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Daily News Snippet

June 03, 2024

Bangladesh Market	
Major Indices	**Last closing**
DSEX Index	5,233.67
% change	-0.35%
DS30 Index	1,867.05
% change	-0.42%
DSES Index	1,137.26
% change	-0.56%
Turnover (BDT mn)	3,494.97
Turnover (USD mn)	29.63
% change	-6.67%
Source: Dhaka Stock Exchange	

International Market	
Major Indices	**Last closing**
Dow Jones Industrial Average	38,686.32
% change	0.00%
S&P 500	5,277.51
% change	0.00%
Nikkei 225	38,895.61
% change	1.06%
FTSE 100	8,275.38
% change	0.00%
Source: Bloomberg	

Exchange rate		
Major Currencies	**Low (BDT)**	**High (BDT)**
USD	117.50	117.95
EUR	127.38	127.92
GBP	149.68	150.34
INR	1.41	1.41
Source: BB		

Money market		
Date	**Call Money Rate Range (%)**	**Weighted Average**
2-Jun-24	8.50 - 10.00	9.57
30-May-24	8.50 - 10.00	9.12
Source: BB		

Commodities		
Major Commodities	**Price**	**% Change**
Brent Crude (Oil), USD/bbl.	81.05	-0.07%
Gold Spot, USD/t oz.	2,321.33	-0.26%
Cotton, USD/lb.	75.16	0.07%
Source: Bloomberg		

Market Summary

Bangladesh Market

- The leading bourse of the country, DSEX lost 0.35% in the last trading day, closing at 5,233.67 points.
- The daily turnover increased 6.67% in the last trading day.

Global Market

- Majority of the leading global indices were closed yesterday.
- One of the leading Asian market indices, NIKKEI 225 posted 1.06% gain.

Key macro indicators

- All the major currencies rose against BDT yesterday.
- The average overnight rate is rising in the past week.
- The current weighted average overnight rate stood at 9.57% with a high rate of 10.00% and low rate of 8.50%.
- The oil price decreased 0.07% in the last trading day.

Bangladesh Macro Update

Keep spending on tight leash

- The national budget for the fiscal year of 2024-25 is going to be presented in parliament on Thursday with monumental tasks ahead for the government to collect more revenues and contain stubbornly high inflation.
- Amid the tight fiscal situation, economists are calling for cutting public spending, especially in mega projects, and reining in corruption in budget implementation.
- They, however, recommend widening the social safety net to help the lower-income groups and the poor keep their head above water amid the worst cost-of-living crisis in recent times.
- The government has no other alternative but to accelerate tax collections with a view to reducing its reliance on commercial borrowing since the interest rate on bank loans has gone past 14% while the yield of treasury bills and bonds has surged to 12%.
- The elevated borrowing, which is needed to run the country and carry out development work, may appear as a major cause of concern for Bangladesh as interest expenses are ballooning.

News Source:

https://www.thedailystar.net/business/bangladesh-national-budget-fy2024-25/news/keep-spending-tight-leash-3625381

Budget expands, goals are never met

- The government is expanding the size of the national budget every year.
- However, it has fallen short of attaining its targets over the years, be that in terms of revenue collection or development expenditure.
- Since fiscal year 2008-09, the government has been giving an account of real spending against the proposed budgets.
- But none of the proposed budgets have been implemented fully and the average implementation rate is 85% due to operating expenditure being higher than development spending.
- This phenomenon raises questions about the credibility of the fiscal framework as it leads to the inefficient allocation and use of resources, said economists.

News Source:

https://www.thedailystar.net/business/bangladesh-national-budget-fy2024-25/news/budget-expands-goals-are-never-met-3625376

Freight container spot rates mounting

- Spot rates of ocean freight containers to and from Bangladesh have been rising since the start of May, prompting speculation that it may reach the Covid period when it trebled.
- Top shipping executives in Bangladesh told the FE that this is mainly due to the Red Sea situation and congestion in many global ports and such problems take additional time to complete a voyage.
- The ocean vessels now reroute voyages away from the waters off Yemen after facing attacks from the Iran-backed Houthi militias.

- Diverting vessels from Asia and bound for Europe around the Cape of Good Hope adds an additional nine to 14 days to voyage times.
- Consequently, there is at least a 20% "squeeze in capacity" in the industry, leading to a rise in the rates.

News Source:

https://today.thefinancialexpress.com.bd/last-page/freight-container-spot-rates-mounting-1717353688

Macroeconomic stability, not growth should take priority

- Focus should be on long-term macroeconomic stability instead of annual growth and prioritising public expenditure but not curtailing social-safety-net annuities, says CPD to show which course development drives ought to steer.
- They also suggested taming inflation and bringing stability of interest and foreign-exchange rates should be concentration of policymakers in the upcoming budget for fiscal year 2024-25..
- The priority should be given to overall macroeconomic stability, rather than focusing on high growth target, in the coming budget, said Golam Moazzem, research director of the CPD.
- It says policymakers must also offer concrete measures for providing respite to the inflation-afflicted common people with limited income.

News Source:

https://today.thefinancialexpress.com.bd/first-page/macroeconomic-stability-not-growth-should-take-priority-1717353450

VAT likely to go up on 13 items – from fruit juice to LED bulbs to home appliances

- The government plans to increase the value-added tax (VAT) on more than 13 goods and services, including LED bulbs and tube lights, various juices, mango bars, rolling paper, security services, auction services, refrigerators, and air conditioners.
- Finance ministry officials said most of these items may face a 15% VAT at the manufacturing stage.
- Additionally, the VAT exemption for air conditioner manufacturing is likely to be phased out this fiscal year ending on 30 June, potentially subjecting it to a new 5% VAT in FY25.
- For refrigerator manufacturing, the VAT rate is expected to increase from the existing 5% to 10%.
- Furthermore, mobile operators are expected to face an increase in tax on the sale of SIM cards, rising from the current BDT 200 to BDT 300, according to finance ministry officials.

News Source:

https://www.tbsnews.net/economy/vat-likely-go-13-items-fruit-juice-led-bulbs-home-appliances-867006

NBR raising source tax on income of univs, other edu institutions

- The government plans to increase the source tax on the interest income of educational institutions, including public universities and schools under monthly pay orders (MPOs).

- Moreover, the government has plan to increase source tax the income of the Bangladesh Telecommunication Regulatory Commission (BTRC) from mobile phone companies, up to double the current rate of 10% in the upcoming budget, according to finance ministry sources.
- Additionally, sponsor shareholders and director shareholders in listed companies may experience a threefold increase in tax on their capital gains from share transfers in the upcoming financial year.
- The National Board of Revenue (NBR) also intends to raise the corporate tax for cooperative societies by 5%, up from the current 10%, according to the sources.
- Experts fear that increasing source tax on the sectors may become an indirect tax and ultimately be passed on to consumers.

News Source:

https://www.tbsnews.net/nbr/nbr-raising-source-tax-income-univs-other-edu-institutions-867011

Reduce cost of doing business to facilitate investment

- Businesspeople in Bangladesh have called for improving the ease of doing business and reducing the cost of production to establish a conducive trade and investment ecosystem.
- If these issues are addressed, more foreign direct investment (FDI) will flow into the country and local entrepreneurs will get the opportunity to grow further, they said.
- The major challenges for the national budget for the fiscal year 2024-25 will be controlling inflation, increasing the foreign exchange reserves, exports, and the tax-GDP ratio, and bringing reforms in the banking sector.
- Along with that, there are also challenges related to reforming fiscal policy.
- Experts said the allocation for the government's open market sales programme should go up, and Bangladeshi expatriates should be incentivised to invest in the country, not only in real estate but also in stocks and banks.

News Source:

https://www.thedailystar.net/business/bangladesh-national-budget-fy2024-25/news/reduce-cost-doing-business-facilitate-investment-3625331

Sectoral Update

Banking and Insurance

Private sector credit drops to 9.90% in April, lowest in 5 months

- Private sector credit growth declined by 0.59 basis points to 9.90% in April this year compared to the previous month, marking the lowest level in five months.
- Bankers attribute this slowdown to a contractionary monetary policy and higher lending rates.
- According to central bank data, private sector credit growth was 10.49% in March, the highest in nine months at that time.
- However, despite surpassing the central bank's target of 10% for the first six months of the current fiscal year in March, it decreased in April.

- Syed Mahbubur Rahman, managing director of Mutual Trust Bank, told TBS that credit growth increased in March due to Eid and added that as two-thirds of April was post-Eid, credit growth slowed down this month.

News Source:

https://www.tbsnews.net/economy/banking/private-sector-credit-drops-990-april-lowest-5-months-867016

Remittances up 10% in 11 months of FY24

- Remittances have increased by USD 1.96 billion or 10.09% in the first 11 months of the current fiscal year 2024, according to a Bangladesh Bank report.
- Expatriates sent USD 21.37 billion in remittances in July-May of the current fiscal 2023-24, an increase from the USD 19.41 billion sent in the same period of FY23.
- Although the Bangladesh Bank has not updated the remittance information for May on their website, central bank spokesperson Md Mezbaul Haque reported USD 2.25 billion in remittances received during that month, a 32% increase compared to USD 1.69 billion in May of FY23.
- Bankers said the flow of remittances has been increasing in the last few months due to Eid-ul-Fitr and Eid-ul-Adha.
- In addition, the price of the dollar is rising steadily, leading to increased remittance flow as expatriates are getting more than before.

News Source:

https://www.tbsnews.net/economy/banking/remittance-rises-32-may-ahead-eid-ul-adha-866656

Apparel and Textile

'Better Work' helped raise RMG production line efficiency by 5%: Study

- Apparel factories enrolled in the Better Work programme have experienced a 5% increase in production line efficiency, according to an International Labour Organisation (ILO) study.
- Better Work, a collaboration between the United Nations ILO and the International Finance Corporation (IFC), aims to enhance working conditions through compliance and boost the productivity and profitability of RMG factories.
- Moreover, these factories have advanced in promoting women to supervisory positions and raised female supervisors' wages by 39%, leading to improved quality control through heightened confidence and capabilities demonstrated by trained staff, finds the study.
- Khondaker Golam Moazzem, research director at the Centre for Policy Dialogue (CPD), shared these findings of the study during his keynote presentation titled "Responsible Business Conduct in the RMG Industry: Achievement and Way Forward".
- The roundtable was jointly organised by Better Work Bangladesh, Samakal, and The Business Standard, with the backing of Japan's Ministry of Economy, Trade, and Industry (METI).

News Source:

https://www.tbsnews.net/economy/rmg/better-work-helped-raise-rmg-production-line-efficiency-5-study-866091

Power and Energy

Bangladesh-China joint venture to build 160MW solar plant in Cox's Bazar

- Bay of Bengal Power Company, a joint venture between the Bangladesh Power Development Board (BPDB) and China Huadian Hong Kong Company Limited is set to establish a 160MW solar power plant in Moheshkhali, Cox's Bazar.
- The plant will occupy a surface area of 150 hectares of land on the north side of the Energy Island Park, which lies on the south bank of the Kuhelia River, according to the BPDB.
- The site is approximately 80km northwest of Chattogram and 23km southeast of Cox's Bazar Airport.
- The strategic placement is expected to bolster the region's energy infrastructure while leveraging its coastal and flat terrain for optimal project implementation.
- The solar project will be financed with both equity and bank loans.

News Source:

https://www.tbsnews.net/bangladesh/energy/bangladesh-china-joint-venture-build-160mw-solar-plant-coxs-bazar-867076

Capital Market

Markets slide as indices fall amid selling pressure

- The relentless bearish trend on the country's premier stock exchange continued amid lower market participation, as the benchmark index DSEX fell by 18 points today, settling at 5,234, as cautious investors sold off their holdings.
- The turnover fell by 6.67% to BDT 349 crore from BDT 374 crore compared to the previous session.
- This downward spiral has intensified as investors hurriedly sell off their holdings in anticipation of a potential 15% income tax on capital gains in the upcoming budget, which are currently tax-free.
- Any new tax would burden capital investors, especially given the market's critical condition due to factors like the pandemic, the Russia-Ukraine war, and the global economic crisis, deem the market stakeholders.
- Meanwhile, the Blue-chip index DS30 dropped by 8 points to 1,867 points, while the Shariah-compliant stocks' index DSES was down by 6 points to 1,137 points.

News Source:

https://www.tbsnews.net/economy/stocks/markets-slide-indices-fall-amid-selling-pressure-866951

CSE pushes for capital market boost in budget: Tax breaks, more listings top wish list

- The Chittagong Stock Exchange (CSE) has outlined a wish list for the upcoming national budget, urging the government to prioritise the development of a robust capital market in Bangladesh.
- The CSE's demands include the removal of tax on capital gains, an increase in the number of listed companies, the establishment of an effective bond market, and the diversification of products within the capital market.

- CSE Chairman Asif Ibrahim stressed the importance of formulating appropriate strategies and expansion plans for the qualitative growth and sustainable development of the capital market.
- The CSE hosted the press conference to share its demands with the National Board of Revenue (NBR), aiming to incorporate specific strategies into the budget structure.
- These demands had already been submitted by the CSE to the NBR.

News Source:

https://www.tbsnews.net/economy/stocks/cse-pushes-capital-market-boost-budget-tax-breaks-more-listings-top-wish-list-866956