

HIGHLIGHTS OF THE DAY

Bangladesh: Economy

July 27, 2022

Banks now Can Lend more than 25% of their Capital to Power Producers

The Bangladesh Bank has withdrawn the single borrower exposure limit for the next six months in the case of lending to power producers.

From now on, banks will be allowed to extend credit to power sector borrowers, exceeding 25% of their regulatory capital, according to a circular issued by the central bank on Tuesday.

According to the Bank Company Law, the single borrower exposure limit is 25% of banks' regulatory capital, which from time to time is set by the Bangladesh Bank.

A senior official of the central bank told The Business Standard that the companies involved in electricity production are facing a hike in generation costs because of higher dollar prices. So, the single borrower exposure limit has been lifted to maintain the continuity of power generation and supplies for the next six months.

Source: <https://www.tbsnews.net/economy/banking/banks-now-can-lend-more-25-their-capital-power-producers-465682>



Bangladesh Seeks \$4.5b IMF Budget Support

Bangladesh has officially sought \$4.5 billion from the International Monetary Fund (IMF) to ride out the ongoing financial shock triggered and subsequently worsened by persisting energy and dollar crises.

The government sent a letter in this regard to IMF Managing Director Kristalina Georgieva on Sunday through the organisation's resident representative office in Bangladesh, according to people familiar with the matter. The request was made following a recent visit by IMF representatives to Bangladesh.

Bangladesh has also sought \$2 billion in support from the World Bank and the Asian Development Bank in a similar fashion to tackle the financial shock.

Besides, talks are ongoing between the officials of the finance ministry and the China-led Asian Infrastructure Investment Bank (AIIB) for another \$400 million in budget support. In addition, an agreement is expected to be signed with the European Union for a \$99 million credit line.

Source: <https://www.tbsnews.net/economy/bangladesh-seeks-45b-imf-budget-support-465722>



100% Interest for Encashing ERQ Account Deposits before Term End

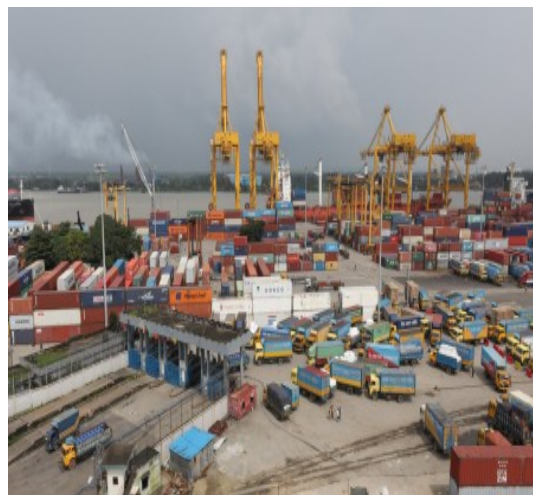
The central bank has directed commercial banks to provide exporters 100% interest for encashing termed deposits kept in Export Retention Quota (ERQ) accounts even before they are matured.

According to a Bangladesh Bank circular issued Tuesday, the banks have to give the exporters 100% interest as per agreement even if the term of the ERQ accounts deposits are not completed.

Exporters deposit a certain portion of their income in the ERQ accounts against their exported goods and services. Due to the current dollar crisis in the country, exporters have been given a facility to redeem dollars from these accounts before maturity, said officials concerned.

According to a notification issued by the Bangladesh Bank on 14 July, 50% of the deposit held in the ERQ accounts should be encashed or released to the market to ease the country's dollar crisis.

Source: tbsnews.net/economy/banking/100-interest-encashing-erq-account-deposits-term-end-465710



Duty Slashed for Imports from OIC, D-8 Countries

The authorities have reduced duty to 10% for imports from Organisation of Islamic Cooperation (OIC), and D-8 Organization for Economic Cooperation (D-8) countries under two separate trade agreements.

Officials said the duty reductions will have an insignificant impact on revenue collection, but the country's export will benefit substantially from it.

A statutory regulatory order by the Finance Ministry on 20 July mentioned a duty cut for import of 478 types of products from the OIC countries.

But such imports have already been enjoying the reduced rate, as the new notification will be applicable for only 47 items with customs duty ranging from 15%-25%.

On 20 July, another separate statutory regulatory order was issued reducing import duty of 356 products from the D-8 countries. However, no new products will be subject to tariff reduction as these products already have lower import duty.

Source: <https://www.tbsnews.net/economy/duty-slashed-imports-oic-d-8-countries-465662>



DSE News

Stocks Extend Gaining Streak for Second Day

Stocks extended the gaining streak for the second straight sessions Tuesday as the bargain hunters put money cautiously on lucrative issues after the recent market erosion.

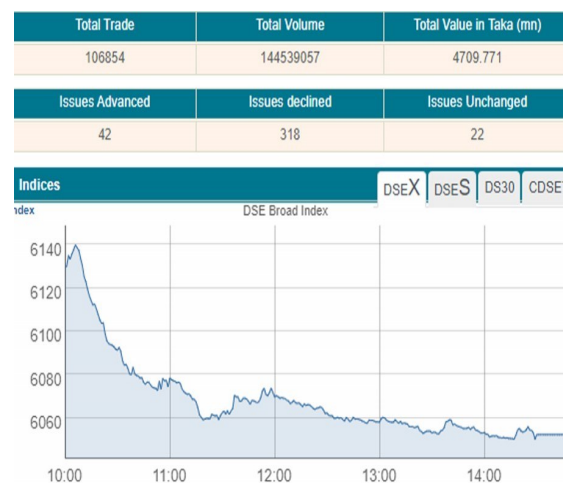
The market saw a steep rise at the opening and the key index jumped over 100 points within the first hour of trading, but most of the early gains eroded as the session progressed, eventually ending more than 29 points higher.

DSEX, the key index of the Dhaka Stock Exchange (DSE), went up by 29.35 points or 0.48 per cent to settle at 6,112.

DSEX recovered about 60 points in the past two trading days after losing 315 points in the previous nine days after Eid vacation.

Turnover, the crucial indicator of the market, jumped to a three-week high to Tk 8.38 billion on the country's premier bourse, rising 31 per cent over the previous day's mark of Tk 6.40 billion. Market analysts said stocks rebounded with high turnover as institutional investors became active and put money cautiously on lucrative issues after the recent market erosion.

Source: <https://thefinancialexpress.com.bd/stock/stocks-extend-gaining-streak-for-second-day-1658830970>



LankaBangla Gratuity Fund's Trustee Declares a 20% Cash Dividend



The trustee committee of the LankaBangla Gratuity Opportunities Fund has declared a 20% cash dividend or Tk2 per unit with a face value of Tk10 for the 2021-22 fiscal year.

According to a statement by the asset manager LankaBangla Asset Management Company, the annual earnings per unit (EPU) of the open-ended mutual fund was Tk2.49.

Of the annual earnings, 80.3% will be distributed among the fund's unit holders. The record date to identify the entitled unit holders for the declared dividend has been set for 30 June 2022.

The asset manager expressed its optimism to be able to continue outperforming the market by navigating through ongoing challenging circumstances, and generate a healthy return for its investors in the future, reads the statement.

Source: <https://www.tbsnews.net/economy/stocks/lankabangla-gratuity-funds-trustee-declares-20-cash-dividend-465534>

Germany on Cusp of Recession

German business morale fell more than expected in July, the Ifo business sentiment survey showed on Monday, as the institute that compiles it said high energy prices and looming gas shortages had left Europe's largest economy on the cusp of recession.

The Ifo institute's closely watched business climate index dropped to 88.6, its lowest in more than two years and below the 90.2 forecast in a Reuters poll of analysts. June's reading was marginally revised down to 92.2.

"Recession is knocking on the door. That can no longer be ruled out," said Ifo surveys head Klaus Wohlrabe.

Germany faces the threat of gas rationing unprecedented in generations this winter following a significant drop in supplies from Russia, whose president, Vladimir Putin, the West accuses of weaponising energy in response to sanctions levied against him over the war in Ukraine.

Source: <https://www.thedailystar.net/business/global-economy/news/germany-cusp-recession-3079511>



China Plans \$44b Fund for Distressed Real Estate

China will launch a real estate fund to help property developers resolve a crippling debt crisis, aiming for a warchest of up to 300 billion yuan (\$44 billion) in a bid to restore confidence in the industry, according to a state bank official with direct knowledge of the matter.

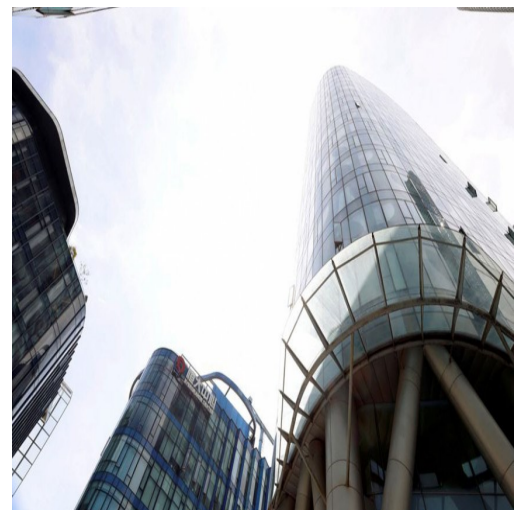
The move would mark the first major step by the state to rescue the beleaguered property sector since the debt troubles became public last year.

The size of the fund would initially be set at 80 billion yuan through support from the central bank, the People's Bank of China (PBOC), the person, who declined to be identified due to the sensitivity of the matter, told Reuters.

He said state-owned China Construction Bank, will contribute 50 billion yuan into the 80 billion yuan fund, but the money will come from PBOC's relending facility.

If the model works, other banks will follow suit with a target to raise up to 200 to 300 billion yuan, he added.

Source: <https://www.thedailystar.net/business/global-economy/news/china-plans-44b-fund-distressed-real-estate-3079531>



Global: Business

Australian Inflation Speeds to 21-year High, Peak still to Come

Australian inflation sped to a 21-year high last quarter and is likely to accelerate even further as food and energy costs explode, stoking speculation interest rates will need to more than double to bring the outbreak under control.

Wednesday's gloomy report comes just a day before Treasurer Jim Chalmers is due to update the previous government's budget forecasts, and he is already warning that inflation would get worse before it got better.

Data from the Australian Bureau of Statistics showed the consumer price index (CPI) jumped 1.8% in the June quarter, just short of market forecasts of 1.9%.

The annual rate picked up to 6.1% from 5.1%, the highest since 2001 and more than twice the pace of wage growth.

A closely watched measure of core inflation, the trimmed mean, rose 1.5% in the quarter, lifting the annual pace to the highest since the series began in 2003 at 4.9%.

Source: <https://www.tbsnews.net/world/global-economy/australian-inflation-speeds-21-year-high-peak-still-come-465746>



Central Banks Must Resist Urge to Back off Inflation Fight: IMF Economist

Global central banks may get "antsy" about the swiftness of economic pain brought on by monetary tightening to fight inflation and be tempted to cut interest rates before the job is done, the International Monetary Fund's chief economist said on Tuesday.

That would be a huge mistake, prolonging the agony of inflation, IMF research director Pierre-Olivier Gourinchas told Reuters in an interview.

Gourinchas said rate hikes like the one expected from the US Federal Reserve on Wednesday are already raising borrowing costs and softening demand. That process needs to continue until inflation rates are back "within sight" of central bank targets of around 2% a year, he added.

The IMF cut its global economic growth outlook on Tuesday, as it warned that monetary tightening, along with spillover from the war in Ukraine and Covid-19 lockdowns in China, could push the global economy to the brink of recession in the coming months.

Source: <https://www.tbsnews.net/world/global-economy/central-banks-must-resist-urge-back-inflation-fight-imf-economist-465762>



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