

	Monthly		IBTRA Bulletin Issue: 2023/2	
		Islami Bank Training and Research Academy Mohammadpur, Dhaka		

Major Economic Indicators [Source: BBS & BB Statistics Department]

Sl	Parameter	Value
1	GDP Growth	4.9% (Real) and 6.03% (Gross)
2	Foreign Exchange Reserve	USD 26.48b as on end of Oct'2023, (-) from USD 35.81b over Oct'2022.
3	Wage Earners Remittance	USD 4916 million (13.34% neg. growth over previous FY)
4	Excess Liquidity	Tk 1,64,000 crore, down from Tk 1,75,000 crore over last month.
5	Import (C&F)	USD 14749 million (23.77% neg. growth over previous FY)
6	Export (EPB)	USD 12931 million (9.85% neg. growth over previous FY)
7	BOP	USD 3041 million (deficit) @ 42% increase over last Quarter
8	Inflation	<ul style="list-style-type: none"> ▪ 12-month avg. 9.37% (previously 7.23%) ▪ 9.93% (previous y-o-y figure 8.91%) ▪ General Inflation : 9.92% & Food Inflation : 12.54%

Section A : Global Economy



- US employers created 150,000 jobs in October'2023, fewer than expected and half of last month.
- Alphabet, Amazon, Apple, Meta, Microsoft, Nvidia and Tesla (all US big giants) have become Wall Street's superstars, each has exceeded market value USD 1.00 trillion.
- The manufacturing industry of the west is becoming less efficient for moving overseas to reduce labor costs, tariffs & subsidies.



- With lowest level of exports @ 10.50% of GDP, Pakistan has become the most vulnerable to balance of payment (BOP) crises among the South Asian sovereigns.



- Global economic growth slowed down from 3.50% in 2022 to 3.00% in 2023 and 2.90%(expected) in 2024, well below the historical (2000–2019) average of 3.80%.
- Global inflation is forecasted to decline steadily, from 8.70% in 2022 to 6.90% in 2023.
- China goes for economic ties with Sub-Saharan Africa to be the largest single country trading partner by importing 1/5th of region's metal, minerals & fuel and exporting most of manufactured goods.



- India and China are expected to jointly account for half of the world's total growth in the year 2023 and 2024, being the Asia Pacific remaining as the 'most dynamic' region during the period.



- Countries should significantly scale-up efforts to strengthen initial education systems to ensure skills more effectively to the needs in the labor market.



- U.S. Federal Reserve "is not confident" in lowering price pressures in the supply of goods, services and labor, however Fed is committed achieving inflation down to 2%.

Section B: Global Finance and Banking



- China's foreign exchange reserves came down to USD 3.10 trillion at the end of October-2023, down to USD 13.80 from September'2023.
- Middle East conflict disrupts oil supply which will cause lower economic growth and higher inflation.

Fitch
Ratings

World GDP growth would be 0.4% lower in 2024 & 0.1% lower in 2025, as Oil Price Shock would hit 2024 Growth and Boost Inflation



- IMF announced agreement with Ukraine for USD 900 million disbursement out of its USD 15.60 billion lending program.

- Rapid wage growth in the euro zone shall keep high inflation longer and the European Central Bank should hold interest rates at or near record highs for next year to extinguish price pressures.



Year-on-year inflation in the OECD countries, as measured by the Consumer Price Index (CPI), decreased to 6.20% from 6.4% in August 2023



World Bank approved USD 102 million fund for the Jamuna River of Bangladesh to boost up connectivity & economic activities of the adjacent regions.



Total sharia-compliant assets of Islamic banking worldwide (excluding Iran) increased by 12.80% worth to USD 1.60 trillion, with 57% held by standalone Islamic finance institutions.

Section C : National Economy



- The GoB is taking ST & LT loan of USD 3.00 billion from development partners (ADB, AIIB, ITFC & IDA) amidst that USD 14.00 million for energy import and USD 8.00 million for budget deficit to reduce reserve pressure.
- To arrest money laundering, BB planned to closely monitor big volume LC in collaboration with NBR through online, offline, physical inspection & special software focusing on mainly LC amount, adjustment and terms.
- By 3rd Quarter-2023, Real GDP growth Rate of the country stands at 4.9% whereas Gross Rate is 6.03%.



- WB statement on food inflation focused that throughout the Year 2023, inflation on foods in Bangladesh has been increasing by the margin of 5% to 30% on an average despite decrease in the world market.
- The government requested IMF to bring down ceiling to less than \$20 billion, since as per condition, at the end of December, Bangladesh must maintain at least \$26.81 billion in net foreign currency reserves.



JICA marked 50th anniversary of cooperation with Bangladesh shaping the development land-scape.



ASIAN DEVELOPMENT BANK

Country's GDP is expected to grow by 5.3% in FY- 2023, as per Asian Development Bank (ADB) report.



- BB published gross foreign reserves as per IMF's calculation, stood at \$23.65 billion as on October'2023.
- To get IMF loan, GoB had to collect minimum tax of Tk 345,000 crore in FY 22-23, government failed.
- GoB is providing farmers Tk.108 million incentives to cultivate high-yield rice grains to meet growing demand.
- Unsettled claims is Tk 3,050 crore against 29 life insurance companies which are not being cleared owing to a liquidity crisis, which is 59.58% of total claims made.
- The C-Suit (c-level executives) Award Giving Ceremony-2023 has been organized by **Brand Forum** where awards in different categories to different types of business institutes are given.



- S&P Global Ratings lowered Bangladesh's long-term rating outlook to negative from stable, citing the country's external liquidity position could deteriorate next while reserves remain under pressure.
- Bangladesh is reaffirmed BB- (long-term) and B (short-term) sovereign credit ratings.
- Bangladesh with 170 million people secured a \$4.7 billion loan from the IMF this year as it deals with higher costs of imported fuel and food.
- State-run sugar mills have started crushing locally-grown sugarcane, aiming to produce 33,000 tonnes of sugar in the current fiscal year of 2023-24.
- Minimum wage board for garment sector revised salary as Tk 12,500 from Tk.8000 against Tk. 23,000 as demanded.
- Bangladesh is set to gradually out of LDCs on November 24, 2026, about 50 years of first entrance in 1975.
- The UN Conference on Trade & Development estimated Bangladesh's potential export loss by 5.5-7.5% while WTO predicts a decline of more than 14% in Bangladesh's exports.
- In 2022-23, Europe-bound merchandise exports from Bangladesh amounted to \$30.5 billion, of which apparel exports comprised \$28.6 billion.
- The EU & the UK account for 60% of Bangladesh's total garment exports while apparel products constitute more than 93% of total exports to the EU & UK.
- Country's RMG faces substantial trade preference erosion upon go out of LDC status as currently, as an LDC, Bangladesh enjoys duty-free access to the EU for all exports.
- Share Price Index of DSE and CSE have been 0.11% and 0.92% more respectively over corresponding period.
- ServEngine Limited won the national export trophy for the consecutive ninth in gold category for highest export earnings in 2020-21 financial year for computer software.
- The general index of industrial production during July-September of FY23 increased by 7.42% and that of small scale manufacturing increased by 8.24% compared to the index of FY22 .
- In line with Perspective Plans (2021-2041) and Bangladesh Delta Plan 2100, GoB issued Rules, Regulations & Guidelines as per International benchmark.



Section D : National Finance & Banking

- Surplus liquidity stood at Tk 1,64,000 crore of which Tk 34,000 crore in form of cash and Tk 1,64,000 crore in treasury bills and bonds.
- In the 3rd Quarter 2023, GoB borrowed Tk 25,709 crore from scheduled banks and repaid Tk 29,487 crore to the central bank.
- By 3rd Quarter 2023, Total Deposit stands at Tk.162,31,392 million posting a 9.51% growth over correspondence period.
- At the end of 3rd Quarter-2023, total advances & investment of the country stands at Tk,190,162,61 million (9.65% growth). Now, Time Deposit is 88.54% and Demand Deposit is 11.46% which was 88% and 12% respectively over last corresponding period.





ASIAMONEY

- Country's NPL Ratio stood at 10.10 %, compared to 8.80 % in the previous quarter.
- Government domestic borrowing from the banking system increased during July-March of FY-2023 compared to the same period of FY-2022.
- Call Money Rate at the end of October 2023 stands at 7.87% which was 6.18% at the end of June 2023.
- BFIU and the Oman Financial Intelligence Unit signed a MOU to cooperate exchange of information and intelligence, by this, BFIU has signed so far 81 MOUs with foreign FIUs.
- Spread of Banks in Bangladesh, Advances rate minus Deposit Rate is 3.29%.
- Disbursement of CMSME loans during July-September of FY-23 increased by 22.82% over preceding FY.
- SFD of BB has prioritized contribution towards sustainability with respect to environmental, social – including gender equality, economic and governance issues those are in conformity with SDGs.
- Brack Bank Ltd has increased daily cash withdrawal ceiling from ATM booth TK.3 lac & Tk.5 lac (platinum) with Tk.0.80 lac singly.
- Bangladesh's best bank for premium services 2023 has been awarded to City Bank Ltd and best for digital solutions 2023 is bKash.

Section E : Foreign Exchange Market



- F Exchange Reserve at the end of October'2023 stood at USD 26.48 Billion, which was USD 35.81 Billion over same period of Year-2022.
- BAFEDA advises banks not to pay over Tk 115 per dollar while collecting FC from remitters.
- Tax Revenue collection by NBR during 06 months is 38.63% against Budget for FY-2023.
- Among the three sources (banking system, non-bank and foreign) of government deficit financing, the largest share was from the foreign sources during July December of FY-2023.
- The exchange rates of BDT with USD, EURO, GBP & JY at the end of October 2023 is Tk.111.00 (BDT/USD) followed by EURO, GBP & Yean as Tk.118.56, Tk.135.66 and Tk.0.73 respectively.
- ADs may apply forward premium not exceeding SMART + 5% per annum with declared spot rates for forward dealings with customers or counter parties for import payments not exceeding for 03 months.
- ERQ accounts' retention limit out of realized export proceeds is reinstated to 7.5%, 30%, and 35% from 15%, 60% and 70% of ERQ respectively.
- ADs are allowed to apply delayed export proceeds to be encashed in the prevailing exchange rate, valid till December 31, 2023.
- ADs are permitted to maintain export proceeds, against BBLCs and also permissible to be retained in FC for 30 days for settlement of import bills other than BBLCs.
- Revised Pricing Terms is issued for USD and EURO financing under Green Transformation Fund (GTF).
- Export incentive against export from specialized zone (EPZ, EZ, Hi Tech Park) has been declared to boost up the sectors.
- BB defines Sustainable Finance in a broader manner in conformity with the international norms, which includes investment, insurance, banking, accounting, trading, economical and financial advice, Green Banking, Sustainable Agriculture, Sustainable MSME & CSR.
- Guidelines issued for 'Granting Permission with Visas and Work Permits to Foreign Workers-2023' by Bangladesh Investment Development Authority (BIDA).



Section F : Islamic Banking (Global)



- Al Rajhi Bank, KSA has been nominated as top in 'Awarding Ceremony of Top Islamic financial institutions-2023' with Shariah compliant Asset valued USD 203,298 million posting 22.24% growth over 2022.
- Saudi Arabia's status as the world's dominant Islamic banking market both in the Middle East and worldwide remains intact in this year's ranking. The country's banks manage 40% of the world's shariah compliant banking assets, with nine lenders in this year's top 20.



- Total shariah-compliant assets of Islamic banking worldwide (excluding Iran) grew by 12.8% to \$1.6tn in 2022, with 57% held by stand alone Islamic finance institutions.
- Double-digit growth will continue for the next two years with further geographic spread of Islamic finance beyond its core markets of the GCC and Asia-Pacific but may remain constrained by structural weaknesses in the sector, particularly the absence of common standards.



REUTERS

- Egypt set to raise USD 1.50 billion from its debut sale of Islamic Bond Sukuk as a yield of 11%.
- Egypt was set to raise \$1.5 billion from its debut sale of Islamic bonds known as sukuk for 3 years period at a yield of 11%.
- Qatar's largest Islamic lenders, Qatar Islamic Bank and Masraf Al Rayan, witnessed reduction of shariah-compliant asset bases by 5.1% and 3.7%, respectively.

- Syria National Islamic Bank (NIB) has officially launched its banking services and opened the doors of its main branch in Mezzeh Highway, Damascus, after the end of October 2023.
- The Turkish finance ministry announced that it is looking to issue a US dollar-denominated lease certificate in its Budget 2024.



- The Securities and Exchange Organization of Iran has focused expanding financing ecosystem through the capital market by establishing Islamic financial institutions and issuing Islamic securities.
- In the Summit between ASEAN & GCC, the Philippines urged KSA business leaders to explore Philippine initiatives in Islamic banking and finance, given the various legal and regulatory frameworks.
- Egyptian Exchange announced opening of a new Shariah compliant index in which investors would be able to invest in the index sometime during the first half of the 2024 fiscal year.
- Sukuk issuance outside core markets is 'limited to countries' (GCC & Gulf Countries) in need to open all available financing options, while Sustainability-linked sukuk is a possible area of growth while core Islamic finance countries seek to reduce their carbon footprint and support the global energy transition.

Section G : Islamic Banking (Domestic)

THE
BUSINESS
STANDARD



NEWAGE
THE OUTSPOKEN DAILY

- IBBPLC through share transactions contributed around 40% to the total DSE turnover.
- The shares of IBBPLC , the largest private sector lender in the country, worth Tk.256 crore were traded at the Dhaka Stock Exchange (DSE) through the block market.
- In the last Quarter'2023, IBBPLC received highest remittance earnings amounting of USD 1354 million posted a positive growth by 14.69% over the previous quarter, securing 28% market share amidst the banking industry. The next 02 positions earned by SIBL & Trust Bank Ltd (BB).
- A total of 34 Banks is currently offering Islamic banking, out of which 10 are full-fledged and remaining is through branch/window license.
- Bangladesh Islamic Banking, as it now, substantially needs support from other components of the financial systems, eg, Islamic money market, Takaful (Islamic Insurance), Islamic capital market and Islamic Social Finance.
- Total Investment (loans & advances) of Islamic banking has been increased by BDT 90.80 billion which is 2.20% over BDT 4,214.77 billion at the end of June 2023 as compared to the end of March 2023. It was also higher by BDT 396.48 billion (10.38% growth) over same quarter of the last year.
- Islamic banks held 25.30% percent of all domestic industry deposits, down from previous figure as 28.20%
- Islamic finance is likely to continue growing in coming days medium term in Bangladesh driven by rising public demand, new branch openings, and supportive government policies.
- Lenovo, a multinational technology company, has partnered with IBBPLC to provide 1,500 units of Think Centre Neo 50T laptops. The collaboration is a part of the two company's steps towards technological development, while Lenovo will provide the bank continuous technical support.
- The 46th General Meeting of the Central Shariah Board for Islamic Banks of Bangladesh (CSBIB) was held at the board's own campus at Purbachal, Dhaka. Professor Mohammad Gias Uddin Talukder, Professor, Arabic Department of Chattogram University was elected as the Chairman and Md Abdullah Sharif as secretary general of the Board.
- The Central Shariah Board's Executive Committee and Fiqh Committee for the tenure 2023-2027 has been formed in its 46th general meeting to address issues related to compliance with Shariah properly in all spheres of banking operations.

Section H : Events of IBTRA



IBTRA has successfully conducted a Training Program on Certificate Course of Treasury Dealings from 15-19th October' 2023. Janab Mohammed Monirul Moula, hon'ble MD & CEO of IBBPLC inaugurated the program as Chief Guest and Janab Md. Nazrul Islam, Principal of IBTRA was in the Chair. Janab Md Abul Kashem, Executive Secretary of Bangladesh Foreign Exchange Dealers Association (BAFEDA) and Janab Md Abdul Qaiyum, Director, Monetary Policy Department of Bangladesh Bank were present in the Program as Special Guests. A total number of 57 officers from different scheduled banks of the country attended the week long training program.



Diploma in Islamic Banking (DIB) examination was successfully held in 13 centers across the country conducted by IBTRA. This time, total 3403 number of participants attended the examination. Apart from IBBPLC, 265 number of candidates from 31 Banks & 2 FIs participated in this Diploma examination. Janab Mohammed Monirul Moula, hon'ble MD & CEO of IBBPLC, Janab Zafar Alam, MD & CEO of SIBL, Janab Md. Nazrul Islam, Principal of IBTRA, DG of BIBM, ED of BBTA, Secretary General of IBB, the AMDs and other senior executives of IBBPLC visited examination centers and expressed their satisfaction upon its overall management.



IBTRA conducted 2 Month Long Internship Program for the University students. The Program commenced on 02.10.2023. Janab Mohammed Monirul Moula, hon'ble MD & CEO of IBBPLC graced the program as Chief Guest and Janab Md. Nazrul Islam, Principal of IBTRA was in the Chair. Total 110 number of students from 31 universities of the country participated in this Internship Program as a part of their academic requirement and to gain practical banking experiences.

Section I : Knowledge Corner

Short Notes on Takaful :

The word Takaful roots from Kafalah means responsibility, guarantee or suretyship. It is a contract based on Tabarru (unilateral charity) to a common fund for the purpose of mutual help and protection in case of difficulties.

Definition

AAOIFI defines Islamic Insurance as a process of agreement among a group of persons to handle the injuries resulting from specific risks to which all of them are vulnerable.

Origin of Takaful

- Takaful originated within the ancient Arab tribes as a pooled liability that obliged those who committed offences against members of a different tribe to pay compensation to the victims or their heirs.
- This principle later extended to many walks of life, including sea trade, in which participants contributed to a fund to cover anyone in a group who suffered mishaps on sea voyages.

Process

Payment of contributions as donations and leads to the establishment of an insurance fund that enjoys the status of legal entity and has independent financial liability.

Principles of Takaful

- Policy holders co-operate among themselves for their common good.
- Every policyholder pays a part of the contribution as a donation to help those that need assistance.
- Losses are divided and liabilities spread according to the community pooling system.
- Uncertainty is eliminated in respect of subscription and compensation.

Why Conventional Insurance is Problematic

a) Existence of Riba

- Insured receive money in excess and irrespective of premium paid either upon maturity of the policy or for occurrence of the insured event (both Riba fadl & Riba Nasiah).

b) Existence of Gharar

- The subject matter of the contract is not certain until the insured event has taken place.
- The policyholder and the insurance company do not know how much in total he will end up in paying or receiving for the insurance.

c) Existence of Mysin

- Mysin or gambling involves both the hope of gain as well as fear of loss.
- This is zero-sum game, ie, one party will lose and other party will gain.

Model of Takaful

There are different models of Takaful operations based on Mudarabah, Wakalah, Waqf and Hybrid principle.

The purpose of modern Takaful operations is to mitigate risk in financial transactions. However, there are provisions of both general and family Takaful services. General Takaful covers short term risk issues like motor, fire and marine insurance etc. while family Takaful deals with accident, health, education etc.