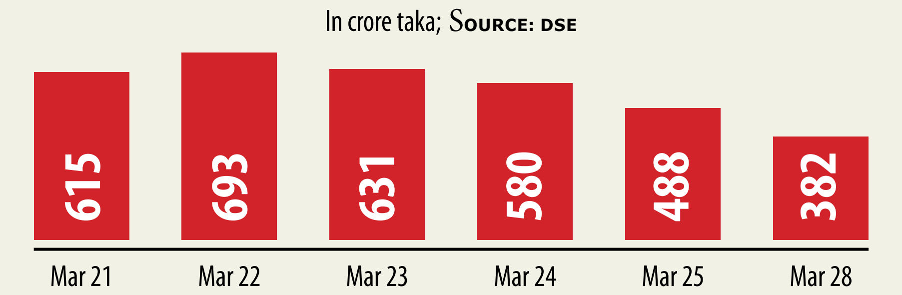
Stock turnover down to 8-month low

TURNOVER IN THE LAST FEW DAYS

In crore taka; Source: DSE



STAR BUSINESS REPORT

Trade of stocks dropped to an eight-month low yesterday amidst a fast increase in Covid-19 infections.

Turnover, an important indicator of the stock market, fell 21 per cent to Tk 382 crore.

It was last in that range on July 27, 2020, when it had stood at Tk 371 crore.

Yesterday the market had started to rise since the early hours of trade despite an ongoing dawn-to-dusk hartal called by Hefajat-e-Islam.

The upward trend was witnessed till the end of the day, though turnover had fallen.

Investors are on the sidelines as they apprehend that the fast increase of Covid-19 infections may lead to a deterioration of the pandemic, said stock investor Taufik Ali.

Thirty-five people died in 24 hours, according to a press release issued by the Directorate General of Health Services (DGHS) yesterday.

At least 3,908 new infections were recorded.

Infection numbers in 24 hours has remained above 3,500 for the sixth consecutive day.

"So investors are in the wait-and-see position," said Ali.

The DSEX, the benchmark index of the Dhaka Stock Exchange (DSE), rose 16 points, or 0.31 per cent, to 5,343.94 yesterday.

A bounceback or bear run in the upcoming weeks depends on whether the spread of the pathogen can be contained, said Ali.

The spread of the virus will have an impact on the economy and earnings of the listed companies, he clarified.

Already the readymade garments sector is getting a lower number of orders from abroad due to the pandemic.

Local garment suppliers said they were receiving 20 per cent fewer work orders for the next season beginning from June.

First Finance topped the gainers' list rising 9.37 per cent followed by Prime Insurance Company, Nitol Insurance, Rahima Food Corporation and Purabi General Insurance Company.

Beximco topped the turnover list with trade worth Tk 31 crore followed by Beximco Pharmaceuticals, Premier Bank, Robi Axiata and LankaBangla Finance.

Aman Cotton Fibrous shed most followed by Meghna PET Industries, Asian Tiger Sandhani Life Growth Fund, Padma Islami Life Insurance and Union Capital.

The port city bourse also rose yesterday. The CASPI, the general index of the Chattogram Stock Exchange, was up 53 points, or 0.34 per cent, to stand at 15,478.

Poultry breeders, feed millers demand tax breaks

BUDGET PROPOSALS FOR FY2021-22

STAR BUSINESS REPORT

Poultry industry operators, including breeders and feed millers, yesterday urged the government for a 10-year tax break to facilitate their recovery from Covid-induced losses.

In a separate proposal, agro-processors demanded a similar tax treatment for poultry and fish feed makers.

The Breeders Association of Bangladesh (BAB), Feed Industries Association of Bangladesh (FIAB) and Bangladesh Agro-Processors Association (BAPA) placed these recommendations for the fiscal 2021-22 budget to the National Board of Revenue (NBR).

"We need the tax break so that existing operators can sustain themselves and new entrepreneurs can come to the poultry industry, said BAB President Md Rakibur Rahman.

"We need the tax break so that existing operators can survive and new entrepreneurs can come to the poultry industry, said Md Rakibur Rahman, president of Breeders Association of Bangladesh.

STAR/FILE

Breeders suffered losses of around Tk 2,900 crore after farming nosedived in the wake of slumping demand for chicken amid the pandemic.

"We also aim to begin export by 2025," he added.

Breeders suffered losses of around Tk 2,900 crore after farming nosedived in the wake of slumping demand for chicken amid coronavirus concerns after the outbreak began in March 2020.

As the demand for restocking fell, breeders had to sell day-old chicken (DOC) for Tk 2-5 each against production costs of Tk 35-40 each.

The fall in prices continued until May as many farmers were even unwilling to get DOCs for free.

As many breeders even had to destroy their livestock due to an acute shortage of buyers, the BAB said in its appeal for a tax exemption until 2030.

People engaged in poultry farming enjoy reduced tax benefits.

As per NBR guidelines, no tax is applicable for incomes of up to Tk 20 lakh.

About 10 per cent tax is payable on incomes of over Tk 30 lakh from poultry farming whereas the highest rate of tax for an individual is 25 per cent.

Weekly production of broiler DOCs, which was 1.70 crore before the pandemic, now stands at 1.35 crore.

Overall the poultry industry incurred nearly Tk 7,000 crore in losses, it added.

The BAB also demanded tax-free imports of certain machinery used by the poultry industry as well as exemption of tariff and tax on imports of feed making materials.

FIAB said feed production dropped because of reduced farming.

Citing the spiralling prices of feed making materials worldwide as well as increased container and freight charge, feed millers called for a 10-year tax holiday.

FIAB sought a reduction of advance income tax on the import of these materials from 5 per cent.

It also wanted a withdrawal of tax at source on the purchase of feed ingredients from the domestic market.

Similarly, BAPA recommended the elimination of 2 per cent tax at source on procurement of agricultural products.

It also pleaded for the removal of advance income tax on raw materials used by agro-processing factories.

GLOBAL BUSINESS

Pandemic upsurge hits Europe recovery hopes

AFP, *Paris*

An upsurge in new coronavirus cases is forcing governments across Europe into new, damaging lockdowns that threaten to delay a much hoped-for return to growth, economists say.

The plan was that mass vaccination programmes would turn the tide on the pandemic, allowing locked-down consumers free rein after months penned up at home. Instead the virus has embarked on a third wave which is proving more difficult to bring under control.

French President Emmanuel Macron warned Thursday that the European Union would have to do more and beef up its already massive 750 billion euro ($885 billion) virus recovery fund as a result.

The EU had made a major effort after the first wave last year, Macron said, but "following the second and third waves... we will no doubt have to add to our response".

In September, as the economy picked up sharply after a rapid reverse in the first wave, expectations were high that by the middle of this year it would be solidly back on track, thanks especially to the vaccine rollout.

Just a couple of weeks ago, European Central Bank head Christine Lagarde was even talking about a "firm rebound in activity in the second half of the year".

REUTERS/FILE

The European Central Bank President Christine Lagarde addresses a news conference on the outcome of the meeting of the Governing Council, in Frankfurt, Germany.

Now the EU's strongest economies -- Germany, France and Italy -- have reimposed restrictions and the vaccine programme in Europe is mired in a blame game over supplies.

Credit insurer Euler Hermes estimates that the EU is now seven weeks adrift of its target to have 70 percent of the population vaccinated by the end of the summer, compared with five weeks in February.

It estimates the delay will cost the bloc's 27 member states some 123 billion euros this year. "If you compare us with the US, where the outlook is so much more positive, we are falling further behind on the recovery because of this third wave," said Charlotte de Montpellier, economist with Dutch bank ING.

ING now expects eurozone growth of 3.0 percent this year, down more than half a percentage point from its previous estimate.

Most of the growth will also come from the third quarter, slightly later too, ING added. Andrew Kenningham, chief Europe economist at Capital Economics, said he does not expect the bloc to return to pre-pandemic activity levels before the second half of 2022, a year behind the US. "We are revising down our forecast for eurozone GDP growth due to the resurgence of virus cases, slow pace of vaccination and extension of lockdowns," Kenningham said. "The outlook has deteriorated," said Chris Williamson, chief economist at IHS Markit.

The key Purchasing Managers Index (PMI) compiled by IHS Markit for March showed Germany, Europe's strongest economy, doing better than France and the northern countries generally doing better than their southern partners -- Spain, Italy, Greece, Portugal -- which risk seeing their key tourist industries shackled for yet another year.

Standard and Poor's however has decided to keep its eurozone growth forecast unchanged at 4.2 percent for 2021, citing the positive factor of cheap credit.

At the same time, the economy and Europe's people have adapted to the restrictions, lessening the impact, said Sylvain Broyer, chief S&P economist for Europe.

US accuses China of 'state-led' social media campaign against companies over Xinjiang

REUTERS, *Washington*

The United States on Friday condemned what it called a "state-led" social media campaign in China against US and other international companies for deciding not to use cotton from China's Xinjiang region over forced labor concerns.

State Department spokeswoman Jalina Porter said the social media campaign and consumer boycotts had targeted American, European and Japanese businesses.

"We commend and stand with companies that adhere to US laws and ensure that products we are consuming are not made with forced labor," she told a regular news briefing.

"We support and encourage businesses to respect human rights in line with the UN guiding principles on business and human rights and the OECD guidelines for multinational enterprises," she added.

China rejects allegations of abuses in Xinjiang, which is one of the world leading producers of cotton, and describes the camps it has set up there as vocational training centers for Uighur Muslims that help combat religious extremism.

Earlier, White House spokeswoman Jen Psaki called on the international community to "oppose China's weaponizing of private companies' dependence on its markets to stifle free expression and inhibit ethical business practices."

A number of overseas retailers have faced a public backlash from Chinese consumers who have circulated statements from the brands on social media announcing they will cease sourcing from Xinjiang.

Chinese celebrity endorsers have abandoned several foreign retail labels, including six US brands such as Nike, as Western concerns over labor conditions in Xinjiang spark a patriotic backlash from consumers.

New Balance, Under Armour, Tommy Hilfiger and Converse, owned by Nike, are among companies that have come under fire in China for statements that they would not use cotton produced in the far-western Chinese region due to suspected forced labor.

The United States and other Western countries have imposed sanctions on Chinese officials for human rights abuses in Xinjiang, which the United States has said have amounted to genocide.

In January, Washington announced an import ban on all cotton and tomato products from the region over allegations that they are made with forced labor from detained Uighur Muslims.

REUTERS/FILE

Chinese and US flags flutter outside the building of an American company in Beijing, China.

China tightens scrutiny over credit rating industry

REUTERS, *Beijing*

China moved to tighten scrutiny over its credit rating business on Sunday, issuing draft rules aimed at bolstering an industry long blamed for inflating ratings in the country's $4.4 trillion corporate bond market.

China's credit rating agencies are urged to improve their credit rating models, strengthen corporate governance and bolster information disclosure, according to rules jointly published by five government agencies including the central bank and the finance ministry.

The rules are also designed to create a better eco-system in which bond issuers don't interfere with credit rating decisions, investors rely on multiple sources of rating, and regulators lower the bar of credit rating required for some type of bond investors, said the People's Bank of China in a statement on its website.

The rules will shift more burden on rating agencies, and "guide them to see reputation as the basis of their very existence", according to the statement.

China has stepped up opening its giant bond market to foreign investors. Beijing has also deregulated the country's credit rating market to global players such as S&P Global Ratings and Fitch Ratings.

But bond credit rating in China has long been a source of complaint for investors.

Late last year, China's bond regulator flagged the risk of inflated credit ratings and widespread rating industry shortcomings, after defaults by highly rated state-owned enterprises triggered market panic.

Rules published on Sunday urge rating agencies to boost consistency, accuracy, and timeliness of credit rating, and build a quality inspection system using default ratio at the core.

Rating agencies are also encouraged to install independent directors, and urged to take measures to avoid conflict of interest and strengthen internal control.

Government bodies that jointly published the rules also include the National Development & Reform Commission (NDRC), the China Securities Regulatory Commission (CSRC) and the China Banking and Insurance Regulatory Commission (CBIRC).