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Daily News Snippet

October 14, 2024

Bangladesh Market	
Major Indices	**Last closing**
DSEX Index	5,422.06
% change	1.86%
DS30 Index	1,984.99
% change	2.36%
DSES Index	1,205.87
% change	1.53%
Turnover (BDT mn)	3,766.09
Turnover (USD mn)	31.38
% change	5.98%
Source: Dhaka Stock Exchange	

International Market	
Major Indices	**Last closing**
Dow Jones Industrial Average	42,863.86
% change	0.97%
S&P 500	5,815.03
% change	0.61%
Nikkei 225	39,605.80
% change	0.57%
FTSE 100	8,253.65
% change	0.19%
Source: Bloomberg	

Exchange rate		
Major Currencies	**Low (BDT)**	**High (BDT)**
USD	120.00	120.00
EUR	131.76	131.80
GBP	157.25	157.26
INR	1.43	1.43
Source: BB		

Money market		
Date	**Call Money Rate Range (%)**	**Weighted Average**
09-Oct-24	9.30 - 10.50	9.54
08-Oct-24	9.25 - 10.50	9.51
Source: BB		

Commodities		
Major Commodities	**Price**	**% Change**
Brent Crude (Oil), USD/bbl.	77.66	-1.55%
Gold Spot, USD/t oz.	2,648.19	-0.29%
Cotton, USD/lb.	72.21	-0.62%
Source: Bloomberg		

Market Summary

Bangladesh Market

- The leading bourse of the country, DSEX gained 1.86% in the last trading day, closing at 5,422.06 points.
- The daily turnover increased 5.98% in the last trading day.

Global Market

- Majority of the leading global indices posted positive returns as Dow Jones posted 0.97% gain, S&P 500 posted 0.61% gain and FTSE 100 posted 0.19% gain yesterday.
- One of the leading Asian market indices, NIKKEI posted 0.57% gain yesterday.

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 9.54% with a high rate of 10.50% and low rate of 9.30%.
- The oil price decreased 1.55% in the last trading day.

Bangladesh Macro Update

While S Asia thrives, Bangladesh's growth set for record low at 4%: WB

- As South Asia remains on track to be the fastest-growing region in the world, with the World Bank raising its GDP growth forecast to 6.4% this year, Bangladesh is the outlier slipping to its lowest growth level in decades.
- The Washington-based lender has downgraded its outlook for Bangladesh, predicting economic growth of just 4% for the fiscal 2024-25, down from an April forecast of 5.7%.
- This marks the lowest growth estimate in nearly 30 years, excluding the pandemic-affected fiscal 2019-20.
- The World Bank attributes the sharp downgrade to uncertainties surrounding Bangladesh's political and economic outlook following recent political turmoil.
- The report also forecasts that in the medium to long term, growth is expected to pick up gradually, benefiting from critical reforms in the financial sector, increased domestic resource mobilisation, improved business climate, and increased trade.

News Source:

https://www.tbsnews.net/economy/banking/world-bank-slashes-bangladesh-growth-forecast-4-fy25-963331

Imports stay subdued as biz pickup awaited

- Overall imports stay subdued, with over 5.0% fall in the first quarter (Q1) of the current fiscal, under the hangover of recent austerity and businesses' 'wait-and-see posture' following political unrest.
- The deposed government had adopted a tightfisted stance on import amid dollar dearth following depletion of forex reserves and in sync with this came political upheavals and uncertainty.
- The actual import in terms of settlement of letters of credit (LCs) fell 5.58% to USD 16.10 billion during the July-September period of the fiscal year (FY) 2024-25, from USD 17.05 billion in the same period of the previous fiscal year, according to the central bank's provisional data.
- On the other hand, the opening of fresh LCs, generally known as import orders, dropped 8.44% to USD 15.65 billion in the first three months of the current fiscal from USD 17.09 billion in the same period of FY'24.
- The central banker observes that the situation is improving gradually as the pressure on the country's foreign-exchange market is easing because of higher inflow of remittances and lower import-payment obligations.

News Source:

https://today.thefinancialexpress.com.bd/first-page/imports-stay-subdued-as-biz-pickup-awaited-1728842106

China deflation can help BD economic reflation with cheap imports

- Deep deflation in China offers Bangladesh prospect of economic reflation with cheaper imports, particularly of capital goods.
- Bangladesh being heavily dependent on imports from the world's second-largest economy, lower import costs are believed to provide it some relief on the overall economic front.

- In May 2024 alone, Bangladesh sourced over 28% of its imports from China, according to the Bangladesh Bureau of Statistics.
- Additionally, China is Bangladesh's largest trading partner, accounting for 18.36% of stake in the country's total trade in goods.
- In China's case, industrial overcapacity and weak household demand have been identified as the primary causes of deflation.

News Source:

https://today.thefinancialexpress.com.bd/first-page/china-deflation-can-help-bd-economic-reflation-with-cheap-imports-1728842214

Debt servicing to peak at $5.3b in FY27, remittance could provide cushion

- Bangladesh's foreign debt servicing amount, including principal and interest, will reach a historic high of USD 5.3 billion in FY27 before starting to fall in the following year.
- This financial burden can be offset by three months of inward remittance, according to a finance ministry document.
- In FY27, Bangladesh will have to pay USD 1.9 billion in foreign debt interest payments.
- At that time, the country will need to repay around USD 3.4 billion in principal, according to officials at the Economic Relations Division (ERD).
- Bangladesh's foreign debt principal and interest payments are expected to approach USD 5 billion in FY26 with interest payments estimated at about USD 1.7 billion and principal repayments at USD 3.3 billion.

News Source:

https://www.tbsnews.net/economy/debt-servicing-peak-53b-fy27-remittance-could-provide-cushion-964516

Exports grow 6.78% in September

- Bangladesh's merchandise exports grew by 6.78% year-on-year in September, primarily driven by readymade garment shipments, despite prolonged labour unrest in various parts of the country hampering production.
- The country's earnings reached USD 3.51 billion in September, representing a USD 220 million increase compared to the same month last year, according to Export Promotion Bureau (EPB).
- The state agency provided this updated data after four months, reflecting real-time shipment updates as per ASYCUDA World from the National Board of Revenue (NBR), according to EPB Vice Chairman Anwar Hossain.
- Explaining the reasons behind previous mismatches, the EPB stated that they occurred due to multiple factors, including duplicate entries of export products, issues related to cutting, making and trimming (CMT), inclusion of discounts, stock lots, and sample products as export items, and the classification of EPZ exports as general exports in NBR data.

News Source:

https://www.tbsnews.net/economy/export-earnings-increase-678-351-billion-962531

Sectoral Update

Banks, NBFIs, and Insurance

16 NBFIs face total provision shortfall of Tk 1,954cr

- Sixteen non-bank financial institutions (NBFIs) faced a combined provision shortfall of BDT 1,954 crore till June this year, reflecting that their financial health had worsened.
- Lenders face provision shortages when they have a high amount of non-performing loans (NPLs).
- When a lender faces provision shortfalls, it indicates poor financial management practices.
- NBFIs are required to maintain provisions ranging from 0.25% to 5% against general category loans, 20% against classified loans in the substandard category, and 50% against classified loans in the doubtful category.
- They must set aside 100% against classified loans in the bad or loss category

News Source:

https://www.thedailystar.net/business/economy/news/16-nbfis-face-total-provision-shortfall-tk-1954cr-3726961

Inward remittance through MFS hits 5-year high in August

- Bangladesh's migrant workers sent home BDT 1,101.8 crore in remittances through mobile financial service (MFS) providers in August, marking the highest monthly receipts through digital channels in the past five years.
- This figure represents a remarkable 113% year-on-year increase from the BDT 515.4 crore that was sent home through MFS providers in August 2023, offering a glimmer of hope for bolstering the country's dwindling foreign exchange reserves.
- Bangladesh currently has around USD 20 billion in its foreign exchange reserves, far lower than the record USD 40.7 billion it boasted in August 2021.
- Industry people said that remittance transactions through MFS were higher in August as there were banking disruptions and limited cash supplies to ATMs following the political changeover in that month.
- MFS providers facilitated 54.21% more remittances in August compared to the month prior, according to the Bangladesh Bank.

News Source:

https://www.thedailystar.net/business/economy/news/inward-remittance-through-mfs-hits-5-year-high-august-3726216

Apparel and Textile

What’s driving RMGs to losses, what's ahead?

- Many large garment factories in Bangladesh have scaled up their production, but the focus remains on low-cost, mass-produced items.
- Also, smaller factories are either struggling or shutting down altogether.

- With 40% of garment factories currently operating at a loss, the future of Bangladesh's garment industry looks uncertain.
- Dr Khondaker Golam Moazzem, research director at the Centre for Policy Dialogue, warns that the number of factories may shrink in the coming years if manufacturers fail to shift toward producing high-value, higher-margin goods.
- He attributes the sector's growing risks to declining competitiveness, poor strategies, rising costs, and an over-reliance on the same low-cost products, with little effort to diversify.

News Source:

https://www.tbsnews.net/economy/rmg/whats-driving-rmgs-losses-whats-ahead-965396

Energy

How cheaper LPG import from sanctioned Iran rattling the market

- While the LPG sector in Bangladesh struggles to survive in an oversaturated market, some of the country's around 30 operators are reportedly importing cheaper LPG from Iran, a nation under sanctions by the US and EU.
- It leads to uneven competition, particularly for companies that want to operate fairly.
- Importing LPG from Iran costs USD 40 to USD 50 less per tonne than other markets, giving importers a margin of over BDT 40 per 12-kg cylinder, according to operators.
- However, consumers aren't reaping the benefits, as these importers offer higher commissions to dealers instead of lowering prices for buyers.
- LPG, a mix of propane and butane, is typically imported at a contract price set by major producers like Saudi Aramco, which serves as a global benchmark

News Source:

https://www.tbsnews.net/bangladesh/energy/how-cheaper-lpg-import-sanctioned-iran-rattling-market-966121

Capital Market

DSE index rebounds, surges 100 points after 3-day decline

- Stocks rebounded on 9 October, breaking a three-session downward trend as the major index of the Dhaka bourse surged by around 100 points.
- This increase signals a significant recovery in investor confidence amid previously weakened market sentiment, according to market insiders.
- On the day, the benchmark DSEX index of the Dhaka Stock Exchange (DSE) surged by 98 points, or 1.85%, closing at 5,422.
- Meanwhile, the blue-chip index DS30 rose by 45 points, or 2.36%, to finish at 1,984.

News Source:

https://www.tbsnews.net/economy/stocks/dsex-climbs-2699-points-majority-listed-companies-show-gains-962286

Foreign investors returning to stock market

- After a long time, foreign investors are showing renewed interest in buying shares of listed companies in Bangladesh as they hope good governance will return to the local stock market following the recent political changeover.
- This is because the interim government has implemented various measures, such as punitive action against stock manipulators, to make the market more attractive since taking office on August 8.
- Besides, foreign investors hope the exchange rate volatility in the country will stabilise and that floor prices or any other market intervention mechanism will not return following the preceding government's ouster on August 5.
- Another reason for their buying mood is that interest rates in US banks have dropped while the share values of many listed companies in Bangladesh have reached a lucrative level, according to market analysts.
- Bangladesh Bank data shows that the net portfolio investment of foreign investors soared to USD 49 million in the July-August period of fiscal year (FY) 2024-25 while it was USD 3 million at the same time the previous year.

News Source:

https://www.thedailystar.net/business/economy/news/foreign-investors-returning-stock-market-3726971