

Feeble banking sector weighs on stocks

Rising bad loans, provision shortfall are the reasons, experts say

ANALYSIS

AHSAN HABIB

The gloomy picture of the banking sector led to a fall in the stock market over the past week amid rising coronavirus cases and deaths.

The DSEX, the benchmark index of the Dhaka Stock Exchange (DSE), dropped 13.89 points to 6,066 compared to the week before.

Among major sectors, banks dropped the most, shedding 2.33 per cent in the week, according to the weekly analysis of LankaBangla Securities.

The main reason for the fall of banking stocks is that the sector's health deteriorated after its payment holiday ended last December, stock market analysts said.

Non-performing loans (NPLs) stood at Tk 95,085 crore in March, up 7.1 per cent from three months earlier and 2.8 per cent year-on-year, data from Bangladesh Bank shows. The payment holiday was introduced in late March last year to help businesses ride out the unprecedented Covid-19 crisis.

Defaulted loans accounted for 8.07 per cent of the outstanding loans of Tk 1,177,658 crore in the banking industry for that month. The ratio was 7.66 per cent in December.

Due to the higher rate of bad loans, the provision base of banks in Bangladesh deteriorated heavily in the first quarter of 2021. The shortfall ballooned more than 42 times to Tk 5,228 crore in March compared to Tk 123 crore three months before that, as per Bangladesh Bank data.

As the banking sector is a large paid-up capital-based sector, its impact on the index was higher.

"This is not a surprise for stock investors who saw the deterioration of the banking sector after the loan moratorium ended but it still disheartened them," said Shahidul Islam, CEO of VIPB Asset Management.

About the recent market movement, Islam said the sudden rise in insurance stocks or junk stocks are only because of speculation. "Investors need to be cautious about such companies that move fast," he added.

Investors are following a wait-and-see policy to invest now as the index has soared over 550 points already within two months despite the worsening pandemic situation, according to another analyst.

Sixty-three people have died from Covid-19 in 24 hours till 8:00am yesterday, according to the Directorate General of Health Services.

At least 3,840 new infections were recorded in the meantime and the current positivity rate is 15.44 per cent while the total positivity rate stands at 13.42 per cent.

Low prices dampen spirits of mango farmers



The ongoing restrictions on public movement could cause about Tk 3,000 crore losses, traders and farmers said.

ARANDA MUHAMMAD JAHID

Mango farmers across the country, particularly in Rajshahi and Chapainawabganj, have been left disappointed by the lower prices for the 'King of Fruits' despite having secured very good yields this season.

Depending on varieties, mango prices are currently around Tk 1,100 to Tk 1,700 per maund (40 kilograms), down by Tk 600 to Tk 800 compared to the same period last year, according to traders and farmers. The ongoing restrictions on public movement could cost the industry about Tk 3,000 crore, they said.

Although vehicles carrying mangoes have been kept out of the purview of the restrictions, traders are reportedly being harassed while trying to transport the fruit, making them afraid

of visiting the hubs.

In a bid to facilitate mango transportation, the government launched a special train dubbed the Mango Train from Chapainawabganj via Rajshahi to Dhaka. But the service is not enough to meet the huge demand, traders and farmers said.

The livelihoods of 300,000 farmers in the Rajshahi region alone and thousands of others involved in mango trading will be at stake if fair prices cannot be ensured.

As of Thursday, farmers are selling the Himsagar variety for Tk 1,400 to Tk 1,700 per maund.

Langra mangoes are priced at Tk 1,100 to Tk 1,400 per maund, Laxmanbhog at Tk 600, and Gufi at Tk 400 to Tk 500 at the local wholesale markets, including Kansat Bazar of

Chapainawabganj and Baneshwar Bazar in Rajshahi.

Local traders sell these mangoes to buyers from other districts at Tk 1,500 to Tk 1,800 per maund. However, these varieties are then sold at the wholesale markets in Dhaka, such as Karwan Bazar, for Tk 1,500 to Tk 2,200 per maund.

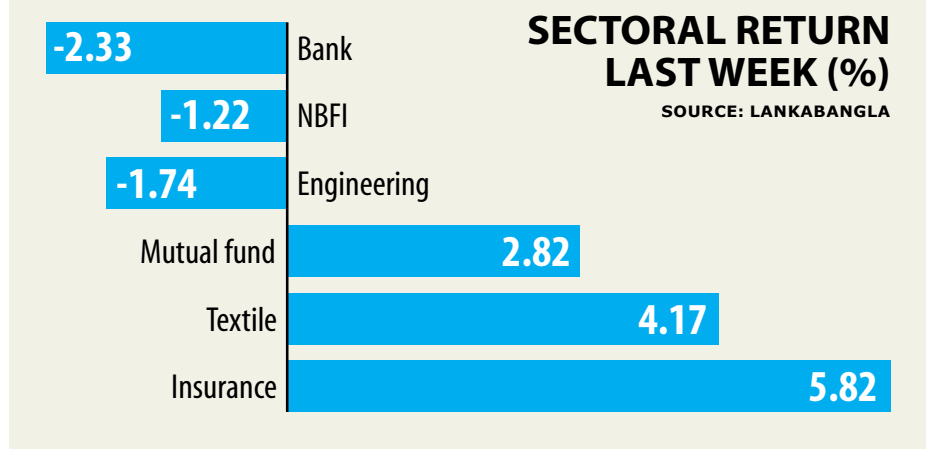
The price is Tk 50 to Tk 70 per kg at the retail level.

Md Salauddin, a farmer in Bagha upazila of Rajshahi, said after seeing a good yield of mango this season, he had dreamed of making a good profit, but the dream has broken because of the lower prices.

"Farmers are not getting fair prices in this peak season due to the absence of buyers in the local markets," he added.

STAR

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GLOBAL BUSINESS

India puts on hold proposal to cut import duty on edible oils

REUTERS, New Delhi/Mumbai

India has put on hold a proposal to reduce import duties on edible oils as cooking oil prices started to fall in the world market after hitting record highs, two government and one industry officials told Reuters.

The world's biggest vegetable oil importer was considering reducing duties after domestic soybean and palm oil prices more than doubled in the past year, hitting consumers already stung by record fuel prices and reduced incomes amid the Covid-19 pandemic.

"We are not cutting import duties now, a more longer term solution has to be found. Cutting duties is not a sustainable solution," said a government official with knowledge of the matter who asked not to be identified.

A second official, who also requested anonymity, said the



A man loads empty containers of edible oil onto a tricycle at a roadside shop in Kolkata, India.

REUTERS/FILE

decision to leave the import duty structure unchanged was taken as prices were now cooling in the overseas market, pulling the domestic prices lower too.

"The idea is to keep a close watch on international prices and global supplies, and if the situation

warrants it, we'll revive the proposal for a reduction in the duty to protect the interests of both consumers and farmers," this official said.

Yet even after the recent correction of more than 20%, Indian edible oil prices are still around double their levels a year ago.

Household consumption is expected to decline the longer prices remain elevated.

Demand from bulk buyers like hotels, restaurants and bakeries had already dropped after authorities imposed local lockdowns in response to a devastating second wave of coronavirus infections over recent months, dealers said.

While India deliberated lowering import duties on vegetable oil, benchmark palm oil prices in Malaysia fell nearly a quarter in the last one month, giving some respite to importing countries.

Apple warns EU law 'risks destroying iPhone security'

AFP, Paris

The EU's proposed new rules to rein in tech giants risk undermining the security of the iPhone, Apple chief Tim Cook warned Wednesday.

The European Union last year unveiled tough draft rules targeting tech giants like Apple, Google, Amazon and Facebook that could shake up the way Big Tech does business.

Cook, speaking at the VivaTech convention for startups in Paris, took aim at some of the rules that target online "gatekeepers" such as Apple which controls which apps can be installed on its phones and tablets.

He said current proposals "would force side loading on the iPhone, and so this will be an alternative way of getting apps onto the iPhone."

"Side loading would allow iPhone users to install apps directly from publishers, something they cannot currently do."

The restriction that iPhone owners may only buy apps from Apple's App Store, where commissions run up to 30 per cent, is at the heart of a lawsuit between the tech



Apple CEO Tim Cook

giant and Epic Games, the publisher of the popular Fortnite video game.

The EU also pushed forward with charges against Apple over the App Store, saying the company used it to squeeze out rivals. Apple has countered that restrictions on downloading apps are essentially to protect consumers from dangerous software.

Cook warned Wednesday that the proposed EU rules "would destroy the security of the iPhone, and a lot of privacy initiatives that we've built into the App Store."

Macron bemoans 'nonsense' innovation Takes aim at Chinese and US tech bonanza

REUTERS, Paris

French President Emmanuel Macron called out on Wednesday what he described as excesses of liquidity in the US and Chinese financial markets, some of which he said could instead foster the growth of tech companies in Europe.

"We can attract a lot of Chinese and American investors because when I look at what they are financing sometimes, some bullshit innovation they finance because you have too much liquidity in the market," Macron told a panel of executives from startups at France's tech show Viva Tech.

Macron did not elaborate on the kind of innovation or specific companies he had in mind. "This place (Paris) now is more and more perceived as first business-friendly and then innovative," he said.

"So the more ... we elaborate and increase the strength of this place the more you will attract investors coming from the United States and China."

Macron is pushing for Europe to create 10 technology giants worth 100 billion euros (\$120 billion) each in valuation by 2030, in a bid to rival US companies that dominate the sector.



French President Emmanuel Macron

But while a growing number of digital companies are lining up to go public via an initial public offering (IPO) or a buyout from a special-purpose acquisition company (SPAC), investments in tech lag those seen in the United States and China.

Macron has since his election in 2017 championed investment in the digital economy as a key to lower unemployment and stimulating economic growth and vowed to turn the country into a "startup nation."

Egypt souvenir market pins hopes on tourism revival

AFP, Cairo

Pyramids, Tutankhamun masks, Nefertiti busts -- Egypt's souvenir-makers are pinning their hopes on a new lease of economic life, after tourism was battered by the coronavirus pandemic.

In the shadow of the magnificent Giza Pyramids, Eid Yousri manufactures polyester Pharaonic figurines from a humble workshop erected on the roof of his family home.

"We've lost nearly 70 per cent of our business," he told AFP, lamenting the plunge in visitors to one of the seven wonders of the ancient world.

Before the pandemic, "we had about 15 workers -- compared to five today," he said, noting that even the remaining staff were not full-time.

He sells his products from as little as 20 Egyptian pounds (about \$1.30, or one euro) to 200 pounds.

Hundreds of small business owners and artisans have been forced to mothball much of their activity, choked by cancelled flights and movement restrictions around the world.

Yousri hopes that foreign tourists are lured back to Egypt in the latter part of the year, "especially Americans", with some groups from the US expected in September. In 2019, the last full year before the pandemic struck, tourism made up about 12 per cent of Egypt's GDP.



Tourists walk past shops selling copper and stained-glass lamps at the Khan el-Khalili bazaar area in Egypt's capital Cairo.

After a long period of political instability dented earnings, revenues from the sector reached \$13 billion that year.

But in 2020, a year when Egypt had initially eyed a further rebound to \$16 billion, takings collapsed to \$4 billion.

In a recent interview with AFP, Tourism Minister Khaled El-Enani welcomed a partial recovery in visitor numbers.

Around 500,000 have flown in monthly since April this year, more than double the number in January and up from an average of just 200,000 tourists per month in 2020.

On the other side of town, in the narrow and labyrinthine alleys of Khan el-Khalili in Islamic Cairo, tourist Caroline Bucher is on the hunt for "locally made" products to bring back home to her native Dominican Republic.

"We're looking for hand made and quality souvenirs, that are about local culture," she told AFP. "It has to be a memory of the trip."

"In a souvenir market that was for many years flooded by cheap Chinese imports, the government is seeking to meet demand for quality products sought out by tourists like Bucher.

On the eastern outskirts of Cairo, a new antique reproduction factory has since March been preparing to capitalise on the much hoped for post-pandemic era.