

Economy

Budget Deficit Financing: Govt cuts BB borrowing to tame inflation

The government has started the fiscal year with the resolve to borrow less from the central bank to fund its budget deficit as it looks to rein in the runaway inflation to a tolerable level ahead of the polls. In July, the government did not borrow from the central bank; rather, it returned BDT 93.54 Bn, according to data from the Bangladesh Bank. "Borrowing from the central bank fuels inflation, so we plan to do less of that this year," said a finance ministry official involved with the proceedings. In July, inflation stood at 9.69%, down 10 basis points from the previous month on the back of a drop in non-food inflation, which is mostly fanned by new money entering the economy. The government would instead be training its focus on borrowing for commercial banks to make up its deficit financing of BDT 2.62 Tn this fiscal year. Of the sum, BDT 1.32 Tn would be coming from the banking system, as per the finance division's projections

<https://www.thedailystar.net/news/bangladesh/news/budget-deficit-financing-govt-cuts-bb-borrowing-tame-inflation-3395856>

Economic headwinds stall investment plans for many

Even during the pandemic years, when most of the global economies had nosedived amid lockdowns, a number of leading Bangladeshi companies were looking forward and took up expansion plans. But now, most of them find that business prospects are not on solid grounds. The trouble surfaced soon after the Russia-Ukraine war broke out in February last year, sending commodity prices sky high, inflating import and subsidy bills, and depleting the foreign exchange reserves amid a fast erosion of the value of taka. Then banks started delaying the opening of import LCs for want of dollars, which cost many businesses dearly.

<https://www.tbsnews.net/economy/economic-headwinds-stall-investment-plans-many-683634>

Regulator resents unreasonable Taka depreciation

Foreign-exchange dealers and bankers on Wednesday faced regulatory ire for continued depreciation of the local currency against the US dollar-a trend that makes imports costlier and consumer supplies expensive. Bangladesh Bank (BB) governor Abdur Rouf Talukder at a meeting with them expressed his dissatisfaction over the depreciation of the taka, sources said. Such upward adjustment of foreign-exchange rate, almost every month, by banks and BAFEDA (Bangladesh Foreign Exchange Dealers' Association) is fueling inflation in the form of soaring import costs significantly. The gradual depreciation of the Bangladeshi taka against the greenback is fueling the inflation, which stood at 9.69 per cent in July, inching down from June's 9.74 per cent. The depreciation is being done only to get \$200 million to \$300 million more in remittance per month. But it significantly raises the import costs, which plays a major role in enhancing the inflationary pressure on the economy,

<https://thefinancialexpress.com.bd/economy/bangladesh/regulator-resents-unreasonable-taka-depreciation>

Bank, NBFIs, and Insurance Sector

Four state-owned banks, Daraz want to set up digital banks

Four state-owned banks – Sonali, Agrani, Janata, and Rupali – as well as Daraz Bangladesh, in collaboration with local firms, are planning to set up digital banks. The respective bank boards have already approved this initiative, and the application will be submitted through the Bangladesh Bank's web portal, he added.

<https://www.tbsnews.net/economy/banking/four-state-owned-banks-daraz-want-set-digital-banks-683622>

Idra issues guidelines for insurtech

The insurance regulator of Bangladesh has finalised a framework enabling tech startups to innovate insurance policies, their distribution and other related tasks. The move comes in a bid to enhance customer experience through digital platforms, streamlined claim management, and personalised policies. Idra is set to issue the Insurance Development and Regulatory sandbox guidelines-2023. Under the sandbox, tech startups will be able to apply for developing insurance products, marketing the policy, providing settlement services, underwriting and other insurance facilities. Bangladesh's insurance market is very underdeveloped as less than 3% of the country's population and local businesses are covered by any type of insurance.

<https://www.thedailystar.net/business/economy/news/idra-issues-guidelines-insurtech-3396061>

Capital Market

DSEX sinks to fresh 4-month low

Stocks witnessed yet another major fall on Wednesday, with the prime index of the Dhaka Stock Exchange (DSE), tumbling to four-month low, as investors continued to dump their holdings to escape further losses. DSEX, the prime index of the Dhaka Stock Exchange, slid 36 points or 0.58 per cent to settle at 6,220. It was the lowest level of DSEX since April 16 this year. Turnover, a crucial indicator of the market, fell to Tk 3.51 billion on the country's prime bourse, slumping further by 15 per cent from the previous day. It was the lowest single-day transaction since March 28 this year, when the turnover was recorded at Tk 2.72 billion. 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. Since the floor price was imposed more than a year ago, the market has been on the bearish trend, with some periodic upward movement, which failed to sustain amid the confidence crisis. The investors mostly focused on short-term bets as the prolonged volatility and weakened strength of the market have dampened their confidence. Sea Pearl Beach Resorts was the most-traded stocks with shares worth Tk 269 million changing hands, followed by Square Pharma, Fu-Wang Food, LafargeHolcim and Gemini Sea Food. Fu-Wang Food was the day's top gainer, registering an increase of 6.95 per cent while Sea Pearl Beach was the worst loser, losing 9.96 per cent.

<https://thefinancialexpress.com.bd/stock/bangladesh/dsex-sinks-to-fresh-4-month-low>

BSEC to meet bankers, asset managers as stocks nosedive

Plummeting Dhaka-Chattogram stocks hit a four-month low on Wednesday as panic grabbed the street. The Bangladesh Securities and Exchange Commission (BSEC), to help support the market, is going to sit with the bank bosses, top brokerage executives and investment bankers at 11 am on Thursday, said the commission's spokesperson and Executive Director Rezaul Karim

<https://www.tbsnews.net/economy/stocks/bsec-meet-bankers-asset-managers-stocks-nosedive-683510>

Stock/Bond-Specific

DBBL to launch subsidiaries to gain foothold in 'bond market business'

Dutch-Bangla Bank Ltd (DBBL) has decided to establish two fully-owned subsidiaries -- a merchant bank and a brokerage house to boost its involvement in the capital market. The capital market will generate good business in future with a vibrant bond market, as Treasury bonds are now tradable on the stock exchanges, said a top official of Dutch-Bangla Bank, requesting not to be named. The second generation private lender has also planned to join a consortium of 10 private commercial banks to open a digital bank namely "Digi10 Bank PLC" by investing Tk 125 million, said the bank in a stock exchange filing on Wednesday. The fully-fledged merchant bank, Dutch-Bangla Bank Investment Ltd will have a paid-up capital of Tk 250 million while a brokerage house --- Dutch-Bangla Bank Securities Ltd --- will have a paid-up capital of Tk 100 million. Establishment of the two subsidiaries and the investment in the proposed digital bank are subject to approval of the regulatory authorities, the bank said.

<https://thefinancialexpress.com.bd/stock/bangladesh/dbbl-to-launch-subsidiaries-to-gain-foothold-in-bond-market-business>

AIBL approves 15% dividends

Al-Arafah Islami Bank Ltd (AIBL) has approved 15% dividends, including 12% cash dividend, for the year that ended on December 31, 2022. The approval was given at the bank's 28th annual general meeting (AGM) held virtually yesterday, said a press release. The bank achieved growth of 16.40% in deposit and 20.51% in investment during the year 2022 compared to 2021.

<https://www.thedailystar.net/business/economy/banks/news/aibl-approves-15-dividends-3396011>

EBL Asset Management Limited (EBL AML)