

Dun & Bradstreet South Asia Business Bulletin



South Asia Business & Finance Update

- According to the World Bank Group's Doing Business 2020 study, Bangladesh's ease of doing business ranking rose to 168 in 2019 as compared to 176 in 2018. The report further highlighted that the country carried out three business reforms during the year - less expensive procedure of setting up a business, electric connection and access to credit information.
- Sri Lanka's National Consumer Price Index (NCPI) headline annual inflation increased to 5.0% in September 2019, up from 3.4% in August 2019, due to the monthly increase in prices of food and non-food sector, the Central Bank of Sri Lanka indicated.
- Nepal's consumer price inflation stood at 6.16% in mid-September 2019 as compared to 3.86% a year ago. The Nepal Rastra Bank indicated that increase in prices of food & beverages and non-food & services segments contributed to the rise in inflation during the period under review.
- In Q3, 2019, utilization rate of national industrial capacity in China stood at 76.4%, down by 0.1 percentage point as compared to Q3, 2018 and remained unchanged as compared to Q2, 2019, the National Bureau of Statistics of China indicated.
- The International Monetary Fund (IMF) in its latest report has projected Asia's growth to moderate to 5.0% in 2019 and 5.1% in 2020. The downgrade is mainly attributable to a marked deceleration in merchandise trade & investment, uncertain policy environment, external downside risks and weaker-than-expected growth of key trading partners.

Stock Markets – Bangladeshi indices gain during the week

Highlights	Indices*	18 Oct	25 Oct	Chg. %	YTD %
• DSEX gains on expectations of higher corporate earnings	DSEX [#]	4,771	4,772	0.02	(11.39)
	CSE 30 [#]	12,837	12,894	0.44	(11.08)
• Hang Seng closes lower due to political unrest	Sensex	39,298	39,058	(0.61)	8.29
	Hang Seng	26,720	26,667	(0.20)	3.18
• Weaker Yen supports the Nikkei 225	Nikkei 225	22,493	22,800	1.36	13.92
	STI	3,114	3,186	2.31	3.82

The Bangladeshi indices posted marginal gains amid improvement in risk appetite. Of the five trading sessions, the DSEX gained in three sessions amid expectations of better quarterly earnings and dividends boosted investor sentiments. During the week, buying was witnessed in major sectors including banking, energy and telecommunication.

Meanwhile, India's index, the Sensex was dragged down by losses in auto sector amid weak quarterly earnings and assembly elections uncertainty. The Hang Seng closed lower despite government's measure to revive tourism and logistic sectors by rolling out a HKD 2 Bn package. The index was weighed down by uncertainty surrounding US-China trade talks and political unrest. The STI rallied on better-than expected factory output data and the Nikkei 225 posted gains on a weaker Yen amid improvement in risk appetite.

***Note:** DSEX (Dhaka Stock Exchange Index), CSE 30 (Chittagong Stock Exchange), Sensex (Bombay Stock Exchange), Hang Seng (Stock market index for Hong Kong Stock Exchange), Nikkei 225 (Stock market index for the Tokyo Stock Exchange), STI (Stock market index for Singapore stock market)

The trading week for DSEX & CSE 30 is from Sunday to Thursday

The trading week for all other markets are from Monday to Friday

Global Currency Markets - Greenback remains stable amid improvement in risk sentiments

Highlights	Currency Exchange Rates			
	Currency	17 Oct	24 Oct	Chg. %
<ul style="list-style-type: none"> • Brexit deal boosts Euro • UK Prime Minister calls for national election • Yen slips on weak economic data 	EUR/USD	1.11	1.11	0.00
	GBP/USD	1.28	1.28	0.00
	USD/CHF	0.99	0.99	0.00
	USD/JPY	108.68	108.60	(0.07)

The Dollar weakened against major currencies, while the Euro and the Pound gained on Friday, 18 October amid potential Brexit deal between UK and the European Union (EU). The Dollar was also weighed down by Federal Reserve's (Fed) bearish outlook on US economy. The Fed projected GDP growth at around 2% for 2019 due to slowdown in business fixed investments & exports and weakening of manufacturing indicators coupled with weak global growth estimates. On Monday, the Pound rose on Brexit optimism, while the Yen traded lower following release of weaker-than expected macroeconomic data.

On Tuesday, the Dollar gained, while the Sterling Pound slipped after UK Prime Minister paused the progress of Brexit deal through Parliament, awaiting EU's decision for extension. On Wednesday, the Dollar and Yen gained on lack of risk appetite amid uncertainty surrounding Brexit as EU leaders considered request for Britain's delay. This was coupled with news of US lifting sanctions against Turkey after Russia agreed with Turkey to deploy troops to extend a ceasefire along the Syrian border. On Thursday, the Euro steadied and safe haven currencies edged lower after Mario Draghi's resignation from the European Central Bank. The Pound was under pressure following UK Prime Minister Boris Johnson's call for a national election.

Global Commodity Markets - Oil prices gain on global demand concerns

Highlights	Commodity Exchange Rates			
	Prices in USD	17 Oct	24 Oct	Chg. %
<ul style="list-style-type: none"> • Active rigs drilling in US declines by 5 • OPEC mulls deeper output cuts • Drop in US inventories support oil prices 	Brent/barrel	59.91	61.67	2.94
	WTI/barrel	53.93	56.23	4.26
	OPEC Basket/barrel	59.54	61.63	3.51
	Gold/ounce	1,492.30	1,498.90	0.44

Crude: Crude futures price settled lower, while the price of OPEC daily basket edged higher on Friday, 18 October, following release of weak Chinese economic data. China's economic growth slowed to 6% y-o-y in Q3, due to soft factory production and continuing trade tensions with the US. This was coupled with data from Baker Hughes which indicated a decrease in number of active rigs drilling in US by 5 to 851 last week. Oil prices declined on Monday amid concerns surrounding US-China trade talks. Prices rebounded on Tuesday following news of OPEC and its allies (OPEC+) planning to curb production on account of demand concerns in December 2019. On Wednesday, prices surged by more than 1% after data from US Energy Information Administration (EIA) indicated an unexpected decline in US crude inventories. The inventories decreased by 1.7 Million barrels last week. This was coupled with China signalling progress in trade talks with the US. On Thursday, prices gained further on a softer Dollar.

Gold: Gold prices rose amid uncertainty surrounding Brexit deal, US-China trade talks and weak economic data.

Country Risk Update - Edition: October 2019 - Bangladesh

D&B Country Risk Indicator – DB5c

Level of Risk – High Risk

Ratings Outlook – Stable

Business Environment Quality: The Comprehensive and Progressive Trans-Pacific Partnership (CP-TPP) came into force on 1 January 2019, following the ratification of the free-trade agreement (FTA) by six of the 11 member states, including Australia, Canada and New Zealand. Vietnam joined the FTA on 15 January. The CP-TPP will eliminate up to 95% of tariff lines once the agreement enters into force. Vietnam's textile and garment exporters expect to benefit, expanding market share in countries such as Australia, Canada and New Zealand. However, the FTA has not yet had any major impacts on non-CP-TPP member Bangladesh's export oriented ready-made garments sector. Strict product origin rules and phased elimination of tariff lines are likely to slow the pace of its textile and garment exporters' loss of market share in CP-TPP markets over the near term. Ready-made garment exports to Canada and Australia were up 43.5% and 16.9% y-o-y respectively in Q1 2019, to USD 244 Mn and USD 159 Mn respectively.



Market Potential: Bilateral treaties with India boost potential

The Bangladeshi government has announced a series of bilateral treaties with India that will improve Bangladesh's long-term economic growth potential, and will also improve the country's attractiveness to foreign investment. Prime Minister Narendra Modi of India and Bangladesh's Prime Minister Sheikh Hasina agreed on a treaty on 5 October to provide transit rights for goods travelling to or coming from India's north-eastern states of Tripura, Assam and Meghalaya via the ports of Chittagong and Mongla. These ports will become the principal channels for domestic Indian commerce and exports from the northeast, significantly reducing the cost of transporting goods from India's land-locked north-eastern states to the wider Indian market, while also improving access to international markets.

Dun & Bradstreet expects the treaty to increase the attractiveness of Bangladesh for foreign investors. Bangladesh has been hoping to increase its exports to India following the removal of tariffs on 3,142 products earlier in 2019. The Special Economic Zones near Mongla and Chittagong are also likely to attract a number of firms interested in taking advantage of the transport connections with India. The volume of freight movements through Mongla was already expected to increase significantly once the Padma Bridge project is completed in 2020. A port-capacity expansion project is currently underway at Mongla, while Chittagong is investing in expanding its container port capacity.

The deal also entails a significant number of infrastructure projects, which will significantly improve cross-border transportation links. In addition to the existing (mostly Asian Development Bank-funded) expansions of a number of cross-border roads to six-lane highways, Bangladesh is proceeding with 600 km of cross-border highway upgrades. The agreement also includes rail, river and cross-border bus connections. Riverine connections between Mongla and Dhubri Pandu (in Assam) and Mongla and Karimganj in Meghalaya will be dredged and reopened, along with a third connection. India is also interested in reaching an agreement on container transportation by rail between the two countries, while cross-border passenger rail services are expected to increase.

The DB risk indicator is divided into seven bands, ranging from DB1 through DB7, with DB1 indicating the lowest degree of risk. Each band is subdivided into quartiles (a-d), with an 'a' designation representing slightly less risk than a 'b' designation and so on.

Global Business & Finance Update

- According to the World Bank's Doing Business 2020 report, the United States remained one of the top 10 places to do business, registering a score of 84 and rank at 6th position. The country introduced three major reforms in the past year - online filing of statement of information for limited liability companies, decreasing corporate income tax and introducing electronic filing and payment of court fees.
- According to the Eurostat, in Q2, 2019 seasonally adjusted general government deficit to GDP ratio stood at 0.7% in the Euro Area as compared to 0.6% in Q1, 2019.
- Latest report released by the International Monetary Fund (IMF) indicated that China's growth is expected to moderate to 6.1% in 2019, and 5.8% in 2020. The gradual deceleration reflects the ongoing rebalancing of growth drivers and the adoption of new trade measures by the US and China.
- The Federal Statistical Office (Destatis) highlighted that Germany's price-adjusted new orders in the main construction industry decreased by 2.6% to 119.4 points in August 2019 as compared to 122.6 points in July 2019.

- According to the Ministry of Finance, Japan's exports and imports declined by 5.2% and 1.5%, respectively in September 2019, raising slowing demand concerns.

The South Asia Business Bulletin covers Bangladesh, Sri Lanka, Maldives, Nepal and Bhutan.

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