

## Economy at a glance

### Bangladesh will be 25th largest economy by 2035

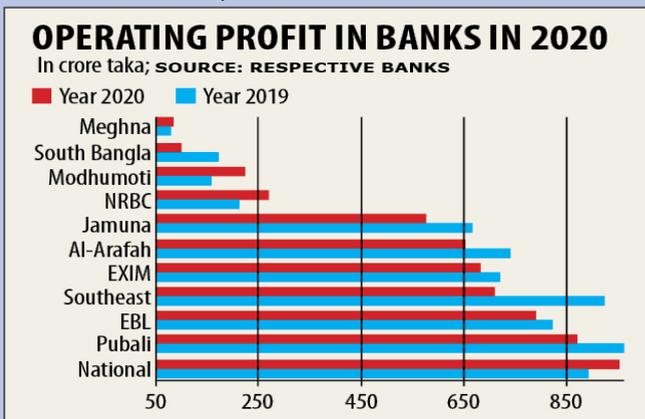
Bangladesh will become the 25th largest economy in the world by 2035, advancing from 41st place in this year, thanks to steady growth, a new report said. According to the UK-based Centre for Economics and Business Research (CEBR), the size of the economy will nearly treble to \$855 billion in 2035 from \$301 billion in 2020 in US dollar constant prices. In current terms, Bangladesh will become more than a trillion-dollar economy before the period, showed the latest edition of the World Economic League Table of the think-tank. In its annual league table on the growth prospects of 193 countries, the consultancy group said that despite the Covid-19 pandemic, Bangladesh was able to escape a contraction in 2020.

### Govt. lowers first-year GDP growth target in its Eighth Five-Year Plan

The government has lowered the first-year growth target in its Eighth Five-Year Plan compared to its budget projections due to the ongoing Covid-19 pandemic, which forced the country to go into a lockdown that stalled its economy. Besides, recovery from the Covid-19 fallout has been partially mired by a second wave of infections worldwide. As per the Eighth Five-Year Plan, the government has set a target of 7.40 per cent GDP growth for FY21, which is 80 basis points lower than the budget's growth plan of 8.20 per cent. However, the target still remains ambitious as it is much higher than the World Bank (WB) forecast.

### Most banks see their operating profits fall

Operating profits of most banks in the just concluded year have shrunk on the back of a business slowdown caused by the ongoing coronavirus pandemic. However, top executives are finding the sector's profits quite satisfactory, given the gravity of the economic hardship.



A major portion of the profit will have to be maintained in the form of provisioning against both defaulted and unclassified loans, which will ultimately erode the profit base. A good number of banks have transferred their accrued interest, which is yet to be realised, to their income segment, which has also helped them inflate their profit for the time being.

### Banks' lending growth slows down

Lending growth failed to keep pace with the deposit growth in banks in September, putting lenders in an uncomfortable situation as they cannot make the most of cheap funds because of depressed demand from borrowers.

### LENDING GROWTH AT A GLANCE



### WHAT BANKERS SAY...

- Both bankers and borrowers are cautious about loans
- Demand for retail loans falling alarmingly
- Banks facing huge interest burden for the deposit glut
- Low lending growth will affect profitability
- Lending may pick up once Covid vaccine is available

Year-on-year lending growth was **9.56pc** in Sep, up from **8.95pc** in Dec last year

Deposit growth was **12.39pc**, up from **10.49pc**

ADR stood at **74pc** in Sep in contrast to **76.22pc** in Jun

Six foreign banks are in negative zone in terms of credit growth

**27** local banks have less than **10pc** lending growth

Loans and advances stood at Tk. 1,065,570 crore as of September, up 9.56 per cent from a year ago, central bank data showed. Year-on-year lending growth was 8.95 per cent in June this year and 10.95 per cent in December last year. Deposits at banks rose 12.39 per cent year-on-year to Tk.1,345,436 crore in September although the weighted average interest rate on deposits fell to 4.73 per cent, the lowest in a decade. The deposit growth stood at 10.49 per cent in June and 12.32 per cent in December last year. This means banks will incur a loss in the coming days if the deposit growth continues to run higher than the lending growth.

### Bank depositors in distress as real rate of returns recedes

The real rate of return on deposits in the money market had turned negative between the months of April and December last year. The average rate of interest on bank deposits went below or remained close to the rate of inflation prevailing during the period, according to a latest central bank publication. In November last year, the weighted average interest rate on deposits stood at 4.64 per cent, lower than 5.5 per cent rate of inflation in the same month, according to the Monetary Policy Review-December 2020 of the Bangladesh Bank. The rate of inflation, however, dropped to 5.29 per cent in December 2020 but was remained above the weighted average deposit rates. The headline inflation went up on the back of rising prices of the staples. Such a situation in an economy means that the real returns for the depositors drop as a result of the higher inflation rates, and it erodes purchasing power significantly.

### Stimulus package for CMSME

The central bank extended the deadline by three months for banks to disburse Tk. 20,000 crore stimulus funds among businesses in the cottage, micro, small and medium enterprise (CMSME) sector following lack luster lending. Local banks have so far disbursed nearly 46 per cent of the package to beleaguered borrowers in the CMSME sector. The deadline was earlier extended for at least three times, but some banks and non-bank financial institutions are yet to take adequate measures to meet their loan disbursement targets, according to a Bangladesh Bank notice. The working capital will be given at 9 per cent interest of which 4 per cent will be borne by borrowers and the rest by the government, according to the guideline.

## Pandemic slows green finance initiatives, Experts call for raising the game to cope with changing climate



Green banking is a genre of banking practices which considers all social, environmental and ecological factors with an aim to protect the environment and conserve natural resources. It is also called ethical banking or sustainable banking. The central bank is forming a sustainable finance policy for banks and NBFIs, which would give a boost to green banking in the days to come. The ongoing economic hardship caused by the coronavirus pandemic has also dealt a fatal blow to the green finance initiatives taken by banks. Although the central bank started a journey in 2009 to pursue banks for loan disbursement for setting up green factories, the initiative has yet to gain momentum in keeping with the size of the country's economy and the latest measures taken by the global community.

### REAL ESTATE NEWS

#### Untaxed money fuels real estate growth

The real estate sector has almost bounced back from Covid-19 shocks, riding on a handsome investment of untaxed money. When many sectors are still struggling to recover to pre-pandemic levels, many big players have registered a 5%-10% growth in real estate businesses during September-November with a rise in flat sales. Some 3,520 persons have bought flats with at least Tk3,200 crore of undisclosed money, capitalizing on the scope for investing black money in the sector, according to the National Board of Revenue (NBR).

According to businessmen in this sector, sales of flats have increased as untaxed money holders got the opportunity to invest their undisclosed money in real estate, paying a flat 10% tax, no questions asked about sources of their incomes. The



lowering of interest rates on bank loans and land registration fees has also been an incentive. As a result, about Tk.5,000 crore has so far been invested in this sector in the current fiscal year.

### NATIONAL HOUSING NEWS

#### NHFIL IT team participated in the First National Cyber Drill 2020



National Housing Finance and Investments Limited participated in the First National Cyber Drill 2020, Bangladesh (NCD 2020) which was organized by the BGD e-GOV CIRT on 12-13 December 2020 on the occasion of Digital Bangladesh Day. The drill was to help build the resilience against growing cyber threats. The drill will also help create cyber security awareness and cultivate new crops of cyber experts. The drill was successful in identifying the hidden talents of the budding Cyber Security Experts. NHFIL IT team obtained the 3rd position among all the NBFIs and 14th position among all the Banks and NBFIs that participated in the drill.



আপনার বাড়ি বা ফ্ল্যাট যাই হোক, লোনের সব দায়িত্ব আমাদের। সবচেয়ে দ্রুত প্রেসিঙ্গ ও দীর্ঘ মেয়াদে পেমেন্টের অনন্য সুযোগ সমৃদ্ধ ন্যাশনাল হাউজিং আপনার সেই বেস্ট ফ্রেন্ড, যে বন্ধত্বের আস্থা নিয়ে আছে আপনার পাশে সবসময়।

National Housing Finance and Investments Limited



www.nationalhousingbd.com