EBL ASSET MANAGEMENT LTD.
(A fully owned subsidiary of Eastern Bank Ltd.)

Daily News Snippet

June 04, 2024

Bangladesh Market	
Major Indices	**Last closing**
DSEX Index	5,235.63
% change	0.04%
DS30 Index	1,856.99
% change	-0.54%
DSES Index	1,138.31
% change	0.09%
Turnover (BDT mn)	3,915.50
Turnover (USD mn)	33.20
% change	12.03%
Source: Dhaka Stock Exchange	

International Market	
Major Indices	**Last closing**
Dow Jones Industrial Average	38,571.03
% change	-0.30%
S&P 500	5,283.40
% change	0.11%
Nikkei 225	38,923.03
% change	1.13%
FTSE 100	8,262.75
% change	-0.15%
Source: Bloomberg	

Exchange rate		
Major Currencies	**Low (BDT)**	**High (BDT)**
USD	117.90	117.95
EUR	127.82	127.92
GBP	150.19	150.34
INR	1.41	1.41
Source: BB		

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

Commodities		
Major Commodities	**Price**	**% Change**
Brent Crude (Oil), USD/bbl.	77.86	-0.64%
Gold Spot, USD/t oz.	2,345.73	-0.21%
Cotton, USD/lb.	73.77	0.57%
Source: Bloomberg		

Market Summary

Bangladesh Market

- The leading bourse of the country, DSEX gained 0.04% in the last trading day, closing at 5,235.63 points.
- The daily turnover increased 12.03% in the last trading day.

Global Market

- Majority of the leading global indices posted mixed returns as Dow Jones posted 0.30% loss, S&P 500 posted 0.11% gain and FTSE 100 posted 0.15% loss.
- One of the leading Asian market indices, NIKKEI 225 posted 1.13% gain.

Key macro indicators

- All the major currencies rose 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 0.64% in the last trading day.

Bangladesh Macro Update

Falling healthcare budget forces people to spend more out of pocket

- After sweeping to power in 2009, the Awami League-led government in its first year spent around BDT 5,104 crore in the health sector, which was 6% of the total budget for the fiscal year of 2009-10.
- Since then, the health sector witnessed considerable development in terms of infrastructure and physicians, among others.
- However, the government's actual expenditure in the key sector has remained stagnant, and in certain fiscal years, exhibited a decline.
- For instance, the outlay for the health sector was BDT 25,028 crore in 2021-22, representing 4.8% of the budget of BDT 518,188 crore.
- It was 5% in the previous fiscal year when the government spent BDT 21,647 crore under a BDT 460,160 crore budget.

News Source:

https://www.thedailystar.net/business/economy/news/falling-healthcare-budget-forces-people-spend-more-out-pocket-3626071

Dollar rate mismatch in FY25 budget feared to cause fiscal disruptions

- The local currency taka was devalued by BDT 7 per dollar nearly a month ago, but financial projections in the new budget documents were not adjusted to the new exchange rate, which may cause accounting mismatch in international payments in the fiscal 2024-25, economists fear.
- All the projections, including foreign loan receipts and repayments as well as subsidy spending, have pegged the exchange rate at BDT 110 per US dollar while the official median rate was set at BDT 117 on 8 May when the central bank introduced the crawling peg system.
- The big change in exchange rate will make a big difference in balancing the accounts.
- For instance, the Economic Relations Division (ERD) estimates that Bangladesh needs to pay USD 4.2 billion in debt servicing to foreign lenders in FY25. At an exchange rate of BDT 110 per dollar, the debt servicing obligation would be BDT 46,200 crore.
- However, if calculated at BDT 117 per dollar, it would be BDT 2,940 crore higher and this discrepancy in exchange rate calculation will also likely disrupt government expenses for importing fuel oils and fertilisers worth several billion dollars.

News Source:

https://www.tbsnews.net/economy/dollar-rate-mismatch-fy25-budget-feared-cause-fiscal-disruptions-867981

Govt to set conservative revenue target

- The government is going to set a conservative target for revenue earnings in 2024-25 to keep it closer to reality, thus moving away from a tradition that has always seen it chase a goal that was hard to achieve.
- The revenue generation target will be BDT 537,000 crore in the new fiscal year that begins on July 1.
- This is 7.4% higher than that of the goal of the outgoing financial year.

- For 2023-24, the government had aimed at a 15% higher revenue generation target. In previous years, the target was also in double digits.
- In recent years, economists have always criticised the government for chasing unrealistic targets since the collection remains unmet at the end of the year.

News Source:

https://www.thedailystar.net/business/economy/news/govt-set-conservative-revenue-target-3626046

Cooling system, lift, hi-tech parks may see higher import duty

- The government plans to raise the import duty on at least 13 types of machinery, including air cooler and refrigerator compressors, chillers, lifts, CCTV cameras, and prefabricated building materials from the current 1% to 10% in the upcoming budget, according to finance ministry sources.
- Furthermore, investors in economic zones and hi-tech parks may confront a 1% import duty on nearly all categories of capital machinery, a departure from their current duty-free status.
- Additionally, these investors may be required to cover all duties, excluding customs duty, for vehicle imports, according to officials from the ministry.
- They say in the upcoming budget, there may be an increase in import duties for CNG conversion kits, cylinders, and related machinery.
- The minimum tariff value for importing switches and sockets might also rise by around 40%.

News Source:

https://www.tbsnews.net/economy/budget/cooling-system-lift-hi-tech-parks-may-see-higher-import-duty-867881

SD, RD on nearly 300 items may go

- Import taxes on nearly 300 goods may be bundled out in the upcoming fiscal year in preparation for Bangladesh's graduation to middle-income country that presupposes tariff rationalisation.
- Officials in the revenue board have said Supplementary Duty (SD) on some 191 while Regulatory Duty on 91 imports would be waived in the budget for the 2024-25 financial year -- a fiscal measure that may have cooling impact on prices but toughen competition for domestic producers.
- As per World Trade Organization (WTO) rules, the National Board of Revenue (NBR) may bring 10 products under bound tariffs.
- Bound tariff is the maximum MFN tariff level for a given commodity line.
- When countries join the WTO or when WTO members negotiate tariff levels with one another during trade rounds, they make agreements about bound-tariff rates, rather than actually applied rates, according to the World Bank.

News Source:

https://today.thefinancialexpress.com.bd/first-page/sd-rd-on-nearly-300-items-may-go-1717437970

Govt spending to cover SoEs' losses may double in FY'25

- Government spending to cover net losses of state-owned enterprises (SoEs) is likely to double in the next fiscal year compared to the current budget, according to sources.

- The government forecasts that 49 SoEs may incur a total loss of BDT 280.47 billion in the next fiscal year, compared to a projected loss of BDT 149.62 billion in the current year.
- However, the revised budget for the current fiscal year now estimates a net loss of BDT 59.89 billion.
- Finance Division officials involved in budget preparation said that SoEs made a profit of BDT 1.38 billion in fiscal year 2022-23.
- This year's projected net loss is attributed to the global economic slowdown caused by the war in Ukraine, high global inflation and the devaluation of the local currency Taka.

News Source:

https://today.thefinancialexpress.com.bd/last-page/govt-spending-to-cover-soes-losses-may-double-in-fy25-1717438366

Sectoral Update

Banking and Insurance

Islamic banking market in BD stagnant: Fitch

- Liquidity challenges are still affecting Islamic banks in Bangladesh, which are more vulnerable than conventional ones, according to the latest report of an American credit-rating agency.
- Fitch Ratings on Monday said the Islamic banking market share was sizeable but had been stagnant over the past two years, accounting for just over a quarter of the sector by industry deposits (end-2023: 25.3%; end-2022: 25.8%) and financing (end-2023: 28.9%; end-2022: 29.2%).
- Islamic banks' liquidity-coverage ratio (LCR) tumbled to 58.7% at end-Q323 (end-2022: 87.7%; end-2021: 188.5%), below the 100% regulatory requirement and the 154.6% industry average LCR.
- This is partly due to the flight of deposits, governance issues and more lax prudential requirements for Islamic banks.
- However, liquidity profiles are showing signs of improvement, with some stabilisation possible in 2024 and 2025.

News Source:

https://today.thefinancialexpress.com.bd/first-page/islamic-banking-market-in-bd-stagnant-fitch-1717438121

Bangladesh Bank orders all banks to train security guards in using weapons

- The Bangladesh Bank has directed all banks to train their security guards in using weapons.
- The central bank Banking Regulation and Policy Department sent a notification in this regard to chief executives of all banks.
- The instructions also include employing sufficient armed security guards for the security of all bank branches as well as to always keep CCTVs operational.
- The directives come considering a recent robbery at Islami Bank's Chawkbazar branch in Chattogram, where a client's 149 bhori gold worth approximately BDT 1.5 crore allegedly went missing from a locker.

- According to the notification, to ensure security of business centres in all scheduled banks, the required number of CCTV or IP cameras or spy cameras should be installed at the entrance of the bank branch, inside the branch and outside as well as in all rooms with IT-related activities.

News Source:

https://www.tbsnews.net/economy/banking/bangladesh-bank-orders-all-banks-train-security-guards-using-weapons-867736

Apparel and Textile

Garment accessory makers seek tax cuts, revised import rules in budget proposals

- The Bangladesh Garments Accessories and Packaging Manufacturers and Exporters Association submitted their budget proposals for the fiscal year 2024-25, outlining measures they believe will strengthen the industry's contribution to the country's garment sector.
- The association, representing a crucial segment of the garment industry's supply chain, proposed a decrease from the current 1% tax to 0.25%, arguing that this aligns with previous government initiatives to encourage exports.
- Additionally, they seek a fixed rate for at least five years to provide predictability and stability for businesses planning their investments.
- The association's President Al Shahriar Ahmed said that considering the current global economic climate, they hope the government will consider revising the tax rate again to further stimulate exports.
- The manufacturers and exporters association also seeks a level playing field for both tariff and non-tariff-bonded establishments.

News Source:

https://www.tbsnews.net/economy/rmg/garment-accessory-makers-seek-tax-cuts-revised-import-rules-budget-proposals-867831

Capital Market

Dhaka stocks rise after three days

- The key index of the Dhaka Stock Exchange (DSE) bounced back today, snapping a three-day losing streak.
- The DSEX, the benchmark index of the country's prime bourse, rose 1.97 points, or 0.04%, to close at 5,235.63.
- Similarly, the DSES, the index that represents shariah-compliant companies, added 1.05 points, or 0.09%, to 1,138.31.
- However, the index of the blue-chip stocks, DS30, went down by 10.05 points, or 0.54%, to end the session at 1,856.99.
- Turnover increased 12.03% to BDT 391 crore.

News Source:

https://www.thedailystar.net/business/news/dhaka-stocks-rise-after-three-days-3625731

Business expansion delayed due to dollar crisis

- A half dozen publicly listed companies are unable to proceed with their business expansion funded through initial public offering (IPO) due to the ongoing dollar crisis and letter of credit (LC) problem.
- Due to this, investors are being deprived of their timely benefits.
- Investors usually decide to invest in new companies after analysing their prospectus.
- However, once the IPO funds are raised, companies often fail to meet their commitments, leading to investor dissatisfaction.
- Entrepreneurs reported that the exchange rate between the US dollar and Bangladeshi taka was stable between BDT 80 and BDT 90 in 2021 but now become volatile, currently standing at BDT 117 per dollar.

News Source:

https://www.tbsnews.net/economy/stocks/business-expansion-delayed-due-dollar-crisis-867941

Foreign investors continue to sell shares

- The net foreign portfolio investment in Bangladesh continued to fall in the July-March period of fiscal year 2023-24 due to the negative economic outlook, repeated devaluation of the local currency against the US dollar, and policy instability.
- During those nine months, the country's net foreign portfolio investment stood at USD 89 million in the negative compared to USD 45 million in the negative in the same period the year prior, according to Bangladesh Bank data.
- Foreigners started offloading their shares in 2020, when they predicted that the local currency may face significant devaluations.
- Seeing the huge selling pressure, the Dhaka Stock Exchange (DSE) stopped providing data on foreign investments upon receiving verbal instructions from the Bangladesh Securities and Exchange Commission (BSEC).
- The main reason for the massive sale of shares held by foreigners was currency instability and the imposition of the floor price mechanism, said Saiful Islam, president of the DSE Brokers Association of Bangladesh.

News Source:

https://www.thedailystar.net/business/news/foreign-investors-continue-sell-shares-3626016