

HIGHLIGHTS OF THE DAY

Bangladesh: Economy

August 31, 2021

New-gen Banks Perform Well in Pandemic

The 12 new-generation banks are doing well despite the economic stagnation caused by the Covid-19 pandemic, with them owning 4.9% of the banking sector's total assets at the end of December 2020, up from 4.8% a year ago.

Loans accounted for 69.2% of these assets, down from 71.7% a year ago, said the Bangladesh Bank's latest financial stability report.

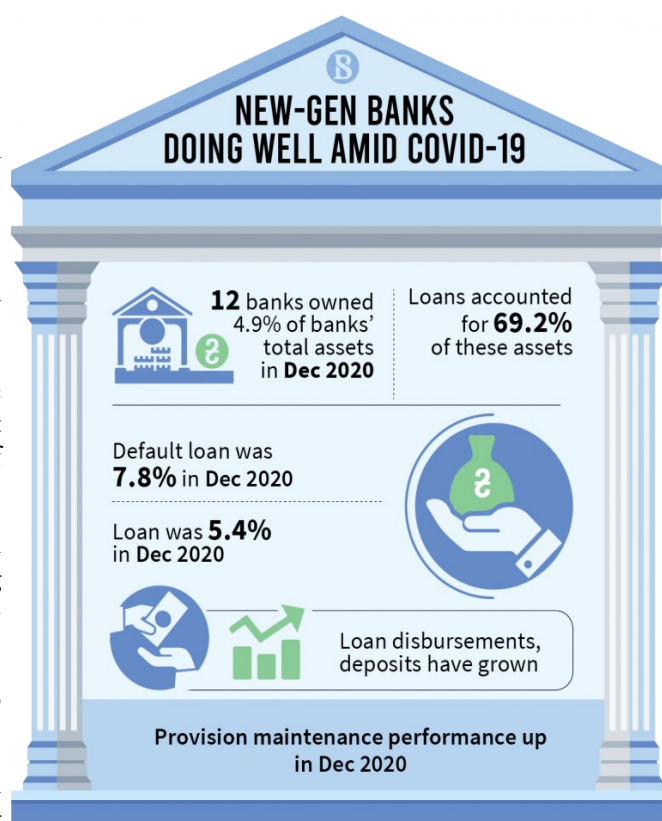
It said loan disbursements and deposits had grown at these banks. Their performance in other indices, including default loans and provision maintenance, also improved at the end of 2020.

On the other hand, most of the scheduled banks performed poorly as they could not make expected profits for a long time. This was because they were unable to invest their deposits due to low credit flow.

Default loans at the new-generation banks fell, reaching 7.8% at the end of December 2020.

The new-generation banks are in a slightly better position in terms of loan disbursements compared to the overall banking sector, the central bank report said.

Source: New-gen banks perform well in pandemic (tbsnews.net)



Brac Bank to Raise Tk. 600cr through Bonds

Brac Bank has decided to raise Tk. 600 crore by issuing a non-convertible bond with a view to providing home loans to the country's lower and middle income groups.

Individuals and entities who will invest in the fund will enjoy an interest rate of 5.5 per cent with a maturity period of five years.

The minimum amount of the investment in the instrument will be Tk. 10 lakh, a senior official of Brac Bank said.

Foreign investors will also be allowed to invest in the securities.

The bonds have a fixed maturity date and the interest can be paid along with the principal amount on either a monthly, quarterly, or annual basis depending on the fixed tenure specified.

The lower-and-middle income groups of the country will get loans from the fund mobilised by the bond.

Source: Brac Bank to raise Tk 600cr thru bonds | The Daily Star

MCCI Foresees Higher Export Receipts, Remittance Inflow

The Metropolitan Chamber of Commerce and Industry, Dhaka (MCCI) forecasts an upturn in export receipts, import values and inward remittance at the end of the first quarter of this fiscal.

According to its 'Review of Economic Situation in Bangladesh for April-June period of fiscal year 2020-21', Bangladesh's earnings from merchandise exports would go up to nearly \$3.64 billion and \$3.93 billion at the end of August and in September.

Import payments would also rise to \$6.49 billion by the end of August and \$6.65 billion at the end of the first quarter of this fiscal, the leading trade projected.

However, inward remittance is expected to reach \$2.05 billion and \$2.18 billion at the end of August and September, revealed the review.

On the other hand, the country's foreign exchange reserve might reach \$48.58 billion while point-to-point inflation is likely to be 5.50 per cent at the end of the first quarter.

Source: MCCI foresees higher export receipts, remittance inflow (thefinancialexpress.com.bd)



Interbank Money Market Vibrant

Banks' overnight borrowing from the call money market almost doubled in the second half of the month of August compared with that in the first half of the month after the relaxation of Covid-centric restrictions and subsequent reopening of business and economic activities.

Bangladesh Bank data showed that the average borrowing of the banks from the call money market increased by 84 per cent or Tk. 2,798.12 crore to Tk. 6,139.06 crore in the second half of August from Tk. 3,340.93 crore in the first half of the month.

The BB's dollar sales on the interbank money market coincided with the central bank's move to mop up the taka from the money market to bring down the volume of excess liquidity in the banking sector.

Consequently, the demand for the local currency increased on the overnight money market.

Source: Interbank money market vibrant (newagebd.net)



Eastern Bank's Net Profit Grows 55pc amid Pandemic

Eastern Bank Limited (EBL) has registered 55-per cent growth in net profit in the first half (H1) of this calendar year amidst the Covid-19 pandemic.

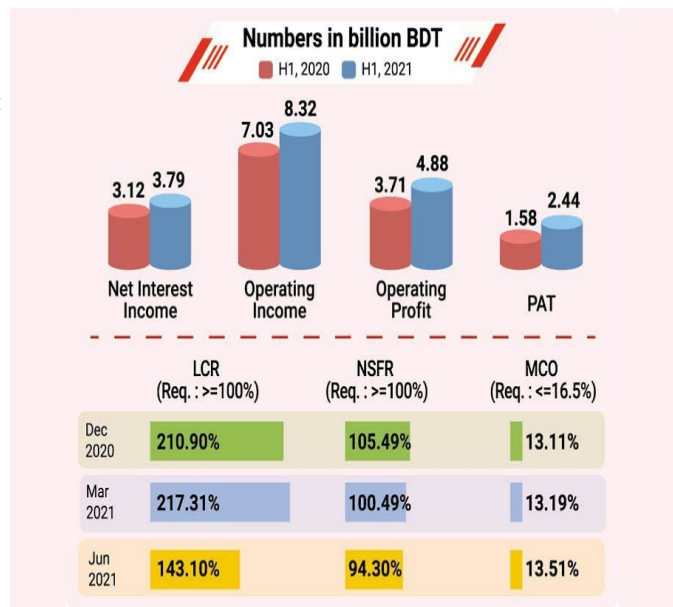
This growth has been ascribed to efficient management of its balance sheet complying with all the key regulatory requirements of liquidity.

The bank's operating profit grew over 31 per cent to Tk 4.88 billion during the January-June period of 2021 from Tk 3.71 billion in the same period last year.

In the meantime, its operating income rose more than 18 percent to Tk 8.32 billion from Tk 7.03 billion.

Net interest income (NII), the core component of operating income of a bank, of this lender grew 21 per cent in H1 of 2021 over that of H1 in 2020.

Source: Eastern Bank's net profit grows 55pc amid pandemic (thefinancialexpress.com.bd)



Stocks Correct amid Month-low Turnover

Stock indices at both the bourses extended the losing streak for the third consecutive sessions on Sunday as investors turned little conservative.

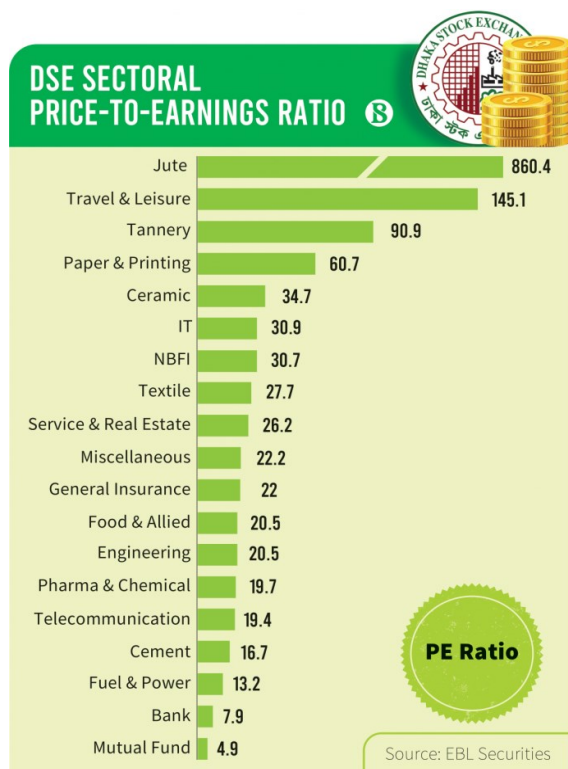
The Dhaka Stock Exchange (DSE) began the week with the daily turnover dropping to Tk1,846 crore, the lowest in a month, from Tk2,227 crore on Thursday. DSE turnover fell below Tk2,000 crore-mark after 17 sessions.

DSEX, the broad-based benchmark of the premier bourse, fell by 0.4% to close at 6,823 on Sunday that travelled up to 6,923 in the last week.

Profit booking has been one of the reasons for the ongoing mild correction of the market as the DSEX gained by more than 21% in 2020, and an additional 26% in the first eight months of this year.

The losing streak of stocks from the large capitalised banking, telecommunications and non-bank financial institution (NBFI) stocks led the indices' correction on Sunday.

Source: Stocks correct amid month-low turnover (tbsnews.net)



China August Factory Activity Seen Growing at Slower Pace

Growth in China's factory activity likely cooled further in August, a Reuters poll showed on Monday, as Covid-related restrictions and high raw material prices continued to pressure manufacturers and the economy lost momentum.

The official manufacturing Purchasing Manager's Index (PMI) is expected to slip to 50.2 in August from 50.4 in July, a fifth month of slowing growth, according to the median forecast of 33 economists polled by Reuters.

PMIs for manufacturing and services will likely moderate in August due to Covid-19 outbreaks of the more infectious Delta variant and ensuing lockdown measures, said analysts at Barclays in a note.

"With slowing growth momentum and dovish signals (from China's central bank) we expect more easing, but still at a measured pace as policymakers eye headwinds in 2022."

Source: China August factory activity seen growing at slower pace | The Daily Star



Asian Shares Rise on Dovish US Fed Chair, Oil up

Asian shares perked up and the dollar fell to two-week lows on Monday after US Federal Reserve Chairman Jerome Powell struck a dovish tone at the central bank's long-awaited symposium, although investors remained cautious about prospects in China.

MSCI's broadest index of Asia-Pacific shares outside Japan gained 0.45 per cent, and Japan's Nikkei rose 0.28 per cent.

Chinese blue chips bucked the broader Asian trend, falling 0.20 per cent and the Hong Kong benchmark fluctuated either side of flat, reports Reuters.

"(Powell) really soothed the market's concerns for now, as the Fed is extremely good at doing, and money is going back to the US, not that it ever really left," said Daniel Lam, senior cross-asset strategist, at Standard Chartered Wealth Management.

Prices initially rose on Monday morning, but US crude later gave up those gains, falling 0.28 per cent to \$68.55 a barrel. Brent crude pared gains and was last up 0.32 per cent at \$72.93 per barrel.

Source: Asian shares rise on dovish US Fed chair, oil up (thefinancialexpress.com.bd)

France's Covid Relief Spending Hits 240b euros

The French government has extended 240 billion euros (\$283 billion) in financial aid to businesses hampered by the coronavirus pandemic since March 2020, mainly in the form of state-guaranteed loans, Finance Minister Bruno Le Maire announced Monday.

President Emmanuel Macron vowed to protect French companies and their employees "whatever the cost" after many were forced to close during three nationwide lockdowns since the outbreak began.

"The bill for 'whatever the cost' stands at 80 billion euros in subsidies, and 160 billion euros in loans," Le Maire told France Inter radio.

The aid will now be limited to only the hardest-hit sectors such as tourism and leisure, whose representatives are to meet with Le Maire and other officials later Monday.

The government expects economic growth to hit six per cent this year after France and other countries plunged into recession last year. France's recovery "is going to continue," Le Maire said, in large part thanks to higher consumer spending that is helping the economy operate "at 99 per cent of its capacities."

Source: France's Covid relief spending hits 240b euros | The Daily Star



UK Energy Regulator Launches 450mn Strategic Grid Innovation Fund

British energy regulator Ofgem will offer 450 million pounds (\$619 million) in funding over the next five years to promote green innovation across gas and electricity networks and keep energy bills low, it said on Tuesday.

The money will be available to network companies, system operators, businesses and researchers to drive "big, bold and ambitious" ideas that accelerate the transition to an emissions-free energy system and help position Britain as a world leader in energy innovation, Ofgem said.

Ideas should have the potential to scale across the networks and focus on system integration, data and digitalisation, heat and transport, such as heat pump roll-outs, or new technologies to integrate flexible energy solutions, such as battery storage, Ofgem said.

"The Strategic Innovation Fund will ensure the best projects and most talented minds have the grants available to reduce carbon emissions and enable bill payers to see the benefits of building back greener," said Martin Callanan, energy minister at the Department for Business, Energy and Industrial Strategy (BEIS).

Source: UK energy regulator launches 450mn strategic grid innovation fund (tbsnews.net)

Disclaimer

The above is a summary of important business news published in the leading daily newspapers of Bangladesh. Please note that the news summary doesn't reflect the opinion of Alliance Capital Asset Management Limited (ACAML). Information presented herein, while obtained from sources we believe to be reliable, is not guaranteed either as to accuracy or completeness. Neither the information nor any opinion expressed herein constitutes a solicitation of the purchase or sale of any security. This report is intended for distribution in only those jurisdictions in which Alliance Capital Asset Management Ltd. is liable and any distribution outside those jurisdictions is strictly prohibited.

Alliance Capital Asset Management Ltd.

Contact Us

Address:

Sima Blossom (10th floor)
Comprehensive Holdings
Plot # 390 (Old) 03 (New)
Road # 27 (Old) 16 (New)
Dhanmondi C/A,
Dhaka-1209.

Office: +880 2 9121360 Fax
: +880 2 9120971

Developed By:

Mehnaz Tabassum Khaleel
sarah@acaml.com

Visit us on the web at:
www.acaml.com