

Following is a summary of important business news published in the leading daily newspapers of Bangladesh. For the complete news, please follow the online link given below each news. Please note that the news summary doesn't reflect the opinion of BRAC EPL Stock Brokerage Limited.

Garment exports to US up 10%

- Garment exports to the US increased 10.10% year-on-year to USD 1.08 billion in the first two months of the year, with the shipments expected to grow exponentially if 25% duty on Chinese imports comes into effect. If that materialises, many international retailers will look to Bangladesh as an alternative sourcing destination. Apparel was not in the list of the items subjected to US President Donald Trump's retaliatory 25% duty last year, but on Friday he announced 25% duty on USD 200 billion worth Chinese imports that include garment items.
- Such announcement will encourage US retailers to consider Bangladesh, said the senior vice-president of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA). But everything depends on price negotiations with the retailers, he added. All things are still at the primary stage. They need to do a lot of home work if they want to grab more market share of the shifted work orders from China. This is a potential opportunity for Bangladesh, said a distinguished fellow of the Centre for Policy Dialogue.
- Bangladesh would be benefited if the decision to impose 25% duty is finally levied, as the US and China are negotiating a trade deal now. However, the Bangladeshi garment sector has been benefiting from the uncertainty that stemmed from the tariff war between the two global economic giants, he added. Despite a shift towards lower-cost manufacturing bases like Vietnam and Bangladesh, China is still the single biggest source of apparel globally, according to Bloomberg.

<https://www.thedailystar.net/business/news/garment-exports-us-10pc-1740421>

Bangladesh self-sufficient in billet production

- Bangladesh has become self-sufficient in billet manufacturing on the back of huge investment made by large steel mills, which bumped up their production capacity for the key raw material of steel products. Five years ago, steel mills had to import half the total requirement for billet to make steel to feed the domestic market, said Md Shahidullah, secretary general of Bangladesh Steel Manufacturers Association (BSMA). Local mills now produce around 6.0 million tonnes of billet annually, enough to manufacture 5.5 million tonnes of high-quality rods.
- The expansion spree by the BSRM, Abul Khair Steel, GPH Ispat, KSRM, Metrocem and Anwar Ispat in recent years has enabled the country to reduce its reliance on imports for billet. The firms went for boosting steel production capacity to meet the burgeoning demand for the construction material. Today, 35 mills make billet by importing scrap, said Shahidullah, also the managing director of Metrocem Steel. Sector people have said local mills, mainly the large ones, signed up either for billet-making or capacity expansion buoyed by the increasing demand for steel thanks to the implementation of mega infrastructure projects. An improvement in power generation also encouraged them to invest more.
- Executive director of the BSRM, which can make 1.8 million tonnes of billet annually, said the expansion in billet-making capacity has helped save large amount of foreign currency that would have been needed for imports. Bangladesh used to import billet mainly from China, the US and India when it produced billet below its annual requirement. Now the import demand for billet is insignificant.

<https://www.thedailystar.net/business/news/bangladesh-self-sufficient-billet-production-1740427>

Loans getting costlier amid cash crunch

- In the last one and a half years a home loan borrower of Delta Brac Housing (DBH) has experienced a hike in his interest rate three times. The private sector employee received a notice on the third hike just this week. From June 1 the borrower will have to pay 11.5% in interest, a rise from the current 8.75%. The frequent change in the interest rate means the borrower runs the risk of becoming a defaulter as the larger instalment size will put pressure on his monthly budget.
- The DBH revised down the lending rate for the borrower in October from 11.5% to 11% following an ease in the liquidity condition caused by the cut in cash reserve ratio in April. But within eight months, it revised the lending rate. The DBH increased the lending rate by up to 1% point from April as its deposit cost has surged, said managing director of the non-bank financial institution.
- Currently, the NBFIs are paying up to 10% in interest to savers, but it was 7 to 8% several months back. The deposit rate of banks also went past 10%. Most of the banks and NBFIs have revised up the lending rate by up to 1% point in recent months, he added. Apart from home loans, other business loans are also becoming expensive, as the liquidity crisis is deepening amidst the Bangladesh Bank mopping up cash through sales of the dollar.

• What is more, there are instances where banks could not disburse loans to clients even after giving approval. One such client, a business firm, received the nod for a loan of BDT 500 million from a private commercial bank. One month went by but the fund was not released. When the firm contacted the bank, it learned that the delay was because of the liquidity shortage. The firm, which runs super-shops, has not been able to go ahead with its expansion plan as per schedule as it could not get the fund.

<https://www.thedailystar.net/business/news/loans-getting-costlier-amid-cash-crunch-1740424>

Import payments grow 7.3% in 9 months, but capital machinery import falls

• Country's overall import payments grew by 7.32% or USD 2.81 billion in the first nine months of the current fiscal year 2018-19 despite fall in import of capital machinery. According to Bangladesh Bank's latest data, settlement of letters of credit, considered as actual import, increased to USD 41.22 billion during the July-March period of FY19 from USD 38.41 billion in the same period of the previous fiscal.

• Although the country's import growth was significant, the import of capital machinery has been falling for last several months. Capital machinery are considered as the driving force for the industrial sector of countries like Bangladesh. Import of capital machinery dropped by 9.45% to USD 3.61 billion in July-March of FY19 from USD 3.99 billion in the same period of last fiscal year. Growth in capital machinery import was 6.24% in the entire FY18.

• Besides, growth in import of industrial raw materials slowed down in first nine months of FY19 along with sluggish private sector credit growth that hit 54-month low in March this year. Import of industrial raw materials grew by 9.74% to USD 14.73 billion in July-March period against import of USD 13.43 billion in the same period of previous fiscal. Growth in industrial raw materials import was 10.08% in the first nine months last year and 12.36% in the entire fiscal.

• Higher import payment for fuel oils also increased up the overall import expenses during the period, officials of Bangladesh Bank said. With 25.43% growth in petroleum import payment in first nine months of FY19, the total cost for this purposes increased to USD 2.81 billion from USD 2.24 billion during same period last fiscal. On the other hand, import of food grains, particularly rice and wheat, dropped by 56.88% to USD 1.06 billion from USD 2.47 billion.

<http://www.newagebd.net/article/71741/import-payments-grow-73pc-in-9-months-but-capital-machinery-import-falls>

Net foreign investment in Dhaka Stock Exchange (DSE) dips in April

• Net foreign investment in the Dhaka Stock Exchange (DSE) remained negative for the two straight months in April as overseas investors continued their selling binge. Foreign investors collected shares worth BDT 2.57 billion but sold BDT 4.11 billion worth of shares last month, resulting in their net position of a negative BDT 1.54 billion, according to statistics available with the DSE.

• In March, the overseas investors' net position was also negative BDT 1.23 billion, as they purchased shares worth BDT 3.75 billion and sold shares worth BDT 4.98 billion, the DSE data shows. Market analysts said that the foreign investors sold shares in line with the local investors amid lack of confidence and dearth of quality stocks. Foreign investors look for companies that performed well, maintain good governance and have growth potential. "But we were not provide to them with a long list of such companies," said a merchant banker, preferring anonymity.

• He noted that researchers can recommend names of only 30 to 35 companies, out of more than 300 listed, to meet foreign investors' criteria. A former finance adviser to the caretaker government suggested to bring quality stocks to attract foreign investors as well as increased depth of the market. A local stockbroker, who deals with foreign investors, said depreciation of local currency against the USD was another reason for withdrawal of funds by the foreign investors.

• However, he said, the foreign investors are not the market drivers of the country's capital market as foreign investment makes up less than 2.0% of DSE's total market cap and is the lowest among South Asian countries. Stock indices also took a big hit in April. DSEX, the benchmark index of the premier bourse, fell 289 points or 5.26% during the month to settle at 5,202. In 2018, net foreign funds in stocks were in the negative BDT 5.93 billion as nine months out of 12 were in the negative territory. The overseas investors bought shares worth BDT 44.96 billion and sold shares worth BDT 50.89 billion in 2018.

<http://today.thefinancialexpress.com.bd/stock-corporate/net-foreign-investment-in-dse-dips-in-april-1557244544>

Foreign funds fall in Dhaka Stock Exchange (DSE)

• Net foreign investment at Dhaka Stock Exchange fell in the last two months owing to a government move which puts a number of restrictions on Grameenphone alongside a fear of further depreciation of the local currency. Investment from foreign investors hit BDT 1.54 billion in the negative zone in April after they bought shares amounting to BDT 2.57 billion and sold issues worth BDT 4.11 billion. The net foreign investment was BDT 1.23 billion in the negative in March.

- The move from Bangladesh Telecommunication Regulatory Commission (BTRC) against Grameenphone, the largest stock in the DSE with a market capitalisation of BDT 485.29 billion, has spooked foreign investors, said a top official of a brokerage house, which deals with foreign investment.
- The commission declared Grameenphone as the operator with Significant Market Power (SMP) in an attempt to enhance competition in the industry. On this ground, the regulator has already taken some decisions that will squeeze the business of the mobile phone operator. The BTRC's decision came in February and the foreign investors' investment has been declining since March. The top official of the brokerage house says foreign investors sold not only the stocks of Grameenphone but also those of other companies as they lack confidence.
- This was not the first time regulators' sudden moves against listed companies have hurt stocks. For example, Bangladesh Energy Regulatory Commission (BERC) cut the distribution charge for Titas Gas in 2015. As a result, the utility company lost more than BDT 30.00 billion in market value over a period of five months. Any sudden decision hampers investors' decision said a brokerage official adding that there was a lack of coordination among all regulators.

<https://www.thedailystar.net/business/news/foreign-funds-fall-dse-1740415>
<http://www.newagebd.net/article/71740/foreign-fund-at-dse-remains-negative-for-2nd-month>

World Stock and Commodities*

Index Name	Close Value	Value Change	% Change
Crude Oil (WTI)*	\$61.84	+0.44	+0.72%
Crude Oil (Brent)*	\$70.20	+0.32	+0.46%
Gold Spot*	\$1,285.78	+1.35	+0.11%
DSEX	5,290.00	-52.08	-0.97%
Dow Jones Industrial Average	25,965.09	-473.39	-1.79%
FTSE 100	7,260.47	-120.17	-1.63%
Nikkei 225	21,584.26	-339.46	-1.55%

Exchange Rates

USD 1 = BDT 84.53*
GBP 1 = BDT 110.55*
EUR 1 = BDT 94.71*
INR 1 = BDT 1.21*

**Currencies are taken from XE Currency Converter and Commodities are taken from Bloomberg.*

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