

Number of large depositors rise, so is taxes

The number of big single account depositors has risen in recent times. Bangladesh Bank (BB) statistics reveal that as of September 30, 2008 there were 37m bank accounts with a total deposit of Tk2404b. Among these account holders at least 98 had deposits of Tk1b or more in which 55 belonged to individuals and private sector firms with each holding on an average of Tk1.08b. The National Board of Revenue (NBR) collects the list from BB to verify whether the deposits match the owner's tax record. The NBR has received poor response from both the individual taxpayers and owners of legal yet undisclosed funds last year. Last year only 0.7m people paid income tax, the ratio of which is one of the lowest in the world. The NBR targets to take the number of taxpayers to over 1m as the Tax-GDP ratio is only 8.5% in Bangladesh, lowest in Asia. However, the government has increased the amount of tax on the big bank deposits that have account balance ranging from Tk0.1m to Tk50m. In the FY2009-10 budget excise duty is proposed to be doubled to Tk1,000 for deposits between Tk1m to Tk10m, while taxes for deposits ranging from Tk10m to Tk50m is also to be doubled to Tk5,000. For large deposits exceeding Tk50m, excise duty is to double to Tk10,000 for each bank account in a year.

SME loans register growth

Most of the commercial banks are now diversifying investment portfolios by facilitating Small & Medium Enterprises (SMEs). According to the Bangladesh Bank (BB) statistics, total SME loans rose by Tk442.43b to Tk757.71b at the end of March this year compared to Tk315.27b in the same month a year ago. Among the 48 banks operating in the country, the SME loan portfolio of 30 local Private Commercial Banks (PCBs) reached to 548.22b at the end of March 2009 while at the same period of last year it was Tk169.30b, registering a 224% growth. SME loan provided by the state-owned banks rose by 62% to Tk155.61b in March 2009 from Tk96.04b in March 2008. SME loans of foreign commercial banks also increased by 36% to Tk6.90b in March this year compared Tk5.06b of the same month of earlier year. SME loans provided by non-banking financial institutions also rose by 8.11% to Tk13.91b in March 2009 from Tk12.87b in March 2008. However, the four specialized banks disbursed only Tk33.06b at the end of March this year from Tk32b in the same month of 2008.

Foreign aid plunge

The global financial downturn has possibly hit foreign aid flow to Bangladesh as the country received only \$453m between Jan-Apr of the FY2008-09, down from \$1.03b in the first half of the same fiscal year. According to the Economic Relations Division (ERD) statistics, the second half amount was also lower by \$98m in the same period of FY2007-08. The drastic fall in the total availability of foreign aid was due mainly to global recession that hit most of the developed and developing countries. Japan, the largest donor country for Bangladesh has disbursed only \$30m worth of aid till April of this year, which affected the total foreign aid flow. For the FY2008-09 the government targeted \$2.14b in foreign aids from bilateral and multilateral donors to fund different development programs. Out of this total amount \$65m would have come as food aid, \$10m as commodity aid, \$1.72b as project aid and \$350m as budgetary support credit. Bangladesh received foreign assistance to the tune of \$2.08b in the FY2007-08.

Silver lining in footwear exports

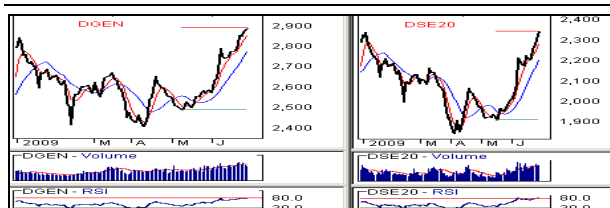
Bangladesh has gradually been converted from a footwear importing country to footwear exporting one. According to the Export Promotion Bureau (EPB) statistics, in the first nine months of the FY2008-09 export earnings from locally made footwear stood at around \$144.69m, a sharp rise from \$131.52m in the Jul-Feb period of the FY2008-09. The domestic shoe industry has been featured by its moderate infrastructure but strong backward linkage. The country now get more orders from international markets as the cost of production of quality leather shoes is lower in the local market than in other suppliers. China, India and Vietnam were the largest leather shoe exporters in the world, but in recent years these countries are failing to make and sell quality low-cost leather shoes on WTO anti-dumping rules. Bangladesh started exporting leather footwear in 1994 in a small scale to neighboring countries including India and Nepal that increased in recent years. Currently, the total market size of Bangladesh made leather footwear stands at around Tk17b, of which about 45% is exported. The country exports around six million pairs of leather footwear per year. However, footwear exports may experience some setback as the demand for fashionable and high quality lather shoes has declined in international markets due to worldwide recession.

Banks reducing deposit rates

Most of the commercial banks operating in the country have slashed interest rates on deposits again to reduce their cost of funds. The spread between lending and deposit rates of commercial banks came down to 4.82% at the end of March this year from 5% in December 2008. In September 2008 the spread between lending and deposit was 5.18%. The weighted average lending rate rose to 12.34% in March from 12.31% in December, while the interest rate on deposit rose to 7.52% from 7.31% during the same period, the central bank statistics reveal. Earlier the central bank asked all commercial banks to reduce the maximum limit of their lending rate to 13% to help industries face the challenges of the current global recession. Later it instructed the commercial banks to reduce lending rate down at 12% from the existing 13% on credit for import financing against eight essential food items. According to the Bangladesh Bank (BB) statistics, the spread maintained by at least 11 commercial banks range between 5% and 11.65%. The average spread in case of the four state-owned commercial banks is 3.63% while the spread in case of the private commercial banks is 4.60%, 9.46% in case of the foreign commercial banks and 3% for specialized banks. According to the central bank's recent statistics, commercial banks now offer interest rates ranging from 5% to 12.77% on fixed deposit schemes. For saving account the interest rate varies between 2.50% and 8%. Currently, the banks provide loans to large and medium scale industries at interest rates ranging between 11% and 13.25% and to small industries between 10% and 16.50%. Interest rates on housing loans range between 11.50% and 16.00% and consumer credits 10.50% and 19.50%. The banks' lending rates on working capital to large and medium scale industries vary between 10.50% and 16.00% and for small industries between 10.50% and 18.00%.

This week's data runs from 18 June to 25 June 2009

Stock Market Movement



Global Markets

	This Week	Last Week	+/- %
S&P 500	918.90	921.23	-0.3%
FTSE 100	4241.01	4345.93	-2.4%
Nikkei 225	9877.39	9786.26	0.9%
SENSEX	14764.64	14521.89	1.7%
KSE 100	7163.04	7039.73	1.8%

DSE Indicators

	This Week	Last Week	+/- %
DSE General Index	2891.05	2807.57	2.97
Total Turnover, Tk	36,950,414,932	34,194,499,406	8.06
Market Capital, Tk	891,518,415,773	862,374,047,736	3.38
No of Issue Gain*	159	184	
No of Issue Loss*	106	79	
No of Unchanged Issues*	3	1	

*Issues-Gain, Loss, Unchanged—are reported on Average price basis.

Top Gainers

Company	Weighted avg. Closing Price (Tk)			Turnover (Tk)
	Last Week	This Week	Change %	
Prime Textile	182.41	258.75	42.17	166,249,000
National Tea	2340.00	3259.00	39.27	1,149,100
Imam Button	190.66	249.00	31.05	22,202,600
Premier Bank	203.72	257.25	26.26	794,894,300
Mercantile Bank	211.73	267.25	26.21	357,679,700
Gulf Foods	134.80	171.00	25.97	21,939,900
Delta Spinners	339.02	430.25	25.80	90,712,900
Premier Leasing	237.91	297.50	25.79	193,860,300
Desh Garments	99.25	122.25	23.17	1,626,800
Saiham Textile	151.67	181.50	19.21	10,794,500

Top Losers

Company	Weighted avg. Closing Price (Tk)			Turnover (Tk)
	Last Week	This Week	Change %	
National Housing	1295.83	1025.75	-19.15	36,676,200
Karnaphuli Ins.	1007.08	818.00	-18.24	128,636,300
Global Insurance	312.07	261.25	-15.86	25,616,200
Fu-Wang Ceramic	374.93	339.75	-10.30	176,327,100
Central Insurance	659.77	601.00	-9.28	48,472,500
Rahman Chemical	206.69	189.50	-9.00	465,700
BD Finance	554.20	510.50	-7.48	112,520,000
BD. Thai Alum	1006.33	917.75	-7.27	156,027,600
Wata Chemicals	290.00	270.00	-6.90	10,800
Summit Power	1447.63	1357.50	-6.60	1,155,624,300

Sectoral Index & Turnover

Sector	P/E	Sectoral Index			Turnover (Tk.M)		
		This Week	Last Week	Change %	This Week	Last Week	Change %
Bank	10.56	291.52	273.22	6.70	9061.87	5091.99	77.96
Cement	37.88	145.01	139.65	3.83	823.79	608.23	35.44
Ceramic	38.52	1,385.14	1,455.67	-4.84	499.28	977.56	-48.93
Engineering	33.69	589.96	598.87	-1.49	1693.67	2671.47	-36.60
Food & Al.	21.38	265.92	253.32	4.98	489.09	616.07	-20.61
Fuel & Pow.	22.20	2,098.12	2,078.12	0.96	6644.14	6788.99	-2.13
Insurance	22.51	663.72	662.73	0.15	1641.78	1788.40	-8.20
Investment	24.78	1,850.38	1,838.47	0.65	1038.02	1349.12	-23.06
IT	57.90	403.41	402.91	0.13	723.84	791.08	-8.50
Jute	15.22	175.16	166.52	5.19	0.21	0.10	108.15
Misc.	27.43	969.82	978.62	-0.90	3412.58	3234.50	5.51
NBFI	21.27	629.01	643.47	-2.25	2605.25	3060.65	-14.88
Paper	67.49	626.95	563.94	11.17	4.22	1.70	148.68
Pharma	28.03	458.15	436.75	4.90	3835.79	4005.87	-4.25
Service	45.93	1,977.78	2,118.61	-6.65	855.58	1232.44	-30.58
Tannery	23.23	324.82	317.90	2.18	250.83	250.91	-0.03
Textile	22.91	393.39	373.84	5.23	2700.02	1598.90	68.87

Technical Talk

Market is making a 'V' shaping recovery. DSE general index posted 3% year to date return. Index lost 399 points from January 01 to April 08 but regained 483 points in last 11 weeks. Still index is trailing 10% from its peak. Now its worth watching how quickly market can recover all of its losses. Growth of the liquidity flow in the market is also impressive. Average daily turnover increased by 56% in the first half of this year compared to the same period of the 2008. If supply side situation can't be improved, there remains a possibility of price inflation. Bullish trend also continued in the market last week riding on banking stocks. Banks which comprise 35% of market cap gained 6.7% and dominated 35% of the week's total turnover. Strong speculation over bank's tax rate reduction lured investors to this sector. Most of the sectors were upbeat last week but NBFI, engineering, ceramic stocks down on profit taking.

DSE General Index reached at 2891.05 gained by 83.48 points or 2.97% from the previous week. Total turnover reached at Tk36950.41m with 8.06% increase from the last week's Tk34194.50m. On the other hand, market capital rose by 3.38% and stood at Tk891.52b (\$13.02b) at the weekend against Tk862.37b. DSE-20 has moved upward by 131.16 points (5.93%) and closed at 2344.62 points against 2213.46 points. Last week weighted average Market PE was 18.06 which was 3.08% higher than previous week's 17.52.

During the week, DSE General Price Index was above of both 9 and 18-day moving average line.

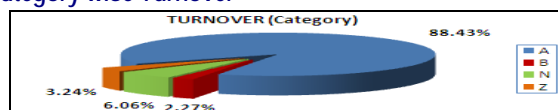
Top Turnover Companies

Company	Volume	Value (Tk)	% of total
Titas Gas TDCL	5,504,000	3,390,354,600	9.18
BEXIMCO Ltd.	11,325,700	3,249,591,200	8.79
AB Bank	2,153,800	2,041,557,900	5.53
BEXTEX Ltd.	28,927,800	1,976,153,500	5.35
Beximco Pharma	8,377,200	1,452,535,400	3.93
Summit Power	825,750	1,155,624,300	3.13
Power Grid Co.	1,181,200	882,293,900	2.39
Square Pharma	227,663	824,219,000	2.23
Lankabangla Finance	3,195,500	823,915,400	2.23
Premier Bank	3,160,350	794,894,300	2.15

Top 10 Market Capital

Company	Value (Tk)	% of total
Square Pharma	45,605	27,332
Titas Gas TDCL	42,413	26,317
Islami Bank BD	34,489	24,907
Lafarge Surma Cement	29,044	23,620
Summit Power	28,538	23,609

Category wise Turnover



Exchange Rate

	This Week		Last Week		Change %	
	TT	BC	TT	BC	TT	BC
USD	68.45	69.45	68.45	69.45	0.00	0.00
EUR	95.79	101.37	93.68	99.24	2.25	2.15
GBP	111.50	117.19	107.04	112.80	4.17	3.89
AUD	54.84	58.57	53.07	56.80	3.34	3.12
JPY	0.70	0.78	0.68	0.76	2.94	2.63
CAD	62.53	65.32	60.69	63.34	3.03	3.13
SAR	18.11	18.67	18.11	18.67	0.00	0.00

Based on Standard Chartered selling rates to public in Taka. Notes: USD-US Dollar, GBP-Great Britain Pound, AUD-Australian Dollar, JPY- Japanese Yen, CAD-Canadian Dollar, SAR-Saudi Riyal.

Last Initial Public Offering

Company	Subscription Period	Sponsor (M.Tk)	IPO (M.Tk)	Private Placement (M.Tk)
Asia Ins. Ltd.	April 19-23, 2009	-	90.00	-
Rupailife Ins. Co. Ltd.	May 03-07, 2009	-	45.00	-
EBL First MF	June 21-25, 2009	200	200	600