

Economy

Taka fell 13.3% vs dollar in 2022: BB

Bangladesh's currency taka depreciated by 13.3% against the US dollar in 2022, said Financial Stability Report 2022 of Bangladesh Bank. The interbank exchange rate stood at BDT 85.80 per US dollar on January 2 last year whereas BDT 105.40 on December 1. Yesterday it was BDT 109.50. In spite of the taka's depreciation, Bangladesh Bank had pumped USD 13.50 Bn from its reserves to cool down the foreign exchange market.

<https://www.thedailystar.net/business/economy/news/taka-fell-133-vs-dollar-2022-bb-3393651>

Bank, NBFIs, and Insurance Sector

Number of bank branches keeps rising

The number of bank branches in Bangladesh rose to 11,212 in June 2023, up 2.11% year-on-year, according to central bank data. The growth trend has been on the rise for the past three years. In June 2020, the year-on-year growth was 2.90% while it was 1.72% in 2021. In October 2022, branches of banks in Bangladesh went past the 11,000-mark for the first time.

<https://www.thedailystar.net/business/economy/news/number-bank-branches-keeps-rising-3393616>

Local banks have lowest capital base in South Asia

Banks in Bangladesh were bottom-ranked in 2022 among South Asian lenders when it comes to capital base, owing largely to rising non-performing loans. According to the Bangladesh Bank's Financial Stability Report 2022, local banks maintained a capital adequacy ratio (CAR) of 11.83% last year (a shortfall from 12.5%). Although the capital base of banks has continued to rise, it is still lower than the lenders in the neighbouring countries. A central banker says local banks maintained the lowest capital base in the region due to the capital shortfall of a dozen of banks, including state-run lenders. The capital base of private banks and foreign banks is in good shape

<https://www.thedailystar.net/business/economy/news/local-banks-have-lowest-capital-base-south-asia-3393666>

Banking Sector: Risky loans stand at BDT 3.78 Tn

The banking sector's total risky loans amounted to BDT 3.78 Tn at the end of last year, in a development that makes for a sobering reading of the actual health of this vital sector of the economy. At the end of 2022, the banking sector's NPL stood at BDT 1.2 Tn, outstanding rescheduled loans BDT 2.12 Tn and outstanding written-off loans BDT 444.93 Bn. 80.8% of the rescheduled loans remained unclassified for the same period.

<https://www.thedailystar.net/news/bangladesh/news/banking-sector-risky-loans-stand-tk-377922cr-3393496>

Deposit growth plunges in Islamic banks

Deposit growth of shariah-based banks in Bangladesh plunged in 2022 mainly due to lower confidence among savers. Deposit growth of the Islamic banks dropped to 2.9% in 2022 while it was 20.1% the previous year, according to the Financial Stability Report 2022 of Bangladesh Bank. A top official of a leading shariah-based bank, preferring anonymity, said fear was created among savers when a number of negative news came on various shariah-based banks. The report says the performance of Islamic banks improved in 2022 in terms of efficiency and capital adequacy indicators compared to 2021.

<https://www.thedailystar.net/business/economy/news/deposit-growth-plunges-islamic-banks-3393641>

Record high Tk63,720cr loans rescheduled last year

The country's banks rescheduled a record high of Tk63,720 crore loans in just one year in 2022, thanks to the new rescheduling policy restructured by the central bank which widened the repayment period by nearly five times and reduced down payments by four times to facilitate loan defaulters to keep their accounts regular. The amount was 137% higher than the Tk26,810 crore rescheduled in 2021, according to the financial stability report for 2022, released by the Bangladesh Bank on Sunday. The central bank resumed reporting rescheduled loans in the stability report identifying it as distressed assets to comply with the condition set by the IMF (International Monetary Fund) for its \$4.7 billion budget support package. Default loans stood at Tk1.31 lakh crore in March this year which was 8.80% of total loans. If rescheduled loans are considered, the total percentage of distressed assets along with default loans will be 13%. Such huge rescheduled loans will block funds causing a liquidity crisis, reducing profitability, eroding capital and finally putting banks at risk of insolvency.

<https://www.tbsnews.net/economy/banking/record-high-tk63720cr-loans-rescheduled-last-year-681962>

BB funds get costlier for exporters

The Bangladesh Bank has raised the interest rate for the loans secured from the Export Facilitation Pre-finance Fund (EFPF) and the refinance scheme for pre-shipment credit as part of its efforts to make rates market-based. Customers will avail loans from the EFPF at a 5% interest rate, up from 4% previously, said the BB in a notice yesterday. Banks will pay a 2% interest instead 1.5% to borrow funds from the central bank. In January, the BB introduced the BDT 100 Bn EFPF in order to help exporters revive their businesses. Exporters will have to use the funds to import raw materials. The interest rate of pre-shipment credit increased to 5% from 3.5% at the end-borrower level, the central bank said in a separate notice.

<https://www.thedailystar.net/business/economy/news/bb-funds-get-costlier-exporters-3393636>

Manufacturing Sector

Rising NPLs in the manufacturing sector raise concerns: BB report

The manufacturing sector continues to grapple with a significant concentration of nonperforming loans (NPLs) compared to other sectors, according to a report by the Bangladesh Bank. The report reveals that the NPL share in the manufacturing sector stands notably high at 55.10%, surpassing all other sectors. Additionally, this sector claims a substantial portion of the banking industry's loans, accounting for 49.27%, as indicated in the BB's Financial Stability Report 2022, released on Sunday. The report highlights that the gross NPL ratio of 9.13% within the manufacturing sector exceeds the industry average of 8.16%.

<https://www.tbsnews.net/economy/banking/rising-npls-manufacturing-sector-raise-concerns-bb-report-681858>

Capital Market

Stocks see volatility amid confidence crisis

Stocks witnessed choppy trading in the early hours on Sunday with sluggish turnover as investors were reluctant to put fresh bets on stocks amid the confidence crisis. The investors' participation remained sluggish due to the dampened confidence across the trading floor, market operators said. Many investors refrained from making fresh investments in the market amid a depressed market outlook and shaky investor confidence stemming from the prevailing macroeconomic and political concerns. Top turnover chart was dominated by small-cap stocks such as Rupali Life Insurance, Sonali Paper, RD Food, Fu-Wang Food and Premier Cement.

<https://thefinancialexpress.com.bd/stock/bangladesh/stocks-see-volatility-amid-confidence-crisis>

Cut interest tax from mutual funds' deposits

Bangladesh Bank in a circular yesterday directed scheduled banks to follow a National Board of Revenue (NBR) clarification to cut source tax on the interest income or profit of mutual funds from associated fixed deposits with the banks. The banks will have to cut the source tax on the interest income or profit from the fixed deposits of mutual funds, regardless of what is stated in any other circular or income tax law of 2023, said the revenue authority. The NBR provided the clarification against a letter from Agrani Bank in this regard and requested the central bank to direct all the banks to follow the same.

<https://www.thedailystar.net/business/economy/news/cut-interest-tax-mutual-funds-deposits-3393476>

Why foreign banks shun stock market

Nine foreign banks operating in Bangladesh hardly invest in the stock market owing largely to irregularities, speculation-driven investments and an inadequate number of well-performing companies that have gone public. They also don't feel confident about the stock market and trust the financial reports of the listed companies. Thus, multinational banks' combined investment in the capital market stood at BDT 42.5 Mn in 2022, which accounted for 0.02% of the total holdings in the stock market of the entire banking sector. Another tendency that keeps multinational banks at bay is the dominance of weak firms when it comes to trading.

<https://www.thedailystar.net/business/economy/news/why-foreign-banks-shun-stock-market-3393671>

Stock/Bond-Specific

Popular Life recommends 38% cash dividend for 2022

Popular Life Insurance Company, a third-generation life insurer in the country, has recommended a 38% cash dividend for its shareholders for 2022. In a disclosure published on the stock exchanges website, the insurer reported earnings per (EPS) at BDT 3.8. In 2021, its EPS was also BDT 3.8. According to disclosure, the net asset value (NAV) per share declined to BDT 92.68, which was BDT 109.15 in 2021.

<https://www.tbsnews.net/economy/stocks/popular-life-recommends-38-cash-dividend-2022-681662>

Idcol declares BDT 1.2 Bn dividend

Infrastructure Development Company Ltd (Idcol) declared a dividend of BDT 1.2 Bn, including BDT 700 Mn in cash, for fiscal year 2022-23 at its 26th annual general meeting recently. Facilitating adoption of renewable energy technologies and promoting energy efficiency, the company's profit before tax and provision was BDT 6.99 Bn.

<https://www.thedailystar.net/business/economy/news/idcol-declares-tk-120cr-dividend-3393551>

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