Daily News Snippet

June 11, 2024

Bangladesh Market	
Major Indices	**Last closing**
DSEX Index	5,105.89
% change	-1.27%
DS30 Index	1,811.79
% change	-1.29%
DSES Index	1,103.66
% change	-1.53%
Turnover (BDT mn)	3,187.85
Turnover (USD mn)	27.02
% change	-10.93%
Source: Dhaka Stock Exchange	

International Market	
Major Indices	**Last closing**
Dow Jones Industrial Average	38,868.04
% change	0.18%
S&P 500	5,360.79
% change	0.26%
Nikkei 225	39,038.16
% change	0.92%
FTSE 100	8,228.48
% change	-0.20%
Source: Bloomberg	

Exchange rate		
Major Currencies	**Low (BDT)**	**High (BDT)**
USD	117.70	118.00
EUR	127.11	127.49
GBP	149.72	150.14
INR	1.41	1.41
Source: BB		

Money market		
Date	**Call Money Rate Range (%)**	**Weighted Average**
10-Jun-24	8.50 - 10.00	9.24
9-Jun-24	8.50 - 10.00	8.87
Source: BB		

Commodities		
Major Commodities	**Price**	**% Change**
Brent Crude (Oil), USD/bbl.	81.47	-0.39%
Gold Spot, USD/t oz.	2,304.06	-0.30%
Cotton, USD/lb.	71.96	0.52%
Source: Bloomberg		

Market Summary

Bangladesh Market

- The leading bourse of the country, DSEX lost 1.27% in the last trading day, closing at 5,105.89 points.
- The daily turnover decreased 10.93% in the last trading day.

Global Market

- Majority of the leading global indices posted positive returns as Dow Jones posted 0.18% gain, S&P 500 posted 0.26% gain and FTSE 100 posted 0.20% loss.
- One of the leading Asian market indices, NIKKEI 225 posted 0.92% gain.

Key macro indicators

- All the major currencies fell against BDT yesterday.
- The average overnight rate is rising in the past week.
- The current weighted average overnight rate stood at 9.24% with a high rate of 10.00% and low rate of 8.50%.
- The oil price decreased 0.39% in the last trading day.

Bangladesh Macro Update

Blow for private economic zones, hi-tech parks as tax benefits go

- Investors and developers of private economic zones (EZs) and hi-tech parks are going to lose the 10-year-long tax waiver on their incomes from the next fiscal year as the government phases out exemptions.
- Bangladesh has embarked on the process of ending tax exemptions gradually in all sectors with a view to lifting the country's low tax-to-GDP ratio and aligning them with global rates since the country will not be able to offer generous tax benefits and subsidies in the current form after it becomes a developing nation in 2026.
- While unveiling the budget for the upcoming fiscal year on Thursday, Finance Minister Abul Hassan Mahmood Ali gave the direction on cutting exemptions.
- As such, the government is going to provide the waiver to state-run hi-tech parks and economic zones alone.
- The move comes at a time when the government is under pressure to enhance revenue collections to finance public expenditures and reduce its reliance on borrowing.

News Source:

https://www.thedailystar.net/business/economy/news/blow-private-economic-zones-hi-tech-parks-tax-benefits-go-3631701

An Economy in a shambles and budget risks debt-trap

- Bangladesh's overall economy is now in a veritable shambles and budget risks pushing the country in debt-trap, noted economists told a meet Monday and stressed comprehensive reforms as a remedy.
- Country's overall economy is now in a state of fragility and instability where budget is nothing but a sacrificial lamb, said Prof Wahiduddin Mahmud.
- He finds logic behind terming the GDP-growth target at 6.75% 'unrealistic' in the budget for the next fiscal year.
- Overall economy is reeling from 'fundamental weaknesses' where any alternatives in budgetary system would not be pleasant, said the economics professor at the programme arranged jointly by Editors' Council and Newspaper Owners Association, Bangladesh (NOAB).
- A galaxy of economists and policy analysts, apart from editors and newspaper owners, attended the discussion programme on 'State of Economy and Proposed budget 2024-25', held at a Dhaka hotel.

News Source:

https://today.thefinancialexpress.com.bd/first-page/economy-in-a-shambles-and-budget-risks-debt-trap-1718043548

Supplementary budget passed with addl Tk 37.82b

- Government spending from the current budget balloons further with another sum of BDT 37.82 billion as parliament Monday passed a supplementary budget to meet increased expenditures under different ministries, overruling objections.

- Finance AH Mahmood Ali placed the supplementary budget for the outgoing fiscal 2023-24 in the House on June 6 along with the new national budget.
- On Monday, the finance minister moved three bills to push the supplementary budget through the House following general discussion on it and on cut motions.
- In the budget for 2023-24 fiscal the net allocation for 62 ministries and divisions was BDT 7.62 trillion.
- In the supplementary budget, expenditure of 22 ministries and divisions got enhanced while expenditure of 40 ministries and divisions remained either unchanged or reduced.

News Source:

https://today.thefinancialexpress.com.bd/first-page/supplementary-budget-passed-with-addl-tk-3782b-1718043593

Proposed budget lacks crucial reforms amid crisis: Debapriya

- The proposed FY25 budget fails to address the stability of the economy, protect the financial condition of the disadvantaged segments of society, or introduce necessary reforms amid the current crisis, Dr Debapriya Bhattacharya, distinguished fellow of the Centre for Policy Dialogue (CPD) and convener of Citizen's Platform for SDGs, has said.
- Speaking at a media briefing organised by Citizen's Platform for SDGs at the BRAC Centre in Mohakhali today, he underscored the importance of economic stability to align investment with inflation, balance the foreign exchange deficit, sustain growth, and create employment opportunities.
- We do not see any relief in these areas in the proposed budget, nor is there a plan to resolve these issues, he added.
- Debapriya Bhattacharya said, "There is no major political commitment [in the proposed budget] in areas requiring reforms, such as the energy sector, banking sector, and stock market using the government and administrative structures.

News Source:

https://www.tbsnews.net/economy/budget-proposal-fails-address-economic-stability-and-social-protection-debapriya

Reducing budget deficit will bring inflation under control: Economists

- Reducing the budget deficit will lead to less government borrowing from the domestic sector which can help control inflation, said economists.
- Given the contractionary nature of the budget, keeping the deficit lower would have been prudent.
- Now, if the government resorts to borrowing from the domestic sector to cover the deficit, it will only fuel inflation, said Dr Sayema Haque Bidisha, a professor of economics at Dhaka University.
- The teachers and researchers of DU's Economics Department talked about macroeconomic stability, effective governance, and the allocation of funds across diverse sectors, including agriculture, education, and healthcare.
- Professor Selim Raihan, executive director of the South Asian Network on Economic Modeling (Sanem) and DU professor, believes that while such targets are positive, they may be less realistic.

- Despite efforts over the past two years to curb inflation, there has been limited success, largely due to a lack of coordination in decision implementation, he said.

News Source:

https://www.tbsnews.net/economy/reducing-budget-deficit-will-bring-inflation-under-control-economists-873831

Education and health budget 'scanty': CPD

- The proposed allocations for health and education are much-lower-than-required enough to seriously affect the disadvantaged people who are already victims of existing inequalities.
- Even limited allocation mostly concentrates on infrastructure development rather than on human resources, thereby creating long-term challenges for the country, speakers made the observations at a programme on Monday.
- A joint media briefing on 'National Budget 2024-25 and Prevailing Situation: Access to Disadvantaged People' was hosted by the Centre for Policy Dialogue (CPD) and the Citizen's Platform for SDGs, Bangladesh, with the support of the European Union in Dhaka.
- CPD distinguished fellow Dr Debapriya Bhattacharya chaired the meeting where senior research fellow Towfiqul Islam Khan presented a keynote styled 'National Budget 2024-25 and Prevailing Situation: What Did the Disadvantaged Citizens Get?' prepared by the CPD research team.
- Policy Exchange of Bangladesh chairman M Masrur Reaz, Transparency International Bangladesh executive director Iftekharuzzaman and East West University economics professor AK Enamul Haque, among others, spoke.

News Source:

https://today.thefinancialexpress.com.bd/last-page/education-and-health-budget-scanty-cpd-1718043916

Sectoral Update

Banking and Insurance

Islamic banks' deposits, investments on wane

- A crisis of confidence among clients following massive lending malpractices lands Islamic banking in Bangladesh in a quandary with liquidity crunch bedeviling their operations, according to official disclosure.
- From deposit to investment, and even in case of wage earners' remittance, the shariah-based banking operations keep losing their share in recent months, which becomes a matter of concern.
- According to Islamic banking-related statistics of Bangladesh Bank, the country's central bank, Islamic banking held 23.86% of the entire deposit portfolio with the country's banking system, as of December 2023.
- But, on a slide, the share came down to 23.56% in January 2024 and dropped further down to 23.44% in March.

News Source:

https://today.thefinancialexpress.com.bd/first-page/islamic-banks-deposits-investments-on-wane-1718043658

Not repaying bank loans has become new business model in Bangladesh: Dr Saleh Uddin

- Former governor of Bangladesh Bank, Dr Saleh Uddin Ahmed, stated on Monday (10 June) that not repaying bank loans has now become a new model for the country's economy.
- He made the remarks at a discussion titled "Economic Pattern and Proposed Budget 2024-25,' organised by the Editor Council and the Newspaper Owners' Association of Bangladesh (NOAB).
- You take a loan from the bank and don't pay it back and this model of defaulted loans has now become a business model, said Saleh Uddin.
- He criticised the proposed budget for failing to introduce innovative measures to address the ongoing macroeconomic crisis.
- The budget has been presented at a challenging time but I don't see anything new in it, he added.

News Source:

https://www.tbsnews.net/economy/banking/not-repaying-bank-loans-has-become-new-business-model-bangladesh-dr-saleh-uddin

Recovery from crisis impossible without addressing banking sector's vulnerability

- Economists today expressed deep concerns over the current situation in the banking sector of Bangladesh and warned that the recovery from the current economic crisis would not be possible without addressing the sector's vulnerability.
- The banking sector is the most sensitive sector of an economy but it is today left uncontrolled and unprotected," said Wahiduddin Mahmud, a noted economist.
- He spoke at a discussion on the proposed budget for the fiscal year 2024-25 at the Pan Pacific Sonargaon hotel in Dhaka.
- Reform in this area has been neglected, according to Mahmud, also a former finance adviser to a caretaker government.
- If this continues, there is a risk of the budget falling into a debt trap, he added.

News Source:

https://www.thedailystar.net/business/economy/news/recovery-crisis-impossible-without-addressing-banking-sectors-vulnerability-3631406

Apparel and Textile

Go for recycled garments to boost exports

- Bangladesh should soon go for producing recycled garment products that meet global environmental safety standards to increase its exports to the European Union (EU), according to speakers at an event.
- Changes in trade patterns often bring major shifts to a country's economic structure, technological advancement, government policies and emerging trade theories or agreements, they said.
- However, Bangladesh needs to take adequate preparation to this end, they added.

- These comments came at a discussion on the impact of EU circular textiles policies on its trading partners, organised by the Business Initiative Leading Development (BUILD) at its office in Dhaka.
- The recently introduced EU Strategy for Sustainable and Circular Textiles emphasises transparency, sustainability, and circularity across the textile value chain, impacting both the EU and non-EU consumers and companies.

News Source:

https://www.thedailystar.net/business/news/go-recycled-garments-boost-exports-3631666

Power and Energy

Govt withdraws tax benefit for oil, gas extraction

- The government has withdrawn depletion allowances for oil and gas extraction companies starting in the next fiscal year as part of its efforts to increase revenue collection.
- Oil and gas companies previously enjoyed a tax waiver on their extraction expenses, known as a depletion allowance.
- However, this benefit has been removed in the finance bill for the fiscal 2024-25, which was presented in parliament on 6 June.
- Industry insiders have said if the parliament passes the bill, it will frustrate the government's extraction plans, as the move will increase the tax burden on those companies.

News Source:

https://www.tbsnews.net/bangladesh/energy/govt-withdraws-tax-benefit-oil-gas-extraction-874086

Capital Market

Dhaka bourse drops 1.27%

- The benchmark index of the Dhaka Stock Exchange (DSE) lost 1.27% today as nervous investors kept selling owing to persisting macroeconomic challenges.
- The market opened higher, but the momentum did not last and so, the DSEX shed 65.67 points to close the day at 5,105.88, the lowest since April 5, 2021.
- Similarly, the DSES, the index that represents the Shariah-compliant stocks, plunged 1.53% to 1,103.66.
- The DS30, the index that comprises the best blue-chip firms, slipped 1.29% to 1,811.79.
- Turnover, which indicates the volume of shares traded during the session, decreased 10.93% to BDT 318 crore.

News Source:

https://www.thedailystar.net/business/news/dhaka-bourse-drops-127-3631461

Equity market needs a "rethink" for investors to return

- It is not just tax measures in the proposed budget or macroeconomic indicators, such as high inflation and depletion of foreign exchange reserves, which are driving out money from stocks.

- A lack of confidence in the market, which deepened for repeated interference of the securities regulator and for its failure to keep bad elements from overpowering itself, has finally begun inflicting wounds that no one can do anything about.
- Since the withdrawal of the floor price in January this year, large-cap stocks have witnessed persistent price erosion with total disregard to the companies' financial performance.
- That resulted in the prime index of the Dhaka Stock Exchange (DSE) plunging to a 39-month low of 5,105 points on Monday.
- The market-value shed BDT 1.54 trillion since January when the regulator finally gave up its control over stock prices.

News Source:

https://today.thefinancialexpress.com.bd/stock-corporate/equity-market-needs-a-rethink-for-investors-to-return-1718041805