

# Steel, cement producers log higher profits as sales rocket

AHSAN HABIB and JAGARAN CHAKMA

Most of the listed rod and cement producers in Bangladesh posted higher profits in the July to September period riding on higher sales as economic activities picked up thanks to the improving coronavirus situation.

Among the five steel makers listed on the Dhaka Stock Exchange (DSE), three have made financial disclosures for the quarter, with all reporting massive jump in profits.

Earnings of BSRM Steel and BSRM Ltd more than tripled in July to September, year-on-year.

Tapan Sengupta, deputy managing director of BSRM Ltd, attributed lower production cost thanks to the efficiency gains, increased sales volume, and an efficient distribution channel for the higher profit margin.

Earnings per share (EPS) of BSRM Ltd, the largest steelmaker in Bangladesh, rocketed 202 per cent to Tk 4.29, while that of BSRM Steel surged 204 per cent to Tk 2.89, DSE data showed.

GPH Ispat's EPS soared 63 per cent to Tk 1.13.

"We had a stock of raw materials. As a result, the company logged better profits," said Kamrul Islam, executive director for finance and business development of the steel maker.

Globally, the price of melting scrap, the raw material of steel products, rose to \$630 per tonne recently, from \$300 to \$350 per tonne last October.

Cost control and efficiency also paved the way for the better profit gains. GPH Ispat boosted production, giving a boost to sales, he said.

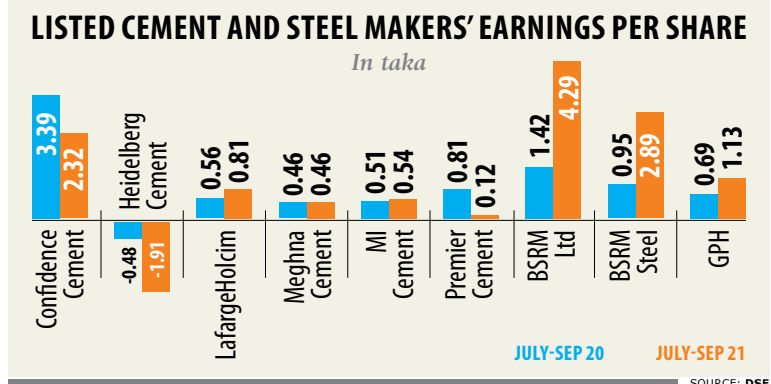
Because of the higher input costs and unprecedented sea freight rates, the price of the 60-grade rod in Bangladesh rose to an all-time high of Tk 81,500 per tonne, data from the state-run Trading Corporation of Bangladesh showed.

Among seven listed cement makers, six disclosed their financial reports for the quarter. Two producers reported higher



A worker gives the finishing touches while packaging products at a warehouse of steel manufacturer GPH Ispat in Chattogram. Most listed rod producers in Bangladesh posted higher profits in the July to September period riding on higher sales. The photo was taken two weeks back.

PHOTO: RAJIB RAIHAN



profits while it narrowed for two companies.

Mohammed Amirul Haque, managing director of Premier Cement, said most cement manufacturers made profits in the last quarter as the volume of sales rose compared to a quarter ago.

However, the sales volume is yet to reach the pre-pandemic level, he

said.

Haque says millers used raw materials that were purchased before the latest price hike in the global market owing to supply shortage, elevated shipping cost and supply constraints.

He warns that the price of cement would increase further as the price of raw materials is increasing

continuously in the international market.

"Then, manufacturers will have no other way but to adjust the price."

The EPS of LafargeHolcim Bangladesh, a multinational company, rose 44 per cent to Tk 0.81. Crown Cement, a local company, reported higher earnings.

The EPS of Premier Cement fell 85 per cent to Tk 0.12 in July-September. Confidence Cement also saw its profit decline.

The profit of Meghna Cement has remained the same, while Heidelberg Cement kept incurring losses.

Rajesh Surana, chief executive officer of LafargeHolcim Bangladesh, said his company had delivered yet another exceptional quarter backed by strong cost control and efficiency improvements.

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# No bank fees, please: Central Bank Digital Currency will deliver remittance like emails



ABU SAEED KHAN

Cross-border payments are inefficient, often slow, opaque and expensive. Worldwide businesses did \$23.5 trillion cross-border transactions in 2020, which is equivalent to 25 per cent of global GDP. The businesses have also paid bank fees of \$120 billion (excluding foreign exchange conversion costs), which amounts to Singapore's one-third of GDP, said a recent J.P. Morgan analysis.

That is business-to-business payments. In person-to-person transactions, the migrant workers sent \$551 billion homebound remittances in 2019. Intermediary bank fees of these payments have averaged 6.8 per cent, or \$37.5 billion, revealed a March 2021 report of the Bank for International Settlements (BIS), quoting the International Monetary Fund and the World Bank.

In response, the BIS is stewarding the distributed ledger technology-based Central Bank Digital Currency (CBDC) to bring down cross-border remittance costs. And the J.P. Morgan report says that businesses could save 80 per cent of annual intermediary costs (\$100 billion) if CBDC is applied in cross-border payments.

CBDC is a highly secured digital version of a country's official currency. Bypassing commercial banking system, citizens will have individual accounts directly with central banks. And they will use "retail CBDC", instead of paper money, for all payments. Digital mobile wallet will be their tool of such transactions.

Corresponding central banks set mutually agreeable conversion standards of respective CBDC and bypass intermediary banks for cross-border transactions. Time to settle the businesses' and migrant workers' payments would be as instantaneous as exchanging emails because the CBDC-based payment systems operate round-the-clock and throughout the year.

The 63-member BIS is setting out common foundational principles and core

features of CBDC. Its primary mission is to contain the anarchic rise of blockchain-based cryptocurrencies. A 2021 BIS survey has found that 86 per cent central banks are actively researching the potential for CBDCs while 60 per cent were experimenting with the technology and 14 per cent were deploying pilot projects. But tangible outcome of the western central banks-led CBDC initiative is actually coming from the unassuming communist China.

People's Bank of China (PBOC), the country's central bank, launched CBDC as digital yuan (e-CNY) in April 2020. More than 20 million e-CNY wallets have been created and \$5.4 billion or 35.5 billion yuan has been settled in China's CBDC network, said PBOC's July 2021 report.

Beijing has already told McDonald's to adopt e-CNY payments system at all outlets nationwide ahead of the Winter Olympics in February 2022. Authorities have also asked Visa, a top Olympics sponsor, and Nike, a US team sponsor, to follow the hamburger chain and integrate e-CNY in their payment systems.

## OPINION



Four BIS-led projects exploring CBDCs for cross-border payments are also underway. They are assessing if CBDC allows transactions to be settled "more cheaply and easily". The central banks of Australia, Canada, China, Hong Kong, Malaysia, Singapore, South Africa, Thailand and the United Arab Emirates are engaged in these four groups. Regrettably, no South Asian central bank is visible in this mission.

Nevertheless, Bangladesh Bank (BB) data shows a brisk 36 per cent uptick of inward remittance in 2020-21 fiscal year. Average cost of sending 200 US dollars was 4.9 per cent while remittance originating from Singapore and Gulf Cooperation Council (GCC) countries costs below 3 per cent, according to the World Bank.

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## GLOBAL BUSINESS

### Eurozone business recovery again gains pace

AFP, Brussels

The recovery of the eurozone economy is again gaining pace after dipping last month, a closely watched survey said on Tuesday.

The IHS Markit purchasing managers' index (PMI), which measures corporate confidence, rose to 55.8 in November after dropping to 54.2 in October.

This is good news for job creation as the single currency area recovers from the lingering damage of the coronavirus pandemic and global supply chain disruption.

But it comes along with increasing inflationary pressures, with prices and wages rising more steeply.

Chris Williamson, chief business economist at IHS Markit said: "A stronger expansion of business activity in November defied economists' expectations of a slowdown."

But this is "unlikely to prevent the eurozone from suffering slower growth in the fourth quarter, especially as rising virus cases look set to cause renewed disruptions to the economy in December."

Economist Rory Fennessy of Oxford Economics agreed that the uptick in the PMI was a surprise, and seemed mainly driven by growth in services.

And he warned that a new wave of coronavirus and ongoing supply chain bottlenecks mean that "the near-term outlook is quickly turning more pessimistic."

### IMF urges El Salvador against using bitcoin as official currency

AFP, San Salvador

The International Monetary Fund on Monday warned El Salvador against using bitcoin as official tender given the risks associated with the cryptocurrency, a day after the country announced plans for the world's first "Bitcoin City".

El Salvador, which has used the US dollar for two decades, became the first country in the world in September to legalize bitcoin as legal tender.

"Given Bitcoin's high price volatility, its use as a legal tender entails significant risks to consumer protection, financial integrity, and financial stability," the IMF said in a statement after concluding a monitoring mission to the small Central American country. "Its use also gives rise to fiscal contingent liabilities. Because of those risks, Bitcoin should not be used as a legal tender."

The Washington-based lender thus recommended "narrowing the scope of the Bitcoin law" that made it official currency and urged "strengthening the regulation and supervision of the new payment ecosystem."

The IMF statement came a day after President Nayib Bukele said El Salvador plans to build a "Bitcoin City" powered by a volcano and financed by cryptocurrency bonds.



Federal Reserve Board Chair Jerome Powell (L) speaks as Lael Brainard (R) listens during an announcement at the South Court Auditorium of Eisenhower Executive Office Building on November 22 in Washington, DC.

PHOTO: AFP

# Investors bet Powell's Fed will get more aggressive on inflation

REUTERS, New York

Investors are betting that newly renominated Federal Reserve Chairman Jerome Powell will need to step up the pace at which the central bank is normalizing monetary policy to better grapple with surging consumer prices.

For months, Powell has insisted the current bout of inflation is likely to be transitory, and said the central bank will be "patient" in deciding when to begin raising its benchmark rate from near-zero.

The Fed kicked off the taper of its \$120 billion per month bond buying program in November, with a plan to end purchases altogether in mid-2022.

Some investors, however, believe the Fed will need to taper faster and raise rates sooner than expected to tame rising consumer prices, which grew at the quickest pace in more than three decades in October. Their view has been reinforced by recent public debate among some Fed officials on whether

to withdraw support for the economy more quickly to help tame inflation.

One barometer of investors' monetary policy expectations, futures on the federal funds rate, on Monday afternoon had priced in a 100 per cent chance that the central bank will raise rates by July, from 92 per cent last week.

News of Powell's nomination on Monday also sent yields on shorter-dated Treasuries, which are more sensitive to rate views, to their highest level since early 2020. Powell is widely seen as more hawkish than Fed Governor Lael Brainard, who was also vying for the top job.

Investors are "challenging the Fed to some extent and becoming more concerned about the Fed falling behind the curve on inflation," said Mike Sewell, a portfolio manager at T Rowe Price.

Sewell is buying shorter-dated Treasuries and the US dollar, betting that the Fed will need to raise rates three times next year to tame inflation. The central bank's dot-

plot, released in September, showed half of policymakers penciling in one rate increase next year.

Analysts at Jefferies wrote Monday's rise in Treasury yields, which move inversely to prices, "is predicated on the idea that the prospects for a June 2022 rate hike have increased significantly on the back of Powell's renomination," though the bank believes a June rate increase is unlikely.

Bets on shorter-dated Treasuries have also drawn Gary Cloud, a portfolio manager of the Hennessy Equity and Income Fund.

"We're in an era that investors haven't seen before because you have a significant uncertainty as to whether the Fed will act in time" to prevent inflation from spiraling higher, he said.

Diverging views on how aggressively the Fed will move have helped stir volatility in Treasury markets. The ICE Bank of America MOVE Index, which shows expectations of volatility in the bond market, stands near its highest levels since April 2020.

### Amazon, Apple handed \$225m in Italian antitrust fines

REUTERS, Milan

Italy's antitrust authority has fined US tech giants Amazon.com and Apple Inc a total of more than 200 million euros (\$225 million) for alleged anti-competitive cooperation in the sale of Apple and Beats products.

Contractual provisions of a 2018 agreement between the companies meant only selected resellers were allowed to sell Apple and Beats products on Amazon.it, the watchdog said, adding that this was in violation of European Union rules and affected competition on prices.

Both Apple and Amazon said they plan to appeal against the fines. The authority imposed a fine of 68.7 million euros on Amazon and 134.5 million euros on Apple, ordering the companies to end the restrictions to give retailers of genuine Apple and Beats products access to Amazon.it in a non-discriminatory manner.

"To ensure our customers purchase genuine products, we work closely with our reseller partners and have dedicated teams of experts around the world who work with law enforcement, customs and merchants to ensure only genuine Apple products are being sold," Apple said, denying any wrongdoing.

In a separate statement Amazon said it strongly disagreed with the decision of the Italian authority and that the proposed fine was "disproportionate and unjustified".

"We reject the suggestion that Amazon benefits by excluding sellers from our store, since our business model relies on their success. As a result of the agreement, Italian customers can find the latest Apple and Beats products on our store, benefiting from a catalogue that more than doubled, with better deals and faster shipping," Amazon said.