Stocks jump for cuts in bond, savings interest rates

Star Business Report

Shares on the Dhaka Stock Exchange rose for the second consecutive day yesterday thanks to the investors' sustained optimism and a cut in the interest rate on savings certificates and wage-earners development bonds.

The DSEX, the benchmark index of the premier bourse in the country, advanced 52 points, or 0.73 per cent, to close the day at 7,258.

The gain took the index to its highest level, first touched on September 9.

If the rate of return on bank deposits, savings instruments and other investment tools is slashed, it bodes well for the stock market as investors rush to the equity market, said a top official of a merchant bank.

The decision to bring down the interest rate on savings certificates and wage-earners development bonds had a positive impact on the market, he said.

For the new investment of more than Tk 15 lakh in the savings certificates, the interest rate has been reduced by 1 to 2.28 percentage points.

The yield would be 10.27 per cent instead of 11.20 per cent for a fresh investment of Tk 15 lakh in the wage earners development bond, according to a circular of the Internal Resources Division.

If the investment amount crosses Tk 30 lakh, the interest rate would be 9.33 per cent. It will be 8.40 per cent for the investment of more than Tk 50 lakh.

Investors' increased participation coupled with growing optimism caused the premier exchange to exhibit a shining session, said International Leasing Securities in its daily market review.

This is in response to the government's initiative to lower the rate of return on savings schemes.

The market also soared amid positive expectations about the performance of the listed companies in the upcoming quarter as the devastating impacts of the coronavirus pandemic on the economy are petering out.

Pacific Denims topped the gainers' list after it rose 9.86 per cent, followed by International Leasing, Alif Industries, Premier Leasing, and Tung Hai Knitting.

Turnover rose 8.3 per cent to Tk 1,910 crore compared to Tk 1,762 crore a day earlier.

Most of the investors had been in a profit-booking mode in the last few weeks so the index had fallen, said a stockbroker.

"Now, the index is soaring again as some people are buying stocks."

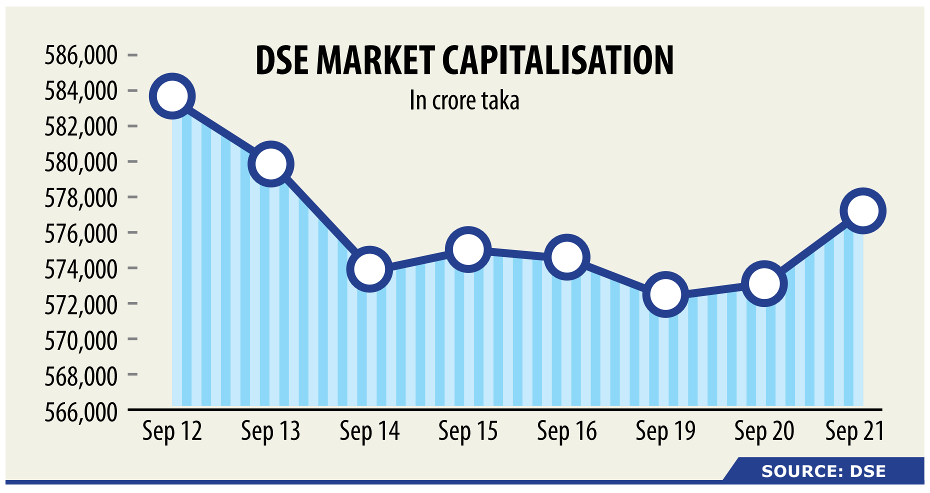
Reliance One, a mutual fund, gave up the most, falling 6.26 per cent, followed by ICB AMCL Second Mutual Fund, Eastern Lubricants, National Housing Finance and Investments, and BD Lamps.

On the DSE, 224 stocks rose, 117 declined, and 35 remained unchanged.

Beximco Ltd was the most-traded stock with its shares worth Tk 144 crore changing hands. Beximco Pharmaceuticals, Alif Industries, LafargeHolcim Bangladesh, and Saif Powertec also saw higher trade volumes.

The CASPI, the general index of the Chattogram Stock Exchange, added 210 points, or 0.99 per cent, to end the day at 21,240.

Among 327 stocks traded, 194 advanced, 100 fell, and 33 were unchanged.



Dairy farming gets costlier

Soaring feed prices to blame, farmers say

DISTRICTS IN FOCUS

Ahmed Humayun Kabir Topu, *Pabna*

Milk production has turned costlier in the past few months due to soaring prices of animal feed, leaving dairy farmers with little hope of securing expected profits.

Feed prices have increased rapidly due to a lack of market control, according to various farmers across the country.

Wheat bran, a component of animal feed, is now sold for Tk 1,200 to Tk 1,250 per maund (around 37 kilogrammes) even though the same amount would cost just Tk 950 to Tk 1,000 a couple of months ago.

Similarly, each maund of Mashkalai dal bran, a pulse grain, currently sells for about Tk 1,400 per maund while it was around Tk 1,200 previously.

Oilcake, another vital component of animal feed, costs Tk 3,000 to Tk 3,200 now compared to about Tk 2,500 a few months back, said a number of dairy farmers.

Besides, the price of ready feed such as straw also soared up to Tk 80 to Tk 100 per maund at the same time, they added.

Md Motiur Rahman, a dairy farmer of Ramkharua village in Sirajganj's Shahzadpur upazila, said he has to spend about Tk 2,400 per day to feed his 12 cows.

Previously, he would spend just Tk 1,500 to Tk 1,700 a day to feed his cattle, which produce about 60 litres of milk daily. It would cost around Tk 35 to produce one litre of milk just a few months back but now it costs about Tk 45 per litre.

However, the selling price of milk has not increased in line with the rising production cost, Rahman said, adding that dairy farming was becoming too costly to be sustainable at this rate.

Rahman went on to say that it costs at least Tk 75,000 to Tk 90,000 to produce milk worth Tk 90,000 to Tk one lakh per month.

So, he does not expect to secure adequate profits considering the current situation.

Poor and marginal dairy farmers have been hit the hardest as they lack the capital to buy costly dry feed and their farms do not have enough grazing space either.

For example, Md Eakub Ali, a marginal dairy farmer of Modhdho Pungol village in Pabna's Faridpur upazila, owns just four cows that produce 20 to 22 litres of milk worth about Tk 850 every day.

However, he needs to spend a minimum of Tk 750 to feed the animals if he depends only on dry feed. "I do not have enough cash to buy dry feed every day so I often give water hyacinth as feed to save costs," Ali said.

And due to improper feeding, the cows have grown thin and milk production has fallen, making it near impossible to recover production costs, he added.

Md Shakhawat Hossain, a dairy farmer of Sonahara village in the same upazila, told The Daily Star that milk was selling for about Tk 55 per litre in local markets but farmers often sell it directly from their farms for just Tk 45 per litre.

Milk Vita is the biggest buyer of the product in the region but farmers do not get adequate profits by supplying the milk processing company and so seek out private markets instead for profit.

The price of milk offered by Milk Vita varies depending on quality and so, the farmers often do not get more than Tk 40 to Tk 42 from the company. "That is not enough to cover production costs and as a result, farmers mostly seek out private markets," Hossain said.

Due to the lack of market control, dairy feed prices have increased rapidly and the production cost of milk is increasing too.

"There is no authority for monitoring the dairy feed market, where producers have been increasing prices as they wish since nobody controls them," he added.

As a result, dairy farmers of Pabna and Sirajganj, the biggest milk producing zones in Bangladesh, have been struggling to keep the regional industry afloat.

"If the dairy feed market cannot be controlled, people may lose interest in dairy farming. For the sake of keeping milk production at normal levels, the dairy feed market must be controlled," Hossain said.

While speaking with The Daily Star, Dr Al Mamun Hossain, district livestock officer of Pabna, said dairy farming gets costlier during the monsoon season every year.

Due to flooding, grazing fields become mostly submerged. So, farmers become dependent on ready feed, increasing production costs in the process.

"But the situation becomes normal in the dry season," he added.

AHMED HUMAYUN KABIR TOPU

The price of dairy feed such as straw and wheat bran as pictured above has soared in the past few months, making it near impossible for small or marginal farmers to make a profit amid increased production costs. The picture was taken recently at Selonda Bazar in Santhia upazila of Pabna.

GLOBAL BUSINESS

OECD lowers global, US economic growth forecasts

AFP, *Paris*

The OECD warned Tuesday of an "uneven" global economic recovery as it lowered its 2021 growth forecasts for the world and the United States while raising the outlook for Europe.

The world economy has bounced back this year on the back of stimulus measures, the rollout of effective Covid vaccines and the resumption of many economic activities, the Organisation for Economic Co-operation and Development (OECD) said.

"The recovery remains very uneven, with strikingly different outcomes across countries," the OECD said in its interim economic outlook.

Global gross domestic product has surpassed its pre-pandemic level following last year's Covid-induced recession.

Global output is now expected to expand by 5.7 per cent this year, down 0.1 percentage points from the organisation's previous forecast in May. But the outlook for 2022 has slightly improved, with 4.5 per cent growth now expected, up by 0.1 points.

"Output and employment gaps remain in many countries, particularly in emerging-market and developing economies where vaccination rates are low," the report said.The OECD lowered its growth outlook for the United States, from 6.9 to 6.0 per cent this year. The US Congressional Budget Office has forecast 6.7 per cent growth for the world's top economy.

The OECD's eurozone forecast, however, was raised by one point to 5.3 per cent, though the outlook varied within the single-currency bloc, with higher growth now expected in France, Italy and Spain while Germany was not performing as well.

The growth prospects of Argentina, Brazil, Mexico, South Africa, South Korea and Turkey have also improved, while those of Australia, Britain, Japan and Russia were lowered. The forecast for China, the world's second biggest economy and a driver of global growth, remained unchanged at 8.5 per cent.

The impact of the Delta variant of the coronavirus has "so far been relatively mild" in countries with high vaccination rates, but it has lowered the momentum elsewhere and added pressures to global supply chains and costs, the OECD said.

"Sizeable uncertainty remains," the report said.

"Faster progress in vaccine deployment, or a sharper rundown of household savings would enhance demand and lower unemployment but also potentially push up near-term inflationary pressures," it said.

However, it added, "slow progress in vaccine rollout and the continued spread of new virus mutations would result in a weaker recovery and larger job losses.

"Earlier this month, United Nations chief Antonio Guterres expressed disappointment that vaccine-manufacturing nations have been unable to ramp up production toward the goal of vaccinating some 70 per cent of the world population by the first half of 2022.

"Covid-19 is a wake-up call, and we are oversleeping," Guterres said.

AFP/FILE

The OECD says 'sizeable uncertainty remains' about the global economic recovery.

Airline sector relieved over lifting of US travel ban

AFP, *Paris*

The United States' decision to lift restrictions on incoming travellers vaccinated against Covid-19 was met with a sigh of a relief by the global airline sector, which has been dealt a body blow by the pandemic.

With transatlantic flights traditionally among the most lucrative for Europe's biggest airlines, the Monday announcement was "formidable news" for a sector that has haemorrhaged tens of billions of euros over the past 18 months, Air France-KLM chief Benjamin Smith told AFP.

For most of Europe's flag carriers -- such as Air France, British Airways and Lufthansa -- the restrictions on long-haul routes across the Atlantic were particularly hard to swallow.

The International Air Transport Association described the development as a major step forward.

AFP/FILE

Air France-KLM, for example, generates 40 per cent of its sales from its North Atlantic services, and for Germany's Lufthansa, the proportion is 50 per cent.

"Today's news... marks an historic moment," said British Airways chief Sean Doyle.

"Our customers should now feel that the world is reopening to them and they can book their trips with confidence."

US airlines such as United, Delta and American are much more domestically orientated and less dependent on international services, which account for 25-30 per cent of revenues.

But they, too, welcomed the news.

"Today's announcement marks a positive step in our nation's recovery," said the head of the industry association Airlines for America, Nicholas Calio.

Sister organisation Airlines for Europe tweeted that it similarly "applauds the decision", which would "give a much-needed boost to trans-Atlantic traffic & #tourism and will reunite families and friends".

The International Air Transport Association, or IATA, which has 290 member airlines accounting for 82 per cent of global air travel, described it as "a major step forward".

Britain may give state loans to energy companies

Reuters, *London*

Britain is considering offering state loans to energy companies that take on customers from firms which go bust due to soaring wholesale natural gas prices, Business Secretary Kwasi Kwarteng said on Tuesday.

As economies reopen after Covid-19 lockdowns, wholesale natural gas prices in Europe have soared this year, pushed up by high demand for liquefied natural gas in Asia, maintenance and lower-than-usual supplies from Russia.

The record prices have strained the British energy sector, destroying the business model of smaller energy traders and sending shockwaves through the chemical and fertiliser markets, leading to a shortage of carbon dioxide.

Britain's biggest energy companies have asked the government for support to help cover the cost of taking on customers from firms that have gone bust.

Asked by Sky News if state-backed loans were an option, Kwarteng said: "There are lots of options."

"It costs a company to absorb up to hundreds of thousands of customers from another company that's failed, that costs money, and there may well be a provision for some sort of loan and that's been discussed," he added.

Kwarteng said that in an average year about 5-8 smaller energy companies exited the market in Britain, but that this year the number could be bigger.

"We have to have a much more robust supply of last-resort capability," Kwarteng said, adding that customers should be able to get supply at a tariff similar to the one offered by a company that goes bust.

One source at a large energy firm involved in the talks said if a company with many hundreds of thousands of customers went bust it would be extremely difficult for another supplier to take them on. "We could be looking at a loss of nearly 500 pounds per customer. How could we take that on if the only government support is a loan that we would need to pay back," he said speaking on condition of anonymity because of the sensitivity of the issue.

European consumers are facing the prospect of soaring winter heating bills due to a confluence of global factors that have raised questions about how vulnerable Europe remains to swings in global energy prices.

Benchmark European gas prices have risen by more than 250% since January, with contributory factors also including low storage stocks, high EU carbon prices and low renewable energy output.

Britain privatised British Gas in 1986 and, after a series of deregulating steps since then, the consumer market has seen a plethora of different companies - some essentially just traders - offering gas and electricity to households.

"I don't think we should be throwing taxpayers' money at companies which have been, let's face it, badly run," Kwarteng said. "A number of these companies have been badly run." "I don't want there to be a reward for failure."