

Economy

Net RMG export ratio at all-time high of 71.5%

Bangladesh's readymade garment (RMG) net exports increased significantly in the April-June quarter, contributing positively to the country's trade balance, according to Bangladesh Bank data. Net exports – total exports minus raw material imports – surged to an all-time high of 71.5%, reaching USD 8.4 Bn in that quarter. According to central bank data, the total export in the RMG sector in the final quarter of FY23 was USD 11.74 Bn. Out of this amount, USD 3.35 Bn was spent on the import of raw materials for these products, accounting for 28.5% of total earnings. That is, net exports of domestic garments added a value of USD 8.4 Bn. This is about 39% higher than the same quarter of the previous fiscal year

<https://www.tbsnews.net/economy/rmg/net-rmg-export-ratio-all-time-high-715-680734>

Debt-to-GDP ratio rises

Bangladesh's debt-to-GDP ratio rose by around two percentage points to 32.55% in the third quarter of last fiscal year 2022-23, according to the latest quarterly debt bulletin of the finance ministry. On December 31, 2022, it was 30.56%. Though the debt to GDP ratio grew in the quarter, the finance ministry said it was still significantly lower than what the International Monetary Fund (IMF) recommends, which is less than 55%. The total outstanding debt of Bangladesh was BDT 14,483.33 Bn as of March 31, 2023, up from BDT 13,598.98 Bn on December 31, 2022, the ministry data shows. Out of the total debt of the country, 63% was domestic and the remaining 37% owed abroad.

<https://www.thedailystar.net/business/economy/news/debt-gdp-ratio-rises-3391416>

With rising liabilities, sick industries are losing regulator's empathy

A total of 3,100 companies, registered between 2010 and 2019, either turned sick or defunct over the years with their liabilities accumulating to BDT 280 Bn, finds the regulatory body. The capital of these entities is just half the amount they owe banks, other businesses and individuals, standing at BDT 145 Bn. The Registrar of Joint Stock Companies and Firms (RJSC) has revealed the numbers as it plans to clear its list of such hole-in-the-wall businesses that are producing fewer assets but more liabilities. According to RJSC sources, investigations will be conducted in phases and debilitated companies that cannot be revived will be recommended for closure and the registration of the defunct ones will be revoked through court orders.

<https://www.tbsnews.net/economy/rising-liabilities-sick-industries-are-losing-regulators-empathy-680090>

Austerity Measures: Govt misses the mark

In the end, the government's austerity stance did not yield much savings last fiscal year. When the cocktail of belt-tightening measures was announced on the first working day of fiscal 2022-23, it was hoped that at least BDT 230 Bn would be saved during the course of the year, a development that would help push down the elevated inflation level. In reality, the savings amounted to BDT 150 Bn as per initial estimates, The Daily Star has learnt from finance ministry officials involved with the proceedings. "The savings were not much as the belt-

tightening measures were not implemented faithfully," said one of the officials, adding that the final calculation of the savings made would take some time to materialise.

<https://www.thedailystar.net/news/bangladesh/news/austerity-measures-govt-misses-the-mark-3392746>

How tax on foreign loan interest hurts businesses, banks

Global interest rate has been on the rise and a 20% "withholding tax" imposed in the current budget on interest payment has made foreign loans costlier. The cost of borrowing has now shot up to around 11%. Analysts and bankers predict that this measure will significantly impede the growth of the industrial sector within the country, given that entrepreneurs have relied on these cost-effective loans to fuel their business expansions. According to data from the central bank, as of March this year the foreign debt owed by the private sector surpasses USD 22 Bn, of which USD 13.66 Bn is short-term. The outstanding short-term loan amount through offshore banking units was USD 2.92 Bn at the end of June this year, Bangladesh Bank data shows. With more expensive foreign loans and trade finance facilities, manufacturing sectors might be forced to scale down their production, ultimately resulting in decline in supplies and overall trade activities.

<https://www.tbsnews.net/economy/how-tax-foreign-loan-interest-hurts-businesses-banks-680570>

Wage growth below inflation for 18th month straight

Although wage growth in Bangladesh has been slowly climbing since July 2021, it has remained below the inflation rate for the past 18 months consecutively, according to the Bangladesh Bureau of Statistics (BBS). The wages of low and unskilled workers grew 7.52% year-on-year in July 2023, which was 2.17 percentage points below the inflation rate of 9.69% that month, shows the Wage Rate Index of the BBS. The case was similar in June, when the wages of workers across 44 occupations in agriculture, industry and services grew 7.32%, which was 2.42 percentage points below the inflation rate at the time. Analysts say the widening gap between the inflation rate and wage growth is forcing low-income and unskilled workers to cut consumption amid falling real incomes and rising cost of living.

<https://www.thedailystar.net/business/economy/news/wage-growth-below-inflation-18th-month-straight-3392701>

Bank, NBFIs, and Insurance Sector

Most banks in tight spot amid liquidity crunch

A majority of banks in Bangladesh are facing difficulties in running their day-to-day banking activities owing to a tightening liquidity caused by the dragging foreign currency crisis, slower deposit growth and lacklustre loan recovery. This has forced lenders to turn to the call money market, a short-term money market that allows large financial institutions to borrow and lend, to secure funds in order to meet their payment obligations. Classified loans, which erode a bank's lending capacity, have also soared. Non-performing loans (NPLs) totalled BDT 1316.2 Bn in March, marking a 16.02% increase year-on-year, BB data showed. The volume was 8.80% of the total credits disbursed in the banking sector. Bankers say a portion of letters of credit has already turned into forced loans owing to borrowers' failure to pay back on time.

Against the backdrop, the call money rate, the interest rate on overnight loans – surged to as high as 7.75% on Thursday. According to bankers, the call money market has been witnessing huge pressure since the middle of 2022. So, a growing number of banks, including shariah-based lenders, are taking liquidity support from the central bank despite the hike in the policy rate. A senior official of the central bank said the volatility in the foreign exchange market may be the main reason for the tight liquidity situation in the banking sector.

<https://www.thedailystar.net/business/economy/news/most-banks-tight-spot-amid-liquidity-crunch-3392836>

A fifth of banks jump on digital bandwagon to power growth

Nearly a fifth of conventional banks in Bangladesh are preparing to establish digital banks to expand their reach to every nook and cranny of the country, win and retain tech-savvy customers without physical presence. Ten private banks have already formed a consortium to set up a digital bank -- Digi10 Bank PLC -- while Bank Asia and Brac Bank have also shared their decisions to become sponsors for two digital banks. Two analysts have welcomed the bid by banks to join the digital banking segment, saying this will increase competition and include unbanked people in the formal financial system, enabling the country to attain its goal of financial inclusion and become a cashless economy

<https://www.thedailystar.net/business/economy/news/fifth-banks-jump-digital-bandwagon-power-growth-3391426>

Bank deposits up, private borrowing down contrarily

Bank deposits in the country continue to grow largely amid lesser demand for credits by the private sector, in what is seen as a sign of lower investments. Officials and bankers said the liquidity situation in the commercial banks continued improving amid positive growth in deposits, but borrowing by businesses was lesser on the contrary. According to the latest statistics with the BB, the total deposit liabilities, excluding interbank items, of the scheduled banks increased by BDT 250.52 Bn or 1.58% to BDT 16.13 Tn during the first quarter (January-March) of this calendar year. In the previous quarter (October-December in 2022), the deposits with the banks increased by BDT 116.39 Bn while the volume of enhanced deposits amounting to BDT 24.23 Bn was recorded in January-March quarter in 2022. Seeking anonymity, a BB official said the increase in deposits during the first quarter of this calendar year was due to "significant increase in urban deposits".

<https://thefinancialexpress.com.bd/economy/bangladesh/bank-deposits-up-private-borrowing-down-contrarily>

Capital Market

Weekly market review: Stocks bleed amid confidence crisis

The stock market plummeted for the third week in a row to Thursday, with turnover value shrinking as investors remained reluctant to put fresh bets on stocks amid ongoing volatile market condition. The market has been in bear grip for more than a year since the stock market regulator imposed the floor price. Buyers have shown reluctance to buy stocks even at the lowest price set. The investors were not confident enough about injecting fresh funds into stocks amid a dismal market outlook. Investors mostly focused on short-term bets as the

prolonged volatility and weakened strength of the market have dampened their confidence. Stocks extended its pessimistic run for three straight weeks owing to depressed market sentiment and shaky investor confidence stemming from the prevailing macroeconomic and political concerns. The stockbroker noted that the risk-averse investors continued their selling spree in order to safeguard their funds from the ailing market, and thus sellers ended up in the dominant position this week, causing the market to remain stuck in negative territory. Turnover, a crucial market indicator, also slumped to Tk 20.17 billion, down from Tk 29.64 billion in the week before. The average daily turnover stood at Tk 4.14 billion in the outgoing week, a 30 per cent decrease, compared to Tk 5.92 billion in the week before. Investors were mostly active in the food sector, capturing 17 per cent of the week's total turnover, followed by miscellaneous sector (12 per cent) and general insurance (11.5 per cent). Small-cap companies dominated the weekly turnover chart with Khan Brother PP Woven Bag Industries was the most-traded stocks with shares worth Tk 1.04 billion changing hands, followed by Fu-Wang Food, Sonali Paper, Sea Pearl Beach and Alif Industries. Ambee Pharma, another low-cap company, was the week's top gainer, registering an increase of 20 per cent while Deshbandhu Polymer was the worst loser, losing 20.5 per cent.

<https://thefinancialexpress.com.bd/stock/bangladesh/weekly-market-review-stocks-bleed-amid-confidence-crisis>

Stock/Bond-Specific

Mercantile Bank to invest BDT 125 Mn in Digi10 Bank

Mercantile Bank Ltd is going to invest BDT 125 Mn to be a sponsor shareholder of a proposed digital bank initiative styled "Digi10 Bank PLC". The board of directors of the bank recently took the decision in its 427th meeting held on August 9, said a press release. According to the press release, Mercantile Bank will join a consortium of 10 private commercial banks who will apply for the digital bank initiative to the regulatory authority. The initial paid-up capital of the proposed initiative "Digi10 Bank PLC" will be BDT 1.25 Bn. Mercantile Bank will invest BDT 125 Mn which is 10% of the initial paid-up capital of the initiative.

<https://www.thedailystar.net/business/economy/news/mercantile-bank-invest-tk-125cr-digi10-bank-3392776>

Unique Hotel to invest BDT 125 Mn in digital bank

Another publicly traded company, Unique Hotel & Resorts PLC, has decided to become a sponsor shareholder of a proposed digital bank named 'AMAR Digi Bank PLC'. In a board meeting held on Thursday, the owner of The Westin Dhaka, has decided to invest BDT 125 Mn in the proposed digital bank, along with other sponsors. The investment amount is 10% of the total paid-up capital of the digital bank, the company said in a price-sensitive information filing. The company said the proposed digital bank's authorised capital is BDT 2.50 Bn while the paid-up capital is BDT 1.25 Bn. The investment will be done subject to approval from regulatory authorities, said the company.

<https://thefinancialexpress.com.bd/stock/bangladesh/unique-hotel-to-invest-tk-125m-in-digital-bank>

NCC Bank declares 10% dividends

NCC Bank Ltd approved 10% dividends, including 5% cash dividend, for the year that ended on December 31, 2022. This approval was given at the bank's 38th annual general meeting, which was held virtually yesterday, said a press release. Highlighting the business progress, Bashar said that the shareholders' equity, total assets, and earnings per share of the bank are increasing gradually which is reflected in credit ratings and CAMELS rating of the bank.

<https://www.thedailystar.net/business/economy/banks/news/ncc-bank-declares-10-dividends-3391326>

Pragati Life Ins announces 12% cash dividend

Pragati Life Insurance Ltd approved 12% cash dividend for the year that ended on December 31, 2022. The approval was given at the insurer's 23rd annual general meeting, which was held virtually yesterday, said a press release.

<https://www.thedailystar.net/business/economy/news/pragati-life-ins-announces-12-cash-dividend-3391341>

Prime Islami Life to sell properties to settle claims

Prime Islami Life Insurance has decided to sell properties, including land and a building to settle policyholders' claims as it has been hit hard by a lack of liquidity. In a stock exchange filing on Thursday, it said the board had decided to sell a land of 36.12 decimals along with a building of the company at Banglamotor in the capital. The decision was taken on instructions of the Insurance Development and Regulatory Authority (IDRA), said company secretary Abul Hasnat Mohammed Shamim. Prime Islami Life Insurance has unsettled insurance claims worth BDT 3.17 Bn as of December 2022. In the next five years, the company will have to settle claims amounting to BDT 21 Bn, according to the IDRA

<https://thefinancialexpress.com.bd/stock/bangladesh/prime-islami-life-to-sell-properties-to-settle-claims>

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