

Economy

Fuel prices to be adjusted to global market from Sept

The government is set to implement a new formula-based price adjustment mechanism for fuel oil prices starting this September, following recommendations from the International Monetary Fund (IMF). This step is being taken to comply with the IMF-set conditions for a USD 4.7 Bn loan, which requires the reduction of subsidies.

Under the new mechanism, fuel oil prices will be adjusted every three months initially, with the possibility of monthly adjustments in the future. In addition, the government may raise electricity prices by 5% twice to meet the IMF conditions. However, there are currently no plans to increase gas prices.

<https://www.tbsnews.net/economy/fuel-prices-be-adjusted-global-market-sept-617086>

Dhaka, Moscow agree to settle Rooppur payments in Chinese yuan

Bangladesh is set to make loan repayment for the Rooppur Nuclear Power Plant project to Russia in yuan as US sanctions on Russian banks have forced the two nations to settle payments using the Chinese currency, moving away from the US dollar.

Under the new arrangement, Bangladesh will make payment settlements with Russia through a Chinese bank, and Russian beneficiaries will receive payments using China's Cross-Border Interbank Payment System (CIPS), a limited alternative to SWIFT for yuan-based payments.

<https://www.tbsnews.net/economy/dhaka-moscow-agree-settle-rooppur-payments-chinese-yuan-616258>

Govt's bank borrowing up 152%

Government borrowing from the banking system swelled over 152% year on year to BDT 253.9 Bn during July-February period of this fiscal. According to a Bangladesh Bank (BB) report, the government is now largely sourcing deficit-financing money from the central bank, and less from banks and external sources. Non-bank borrowing of the government from the public also decreased by more than 73% (y-o-y) to BDT 46.56 Bn during the period under review, says the report released recently.

<https://thefinancialexpress.com.bd/economy/bangladesh/govts-bank-borrowing-up-152pc>

Import payments drop 39% in March

Import restrictions imposed by the central bank resulted in a 39% drop in import payments in March and a 45% decrease in LC (letter of credit) opening compared to the same period a year ago. Officials from several banks familiar with the situation have reported pressure on deferred LC payments opened six months to a year ago for the past few months.

According to Bangladesh Bank data, LC settlements in March of the current fiscal year totalled USD 4.85 Bn, a 38.92% decline from USD 7.94 Bn in the same month the previous year. Besides, LC settlement in the July-March period of the current fiscal year was USD 57.05 Bn, which was USD 60.61 Bn in the corresponding period last year – a 5.87% drop in nine months.

<https://www.tbsnews.net/economy/import-payments-drop-39-march-616422>

Subsidy, interest bills highest in a decade

Bangladesh's spending on subsidies and interest payments surged 45% year-on-year in the first eight months of this fiscal year, turning out to be the highest in at least a decade. This resulted from an increased payment requirement from the coffer particularly to provide fertilizer, food and electricity at subsidized rates.

From July to February in fiscal year 2022-23, the government spent BDT 562.2 Bn behind interest payments of its domestic and foreign loans, registering a 38% year-on-year growth. Meanwhile, subsidy spending more than doubled to BDT 332.51 Bn whereas it was BDT 155.75 Bn in the same period a year ago.

<https://www.thedailystar.net/business/economy/news/subsidy-interest-bills-highest-decade-3297776>

Average loans by households nearly double in 6 years: BBS

An increasing number of families are becoming connected with the formal financial system by depositing and borrowing money, according to the Bangladesh Bureau of Statistics (BBS). For instance, the ratio of households with at least one member having a bank account doubled to 14.12% in 2022 from 7.5% six years ago.

And more than one-fifth of families had deposits in micro or financial institutions as of 2022. The ratio was 15.09% in 2016, according to the latest Household Income and Expenditure Survey 2022 (HIES) of the BBS. When it comes to borrowing, the ratio of households who received loans from financial institutions or friends rose to 37.03% in 2022 from 29.7% six years ago.

<https://www.thedailystar.net/business/economy/news/average-loans-households-nearly-double-6-years-bbs-3296776>

Banking, FI, and Insurance

Ahead of Eid, banks struggling with huge pressure of cash withdrawals

The demand for cash has increased in the banking sector as businesses and individuals sought to withdraw money to make payments. As a result, banks are struggling to meet the huge demand for cash money every day for the last few weeks. According to Bangladesh Bank, the demand for call money was between BDT 60 Bn to BDT 80 Bn on an average each day last week.

From the beginning of April, the pressure of interbank, short-term borrowing has increased. In the first eight working days, BDT 627.19 Bn was borrowed from the call money market.

<https://www.tbsnews.net/economy/banking/ahead-eid-banks-struggling-huge-pressure-cash-withdrawals-616986>

Engineering

Unlike the past, electronics sales down this Eid

The sales of electronic home appliances usually pick up ahead of Eid-ul-Fitr as retailers introduce new models and offer discounts and consumers are awash with cash. But the scenario has been disappointing

for retailers so far this year as sales have been down by as low as 20% since customers have tightened their belts for the higher cost of living.

Bangladesh, like many other countries, has been hit hard by the fallout of the Russia-Ukraine war as the world is reeling from deep uncertainty, the energy crisis and higher inflation. As a result, many consumers with a lower level of disposable income have cut down on non-essential spending, particularly the expenses related to home appliances.

<https://www.thedailystar.net/business/economy/news/unlike-the-past-electronics-sales-down-eid-3296826>

Market News

Power, telecom suffer, banks gain amid dollar crisis

The business sector in Bangladesh has been going through severe challenges for the past four years, which, for many, have been the toughest period in decades, with the coronavirus pandemic being the dominant factor in the early part before the Russia-Ukraine war broke out. The loss of value of Bangladeshi taka against the US dollar due to the shortage of the greenback amid the global economic turmoil has affected various industries as their cost of imports and repayment of foreign loans soared.

Financial data by listed companies showed that **power generation, telecom and manufacturing companies were the main victims** of the recent volatility in the dollar market. On the other hand, banks booked higher profit through the dealing of the greenback. Among the listed companies, fuel and power companies had to bear extra costs of BDT 11.28 Bn in the June-December period of 2022 due to the depreciation of the local currency. The listed banks logged an income of BDT 43.28 Bn from the foreign exchange dealings in the January-September period of 2022 whereas it was BDT 14.46 Bn in the same period of the previous year.

<https://www.thedailystar.net/business/economy/news/power-telecom-suffer-banks-gain-amid-dollar-crisis-3295861>

Stock-Specific News

DBH Finance gets approval to launch Islamic finance window

DBH Finance PLC – the country's largest and specialist housing finance institution – has received the final approval from Bangladesh Bank (BB) for opening of its Islamic Financing Wing. The non-bank financial institution received the go-ahead from the central bank on Tuesday to introduce the Shariah-based products and services from all of its 14 branches located at all major cities of the country, said a statement issued on Thursday.

<https://thefinancialexpress.com.bd/stock/bangladesh/dbh-finance-gets-approval-to-launch-islamic-finance-window-1>

Bata Shoe back to profits after two years of losses

Bata Shoe, the country's leading branded footwear manufacturer, posted a profit in 2022 after two consecutive years of losses due to the Covid-19 pandemic. However, the profit growth of the multinational

footwear manufacturer was held back by the depreciation of the taka, preventing it from reaching its expected level.

Despite these challenges, Bata Shoe's earnings per share (EPS) stood at BDT 29.98 by the end of 2022, which were per share losses of BDT 5.01 and BDT 96.94 in the previous two years, respectively. According to stock market analysts, despite no Covid restrictions in 2022 as compared to 2020 and 2021,

<https://www.tbsnews.net/economy/stocks/bata-shoe-back-profits-after-two-years-losses-617054>

ACI to invest BDT 500 Mn in joint venture with Colgate

Advance Chemical Industries (ACI) has decided to invest BDT 500 Mn over a period of the **next three years** in a joint venture company with Colgate-Palmolive (Asia) Pte. As per the decision, ACI's board has approved the signing a joint venture agreement and to establish joint venture company with **Colgate-Palmolive**.

ACI will hold **24% of the proposed company**, and against the stake it will invest BDT 500 Mn. On Thursday, the information was published on the stock exchanges website, where ACI said, "The agreement with Colgate is subject to the usual condition precedents and other regulatory formalities."

<https://www.tbsnews.net/economy/stocks/aci-invest-tk50cr-joint-venture-colgate-615910>