STOCKS
DSEX ▼ 0.32% 4,833.69
CSCX ▼ 0.37% 8,434.90

COMMODITIES
Gold ▼ $1,870.71 (per ounce)
Oil ▲ $44.81 (per barrel)

ASIAN MARKETS
MUMBAI ▲ 0.73% 43,593.67
TOKYO ▲ 1.78% 25,349.60
SINGAPORE ▲ 0.31% 2,713.28
SHANGHAI ▼ 0.53% 3,342.20

CURRENCIES STANDARD CHARTERED BANK

	USD	EUR	GBP	CNY
BUY TK	83.95	98.22	110.47	12.55
SELL TK	84.95	102.02	114.27	13.19

Star BUSINESS

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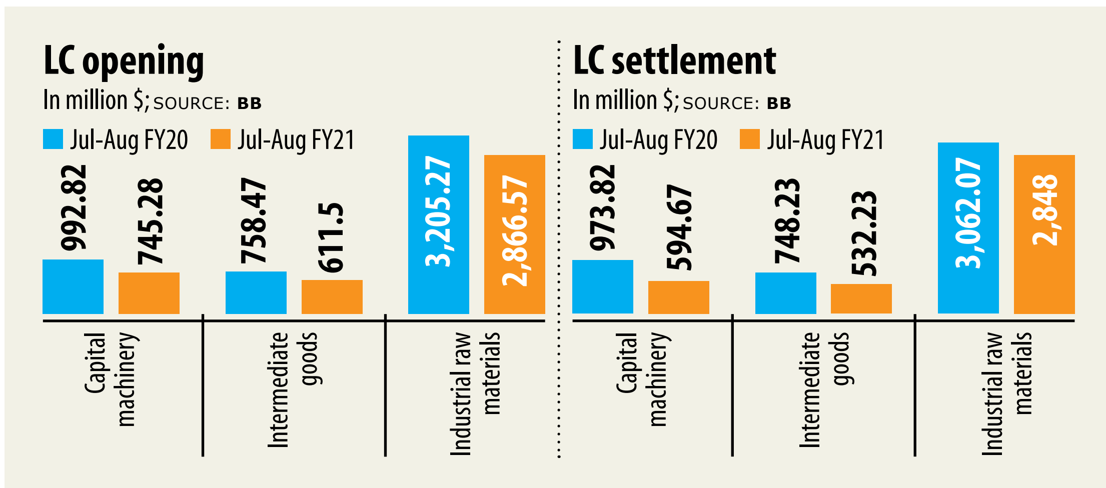
As uncertainty persists, clouds get thicker over investment frontier

Rejaul Karim Byron *and* Md Fazlur Rahman

Investment has not picked up in Bangladesh despite the reopening of the economy five months back largely due to the deep uncertainty caused by the coronavirus pandemic which continues to creep along.

Several entrepreneurs and economists now say the investment would not return to the pre-pandemic level until the crisis comes under control.

The opening of letters of credit for importing capital machinery, one of the major indicators to gauge investment sentiment in Bangladesh, plunged 24.93 per cent year-on-year in the July to August period of the current fiscal year. Correspondingly, the LC settlements plunged 38.93 per cent.



The opening and settlements of LCs for intermediate goods dipped 19.38 per cent ad 28.87 per cent respectively, showed data from Bangladesh Bank.

The opening of LCs for raw material import dropped 10.57 per cent while its settlements declined 6.99 per cent.

Disbursement of industrial term loans, another indicator, stood at Tk 28,063 crore in the April to June quarter, down 34.99 per cent from Tk 43,154 crore year-on-year.

Although the latest data is not available, the LC openings and settlements may have fallen in the entire first quarter of the current fiscal year as shown in the trend of imports, which declined 11.47 per cent year-on-year.

Asif Ibrahim, vice-chairman of the Newage Group of Industries, one of the leading garment exporters, said the drop in capital machinery import and disbursement of term loans were mainly due to the lack of confidence of investors due to the global coronavirus pandemic.

"Although Bangladesh performed remarkably compared to other countries in terms of GDP growth, investors will open up once the pandemic is on a downward spiral."

He anticipated that by the end of spring 2021, these figures would again pick up gradually.

Humayun Rashid, managing director of Energypac Power Generation, said there had been a liquidity crunch in the banking sector since January. Besides, the bank interest rate had been high.

"So, investors did not go for expansion in a bigger way. The pandemic dealt another blow, slowing down many projects."

Some projects of Energypac had also slowed after the crisis hit Bangladesh in March. Now, the implementation of the projects has started resuming, he said.

The company is importing some capital machinery that would help product automation. Some of the electrical products being manufactured would be exported to regional markets such as India, Pakistan and Nepal, said Rashid, also the president of the International Business Forum of Bangladesh.

Zaid Bakht, chairman of state-run Agrani Bank, blamed the 9 per cent lending rate ceiling, which has been in place since April this year, for the fall in industrial term loans.

"Private commercial banks are very conservative in lending at 9 per cent. They are giving loans on a priority basis. They don't want to take any risks."

The banks with excess liquidity are investing in the treasury bills, said the former research director of the Bangladesh Institute of Development Studies.

As a result, many entrepreneurs who usually do banking with private banks are coming to state-run banks for new loans. Agrani Bank's credit growth is 17 per cent even during the pandemic, he said.

"The machinery import has gone up in recent months," said Abdul Halim Chowdhury, managing director of Pubali Bank, a private commercial bank.

"This would be reflected in the quarterly report in December," he said, adding that some clients have opened LCs with Pubali Bank.

Chowdhury also said banks were cautious in lending so that none could take out funds through forgery.

He said industries have received funds under the stimulus package introduced by the government. So, they did not apply for new loans.

"Banks also worried about the threat of the second wave of coronavirus. We are not sure how deep the effects would be. So, many banks have adopted the wait-and-see approach."

Zahid Hussain, a former lead economist of the World Bank's Dhaka office, said the significant decline in LC settlements for import of capital goods, disbursement of long-term loans and LC openings for the import of capital goods indicate continued weakness in investment.

He said investment recovery was stunted by lingering uncertainty on the trajectory of the domestic and international economy. These uncertainties are rooted in the unpredictability of the trajectory of the pandemic and how long it would take to be tamed once and for all.

"Investment is all about confidence which has remained fragile in Bangladesh for quite a while now."

According to Hussain, returns on investment are hard to assess in an environment where both sales and costs are hard to project as economies all over the world struggle to crawl back from the pandemic-induced recession.

Simply lowering the costs of financing, as appear to be happening recently due to an abundance of liquidity in the banking system, does not do much to bolster the animal spirits in such an environment.

"Excess liquidity itself is in part a consequence of the lack of demand for investments."

There are structural impediments to investment that hinder initiatives to start and expand production activities in sectors where new opportunities are opening up.

Reforms to ease these impediments such as establishing one-stop shops, economic zones and increasing the transparency and predictability of business regulations have stumbled.

"These are areas where the policy implementors can make a difference if only they could tear apart bureaucratic red tapes and speed up decision-making," Hussain said.

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GPH Ispat recovers from Covid-19 hiccup

Ahsan Habib

GPH Ispat, one of the top steel manufacturers in Bangladesh, has made a turnaround in sales and profits in the first quarter of the ongoing fiscal year.

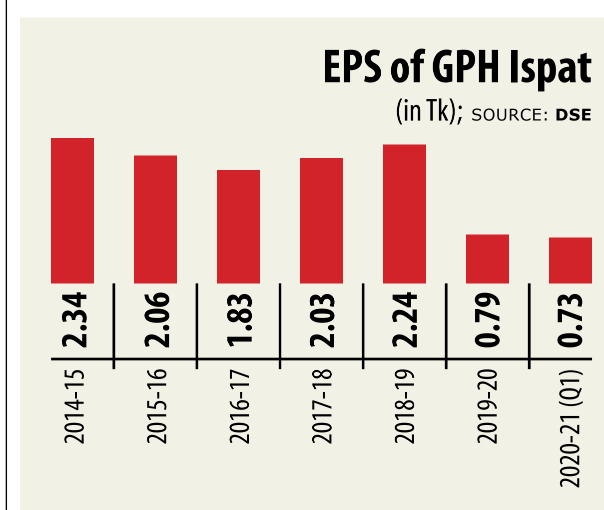
The Chattogram-based company's sales rose 66.77 per cent year-on-year to Tk 439 crore in the July-September period.

Profits jumped 67.5 per cent to Tk 27.47 crore at the same time, according to its quarterly report.

"Sales have grown mainly due to an increased share of the domestic market, where we provide higher quality products for the same price as others," said Kamrul Islam, executive director for finance and business development at GPH Group.

"Our plan for the last two years was to sell more of the products from the new plant. Now, we are getting the result," he added.

The company's annual billet production capacity rose from 2.1 lakh tonnes in 2018 to more than 10 lakh tonnes this year.



Rod production capacity grew from 1.5 lakh tonnes to 7.60 lakh tonnes over the same period thanks to the new facility.

"As our new plant's production has started, our plan has been working. So, you will see higher sales in the coming years," Islam said.

Product deliveries disrupted in the fourth quarter (April-June) of the last fiscal year when a nationwide lockdown was declared by the government in a bid to stop the spread of the Covid-19.

The deliveries were executed in the first quarter of the current fiscal, boosting sales, the executive director said.

GPH Ispat also produces low and medium carbon and alloy billets, which are raw materials of steel.

Last month, the company exported 25,000 tonnes of mild-steel (MS) billet worth $10.17 million to China.

READ MORE ON B2

Edible oil prices keep rising

Mohammad Suman, *Chattogram*

The price of edible oil has risen in local markets amid stockpiling by large economies owing to the potential threat of a second wave of the coronavirus and a rising cost of all products worldwide, according to market players.

Besides, edible oil prices have fluctuated over the past few months due to decreased production in exporting countries, weakening of the global supply chain and stockpiling amid the ongoing Covid-19 pandemic.

The price of soybean oil at Khatunganj, a wholesale market in Chattogram, has increased by Tk 500 per maund (37.3 kilograms) to about Tk 3,650.

Similarly, palm oil now costs around Tk 3,250 to Tk 3,270 per maund, an increase of about Tk 450.

"The price of these products is higher as the supply of oil is less as per the market demand," said Abdur Razzak, a wholesale trader in Khatunganj market.

The price of all types of oil went up by Tk 300 to Tk 500 per maund last month, he added.

Traders hinted that the price of edible oil might go up further in international markets.

The price of soybean oil globally stood at $970-980 per tonne yesterday, an increase of $230 per tonne from early August.

At the same time, the price of palm oil ballooned by $150 per tonne to $885 in international markets.

Most of the country's demand for soybean oil is met through imports from Brazil and Argentina but the production in these countries has declined due to the pandemic, said Nasir Uddin Chowdhury, director of TK Group.

"Large countries, including China, are stockpiling edible oil amid the potential threat of a second wave of the virus in the upcoming winter, which could once again hike the prices," he told The Daily Star.

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RAJIB RAIHAN

The price of edible oil has seen a Tk 450 to Tk 500 rise per maund in a month amid a potential threat of a second wave of the coronavirus. The photo was taken from Chattogram's Khatunganj wholesale market.

Pran steps in feed market

Star Business Report

Habiganj Agro, a sister concern of Pran-RFL Group, has taken an initiative to strengthen its foothold in the Tk 15,000 crore market for aquatic and livestock feed.

Pran-RFL Group, one of the biggest business houses of the country, recently signed a deal with listed National Feed Mill to produce fish, cattle and poultry feed at its factory.

Under the agreement, Habiganj Agro will produce about 24,000 tonnes of feed annually using the mill, the latter said in a post on the Dhaka Stock Exchange website yesterday.

"The tenure of the manufacturing agreement is of two years," it added.

Stocks of the aquatic and livestock feed producer dropped yesterday as the announcement did not bring cheer to investors.

Pran said it entered into an agreement with the mill to cater to the burgeoning domestic market for feed.

"We have been doing test marketing of feed for the last two years based on agreements with several other firms as we do not have our own facility yet. We want to expand," said Chowdhury Kamruzzaman, director of marketing of the conglomerate.

"It is a big market," he added, citing that the market's annual turnover is around Tk 15,000 crore thanks to Bangladesh's gigantic poultry industry, expanding aquaculture, dairy and cattle farming.

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Development spending rises to four-month high

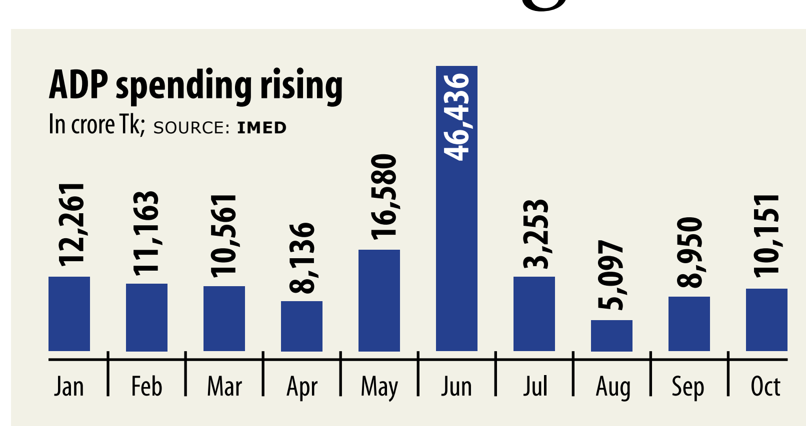
Rejaul Karim Byron *and* Jagaran Chakma

Development spending rose to a four-month high of Tk 10,151 crore in October as the government accelerated expenditure to revive the economy reeling under the impacts of the coronavirus pandemic.

The outlay under the annual development programme, is, however, down 23.72 per cent from the Tk 13,308 crore spent in the same month last year, data from the Implementation Monitoring and Evaluation Division showed yesterday.

From July to October, the first four months of the fiscal year, the ADP spending stood at Tk 27,453 crore, down 10.43 per cent year-on-year.

The uptick in the ADP implementation may be attributed to the softening of the government stance on the fund going to low-priority projects.



In July, the government had restricted the disbursement of funds for the low-priority projects to free up funds for the productive sectors amid widening revenue shortfall caused by the devastating impacts of the pandemic.

Recently, the finance ministry has softened its stance, giving in to pressures from line ministries and also for improvements in revenue collection.

Now, 25 per cent of the allocation from the ADP would remain halted for the ministries because of the lingering pandemic, down from 30 per cent previously.

Ministries and divisions could utilise Tk 7,050 crore of the government fund in October. It was Tk 9,648 crore in the same period last fiscal year.

On the other hand, they were able to spend Tk 2,827 crore from the foreign aid portion this year. It was Tk 3,410 crore in the same period last fiscal year.

The overall ADP implementation during the July to October period fell to 12.79 per cent, the lowest in the past five fiscal years.

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Pandemic sends Apex Tannery into losses

Refayet Ullah Mirdha

Apex Tannery Limited (ATL) sank to losses in the first quarter of the fiscal year due to a drop in sales of leather goods amid the Covid-19.

Its earnings per share (EPS) stood at Tk 2.25 in the negative in the July-September quarter while it was Tk 0.35 in the positive during the same period the previous year, according to the company's disclosure posted on the Dhaka Stock Exchange website yesterday.

The tannery's net asset value per share was Tk 61.73 as of September 30, 2020, while it was Tk 63.89 as of June 30 in 2019.

The company also informed that its EPS and consequently, gross profit, operating profit, profit before income tax and profit after tax decreased due to the ongoing coronavirus pandemic compared to a year earlier.

The net operating cash flow per share decreased as collections from

APEX TANNERY LIMITED
Excellence in Leather Manufacture..

turnover and bills receivables fell by 30 per cent at the same time.

Meanwhile, payment for the purchase of leather, chemicals, spare parts, creditors and other expenses decreased by 18 per cent.

And so, the company's overall net operating cash flow per share was impacted negatively, Apex Tannery said in its disclosure.

Syed Nasim Manzur, managing director of Apex Footwear, a sister concern of ATL, said the global demand for finished and crust leather has crashed due to a collapse in demand for non-essential goods, especially in the EU, Japan and the US.

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