Daily News Snippet

August 28, 2024

Bangladesh Market	
Major Indices	**Last closing**
DSEX Index	5,685.78
% change	-0.26%
DS30 Index	2,087.47
% change	-0.03%
DSES Index	1,217.09
% change	-0.32%
Turnover (BDT mn)	7,502.40
Turnover (USD mn)	62.52
% change	34.44%
Source: Dhaka Stock Exchange	

International Market	
Major Indices	**Last closing**
Dow Jones Industrial Average	41,250.50
% change	0.02%
S&P 500	5,625.80
% change	0.16%
Nikkei 225	38,288.62
% change	0.47%
FTSE 100	8,345.46
% change	0.21%
Source: Bloomberg	

Exchange rate		
Major Currencies	**Low (BDT)**	**High (BDT)**
USD	120.00	120.00
EUR	133.93	133.94
GBP	158.28	158.29
INR	1.43	1.43
Source: BB		

Money market		
Date	**Call Money Rate Range (%)**	**Weighted Average**
27-Aug-24	8.70 - 10.00	9.03
25-Aug-24	8.50 - 10.00	8.67
Source: BB		

Commodities		
Major Commodities	**Price**	**% Change**
Brent Crude (Oil), USD/bbl.	79.58	0.04%
Gold Spot, USD/t oz.	2,510.20	-0.57%
Cotton, USD/lb.	69.22	-1.09%
Source: Bloomberg		

Market Summary

Bangladesh Market

- The leading bourse of the country, DSEX lost 0.26% in the last trading day, closing at 5,685.78 points.
- The daily turnover increased 34.44% in the last trading day.

Global Market

- Majority of the leading global indices posted positive returns as Dow Jones posted 0.02% gain, S&P 500 posted 0.16% gain and FTSE 100 posted 0.21% gain yesterday.
- One of the leading Asian market indices, NIKKEI posted 0.47% 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 9.03% with a high rate of 10.00% and low rate of 8.70%.
- The oil price increased 0.04% in the last trading day.

Bangladesh Macro Update

Foreign loan inflows raise $2.5b financial account surplus in June

- The country's financial account surplus surged by nearly USD 2.5 billion in June, the final month of the fiscal 2023-24, primarily driven by inflows of bilateral and multilateral loans.
- The financial account surplus reached USD 4.55 billion at the end of FY24, up from just over USD 2 billion at the end of May, according to central bank data.
- However, the surplus amount decreased slightly compared to FY23, when the financial account had a surplus of approximately USD 7 billion.
- The financial account balance is the primary source of a country's foreign payments.
- When a country's current account balance turns negative, it makes foreign payments from the financial account and if the financial account becomes negative, then payments are made directly from reserves.

News Source:

https://www.tbsnews.net/economy/foreign-loan-inflows-raise-25b-financial-account-surplus-june-927536

Ordinance likely to block black money whitening

- Scrapping the impugned black money-whitening facility is likely by proclaiming an ordinance in the interim period as parliament has been dissolved following the fall of the past government in an uprising.
- Official sources said that Finance and Commerce Adviser Dr Salehuddin Ahmed responded positively and assured of placing the matter before the council of advisers of the interim government.
- Following newly appointed National Board of Revenue (NBR) chairman Abdur Rahman's instructions, the taxmen verbally showed wiliness to withdraw the much-contended special fiscal benefit offered for legalizing undeclared money.
- The budget for the current 2024-25 financial year, adopted by the immediate-past government, provides for whitening 'black money' on payment of 15% tax.
- Scrapping the scheme would need passing an ordinance as it is in the Finance Act 2024 passed in the budget, according to one official.

News Source:

https://today.thefinancialexpress.com.bd/first-page/ordinance-likely-to-block-black-money-whitening-1724780569

Businesses meet finance adviser, push for banking, taxation reforms

- Leading local businesses have suggested actionable steps like reforming the banking sector and tax-revenue administration, and maintaining the law-and-order situation for early return of a congenial business atmosphere.
- They also proposed reforms in trade bodies and energy sector, extending the country's graduation timeline, building capacity of Bangladesh missions abroad and pursuing economic diplomacy to identify new export markets.
- The businesses sought prompt measures to address global apparel buyers' concern to restore their confidence in outsourcing from here.

- The suggestions were made and buyers' concern also aired when an International Chamber of Commerce-Bangladesh (ICCB) delegation, led by ICCB president Mahbubur Rahman, met finance and commerce adviser Dr Salehuddin Ahmed.
- I have urged the business community to conduct their operations honestly and transparently to get full support from the government, according to the finance adviser.

News Source:

https://today.thefinancialexpress.com.bd/first-page/businesses-meet-finance-adviser-push-for-banking-taxation-reforms-1724780625

Business activities to get normal with time

- Business activities in the country would take time to become normal as the interim government has just assumed office, following a student-led mass upsurge that toppled the previous Awami League government.
- The Metropolitan Chamber of Commerce and Industry, Dhaka on Tuesday made the observation in its latest report on review of the economy for the last quarter (April-June) of FY 2023-24.
- It said that the unrest started getting a pace at a time when the economy has been showing signs of improvement with the increase in foreign exchange reserves and remittances in June 2024.
- The MCCI emphasised the need for further government actions, particularly in ensuring uninterrupted electricity and gas supply to maintain economic activities.
- The MCCI also said that the rate of inflation may start declining from the next month (August) when it may drop to 10.8% and to 9.65% in September.

News Source:

https://today.thefinancialexpress.com.bd/last-page/business-activities-to-get-normal-with-time-1724781135

Foreign debt repayment higher than dev partners' disbursements in July

- In the first month of the current fiscal year, Bangladesh's repayment of foreign loans surpassed the amount disbursed by development partners.
- Bangladesh received USD 358.33 million in foreign aid in July, while it repaid USD 385.67 million in principal and interest during the same period, according to Economic Relations Division (ERD) data.
- ERD officials said that implementation of projects typically slows down at the beginning of a fiscal year which results in lower disbursements.
- Moreover, the political unrest stemming from student protests against discrimination throughout July impacted the execution of some projects which contributed to the decrease in disbursements compared to the same period last year.
- the disbursement of foreign loans has decreased by 11.52% in July of the current fiscal year compared to the same period last year, when USD 405 million was released by development partners.

News Source:

https://www.tbsnews.net/economy/foreign-debt-repayment-higher-dev-partners-disbursements-july-927456

Sectoral Update

Banks, NBFIs and Insurance

Banks bleed for record single-month deposit flight in June

- Banking industry saw a record-high single-month deposit outflow worth BDT 200 billion last June, largely for panic withdrawals and hundi transactions, according to sources.
- The surge in deposit flight added up to pressure on the overall liquidity situation in the sector, sometimes needing fund feeding to banks by the central bank.
- A stark fact is that the volume of mattress money or currency outside the banks ballooned to BDT 2.90 trillion by the end of June 2024 from BDT 2.70 billion recorded in the previous month, according to latest statistics of Bangladesh Bank.
- Officials and money-market analysts cited factors like panic withdrawal of cash following reports over good and weak banks, growing yield on government securities, inflationary burden and Eid-related expenditure behind the surge in mattress money.
- The deposit outflow from banks kept rising since September 2022 following reports of gross irregularities in some commercial banks that shook clientele confidence.

News Source:

https://today.thefinancialexpress.com.bd/first-page/banks-bleed-for-record-single-month-deposit-flight-in-june-1724780879

BB could lower policy rate if inflation falls

- Bangladesh Bank Governor Ahsan H Mansur yesterday said that it would be possible to lower the policy rates within about six months if inflationary pressure in the country is reduced to a tolerable level.
- Mansur made this comment at a meeting with a delegation of the Dhaka Chamber of Commerce and Industry (DCCI) at the central bank headquarters in Dhaka.
- The Bangladesh Bank increased the policy rates by 50 basis points to 9% on August 25 in an effort to combat persistently high inflation by making bank borrowing costlier.
- Food inflation in the country crossed 14% for the first time in 13 years in July, with overall inflation rising by 1.94 basis points to 11.66% from the previous month.
- This surge in inflationary pressure was brought on by nationwide supply chain disruptions following weeks of unrest that led to the fall of the Sheikh Hasina-led government on August 5.

News Source:

https://www.thedailystar.net/business/news/bb-could-lower-policy-rate-if-inflation-falls-3688276

Apparel and Textile

Apparel exporters seek Tk3,000cr loans to recoup losses

- Apparel exporters have urged the interim government to allocate BDT 3,000 crore in soft loans to mitigate the financial losses they incurred due to the student-led mass uprising and the severe flooding that disrupted road communications.

- During separate meetings with Finance Adviser Salehuddin Ahmed and Bangladesh Bank Governor Ahsan H Mansur on 27 August, exporters said that they need the loan to cover workers' August wages, which they intend to repay in six instalments.
- They also requested a temporary suspension of utility disconnections for up to three months in case of delayed bill payments.
- Additionally, RMG exporters urged the government to use Chief Adviser Muhammad Yunus' connections to secure GSP benefits in the US market.
- The apparel exporters also sought assurances from the interim government regarding power security and pricing, as well as measures to address external influences on the disposal of waste fabrics.

News Source:

https://www.tbsnews.net/economy/rmg/bgmea-seeks-tk1800-1900-crore-loan-interim-govt-926796

Energy

Ordinance issued revoking govt's ability to raise power, energy prices bypassing BERC

- An ordinance has been issued revoking the provision for increasing the prices of oil, gas, and electricity by executive order.
- On 27 August, the president issued the "Bangladesh Energy Regulatory Commission (Amendment) Ordinance, 2024.
- By amending the "Bangladesh Energy Regulatory Commission Act, 2003" the ordinance has abolished Section 34(k) which allowed for increasing the prices of oil, gas, and electricity by executive order.
- On 1 December 2022, in a special case, the President issued the "Bangladesh Energy Regulatory Commission (Amendment) Ordinance, 2022 that gave the government, not the Bangladesh Energy Regulatory Commission (BERC), the power to determine, readjust, and coordinate the prices of oil, electricity, and gas at the consumer level.
- The ministry had been repeatedly increasing the prices of gas, electricity, and oil, which caused dissatisfaction among consumers.

News Source:

https://www.tbsnews.net/bangladesh/energy/ordinance-issued-revoking-govts-ability-raise-power-energy-prices-bypassing-berc

Govt to reduce fuel oil prices, BPC's profits to control high inflation from Sep

- The interim government has decided to reduce fuel oil prices from September, according to the Bangladesh Petroleum Corporation's (BPC).
- Besides, in a move to control high inflation, the government has also decided to curb the BPC's profits, due to which fuel oil prices are expected to decline further in the coming months.
- Octane and petrol prices will be reduced by BDT 8 to BDT 12 per litre, according to the Energy Division and the BPC.

- Diesel and kerosene prices will be reduced from BDT 1.5 to BDT 1.75 per litre.

News Source:

https://www.tbsnews.net/bangladesh/energy/govt-reduce-fuel-oil-prices-bpcs-profits-control-high-inflation-sep-927296

Capital Market

DSE slips back into the red as policy rate hike deflates investor enthusiasm

- Stocks ended in the red on Tuesday after rising for two consecutive days, as investors' enthusiasm was deflated by the latest policy rate hike.
- The policy rate's rise by a further 50 basis points amid a tightened monetary space heightened concerns over market outlook, according to market experts.
- The increase in the overnight borrowing interest rate at which the Bangladesh Bank lends money to commercial banks is feared to drive up overall borrowing costs.
- Higher interest rates have already turned fixed-income instruments more lucrative compared to the stock market.
- The DSEX, the prime index of the Dhaka Stock Exchange, finally settled at 5,685, losing almost 15 points or 0.26% on Tuesday.

News Source:

https://today.thefinancialexpress.com.bd/stock-corporate/dse-slips-back-into-the-red-as-policy-rate-hike-deflates-investor-enthusiasm-1724782817