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Daily News Snippet

June 09, 2024

Bangladesh Market	
Major Indices	**Last closing**
DSEX Index	5,237.32
% change	0.25%
DS30 Index	1,857.98
% change	0.19%
DSES Index	1,136.76
% change	0.11%
Turnover (BDT mn)	5,426.05
Turnover (USD mn)	46.00
% change	42.29%
Source: Dhaka Stock Exchange	

International Market	
Major Indices	**Last closing**
Dow Jones Industrial Average	38,798.99
% change	-0.22%
S&P 500	5,346.99
% change	-0.11%
Nikkei 225	38,683.93
% change	-0.05%
FTSE 100	8,245.37
% change	-0.48%
Source: Bloomberg	

Exchange rate		
Major Currencies	**Low (BDT)**	**High (BDT)**
USD	117.95	117.95
EUR	128.19	128.21
GBP	150.80	150.85
INR	1.41	1.41
Source: BB		

Money market		
Date	**Call Money Rate Range (%)**	**Weighted Average**
6-Jun-24	8.50 - 10.00	9.00
5-Jun-24	8.50 - 9.95	8.81
Source: BB		

Commodities		
Major Commodities	**Price**	**% Change**
Brent Crude (Oil), USD/bbl.	79.62	-0.31%
Gold Spot, USD/t oz.	2,293.78	-3.46%
Cotton, USD/lb.	72.89	-0.96%
Source: Bloomberg		

Market Summary

Bangladesh Market

- The leading bourse of the country, DSEX gained 0.25% in the last trading day, closing at 5,237.32 points.
- The daily turnover increased 42.29% in the last trading day.

Global Market

- Majority of the leading global indices posted negative returns as Dow Jones posted 0.22% loss, S&P 500 posted 0.11% loss and FTSE 100 posted 0.48% loss.
- One of the leading Asian market indices, NIKKEI 225 posted 0.05% loss.

Key macro indicators

- All the major currencies rose against BDT yesterday except the Euro.
- The average overnight rate is rising in the past week.
- The current weighted average overnight rate stood at 9.00% with a high rate of 10.00% and low rate of 8.50%.
- The oil price decreased 0.31% in the last trading day.

Bangladesh Macro Update

Ctg-China freight costs double amid Red Sea conflicts; external trade suffers

- Freight rates for the Bangladesh-China route have more than doubled over the past six months due to container delays at major ports like Shanghai, Ningbo, Singapore and Colombo amid supply chain disruptions caused by the Houthi attacks in the Red Sea.
- At Singapore port, a major transshipment route for Bangladesh, it takes about 7 days for a ship to get berthing in place of one-and-half days at normal time, according to data from container shipping analysis firm Linerlytica.
- Charges have increased by 50% at Singapore and 15% at Colombo port.
- A senior official at the Bangladesh office of a global shipping company told TBS that congestion at ports in China and Singapore causes supply disruption for most of Bangladesh's imported goods, especially industrial raw materials, electronic products, and machinery, that come from China to Bangladesh via transshipment ports.
- Goods are transported from Chattogram port to ports in China, as well as to European and American ports, via transshipment ports such as Singapore, Port Klang, Colombo, and Tanjung Pelepas.

News Source:

https://www.tbsnews.net/economy/ctg-china-freight-costs-double-amid-red-sea-conflicts-external-trade-suffers-872461

Economic crisis may deepen further

- 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.
- 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://thefinancialexpress.com.bd/economy/economic-crisis-may-deepen-further

Bring urban wealthy people under tax net

- Noted economist Dr Binayak Sen on Saturday recommended bringing wealthy people, who earn 45% of the urban income, under tax net to relieve the middle- and lower-income group from the tax burden.
- Bring them into direct income tax and you do not need to increase tax rates, said the Director General of Bangladesh Institute of Development Studies (BIDS), a public sector research organisation.

- If the National Board of Revenue (NBR) can bring them into the tax net, it does not also need to extend its net to middle-and lower-income group to burden them with tax.
- The BIDS organised its first-ever post-budget discussion at its office in the city.
- Dr Sen put forward the suggestion based on the findings of Household Income and Expenditure Survey 2022 (HIES 2022), saying that 45% of urban income concentrated in 10% or 13 million urban households where approximately 20 million people are eligible to pay tax.

News Source:

https://today.thefinancialexpress.com.bd/last-page/bring-urban-wealthy-people-under-tax-net-1717867228

No clear directive on cut in inflation: Mirza Aziz

- Although this year's budget promises to reduce inflation to 6.5%, there is no clear direction to achieve this goal.
- Besides, in the absence of special initiatives for investment and job creation, it will be difficult to achieve economic stability.
- Dr AB Mirza Azizul Islam made the observations at a programme on Saturday.
- The tax administration lacks good governance and efficiency. As a result, the National Board of Revenue (NBR) is not able to collect taxes as per the target.
- Even half of the Taxpayer's Identification Number (TIN) holders in the country do not file income tax returns and the NBR may enquire about the matter, he added.

News Source:

https://today.thefinancialexpress.com.bd/last-page/no-clear-directive-on-cut-in-inflation-mirza-aziz-1717867336

Internal borrowing likely to increase inflation: ICAB

- Hailing the proposed national budget, the Institute of Chartered Accountants of Bangladesh (ICAB) has said financing a huge sum of money from internal sources through borrowing could raise inflation.
- About huge internal borrowings, ICAB president Forkan Uddin says from the macro-economic perspective, the country's inflation rate is over 9.0%, which is indicative of high inflation.
- About 20% of the total budget or approximate BDT 1.6 trillion is proposed to be financed through borrowing from domestic sources, which may lead to inflation," he adds.
- Mr Forkan came up with the opinion at a post-budget press conference at the ICAB head office in the city's Karwanbazar area on Saturday.
- Amid issues like Russia-Ukraine war, unbridled inflation, price spiral, dollar dearth, slowdown in investment and employment and other uncertainties, the government has taken up a challenge of implementing the development budget of BDT 2.65 trillion, he added.

News Source:

https://today.thefinancialexpress.com.bd/last-page/internal-borrowing-likely-to-increase-inflation-icab-1717867447

Budget lacks focus on private sector needs: Experts

- The private sector has not received adequate attention in the proposed national budget for 2024-25 fiscal year, experts said at a roundtable on Saturday.
- They also highlighted the lack of initiatives aimed at expanding industrialisation, diversifying exports, and boosting private investment and job creation.
- They emphasised that without strict and proper monitoring of the commodity market, it would be impractical to control inflation just by providing tax exemptions on some essential products.
- They also suggested that the National Board of Revenue (NBR) should expand its network to the grassroots level and strengthen its research wing, including industrial research, in order to enhance domestic resource mobilisation.
- The experts made the observations at the roundtable discussion titled 'Reflections on National Budget 2024-25: Overview and Sectoral Perspectives' jointly organised by Policy Exchange Bangladesh and SMAC Advisory and Services Limited at a city hotel.

News Source:

https://today.thefinancialexpress.com.bd/last-page/budget-lacks-focus-on-private-sector-needs-experts-1717867497

FBCCI critical of budgetary targets beyond means

- Bangladesh's apex chamber may not oppose legalizing legitimately earned undeclared money under the new budgetary amnesty but will request the government not to allow the whitening of ill-gotten wealth.
- President of the Federation of Bangladesh Chambers of Commerce and Industry (FBCCI) Mahbubul Alam Saturday said the chamber body would write to the government urging not to legalise money accrued through criminal activities.
- We'll write to the government so that money earned through criminal activities cannot be legalised by paying of 15% taxes, according to Mr. Alam in a post-budget press briefing.
- The FBCCI chief's reaction came in response to a question relating to the provision of whitening black money with special reference to former Inspector-General of Police Benazir Ahmed.
- Also reacting to another sore point on the financial front -- much-talked-about non-performing loan (NPL) buildups in the banking sector -- the business community's leader said they would not favour 'wilful' defaulters.

News Source:

https://today.thefinancialexpress.com.bd/first-page/fbcci-critical-of-budgetary-targets-beyond-means-1717866395

Sectoral Update

Banking and Insurance

Excise duty proposed to be exempted on offshore banking

- The government has proposed to exempt the excise duty on the accounts of the depositors or foreign lenders kept in the offshore banking units (OBU) from the upcoming fiscal year 2024-25 (FY25).

- In the proposed budget for FY25, placed in the parliament today (6 June), the minister said the exemption will be given to OBUs under the jurisdiction of the Offshore Banking Act, 2024.
- The Parliament passed the Offshore Banking Act 2024 on 5 March, aiming to enhance the country's reserves of foreign currency and attract foreign investment.
- Before that, offshore banking activities were regulated through guidelines issued by the central bank.

News Source:

https://www.tbsnews.net/economy/banking/excise-duty-proposed-be-exempted-offshore-banking-870476

NPLs rise Tk36,662cr in March quarter, budget has no measure

- The country's banking sector experienced a steep rise in non-performing loans (NPLs) of BDT 36,662 crore in just three months from January to March, accounting for 11% of total loans.
- The Bangladesh Bank released the latest figures today, coinciding with Finance Minister Abul Hassan Mahmood Ali's proposal for the new budget for FY25 raising concerns about non-performing loans and lack of financial discipline in the banking sector.
- At the end of March, the total default loan stood at BDT 1,82,295 crore, marking the highest in the country's banking sector history.
- According to Bangladesh Bank data, the banking sector had BDT 1,45,633 crore in default loans at the end of December last year, accounting for 9% of total loans.
- To restore discipline, painful restructuring, such as mergers, may need to be completed for some banks, said the finance minister while presenting the new budget.

News Source:

https://www.tbsnews.net/economy/banking/non-performing-loans-rise-tk36667cr-march-quarter-870581

Pvt sector investors can now set up credit bureau with Tk10 crore paid-up capital

- The Bangladesh Bank has issued guidelines for the first time allowing private sector investors to set up credit bureau companies with a minimum paid-up capital of BDT 10 crore.
- The guidelines aim to aid supervision, enhance stability, and facilitate more organised management of credit portfolios and currently, the Credit Information Bureau (CIB), run by the Bangladesh Bank, is the only authorised source of credit information for lenders.
- Under the new guideline issued on 5 June on the licensing, operation, and regulation of credit bureaus, an individual or a company can now apply to its Payment Systems Department (PSD) for the license to operate a credit bureau.
- The guideline aims to reduce information asymmetry about borrowers in the financial market, make positive client information that are often kept confidential,
- Ot can also increase competition in the credit market, and benefit better credit applicants.

News Source:

https://www.tbsnews.net/economy/banking/pvt-sector-investors-can-now-set-credit-bureau-tk10-crore-paid-capital-870296

Apparel and Textile

Proposed budget frustrates textile, apparel sector

- Leaders of the country's textile and apparel sector on Saturday urged the government to reconsider a cut in source tax and continuation of cash incentive which, according to them, were not reflected in the proposed budget for FY 2024-25.
- They also demanded withdrawal of the 1.0% duty proposed on import of capital machinery and construction materials by factories located in the economic zones.
- These were some of the major concerns they raised at a joint post-budget press conference of the sector-related trade bodies at Bangladesh Garment Manufacturers and Exporters Association (BGMEA) office at Uttara in the city.
- Leaders of BGMEA, Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA) and Bangladesh Textile Mills Association (BTMA) put forward their demands while appreciating some of the proposed measures.
- They welcomed allowing imports of 17 textile goods at reduced rate, tax reduction on chillers to 10% from 104.68% and import duty reduction on polyester staple fibre and pet chips (textile grade).

News Source:

https://today.thefinancialexpress.com.bd/last-page/proposed-budget-frustrates-textile-apparel-sector-1717867385

BD falls behind in bagging US garment work orders

- Bangladesh is lagging far behind others in seizing US garment work orders shifting from China, which industry insiders attributed to a number of factors like inefficiency, long lead time and energy crisis.
- Data available with the Office of Textiles and Apparel (OTEXA), a body under the American Commerce Department, also indicated the same trend that showed Vietnam has surpassed China in garment shipments to the US during the first four months of 2024.
- On the other hand, Bangladesh sustained double-digit negative growth, 14.44% to US market, to fetch USD 2.30 billion during the period in question.
- The country's slump is evident in both the value and volume of exports.
- During the January-April period of 2024, Bangladesh shipped 8.26% fewer garments, which is 763.35 million square metres, compared to the previous year's 832.06 million square metres.

News Source:

https://today.thefinancialexpress.com.bd/last-page/bd-falls-behind-in-bagging-us-garment-work-orders-1717867564

Telecommunication

Budget FY25: SIM cards to get costlier

- Value Added Tax (VAT) on SIM/e SIM cards has been increased from BDT 300 from the previous BDT 200 in the national budget proposed.

- The mobile phone SIM-enabled telecommunication services will be costlier as the supplementary duty on the services was raised to 20% from 15% in the proposed National Budget for 2024-2025 fiscal year.
- In his maiden budget speech, the finance minister proposed to fix 20% supplementary duty only upon the SIM/RUIM card enabled mobile telecom service [Service Code S012.10] instead of existing 15%.
- He, however, said the cost of the internet has been significantly reduced, and the opportunities for web-based employment and business have been expanded.
- In 2008, minimum cost of 1 Mbps fixed internet bandwidth was BDT 27,000, whereas it is now only BDT 60.

News Source:

https://www.tbsnews.net/bangladesh/telecom/budget-fy25-sim-cards-get-costlier-870621

Power and Energy

'BD's reliance on fossils fails global commitments'

- Bangladesh's dependence on fossil fuels hinders its ability to meet international commitments under the Paris Agreement and sustainable development goals (SDGs) related to climate change mitigation and clean energy transition.
- Speakers made the observations at a national policy dialogue hosted on Saturday with an eye to promoting renewable energy and ensure sustainable development.
- Dependence on imported fuels and global price volatility translate to higher electricity bills for consumers and businesses that, according to them, can stifle economic growth and increase household expenses.
- BEI president Ambassador M Humayun Kabir chaired the dialogue where BEI researchers Samiul Haque and Faysal Ahmed delivered two keynotes.
- According to the discussants, large investments required for fossil fuel infrastructure development create substantial debt obligations for the government, which diverts resources from other crucial sectors like education and health care.

News Source:

https://today.thefinancialexpress.com.bd/first-page/bds-reliance-on-fossils-fails-global-commitments-1717866896

Capital Market

Stocks bearish run persists for 4 weeks

- The bearish trend in the country's capital market continued for four weeks, as reflected by a 15-point decline in the Dhaka Stock Exchange's (DSE) benchmark index last week amidst economic uncertainties and cautious investor sentiment.
- The DSEX closed at 5,237 points, down 0.28% from the previous week.
- EBL Securities stated in its weekly market review that investors remained watchful of the market's trend due to concerns surrounding the national budget declaration, although some investors sought positions in sector-specific stocks with quick gain potential after significant corrections.

- Investor participation slightly rebounded as average turnover increased by 16% to BDT 451 crore compared to the previous week.
- The blue-chip DS30 index, comprising 30 prominent companies, lost nearly 17 points to 1,858, while the DSES index, representing Shariah-compliant companies, fell 7 points to 1,136.

News Source:

https://www.tbsnews.net/economy/stocks/stocks-bearish-run-persists-4-weeks-872271

How the budget will impact listed firms

- While the new budget lacks comprehensive provisions for the capital market beyond an investment opportunity for black money, the proposed tax measures – rebates for certain sectors and increases for others – could influence stock performance.
- The sector-specific measures proposed for the upcoming fiscal year are expected to positively impact the profitability of listed companies across various sectors receiving tax cuts and exemptions.
- Conversely, companies in sectors facing additional tax burdens may experience negative effects on their profits.
- They also sought a wider tax gap between listed and non-listed firms and opposed capital gains tax on individuals amidst the bearish trend following the removal of the floor price and rising interest rates.
- However, none of these stakeholder demands were fulfilled in the budget, rather, a 15% tax on capital gains exceeding BDT 50 lakh has been introduced and the tax gap between listed and non-listed firms has been narrowed.

News Source:

https://www.tbsnews.net/economy/stocks/how-budget-will-impact-listed-firms-872276