

HIGHLIGHTS OF THE DAY

Bangladesh: Economy

June 13, 2022

Bankers Call for Increasing Dollar Supply

The Association of Bankers, Bangladesh (ABB) and the Bangladesh Foreign Exchange Dealers Association (BAFEDA) have urged Bangladesh Bank Governor Fazle Kabir to increase dollar supply to ease the existing foreign currency crisis caused by soaring trade deficit and declining inflow of remittance.

In a meeting with the governor on Sunday, the banks agreed to work together to help the central bank increase dollar supply, which, they said, will ultimately bring down its price to the normal level.

On Sunday, the interbank dollar exchange rate was at Tk92; the rate was Tk91.95 last Monday.

The foreign exchange reserves stood at \$41.7 billion last week. It was \$48 billion in August last year. The central bank has so far sold about \$7 billion worth dollars to banks in the ongoing fiscal year.

The country's trade deficit hit a historic high of \$27.56 billion in the first 10 months of the current fiscal year, with high import expenditures and low export earnings, according to the Bangladesh Bank.

Source: <https://www.tbsnews.net/economy/bankers-meet-bb-governor-call-increasing-dollar-supply-438634>



Budget to Spur Entrepreneurship

The Federation of Bangladesh Chambers of Commerce and Industry (FBCCI) has welcomed the proposed national budget for the upcoming fiscal year, saying some of the steps will help entrepreneurs.

"The proposed budget would be helpful to the development journey of Bangladesh amid the current crisis," said Md Jashim Uddin, president of the FBCCI, at a post-budget media briefing at the conference room of the apex trade body of Bangladesh yesterday.

The federation has identified the main challenges for the budget implementation. They are ensuring good governance, proper monitoring, raising investment, and attaining revenue generation goal.

The revenue collection has risen in the current fiscal year on the back of higher import duty receipts amid increased prices of imported products.

In order to generate more revenues, the FBCCI suggested making tax policies business-friendly and automating the collection system.

Source: <https://www.thedailystar.net/business/economy/news/budget-spur-entrepreneurship-3045136>



BRAC Bank Establishes Cyber Fusion Centre

BRAC Bank has established the first Cyber Fusion Centre (CFC) in Bangladesh's banking industry to ensure stricter cyber security, said a press release.

The centre is equipped with modern devices and it has been modelled to fight against all cyber security threats. The bank now can ensure 24/7 cyber vigilance and make its systems and IT infrastructure impregnable to the fraudsters. This round-the-clock vigilance makes BRAC Bank an institution where customer information is safe and secured, the release said.

BRAC Bank has also deployed several technology-enabled banking solutions from core banking to card management, app and internet-based banking and many more. The centre is expected to be a driver of change for building resilience through security integration and collective defence.

BRAC bank achieved PCI-DSS certification for data security in 2021, ISO 27001:2013 accreditation for information security management function in 2017 and ISO 18788 certification for Security Operations and Cyber Fusion Centre in 2020.

Source: <https://www.newagebd.net/article/173012/brac-bank-establishes-cyber-fusion-centre>



FDI in Bangladesh Rose to \$2.9bn in 2021, around Pre-pandemic Level: UNCTAD



With the economy back to normal amid a rapid fall in COVID-19 cases, foreign direct investment or FDI in Bangladesh has increased almost to the pre-pandemic level, according to the United Nations Conference on Trade and Development, bdnews24.com reports.

Inflows rose by 13 per cent to \$2.9 billion in Bangladesh last year, the UN agency said in its World Investment Report 2022. The number of international project finance deals tripled to 14, reaching \$4.7 billion, according to the report, published on Thursday. The largest project was the construction of a container terminal in Ananda Bazar for \$2 billion.

UNCTAD said FDI in the Least Developed Countries increased by 13 per cent to \$26 billion, despite the acceleration of funds repatriation by oil companies, which resulted in negative inflows to Angola of \$4.1 billion from \$1.9 billion in 2020.

Flows remained concentrated, with Bangladesh among the top five recipients, who accounted for 69 per cent of total FDI in the group.

Source: <https://thefinancialexpress.com.bd/economy/fdi-in-bangladesh-rose-to-29bn-in-2021-around-pre-pandemic-level-unctad-1655018005>

DSE News

Government Securities Can be Traded through BO Accounts

From now onwards, ordinary investors will be able to transact government securities (treasury bills, treasury bonds, etc) through BO accounts, and the face value of the traded securities will be Tk100 and the market lot will be Tk1000.

A Memorandum of Understanding (MoU) was signed in this regard between the Bangladesh Bank, Bangladesh Securities and Exchange Commission, Dhaka Stock Exchange Limited, Chittagong Stock Exchange PLC and Central Depository Bangladesh Limited on Sunday.

Investors will be able to include risk-free securities in their portfolios, such as government securities. As a result, portfolio risk for investors will be reduced.

The development work of the government will increase the opportunity to raise money from the internal sector, which will reduce the dependence on banks or financial institutions. This will create a vibrant bond market in the capital market and increase the market capital to a large extent.

Source: <https://www.tbsnews.net/economy/stocks/government-securities-can-be-traded-through-bo-accounts-438558>



Indices Drop as Budget Fails to Meet Capital Market's Expectations



The proposed budget for fiscal 2022-23 does not have any good news for the capital market except for a corporate tax cut for the listed companies, said people concerned.

They added that because the budget does not reflect their expectations, disappointed investors were in a selling spree on Sunday – the first trading session following the unveiling of the budget on Thursday, causing the indices to fall on both the bourses.

DSEX, the benchmark index of the Dhaka Stock Exchange (DSE), declined by 48.8 points to settle at 6,431 at the end of Sunday's trading session.

Besides, total turnover on the premier bourse also declined by 16.1% and stood at Tk636.40 crore as against Tk758.26 crore in the previous session amid a lower participation of investors. Out of the 386 issues traded, 53 advanced, 306 declined, and 27 remained unchanged.

Source: <https://www.tbsnews.net/economy/stocks/indices-drop-budget-fails-meet-capital-markets-expectations-438554>

Global: Business

Japan Closer to Yen Intervention

Japan's government and central bank said on Friday they were concerned by recent sharp falls in the yen in a rare joint statement, the strongest warning to date that Tokyo could intervene to support the currency as it plumbs 20-year lows.

The statement underscores growing concern among policymakers over the damage that sharp yen depreciation could inflict on Japan's fragile economy by hurting business activity and consumers.

But many market players doubt that G7 member Japan will step in soon to directly prop up the yen, a diplomatically fraught and potentially costly course of action that last occurred 20 years ago.

After a meeting with his Bank of Japan (BOJ) counterpart, top currency diplomat Masato Kanda told reporters that Tokyo will "respond flexibly with all options on the table." He declined to say whether Tokyo could negotiate with other countries to jointly step into the market.

Source: <https://www.thedailystar.net/business/global-economy/news/japan-closer-yen-intervention-3045106>



US Inflation Skyrockets

US inflation surged to a new four-decade high in May, defying hopes that price pressures had peaked and deepening President Joe Biden's political troubles as Americans struggle to meet the cost of essentials like food and gas.

Government data released Friday put inflation at 8.6 per cent, extending increases not seen for a generation, with gas prices hitting daily records fueled by Russia's invasion of Ukraine and supply chain challenges related to the pandemic.

Biden, whose popularity has taken a hit as prices surge just months before November's midterm elections, has made fighting inflation his top domestic priority but is finding he has few tools to directly affect prices.

"I'm doing everything in my power to blunt Putin's price hike and bring down the price of gas and food," he said Friday while speaking at the Port of Los Angeles.

The president has tried to hammer home his optimistic message about economic progress in the wake of the pandemic, including rapid GDP growth and record job creation, while pressing Congress to take action to lower costs on specific products.

Source: <https://www.thedailystar.net/business/global-economy/news/us-inflation-skyrockets-3045116>



ECB to End Stimulus in Prelude to Rate Hikes

The European Central Bank is set to draw a line under its massive bond-buying stimulus programme at a meeting in Amsterdam on Thursday, as inflation in the eurozone soars to all-time highs.

The decision, already extensively flagged in advance by senior policy-makers, is then expected to pave the way for the ECB to raise its interest rates for the first time in over a decade in the weeks that follow.

Eurozone consumer prices rose by 8.1 per cent year-on-year in May, a record since the single currency was launched and well above the ECB's own target of two percent.

The surge, driven by the war in Ukraine and the consequent rise in energy prices, has boosted calls for the ECB to move more quickly to end its expansionary monetary policy.

The ECB is lagging behind the central banks in Britain and the United States, which have moved aggressively to try to stamp out inflation.

Source: <https://www.thedailystar.net/business/global-economy/news/ecb-end-stimulus-prelude-rate-hikes-3041051>



Tata Steel Says India Export Tax Could Alter Output Targets



India's Tata Steel is concerned New Delhi's sudden decision to impose an export tax on some steel products could force it to review its production targets, if the levy remains in place for a long time, its CEO told Reuters on Tuesday.

India imposed an export tax of 15% on some steel products over the weekend, at a time steelmakers are looking to make up for tepid local demand by increasing market share in Europe, where the Ukraine conflict has hit supplies.

The taxes were part of a series of measures India has taken to rein in retail inflation, which has hit eight-year highs. But India's top steelmakers body has warned the new duty will "adversely impact" mills that have been aiming to boost exports and widen global market share.

Tata Steel has plans to double its capacity from around 20 million tonnes per annum (mtpa) to 40 mtpa in India, but Narendran said it had baked in an assumption that 10-15% of that would be exported.

Source: <https://www.tbsnews.net/world/global-economy/tata-steel-says-india-export-tax-could-alter-output-targets-426254>

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Alliance Capital Asset Management Ltd.

Contact Us

Address:

Sima Blossom (10th floor)
Comprehensive Holdings
Plot # 390 (Old) 03 (New)
Road # 27 (Old) 16 (New)
Dhanmondi C/A,
Dhaka-1209.

Office: +880 2 9121360 Fax
: +880 2 9120971

Developed By:

Mehnaz Tabassum Khaleel
sarah@acaml.com

Visit us on the web at:
www.acaml.com