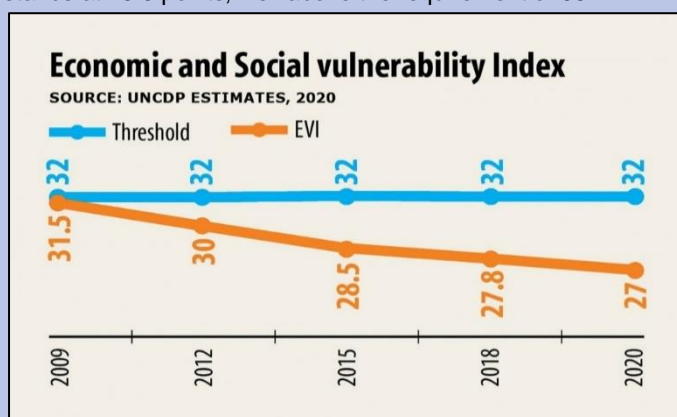


Economy at a glance

New era beckons

The United Nations Committee for Development Policy (UN CDP) in its second triennial review assessed the economy of Bangladesh and found that the country met all of the three criteria comfortably to graduate from the grouping of least-developed countries (LDCs) as the government has taken measures. Bangladesh was well ahead in the gross national income (GNI) criteria: its per capita income was nearly \$1,827 in 2020 against the threshold of \$1,230. In the Human Assets Index (HAI) criteria, the country's score stands at 75.3 points, well above the requirement of 66.



In the Economic Vulnerability Index (EVI), a country's score has to be less than 32. Bangladesh's score is 27.3 points. Once Bangladesh is recommended to leave the LDC group to become a developing nation, the proposal will be sent to the United Nations Economic and Social Council (ECOSOC) for endorsement in June. The UN General Assembly is scheduled to approve the proposal in September this year.

Bangladeshi banks in artificial comfort zone

The provisioning shortfall against loans in the country's banking system fell by over 98 per cent in the last quarter of the year 2020 as the non-performing loans (NPLs) declined to some extent. It came down to only Tk.1.25 billion in the Q4 from Tk.66.55 billion in the same period a year before, according to the central bank's latest statistics. The calculation, however, excluded the offshore banking operations of the scheduled banks.

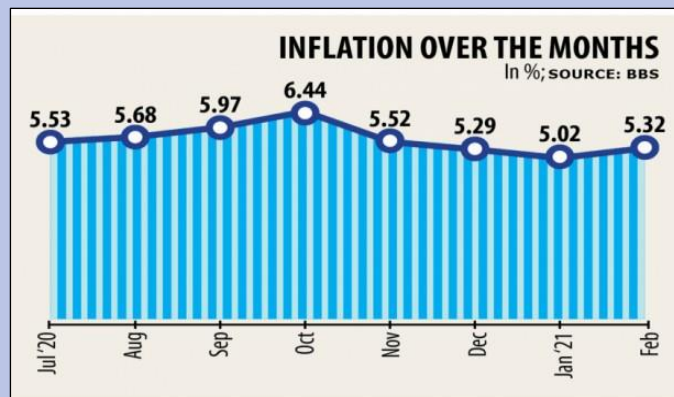


Yet in such a comfortable situation, as many as 11 banks failed to maintain the required provisioning particularly against classified loans. The combined shortfall of these banks stood at Tk.71.46 billion at the end of the year. The suspension of the usual practice of classifying loans that had been put into effect by the BB in March 2020 following the outbreak of Covid-19 was largely responsible for the shrinking of the default loans in the country's banking sector.

Inflation quickens to 5.32pc in Feb

General inflation accelerated to 5.32 per cent in February, fueled by an increase in both food and non-food items, according to the

Bangladesh Bureau of Statistics (BBS). Last month's Consumer Price Index (CPI) was up 30 basis points from 5.02 per cent in January as it broke three months' declining streak.



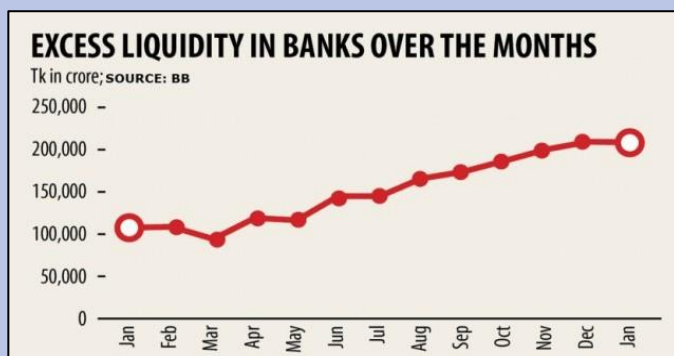
Food inflation increased 19 basis points to 5.42 per cent because of the rise in the price of rice, edible oil, sugar, and broiler chickens. Non-food inflation advanced 48 basis points to 5.17 per cent. The central bank has already warned that inflation might see some pressure in the coming months because of a general price rise globally.

Remittance up 33.5pc

Remittance increased 33.51 per cent year-on-year to \$16.68 billion in the first eight months of this fiscal year. The inflow since last year June was characterized by robust growth every month in context to that a year ago. But in a sequential monthly comparison the inflow has been gradually declining since October. However, it is still not that much of a matter of concern as February's growth is much higher than that of the same period one year earlier. Expatriate Bangladeshis sent \$1.79 million in February, up 22.61 per cent year-on-year, showed Bangladesh Bank data. The hundi system, an illegal cross-border money transfer system, has come to a halt because of the restriction on movement due to pandemic and this might have taken remittance to a new high.

Excess liquidity falls after 8 months

Excess liquidity in the banking industry that ballooned because of pandemic-induced lower credit demand and an injection of funds under a massive stimulus package fell in January, the first time in eight months. The surplus liquidity stood at Tk.204,070 crore as of January in contrast to Tk.204,700 crore a month ago.



The excess fund, however, surged 97 per cent in January compared to the same month a year ago. Experts argued that investment was yet to turn around. And depositors had shied away from banks because of a lower interest rate on deposit products. The majority of lenders now offer 3-4 per cent interest rate on fixed deposit schemes, upsetting depositors.

Revenue earning falls short of target in July, 2020 - January, 2021

The revenue collection fell by Tk.368.41 billion short of the target in the first seven months of the current fiscal year (FY) as businesses are yet to overcome the Covid-19 fallout. However, the National Board of revenue (NBR) achieved 4.55 per cent growth in the revenue earnings in the July-January period over the corresponding period of last FY, according to provisional data. The average growth in last five years was 10.20 per cent. In the first half of this FY (July-December), the revenue collection grew by 2.10 per cent. The NBR officials, however, expressed satisfaction over the positive growth despite the pandemic and expected that the trend would help mobilize the internal resource.

NBFIs ordered to ensure proper use of loans

The central bank on 28 February, 2021 ordered non-bank financial institutions (NBFIs) to ensure the proper use of loans as it looks to restore corporate governance in the financial industry, which has been tainted by scams recently. The Bangladesh Bank asked them to carry out the internal inspection on a regular basis on the loans, according to a central bank notice. NBFIs will have to preserve the inspection reports, which will help them bolster internal controls and compliance. NBFIs will have to monitor the loans so that the fund is invested in line with the purposes stated by the borrowers in the credit applications. The central bank instructed financial institutions to clear instalments of a project loan after ensuring that the borrowers have used the fund of previous instalments appropriately. In addition, NBFIs will have to unearth any fund diversion immediately. Actions will have to be taken against the errant borrowers after detecting the fund diversion, according to the BB notice.

Rush for family savings tools

The downing of bank deposit rates is pushing savers towards national savings certificates as they seek higher returns after incomes were wiped out by the coronavirus pandemic. Sales of family savings instruments grew nearly threefold year-on-year. Overall sales of savings certificates soared 60 per cent year-on-year in the first half of the fiscal year. The driving factor was the more than 11 per cent interest offered by the government on various savings certificates. The interest rate of family saving certificates is the highest, at 11.52 per cent.

Pandemic keeps hurting exports

Earnings from exports declined 3.92 per cent year-on-year to \$3.19 billion in February because of a fall in apparel shipment as the lingering coronavirus pandemic continues to hurt the country's key markets. The merchandise shipment was also 4.83 per cent below the month's export target of \$3.35 billion, according to data from the Export Promotion Bureau (EPB).



Shipment of garments, particularly woven ones, are yet to fully recover because many major export destinations in Europe and the US are still under lockdowns due to the second wave of the Covid-19. Although knitwear shipment has been recovering gradually thanks to increasing demand from people staying at home for longer periods and shorter lead times, the sale of woven garments did not recover as people have cut back on the use of formal wear.

REAL ESTATE NEWS

Realtors want building heights to be set by multiparty stakeholders

Real Estate and Housing Association of Bangladesh (REHAB) and Bangladesh Land Developers Association (BLDA) on 17 February, 2021 demanded that the building heights should be fixed by Civil Aviation Authority of Bangladesh (CAAB), REHAB, BLDA, Rajuk and BUET. They also said that the amount of agricultural land has increased to 29.48 per cent in

the revised Detailed Area Plan or DAP (2016-2035) from 22.94 per cent of the previous DAP (1995-2015). It was found a significant portion of lands remains barren or used as non-agricultural lands as the fertility of those lands has been damaged by poisonous industrial waste water. These types of lands are found in Tongi, Gazipur, Narayanganj and Savar. These unused and non-agricultural lands should be considered residential and mixed use lands according to the speakers.

NATIONAL HOUSING NEWS

New Additional Managing Director for NHFIL

Mohammad Shamsul Islam has recently joined in NHFIL as Additional Managing Director. Earlier, he was the Deputy Managing Director of Global Islami Bank Ltd. Mohammad Shamsul Islam, a business graduate, started his career with AB Bank Ltd. in 1989 as a Probationary Officer. He passed 29 years of his career in AB Bank and left the organization in the year 2017. He completed his Bachelor of commerce in accounting under Chittagong University and MBA from Faculty of Business Studies, Dhaka University. Mr. Islam's addition to NHFIL would help to be on the precise strategic direction which will lead to the growth of the company.



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