

Economy at a glance

Businesses get guidelines to invest abroad

The central bank on 27th January, 2022 issued rules allowing local firms to invest in other countries in a major move towards capital liberalization that will enhance the country's export prospects and create jobs for Bangladeshis abroad. The Bangladesh Bank has so far permitted 16 companies on a case-to-case basis to open subsidiaries in countries such as Malaysia, Singapore, Ethiopia, and Kenya.



WHAT EXPERTS SAY...

- Time-befitting decision
- Investment ceiling should be lowered for 2yrs
- Scrutiny panel shouldn't change investment ceiling
- BB should have a mechanism to monitor investment

INVESTMENT SO FAR

- 16 firms so far got nod for foreign investment
- BB allowed them to invest \$59.9m

GUIDELINES: AT A GLANCE

- Export-oriented firms can invest abroad
- Local ventures can set up subsidiaries
- Local firms can purchase shares of foreign companies
- 20pc of five-year average annual export receipts can be invested
- Scrutiny panel can lower or raise investment ceiling if necessary
- No defaulter will be allowed to invest abroad

Since 2014, the BB has allowed them to invest \$59.9 million abroad. Now, businesses will be able to invest abroad 20 per cent of their average exports in the previous five years or 25 per cent of net asset values based on the latest audited reports, whichever is lower. However, only export-oriented firms will be allowed to make the investment in other countries, according to a guideline, issued on January 16. In order to qualify, exporters will need to have an adequate balance in their export retention quota (ERQ) accounts, where entrepreneurs keep a portion of their export proceeds in foreign currencies.

Economy posts blistering growth in FY21

Despite the second wave of the coronavirus pandemic, Bangladesh's economy pulled off a stunning 6.94 per cent growth in the last fiscal year, way higher than the initial estimate. The final figure is up 1.51 percentage points compared to the provisional estimate, thanks to the rebound of the industrial sector, especially the cottage, small, medium and large industries, according to the Bangladesh Bureau of Statistics (BBS).

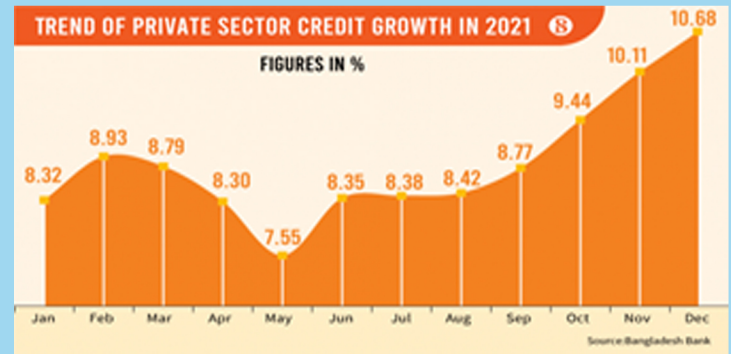


The provisional estimate was 5.43 per cent. According to the BBS, the industrial sectors boomed, the service sector slightly declined while agriculture fared well. According to experts, the economy was functional with the help of some stimulus packages. There was domestic demand and external factors were also in favor of Bangladesh.

Private credit flow rises further in Dec

Private sector credit grew for the seventh month in December, reaching 10.68% in December year on year as the external and internal economic activities are picking

up showing a steady fiscal recovery. Bangladesh Bank data shows the amount of private sector credit was Tk11.41 lakh crore in December 2020. In December 2021, the amount rose to above Tk12.63 lakh crore.



Industry insiders attributed the current growth to the rise in excessive imports, especially capital machineries. The BB announced the monetary policy in July last year where the target for private sector credit growth was set at 14.8% for FY22. If compared with the target, the banks are still lagging behind in credit disbursement by 4.0%. According to the BB data, credit flow to the private sector dropped significantly in May last year due to Covid reaching to as low as 7.55%.

Bangladesh's export earnings grow 41pc in January

The single-month export earnings in January this calendar year recorded over 41 per cent growth to 4.85 billion US dollars year-on-year riding on the readymade garment (RMG) amid the pandemic. Bangladesh fetched \$3.43 billion from merchandise shipments in January last year. The January 2022 earnings also surpassed the target set for the month by 19.73 per cent, according to provisional data released by Export Promotion Bureau (EPB). Since last September, Bangladesh's single-month export earnings had been surpassing the four-billion mark. Besides, the country's overall merchandise exports during the first seven months of the current fiscal year 2021-22 also marked a growth of 30.34 per cent to \$29.54 billion.

NBFIs, govt entities can now also extend mobile financial services

Non-bank financial institutions and government entities can now extend mobile financial services (MFS) along with banks, according to a Bangladesh Bank circular. They, however, will have to form subsidiaries to provide MFS, according to the central bank guidelines. The parent banks, NBFIs and the government entities will have to provide at least 51 per cent of the equity of MFS providing subsidiary. The parent entities will also have majority in the board of directors along with controlling shares. The minimum paid-up capital requirement of a subsidiary model-based MFS provider is Tk 45 crore. The banks, which are now running MFS operations with approval of BB will continue with their existing structure without forming subsidiary company.

GDP growth rate 6.94% in FY 2020-21, per capita income \$2,591: BBS

The gross domestic product (GDP) growth rate of Bangladesh reached 6.94% in fiscal year 2020-2021 while the per capita income increased to \$2,591, according to the final report of Bangladesh Bureau of Statistics (BBS). However, the provisional growth

estimation was 5.43% for the fiscal year. The information was disclosed at the meeting of the Executive Committee of the National Economic Council (ECNEC). The GDP growth edged down to 30-year-low 3.51% in the fiscal year 2019-20 due to Covid fallout, said BBS final report on 5 August last year. The government's initial estimation was attaining 5.2% growth in that fiscal.

Troubled NBFIs render Tk 1,000cr bank loans sour

Twenty-five banks are suffering from a collective default loan of Tk 974.4 crore after several non-bank financial institutions (NBFIs) failed to pay back funds despite maturity, in another sign of feeble state in the financial industry. The fragility of the NBFIs sector came to the fore three to four years ago after it emerged that some scammers had siphoned off a huge of funds from the companies in the name of loans. Now, NBFIs are failing to repay banks and individuals although funds have matured.



The figure of default loans came to light after the Bangladesh Bank ordered banks to send the data of the loans disbursed to NBFIs and deposits kept with them. Banks have funds of Tk 29,223 crore with NBFIs, either in the form of loans or deposits, according to BB data.

Remittance hits four-month high

Remittance hit a four-month high in January after the government increased cash

subsidy to remitters. Expatriate Bangladeshis sent \$1.70 billion in January, up 4.52 per cent from the month before, according to data from the Bangladesh Bank. The inflow logged the highest figure last month since October 2021 when remitters sent \$1.64 billion. According to BB official, the increased cash incentive declared by the government chiefly put a positive impact on the remittances. On January 1, the government went up the cash incentive for sending remittance through the official channel to 2.5 per cent from 2 per cent as the inflow saw an incessant downward trend, hitting the foreign exchange reserves adversely.

Poor progress in stimulus credit disbursement

Bangladesh has disbursed 59 per cent of the total credit support unveiled by the government to protect businesses, the economy and the poor since the coronavirus pandemic hit the country more than one-and-a-half years ago. It started with a Tk 5,000 crore stimulus package for apparel manufacturers, providing them low-cost funds so that they can keep paying wages and salaries to the workers in the country's largest export-earning sector.

STIMULUS AND DISBURSEMENT (Credit programmes)			
SECTORS	ALLOCATION (In crore taka)	DISBURSED (In crore taka)	SPENDING (In % of total allocation)
Garment salary support	5,000	5,000	100%
Industry and service sector	73,000	40,492	55%
CMSMEs	40,000	18,771	47%
Pre-shipment credit	5,000	502	10%
Agri refinance scheme	8,000	4,995	62%
Low-income farmers, businesses	3,000	2,117	71%
Micro loans thru govt institutions	3,200	2,250	70%
Interest waiver for banks	2,000	1,390	70%
Credit guarantee for CMS	2,000	31	2%
Credit for job creation in villages	1,500	750	50%
Credit for tourism	1,000	0	0%
TOTAL	143,700	76,298	53%

Since then, the government has announced 28 stimulus packages involving more than Tk 187,679 crore. Of the sum, Tk 110,893 crore was disbursed as of November, data from the finance ministry and Bangladesh Bank showed. The disappointing scenario is largely because of sluggish disbursement of the packages dedicated to small businesses, the expansion of the size of some funds, and the introduction of a number of new schemes that have not given enough time to lenders to disburse.

REAL ESTATE NEWS

Rush for duplex – a new shift in real estate

There is a significant swift spike in the demand for duplex homes for which real estate companies are making hefty investments in the business across the country. According to the Real Estate and Housing Association of Bangladesh (REHAB), about 100 duplex housing projects have been undertaken in different areas in the outskirts of the capital, including

Purbachal, Keraniganj, Munshiganj, Narayanganj, Gazipur and Savar, over the past 10 years, involving a cost of around Tk100,000 crore. Of these projects, around 30 are being developed in Keraniganj and Munshiganj along the Dhaka-Mawa Expressway. Besides, six duplex projects are in the vicinity of Jhilmil residential project in Keraniganj. REHAB says 25 city-centric duplex projects are being developed in Sylhet division, 18 in Chattogram, six in Cox's Bazar and several others in Bogura. According to the president of REHAB, about Tk150,000 crore has been invested in the housing sector in 2021, of which about Tk12,000 crore have gone to duplex projects

NATIONAL HOUSING NEWS

NHFIL Celebrate New Year 2022

National Housing Finance and Investments Limited (NHFIL) celebrated New Year Eve on the very first working day of January, 2022 with zealous manner. Corporate Head Office as well as all the branches of NHFIL has celebrated the day by cutting cakes and sharing greetings with each other. Honorable Managing Director Mr. Mohammad Shamsul Islam presided over the short celebration program and attended a virtual meeting to exchange greeting with employees of different branches of NHFIL.

