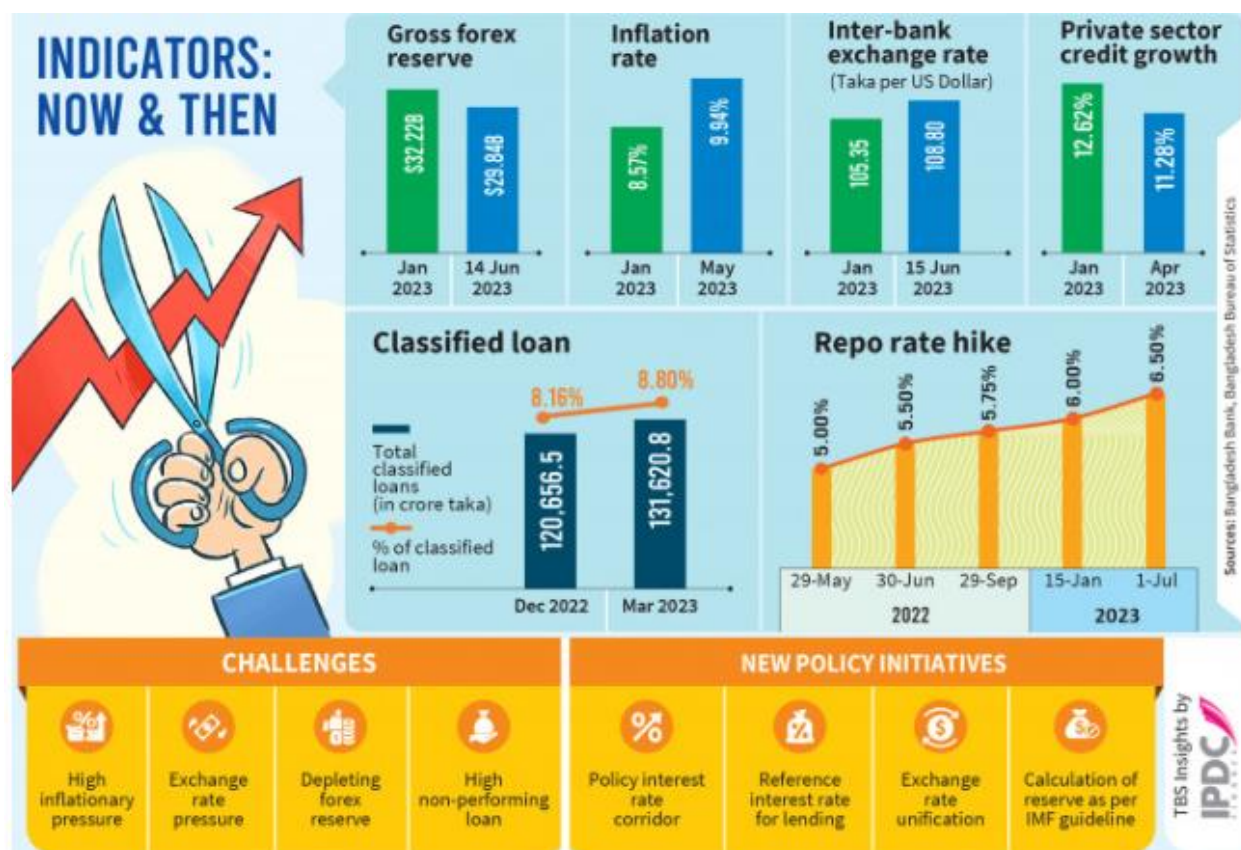


Monetary Policy

Monetary policy: Mission inflation

As soaring inflation has become a pressing issue, the Bangladesh Bank has brought a structural change in its monetary policy framework making money expensive by hiking policy rates and ending the lending rate cap to contain price pressure. The central bank has announced its monetary policy for the first half of fiscal 2023-24, adopting a contractionary monetary policy stance tightening money flow to the private sector and lowering the private sector credit growth projection to 11% for FY24 from the previous target of 14.1% set for FY23.

The new monetary policy introduces four key reforms, including the implementation of a policy interest rate corridor, a reference interest rate for lending, exchange rate unification, and a revised method of calculating the gross international reserve in accordance with the Balance of Payment and International Investment Position Manual (BPM6).



<https://www.tbsnews.net/economy/monetary-policy-mission-inflation-652154>

Bangladesh Bank ends rate cap, hikes policy rate by 50 basis points

The Bangladesh Bank (BB) has finally removed the interest rate cap of 6%-9%, and replaced it with a market-driven reference rate to be regulated by the average treasury bills rate. As per the new rate formula, stated in the latest monetary policy, the reference rate will be calculated as the six-month moving

average rate of treasury bills with a 3% margin for banks and a 5% margin for non-bank financial institutions.

Currently, the rate of the 6-month treasury bills stands at 7.10%, so the maximum lending rate for bank loans will be 10.10% and for NBFIs 12.10%. The central bank unveiled the new monetary policy for July-December of FY24 on Sunday, marking a shift from a monetary targeting approach to an interest rate targeting framework, adopting a contractionary monetary policy. As part of this tight monetary policy stance, BB has increased the policy rate, also known as the repo rate, by 50 basis points to 6.50%, and the reverse repo rate by 25 basis points to 4.50%, effective from 1st July.

<https://www.tbsnews.net/economy/bangladesh-bank-replaces-lending-rate-cap-market-driven-reference-rate-loans-651822>

Economy poised to regain high growth trajectory in 2024

Bangladesh's economy is poised to regain its high growth trajectory by the next year as price effects of the Russia-Ukraine war have largely stabilized and significant improvement has taken place in containing global pandemic situation, projects the Bangladesh Bank (BB) today.

"With a pandemic-free environment and stabilized conditions from the Russia-Ukraine war, Bangladesh's macroeconomic outlook appears to be stable in the near term, poised to regain its high growth trajectory by 2024," said the BB in its monetary policy for July-December period this year. The positive outlook by the central bank comes after the provisional estimate by the Bangladesh Bureau of Statistics showed a slowing growth to 6.03% in the current fiscal year ending this month, down from 7.1% in the 2021-22 fiscal year.

<https://www.thedailystar.net/business/news/economy-poised-regain-high-growth-trajectory-2024-3349521>

Market-based exchange rate within third quarter of 2023

The Bangladesh Bank will no longer quote specific rate for buying or selling foreign exchanges, promoting stability in the foreign exchange market, it said today. The central bank will adopt a unified and market-driven single exchange rate regime allowing the exchange rate between Bangladesh's taka and US dollar or any other foreign currency to be determined by the market force, it said in the monetary policy for the July-December period of 2023.

The BB's disclosure comes months after it allowed multiple exchange rates for exports, imports and remittances announced by the Bangladesh Foreign Exchange Dealers Association and the Association of Bankers Bangladesh. "With BB's initiatives, the initial gaps among the rates have significantly reduced, and, by now, they are staying within 2% points variation mark," it said.

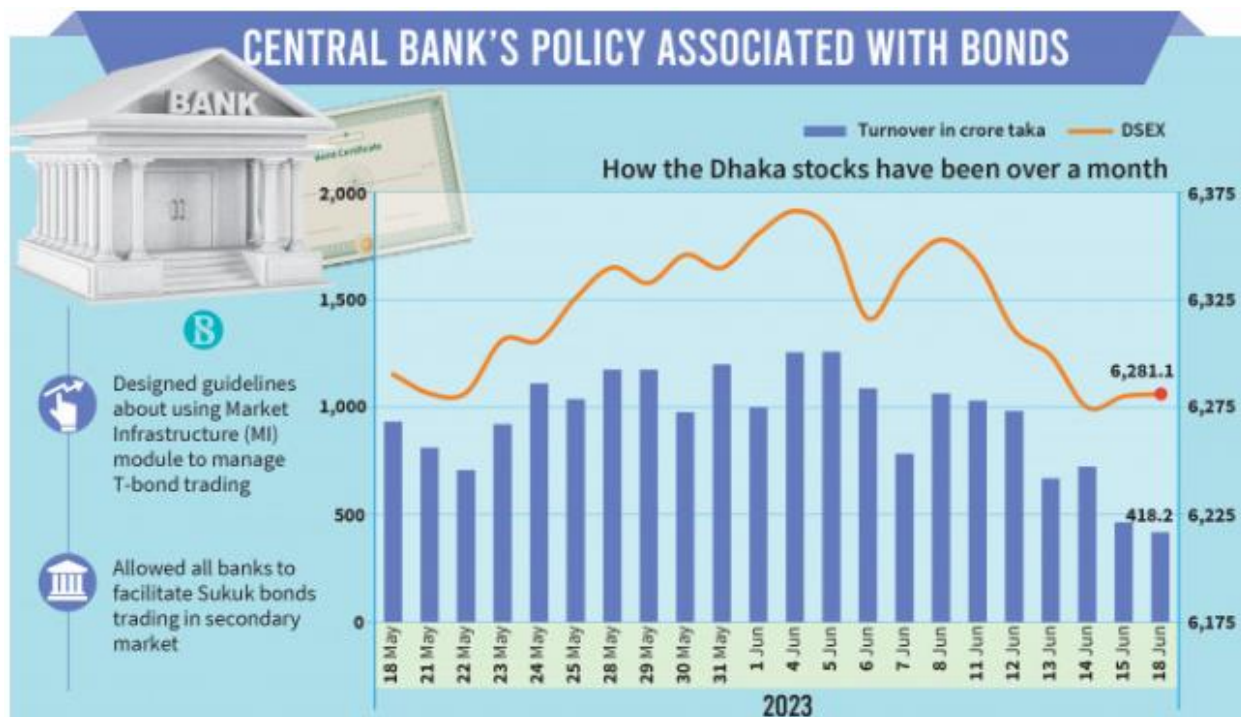
<https://www.thedailystar.net/business/news/market-based-exchange-rate-within-third-quarter-2023-3349446>

Budget deficits could be met from bond market: Monetary policy

The government could finance a significant portion of its budget deficit from the bond market at a lower cost, but the capital market, particularly the bond market, is not yet well developed, according to the

monetary policy statement (MPS) unveiled on Sunday. The central bank said in its monetary policy that several initiatives have been taken in recent years to develop the capital market and promote investment opportunities in the country.

At an event arranged at the central bank headquarters to announce the monetary policy for the first half of the upcoming fiscal year, Bangladesh Bank Governor Abdur Rouf Talukder said, "We are trying to develop a vibrant bond market, which will reduce investors' risk and secure a fixed income."



<https://www.tbsnews.net/economy/stocks/budget-deficits-could-be-met-bond-market-monetary-policy-652110>

Income Tax Bill-2023

Parliament passes Income-tax Bill

The much-talked-about Income-tax Ordinance Amendment Bill 2023 was passed in parliament on Sunday with some changes prescribed by the Parliamentary Standing Committee on the Ministry of Finance. Opposition lawmakers presented 80 amendment proposals to the Bill.

The committee has put forward a set of recommendations, which includes exempting bank depositors with up to Tk 1.0 million deposits (credit balance) from the mandatory submission of tax returns. However, instead, the committee has proposed making return submission mandatory for bank depositors who have term or fixed deposits of the same amount. According to official sources, many banks are requesting depositors to provide proof of tax return submission, regardless of their deposited amount, even though there is a specified ceiling for this requirement.

<https://today.thefinancialexpress.com.bd/first-page/parliament-passes-income-tax-bill-1687111241>

Undisclosed money not allowed for investment in land

The Income Tax Bill 2023 was passed in parliament on Sunday, replacing the Income Tax Ordinance 1984 and curbing the discretionary powers of the income tax officer. According to the new law, undisclosed money will not be allowed for investment in land. However, such money will be allowed for investment in flats but with conditions. ▪ The specific tax rate will rise to BDT 6,000 for each square metre from the proposed BDT 5,000 in buying more than 200 square metres of building spaces or apartments in posh areas such as Gulshan Model Town, Banani, Baridhara, Motijheel commercial area, and Dilkusha.

<https://www.tbsnews.net/economy/undisclosed-money-not-allowed-investment-land-652146>

Economy

Forex reserves to rise to USD 30 Bn within this month

Bangladesh's foreign exchange reserves will rise to approximately USD 30 Bn at the end of June this year, said the central bank yesterday. Forex reserves stood at USD 29.9 Bn as of June 12 this year, including the export development fund and other foreign assets, down from USD 41.8 Bn recorded at the end of June 2022, according to the Bangladesh Bank data.

The banking watchdog said the current level of international reserves is still equivalent to approximately 5 months of imports. This exceeds the standard benchmark of three months' import coverage, indicating the country's relatively strong reserve position. The central bank said the projected growth of reserves to USD 30 Bn further strengthens the country's capacity to withstand external shocks and meet its financing obligations promptly.

<https://www.thedailystar.net/business/economy/news/forex-reserves-rise-30b-within-month-3349886>

BB to launch taka-rupee-based debit card in September

The Bangladesh Bank has decided to launch a taka-rupee based debit card in the country from September, aiming to save dollars. This card will allow users to make various payments, including domestic purchases, using Taka, as well as enable them to spend in Indian rupees when traveling to India.

Bangladesh Bank Governor Abdur Rouf Talukder made this announcement while presenting the new monetary policy for the first half of FY23-24 on Sunday (18 June). "Holders of this card will be able to use it as a debit card within Bangladesh. When traveling to India, they will have the convenience of spending up to USD 12,000 worth of rupees through their travel quota using this card," said the governor.

<https://www.tbsnews.net/economy/banking/bb-launch-taka-rupee-based-debit-card-september-652054>

Local company to invest USD 20 Mn in Mongla EPZ

Bangladeshi company M/s. Adventure Bag & Luggage Factory Limited has signed an agreement with Bangladesh Export Processing Zones Authority (BEPZA) to set up a Bag & Luggage manufacturing industry in Mongla Export Processing Zone (Mongla EPZ). This local owned company will invest USD 19.89 Mn to produce annually 3.13 Mn pcs of Backpack, Soft Luggage, Hard Luggage, Duffle Trolley, Ladies Hand Bag etc., reports BSS citing a press release. It will create employment opportunity for 1530 Bangladeshi nationals.

<https://thefinancialexpress.com.bd/economy/bangladesh/local-company-to-invest-20m-in-mongla-epz>

Remittance from KSA on unrelenting fall

Inward remittance from the Kingdom of Saudi Arabia (KSA) has been on a downturn for the last two fiscal years from its recent peak registered in FY 2020-21 despite a substantial rise in the labor migration to the major job market in the Middle-East. Huge job losses and consequent return from the country's largest overseas job market might have substantially cut the inflow of remittance, according to economists and migration experts.

Besides, they said, sending home wage earners' remittance through informal channels or hundi might have increased, causing the ebb tide in remittance inflow, at a time when the country is struggling to meet foreign-payment obligations. Bangladesh Bank (BB) data show that the expatriates in the KSA sent home USD 5.72 Bn in remittances in FY '21, a monthly average of USD 477 Mn, registering the highest amount in recent years. Since then, the remittance inflow continued to decline from the KSA.

<https://thefinancialexpress.com.bd/economy/bangladesh/remittance-from-ksa-on-unrelenting-fall>

Stock-Specific News

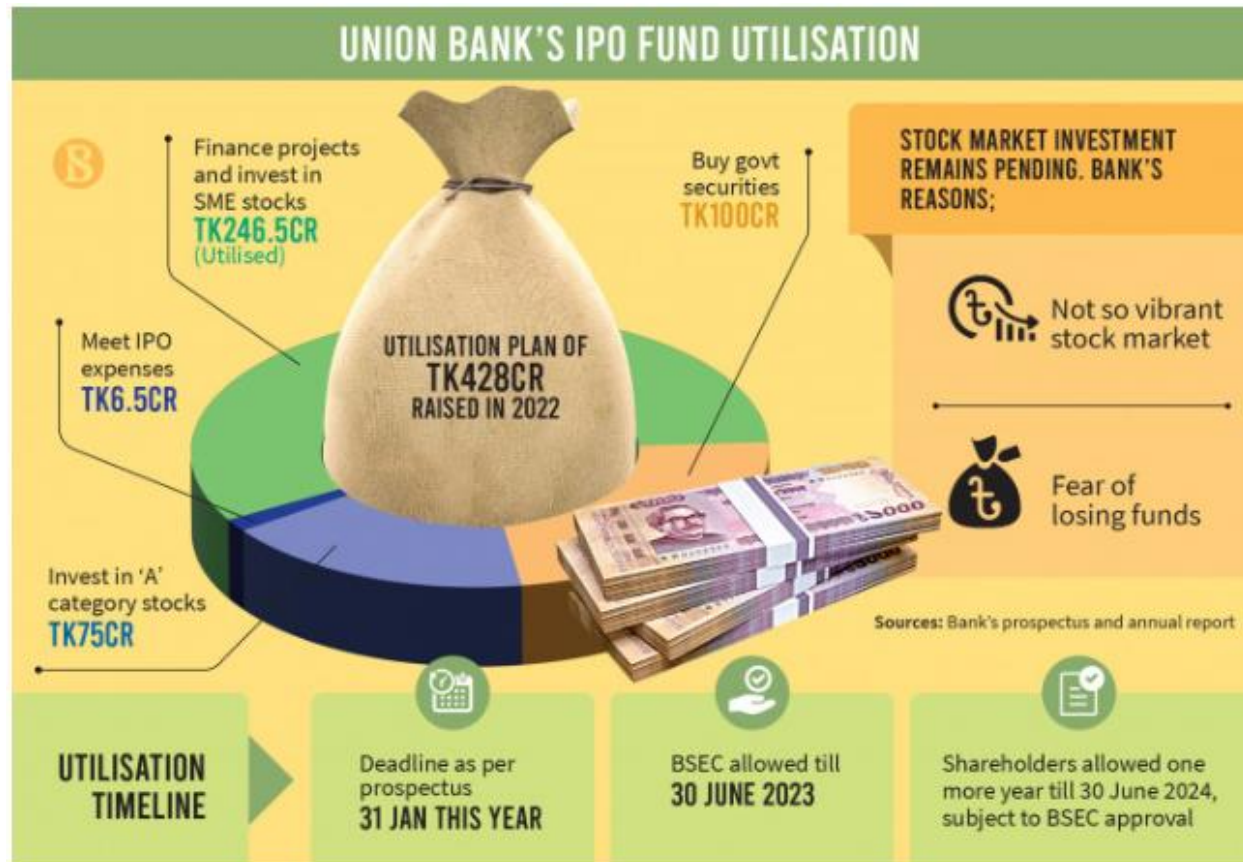
GBB Power shuts down plant as contract expires

GBB Power Limited has shut down its natural gas-fired power plant as the power purchase agreement with the Bangladesh Power Development Board (BPDB) has expired. According to the company's disclosure on the Dhaka Stock Exchange (DSE) website on Sunday, the agreement expired on 16 June. The company has already applied for contract extension to the power division of the Ministry of Power, Energy and Mineral Resources. In the disclosure, GBB Power said the plant will remain shut until further instructions from the BPDB or the ministry.

<https://www.tbsnews.net/economy/stocks/gbb-power-shuts-its-power-plant-agreement-ends-651726>

Why Union Bank refrained from investing in stocks

In a time when the stock market is witnessing a fund crunch, the Union Bank has decided to refrain from investing its available fund in the secondary market, fearing that it might incur losses in the dull capital market. After missing the investment deadline of January this year, the bank is now seeking a time extension till June 2024.



<https://www.tbsnews.net/economy/stocks/why-union-bank-refrained-investing-stocks-652090>