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The BICM Financial Market Review provides analytical insights about the performance of the financial market in Bangladesh on a monthly basis.



A nine-year high inflation rate is a consequence of geo-political unrest, along with internally financed long extended mega projects



Economy of Bangladesh

Main indicators at a glance

	Nominal GDP (as of Apr, '22) (USD in billion)	Real GDP Growth (as of Apr, '22) (yearly % Change)	Inflation Point to point (%) (as of Jun, '22)	Current Account Balance: (% of GDP)	Interest Rates (%) 10-years Treasury Bond	Currency Exchange Rates (per USD)
Bangladesh	396.543	6.415	7.56	-3.74	8.360	94.7
Emerging Economies						
India	3,534.74	8.153	7.01	-1.09	7.429	79.67
China	19,911.59	4.373	2.50	1.79	2.784	6.75
Developed Economies						
USA	25,346.81	3.708	9.10	-3.57	2.798	1.00
UK	3,376.00	3.749	9.40	-2.59	2.232	0.82

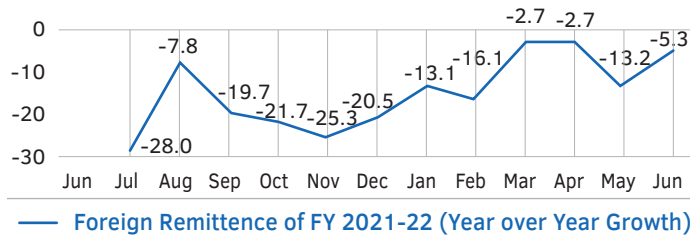
From the spectacles of the stakeholders

- ▶ Bangladesh Bank has encouraged foreign currency transactions by reducing document attestation conditions from foreign Bangladeshi embassy regarding account opening in the scheduled banks by Non-resident Bangladeshis.
- ▶ With a view to uplifting foreign currency deposits, the interest rate ceiling on Non-resident Foreign Currency Deposit (NFCD) accounts has been set by Bangladesh bank to 2.25 percent in addition to the Benchmark Reference Rate (BRR) for the duration up to 03 years and 3.25 percent in addition to the BRR for 03 to 05 years.
- ▶ Bangladesh's trade deficit hit a historic high of \$33.25 billion in the fiscal 2021-22 which was \$23.78 billion in FY 2020-21.
- ▶ The inflow of remittances increased by 12 per cent to \$2.09 billion in July, the first month of the current financial year 2022-2023 compared with that of \$1.83 billion in July of FY 2021-22. The July inflow was the highest since May 2021, when the expatriates sent \$2.17 billion.
- ▶ As a part of the diversification of the stock market, stakeholders such as Bangladesh Bank, Bangladesh Securities and Exchange, Dhaka and Chattogram bourses, Central Depository Bangladesh Ltd and Central Counterparty Bangladesh Ltd have signed a deal led by the finance ministry on June 12, 2022, in order to commence the trading of T-bonds in the secondary market. The trading of treasury bonds is likely to be started within one month of signing the agreement.
- ▶ The Bangladesh Securities and Exchange Commission (BSEC) has set the floor price of every stock effective from July 31st, 2022 to halt the free fall of the market indices amidst global economic uncertainties. The floor price is being set by considering the average of the closing prices of the preceding five days. Earlier, on March 19, 2020, the stock market regulator imposed a floor price to stop the index from falling amid the pandemic.

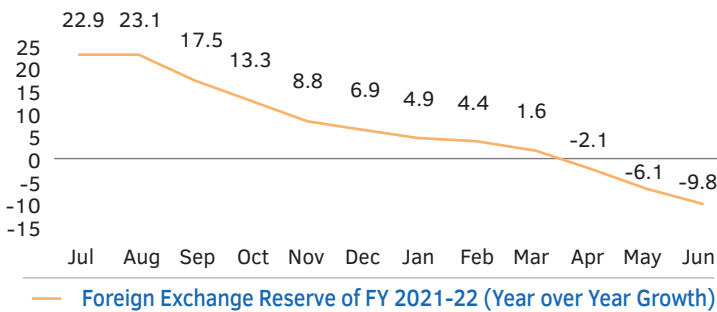
A visual tour of the key statistics



Import-Export Growth % upto (May 2022)



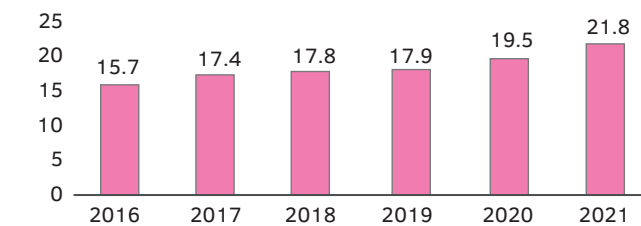
Foreign Remittance of FY 2021-22 (Year over Year Growth)



Foreign Exchange Reserve of FY 2021-22 (Year over Year Growth)



Domestic Credit Growth upto May, 2022 (Year over Year Growth)



External Debt to GDP Ratio

Numbers to note

- > Bangladesh earned \$52.08 billion from export in fiscal year 2021-22 considering a 34.38% year-on-year growth. This is the first time in history that export earnings have crossed the milestone of \$50 billion. In FY 21, the export earnings were around \$38.75 billion.
- > Bangladesh's Current Account exposed a deficit of \$1.8 billion in May 2022, compared with a deficit of \$1.1 billion in the previous month. It reached an all-time high of \$2.0 billion around in July, 2020 and a record low of -\$2.6 billion in Feb 2022.
- > Bangladesh Foreign Direct Investment (FDI) increased by \$1.2 billion in March 2022, compared with an increase of \$1.4 billion in the previous quarter.
- > Due to USD crisis, the price of the greenback in the open market had jumped highest to Tk112 on July 26, 2022. It has also hiked the interbank exchange rate to TK. 94.70 per dollar, up from TK. 94.45 per dollar. Since the first day of the current fiscal year, more than \$700 million has been sold from the reserve.
- > Inflation rate recorded at 7.56 percent in the month of June, which is considered the highest in nine years as per the state-owned Bangladesh Bureau of Statistics data.

Economy-wide challenges ahead

- Foreign investment in capital market has drained a lot in recent time due to current devaluation which is considered as one of the major issues that triggers the recent implementation of floor price in the capital market.
- Local currency devaluation instigates the exports of a country and subsequently it may instigate the foreign currency reserve. However, demographic or geographic earmarked export diversification along with import reduction through agricultural production expansion and efficient distribution may ameliorate current condition.
- Government's recent initiatives in cushioning the remit of foreign earnings of the overseas Bangladeshis have triggered up the recent remittance inflow in July. However, a sustainable inflow of remittance is needed to be assured since a number of mega projects are going on along with extensive dependency on imports orientation.
- A nine-year high inflation rate is a consequence of geo-political unrest along with internally financed long extended mega projects. Domestically financed projects compel the economy to boost money supply in comparison to GDP growth, which contributes to local currency devaluation.



Falling spree of indices saved by the subtle rule of BSEC. In July 2022, The DSE market indices demonstrated 3.55% decline in the DSEX index compared to the previous month of June. The prices of majority issues decreased due to global macroeconomic instability



Capital Market

It is apparent by analyzing the capital market snapshot of July 2022 that the DSE market indices demonstrated a downward movement with a sudden increase of index at the end of this month due to the new rule of floor price. The DSEX index has decreased by 3.55% compared to that of the previous month. The prices of the majority of issues decreased as there were majority investors on the selling side. Other indices have also decreased compared to the month of June. During the month of July, 121 issues were advanced, 220 issues were declined where the remaining 40 issues were unchanged. The AD ratio compares the number of stocks that increased in value to the number of stocks that decreased in value. By shedding light on the AD ratio of this month, it is evident that the 19-trading day denoted a downward trend in the market.

The market lost points in all trading days of the month. Investors of the market sold most of their investments due to global macroeconomic conditions. When government announced measures to save power and energy it worked as a panic driver in the capital market. Volatility of foreign exchange reserves is another reason

behind this downward movement of the indices. Again, industries related to power and energy also cut their production. As a result, the trade deficit is on an increasing nod. All these things together with higher inflation triggered investors' selling spree. All the sectors in the capital market witnessed negative returns on average in the month of July. The textile and pharmaceutical sectors of the market have contributed a large percentage, and these sectors have the potential to raise more export earnings in the upcoming days. PE ratio of the market in this month was 13.69. BEXIMCO was in the top position based on turnover; UNIONINS was the top gainer, whereas UNITEDINS was the top loser. Accumulatively, the average trade volume and the average trade value decreased by 21.77% and 21.84%, respectively, along with a 1.87% fall in the average market capital compared to the previous month. However, regulatory authority has introduced a floor price to stabilize the market which will help to recover the loss.

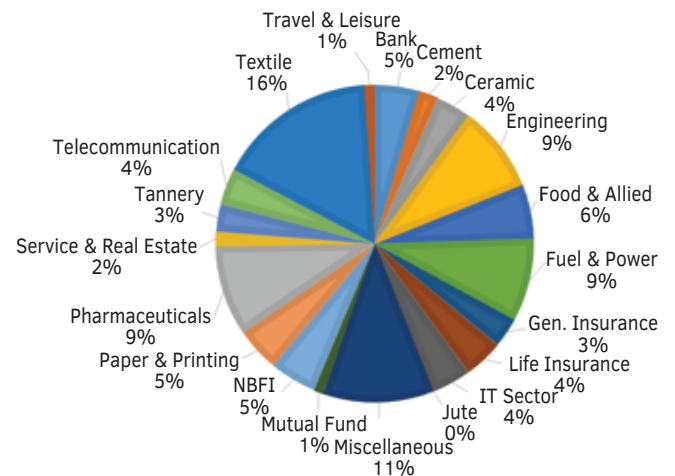
DSE Market Indices

	3 Jul '22	31 Jul '22	Change	% Change
DSEX	6359.78	6133.96	225.82	-3.55
DSES	1384.759	1339.473	45.28	-3.27
DS30	2291.21	2193.58	97.63	-4.26
CDSET	1259.49	1213.29	46.20	-3.67
CDMEX	1929.08	1881.57	47.51	-2.46
Scripts Movement	Advance		Decline	Unchanged
(Monthly Average)	↑ 121		↓ 220	↔ 40

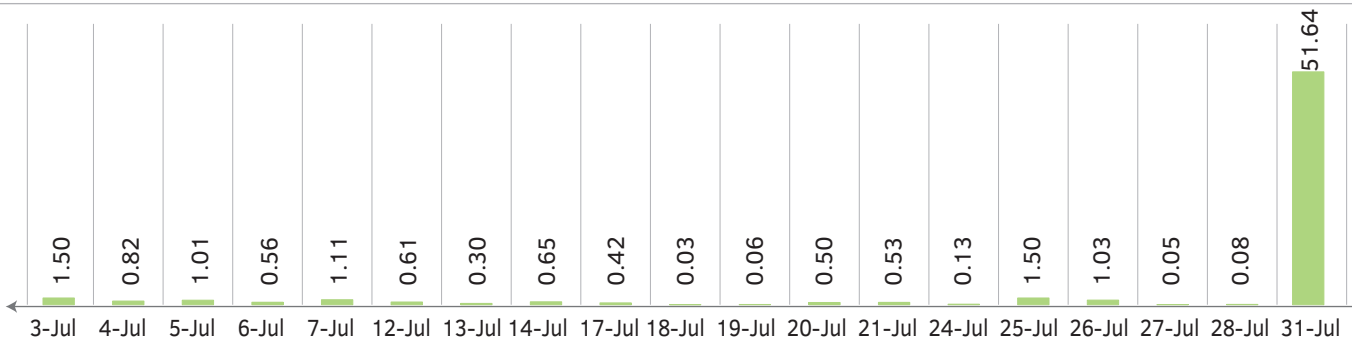
Market Aggregates

	22 Jul '22	22 Jun '22	Change	% Change
Avg. Mkt. Capital (Tk. Mn)	5087325.994	5184442.164	97116.17	-1.87
Avg. Traded Value (Tk. Mn)	6465.328158	8272.32235	1806.99	-21.84
Avg. Number of Trades	142516.7895	161939.75	19422.96	-11.99
Avg. Trade Volume	171999204.1	219858357.4	47859153.29	-21.77

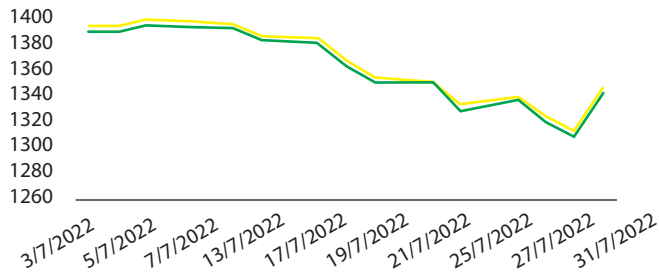
Sector Volume (%)



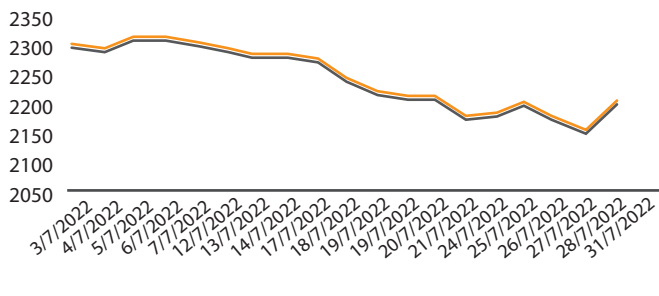
AD Ratio



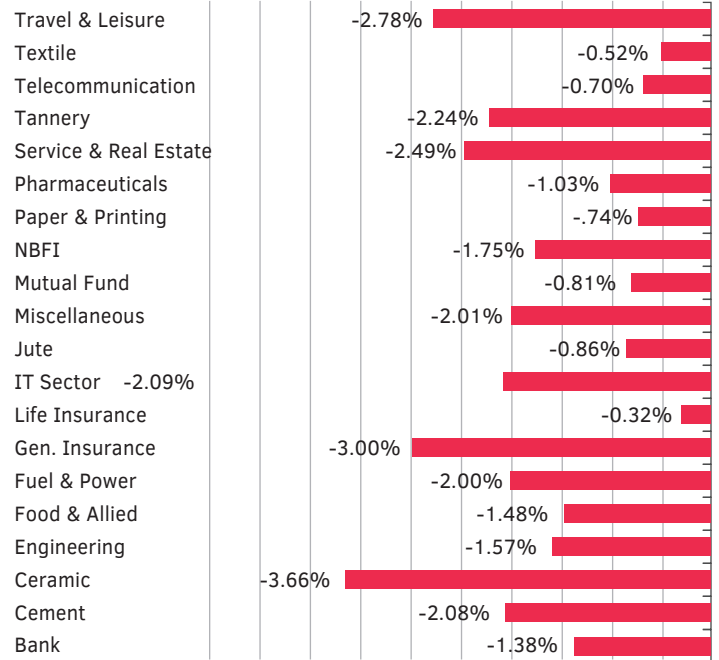
DSEX



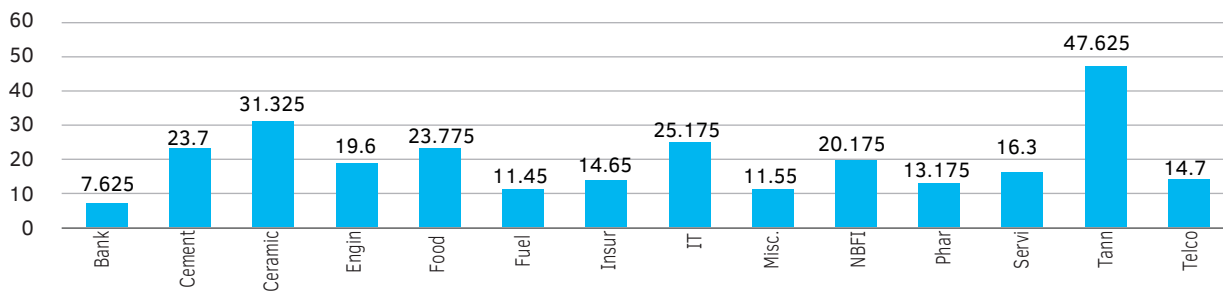
DS30



Sector Returns (%)



Sectoral PE Ratio



TOP 5

Turnover			Gainer		Loser	
Sl. Stock	Turnover (MN)	Total (%)	Sl. Stock	Return (%)	Sl. Stock	Return (%)
1. BEXIMCO	297.73	2.28	1. UNIONINS	11.80	1. UNITEDINS	-2.90
2. KDSLTD	207.61	4.54	2. REPUBLIC	11.70	2. VAMLRBB	-2.60
3. MATINSPINN	194.21	6.60	3. CRYSTALIN	11.20	3. DULAMIA	-1.80
4. ORIONINFU	179.94	11.10	4. SONARGA	11.20	4. PFISTMF	-1.80
5. INTRACO	156.01	8.2	5. ORIONINF	11.10	5. HRTEX	-1.00



“Timely measures taken by the Government and Bangladesh Bank stabilized the greenbacks at the end of July”



Money Market

Total deposits held in banks grew by 8.48% on YoY growth in May 2022. Breaking down, both the demand deposits and time deposits increased by 11.45% and 8.4%, respectively. Advances grew by 12.55% YoY growth in May 2022. Though bills for imports and inland show a negative growth comparing May 2022 to April 2022, it skyrocketed to 49.56% YoY as of May 2022. Investments made by the banks show a positive YoY growth. Summing all these, the total bank disbursements grew by 13.13% YoY as of May 2022.

Items	Taka in Millions			Percentage Change	
	May 2022	April 2022	May 2021	May '22 over Apr '21	May '22 over May '21
Deposits held in DMBs					
Demand Deposits*	16,91,690	16,59,491	15,17,950	1.94	11.45
Time Deposits*	1,26,77,757	1,26,04,351	1,17,27,662	0.58	8.1
Total	11,43,69,447	1,42,63,842	1,32,45,612	0.74	8.48
Bank Credit					
Advances	1,29,59,885	1,27,94,594	1,15,14,710	1.29	12.55
Bills (Import & Inlands)	3,62,219	3,66,239	2,42,182	-1.1	49.56
Investments	35,16,196	35,08,288	31,27,108	0.23	12.44
Total	1,68,38,300	1,66,69,121	1,48,84,000	1.01	13.13

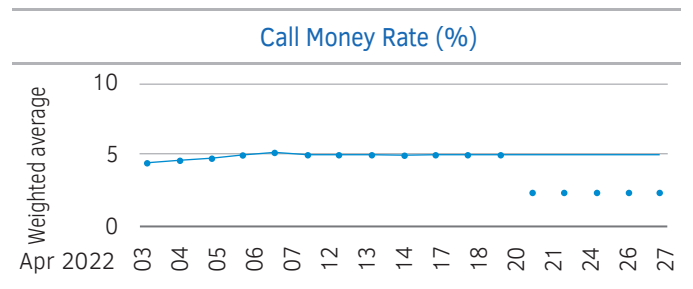
Current Bank Deposit and Credit

The interbank call money rate has shown an upsurge, starting from 4.54 percent and reaching to 5.55 percent at the end of the month.

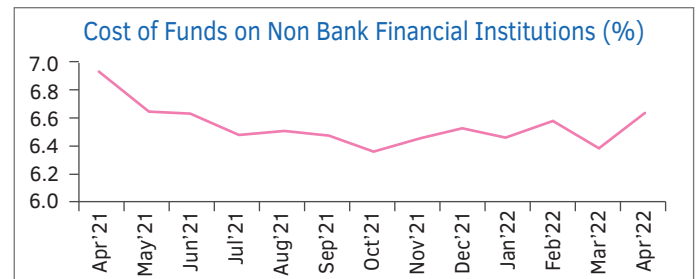
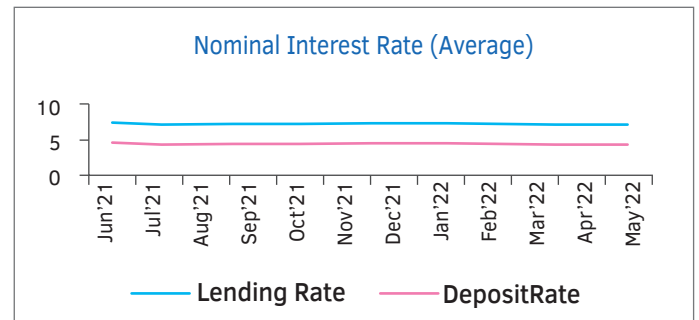
Source: Bangladesh Bank

Note:

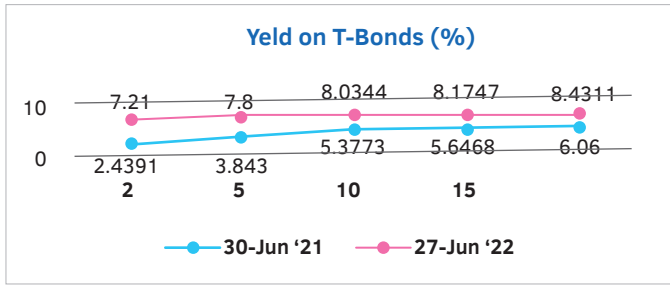
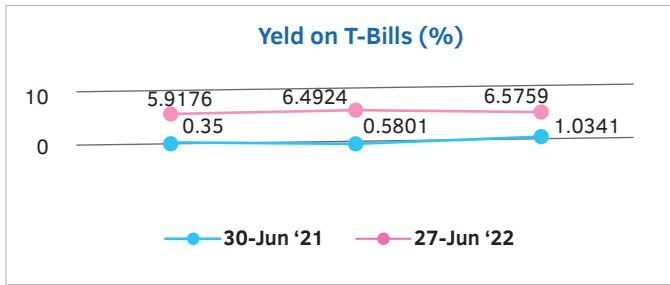
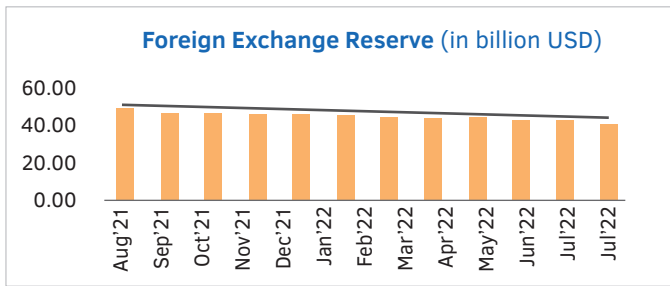
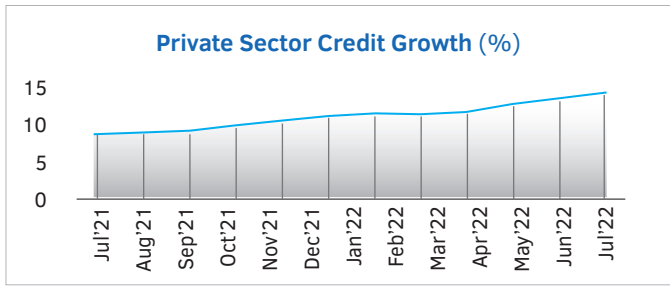
- * Excludes Inter bank Deposits and Government Deposits.
- Advances include Loans and Advance, Money at Call, Balances & R. Repo with NBFIs' & Accrued Interest.
- Investments include Treasury Bills, Treasury Bonds, Share & Securities with accrued interest.



Both the lending and the deposit rates show a downward trend till May 2022, reaching 7.08% and 4.02%, respectively. The cost of funds for Non-Bank Financial Institutions has been hovering between 6 and 7%, reaching 6.65% as of April 2022.

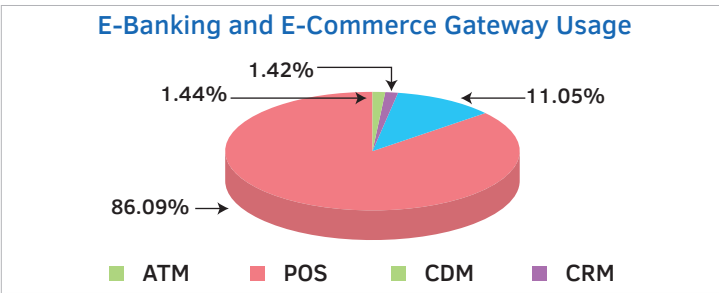
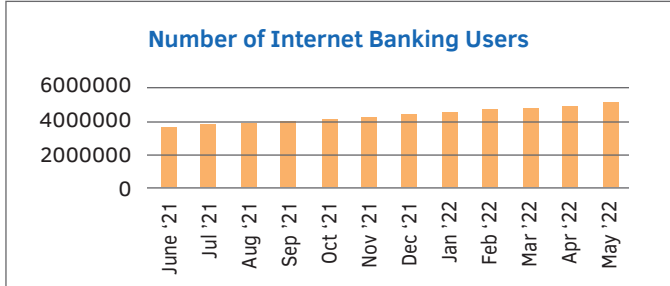


The Covid induced uncertainties slashed the growth to 8.38% in July 2021 but it skyrocketed to 13.66% growth as of June 2022. Higher growth of import than that of exports and foreign remittances put the dollar at stress, reaching \$39.49 billion as of July 2022. Compared to previous year, both the yields on T- Bills and T-bonds have increased significantly.

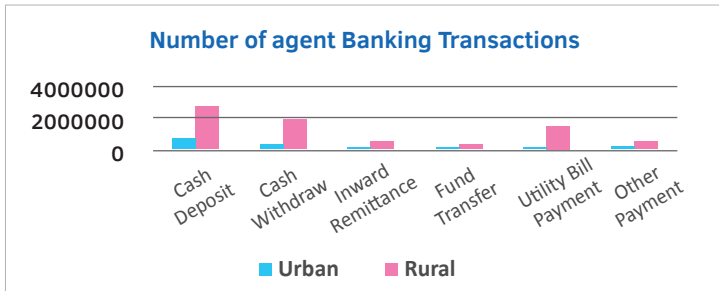
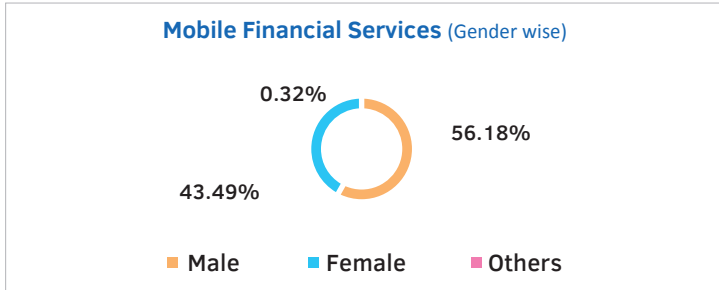


Trends in Financial Inclusion and Digital Finance Statistics

As part of digitalization, internet banking is a vital point where we are witnessing a sharp upward trend in terms of internet banking users. It has reached to 51, 38,554 as of May 2022. In observing how consumers interact in e-banking and e-commerce gateway, we observe nearly 86.09% transaction takes place in POS. Besides, ATM, CDM and CRM account for 11.05%, 1.44% and 1.42% respectively.



Males and females share nearly equal portions in terms of mobile financial services, 56.18% and 43.49%, respectively. In every mode of transaction through agent banking, rural people outpaced urban to a great extent.



Key Takeaways

- > Both the bank deposits and the bank credit are in a positive trend as of May.
- > High call money rate signals the liquidity stress and dependency on interbank borrowing.
- > The downward lending and deposit rate may turn opposite because of increasing policy rates, higher inflation and liquidity squeeze.
- > Cost of borrowing for NBFIs is higher than that of banks.
- > High yields on T-Bills and T-Bonds are indicating some liquidity pressure on the market.
- > The reopening of economic activities due to the relaxation of Covid and high import payments for capital machinery and industrial materials have increased the demand for loans, reflected in private sector credit growth.
- > Timely measures taken by the government and Bangladesh Bank stabilized the greenbacks at the end of July.
- > Upward trend of internet users reflects the positivity in attaining digitalization.
- > In bringing the rural people under banking arena, agent banking is playing a significant role.

* The following acronyms have been used in this report:
 ATM- Automated Teller Machine
 POS- Point of Sale,
 CDM- Cash Deposit Machine
 CRM- Cash Recycling Machine

Data source: Bangladesh Bank Website.



A Comparative Analysis of the Economy of Bangladesh Paving Way for Investment in Capital Market



When the economy is strong, surely investors, both local and foreign, get encouraged for long-term investments in the capital market of Bangladesh



Insights

Comparative Analysis of Different Economies and Implications on Capital Market

The analysis tries to dig down the economy of the country and find out how this economy stands with respect to investment attractiveness to investors. Here in Figure 1, we can see, that the Advanced Economies average their RGDP 1.7% in 2019, -4.6% in 2020, and 5.2% in 2021 with average projection forecasted based on different socio-politic and economic base factors 3% in coming years.

On the other hand, the Emerging and Developing Economies average their RGDP 3.8% in 2019 and -1.6% in 2020, 6.8% in 2021 and 3.4% in the coming years. The mention worthy thing about Bangladesh is that it didn't experience any negative RGDP in any of the years. In 2019, its RGDP was 7.9%, in 2020 it was 3.4% and in 2021 it was 6.94% and the projection for coming years is above 7%.

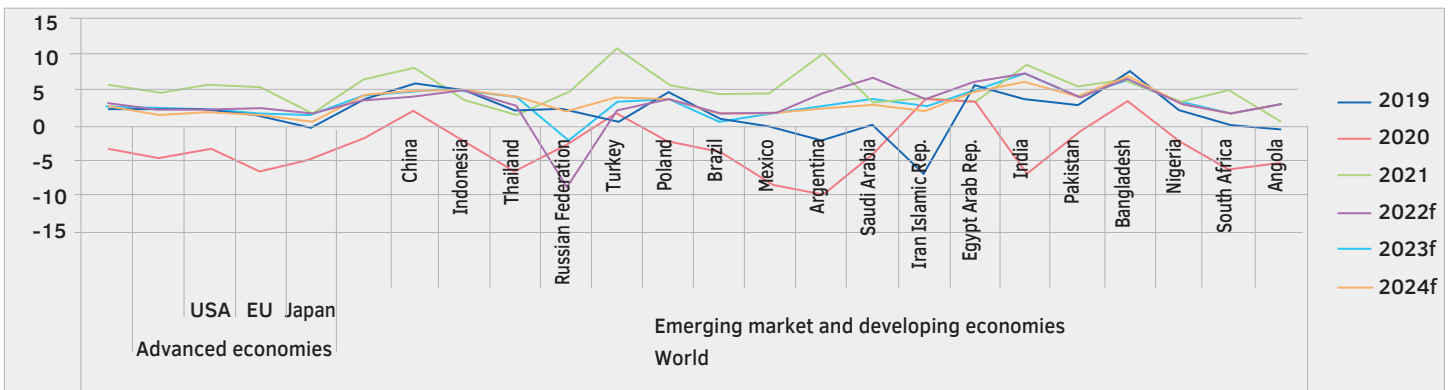


Figure 1: Recent Data and Forecast Data of Real Gross Domestic Product (RGDP) of Advanced Economies and Emerging Economies (in percentage)

Aspect of Foreign Reserve and Implications on Capital Market

When foreign reserve stays at a satisfactory level, it represents that the country is not going to face any immediate monetary crisis with respect to payment of debt or channeling funds for investment. Figure 2 represents that the foreign exchange of Bangladesh is very upward moving that is due to different factors like export, remittance, Foreign Direct Investment etc.

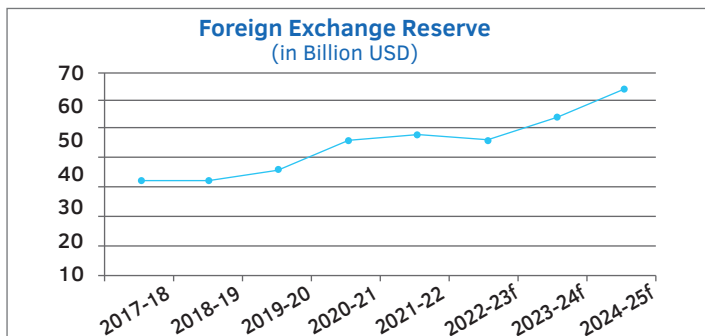


Figure 2: Recent and Forecast Data of Foreign Exchange Reserve (in Billion USD)

Aspect of Remittance and Implications on Capital Market

Figure 3 represents the growth rate of remittance that shows that in 2021-22 the remittance growth is 1% negative. Except for that, in the previous years, we found very positive remittance growth rate. Thus, the forecast is kept nearly 10% basing on the eelier economic positivity trends.

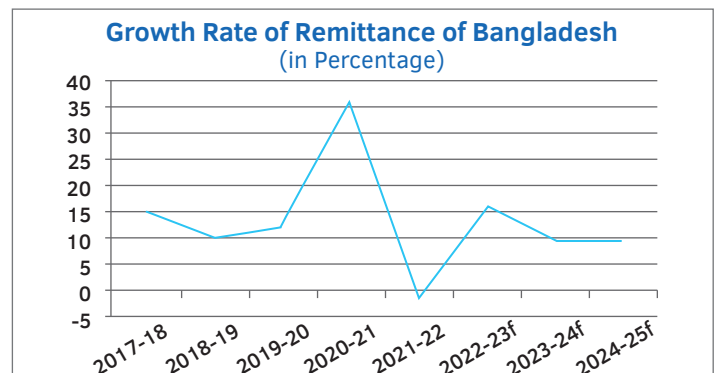


Figure 3: Growth Rate of Remittance of Bangladesh (In Percentage)

Aspect of Internal Debt Percentage Change and Implications on Capital Market

When the internal debt is in growth stage, this will cause to inflate the money supply devaluing the domestic currency. Unless exports hit properly, this will generate a burden for the country causing loss of investment attractiveness for both the local and foreign investors. Figure 4 suggests that in 2020-21, the growth rate of internal debt of Bangladesh went low, but it increasingly went high in 2021-22. Thus the projection also finds higher growth due to running mega projects of the country like the Padma Bridge financing.

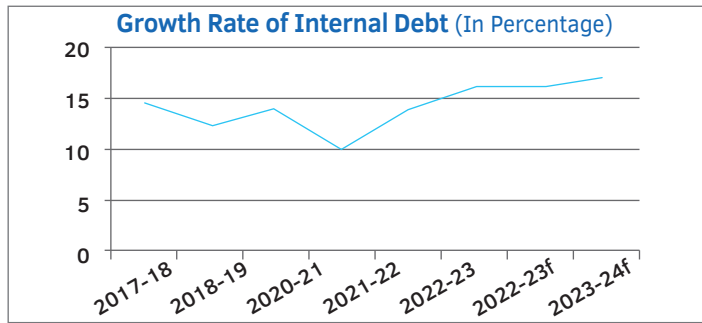


Figure 4: Growth Rate of Internal Debt of Bangladesh (In Percentage)

Aspect of Yearly Average Foreign Exchange Rate against USD and Implications on Capital Market

The common theory is that when domestic currency devalues in a balanced way with respect to foreign currency, it makes exports more attractive and import more costly. Thus, an impact on the GDP equation exists here. The GDP equation is: $GDP = Consumption + Investment + Government Expenditure + Net Export$. So, when the balance of NX stands justified, a devaluation of currency can benefit the export and GDP simultaneously.

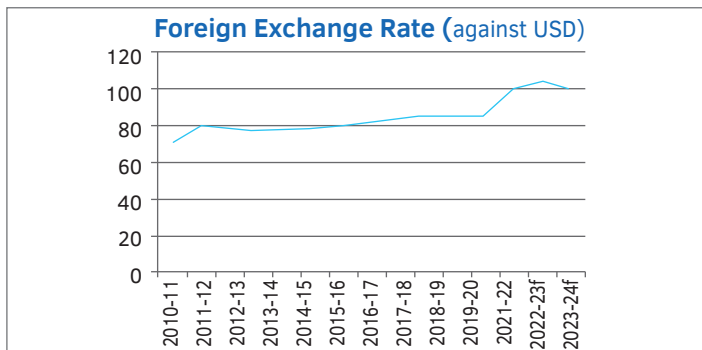


Figure 5: Foreign Exchange Rate of BDT against USD

In Figure 5, the foreign exchange rate is upward moving over the years. This is actually impacted by different reasons. With exchange rate devaluation, the export increases in a balanced way and import decreases. Thus the GDP gets healthier and

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country focuses more on production in domestic arena to minimize imports. But it is seen that in July 2022, the country is facing a little crisis of USD for what BDT is now highly devaluing.

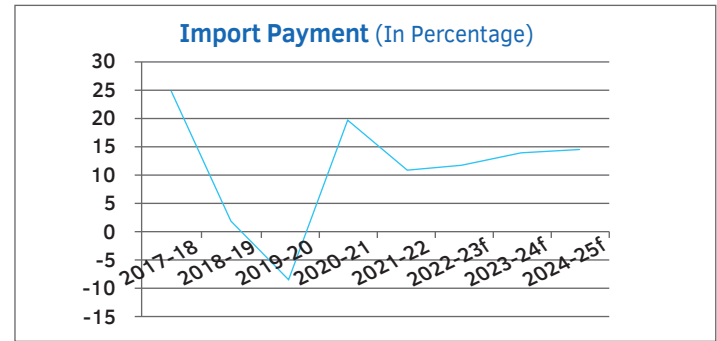


Figure 6: Import Expense Growth (In Percentage)

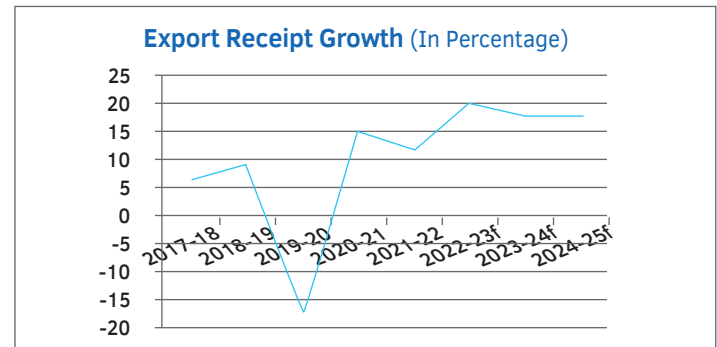


Figure 7: Export Income Growth (In Percentage)

Figure 6 shows that import expense has a downward trend. This is because the currency is becoming devalued over the years and making the imports costlier. Figure 7 shows that over the last years the export is in upward trend. The reason can be highly attributed to focusing on production, investment and making currency cheaper to attract investors to invest.

Conclusion

Undoubtedly, the economic indicators support the capital market investments and attractiveness of this market is also not negligible at all. The world is facing severe economic stagnancy due to wars and political imbalances. World economy can be termed as a depressant economy. But, our country Bangladesh fought the Covid-19 and world's economic turmoil very successfully. So, investors should encourage their analysis about economy of Bangladesh and be confident in investing in the capital market of Bangladesh.

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