Stocks maintain upward curve

STAR BUSINESS REPORT

The stock index has continually soared for the past three days, lifting the benchmark index of Dhaka Stock Exchange (DSE) to a new high yesterday, while junk stocks were the top gainers.

The DSEX, the DSE's benchmark index, rose 49 points, or 0.73 per cent, to 6,748. This is the highest point to be reached by the index since its inception in 2013.

On the same day, the DS-30, the blue chip stock index, remained almost unchanged at 2,427 points.

Stocks of First Finance, which ranked as a Z category stock due to its failure to provide dividends, hold annual general meetings or keep operations running, soared the highest 10 per cent in the DSE.

Another two junk stocks, Jute Spinners and Bangladesh Industrial Finance Company, advanced 10 per cent each.

A company is allowed to rise a maximum 10 per cent in the stock market on a normal trading day.

Some rogue players are targeting junk stocks to gamble and these are the pawns only, said a top asset manager.

General investors should not even think about having a look at these stocks, rather they can invest in well-performing stocks based on their fundamentals, he said.

"However, most of our investors are looking for such 'items', which can be dangerous for them in the long run," he added.

Turnover, an important indicator of the market, went up by around 11 per cent to Tk 2,953 crore. At the DSE, 204 stocks advanced, 146 fell and 25 remained unchanged.

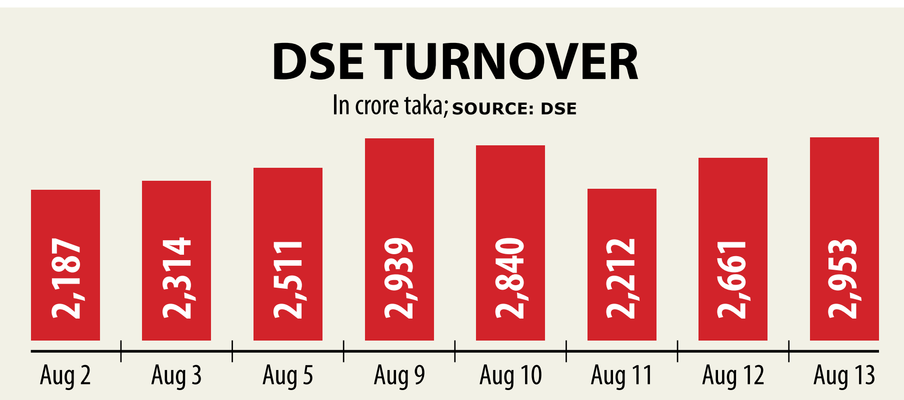
The DSEX, the benchmark index of Dhaka bourse, rose 0.73 per cent to 6,748 points -- another record high, while turnover soared 11 per cent to Tk 2,953 crore

Stocks of Beximco were traded the most, worth Tk 148 crore, followed by IFIC Bank, LankaBangla Finance, Saif Powertec and Malek Spinning Mills.

Sonali Paper & Board Mills shed the most, losing 6.49 per cent, followed by Progressive Life Insurance Company, Miracle Industries, Sonali Life Insurance Company and Rahima Food Corporation.

Chittagong Stock Exchange (CSE) also soared yesterday. The CASPI, the general index of the port city bourse, increased 134 points, or 0.69 per cent, to 19,650.

Among the 320 stocks to undergo trade, 170 rose, 126 fell and 24 remained unchanged.



Pabna's hosiery industry needs support to survive

According to market players

AHMED HUMAYUN KABIR TOPU, *Pabna*

Pabna is known as a hosiery manufacturing hub that supplies a range of garment items, such as inner wear, legwear and socks, all over Bangladesh.

This industry that centres around knit fabrics was nearly upended by the introduction of modern production practices in the early 1980s but managed to soldier on by making use of garment waste.

Now, there are over 1,000 factories of all sizes operating in the district that depend on garment waste to make their products, bringing much needed opportunities for small entrepreneurs.

For a few decades now, these factories have produced t-shirts, trousers and other items from garment waste, locally known as "jhoot", according to Md Monir Hossain (Popy), president of Pabna Hosiery Manufacturers Group.

Around 820 registered knitwear makers are doing business in the district, producing garment materials from waste to register a collective yearly turnover of more than Tk 500 core, he said.

Besides, the industry employs over 12,000 to 15,000 people in Pabna while increased exports are helping to bring in foreign currency as well, Hossain added.

"At the beginning, we used to sell only to local markets but now, quality clothes produced from jhoot, mainly collected from Gazipur and Dhaka, are being sold in India, Malaysia and Bhutan," Md Babu Miah, a hosiery manufacturer, told The Daily Star.

However, the ongoing coronavirus pandemic has led to many hardships for his business for the past one-and-a-half years.

Miah produced more than 2,400 t-shirts at his small factory for sale this year but most of them remain unsold due to a lack of customers in recent months.

Other factories have been similarly affected and have either reduced their production capacity or closed down completely as a result.

"I have been selling my products to Malaysian and Indian markets for a couple of years now. Due to increasing demand, I had expanded my business with 30 sewing machines in a rented building by taking bank loans," said Rasheduzzaman Rassel, a leading t-shirt producer in Pabna.

"But the investment has become a burden for me due to poor sales over the years," he said, adding that there were more than 100 other factories like his that were suffering the same fate.

Md Abul Bashar, a garment manufacturer based in Radhanagar area, said sales decreased amidst the pandemic but the soaring price of raw materials only made things worse.

"I used to sell over 6,000 dresses collectively across Dhaka, Chattogram, Narayanganj, India and Malaysia per week a year ago but due to the pandemic, most buyers do not come regularly," he said.

"So the sale has dropped while most of the products now remain unsold in my warehouse," Bashar said.

In addition, the rising price of garment waste is also a big concern for small manufacturers.

Each kilogramme of jhoot sold for Tk 70 to Tk 90 a couple of years ago but now the same amount costs Tk 130 to Tk 150.

"This is because of increased competition in the business which has forced raw material costs to soar while the price of finished products remains relatively the same," he added.

The president of the hosiery group also said although many of them were under the small and cottage industries category, they do not get support from the government, making it difficult to survive from the Covid-19 fallouts.

"If the government takes initiative and gives support, the small entrepreneurs can survive this pandemic," he added.

A large stock of apparel items made from garment waste or "jhoot" remains unsold at the AR Corner Wholesale Market in Pabna district due to the ongoing Covid-19 pandemic as buyers have been unable to place their orders under the current conditions. The photo was taken yesterday. STAR

GLOBAL BUSINESS

UK employers have strongest hiring plans in over 8 years

REUTERS, *London*

British employers plan to increase staff numbers by the most in more than eight years over the coming months and few intend to make staff redundant when government furlough support ends next month, a survey showed on Monday.

The quarterly survey by Britain's Chartered Institute of Personnel and Development added to signs of labour market shortages as the economy emerges from the coronavirus pandemic, though it offered less evidence of wage or inflation pressures

REUTERS/FILE

A man walks past a job centre following the outbreak of the coronavirus disease, in Manchester, Britain.

The CIPD said the net employment intentions balance - the difference in percentage points between employers who are hiring and those cutting staff - rose to +32 from +27 three months earlier, its highest since the survey began in early 2013. "Employers are very optimistic, indicating strong recruitment intentions, and redundancy expectations appear much lower than originally predicted during the pandemic," Jonathan Boys, labour market economist at CIPD, said.

Only 13 per cent of employers plan to make staff redundant, down from 33 per cent a year ago when there were much greater fears that a premature end to government furlough support would create a spike in unemployment.

Earlier this month the Bank of England forecast that the unemployment rate would not rise beyond its current 4.8 per cent, much lower than the peak of around 7.5 per cent it saw earlier.

The CIPD survey also showed staff shortages, especially in the hospitality sector where many employers shed staff during the pandemic due to lengthy closures of hotels, pubs, restaurants and other venues.

But there was less sign that this was leading to big rises in wages, in contrast to some other surveys of recruiters and employers. The BoE has said it is keeping a close eye on wage pressures because of the potential longer-term inflation impact.

China economy under pressure

Factory output, retail sales growth slow sharply

REUTERS, *Beijing*

China's factory output and retail sales growth slowed sharply and missed expectations in July, as new Covid-19 outbreaks and floods disrupted business operations, adding to signs the economic recovery is losing momentum.

Industrial production in the world's second largest economy increased 6.4 per cent year-on-year in July, data from the National Bureau of Statistics (NBS) showed on Monday. Analysts had expected output to rise 7.8 per cent after growing 8.3 per cent in June. Retail sales increased 8.5 per cent in July from a year ago, far lower than the forecast 11.5 per cent rise and June's 12.1 per cent uptick.

China's economy has rebounded to its pre-pandemic growth levels, but the expansion is losing steam as businesses grapple with higher costs and supply bottlenecks.

New Covid-19 infections in July also led to fresh restrictions, disrupting the country's factory output already hit by severe weather this summer. Asian share markets slipped on Monday after the data showed a surprisingly sharp slowdown in the engine of global growth.

Data earlier this month also showed export growth, which has been a key driver of China's impressive rebound from the Covid-19 slump in early 2020, unexpectedly slowed in July.

Consumption, industrial production and investment could all slow further in August, analysts from Nomura said in a note, due to Covid-19 controls and tightening measures in the property sector and high-polluting industries. Production controls sent crude steel output to the lowest monthly level since April 2020 in July.

Meanwhile China tightened social restrictions to fight its latest Covid-19 outbreak in several cities, hitting the services sector, especially travel and hospitality in the country.

"Given China's 'zero tolerance' approach to Covid, future outbreaks will continue to pose significant risk to the outlook, even though around 60 per cent of the population is now vaccinated," said Louis Kuijs, head of Asia economics at Oxford Economics, in a note.

The country has also faced severe weather in several provinces, with record rainfall in Henan province last month causing floods that killed more than 300 people.

Higher commodity prices are also pressuring small and medium-sized firms in particular.

Smaller companies are unable to pass on recent rises in raw material costs to buyers, said a sales manager at a medical equipment factory in the eastern province of Jiangsu.

"We don't dare to increase our prices...but our prices cannot fall, otherwise there will be no profit at all," he said.

Employees work on the production line of American infant product and toy manufacturer Kids II Inc at a factory in Jiujiang, Jiangxi province, China on June 22. REUTERS/FILE

HSBC to buy Axa's Singapore insurance business

AFP, *Paris*

HSBC has agreed to buy the Singapore unit of French insurance giant Axa as the British banking group expands its foothold in Asia, the companies announced Monday.

HSBC makes 90 per cent of its profit in Asia and has said it plans to redouble efforts to seize more of the market in the region.

The bank has agreed to acquire Axa Singapore, the city-state's eighth largest life insurer, for $575 million (487 million euros).

"This is an important acquisition that demonstrates our ambition to grow our wealth business across Asia," HSBC chief executive Noel Quinn said in a statement. "Wealth is one of our highest growth and highest return opportunities, and plays to our strengths as an Asia-centred bank with global reach," he said.

Oil prices drop

REUTERS, *London*

Oil prices fell by about 1 per cent on Monday, dropping for a third session, after official data showed that refining throughput and economic activity slowed in China in an indication that Covid-19 outbreaks are crimping the world's second-largest economy.

Brent crude was down 58 cents, or 0.8 per cent, at $70.01 a barrel by 0943 GMT. US oil fell by 64 cents, or 0.9 per cent, to $67.80. Both contracts dropped by more than $1 earlier in the session.

Chinese factory output and retail sales growth slowed sharply in July, data showed, missing expectations as flooding and fresh outbreaks of Covid-19 disrupted business activity.

Higher inflation target could trigger jobs boom: Fed ex-staffers

REUTERS, *Washington*

The Federal Reserve may be wrestling with an inflation problem, but two former senior staffers at the US central bank argue that continued higher prices in the future may be what is needed to shift the whole economy to a higher plateau and deliver a jobs boom that helps the broadest set of people.

David Wilcox, a former Fed research director, and David Reifschneider, a special adviser to former Fed Chair Janet Yellen, argue in a new research paper that once the coronavirus pandemic passes and the Fed is able to raise interest rates to more normal levels, it should then increase the national inflation target from 2 per cent to 3 per cent and use a shock treatment of surprise rate cuts to hit it.

"The unemployment rate could average 0.75 percentage point or more below its sustainable level during the first 15 years after the higher target is announced," representing about 1.2 million or more additional people employed each year, the two economists, now with the Peterson Institute for International Economics, estimated.

"To the extent that people drawn into the labor market when it is tightest come from marginalized groups," they wrote, allowing higher inflation "could also help reduce racial and other inequities" by keeping people in jobs longer and allowing them to get more experience and training.

The risks - of financial bubbles due to loose credit or a possible recession triggered by rate hikes to combat a spike in inflation - are manageable, the two contend, and worth what they say would be "a marked boom in employment and output during the transition period."

The core personal consumption expenditures (PCE) price index, a measure of inflation closely watched by the Fed, hit 3.5 per cent on a yearly basis in June, which has touched off a debate at the central bank about whether interest rate increases may be needed sooner than expected to keep prices in check.