

# Stocks back to the black

DSE turnover crosses Tk 2,000cr

**STAR BUSINESS REPORT**

Stocks rose again yesterday riding on higher demand for banking shares following a plunge the preceding day amid profit booking.

The DSEX, the benchmark index of Dhaka Stock Exchange (DSE), surged 43 points, or 0.75 per cent, to stand at 5,873.

"Since bank stocks had remained low for many months now, it was expected to rise," said Mir Ariful Islam, head of research at Prime Finance Asset Management Company.

Although investors do not have confidence in the country's lenders, their earnings and dividends are considerably high while their stock prices are low.

As a result, some investments were made on these stocks and since they are more

capital based, their returns had a positive impact on the index, he added.

Regarding the overall market, Islam said investors should aim for cheap but potentially lucrative stocks to avoid losses.

This is because overvalued stocks have prices that are not justified by their earnings and so, they could drop at any time and hamper investments.

Islam went on to say that the market was witnessing more investment as people had a lot of confidence on the current authority of the Bangladesh Securities and Exchange Commission.

"So, turnover is quite high now, which is a hopeful thing for the market," he added.

Turnover at the DSE crossed Tk 2,000 crore for the first time in four months yesterday, when it grew 22 per cent to hit Tk 2,099 crore.

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# Rubber industry suffers from low prices



Rubber cultivation started in Bangladesh during the 1980s. Since then, numerous public and private rubber plantations have been established on about 60,000 acres of land.

PHOTO: MINTU DESHWARA

## DISTRICTS IN FOCUS

MINTU DESHWARA

The rubber industry in Sylhet is facing tough times due to a continuous fall in prices.

As a result of their growing frustration, many plantation owners in the region are now even considering cutting down their rubber trees to make room for other plants.

According to Bangladesh Rubber Development Corporation, natural rubber is made by processing a milky liquid or latex that oozes from cuts made on rubber trees. Growers sometimes call it "white gold".

Rubber cultivation started in Bangladesh during the 1980s. Since then, numerous public and private rubber plantations have been established on about 60,000 acres of land.

There are 18 state-owned rubber plantations in Bangladesh, nine of which are in Chattogram, five in Tangail and Mymensingh and four in Sylhet.

The country's annual demand for rubber stands at about 30,000 tonnes, around 18,000 to 20,000 tonnes of which is produced locally.

Besides, since the labour cost to produce rubber is less than half of that for tea, rubber cultivation is increasing day by day.

But for more than a decade now, the demand

for domestic rubber has been low and prices have fallen and as a result, many gardeners have become indebted to meet production costs.

Anamul Alam, owner of Baramchal Abdus Sattar Rubber Garden in Kulaura upazila of Moulvibazar, said there was once a number of flourishing rubber plantations in Baramchal.

The area housed about 12 small and big gardens that ranged from 12 acres to 40 acres.

Wholesalers used to come from different parts of the country to buy latex from these plantations. One kilogramme (kg) of rubber can be produced by processing four litres of latex.

At the time, processed rubber was sold at Tk 90 to Tk 150 per kg while latex for Tk 35 to Tk 40 per liter. But as prices came down amidst low demand for locally produced rubber, plantation numbers reduced to just 5, Alam added.

Shakir Ahmed, another rubber grower, said he cut down much of his plantation to make way for Acacia trees in 2016 in order to recover the losses incurred since 2013.

"I had big dreams for the rubber industry but it turned out to be a nightmare," he added.

The rubber industry is suffering from a lack of proper planning, modern farming methods, and interest among new entrepreneurs alongside import dependence and indifference among the authorities concerned.

"If this continues, the industry will fall in crisis," Ahmed said.

The total production cost for one kg of rubber is between Tk 60 to Tk 70, including a 15 per

cent value added tax.

Between 2010 and 2012, the price of rubber was Tk 260 to Tk 320 per kg but it eventually fell to about Tk 130 in 2013-14.

Khorshed Ahmed Khan, chairman of Baramchal Union Parishad in Kulaura upazila, said he had two plantations, one of which was sold three years ago while the second counted losses last year due to the ongoing coronavirus pandemic.

"The production cost has tripled but prices have shrivelled, leading to nightmarish losses for farmers, and even the government's rubber plantations nearby has become a loss-making project," he added.

Rubber farmers Abdul Matlib and Iman Uddin kept their garden running for five-long years with the help of subsidies.

"We thought the price might go up again but eventually had to sell off the trees to pay off various debts," Uddin said.

"Besides, it is not possible to pay employees, let alone with 15 percent VAT," he added.

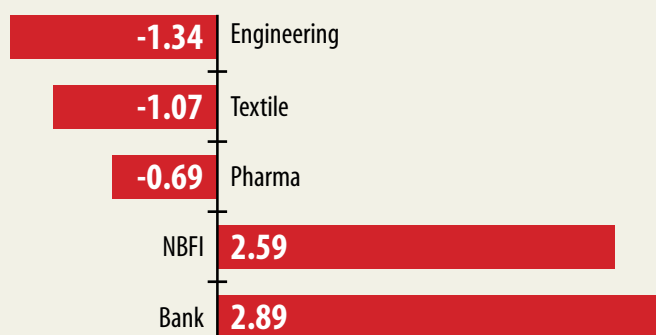
Walior Rahman, general manager of Bangladesh Rubber Development Corporation in Sylhet, said the industry once provided tremendous revenue.

The price of rubber was previously about Tk 350 in the international market but since it is now around Tk 200, import dependency has increased.

"If taxes could be reduced, farmers would benefit," he added.

## RETURN OF MAJOR SECTORS

In %; SOURCE: UCB STOCK BROKERAGE



# Desco earnings dip 48pc

Rising cost, expenses to blame

**STAR BUSINESS REPORT**

The earnings of Dhaka Electric Supply Company (Desco) plunged about 48 per cent in the third quarter of the current fiscal year because of an increase in energy cost and expenses.

Earnings per share (EPS), which serves as an indicator of a company's profitability, for the state-run utility company was Tk 0.12 in the January-March quarter.

It was Tk 0.23 in the same period last year, the company said in a Dhaka Stock Exchange website post yesterday.

The EPS was Tk 0.43 in the first nine months of FY21, down 68.61 per cent year-on-year from Tk 1.37.

The EPS declined due to an increase in

energy purchase and a spike in operating, administrative and employee expenses, said Desco, which serves more than 10.53 lakh customers in Gulshan, Mirpur and Uttara areas.

The net operating cash flow per share (NOCFPS) rose to Tk 10.84 in the nine-month period from Tk 8.66 during the same period a year ago.

The company credited the rise in sales revenue and receipts from other operating and non-operating activities for the higher NOCFPS.

Its net asset value per share stood at Tk 46.42 as on March 31 this year against Tk 46.76 as on June 30 last year.

Desco shares ended 1.72 per cent lower at Tk 34.30 at the DSE yesterday.

## GLOBAL BUSINESS

# US, Canada, Mexico hold 'robust' trade deal talks, downplay differences

REUTERS, Washington

Trade ministers from the United States, Canada and Mexico said on Tuesday they held "robust" talks on the new North American trade deal and pledged to fully enforce its higher standards, while downplaying differences over a range of other irritants.

The ministers, in a joint statement issued after their first meeting to review the US-Mexico-Canada Agreement (USMCA) on trade that took effect in July 2020, also vowed to focus on fighting climate change and crack down on imports of goods to the region made with forced labour.

"The USMCA commits us to a robust and inclusive North American economy that serves as a model globally for competitiveness, while prioritizing the interests of workers and underserved communities," the ministers said.

The statement came after US Trade Representative Katherine Tai met virtually with Mexican Economy Minister Tatiana Clouthier and Canadian Trade Minister Mary Ng in the



US Trade Representative Katherine Tai testifies before the Senate Finance Committee on Capitol Hill in Washington.

REUTERS/FILE

initial meeting of the governing body for the trade deal, which regulates some \$1.5 trillion in annual North American trade.

Their statement described discussions on new labor and environmental obligations as "robust." Tai had earlier urged her counterparts to pursue strong implementation of the USMCA to ensure

that it would maintain political support.

"For this agreement to be durable, it must serve the needs of everyday people — not just in the United States, but in Mexico and Canada as well. That will only happen if we deliver on our promises," Ms. Tai said.

The USMCA replaced the 1994 North American Free Trade Agreement, adding chapters on environmental, labor and digital commerce standards and considerably tighter regional automotive content rules.

Over two days of bilateral and joint virtual meetings, the three ministers brought up long-standing complaints and ones that have cropped up over the past year, with Ms. Tai chiding Canada over a proposed digital tax and Ottawa's allocation of dairy quotas.

Ng told reporters that she raised Canada's concerns about "unwarranted and unfair" US lumber tariffs and vowed to defend the sector's interests. On Monday, she brought up US "Buy American" restrictions on infrastructure and public procurement projects.

# Surging lumber prices weigh on US homebuilding

REUTERS

US homebuilding fell more than expected in April, likely pulled down by soaring prices for lumber and other materials, but construction remains supported by an acute shortage of previously owned homes on the market.

The plunge in homebuilding reported by the Commerce Department on Tuesday was concentrated in the single-family housing market segment. The number of houses authorized for construction but not

was revised lower to a rate of 1.733 million units, still the highest level since June 2006, from the previously reported 1.739 million units. Economists polled by Reuters had forecast starts would fall to a rate of 1.710 million units in April.

Starts surged 67.3 per cent on a year-on-year basis in April. Groundbreaking activity dropped in the Midwest and the densely populated South, but rose in the Northeast and West. Demand for bigger and more expensive accommodations amid the Covid-19 pandemic, which has



New townhomes are seen under construction while building material supplies are in high demand in Tampa, Florida.

PHOTO: REUTERS/FILE

yet started increased to the highest level since 1999, suggesting hesitancy on the part of builders.

"Builders are delaying starting new construction because of the marked increase in costs for lumber and other inputs," said Mike Fratantoni, chief economist at the Mortgage Bankers Association in Washington.

"These supply-chain constraints are holding back a housing market that should otherwise be picking up speed, given the strong demand for buying fueled by an improving job market and low mortgage rates."

Housing starts tumbled 9.5 per cent to a seasonally adjusted annual rate of 1.569 million units last month. Data for March

forced millions of Americans to work from home and take classes remotely, has fueled a housing market boom.

But the virus has disrupted labor supply at saw mills and ports, leading to shortages of lumber and other raw materials, boosting prices and threatening to sideline first-time homebuyers from the market.

US stocks were trading mixed and the dollar slipped against a basket of currencies. Prices of longer-dated US Treasuries fell.

The inventory of previously owned homes is near record lows. Tariffs on steel imports are also adding to building costs. Lumber prices surged 89.7 per cent on a year-on-year basis in April, according to the latest producer price data.

# UK inflation doubles as post-lockdown price climb begins

REUTERS, London

British inflation more than doubled in April, the start of a likely climb in prices this year as rich economies recover from pandemic lockdowns, but one that the Bank of England hopes will prove temporary.

After US inflation last week hit its highest level since 2008 and prompted Federal Reserve officials to say they were in no rush to raise interest rates, Britain's consumer price index rose by 1.5 per cent in April.

That was a sharp jump from the 0.7 per cent rise seen in March and marked the highest CPI reading since March 2020, driven by higher power and fuel bills as global oil prices climb from their pandemic lows of 2020.

April's inflation reading was,



A woman pays for fruit and vegetables from a market stall in Buckingham, Britain.

REUTERS/FILE

however, only a touch above the 1.4 per cent rise seen in a Reuters poll of economists and was still below the Bank of England's 2 per cent target. This should give the central bank confidence, for now, that it won't have to pull the plug early on the trillion dollar bond-purchasing programme it rolled out to support the British economy through the crisis.

Inflation is likely to fall back next year as the comparisons with the coronavirus slump fades, most analysts say.

"If we're right in thinking the crisis won't leave a big scar on the economy, then the burst of inflation caused by reopening the economy should prove temporary," said Ruth Gregory, economist at consultancy Capital Economics.