

HIGHLIGHTS OF THE DAY

Bangladesh: Economy

June 22, 2022

Local Factories Can Expand Car Market by Ten Times

The new progressive manufacturing policy and incentives offered for car-making are smart moves by the government which have unleashed the potential to expand the local market by ten times, industry players said at a webinar hosted by The Business Standard.

"If we can bring down the price of a car to Tk7-8 lakh and middle-class people avail of car loans, the existing car market of 15,000-16,000 units per annum can grow to as high as 1-2 lakh units a year," said Mir Masud Kabir, managing director (MD) of Bangladesh Auto Industries, a company investing toward manufacturing electric vehicles locally.

The government earlier this month offered to waive all taxes and duties, except customs duty (CD), on imported components for up to 2,500cc cars if a company invests in a local modern plant for assembling cars and painting car bodies.

Welding and painting car bodies would further reduce the total tax and duty burden to around 30%, which would be over 40% for mere painting.

Source: <https://www.tbsnews.net/economy/industry/local-factories-can-expand-car-market-ten-times-444498>



91.46 per cent Agro Credit disbursed till May: BB

Banks have distributed 91.46 per cent agriculture loans in 11 months of the current fiscal year.

Bangladesh Bank's latest data released on Tuesday show that different scheduled banks have disbursed agriculture credit of Tk 25,966.73 crore in July-May period of fiscal year 2021-22 against the disbursement target of Tk 28,391 crore.

In the previous FY21, Tk 21,970.39 crore was disbursed against the target of Tk 26,292 crore, which is 83.56 per cent of the target.

According to a report of the agriculture credit department of BB, demand and collection of agricultural loans have increased in the current financial year as compared to last one.

The agriculture loan disbursement has increased by 18.18 per cent in the current financial year as compared to the same period of the previous financial year.

Source: <https://www.newagebd.net/article/173914/9146-per-cent-agro-credit-disbursed-till-may-bb>



Drive for Budget Deficit Financing Gets Going

An aggressive drive gets going for Bangladesh's budget-deficit financing as government officials are set to sit with the World Bank tomorrow (Thursday) for fund negotiations to begin with.

Finance secretary, Economic Relations Division (ERD) secretary and World Bank representatives will sit for a policy meeting in Dhaka to settle a proposed budget-support fund from the global development financier, said a Ministry of Finance (MoF) official Tuesday.

The government is expecting US\$500 million to \$750 million worth of budgetary support titled 'Green resilient and inclusive development policy credit (GRID)' from the WB over next three years to meet the deficit in the budget outlay, he said.

The official said: "We have also requested the WB to release remaining \$250 million of the Recovery and Resilience Development Policy Credit (DPC)-II, another assured budget support, for facilitating the country's economic recovery."

Under a deal, the WB in April last had released the DPC-I worth \$250 million.

Source: <https://thefinancialexpress.com.bd/economy/drive-for-budget-deficit-financing-gets-going-1655872125>

- ❑ Some \$750mn expected in 'Green resilient and inclusive development policy credit'
- ❑ WB has handed list of reforms tagged with the credit

Make Tax Certificate Mandatory: FBCCI

The Federation of Bangladesh Chambers of Commerce and Industry (FBCCI) leaders demanded enhancing the tax-free income limit at individual level, withdrawing the newly-imposed taxes on laptop and elevator imports, and making the provision of showing tax certificates mandatory for bringing money from abroad.

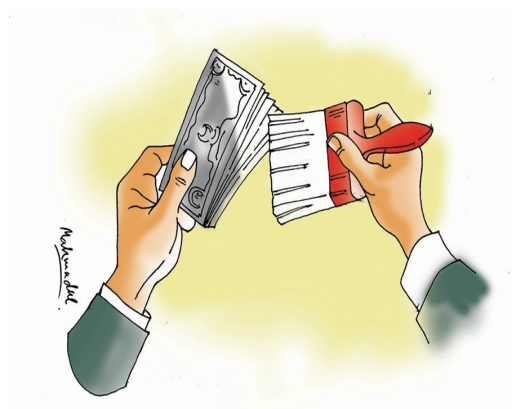
They also called upon the government to make duty and tax system investment-friendly and time-befitting from the next fiscal year for the interest of the nation.

The leaders of the FBCCI, led by its president Jashim Uddin, put forward the demands at a meeting with Finance Minister A H M Mustafa Kamal at Bangladesh Secretariat in the capital on Tuesday.

Prime Minister's Private Industry and Investment Adviser Salman F Rahman and Chairman of National Board of Revenue (NBR) Abu Hena Md Rahmatul Muneem attended the meeting, among others.

The apex trade-body leaders said the proposed budget gave waiver on value added tax (VAT), advance tax, tax at source, and import duty to some sectors; but the trade and industry as a whole has been deprived of these facilities.

Source: <https://thefinancialexpress.com.bd/economy/make-tax-certificate-mandatory-fbcci-1655867295>



DSE News

BSEC Allows ONE Bank's Tk 4.0b Subordinated Bond

The stock market regulator has approved ONE Bank's proposal to raise Tk 4.0 billion through issuance of seven years floating rate subordinated bonds to raise Tier-2 capital of the bank.

The approval came at a meeting of Bangladesh Securities and Exchange Commission (BSEC) held on Tuesday. Chairman of BSEC Prof Shibli Rubayat-Ul-Islam presided over, said a BSEC statement.

As per the BSEC approval, the bank will float unsecured, non-convertible, fully redeemable, floating rate subordinated bonds worth Tk 4.0 billion through private placement.

The per unit price of the bond is Tk 10 million which will be issued to the local financial institutions, insurance companies, institutional investors, high net worth individual investors through private placement.

With the proceeds, the ONE Bank will improve its additional Tier-2 capital base.

Sena Kalyan Insurance Company is the trustee of the bond while Standard Chartered Bank is the mandated lead arranger.

Source: <https://thefinancialexpress.com.bd/stock/bsec-allows-one-banks-tk-40b-subordinated-bond-1655873279>



Stocks Keep Falling for Third Day

Stocks extended the losing streak for the third straight session on Tuesday as investors continued their sell-off amid macroeconomic worries.

The market started on a negative note and the downturn sustained until the end of the session as investors sold major sector stocks, ultimately ending over 45 points lower.

DSEX, the core index of the Dhaka Stock Exchange, slid 45.72 points or 0.72 per cent to settle at 6,311, lowest in the four weeks since May 26. DSEX shed 114 points in the past three consecutive sessions.

Turnover, the crucial indicator of the market, also dropped further to Tk 7.25 billion, which was 12 per cent lower than the previous day's tally of Tk 8.22 billion. Market insiders said investors went for selling shares amid rising concerns over the country's macroeconomic situation fueled by Russia-Ukraine war and global commodity price instability.

Two other indices also ended lower. The DSE 30 Index, comprising blue chips, lost 19.15 points to finish at 2,295 and the DSE Shariah Index (DSES) shed 9.11 points close at 1,378.

Source: <https://thefinancialexpress.com.bd/stock/stocks-keep-falling-for-third-day-1655807491>



Global: Business

Global Bond Investors Calling for Fast Rate Hikes

A series of surprise actions by some of the world's largest central banks fretting about runaway inflation has left bond investors battered. Now, a growing chorus of investors is calling on policymakers to move fast to end the uncertainty.

Until central banks are able to bring down inflation, some investors said, markets will not have any certainty about rates. Their best way forward may be to get to neutral interest rates -- the level at which monetary policy is neither stimulating nor restricting the economy -- as fast as they can, the investors said.

"We're seeing these sort of rate hikes in an economy that is clearly slowing, and it creates this extraordinary uncertainty on how much will inflation come down and how much the Fed will have to go," said Rick Rieder, chief investment officer of global fixed income at BlackRock, the world's largest asset manager.

"Sometimes the markets can take some time to adjust to it, but in the long run it's a better way to go," Rieder told Reuters in an interview.

Source: <https://www.thedailystar.net/business/global-economy/america/news/global-bond-investors-calling-fast-rate-hikes-3052366>

Germany Risks Recession as Gas Crisis Deepens

Germany faces certain recession if already faltering Russian gas supplies completely stop, an industry body warned on Tuesday, as Sweden joined a growing list of European nations rolling out emergency plans to cope with a deepening energy supply crisis.

European Union countries from the Baltic Sea in the north to the Adriatic coast in the south have been outlining measures to cope with a supply crisis after Russia's invasion of Ukraine.

The EU relied on Russia for as much as 40 per cent of its gas needs before the war - rising to 55 per cent for Germany - leaving a huge gap to fill in an already tight global gas market. Some states have temporarily reversed plans to shut coal power plants in response.

Global gas prices have sky-rocketed, driving surging inflation higher still and creating a bigger headache for policy makers trying to haul Europe back from an economic precipice.

Germany's BDI industry association slashed its economic growth forecast for 2022 on Tuesday to 1.5 per cent, revising it down from 3.5 per cent expected before the war. It said a halt in Russian gas deliveries would make recession inevitable.

Source: <https://www.thedailystar.net/world/europe/news/germany-risks-recession-gas-crisis-deepens-3053311>



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