

HIGHLIGHTS OF THE DAY

Bangladesh: Economy

July 07, 2022

Export of Leather Goods Hits Decade High

Leather, leather goods and footwear exports from Bangladesh reached a 10-year-high in the just concluded fiscal year thanks to the arrival of orders that shifted away from competitors, according to industry players.

Exports were at a record high of \$1,245 million in fiscal 2021-22 as importing countries reduced their dependency on China and other producing nations amid the Covid-19 pandemic.

Besides, there are new products and innovations in local industry, they said.

Exports were at their lowest point in the last decade during fiscal 2012-13, when \$979 million worth of leather products were shipped abroad. The last time exports came close to the current record was in fiscal 2016-17, when international buyers purchased \$1,234 million worth of leather products from the country, as per data from the Export Promotion Bureau.

Source: <https://www.thedailystar.net/business/economy/news/export-leather-goods-hits-decade-high-3065886>



Trade Deficit Hits \$30.81 Billion, a Historic High Stocks back to losing after single-day break

Bangladesh's trade deficit hit a historic high of \$30.81 billion in the first 11 months of the 2021-22 fiscal year, intensifying the pressure on the macroeconomy.

The country has been facing the higher trade deficit in recent months due to the escalation of imports against lower exports.

Trade deficit in the first 11 months of FY21 stood at \$20.70 billion, according to data from the Bangladesh Bank.

This has already created a tremendous pressure on the foreign exchange reserves, prompting a foreign exchange crisis in the banking sector.

Between July and May last fiscal year, imports increased to \$75.40 billion, up 39 per cent year-on-year when exports grew 33 per cent to \$44.58 billion. The higher trade deficit also registered a record current account deficit of \$17.23 billion in the first 11 months of FY22 in contrast to a deficit of \$2.78 billion a year ago.

Source: <https://www.thedailystar.net/business/news/trade-deficit-hits-3081-billion-historic-high-3063856>



Bangladesh Bank Tightens Belt on Forex Reserve

The central bank has tightened spending on the foreign exchange reserve to judiciously meet the cost of importing essential commodities and fuel.

From now on, importers will not get bank loans for importing these products. Banks will not be allowed to use forex if the loan LCs was approved earlier, reports UNB.

The central bank directive stated that long-term negative effects of the corona and the recent prolongation of the war of Russia-Ukraine leads to instability in the global economy.

To further consolidate the country's currency and debt management, the BB has directed to re-determine the cash margin rate in the case of opening of import bonds.

The required margin has to be deposited from the importers' own source against the opening of import LCs for these products. No margin can be paid in favor of the importer in the concerned bank against the opening of the import loan by opening an existing loan account or by creating a new loan account.

Source: <https://thefinancialexpress.com.bd/economy/bangladesh-bank-tightens-belt-on-forex-reserve-1657108302>



Diversified Jute Products: Exporters to Get 20pc Incentive

Exporters of diversified jute products such as food-grade bags, clothes, yarns and twines will receive a 20 per cent export incentive, according to a Bangladesh Bank notice.

They, however, will have to ensure the use of the natural fibre equivalent to at least 50 per cent of the export price, said the central bank on Tuesday.

Applications seeking the incentive currently pending with banks or audit firms as well as fresh applications will qualify for the support.

The incentive for hessian, sacking and carpet backing cloth is 12 per cent, according to a previous Bangladesh Bank circular.

Jute and jute goods exports fetched \$1.13 billion in the last fiscal year, down 2.91 per cent year-on-year, data from the Export Promotion Bureau showed.

Source: <https://www.thedailystar.net/business/economy/news/exporters-get-20pc-incentive-3065906>



Chartered Life Allowed to Raise Tk15cr through IPO

Chartered Life Insurance Company Ltd, a new generation life insurer, has secured approval from the securities regulator to go public.

The Bangladesh Securities and Exchange Commission (BSEC) on Wednesday said the company would collect Tk15 crore from investors through its initial public offering (IPO) at a face value of Tk10 per share.

The IPO is intended to comply with the insurance regulator's requirement as insurers, like banks and non-bank financial institutions, are obliged to go public in several years of commercial operations.

Chartered Life would use the IPO funds to invest in government securities and publicly listed securities, alongside meeting the expenses for the IPO.

Starting the business in 2013, Chartered Life's paid-up capital stood at Tk22.5 crores at the end of 2020.

According to the actuarial valuation report, the total life insurance fund of the company was Tk35.22 crore at the end of 2021, while the surplus in the life insurance fund was over TK4.67 crore, of which Tk45 lakh can be used to pay dividends to shareholders.

Source: <https://www.tbsnews.net/economy/stocks/chartered-life-allowed-raise-tk15cr-through-ipo-454306>



Stocks back to Losing after Single-day Break

The stock market ended slightly lower on Wednesday, after a single-day break, as investors followed a cautious stance amid a global fuel price hike and possible impact on the country's economy.

The market opened on a positive note and the key index rose about 28 points within the first hour of trading. But the rest of the session went down steadily, eventually closing over 6.0 points lower.

DSEX, the key index of the Dhaka Stock Exchange (DSE), went down by 6.08 points or 0.09 per cent to settle at 6,366, after gaining over 25 points the previous day.

Turnover, the crucial indicator of the market, also dropped to Tk 7.46 billion, which was 22 per cent lower than the previous day's tally of Tk 9.61 billion.

Source: <https://thefinancialexpress.com.bd/stock/stocks-back-to-losing-after-single-day-break-1657101297>

Global: Business

Euro Tumbles to 20-year Low against Dollar

European stocks sank Tuesday along with oil prices, while the euro slumped towards parity with the dollar on deepening recession fears as central banks contend with soaring inflation.

European stock markets fell nearly three percent, weighing on Wall Street early in the day before US stocks staged a turnaround.

"Fears about the health of the world economy are circulating and that is why we are seeing major declines in stocks, energies, and industrial metals," said market analyst David Madden at Equiti Capital.

The euro sank to a 20-year dollar low of \$1.0238 as investors eyed aggressive interest rate hikes by the US Federal Reserve in its fight against inflation, in contrast with the European Central Bank, seen as planning more modest increases.

Source: <https://www.thedailystar.net/business/global-economy/europe/news/euro-tumbles-20-year-low-against-dollar-3065846>



Oil Price Rises after Sell-off

Oil prices rose Wednesday after suffering a painful drop the previous day, though the euro remained wedged at a 20-year low and equities mostly fell in Asia as recession fears continue to flow through trading floors.

Both main crude contracts were pummelled Tuesday as investors grow increasingly worried that leading economies will contract this year or next owing to sharp central bank interest rate hikes aimed at fighting decades-high inflation.

The main US contract WTI sank nearly nine percent below \$100 a barrel for the first time since April, while Brent shed around 10 percent on expectations that any recession will slam demand, despite tight supplies caused by the Ukraine war.

And Citigroup said in a note that a recession could lead prices to as low as \$65 this year if Opec and other major producers do not step in to provide support and companies do not invest.

There are also signs that the high cost of fuel is hurting demand, in turn pushing prices down.

Source: <https://www.thedailystar.net/business/global-economy/news/oil-price-rises-after-sell-3065901>



Global: Business

Germany Moves to Ramp up Wind Power

The German government approved a draft law on Wednesday aimed at covering two per cent of the country's land area with wind turbines by 2032, by setting fixed regional targets and easing some administrative burdens.

The push to accelerate the expansion of wind power comes as Germany is scrambling to wean itself off Russian fossil fuels following the war in Ukraine.

"Independence from fossil energies and from Russian fossil energies must be advanced at full speed," Energy Minister Robert Habeck told reporters.

The goal is for Germany's 16 states to collectively dedicate two percent of the nation's surface area to wind power generation by the end 2032 -- up from 0.5 per cent currently.

The installation of wind turbines regularly runs into "not in my back-yard" resistance in Germany and objections from residents have often blocked such projects in the past, as have concerns about endangering local wildlife.

Source: <https://www.thedailystar.net/business/global-economy/europe/news/germany-moves-ramp-wind-power-3049396>



Fed Rolls out Biggest Rate Hike in 28yrs

The Federal Reserve on Wednesday approved its largest interest rate increase in more than a quarter of a century to stem a surge in inflation that US central bank officials acknowledged may be eroding public trust in their power, and being driven by events seen increasingly out of their hands.

The widely expected move raised the target federal funds rate by three-quarters of a percentage point to a range of between 1.5 per cent and 1.75 per cent, still comparatively low by historic standards.

But the Fed's hawkish commitment to controlling inflation has already touched off a broad tightening of credit conditions being felt in US housing and stock markets, and likely to slow demand throughout the economy - the Fed's intent.

Officials also envision steady rate increases through the rest of this year, perhaps including additional 75-basis-point hikes, with a federal funds rate at 3.4 per cent at year's end. That would be the highest level since January 2008 and enough, Fed projections show, to slow the economy markedly in coming months and lead to a rise in unemployment.

Source: <https://www.thedailystar.net/business/global-economy/america/news/fed-rolls-out-biggest-rate-hike-28yrs-3049421>



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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