EBL ASSET MANAGEMENT LTD.
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Daily News Snippet

June 02, 2024

Bangladesh Market	
Major Indices	**Last closing**
DSEX Index	5,251.96
% change	0.45%
DS30 Index	1,874.84
% change	0.26%
DSES Index	1,143.70
% change	0.42%
Turnover (BDT mn)	3,744.82
Turnover (USD mn)	31.76
% change	22.11%
Source: Dhaka Stock Exchange	

International Market	
Major Indices	**Last closing**
Dow Jones Industrial Average	38,686.32
% change	1.51%
S&P 500	5,277.51
% change	0.80%
Nikkei 225	38,487.90
% change	1.14%
FTSE 100	8,275.38
% change	0.54%
Source: Bloomberg	

Exchange rate		
Major Currencies	**Low (BDT)**	**High (BDT)**
USD	117.50	117.90
EUR	126.90	127.38
GBP	149.31	149.86
INR	1.41	1.41
Source: BB		

Money market		
Date	**Call Money Rate Range (%)**	**Weighted Average**
30-May-24	8.50 - 10.00	9.12
29-May-24	8.50 - 10.00	9.20
Source: BB		

Commodities		
Major Commodities	**Price**	**% Change**
Brent Crude (Oil), USD/bbl.	81.11	-0.92%
Gold Spot, USD/t oz.	2,327.33	-0.67%
Cotton, USD/lb.	75.11	-1.83%
Source: Bloomberg		

Market Summary

Bangladesh Market

- The leading bourse of the country, DSEX gained 0.45% in the last trading day, closing at 5,251.96 points.
- The daily turnover increased 22.11% in the last trading day.

Global Market

- Majority of the leading global indices posted positive returns as Dow Jones posted 1.51% gain, S&P 500 posted 0.80% gain and FTSE 100 posted 0.54% gain.
- One of the leading Asian market indices, NIKKEI 225 posted 1.14% loss.

Key macro indicators

- All the major currencies fell against BDT yesterday.
- The average overnight rate is falling in the past week.
- The current weighted average overnight rate stood at 9.12% with a high rate of 10.00% and low rate of 8.50%.
- The oil price decreased 0.92% in the last trading day.

Bangladesh Macro Update

FDI inflow is shrinking. Here's why

- Bangladesh has been consistently getting little foreign direct investment (FDI) over the years despite witnessing handsome GDP growth, developing several special economic zones and adopting one-stop services.
- Although such moves are designed to encourage FDI, Bangladesh Bank data shows that net FDI inflow fell to USD 3 billion in 2023, a decrease of 14% from USD 3.5 billion in 2022.
- In their recently ended fiscal year, net FDI inflow stood above USD 40 billion in India and USD 15 billion in Vietnam.
- Naturally, this raises questions about why FDI remains low in Bangladesh year after year.
- One major reason is the huge gap between the thinking of policymakers and the actual problems that investors face.

News Source:

https://www.thedailystar.net/business/economy/news/fdi-inflow-shrinking-heres-why-3624341

Social spending gets less priority in lopsided budgets

- The government has prioritised budgetary investments in three sectors, namely public services, transportation and communications, and energy, since the fiscal year of 2008-09.
- By contrast, actual spending witnessed a drop in vital sectors such as agriculture, social security, health, and education.
- This implies that the government has given lower priority to these sectors although investments in education and health are necessary to build human capital and making the most of the demographic dividend.
- Finance ministry data showed that the government spent BDT 6,881 crore, or 7.81% of the total actual budgetary expenditure, on public services in FY09.
- However, actual expenditure on public services, which cover government employee pay and other spending for goods and services, soared more than 10-fold to BDT 75,511 crore in the 13 years to 2021-22.

News Source:

https://www.thedailystar.net/business/economy/news/social-spending-gets-less-priority-lopsided-budgets-3624501

Narrowest budget deficit in a decade as govt to curb expenses

- As the government wants to lower expenses, it is likely to contain the budget deficit to 4.6% of gross domestic product in the next fiscal year, a level seen a decade ago.
- The government usually keeps the budget deficit at around 5%.
- During the political turmoil of 2013, ahead of the 2014 national election, the government placed the budget of which the deficit was 4.6%.
- The political situation is stable now, but the economy is facing a prolonged crisis.

- In the 2019-20 fiscal year, the government was in a difficult place because of the shutdown of the economy due to coronavirus restrictions and the Ukraine-Russia war also made a global impact on economies in 2022.

News Source:

https://www.thedailystar.net/business/economy/news/narrowest-budget-deficit-decade-govt-curb-expenses-3624406

Buyers shift to Delhi airport as higher expenses make Dhaka unattractive

- International clothing retailers and brands sourcing from Bangladesh prefer the Delhi airport to Hazrat Shahjalal International Airport (HSIA) to carry goods owing to the lower tariff offered by India.
- The tariff at the largest airport in Bangladesh is so high that buyers stay competitive even when their goods travel a distance of nearly 1,900 kilometres in trucks from the country to Delhi via Benapole and Petrapole.
- For example, it costs USD 3 to transport one kilogramme of garment items from the HSIA to destinations in Europe.
- The charge is USD 1.2 if the goods are sent via Delhi's Indira Gandhi International Airport.
- An elevated level of tariffs, value-added tax, and ground handling and service charges at the HSIA are mainly driving users away from Dhaka.

News Source:

https://www.thedailystar.net/business/economy/news/buyers-shift-delhi-airport-higher-expenses-make-dhaka-unattractive-3623186

Business environment worsens for sluggish reforms

- The business environment in the country deteriorated slightly in 2023 compared to a year ago mainly because of sluggish regulatory reforms, weak infrastructure, and difficulty in access to finance, according to the Bangladesh Business Climate Index (BBX).
- Measured on a scale of 0-100, the index fell to 58.75 last year from 61.95 in 2022, according to the BBX 2023-24 launched yesterday by the Metropolitan Chamber of Commerce and Industry (MCCI) and the Policy Exchange Bangladesh (PEB). This is the third edition of the BBX.
- The survey was conducted among 520 small, medium and large enterprises.
- Eleven major pillars, namely starting a business, access to land, availability of regulatory information, infrastructure, labour regulation, dispute resolution, trade facilitation, paying taxes, technology adoption, access to finance, and the environment, were considered in the study.
- Moreover, although there are good laws, the challenge of enforcement remains.

News Source:

https://www.thedailystar.net/business/economy/news/business-environment-worsens-sluggish-reforms-3623191

Domestic goods now major inflation drivers: BB report

- The influence of imported goods on inflation has decreased, while the impact of domestically produced goods has increased, according to a Bangladesh Bank report released Thursday.
- In January this year, the influence of imported goods on inflation fell to 27.5% from 32.3% in the previous month, mainly because food imports became cheaper.
- At the same time, the impact of locally produced goods on inflation rose to 72.5% from 67.7% due to higher prices for both domestic and non-food items, said the quarterly report titled "Inflation Dynamics in Bangladesh January-March 2024.
- It says from August 2022 on, the prices of fully or partially imported goods started to significantly impact inflation due to rising international prices.
- These goods, including items made with imported materials, comprised about one-third of overall inflation between July 2023 and March 2024.

News Source:

https://www.tbsnews.net/economy/domestic-goods-now-major-inflation-drivers-bb-report-864721

Sectoral Update

Banking and Insurance

60% of farmers unbanked

- Almost 60% of farmers in Bangladesh are unbanked, a businessperson shared yesterday.
- Fahad Ifaz, co-founder and chief executive officer of iFarmer, said the biggest sources of credit for farmers are still local moneylenders and traders.
- They rely on such informal sources for capital paying very high interest rates, which can range between 30 and 70%, he said, quoting studies.
- He was addressing a seminar titled "Smart Agriculture: Issues and Challenges in Value Chain Development", organised by the Dhaka Chamber of Commerce and Industry (DCCI) at its office in the capital yesterday.
- iFarmer is a Bangladeshi agri-tech startup that connects individual farmers, who possess the skill to farm but lack the capital, with individual investors who want to invest their money in agribusiness.

News Source:

https://www.thedailystar.net/business/news/60-farmers-unbanked-3623126

BB to resume publishing key bank health data from July

- After a 12-month pause, the Bangladesh Bank (BB) plans to resume publishing key data used to assess the financial health of commercial banks, including interest rates and spreads, from July next, according to officials.
- They said this regular publication of interest rates and spreads is necessary not only to assess the health of commercial lenders but also to help the banking regulator monitor lending rates in the post-SMART regime.

- The central bank ceased releasing the key information about the state of commercial banks' regular operations in July 2023, soon after introducing the SMART (six-month moving average rate of treasuries) system for setting interest rates.
- A Bangladesh Bank official said that the central bank is now considering resuming publication of the weighted average lending and deposit rates, along with spreads, in banks from July onwards.

News Source:

https://today.thefinancialexpress.com.bd/last-page/bb-to-resume-publishing-key-bank-health-data-from-july-1717265663

Engineering

Steel industry now a risky place for fresh investments

- It has become extremely risky to invest in the steel industry of Bangladesh as the country is suffering from economic vulnerability amid sustained inflationary pressure.
- Besides, the combined production capacity of local steelmakers already exceeds domestic consumption by around 41%, indicating an oversaturated market.
- The steel industry's overall production capacity was about 1.10 crore tonnes last year against demand for 65 lakh tonnes, according to Sumon Chowdhury, secretary general of the Bangladesh Steel Manufacturers Association (BSMA).
- Still, the country's annual steel manufacturing capacity will likely increase by another 10 tonnes within the next year as small producers are expanding their capacity.
- There are around 120 steelmakers in Bangladesh, with some 40 large companies dominating more than 90% of the market, Chowdhury said in a recent interview with The Daily Star.

News Source:

https://www.thedailystar.net/business/economy/news/steel-industry-now-risky-place-fresh-investments-3624326

Apparel and Textile

RMG export prices fall up to 16% in last 8 months

- Export prices of locally made garment items have fallen by 8% to 16% year-on-year over the last eight months, according to data of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA).
- International market prices declined mainly because of a fall in demand from end consumers suffering from high inflationary pressure due to the severe fallouts of Covid-19 and Russia-Ukraine war.
- Moreover, the volume of garments exported from Bangladesh to major markets also exhibited a declining trend over the past 10 months.
- Although there was 4.97% growth in Bangladesh's garment exports during this period, it was far lower than the 9.09% rise recorded in the corresponding period of fiscal year 2022-23.

News Source:

https://www.thedailystar.net/business/economy/news/rmg-export-prices-fall-16-last-8-months-3624331

Power and Energy

Gas supply falls as Remal damages Summit FSRU

- Gas supply has reduced across the country as one of the two Floating Storage and Regasification Units (FSRU) were damaged during Cyclone Remal.
- At present, the supply of liquefied natural gas has reduced to less than 700 million cubic feet a day (mmcfd) compared to the normal supply of around 1,100 mmcfd.
- Yesterday, Summit Group said in a statement that a stray broken floating pontoon hit Summit LNG Terminal Co. (Pvt) Ltd's FSRU in Cox's Bazar's Moheshkhali during the peak of Cyclone Remal on Monday.
- There was damage to the ballast water tank of the FSRU and as per the standard operational protocol, an expert surveyor is on the way to board the FSRU and assess the damage, the statement said.
- It added they would share further details based on the surveyor's report of the situation.

News Source:

https://www.thedailystar.net/business/economy/news/gas-supply-falls-remal-damages-summit-fsru-3623181

Capital Market

DSEX rises 23 points today

- The benchmark index DSEX of the Dhaka Stock Exchange (DSE) gained 23 points today (30 May), snapping a two-day losing streak.
- The DSEX reached 5,252 points, soaring 0.45% from the previous session whereas the blue-chip index DS30 rose by 5 points to 1,875, and the DSES also rose by 5 points to 1,144.
- The turnover value jumped by 22% during the session, reaching BDT 374 crore compared to the previous session.
- Among the traded scrips, 213 advanced, 126 declined, and 50 remained unchanged.
- Investors are selling off their holdings due to uncertainty surrounding the upcoming budget, although they are increasing their buying appetite for specific lucrative items.

News Source:

https://www.tbsnews.net/economy/stocks/dsex-rose-23-points-thursday-864211