Stocks plunge on Omicron scare

Ongoing tussle between Bangladesh Bank and BSEC also a factor, experts say

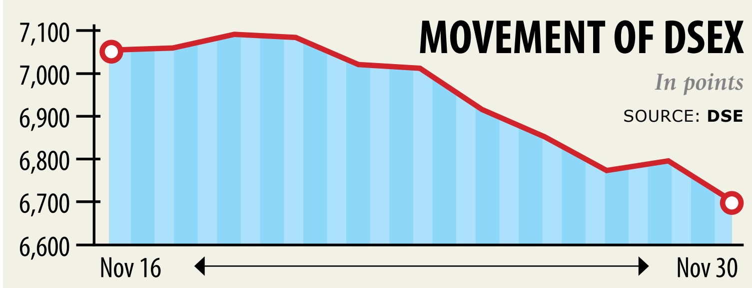
STAR BUSINESS REPORT

Major indices of the domestic stock market took a nosedive yesterday despite breaking a six-day losing streak just the day before due to intensifying fears surrounding a fresh breakout of Covid-19, according to experts.

However, underlying issues like the ongoing tussle between Bangladesh Bank and the Bangladesh Securities and Exchange Commission (BSEC) could also be behind the dip, they said.

The DSEX, the benchmark index of the Dhaka Stock Exchange (DSE), shed 92 points, or 1.35 per cent, to hit 6,703 yesterday, its lowest position in the last three-and-a-half months.

The previous lowest came on August 12 this year, when the DSEX stood at 6,699 points, according to DSE data.



With the Omicron variant of Covid-19 spreading across Europe and South Africa, Bangladesh is also at risk of a fresh wave of infections.

As such, many countries have reintroduced travel restrictions and other measures that may impact the earnings of locally listed companies.

"So, the index fell as many investors are being cautious," a merchant banker said. At the DSE, 65 stocks advanced, 206 declined and 40 remained unchanged.

On the other hand, turnover of the Dhaka bourse rose to Tk 1,146 crore yesterday, up 61 per cent from the previous day's Tk 708 crore.

A stock broker, preferring anonymity, attributed the market's fall to a confidence crisis among investors due to unresolved issues between the central bank and BSEC.

A tussle between two of the country's main regulatory bodies in the financial sector is not a good sign for the market and so, it had a negative impact on investor confidence, he said.

"But no good indication came from them [investors] until the market was open," the stock broker added.

Orion Infusion topped the gainers list, rising 9.93 per cent, followed by Sena Kalyan Insurance, Acme Pesticides, National Life Insurance, and Renwick Jajneswar and Co.

READ MORE ON B3

Addressing global supply chain bottlenecks

SAZZADUL HASSAN

Unusual disruptions in global supply chains are becoming a nightmare not only for businesses but for the global economy as well. It has reached such a dire state that even the US president had to make resilient supply chains a top priority of his administration.

On October 31 this year, President Biden held a summit with the European Union and 14 like-minded countries to discuss how to foster greater cooperation on supply chain disruptions and outline a course of actions to strengthen and diversify the entire supply chain ecosystem.

The world has been witnessing huge container shortages, abnormally longer lead-time, port congestion, inadequate ship spaces, shortages of trucks and railway wagons, and scarcity of warehouse spaces since the third quarter of 2020. To add to the sufferings, freight costs have skyrocketed.

Recent energy crisis, in case of oil, natural gas and coal, has made the situation worse. All these challenges eventually boil down to massive interruptions in productions causing orders backlogs and delays in delivery, and finally consumers end up with paying exorbitant prices.

It all started in 2018 when the US came up with a list of Chinese goods that would be subject to an additional 25 per cent tariff. China hit back with reciprocal tariffs on a list of American goods of equal value.

To avoid the additional import duty, importers of both the countries rushed to stock inventories ahead of the implementation of tariffs. Eventually the trade between these two countries unexpectedly went up putting stress on global logistics. Thereafter, the outbreak of Covid-19 aggravated the situation.

To curb the infection, most of the countries had to impose lockdowns. As a result, economic activities came to a halt. Port operations and transportations were immensely impacted because of the restrictions and shortages of adequate workforce. This situation continued till the first half of 2020.

Thus, the whole transport sector went into a chaotic situation as thousands of containers were stuck in some locations, ships were unable to sail on time, and vessel turnaround time increased abnormally.

Since the beginning of the second half of 2020, economic activities around the world slowly started to resume. Demand for most of the goods showed upward trends. Logistics backlogs, including transportations and port operations, could not keep pace with the demands. Experts opined that this logistics challenges would continue till the end of 2022.

Bangladeshi businesses, being very much part of the global supply chains, are facing huge challenges. The freight rate for a 40-foot container to European base ports from Chattogram has reached $15,000 level, which was hovering around $1,500-$2,000 one year back.

Freight costs to the US major ports also increased five-fold compared to that of last year. In case of imports, the rate has doubled in recent times. To add to the miseries, transit time to and from all major ports went up significantly.

Severe congestions in some of the key ports for us like Singapore and Colombo are causing substantial delays in cargo movement. Nowadays, an import consignment has to wait a minimum of 28 days in Singapore to get a feeder vessel connection to Chattogram. For exports, the waiting time is 8-10 days. Similar delays

OPINION

happen in Colombo as well.

This delay in shipping hampers production process. Sometimes factories are unable to continue their operations because raw materials are not arriving on time. Companies are more often than not unable to ship their goods timely. As a result, their warehouses are getting choked that hinder their subsequent productions because they don't have the space to store their produces.

Due to the exorbitant freight costs and delay in getting raw materials and other intermediate goods, the cost of production is getting higher. Logistics challenges are also responsible for the backlogs causing cancelling the orders at times.

READ MORE ON B2

Premier Bank's perpetual bond gets nod

Ekush Growth Fund approved

STAR BUSINESS REPORT

The Bangladesh Securities and Exchange Commission (BSEC) yesterday approved a perpetual bond and a mutual fund.

The approvals came at a commission meeting.

The regulator gave its consent to the Premier Bank's unsecured, contingent-convertible, non-cumulative and Basel-III compliant perpetual bond of Tk 200 crore.

With the proceeds, the lender will strengthen its capital base of additional tier-1, the BSEC said in a press release.

Of the funds, Tk 20 crore would be raised from the general people through public offer and the rest Tk 180 crore would be mobilised from institutional investors and eligible investors through private placement. The face-value of each unit of the bond is Tk 5,000, and the coupon rate is 6 to 10 per cent.

MTB Capital is the trustee of the bond, while UCB Investments is the arranger, issue manager and underwriter.

The BSEC approved an open-ended mutual fund named Ekush Growth Fund.

Mutual funds pool money from investors to channel it into securities such as stocks and bonds. Depending on the profits earned, investors are paid their share as dividends.

Open-ended mutual funds are not listed with the stock market. An investor can buy them from a fund manager's office on the basis of its net asset value. Investors can sell fund units at any time at the prices based on the current net asset value.

The Ekush Growth fund was approved on the condition of increasing the primary fund-raising target to Tk 25 crore from the previous plan of Tk 10 crore.

The mutual fund would be managed by Ekush Wealth Management. Its trustee and custodian are Sandhani Life Insurance and Brac Bank, respectively.

Sea Pearl hotel to operate La Villa Western

STAR BUSINESS REPORT

Sea Pearl hotel, owner of Royal Tulip Sea Pearl Beach Resort & Spa in Cox's Bazar, is going to operate a hotel in Dhaka on a rental basis.

The listed company yesterday announced that its board had decided to run the La Villa Western situated at the Baridhara diplomatic zone in Dhaka.

The eight-storey La Villa Western hotel has a floor space of approximately 15,000 square feet. It has 26 rooms and two restaurants.

The estimated cost for renovation and other expenditures of the hotel will be around Tk 1.5 crore, according to a disclosure on the website of the Dhaka Stock Exchange (DSE).

The operation of the new hotel will contribute an additional estimated yearly revenue of around Tk 4 crore to Sea Pearl.

Shares of Sea Pearl Beach closed 0.95 per cent lower at Tk 41.60 on the DSE yesterday.

GLOBAL BUSINESS

Omicron variant raises new fears for world economy

AFP, *Washington*

Just as it was recovering from the body blow of the Covid-19 pandemic, the global economy has taken yet another hit from the Omicron variant of the virus, which has led to a raft of new travel restrictions.

First reported to the World Health Organization in South Africa less than a week ago, the new strain has rapidly spread everywhere from Africa to the Pacific, and from Europe to Canada, causing dozens of countries to announce travel restrictions.

The severity of the economic impact will depend on how dangerous the variant proves to be, and how well existing vaccinations stand up to it.

That has meant that even with the most favorable scenarios in mind, economists are already revising their 2022 forecasts downwards. The International Monetary Fund, which expects growth of 4.9 per cent for the next year, has been insisting for months that the coronavirus and its variants remain the main threat.

The economic impact could be "modest," in the order of 0.25 percentage points on global growth in 2022, if Omicron causes "relatively mild symptoms" and the vaccines are "effective," said Gregory Daco, chief economist at Oxford Economics.

A woman receives her first dose of the Pfizer Covd-19 vaccine at a pop-up clinic offering vaccines and booster shots in Rosemead, California on November 29. PHOTO: AFP

In the worst-case scenario, in which Omicron proves extremely dangerous and large swaths of the world are in lockdown again, 2022 growth could fall to around 2.3 per cent, as compared to the 4.5 per cent expected by Oxford Economics before the variant emerged.

And in such a scenario it is not certain that governments, which have stumped up trillions of dollars in aid since the start of the pandemic, would be willing to put in place further fiscal stimulus packages, especially if vaccines are available, Daco said.

Those aspects "are going to be really key to how it affects the global economy and people's behavior," said Erik Lundh, an economist at The Conference Board.

Beyond government measures to contain the new strain, fear of infection could lead people to limit their own travel and economic activities, such as going to restaurants and reducing consumption, which will in turn impact growth, Lundh said.

Another risk is the exacerbation of the global supply chain crunch.

Lundh pointed out that "a lot of air cargo is stored basically in the belly of passenger planes...It's not just all sorts of FedEx planes."

"So if there are cancellations, if there's a lapse in demand for commercial flights for passengers, it does run the risk of limiting the route of trade," which could in turn worsen inflationary pressures as goods become more scarce.

In addition, a wave of Omicron infections "could cause some workers to temporarily exit the workforce, and deter others from returning, making current labor shortages worse," said Neil Shearing, chief economist at Capital Economics in a note.

Omicron has sparked more anxiety than any other variant since the emergence of Delta, itself already much more contagious than previous strains.

US President Joe Biden, however, said Monday that there was "not a cause for panic," even if the United States has closed its borders to travelers from the southern African region where the variant was first detected.

Parag Agrawal: New CEO sheds low profile to take Twitter helm

AFP, *San Francisco*

PARAG AGRAWAL
TWITTER CEO

Parag Agrawal, who took over Monday as the new head of Twitter, shot from relative obscurity as the platform's technology expert to becoming the latest India-born talent to lead a US tech giant.

Unlike his predecessor, co-founder Jack Dorsey, Agrawal enjoyed until Monday a much more low-profile role at the company, with only about 24,000 followers on the platform, compared to Dorsey's almost six million.

But with a tweeted statement that began, "Thank you, Jack, I'm honored and humbled," Agrawal took the reins of a company aiming to steer away from free speech battles and toward growth.

Agrawal is also the latest India-born star tapped to head a major US-based tech company, following the likes of Google-parent Alphabet's CEO Sundar Pichai and Microsoft CEO Satya Nadella.

"He's been behind every critical decision that helped turn this company around," Dorsey wrote of Agrawal in a message to Twitter staff.

"He leads with heart and soul, and is someone I learn from daily. My trust in him as our CEO is bone deep. "Educated in computer science and engineering at the Indian Institute of Technology Bombay and holding a PhD from Stanford University in California, Agrawal joined Twitter in 2011 and rose to become its CTO by 2017.

As the head of technology at the firm, he oversaw machine learning and artificial intelligence, as well as the company's broad technical strategy.

These specialties make him a natural choice to replace Dorsey, Creative Strategies analyst Carolina Milanesi told AFP.

"Going forward AI (artificial intelligence) and ML (machine learning) will be more and more critical in making the platform healthier and more engaging for users and more profitable for the company," she said. "We might also see some more rigor and rational in the decision making process," Milanesi added.

Agrawal was also head of the company's "Bluesky" push to create a more open and decentralized standard for social media.

"I recognize that some of you know me well, some just a little, and some not at all," Agrawal said in an email to the some 5,500 employees at San Francisco-based Twitter.

The platform has grown far less exponentially than its Silicon Valley neighbors and has very meager net profits compared to the two giants of digital advertising, Google and Facebook's parent Meta.

Eurozone inflation soars to highest rate on record

AFP, *Brussels*

Soaring energy prices took eurozone inflation to its highest rate on record in November, official data showed Tuesday, challenging the European Central Bank's resistance to tightening monetary policy earlier than planned.

Consumer prices rose by 4.9 per cent this month, up from 4.1 per cent the previous month, the highest reading since the official statistics agency Eurostat began compiling the data more than 20 years ago.

The figure is more than double the ECB's target of two percent.

Inflation has soared worldwide as demand and economies have bounced back from coronavirus lockdowns, and the emergence of the Omicron variant has created new uncertainties.

Higher cost-of-living is being experienced across the eurozone, putting pressure on the ECB to scale back stimulus and consider raising interest rates earlier than planned.

But the Frankfurt-based institution has so far insisted that the acceleration in inflation in the 19-nation zone is transitory, and is wary of acting too soon and potentially stifling the pandemic recovery.

Its next policy meeting is on December 16.

High demand after the easing of coronavirus restrictions has pushed up energy prices and led to shortages of key materials and labour around the world.

"If we tightened monetary policy now, that would not aid a single container ship or truck driver," ECB chief Christine Lagarde said in an interview with Germany's Sueddeutsche newspaper published Monday.

The current supply chain woes and shortages will ease over time, she said, with the ECB estimating that inflation will start to fall back next year.

A member of the ECB's executive board, Isabel Schnabel, had predicted earlier in November that inflation would hit its highest level this month since the euro was introduced in 1999.

The pace of price rises would then slow over the course of the coming year, Schnabel said.

Inflation has gone up every month in the euro area since June.

Natural gas and oil prices have pushed up inflation around the world, with energy logging an annual rate of 27.4 per cent in November in the eurozone compared to 23.7 per cent in October.

Services, industrial goods, and food, alcohol and tobacco also ticked up, all above two per cent.

Core inflation, which strips out energy and other items, stood at 2.6 per cent in November, up from two percent the previous month.

"November's inflation data were yet another surprise on the upside," Jack Allen-Reynolds, senior Europe economists at Capital Economics, said in a note.

"The Omicron variant has increased the level of uncertainty even further, but for now we suspect that it will have a fairly small impact on inflation," he added.

"Still, headline inflation looks set to remain above target until at least the end of next year.