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Stock market lost steam in 2024

BB plans to raise exchange rate amid forex volatility

AHSAN HABIB

The year 2024 witnessed a lacklustre performance of the stock market as the benchmark index faced erosion, average daily turnover showcased no significant rise while no notable company entered the market.

The DSEX, the benchmark index of the Dhaka Stock Exchange (DSE), dropped 16 percent in the last one year. It had almost flatlined in 2023 due to the imposition of floor prices.

At the same time, DS30, the blue-chip index, dropped 7 percent.

In 2022, the Bangladesh Securities and Exchange Commission (BSEC) set floor prices, which is the lowest price at which a stock can be traded, for every share to halt the freefall of the market indices.

This was amid uncertainties brought on by the lingering fallout of the coronavirus pandemic and the Russia-Ukraine war.

After changes came about in key positions of the BSEC following the ouster of former prime minister Sheikh Hasina, the floor price mechanism was lifted.

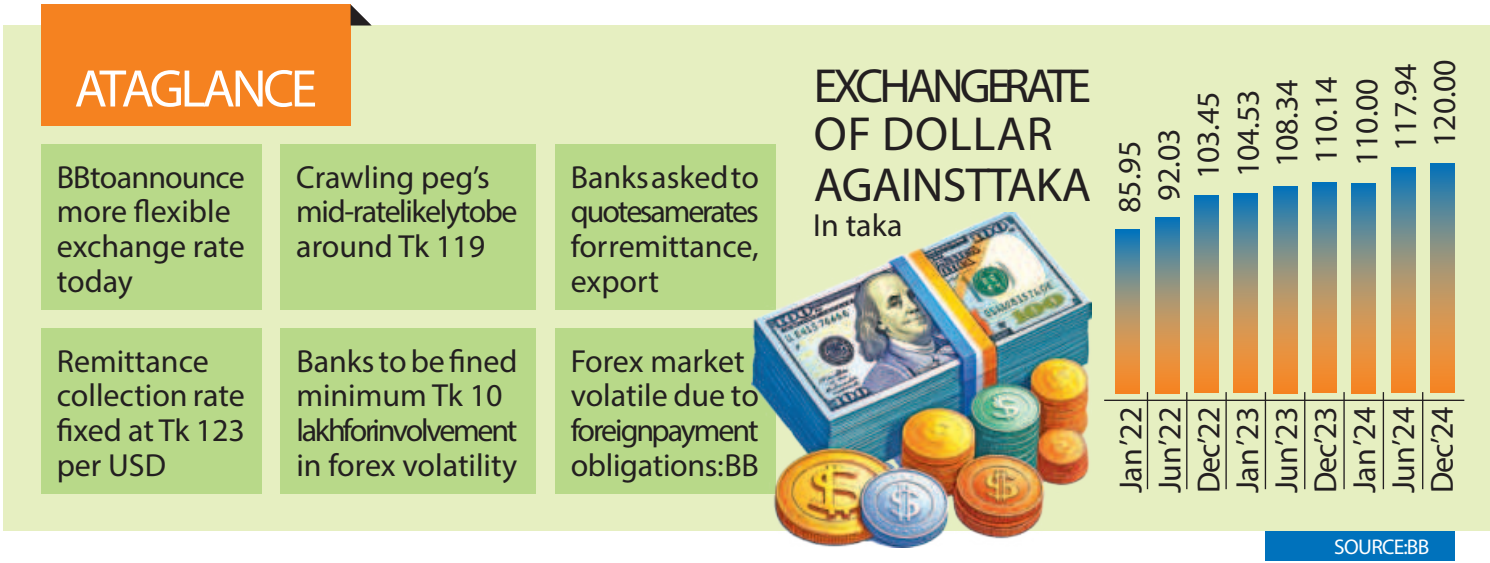


This is when the market started to undergo adjustments in tune with the reality instead of being propped up artificially.

Apart from the index, average daily turnover of the DSE, which is the total value of shares traded in a day, also remained low, rising 5 percent to Tk 632 crore in 2024.

Usually, stock investors get to make a little money from initial public offerings (IPO). But there were only four IPOs in the last one year whereas there were three in 2023, which was the lowest in around two decades.

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MD MEHEDI HASAN

After seven months of implementing a crawling peg exchange rate system in spot purchases and sales of US dollars, the Bangladesh Bank (BB) is now considering increasing the mid-rate to Tk 119 from Tk 117 per greenback, according to central bank officials.

They said a circular will likely be issued today, announcing this upward adjustment amid the recent US dollar volatility, which pushed the exchange rate for remittances to Tk 128.

With the new mid-rate, the exchange rate will be allowed to swing by 1.5 percent to 2 percent from it.

The BB will publish a daily interbank exchange rate based on bank transactions, according to central bank officials. The interbank exchange rate has not been fully operational in recent months.

Besides, the exchange rate for remittance collection will be around Tk 123 per US dollar. Importantly, the exchange rate for remittance collection and export earnings will be the same.

The central bank warned that banks found to be involved in spurring volatility in the

foreign exchange market will face financial penalties starting from a minimum of Tk 10 lakh.

These decisions were taken during a meeting between the central bank and chief executives and treasury heads of around 27 banks yesterday.

Bangladesh Bank Governor Ahsan H Mansur chaired the meeting, which was attended by four deputy governors, relevant executive directors and other top officials.

Among others, representatives from various banks, including Janata Bank, Rupali Bank, Sonali Bank, Agrani Bank, Standard Chartered Bangladesh, HSBC Bank Bangladesh, Dhaka Bank, City Bank, Mercantile Bank, Pubali Bank and Mutual Trust Bank, were also present.

At the meeting, central bank officials shared data indicating an improvement in the external position of the foreign exchange market, according to a source who was present.

The foreign exchange reserves recently crossed \$21 billion as per the BPM-6 calculation of the International Monetary Fund (IMF) after declining in November due to the clearance of overdue letter of credit (LC) obligations.

The growing trend of remittance and export earnings has contributed to the increase in the US dollar stocks of the country.

The source also mentioned that banks were instructed to operate within a reasonable band on both sides of the mid-rate and to offer the same rate for all inward remittances, whether export or remittance related.

The difference between the buying and selling rates should not be more than Tk 1 per US dollar, the official said.

The banking regulator further directed banks to publish the rates offered to clients and to transact strictly according to the published rates.

"Banks will have to report their transactions to the Bangladesh Bank, which will in turn publish the overall market rates twice a day to enhance transparency and disclosures for both the banking industry and its clients," the official added.

Meanwhile, a senior central bank official said the banking regulator will strictly monitor compliance with the guidelines and set up a complaint cell under senior leadership of the BB.

Therefore, any credible whistleblowing or complaints from the industry or impacted

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M Riyaaz Rasheed

Robi gets acting CEO

MAHMUDUL HASAN

Robi Axiata has appointed an acting CEO as Rajeev Sethi was assigned to a new role within Axiata Group, according to a letter sent to the Bangladesh Securities and Exchange Commission.

M Riyaaz Rasheed, the chief financial officer (CFO), was named as the acting CEO by the board of directors with effect from February 1 of 2025.

Sethi was appointed as the CEO in October 2022, replacing Rasheed, who had been serving as the acting CEO since August 2021, following the resignation of Mahtab Uddin Ahmed.

Sethi joined the country's second-largest mobile phone operator on having

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SOHEL PARVEZ

Just a year ago, this newspaper ran a story leaving a question for our readers as to whether Bangladesh would be able to put its economy back on track in 2024.

As we look back, the nation is set to bid farewell to one of the most significant years – both politically and economically – since its journey began more than five decades ago.

The country saw a political changeover in early August following a mass uprising just seven months after the national election.

Besides, the economic challenges that persisted in 2023 continued in the outgoing year, with the situation getting worse in many cases.

Despite policy tightening by the authorities, inflation, which has hovered above 9 percent since March 2023, stayed elevated as the prices of various locally produced and imported items continued to soar, leading to a gradual erosion of living standards for middle and low-income groups.

The strain on the foreign exchange reserves and pressure on external accounts also persisted as exports did not pick up enough to bolster the forex flow despite a contraction in imports due to policy measures by the central bank.

Industrial production growth slowed sharply, suffering from a decline in the people's purchasing capacity amid high inflation and sluggish exports.

After posting only 4.2 percent growth in the 2023-24 fiscal year that ended in June, the general index of large-scale industrial production fell by 0.71 percent year-on-year during the July-September of FY25 compared to 11.87 percent growth during the same period a year ago, according to the Bangladesh Bank.

There was no good news in private investment.

Amid high inflation, rising interest rates and uncertainty, the appetite for investment waned as evinced by a dip in imports of capital machinery, a key indicator of private investment. Growth of private credit declined as well in the outgoing year.

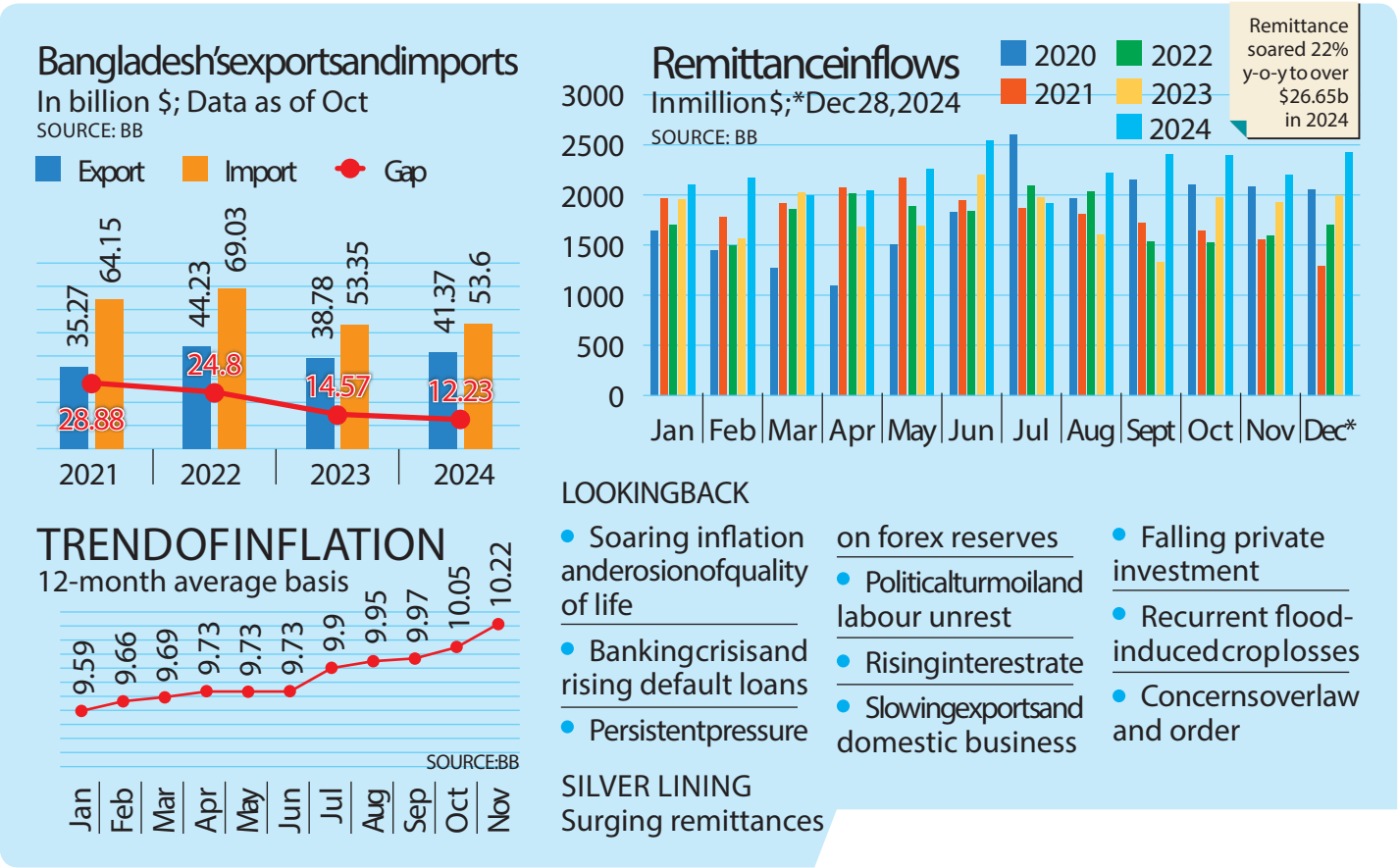
And the challenges increased further amid the deepening banking crisis. Non-performing loans surged to a multiyear high – around 17 percent of the total outstanding loans of Tk 16.82 lakh crore – in September this year.

One good news is the revival in the flow of remittances as the use of informal channels for transferring money reduced after the political changeover in August that ended the 15-year rule of Awami League.

Against this backdrop, the International Monetary Fund (IMF) and other major multilateral agencies predicted a slower growth of Bangladesh's economy.

Recently, the IMF said Bangladesh's economy may grow 3.8

Economic woes far from over



percent in FY25, the slowest since FY20, because of output losses caused by the July uprising, floods and tighter policies.

It said annual average inflation is anticipated to remain around 11 percent in FY25 before declining to 5 percent in FY26, supported by tighter policies and easing supply pressures.

However, the outlook remains highly uncertain, with risks skewed to the downside, it added.

"The year 2024 has been an unprecedentedly challenging year marred by numerous obstacles, be it the economic slowdown, environmental disasters or mass uprising in July-August," said Zaved Akhtar, president of the Foreign Investors Chamber of Commerce and Industry (FICCI).

"Businesses had to work with three multifaceted stakeholders and environments, one pre-election, one post-election and then the final set with the interim government."

Deen Islam, associate professor of economics at the University of Dhaka, said 2024 was an especially difficult year for poor and

vulnerable groups.

"Rising prices of essential commodities, such as food and fuel, disproportionately affected those with limited financial resilience. Price hikes of basic necessities, including rice, wheat and edible oil, placed a significant strain on household budgets, exacerbating poverty and inequality."

"The economic pain was further compounded by two devastating floods, which disrupted agricultural production and threatened local food security," he added.

Islam further said that the year 2024 stands out as one of the most eventful and challenging periods in Bangladesh's economic history.

Shams Mahmud, managing director of Shasha Denims Ltd, an apparel exporter, said the year 2024 will be remembered as a watershed year for Bangladesh.

"We had seen the policies undertaken by the previous government stifle private sector growth as well as reinvestment," he added.

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