

Economy

Taka slightly undervalued for first time, but economic benefits in question

Bangladesh taka experienced slight undervaluation for the first time this July compared to other trading partners due to the local currency's faster devaluation against the US dollar. According to the internationally recognised benchmark, the Real Effective Exchange Rate (REER), which compares the value of the taka to currencies of 15 trading partners, indicates a 0.36% undervaluation of the Taka on 26 July, data from the Bangladesh Bank show. This comes after the taka was overvalued by 10% to 13% in the previous fiscal year. The REER is an indicator of the competitiveness of a country's currency with respect to a basket of currencies, adjusted for inflation effects. The undervalued currency could mean increased demand for Bangladeshi products globally. However, an undervalued currency also pushes up domestic costs in sectors dependent on imports like petroleum and fertiliser.

<https://www.tbsnews.net/economy/taka-slightly-undervalued-first-time-economic-benefits-question-684242>

Bad loans, forex volatility main challenges

Bangladesh should get more attention from investors considering its economic potential but the country faces challenges in bad loans, an illiquid stock market, exchange rate volatility and an unstable political landscape, according to HSBC Global Research. The global research wing of London-based universal bank and financial services group HSBC Holdings PLC yesterday released a report on Bangladesh, styled "The Flying Dutchman". The report starts by saying that it is true that the stock market in Bangladesh is small and illiquid. "But as was the case in India two decades ago or Vietnam one decade ago, it [the stock market in Bangladesh] offers prospects for significant long-term capital appreciation driven by earnings growth." The country's GDP growth averaged 6.4% in the past decade - faster than most of Asia - and its GDP per capita ratio recently surpassed that of India.

<https://www.thedailystar.net/business/economy/news/bad-loans-forex-volatility-main-challenges-3396116>

Stagnation shadows large-scale industries

Production in the big industrial sector experienced stagnation, as the index for large-scale industries remained nearly unchanged in April of the previous fiscal year. The index of industrial production for large-scale manufacturing in April (July-April) grew by merely 0.021% compared to the same month a year earlier, according to the Bangladesh Bureau of Statistics. During July-March of FY23, the general index of industrial production for large-scale manufacturing recorded a 7.2% year-on-year increase. This decline can primarily be attributed to a slowdown in food production, ready-made garment (RMG) manufacturing, chemicals and chemical products, paper and printing and pharmaceutical sectors.

<https://thefinancialexpress.com.bd/economy/bangladesh/stagnation-shadows-large-scale-industries>

Bank, NBFIs, and Insurance Sector

Banks now inclined to invest in short-term securities

Quick-gain 91-day treasury bills become hotcakes now as banks seem inclined to invest in short-term securities under a cautious banking approach as they do pre-election risk calculations. Sources say the switch is also prompted by a discovery that these shorter-duration government securities possessed the lowest volume of 'high-powered money' or print money circulated in the economy by way of government borrowing from the central bank. Officials and market players have said the primary dealer banks through which the banks purchase risk-free investment instruments through auctions arranged by the Bangladesh Bank (BB) are less interested to invest in midterm and long-term government securities mainly to avoid the macroeconomic stress in this election year. "Available gains of interest from investing in the short government securities are another reason why banks investment in the 91-day T-bills," says one of the sources.

<https://thefinancialexpress.com.bd/economy/bangladesh/banks-now-inclined-to-invest-in-short-term-securities>

Pathao wants to establish digital bank

Pathao, Bangladesh's one of largest digital services company, has applied for a licence to set up a digital bank and extend banking services through its proposed Pathao Digital Bank. The move comes at a time when a number of leading lenders of the country have also showed interest to establish digital banks. "Pathao is far more than a brand, or a suite of products -- it is a lifestyle. Just as it has radically transformed urban transportation and the gig economy in Bangladesh, Pathao Digital Bank will reshape banking in Bangladesh," said Fahim Ahmed, managing director and CEO of Pathao. "With this, we believe we can catalyse an important growth stage of the Bangladesh economy," he added.

<https://www.thedailystar.net/business/economy/news/pathao-wants-establish-digital-bank-3398176>

BB asks 5 Shariah banks to resolve liquidity crisis

Bangladesh Bank has directed five Shariah-based banks to resolve their current liquidity crisis while three of them were asked to bring down their advance-deposit ratio (ADR) within the regulatory limit as soon as possible. The five are Islami Bank Bangladesh, First Security Islami Bank, Social Islami Bank, Union Bank and Global Islami Bank. The ADR measures loans (advances) as a percentage of deposits. A ratio of 100% or less shows that the bank is funding all its loans from deposits rather than relying on wholesale funding (from capital markets or other banks). When a bank crosses the ADR limit, it is in a risky zone, as per industry insiders. The BB's directive came in a meeting with the managing directors of the five at the central bank headquarters on Wednesday.

<https://www.thedailystar.net/business/economy/banks/news/bb-asks-5-shariah-banks-resolve-liquidity-crisis-3396886>

Pharmaceuticals Sector

Big pharma taking hold of herbal medicine market

Big pharmaceutical companies in Bangladesh are gradually taking hold of the country's growing market for herbal medicines as people are opting for higher quality natural remedies with recognisable brand value. The demand for herbal medicine is expanding fast as they have no side effects and are clinically proven to be effective in treating various ailments, according to industry insiders. And although there is no reliable data, the market for herbal medicine generates annual revenue of about BDT 25.Bn, which is one-tenth of that earned by the overall pharmaceutical sector, they said. At present, leading drug makers such as Square, Beximco, Incepta and Acme cater to 30% of the country's demand for herbal medicine, earning them a combined BDT 8 Bn each year.

<https://www.thedailystar.net/business/economy/news/big-pharmas-taking-hold-herbal-medicine-market-3396871>

Textiles Sector

Investment dries up in dyeing sector as gas shortage lingers

Investment has dried up in Bangladesh's dyeing sector, a vital cog in the textile and apparel supply chain, owing to the dragging gas shortage despite higher demand for fabrics from local garment exporters, industry people say. Not a single new dyeing unit has been set up in the country in the last two years because of the energy crunch and a spike in the investment needed to establish such a facility, said Monsoor Ahmed, chief executive officer of the Bangladesh Textile Mills Association (BTMA), a platform of the primary textile sector. Inadequate supply of gas has been an issue for textile millers for a long time since local production has not kept pace with a surge in demand for energy. This prompted the country to turn to liquified natural gas (LNG) in 2018. But a US dollar shortage forced the government to halt buying LNG from the international spot market in the middle of last year, dealing a blow to industries as gas supply declined.

<https://www.thedailystar.net/business/economy/news/investment-dries-dyeing-sector-gas-shortage-lingers-3398266>

Capital Market

Weekly market review: Stocks extend losses for fourth week

The stock market witnessed yet another bearish week, extending the losing streak for the fourth week in a row, as jittery investors dumped their holdings to safeguard their capital from further erosion in the sliding market. The market has been in bear grip for more than a year since the stock market regulator imposed the 'floor price' with some periodic upward movement, which failed to sustain amid the confidence crisis. The investors were selling off shares fearing further fall as they found no immediate solution to the current depressed market situation. The investors mostly focused on short-term bets as the prolonged volatility and weakened strength of the market have dampened their confidence. The last week saw four trading days as the market remained closed on Tuesday due to the National Mourning Day. The first three sessions suffered losses while the last one managed to end higher riding on

the news of regulator-shareholders meeting. DSEX, the prime index of the Dhaka Stock Exchange, finally settled the week 42.43 points lower at 6,254.83. The DSEX lost more than 107 points in the past four straight weeks. The DS30 Index, which comprises blue-chip companies, also plunged more than 21 points to 2,121 while the DSES index, which represents Shariah-based companies, shed almost 10 points to 1,358. The market continued to experience subdued sentiment as risk-averse investors reduced their market exposure owing to dwindling confidence stemming from the recent political uncertainty along with the prevalent macroeconomic uncertainties. However, the intense selling pressure calmed down in the final session of the week as investors anticipated some positive outcomes from regulatory meetings with stakeholders

<https://thefinancialexpress.com.bd/stock/bangladesh/weekly-market-review-stocks-extend-losses-for-fourth-week>

Banks, asset management companies to raise investment in capital market: BSEC

Banks and asset management companies will raise investment in the stock market for stabilising the market after a drastic fall of share prices. Their commitment came after a meeting of the representatives of merchant banks and asset management companies with the Bangladesh Securities and Exchange Commission (BSEC) on Thursday. The meeting also discussed raising the confidence of investors in the capital market and bond market for the sake of the development of the stock market, reports UNB. With BSEC Commissioner Dr Sheikh Shamsuddin Ahmed in the chair, BRAC Bank CEO and Managing Director Salim RF Hussain, Shanta Asset Management Vice Chairman Arif Khan, EBL Securities Managing Director Sayedur Rahman, Standard Chartered Bank Managing Director Muhit Rahman, City Bank AMD and CFO Mahbubur Rahman and representatives of other related institutions attended the event.

<https://thefinancialexpress.com.bd/stock/bangladesh/banks-asset-management-companies-to-raise-investment-in-capital-market-bsec>

Stock/Bond Specific

Brac Bank's half-yearly profit jumps 75%

With an increase in deposits, loans and revenue, Brac Bank has posted a staggering 75% year-on-year growth in net profit after tax in this year's first half, according to the bank's earnings disclosure. The top tier private sector commercial bank's consolidated net profit after tax, which includes data of all subsidiaries, grew to BDT 3.34 Bn in the January to June period this year. As a result, consolidated earnings per share (EPS) increased to BDT 1.93, which was BDT 1.37 in the first six months of 2022. During the first half of 2023, the bank's standalone loan portfolio and customer deposit grew by 29% and 28% respectively year-on-year while its solo net profit soared to BDT 3.03 Bn from BDT 2.54 Bn in the same period last year.

<https://www.tbsnews.net/economy/stocks/brac-banks-half-yearly-profit-jumps-75-684174>

Dhaka Bank to invest in digital bank

Hopping on the bandwagon with other conventional lenders that will establish digital banks, Dhaka Bank yesterday said it would invest BDT 125 Mn to become a sponsor shareholder of a proposed digital bank. The private bank disclosed to its shareholders that its board had decided to sponsor the proposed Shonchoy Digital Bank PLC and hold a 10% stake in the virtual bank, subject to regulatory approval.

<https://www.thedailystar.net/business/economy/banks/news/dhaka-bank-invest-digital-bank-3396841>

Navana, Genex, Aramit want to invest in digital bank

Three companies from different sectors – listed on the capital market – want to invest in a proposed digital bank styled "UPAY Digital Bank PLC". Genex Infosys Limited, Navana Pharmaceuticals Limited, and Aramit Limited, from the IT, pharmaceuticals, and miscellaneous sectors, respectively, made the disclosures on their respective websites. According to the information, the total paid-up capital of the proposed digital bank will be BDT 1250 Mn. Genex has decided to invest BDT 125 Mn, Navana BDT 75 Mn, and Aramit BDT 62.5 Mn. The three companies will own 10%, 6%, and 5% of the total paid-up capital, respectively.

<https://www.tbsnews.net/economy/banking/navana-genex-aramit-want-invest-digital-bank-685158>

Beximco Green Sukuk: A fixed income opportunity overlooked

In the capital market, an intriguing situation has emerged where return-seeking investors seem to be disregarding the attractive rates offered by the sole listed Sukuk, an Islamic debt instrument. With an impressive yield of over 13%, Beximco Green-Sukuk AL Istisna'a found to be the most alluring fixed income option in the local financial market. In comparison, Treasury bonds presently offer a yield of up to 9%, while individuals are placing their funds in banks for returns ranging from 6% to 8%. National savings certificates provide an interest rate between 7.7% to 11.76% annually. Investors in Beximco Sukuk received a periodic payment of 5.55% during the initial half of 2023. This translates to an annual rate of 11.1% based on the face value of BDT 100 per unit.

<https://www.tbsnews.net/economy/beximco-green-sukuk-fixed-income-opportunity-overlooked-683706>

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