EBL ASSET MANAGEMENT LTD.
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Daily News Snippet

June 06, 2024

Bangladesh Market	
Major Indices	**Last closing**
DSEX Index	5,224.37
% change	-0.44%
DS30 Index	1,854.38
% change	0.10%
DSES Index	1,135.52
% change	-0.63%
Turnover (BDT mn)	3,813.41
Turnover (USD mn)	32.33
% change	-35.70%
Source: Dhaka Stock Exchange	

International Market	
Major Indices	**Last closing**
Dow Jones Industrial Average	38,807.33
% change	0.25%
S&P 500	5,354.03
% change	1.18%
Nikkei 225	38,490.17
% change	-0.89%
FTSE 100	8,246.95
% change	0.18%
Source: Bloomberg	

Exchange rate		
Major Currencies	**Low (BDT)**	**High (BDT)**
USD	117.50	117.95
EUR	127.82	128.35
GBP	149.97	150.59
INR	1.41	1.41
Source: BB		

Money market		
Date	**Call Money Rate Range (%)**	**Weighted Average**
5-Jun-24	8.50 - 9.95	8.81
4-Jun-24	8.50 - 10.00	8.87
Source: BB		

Commodities		
Major Commodities	**Price**	**% Change**
Brent Crude (Oil), USD/bbl.	78.69	0.36%
Gold Spot, USD/t oz.	2,367.84	0.53%
Cotton, USD/lb.	73.62	0.15%
Source: Bloomberg		

Market Summary

Bangladesh Market

- The leading bourse of the country, DSEX lost 0.44% in the last trading day, closing at 5,224.37 points.
- The daily turnover decreased 35.70% in the last trading day.

Global Market

- Majority of the leading global indices posted positive returns as Dow Jones posted 0.25% gain, S&P 500 posted 1.18% gain and FTSE 100 posted 0.18% gain.
- One of the leading Asian market indices, NIKKEI 225 posted 0.89% 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 8.81% with a high rate of 9.95% and low rate of 8.50%.
- The oil price increased 0.36% in the last trading day.

Bangladesh Macro Update

How far have fiscal measures promoted industrialisation?

- The government is likely to extend tax exemptions for the information technology sector for three more years as the current phase of concessions ends on June 30.
- Finance Minister Abul Hassan Mahmood Ali is likely to announce the extension today when he unveils his as well as the new government's first budget.
- The IT sector has been enjoying the tax break for several years.
- It is one of the many sectors that have been allowed tax and VAT exemptions as well as concessional import duties as the government looks to spur industrialisation, create jobs for the millions of youths joining the workforce each year, and accelerate economic growth.
- However, questions remain whether the generous tax treatments as well as overall fiscal policies have drawn investments and facilitated manufacturing growth.

News Source:

https://www.thedailystar.net/business/economy/news/how-far-have-fiscal-measures-promoted-industrialisation-3627661

Govt to rely more on local banks than foreign funds

- The government will rely more on domestic bank borrowing than foreign financing in the next fiscal year, intensifying pressure on the economy.
- In the revised budget for the current fiscal year of 2023-24, the net foreign financing was cut by 25% due to the increasing debt servicing cost and low utilisation of foreign funds.
- Net foreign financing is calculated after excluding the expenditure on debt servicing.
- The net foreign financing is likely to be reduced by 12% in 2024-25.
- In the current fiscal year, BDT 1,02,490 crore was allocated as net foreign financing, which was later reduced to BDT 76,293 crore.

News Source:

https://www.thedailystar.net/business/bangladesh-national-budget-fy2024-25/news/govt-rely-more-local-banks-foreign-funds-3627711

Exports slide 16% in May

- Merchandise exports from Bangladesh declined 16.06% year-on-year to USD 4.07 billion in May due to the poor performance of major sectors such as garments, jute and jute goods, and leather and leather products, official figures showed yesterday.
- However, overall shipments grew 2.01% to USD 51.54 billion in July-May, according to data from the Export Promotion Bureau (EPB).
- May's drop comes at a time when the government is looking to give a much-needed fillip to the foreign exchange reserves and reverse the widening deficit in the financial account on the back of export and remittance earnings, the two biggest sources of international currencies for the country.
- SM Mannan Kochi, president of the Bangladesh Garment Manufacturers and Exporters Association, blamed the global inflationary pressures for the reduction in exports.

- The shipment was severely impacted by the slide in demand as consumers in the western markets are still reeling from an elevated level of prices, fuelled by the lingering impact of the Covid-19 pandemic and the raging Russia-Ukraine war.

News Source:

https://www.thedailystar.net/business/economy/news/exports-slide-16-may-3627671

Spending on education falls short of expectations

- After the national budget is unveiled, the government always boasts that education gets significant investment as one of the priority sectors. The budgetary numbers will also tell you so.
- A closer look, however, reveals a gap between what is written in the budget documents and the reality.
- Since the size of the national budget is ballooning, the expenditure on education, which constitutes a critical component of a nation's human capital development, is also on the rise.
- However, in terms of gross domestic product (GDP), the actual spending has remained almost stagnant, and, in some years, it has even experienced a fall.
- This stands in stark contrast to what Bangladesh committed on global forums.

News Source:

https://www.thedailystar.net/business/economy/news/spending-education-falls-short-expectations-3627631

Mismatches in poverty, inequality data

- A World Bank study finds mismatches in Bangladesh poverty and inequality data and shows how to measure the two vital indices and thus help effective policy actions.
- Poverty rates would have been 10.6% lower between 2010 and 2016 and a further 7.8% lower between 2016 and 2022 if data of HIES 2022 apply to previous survey, says the study report.
- Similarly, extreme poverty rates, according to the study, would have declined by approximately 3.0% in the earlier period and 3.6% more recently.
- These reductions align with improvements in other wellbeing indicators, such as reductions in infant mortality and stunting, and increases in access to electricity, sanitary toilets, and literacy rates, says Sergio Olivieri, Senior Economist, Poverty and Equity Global Practice, at the World Bank.

News Source:

https://today.thefinancialexpress.com.bd/first-page/mismatches-in-poverty-inequality-data-1717610550

New fiscal measures may fuel income inequality, inflation

- Income inequality and inflationary pressure both may stoke up to afflict commoners as government' finance authority may bank on indirect and regressive taxation in a bigger way, economists predict.
- The government may not offer any new waiver on VAT, known as a regressive tax, in the budget for financial year 2024-25.
- And the customs wing of the revenue board is likely to phase out a plethora of goods from zero-rated to 1.0-to-5.0% taxes, according to budget documents obtained by the Financial Express.

- For the first time ever, the VAT wing of the National Board of Revenue (NBR) has counted no 'loss' in its revenue in the upcoming fiscal year, compared to the outgoing fiscal, on account of fiscal measures, says a senior official involved with the budget preparation.
- On customs measures, the official said that the businesses have to build a mindset to pay a nominal rate of taxes from now on as they have availed the zero-rated duty for years.

News Source:

https://today.thefinancialexpress.com.bd/first-page/new-fiscal-measures-may-fuel-income-inequality-inflation-1717610647

Private sector short-term foreign debt rises in April after 10-month dip

- Private sector short-term foreign debt increased slightly in April after ending a continuous 10-month decline, driven by a surge in the local currency lending rate.
- According to Bangladesh Bank data, short-term foreign debt stood at USD 11.1 billion at the end of April, increasing by USD 60 million from March but decreasing by around USD 690 million compared to December 2023.
- Starting in June 2022 at USD 17.76 billion, short-term foreign debt has decreased by around USD 6.5 billion over about two years, significantly depleting the country's forex reserves.
- Senior officials at several private banks said there has been some stabilisation in the dollar market since the central bank increased the dollar rate by BDT 7 a month ago.
- Consequently, banks and customers are increasing deferred LCs, albeit on a small scale. They are also taking some short-term loans, which has halted the downward trend of short-term foreign debt in April, they added.

News Source:

https://www.tbsnews.net/economy/private-sector-short-term-foreign-debt-rises-april-after-10-month-dip-869951

Govt to introduce first-ever prospective tax rates

- For the first time in the country, the government plans to announce prospective tax rates for at least two fiscal years in the upcoming budget, aiming to attract foreign direct investment (FDI), according to finance ministry officials.
- Also, high-net-worth individuals will face a tax increase of 30% from the current 25%, a move intended to reduce income inequality, fund public services, and ensure a fairer distribution of resources.
- They said the country will enter a "predictable tax regime" by the next fiscal year, which will help boost FDI, as every foreign investor wants to know its tax predictability.
- Besides, it will be helpful for local individuals and companies to plan their finances as they will be able to know what their tax rates will be in the coming years.
- According to NBR officials, the country currently follows a "retrospective tax regime," where taxpayers always remain uncertain about their tax rates or burden. Almost every developed country follows a prospective tax regime.

News Source:

https://www.tbsnews.net/nbr/govt-introduce-first-ever-prospective-tax-rates-869891

Budget support from dev partners to cross $2b for second time

- This fiscal year marks the second instance of the government receiving over USD 2 billion in budget support from development partners.
- Previously, the highest recorded budgetary assistance stood at USD 2.597 billion in the fiscal 2021-22, according to data from the Economic Relations Division (ERD).
- ERD data show that the government is set to receive USD 1.25 billion from multiple development aid agencies as budget support in June, the final month of FY24.
- Finance ministry officials said this aid will swiftly bolster foreign currency reserves upon the signing of the loan agreements.
- Of the USD 1.25 billion in loan agreements expected to be signed this month, USD 250 million will come from the Asian Development Bank (ADB), USD 500 million from the World Bank, USD 400 million from the Asian Infrastructure Investment Bank (AIIB), and USD 100 million from South Korea.

News Source:

https://www.tbsnews.net/economy/budget-support-dev-partners-cross-2b-second-time-869156

Higher farm subsidy sought in FY ’25

- Agriculture-sector stakeholders are waiting for a substantially increased subsidy allocation in the budget for fiscal year 2024-25, which is set to be placed before parliament today (Thursday), as the farmers are passing through an adverse farming condition.
- Under the circumstances, the government has already revised the subsidy allocation 47% higher for the outgoing fiscal year (FY 2023-24) from the original allocation of BDT 170 billion to BDT 250 billion.
- Meanwhile, the Ministry of Agriculture (MoA) has submitted a demand for allocation of BDT 180 billion on account of agricultural subsidies for the upcoming FY'25, officials said
- Agriculture sector experts, however, thought that the sector deserves 10% of the total budgetary expenditure considering the volatility in the global food market and the need for ensuring food security of the country.
- A senior official of MoA told the FE that this hike could largely be attributed to factors including the surge in fertiliser prices in the global market, currency devaluation against the dollar, rising shipping costs, and escalated fuel prices.

News Source:

https://today.thefinancialexpress.com.bd/last-page/higher-farm-subsidy-sought-in-fy-25-1717610908

Sectoral Update

Banking and Insurance

State banks' default loans rise 42% in a year

- Default loans at six state-run banks rose by 42% to BDT 85,869 crore at the end of March this year, giving an indication of their fragile financial health resulting from a lack of good governance.
- The lenders are Sonali Bank, Janata Bank, Agrani Bank, Rupali Bank, Bangladesh Development Bank and BASIC Bank.

- At the end of March last year, the amount was BDT 60,642 crore, showed Bangladesh Bank data.
- These banks had BDT 78,365 crore in bad loans at the end of December last year.
- The default loans have increased at a time when the government and the central bank are seeking to reduce such loans.

News Source:

https://www.thedailystar.net/business/economy/news/state-banks-default-loans-rise-42-year-3627666

Banking reforms remain a pipe dream

- In his budget speech for 2019-20, former finance minister AHM Mustafa Kamal hinted that the government was thinking of undertaking a number of reforms to bring about discipline in the banking sector.
- He would go on to refer to such reforms while announcing the next four budgets, but only a few were ever implemented, leading to the sector becoming even more undisciplined.
- The government and the central bank managed to take some initiatives, including amending a bank company act and a central bank roadmap to address governance issues.
- Yet, good governance in the banking sector remains a far cry as these measures alone remain ineffective.
- So, as new finance minister, Abul Hassan Mahmood Ali, gears up to place his first budget for FY25, the lack of good governance in the banking sector remains a widely discussed issue.

News Source:

https://www.thedailystar.net/business/economy/news/banking-reforms-remain-pipe-dream-3627621

Deposit interest highest in decade, while growth lowest in 10 months

- Most banks offered up to 12% interest on deposits in April, the highest in a decade. Despite higher interest rates, deposit growth slowed to 8.63%, the lowest in the last ten months, according to central bank sources.
- Bankers said, when the interest rate of deposits in banks is increasing while the growth of deposits is decreasing, it is a matter of great concern.
- Many banks are not able to return the deposit money.
- Apart from this, depositors kept less money in banks due to fear of inflation and merger issues.
- According to Bangladesh Bank data, at the end of April this year, the amount of deposits in banks stood at BDT 16.75 lakh crore, registering 8.63% year-on-year growth.

News Source:

https://www.tbsnews.net/economy/deposit-interest-highest-decade-while-growth-lowest-10-months-869126

10 banks' capital shortfall hits Tk39,655cr in Dec quarter

- The capital shortfall of 10 private and public banks in the country rose to BDT 39,655 crore at the end of December 2023, according to the Disclosures on Risk-Based Capital Adequacy (Basel III) report of the banks.

- Bankers said the widening capital deficit is due to an increase in risk-based assets, driven by a rise in defaulted loans.
- The actual deficit is much higher than reported because many banks get deferral advantages against provisioning, otherwise, the capital shortfall would be significantly greater, they said.
- As per international rules, banks are bound to preserve capital.
- According to the Basel III policy, lenders in Bangladesh need 10% of their risk-weighted assets, or BDT 500 crore, whichever is higher, in preserved capital.

News Source:

https://www.tbsnews.net/economy/banking/10-banks-capital-shortfall-hits-tk39655cr-dec-quarter-869946

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News Source:

https://www.tbsnews.net/economy/deposit-interest-highest-decade-while-growth-lowest-10-months-869126

Apparel and Textile

Low gas pressure cuts textile production by 65%

- Production in spinning, dyeing and weaving mills in the Tongi, Sreepur, Gazipur and Maona areas declined by around 65% due to low gas pressure in the last five days.
- The factory owners said there is zero gas pressure in some units while some are receiving as low as 1 to 3 pounds per square inch (PSI) whereas they need 10-15 PSI to run the mills in full capacity.
- Many factory owners of the industrial belt now fear missing the monthly production target and failing to ensure timely air shipment of the goods.
- Bangladesh has a USD 25 billion primary textile sector and nearly 60% of its spinning, dyeing, washing, weaving and finishing units are located in the country's largest industrial belt consisting of Gazipur, Sreepur, Maona, Savar, Ashulia and Tongi.
- Mohammad Zaber, managing director of Noman Group, the single largest textile and garment exporter of Bangladesh, told The Daily Star that his group is also at the risk of missing the export target and schedule because of the gas crisis.

News Source:

https://www.thedailystar.net/business/news/low-gas-pressure-cuts-textile-production-65-3627446

Capital Market

Dhaka bourse's shares fall again

- The benchmark index of the Dhaka Stock Exchange (DSE) fell today after hiking for three consecutive days.
- The DSEX, the board index of the country's premier bourse, slipped 23.16 points, or 0.44%, to close the day at 5,224.36.
- Likewise, the DSES, the index that represents the Shariah-based companies, dropped 7.22 points, or 0.63%, to 1,135.52.
- However, the DS30, the index that comprises the best blue-chip shares, rose 1.81 points, or 0.10%, to 1,854.38.
- Turnover, a crucial indicator of a day's trading activity, decreased 35.7% from the previous day to hit BDT 381 crore.

News Source:

https://www.thedailystar.net/business/news/dhaka-bourses-shares-fall-again-3627371

Bank Asia to issue Tk800cr bond

- Bank Asia PLC, a private sector lender, has decided to issue a bond worth BDT 800 crore to enhance its capital base through private placement.
- The floating rate non-convertible subordinate bond aimed at raising regulatory capital (Tier-2) is expected to help the bank fulfil its Basel-III requirements.
- The decision to issue the bond was approved by the board of directors at a board meeting on 4 June, according to a disclosure on the stock exchanges on Wednesday (5 June).
- The issuance of the bonds, which have a seven-year term, is subject to approval from the Bangladesh Securities and Exchange Commission (BSEC) and the Bangladesh Bank.
- Currently, the local bond market is dominated by subordinated bonds, mainly issued by banks.

News Source:

https://www.tbsnews.net/economy/stocks/bank-asia-issue-tk800cr-bond-869906