Turnover slipped to seven-month low as stocks tumble

Star Business Report

Shares on the Dhaka Stock Exchange (DSE) declined for the fifth consecutive day yesterday and turnover dropped to a seven-month low due to thin investor participation as the key index continued its downward spiral.

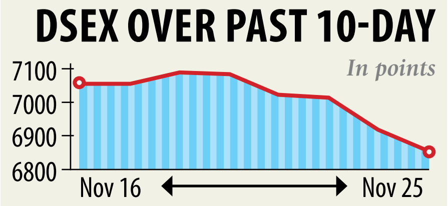
The DSEX, the benchmark index of the Dhaka bourse, gave up 65 points, or 0.95 per cent, to end the week at 6,852.

Turnover fell to Tk 849 crore, down 24 per cent from the previous day's Tk 1,129 crore. This was the lowest daily turnover since April 27, when it stood at Tk 824 crore, DSE data showed.

"Besides, poor performance in the banking sector is taking a serious toll on the index," an analyst said.

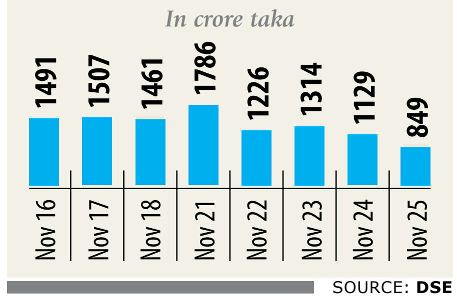
Bank stocks are on a falling trend as many listed lenders are suffering from a provision shortfall in the face of increasing bad loans.

DSEX OVER PAST 10-DAY



SOURCE: DSE

TURNOVER AT THE DSE



SOURCE: DSE

"Bank stocks witnessed the highest drop in value among all major sectors, falling by 1.54 per cent on average," LankaBangla Securities said in its daily market review.

Up until September, non-performing loans stood at Tk 101,150 crore, up 14 per cent from nine months earlier and 7.1 per cent year-on-year, Bangladesh Bank data showed.

This was the first time in 21 months that the total amount of default loans had crossed the Tk 1 lakh crore mark.

Meanwhile, the provision base of banks deteriorated in the third quarter of 2021 because of a rise in bad debt.

The shortfall widened to Tk 6,204 crore in September, up 50 folds in contrast to Tk 123 crore in December last year, as per the data from the Bangladesh Bank.

Sena Kalyan Insurance topped the gainers' list, rising 9.94 per cent, followed by Acme Pesticides, Shurwid Industries, and Anwar Galvanizing.

Stocks of Beximco Ltd traded the most, worth Tk 117 crore, followed by One Bank, Paramount Textiles, IFIC Bank, and Genex Infosys. LR Global Mutual Fund One shed the most, falling 9.87 per cent, followed by Shyampur Sugar Mills, National Tea, KDS Accessories, and The Peninsula Chittagong.

At the DSE, 89 stocks advanced, 241 declined, and 32 remained unchanged.

The Chattogram Stock Exchange shared a similar fate yesterday with the CASPI, the main index of the port city bourse, giving up 211 points, or 1.04 per cent, to close at 20,058. Among 260 traded stocks, 55 advanced, 182 declined, and 23 remained unchanged.

The premier bourse remained in the red last week as investors were in a selling mood following days of correction as they feared that the benchmark index may fall further, according to an analysis of International Leasing Securities Ltd.

The DSEX, the DSES, and the DS30 lost 239.7 points, 37.9 points, and 92.1 points respectively.

The travel and leisure sector rose 3.5 per cent and the service and real estate gained 2.3 per cent. Tannery fell 7.5 per cent, life insurance declined 7.5 per cent, and jute slipped 5.1 per cent.

Cashew nut processors in trouble for dearth of raw materials

Higher import duty also blamed

Mostafa Shabuj, *Bogura*

Cashew nuts processors in Bangladesh are staring at a grim future because of a shortage of raw materials and higher import duty – an ominous sign that can stymie the growth of the budding industry and render thousands of workers jobless.

They say due to the raw cashew nut shortage, also exacerbated by the tendency to export the item, a number of processing factories have shut.

Ashraf Sarker set up Sarker Agro Processing Industries just two months ago in Ishurdi upazila under Pabna where 22 skilled workers process raw nuts.

The factory has the capacity to produce 250kg of finished goods daily, but he had to shut the production a week ago for a lack of supply of raw cashew.

"I have limited capital. I can't buy raw cashew nuts and keep them stored for the whole year. Now I don't find any raw cashew in the domestic market. Therefore, I had to shut the factory."

"Now, I am incurring losses because I have to pay salaries to my permanent workers and pay rent for the factory."

He is not alone.

Md Tarequl Islam, owner of Kishanghor Agro in the Balaghata area under Bandarban sadar upazila, shut his factory a week ago. As a result, his 58 workers, 90 per cent of them women, are sitting idle.

According to the entrepreneur, 1,600 tonnes to 1,800 tonnes of cashew nuts grow in Bandarban, Rangamati and Khagrachhari every year, which account for almost 100 per cent of the fruit produced in the country.

There are about 16 factories that process around 1,500 tonnes to 1,600 tonnes of raw cashew a year, but exporters are selling them in India and Vietnam to receive a 20 per cent cash incentive from the government, he said. This year, several exporters from Chattogram shipped around 950 tonnes of raw cashew to India and Vietnam.

"So, we are facing raw material shortage," Islam claimed.

Md Delowar Hossain Sumon, founder of Cashew Nut BD, located in the bypass area in Gazipur, says he will be able to keep running his factory for a maximum of 15 days as he has almost run out of raw nuts.

He started processing raw cashew in 2019 and his factory can produce finished products weighing 2.5 tonnes each day. Fifty-seven workers, most of them female, are working at the factory.

He says if the factory shuts, he won't be able to pay salaries to his workers.

He borrowed Tk 25 lakh at the time of establishing the factory and has to pay installments every week against the loans.

Shakil Ahmed Tanvir, founder of Green Grain Cashew Nut Processing Industry, set up the unit in Patenga in the port city of Chattogram in 2015, the first such factory in Bangladesh.

It can churn out two tonnes of finished products each day, but due to the lack of the raw cashew, it is producing 500 kilogrammes at the moment to retain clients, he said.

Processors say the higher import duty, which stands at 37.5 per cent, is discouraging them from buying raw nuts from other countries.

Ibnul Arifuzzaman, owner of Jackpot Cashew Nut industries, located at Chinirkuthi in Nilphamari sadar upazila, shut his factory 15 days ago.

This year, he bought 110 tonnes of raw cashew from Bandarban for Tk 2,800 to Tk 3,200 per maund, or about Tk 70 to Tk 80 per kg.

He says the current price of the raw cashew nut is $700 to $850 per tonne in the international market.

If he buys one tonne of raw cashew from the international market, the cost will be around $1,600 to $1,700 per tonne because of the import duty and other expenditures, including that for the transport. This means a kilogramme of raw nuts will cost Tk 136 to Tk 144, almost double the price of the local ones.

"Then, it will not be profitable for us," said Arifuzzaman.

This is because it takes about six to seven kgs of raw nuts to produce one kg of the final product, a number of processors say.

Rasel Mahmud, a consumer, says he buys the nut at about Tk 800 to Tk 1,000 per kg from the Karwan Bazar kitchen market in Dhaka, while a retailer in the city's Farmgate area yesterday said he was selling it at Tk 950 per kg.

Exporters, however, say they had been shipping raw cashew nuts to other countries before any processing factory was set up in the country.

Nur Mohammad, proprietor of NR Marine and General Service in Chattogram, has been exporting the product since 2013 and getting a 20 per cent cash incentive.

He exported 400 tonnes of raw cashew to Vietnam in 2021, up from 150 tonnes a year ago.

Md Ayub, a trader in Bandarban, says processors do not buy raw cashew during the harvesting season, compelling farmers to sell them to the businesspeople who export them.

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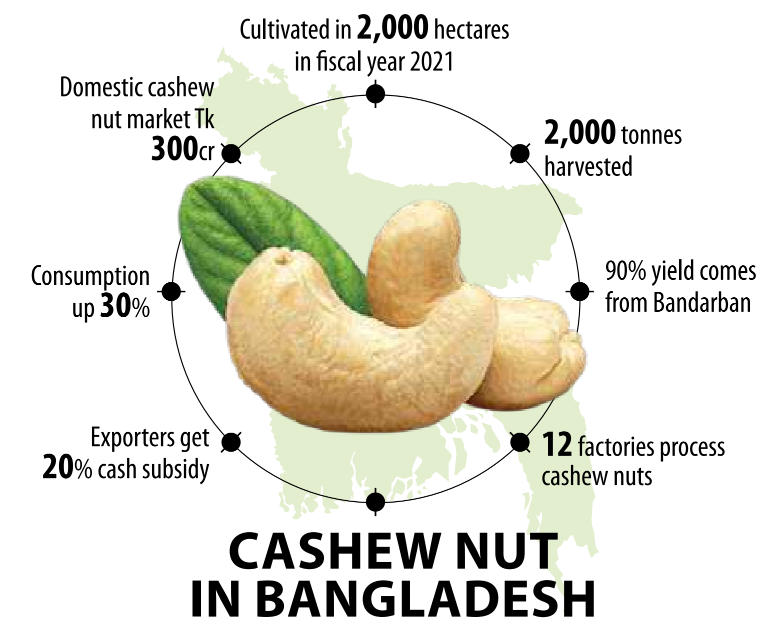

SOURCE: DEPARTMENT OF AGRICULTURAL MARKETING

GLOBAL BUSINESS

ANALYSIS

Europe's big payday remains elusive even as inflation surges

Reuters, *Frankfurt*

Visions of spiralling wage inflation in the euro zone have dominated the talking points of conservative central bankers in recent weeks as they called for a moderation in central bank stimulus.

The fear is that high inflation now, even if temporary, will prompt firms to boost wages, perpetuating inflation by increasing consumer demand.

On first look, this is not an irrational fear. Wage-price spirals have pushed inflation to unexpected highs in the past, most notably in the 1970s.

This could then keep inflation stubbornly above the European Central Bank's 2 per cent target, potentially forcing the bank to bring the economy back down to earth by tightening policy after years of unprecedented stimulus.

"Companies' complaints about labour shortages have increased significantly, particularly in Germany, but also among our European neighbours," Bundesbank President Jens Weidmann said.

"In the future, such tensions on the labour markets could make it easier for employees and trade unions to push through noticeably higher wages."

But there is very little evidence out there, from actual wage figures to labour market trends or union demands, to support these fears.

Wage growth remains anaemic, though the data are arguably distorted by the pandemic. Copious furlough schemes and wild swings in employment as the economy shut and opened, make it difficult to ascertain just how healthy the labour market is.

But union demands for next year's pay have been underwhelming so far, especially in light of an inflation rate now at 4.1 per cent. Some sectors with a notable skills shortage of course stand out. Germany's construction industry negotiated a 3.4 per cent increase while in retail, the increase is 2.2 per cent. Still, with inflation likely holding above 2 per cent next year, that is modest, at best, in real terms.

Europe stands in stark contrast to the US in this respect. US labour costs increased by the most since 2001 last quarter as companies boosted wages and benefits amid a severe worker shortage, pointing to elevated inflation for some time.

REUTERS/FILE

A commuter train passes by the skyline of the financial district in Frankfurt, Germany on October 25.

Cathay Pacific to cut flights as Hong Kong Covid rules bite

Afp, *Hong Kong*

Cathay Pacific on Thursday said it will slash passenger flights into Hong Kong next month as the city's strict travel curbs keep international travellers away while rivals see prospects improve.

Hong Kong has maintained some of the world's harshest quarantine measures and travel restrictions during the pandemic, which has kept infections low but ensured a business hub that dubs itself "Asia's World City" has been cut off internationally for the past 20 months.

The government has tied the city's fortunes to China's strict coronavirus strategy and said normalisation of travel with the mainland must come before any reopening to the rest of the world.

On Thursday, Cathay announced it was "cancelling a number of flights to Hong Kong" for December, citing "operational and travel restrictions that remain in place".

Bosses have implemented a "closed loop" operation to reduce Covid-19 infection risks, where cabin crew and pilots work three-week shifts, during which they are confined to hotel rooms between flights.

After the shift ends, they must quarantine for another two weeks at home.

As the peak holiday season approaches, the airline will convert around one-third of "closed loop" flights bound for Hong Kong to cargo trips, the South China Morning Post reported, citing company sources and adding the airline faced a staffing crunch.

Outbound flights would remain unchanged for now, with about 620 scheduled in December, the report said.

Cathay's statement did not detail how many flights were being cancelled.

Like most international carriers, Cathay has been hammered as the pandemic wipes out most international travel. But the airline is especially vulnerable because it has no domestic market to fall back on, and is based in a finance hub that has embraced mainland China's "zero-Covid" plan.

China regulator seeks to avoid US delisting of Chinese firms

Reuters, *Hong Kong*

Chinese authorities are working with US counterparts to prevent Chinese companies being delisted from US stock exchanges, a Chinese regulatory official said on Thursday, as a lengthy dispute about auditing standards rumbles on.

US authorities are moving towards kicking foreign companies off American stock exchanges if their audits fail to meet US standards.

The Public Company Accounting Oversight Board (PCAOB) and US policy makers have long complained of a lack of access to audit working papers for US-listed Chinese companies.

Citing national security concerns, Chinese authorities have been reluctant to allow overseas regulators to inspect working papers from local accounting firms. "We don't think that delisting of Chinese firms from the US market is a good thing either for the companies, for global investors or Chinese-US relations," Shen Bing, director general of the China Securities Regulatory Commission's department of international affairs, told a conference in Hong Kong.

"We are working very hard to resolve the auditing issue with US counterparts, the communication is currently smooth and open. There is a risk of delisting of these companies but we are working very hard to prevent it from happening," he added. In December 2020, during the last weeks of his administration, President Donald Trump signed a law aimed at removing foreign companies from US exchanges if they failed to comply with American auditing standards for three years in a row.

A map on the organisation's website showed China as the only jurisdiction that denied the PCAOB "necessary access to conduct oversight".

Speaking at the same conference, Ashley Alder, CEO of Hong Kong's Securities and Futures Commission said he feared Sino-US tensions could prevent a solution.

"Sometimes politics can interrupt technical solutions that are sensible and achievable, and I pick up a degree of political attitude within the US establishment that is not necessarily conducive to a better outcome." Hong Kong previously faced similar problems with access to mainland China audit working papers, but Alder said the SFC's relationship with the CSRC and a 2019 agreement had helped resolve these.

Hong Kong has benefitted from the Sino-US spat, as a string of US-listed Chinese companies have carried out secondary listings in the city in recent years, partly as a back up in case the companies are deslisted from the Nasdaq or NYSE, say market participants. The Hong Kong stock exchange, last week, confirmed it would proceed with rule changes to make it easier for overseas-listed Chinese companies to carry out secondary listings, and for companies to change a Hong Kong secondary listing to a primary one.

Coronavirus gloom weighs on German shoppers

Afp, *Frankfurt*

German shoppers are feeling downbeat as the December Christmas period beckons, a key survey said Thursday, with concerns about soaring coronavirus infections and higher prices gnawing away at festive cheer.

Pollster GfK's forward-looking barometer fell to minus 1.6 points for December, down 2.6 points on the previous month.

"On the one hand, there is the fourth wave of the pandemic with exploding incidence rates, the risk of an overburdened healthcare system and the fear of further restrictions," said GfK consumer expert Rolf Buerkl.

"On the other hand, a high inflation rate of around four percent right now is causing consumers' purchasing power to melt away," he said.

"This dampens the prospects for the upcoming Christmas business.

"Germany has tightened coronavirus curbs to combat the worsening pandemic, including cancelling Christmas markets and barring the unvaccinated from bars, gyms and leisure centres in the hardest-hit regions.

The GfK survey of some 2,000 people found that Germans were significantly more pessimistic about the state of the European Union's largest economy than last month.

Income expectations also dropped, while the willingness to splash out on big purchases hit a nine-month low, the pollsters said.