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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.



Macroeconomic stability is of prime importance and is much desired. The declining exchange rate, remittance, export and foreign reserve are stagnating the economy. The budget of FY 2023-24 will be a mirror of defense against the vulnerability to be faced.



**Economy
of Bangladesh**



Key indicators at a glance

Countries	Nominal GDP (USD in billion)	Real GDP Growth (yearly % Change)	Inflation Point to point (as of Apr, '23)	Currency Appreciation/Depreciation against USD	Reserve (Billion US\$)	Currency Exchange Rates (per USD)
Bangladesh	470.22	7.10%	9.33%	-0.97%	30.97	107.15
Emerging Economies						
India	3,821.00	8.70%	5.66%	0.56%	595.98	82.42
China	17,300.00	3%	0.70%	-0.51%	3210	7.11
Developed Economies						
USA	23,618.00	2.90%	4.98%	0%	247	1
UK	3,080.00	1.90%	10.10%	2.12%	120.90	0.80

Appreciation/Depreciation of Currencies against USD

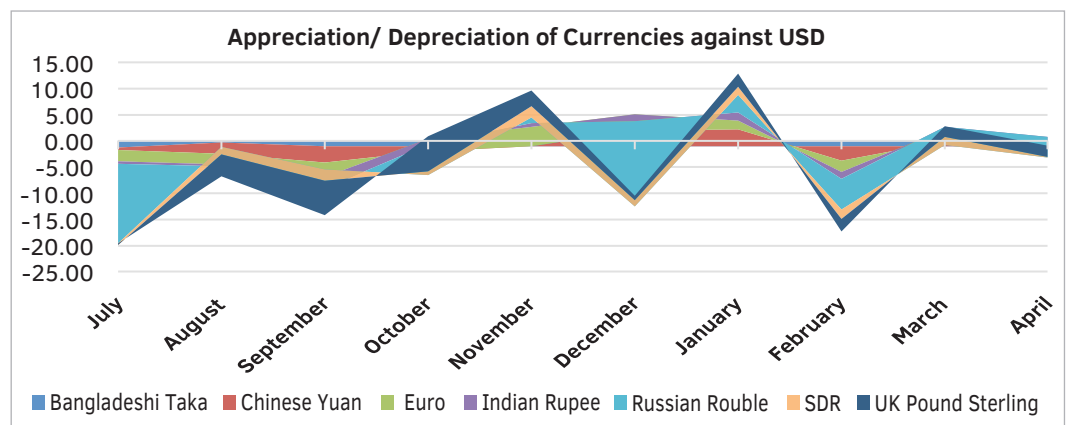


Figure 1: Appreciation or Depreciation of Different Currencies against USD

A visual tour of the key statistics

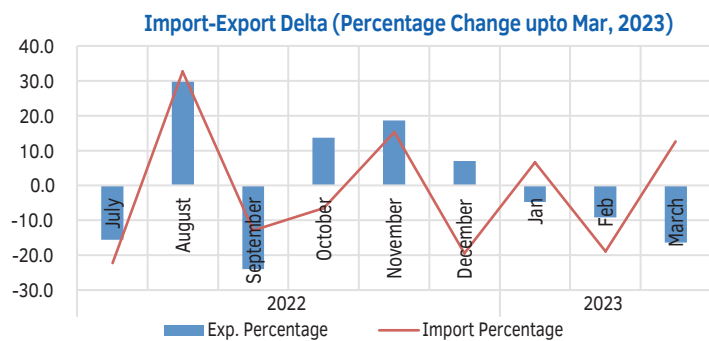


Figure 2: Import-Export Delta (Percentage Change up to Mar, 2023)

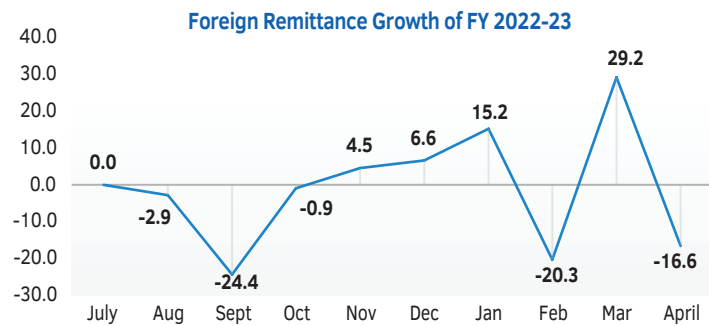


Figure 3: Foreign Remittance Growth of FY 2022-23

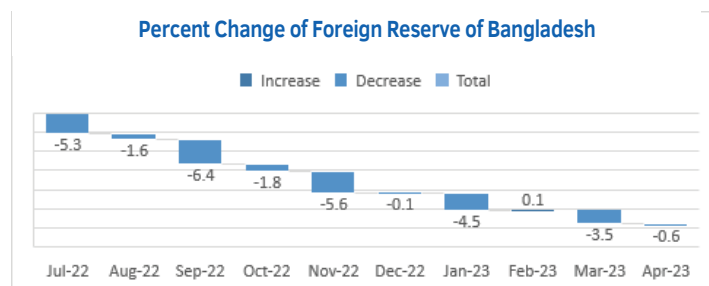


Figure 4: Percent Change of Foreign Reserve

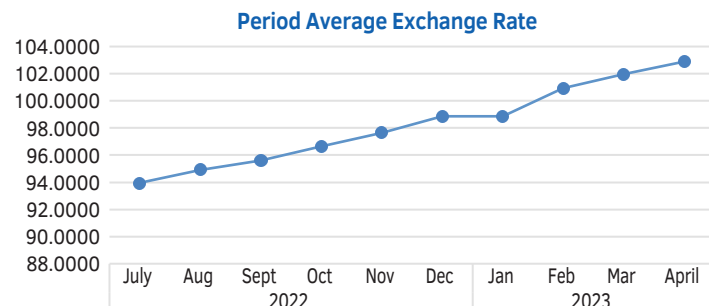


Figure 5: Period Average Exchange Rate of Bangladesh

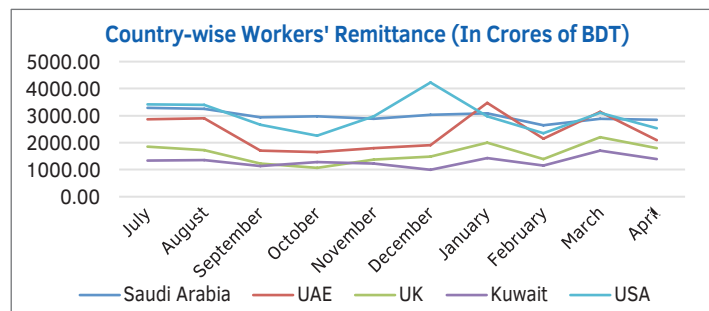


Figure 6: Country-wise Workers' Remittance

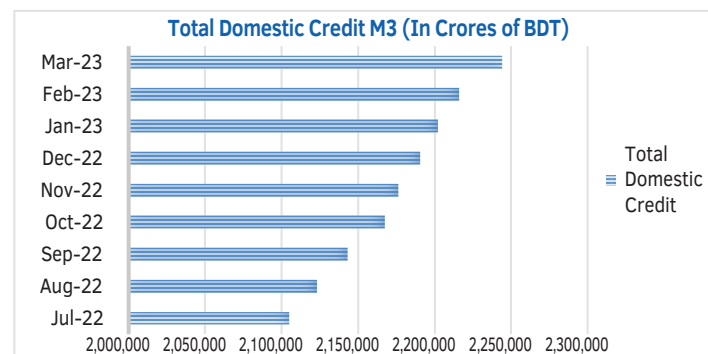


Figure 7: Total Domestic Credit

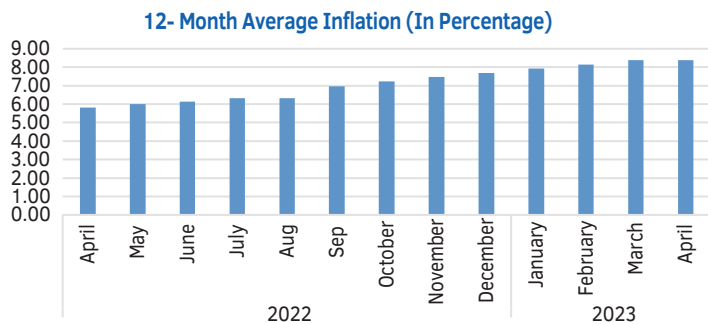


Figure 8: 12- Month Average Inflation (In Percentage)

Numbers to Note

1. BDT was found to be depreciating by 0.97% per USD while other big South Asian economies except CNY appreciated against USD in this month.
2. Export growth was negative while import growth was positive during the month which is an alarming indicator of price hike for necessary products.
3. Foreign remittance growth decreased by 16.6% in April, 2023 compared to March, 2023.
4. The reserve is now 30.97 billion US Dollar which is lower than the previous month.
5. The average monthly exchange rate is now 102.88 Taka per USD that represents continuous depreciation over the last few months.
6. The Debt to GDP percentage in 2022 was 37.5% which was 36.5% in the previous year.
7. The 12-month average inflation is 8.39%.

Economic Challenges Ahead

1. The months of May and June of 2023 may see a drastic decrease in remittance income.
2. The falling export value is a big concern to maintain a tolerable trade gap.
3. The Debt to GDP ratio is forecasted to cross 40% which may be an alarming issue to address.
4. The Non-Performing Loans may shrink the scopes of improvement for the economy.
5. The rising inflation and increasing cost of commodities may turn on the switch of the economic depression in Bangladesh unless tackled properly.

Data Source: Bangladesh Bank, IMF, WB & BBS

Capital Market took off with an upward Movement in May



Capital Market

In May 2023, the market demonstrated a 1.10% increase in the DSEX index compared to the previous month of April. The prices of the majority of issues remained unchanged

It is glaringly apparent by analyzing the capital market snapshot of May 2023 that the DSE market indices demonstrated an upward movement throughout the month along a short negative trend in the second week of the month. The prices of the majority of issues increased compared to the previous month. Other indices have also increased compared to those of April except a downturn in high cap index. During May, on an average, only 93 issues advanced, 86 issues declined and the remaining 195 issues remained 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 21-trading day denoted a positive change in the market throughout the month along an increase in the first week of the month.

The market gained points on maximum trading days of the month. Investment in the market increased as total traded value increased by 58% over the month. Though the presence of volatile geo-political issues, instability in foreign exchange market and industry specific stricken news were ubiquitous all over the media, a positive attitude was captured among the investors mostly on low capitalized shares. Investment in the market increased due to investors' perception that low capital shares would perform better than high capitalized shares. However, institutional and eligible investors inhibited their exposure to many stocks, causing many of the stocks to be at the floor price. The decrease in the flows of foreign remittances, the widening trade deficit, along with the free fall in foreign exchange reserves to \$30 billion, have created an inertia among investors to exhaustively return to the capital market. Overall 7 IPOs are in the pipeline to penetrate the market waiting for the approval from the BSEC. Analyzing the returns of the world's major indices it is apparent that major indexes of India, Bangladesh and Japan showed a positive return in May compared to that of USA and the UK. Among those, Japan's NIKKEI 225 index had a positive return of more than 6% greater than any other countries in comparison. In terms of global commodity future markets, except cotton every major commodity futures showed a negative trend. Cotton gained a maximum value of 2.43% whereas Soybean and Crude Oil prices have decreased by more than 9% in the month of May. The market PE ratio of the Dhaka Stock Exchange Limited this month was 27.56 on an average. Script BSC was in the top

position based on turnover with negative cash map; TILIL was the top gainer in terms of price with 348% increase over the month whereas NTC was the top loser. In terms of sector return, food and allied sector, insurance sector, and pharmaceutical sector performed well in this month. Aggregately, the average trade volume and the average trade value increased by 107% and 69.78% respectively along with a 0.85% increase in the average market capitalization compared to the previous month. A piece of positive news this month for the economy of Bangladesh is that export has bounced back in May after declining for the previous two consecutive months by 26% with \$1 billion jump on a year on year basis.

BSEC already has taken several actions to improve the market performance. Allowing general investors to buy treasury bonds using their BO accounts is scintillating new hopes for the market development. With the uptrend in market movement, it can be said that the positive reinforcements taken by the policymakers of Bangladesh and the increased participation of institutional investors will bring heydays for the capital market of Bangladesh.

DSE Market Indices

Index Name	1-May-23	31-May-23	Change	% Change
DSEX	6,270.77	6,339.74	68.97	1.10%
DSES	1,367.76	1,377.00	9.24	0.68%
DS30	2,206.12	2,198.02	-8.1	-0.37%
CDSET	1,212.49	1,214.02	1.53	0.13%
DSMEX	1,038.20	1,210.61	172.41	16.61%
Scripts	Advance		Decline	Unchanged
Movement	93		86	195

Figure 9: DSE Market Indices

Market Aggregates

	31 May 2023	30 Apr 2023	Change	% Change
Average Market Capital (TK Million)	7,693,261.79	7,628,299.54	64,962.25	0.85%
Average Traded Value (TK Million)	8,791.39	5,588.21	3,203.18	57.32%
Average Number of Trades	192,137.67	113,166.60	78,971.07	69.78%
Average Trade Volume	168,496,910.71	81,328,449.35	87,168,461.36	107.18%

Figure 10: Market Aggregates

Sectorwise Contribution

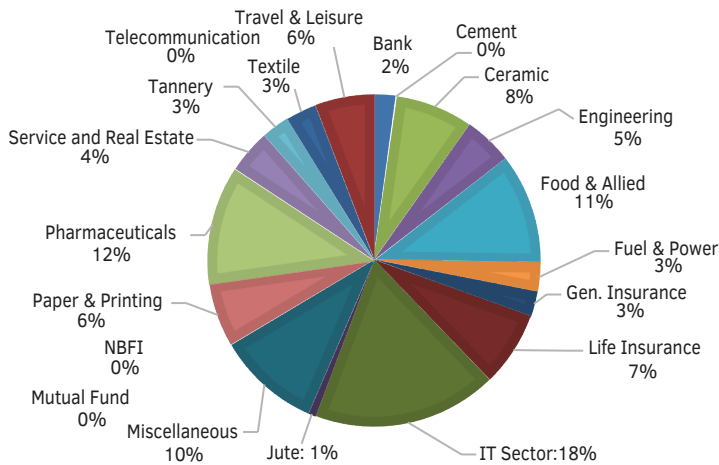


Figure 11: Sectorwise Contribution

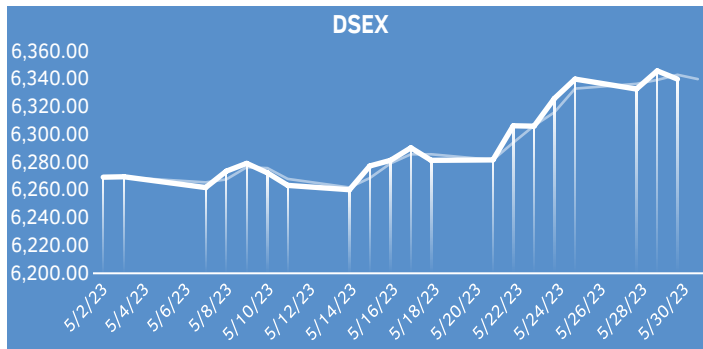


Figure 12: DSEX

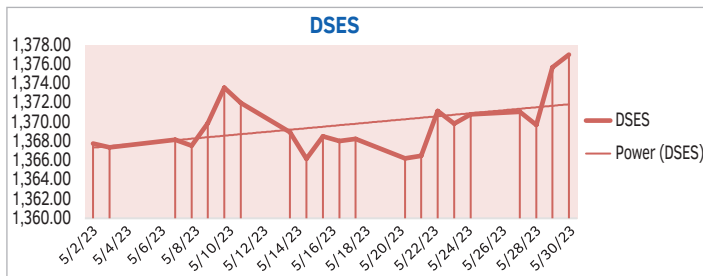


Figure 13: DSES

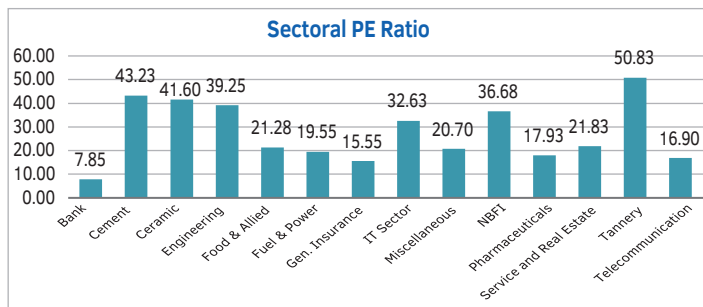


Figure 14: Sectoral PE Ratio

SECTOR RETURN

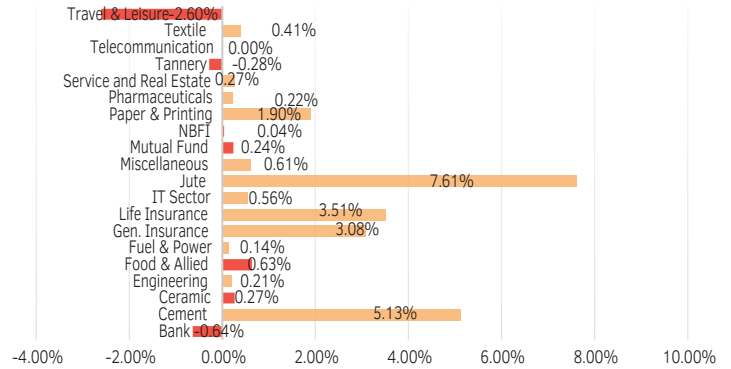


Figure 15: Sectoral Return

AD ratio

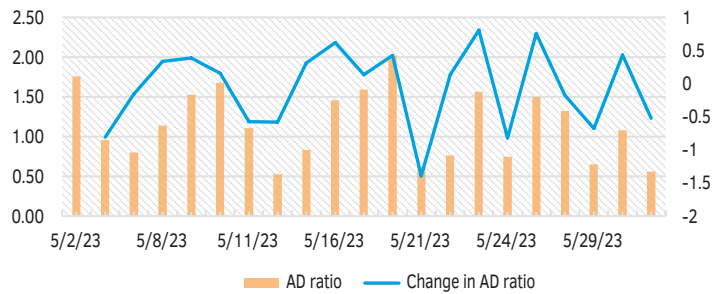


Figure 16: AD Ratio

Performance comparison of World's Major Index		
Country	Index Name	Return
India	BSESENSEX	2.07%
USA	DOWJONES	-3.99%
Japan	Nikkei 225	6.06%
UK	FTSE 250	-3.06%
Bangladesh	DSEX	1.10%

Figure 17: Performance comparison of World's Major Index

		Turnover		Gainer		Loser			
Sl	Stock	Turnover	Total (%)	Sl	Stock	Return(%)	Sl	Stock	Return(%)
1	BSC	666.32	2.70%	1	TILIL	348.18%	1	NTC	-25.42%
2	INTRACO	653.01	7.92%	2	RUPALILIFE	129.17%	2	BDWELDING	-14.23%
3	EHL	473.36	9.33%	3	MEGHNAINS	90.64%	3	MIDLANDBANK	-14.09%
4	GEMINISEA	457.65	3.40%	4	NORTHERN	74.53%	4	GEMINISEA	-13.20%
5	SEAPEARL	451.11	2.00%	5	EMERALDOIL	69.54%	5	METROSPIN	-12.20%

Figure 18: Performance comparison of DSE Major Index

Private sector loan growth reached a 14-month low of 11.23% as a result of sluggish credit demand brought on by the ongoing economic slowdown



As of March 2023, total deposits grew by around 7.53 percent YoY, with demand deposits and time deposits increasing by 10.82 and 7.1 percent, respectively.

The total amount of bank credits has increased by 9.19 percent yearly. Bank advances and bills both increased by 13.12 and 3.58 percentage points. As of March 2023, bank investments had declined by 4.42 percentage points annually. [Table-01]

Scheduled Banks' Deposits and Credits

Deposits held in DMBs				(Taka in Million)	
Items	Mar, 2023	Feb, 2022	Mar, 202	Percentage Changes	
				Mar, 2023 over Feb, 2022	Mar, 2023 over Mar, 2022
Demand Deposits	1798886	1790335	1623301	0.48	10.82
Time Deposits	13434075	13257336	12543511	1.33	7.1
Total	15232961	15047671	14166812	1.23	7.53

Banks' Credits				(Taka in Million)	
Items	Mar, 2023	Feb, 2022	Mar, 202	Percentage Changes	
				Mar, 2023 over Feb, 2022	Mar, 2023 over Mar, 2022
Advances	14287371	14166038	12630223	0.86	13.12
Bills (Import & Inlands Bills)	362755	342590	350227	5.89	3.58
Investments	3347992	3288167	3502823	1.82	-4.42
Total	17998118	17796795	16483273	1.13	9.19

Figure 19: Performance comparison of DSE Major Index

Notes: 1. Deposits exclude Interbank Deposits and Government Deposits, 2. Advances include Loans & Advance, Money at Call, Balances & R. Repo with NBFIs' & Accrued Interest, 3. Investments include Treasury Bills, Treasury Bonds, Share & Securities with accrued interest.

Table 01: Deposits held in DMBs and Bank Credit

Call money rates in May witnessed downward sloping with a monthly average of 6.03 percent. [Figure-20]. The nominal interest rates for loans and deposits adjusted slightly upward at 7.31 and 4.35 percentage respectively. [Figure-21]

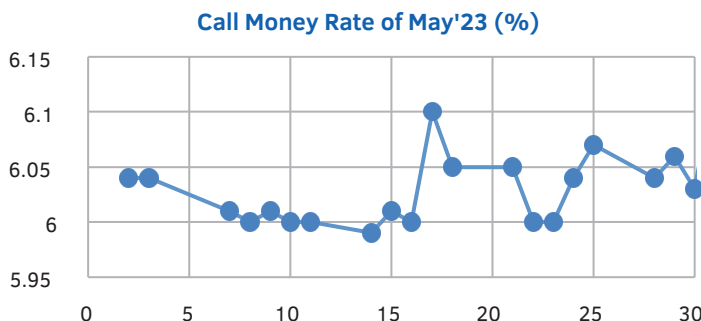


Figure 20: Call Money Rate of March

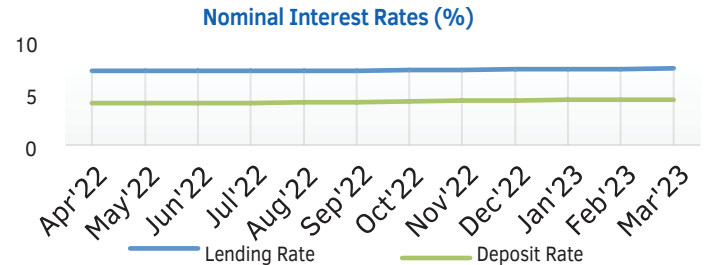


Figure 21: Nominal Interest Rates

Both cost of funds and adjusted cost of funds remained high and stroked at 6.84 and 7.79 percentage as of March 2023. [Figure-22]. Government net borrowing from banking sector stood 85,024 crores between Jul-May of FY23 and sets a target of 1,32,395 crore for FY24. [Figure-23]

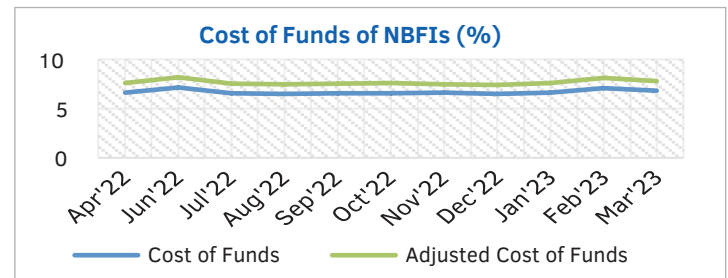


Figure 22: Cost of Funds of NBFIs (%)

Govt. Borrowing from Banking Sector (In Crores of BDT)

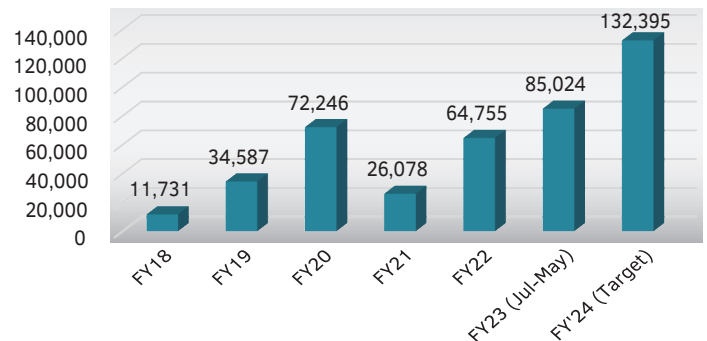


Figure 23: Govt. Borrowing

Private sector credit growth remained sluggish and reached at 11.23 percentage as of April 2023. [Figure-24].

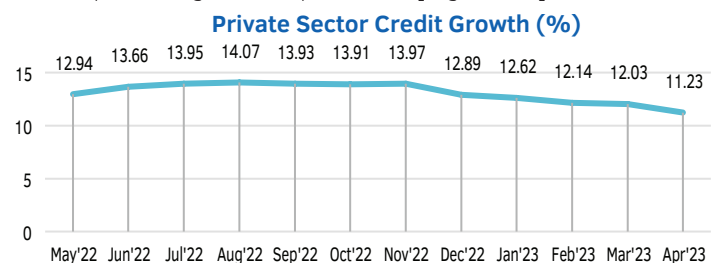


Figure 24: Private Sector Credit Growth

As of May 2023, the yields on T-Bills with terms of 91, 181 and 364 days were 6.75, 7.02 and 7.70 percent respectively. [Figure-25]. The yields on the 2, 5, 10, 15 and 20 year T-Bonds hit 8.03, 8.50, 8.60, 8.68 and 8.83 percent respectively. [Figure-26].

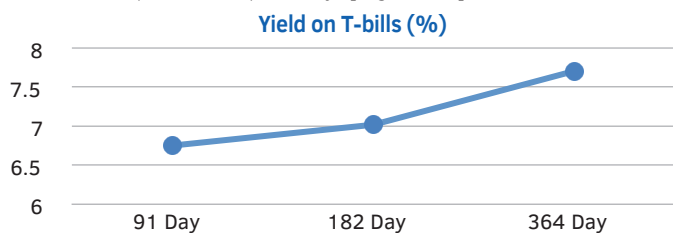


Figure 25: Yields on T-Bills

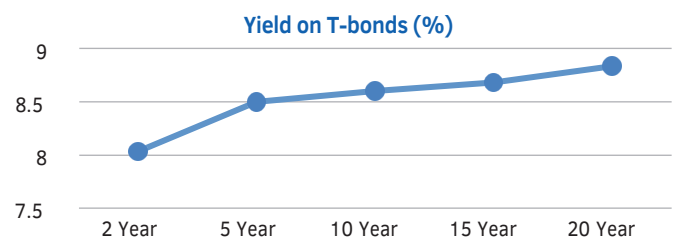


Figure 26: Yields on T-Bonds

Trends in Financial Inclusion and Digital Finance Statistics

As of March 2023, there were around 6.71 million internet banking subscribers, which is an increase of around 36 percent year over year. [Figure-27]. The number of MFS users remained buoyant and reached at around 198.09 million as of March 2023. [Figure-28].

Number of Internet Banking Users (in Million)

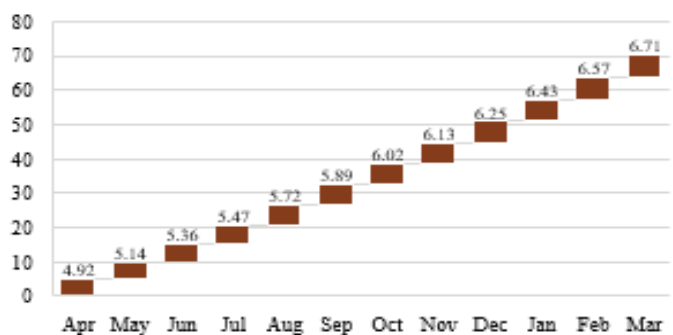


Figure 27: Number of Internet Banking Users

Number of MFS Accounts (In Million)

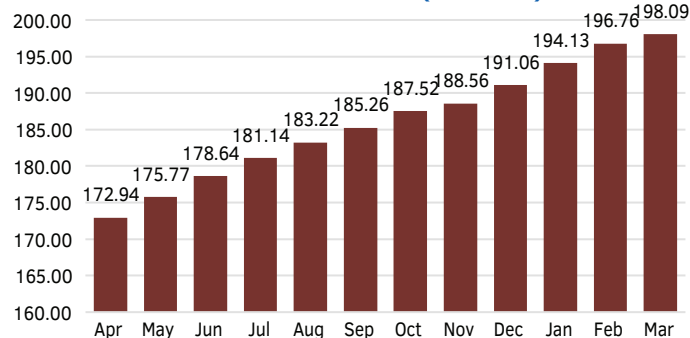


Figure 28: Number of MFS Accounts

Of the total transactions through agent banking transactions, most of the transactions have been accessed by rural people. [Figure-29]. In using the modern banking gateways, around 68%, 11%, 12% and 9% transactions take place through ATMs, POS, CRM, and E-commerce respectively. [Figure-30]

Agent Banking Transactions

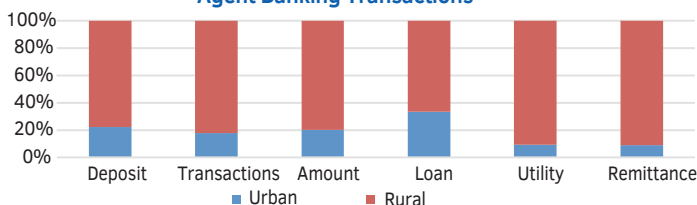


Figure 29: Number of Transactions through Agent Banking

Transactions through Gateways

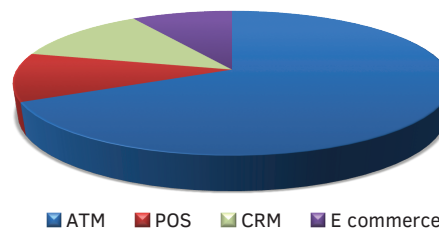


Figure 30: Transactions through Gateways

Key Takeaways

- > Commercial banks raised their deposit rates to tempt additional deposits after the central bank had decided to remove the constraints on deposit rate increases and to expand consumer loans by 3 percentage points. As a result, the banks' deposits climbed steadily from January to March of this year.
- > The call money rate has slightly improved compared to previous years, which indicates the improvement in liquidity condition in the banking sector.
- > Non-Bank Financial Institutions (NBFIs) are suffering a significant hit to their profit margins as a result of the rising cost of funds. The rising NPL of the sector has contributed also to the high cost of funds. Moreover, as the banks are offering high rates for depositors after the removal of deposit floor rate, this has caused many institutional depositors to park their funds from NBFIs to Banks.
- > As a result of the low tax collection by national coffers, the government will largely rely on borrowing from Bangladesh Bank in order to manage its budget deficit in the upcoming fiscal year.
- > Private sector loan growth reached a 14-month low of 11.23% as a result of sluggish credit demand brought on by the ongoing economic slowdown. The business community continued to adopt a cautious stance due to numerous uncertainties both domestically and internationally, marking the fifth consecutive month of decline.
- > With lockdowns and travel bans altering how people work, buy, and manage their personal finances in the wake of the Covid-19 outbreak, internet banking has grown significantly over the past two years. Since then, the number of internet banking transaction has been witnessing sharp growth.
- > As part of financial inclusion and the rapid adaptability of mass people to mobile financial services, the growth of this sector remained buoyant in terms of both opening accounts and conducting transactions.
- > As more rural consumers participate in the formal credit system, agent banking has begun to alter the macroeconomic environment in rural areas. People in rural areas are now receiving a variety of services, such as transactions, payments, remittances, mobile recharge, paying utility service bills, and insurance facilities which were once thought to be near impossible.

Source: Bangladesh Bank Website

POS: Point of Sale

ATM: Automated Teller Machine

MFS: Mobile Financial Service

CRM: Cash Recycling Machine

YoY: Year on Year



Faima Akter

Investing in Climate The Role of Capital Market in Building a Climate Resilient Bangladesh



Insights

The rising temperature of the world is reminding us to emphasize more on addressing climate change issues. Climate finance is directly tied to climate change since it plays an important role in tackling climate change concerns. Climate finance can be defined as local, national, or transnational financing derived from public, private, and alternative sources of funding to support climate change mitigation and adaptation efforts. It entails mobilizing financial resources to support projects, initiatives, and policies targeted at reducing greenhouse gas emissions, adapting to climate change consequences, and fostering low-carbon and climate-resilient economies.

Bangladesh, being a low-lying country, is particularly vulnerable to sea-level rise, increased cyclone frequency, and irregular weather patterns. Climate financing through financial markets, in this context, plays a critical role in supporting the country's efforts to combat climate change and promote sustainable development. Bangladesh's climate-inclusive development plans and objectives, such as BDP2100 (Bangladesh Delta Plan 2100), MCPP2030 (Mujib Climate Prosperity Plan 2030), NAP (National Adaptation Plan), and SDG2030 (Sustainable Development Goals), state that there would be a significant funding deficit in the country by the years 2030 and 2050 of USD 130 billion and USD 323 billion respectively. All the key stakeholders with well-developed capacities must work together in a determined and targeted effort to close this gap. The money market alone is not enough to finance this funding deficit. The capital market needs to come forward also.

Global Climate Finance Architecture

The global climate finance architecture refers to the system of financial mechanisms and institutions that are designed to mobilize and channel funds toward climate change mitigation and adaptation efforts on a global scale. It includes a range of financial resources, including grants, loans, investments, and public and private funding, to assist developing nations in making the transition to low-carbon and climate-resilient economies. Some key components of global climate finance architecture are:

Multilateral Funds: Global climate money is largely channeled through multilateral funds. One of these is the Green Climate Fund (GCF), which was created under the United Nations Framework Convention on Climate Change (UNFCCC) and intends to aid developing nations in their efforts to adapt to and mitigate the effects of climate change. The Adaptation Fund and the Climate Investment Funds are two further multilateral funds.

Bilateral and Multilateral Development Banks: Development banks offer substantial climate money to support initiatives and programs in developing nations, both on a bilateral and multilateral basis. Examples include the European Investment Bank, the World Bank Group, and the Asian Development Bank.

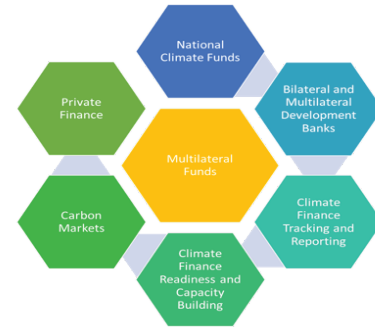


Figure 1: Key Elements of Climate Finance Infrastructure (Source: Author-developed)

National Climate Fund: Many countries have their internal mechanisms to mobilize climate finance domestically. These funds are created to support climate-resilient projects. Bangladesh also has such funds like the Bangladesh Climate Change Trust Fund, and The Bangladesh Climate Resilience Fund.

Private Finance: These are funding from impact investors, venture capital firms, private banks, and institutional investors. Private finance plays a significant role in scaling up climate financing and thus, should be considered as an important funding source.

Carbon Markets: Carbon markets, such as emissions trading plans and carbon offset systems, encourage the development of low-carbon technologies by offering financial incentives for emission reductions.

Climate Finance Readiness and Capacity Building: Another crucial component of climate finance is developing nations' ability to access and use climate funding efficiently. This can improve developing nations' capacity to receive, allocate, and spend climate funding, as well as monitor and report on the impact of such action.

Climate Finance Tracking and Reporting: Transparent tracking and reporting of climate finance flows are crucial to ensuring accountability and monitoring progress. Various platforms and initiatives, such as the Climate Funds Update and the OECD Climate Finance Flows, provide information on the financial commitments and disbursements related to climate finance. In Bangladesh, such tracking and reporting are done through Climate Finance Tracking System (CFTS), National Adaptation Plan (NAP), and reporting mechanisms under UNFCCC.

Current Situation of Climate Finance in Bangladesh

Bangladesh is extremely susceptible to the effects of climate change, including sea level rise, an increase in the frequency of extreme weather events, and modifications to rainfall patterns. To help the nation overcome these obstacles and reduce its greenhouse gas emissions, climate finance is essential. The Climate Investment Plan of Bangladesh formally started in 2005 and has been gaining more focus since then (Figure 02).

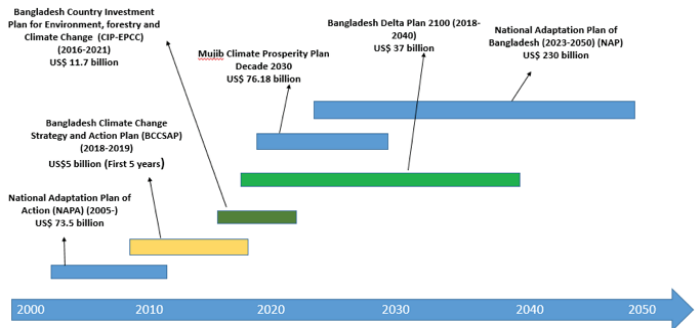


Figure 2: Evolution of Climate Investment Plan in Bangladesh (Source: Author-developed; Adapted from The Financial Express)

Bangladesh has been a recipient of international climate finance from various sources, including multilateral funds, bilateral aid, and international financial institutions. The Green Climate Fund (GCF) has been an important source of finance for climate-related projects in the country. Overall project progress in Bangladesh is very encouraging. For instance, three projects that began in 2019 or earlier have already received 50% to 80% of GCF allocations. However, the first GCF project (Climate Resilient Infrastructure Mainstreaming, or CRIM), which received approval in November 2015 and has been running for seven years, has received only 12% of GCF grants (US\$40 million) to date. Other international donors, such as the World Bank, Asian Development Bank, and bilateral partners, have also provided significant climate finance support to Bangladesh.

The Bangladesh Climate Change Trust Fund (BCCTF) serves as the national climate fund to mobilize and manage climate finance domestically. A significant portion of climate finance in Bangladesh is allocated to adaptation and resilience projects. These projects aim to strengthen the country's ability to cope with climate change impacts, including infrastructure development, disaster risk reduction, coastal protection measures, and climate-smart agriculture. Climate finance also supports renewable energy and energy efficiency initiatives in Bangladesh. Projects in this sector focus on increasing access to clean energy, promoting energy-efficient technologies, and reducing reliance on fossil fuels. Global Clean Cooking Program is one example of such projects. Bangladesh is actively engaged in climate finance readiness programs and initiatives, supported by international organizations and partners. These programs focus on building the country's capacity to prepare bankable climate projects, improve financial management systems, and ensure transparency and accountability in climate finance flows. The total financing needed for ongoing climate projects in Bangladesh is shown in Figure 3.

REQUIRED AMOUNT OF INVESTMENT (BILLION USD)

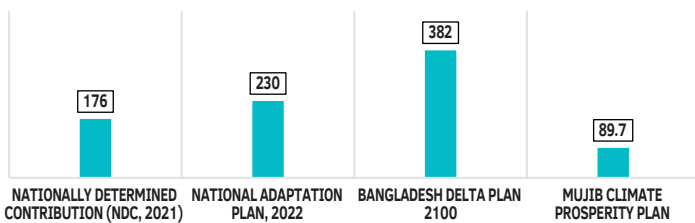


Figure 3: Financing Need Ongoing Climate Projects of Bangladesh (Source: World Bank and The Financial Express)

From the above figure, it can be said that Bangladesh needs a large amount of investment to continue its ongoing climate-supportive plans. The area of investment for NDC is both conditional and unconditional and there are 113 programs under NAP 2022. For achieving the goal of Bangladesh Delta Plan 2100, Bangladesh government has already planned to invest 2.5% of GDP annually. To meet this need, the

government also requires the support of the internal financial market. Both the money market and capital market can play a crucial role here. Bangladesh Bank (BB) has already issued a policy called 'Sustainable Finance Policy' which aims at increasing contribution to sustainability through the financial service sector, banks, and other financial institutions. Some of BB's green initiatives over the years include the establishment of the Green Transformation Fund (GTF) in 2016 and a guidance note on the GTF in 2020; ESRM guidelines in 2017; and current guidelines on the BB refinance scheme for 55 green products/projects/initiatives belonging to 9 green categories in 2020. Capital market of Bangladesh can also foster this sector through providing the funding and investment vehicles needed to support climate-related projects, initiatives, and sustainable enterprises.

Capital Markets' Potential to Support Climate Finance in Bangladesh

The capital market of Bangladesh can play a crucial role in supporting the country's efforts to address climate change and promote sustainable development. Some of the key areas include:

Funding Renewable Energy Projects: Companies and governments can use capital markets to raise financing for renewable energy projects like solar and wind farms. Renewable energy companies can raise financing from individual and institutional investors through initial public offerings (IPOs), secondary offerings, and green bonds. Beximco Green Sukuk Al-Istisna'a is the only traded green bond in the secondary market of Bangladesh. More of such green bonds can be issued to support climate-supportive projects

Green Bonds and Sustainable Bonds: These financial instruments are intended to finance projects that have a good environmental and social impact. They enable investors to direct funds to climate-friendly programs such as renewable energy, energy efficiency, sustainable agriculture, and clean transportation. Our capital market should encourage more of these kinds of instruments to operate.

Climate-focused Funds and Exchange-Traded Funds (ETFs): Different climate-focused funds and ETFs can be created to allow investors to gain exposure to a diversified portfolio of companies operating in the clean energy and sustainable sectors.

Climate-Related Financial Disclosures: By mandating corporations to disclose their climate-related risks and opportunities, capital markets can foster transparency and responsibility. Improved climate-related financial disclosures allow investors to make better-informed investment decisions while also encouraging businesses to incorporate climate risks in their long-term planning.

Green Investment Opportunities: Investors can allocate their funds to companies that promote sustainability, climate resilience, and low-carbon practices via stock exchanges and other trading platforms. This will encourage businesses to adopt environmentally friendly practices while also spurring innovation in clean technologies.

Overall, it can be said that climate finance via capital markets helps channel investment towards climate-friendly initiatives, fosters sustainable corporate practices, and promote the transition to a low-carbon economy.

Climate finance is of utmost importance in Bangladesh due to the country's extreme vulnerability to the adverse impacts of climate change. It is high time we should focus on climate-friendly projects that will ultimately contribute to building a climate-resilient country and thereby a climate-resilient world. Along with other external sources of financing to support this initiative, our capital market and money market needs to play an active role together.

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