank. Non-performing loans (NPLs) stood at Tk 94,440 crore as of September, down 1.74 per cent from three months earlier and 18.73 per cent year-on-year, data from the Bangladesh Bank showed.



But experts and bankers termed the reduction in the NPLs "meaningless" as it occurred due to the central bank's instruction to lenders not to classify any loans until December this year.

Inflation cools off in Nov

General inflation fell to 5.52 per cent in November, bucking a rising trend, driven by a significant drop in food prices, official data showed. The average Consumer Price Index (CPI) had risen to 6.44 per cent in October, the highest in at least five years, led by a sharp increase in the price of food items. This had been the third consecutive monthly increase as recent floods and rains damaged crops and pushed up the prices of rice and vegetables. But November's figure is 92 basis points lower than the CPI in October and is the lowest in six months, data from the Bangladesh Bureau of Statistics (BBS) showed. Food inflation declined 1.61 percentage points to 5.73 per cent, and non-food inflation rose 19 basis points to 5.19 per cent.

More stimulus to offset Covid shock

The government and the development partners plan to inject more money into the economy for its recovery amid the pandemic while the progress in implementing the stimulus packages for employment creation and revitalization of the rural economy remains slow. The Asian Development Bank is likely to give Bangladesh \$1 billion for economic recovery and tackling the Covid fallout. Another Tk.3,000 crore may be allocated for expanding the scheme for credit guarantee on small loans. The fund will be provided by the government and the World Bank.

According to top government officials and representatives of development partners, fresh funds are in the pipeline for Bangladesh Small and Cottage Industries Corporation (BSCIC) and Small and Medium Enterprise (SME) Foundation for providing loans to small and cottage industries.

Most NBFIs see rise in profits

Most of the listed non-bank financial institutions (NBFIs) posted higher profits in the July-September quarter thanks to the lower provisioning regime amid the ongoing pandemic. All but Peoples Leasing out of the 23 listed NBFIs published their financial reports. Of them, the earnings of 10 rose year-on-year, and four bounced back and returned to profits. The earnings of one NBFI remained the same, while the rest seven experienced a fall in the current year's third quarter.



IDLC Finance booked higher earnings per share, followed by DBH and National Housing Finance. BD Finance, the Investment Corporation of Bangladesh, LankaBangla, and Midas Financing returned to the black after incurring a loss in the same quarter last year. The Bangladesh Bank allowed banks and NBFIs to restructure loans and keep classification

REAL ESTATE NEWS

Real estate may be fully functional in January

All real estate traders had to shut their businesses in early March after the coronavirus outbreak. Although the country's economy resumed functioning from June, the real estate sector has taken more time to revive. However, Single-digit loan facility, an opportunity to invest undisclosed money and a drop in registration costs have led to a spike in demand

NATIONAL HOUSING NEWS

Disbursement of CMSME Loan under Financial Stimulus Package

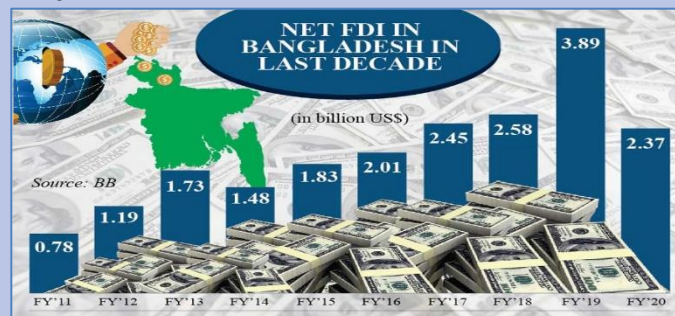
At the outbreak of Novel Coronavirus disease (COVID-19), the businesses in Bangladesh have been facing tremendous trouble, especially the Cottage, Micro, Small, and Medium Enterprises (CMSMEs) sector. Government of Bangladesh has declared Stimulus package of Tk.20,000 crore to facilitate working capital loans to CMSME sector adversely affected by Covid-19 for a duration of 3 years.

The government, banks, financial institutions and all stakeholders of the CMSME sector are working together to help revive this sector. Under this Stimulus package, recently National Housing Finance and Investments Limited also disbursed loans to CMSME sector by Bogura Branch.

unchanged until December to help entrepreneurs stay afloat amid the pandemic, which ultimately helped the NBFIs see the rise in profits.

Covid causes nearly 40pc decline in FDI inflow into Bangladesh

The net inflow of foreign direct investment (FDI) in Bangladesh declined by 39 per cent in the past fiscal year (FY20) over the previous one (FY19), according to the latest statistics released by the central bank. The decline is mainly due to the negative impact of the spread of deadly coronavirus across the world in the first half of the current calendar year (2020), which is also the second half of FY20.



Bangladesh Bank statistics showed that the net inflow of FDI in the first half of 2020 (calendar year) declined to \$1.19 billion from \$1.70 billion in the same period of 2019. Again, the net inflow of FDI in the last half of 2019, also the first half of FY20, was recorded at \$1.18 billion. Thus, the total amount of net inflow of FDI in the country stood at \$2.37 billion in the past fiscal year against \$3.89 billion in FY19.

amongst buyers. According to the president of Real Estate and Housing Association of Bangladesh (REHAB), the sector has started to turn around, but it is recovering slowly due to some crises. According to him, housing companies are working out several ways to leverage different initiatives, including government incentives and legal aid. Provided the coronavirus outbreak does not spike further, real estate sector may return to normal business in January 2021.



NHFIL Bogura Branch handing over cheque to a client under Stimulus package for CMSME sector