

Stocks show signs of recovery

Investors buoyed by BSEC decision to lower circuit breaker

STAR BUSINESS REPORT

The domestic stock market showed signs of recovery yesterday after news broke that the Bangladesh Securities and Exchange Commission (BSEC) would take steps to curb the recent falling trend.

The market was in a volatile state for the first two hours of the trading session but it ultimately settled down when the BSEC's decision became known.

As such, the DSEX dropped 138 points within one hour of trading before the benchmark index of the Dhaka Stock Exchange bounced back by 17 points, or 0.27 per cent, to close at 6,474.

Besides, the BSEC's decision to lower the circuit breaker limit to 2 per cent from 10 per cent in order to curb the freefall of stocks amid the war between Russia and Ukraine was welcomed by investors.

For example, Shuvo Rahman, a general stock investor, said the move would help slow the downward trend of stocks in the country and so, he feels better about the market's prospects.

"If the fall reduces, then investors will regain confidence and invest further," he added.

However, a merchant banker feared that the market may become illiquid due to this decision if buyers feel unsafe with the prices as share prices could fall slowly as a result.

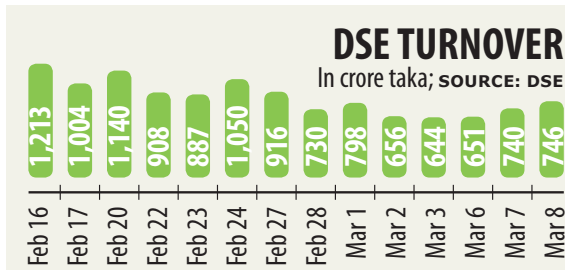
"This is a short-term policy to tackle the market fall, but it cannot save it in the long-run," he said, adding that foreign investors in the domestic market will feel shakier now because they want a free-float market.

And although foreign investment is comparatively

low in Bangladesh, this may negatively impact the index as they hold stocks of well-performing companies and have a higher influence on the index.

Turnover at the country's premier bourse rose to Tk 746 crore yesterday while it was Tk 740 crore a day earlier.

Beximco Ltd was the most traded stock with shares worth Tk 59 crore changing hands followed by Bangladesh Shipping Corporation, Beacon



Pharmaceuticals, Square Pharmaceuticals, and British American Tobacco Bangladesh.

The stock market bounced back after four days of a sharp fall as investors regained their confidence based on the decision taken by the BSEC to cut the circuit breaker to 2 per cent, International Leasing Securities said in its daily market review.

Among the sectors, cement rose 2.5 per cent, services and real estate edged up 2 per cent and ceramics ascended 1.8 per cent while tannery dropped 0.9 per cent, food and allied shed 0.9 per cent and

general insurance fell 0.7 per cent.

Investors' attention was mainly concentrated on pharmaceuticals and chemicals (16.3 per cent), miscellaneous (12.4 per cent) and textiles (12.3 per cent). According to a merchant banker, the ups and downs in the domestic stock market are a result of changes in the global economy, which is in a tough spot right now due to high oil prices.

"So, the fall of the index was not unexpected as the oil market has become jittery," he said, adding that some investors still take risks in such situations by investing their funds.

Not one stock market regulator in the world has yet taken any steps to curb the market fall, but the markets can rebound on their own strength.

"But as the number of general investors in our market is higher, its strength is lower. With this backdrop, the regulator became concerned to boost it," the merchant banker said.

At the DSE, 217 stocks advanced, 116 declined and 45 remained unchanged. BD Thai Food topped the gainer list, rising 9.84 per cent, followed by Sun Life Insurance, BDCOM Online, Envoy Textiles and Intech Ltd.

Reliance Insurance shed the most, dropping 6.12 per cent, followed by BD Finance, Vanguard AML Rupali Bank Balanced Fund, Pragati Insurance, and Aramit Cement.

The Chittagong Stock Exchange also rose yesterday. The Caspi, the main index of the port city bourse, rose 28 points, or 0.15 per cent, to 19,018 at the end of the day.

Among the 274 traded stocks, 137 rose, 116 fell and 21 remained the same.

WOMEN IN CMSME

Experts call for enabling environment

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An enabling environment for women entrepreneurs in cottage, micro, small and medium enterprises (CMSMEs) is essential for ensuring sustainable progress in Bangladesh's economic development, according to various experts.

Their comments came yesterday at an event celebrating International Women's Day, jointly organised by the United Nations Development Programme (UNDP), UN Women and UN Capital Development Fund (UNCDF).

The event, which was an initiative of the "WING: Women's Empowerment for Inclusive Growth" project, was held in presence of officials from several financial institutions operating in Bangladesh.

"We must ensure an enabling environment for women who are in CMSMEs if we want to see sustainable progress in the country's economic development," said Sudipto Mukerjee, resident representative of UNDP Bangladesh.

He informed that the WING project is working

with the government, financial institutions, and local women to help Bangladesh achieve the Sustainable Development Goals by 2030. "In most cases, women entrepreneurs are not aware of the financial services available, how to access them and how to leverage them for sustaining their business," said Diya Nanda, deputy country representative of UN Women.

So, it is critical to have gender-responsive policies that identify gender-specific needs to work with women in CMSMEs, she added.

Nanda underscored the need to build up the technical capacity of female entrepreneurs, especially on digital tools.

"We need to change the mindset of female entrepreneurs along with bank officials so that they understand the need of proper documentation, keeping transaction records and having a bank account or mobile financial service wallet for access to credit," said Md Jaker Hossain, general manager of the SME and special programmes department of Bangladesh Bank.

Anne Van Leeuwen, an ambassador of the Kingdom of the Netherlands to Bangladesh, was present as chief guest. Leeuwen said her government is interested in a stable and economically strong Bangladesh, where plenty of jobs opportunities are available, high value goods are produced and business opportunities are found everywhere.

"Facilitating access to finance for female entrepreneurs is a win-win for both the businesses and financial institutions," she said.

Besides, encouraging and including half the population, i.e. women, in economic activities can only increase the country's economic potential and expedite the country's journey to a middle-income nation, Leeuwen added.

IMF for more BB independence

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line with Basel standards, including the treatment of rescheduled and non-performing loans (NPLs).

Between fiscal years 2009-10 and 2018-19, the NPL ratio increased steadily, despite high GDP growth, due to structural weaknesses, including in governance and legal infrastructure, compounded by lenient regulation, weak supervision and weak credit culture among some large influential debtors.

Reported NPLs do not fully reflect the extent of problem assets.

Stressed advances, which comprise NPLs, restructured and rescheduled loans, stood at 20.5 per cent of outstanding loans at the end of 2018, about double the NPL ratio at that time.

The current NPL data does not capture the

impact of policy relaxations introduced to counter the Covid-19 shock.

Default loans in Bangladesh's banking sector surged 16.38 per cent year-on-year to Tk 103,274 crore in 2021, showed data from the BB.

Identifying early signs of distress will help avoid large increases in NPLs after forbearance measures end, said the IMF.

It also mentioned some other factors that may create a roadblock to attaining expected economic growth.

"A slower than expected recovery in trading partners of Bangladesh, an increase in food and oil prices, and heightened risks from cyber-attacks are key external risks," it said.

The IMF praised Bangladesh's substantial economic development in its 50 years of independence.

From being one of the

poorest nations in 1971, Bangladesh successfully met the UN criteria to graduate from the category of least developed countries in February 2021.

Since 2010, per capita real GDP growth, averaging 5 per cent annually, has resulted in a steady decline in poverty, with increasing access to education and healthcare.

Following an export-oriented development strategy, Bangladesh has successfully transformed to a more manufacturing-based economy.

Despite significant progress, job creation has been slowing, inequality has been rising, and poverty reduction has been slower than during the previous decade.

Lack of education and skills remain the main hurdle for transitioning into the formal economy. Supply bottlenecks, especially in transport infrastructure, are

constraining growth.

The country's GDP growth is expected to pick up to 6.6 per cent in FY22, supported by a robust rebound in exports, continued implementation of the stimulus packages and accommodative monetary and fiscal policies.

As the external environment improves and the domestic vaccination programme progresses, growth is expected to reach 7.1 per cent in FY23.

The IMF reckons that headline consumer price index inflation was projected to rise to 5.9 per cent in fiscal year 2021-22, slightly higher than the BB's yearly target of 5.3 per cent.

As the economy picks up, non-food inflation is projected to edge up to 6.4 per cent, and food inflation is also expected to rise moderately due to higher international commodity prices.

Ahsan H Mansur, executive director of the Policy Research Institute of Bangladesh, warned that the current account deficit may increase to \$20 billion by the end of this fiscal year if the government fails to control imports.

Russia's invasion of Ukraine will only deepen the crisis in days to come as it has already worsened the ongoing global supply chain disruption, he said.

"Depreciating the local currency against the dollar is a major tool for reducing import payments," Mansur added.

Current account deficit hits all-time

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months of July and January in FY2021-22, are one of the main reasons for the shortfall in the current account, said Mustafizur Rahman, a distinguished fellow of the Centre for Policy Dialogue.

"Remittances have not picked up yet, which has resulted in a large current account deficit," he added.

Between July and January, expatriate Bangladeshis sent remittances amounting to \$11.94 billion, down 19.88 per cent year-on-year.

The central bank should continue to inject the dollar to keep the exchange rate with the taka stable, he said.

However, this would reduce the country's foreign exchange reserve, Rahman said.

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Women take lead

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release by Meta celebrating Bangladeshi women coming together online to empower others and drive positive change on the occasion of International Women's Day 2022.

Nahian Ibnat Beg, founder of Trivents, started her event management business through Facebook and Instagram.

"We started around the pandemic and have used Facebook and Instagram ever since to showcase our designs and services. There were uncertainties but through our excellent service we are still able to keep on growing," she said.

Zerin Tasnim Khan, founder of 6 Yards Story, mentioned how she had to diversify her business to stay relevant during the pandemic.

"During the pandemic, we relied on our Facebook group to keep our business running. We tried to ensure quality local products through our platform for

the customers, including NRBs," said Sabera Anwar, founder, Go Deshi - Made in Bangladesh.

Meta, formerly known as Facebook, also informed that, since 2021, 40 per cent of Facebook groups about entrepreneurship in Bangladesh have been created by women.

According to a study by Halima Haque, an assistant professor at Jahangirnagar University, women entrepreneurs on Facebook had seen increased complexities dealing with the supply chain.

Moreover, research also illustrates how women in f-commerce had to undergo scrutiny, internal and external pressure, and cyberbullying. These had been echoed by many f-commerce entrepreneurs.

"Our business grew quite a few folds, but this growth was not easy," said Esrat Jahan Anika, owner of Zilbab Attire, a Facebook-based Islamic-wear seller.

"We had to deal with delivery platforms and suppliers. They initially tried to press higher costs as they thought we had no other option," she said.

"But they would not do that to a male relative of mine. Upon confronting them, they later lowered the price," said Anika.

However, industry experts say the challenges to growth of women-led businesses in f-commerce as well as e-commerce is growing in Bangladesh.

"It's true that women are doing well in f-commerce," said Mohammad Sahab Uddin, vice president, e-Commerce Association of Bangladesh (e-CAB).

"During the pandemic, women have taken up entrepreneurship and they have switched to online-based businesses," he said.

"The e-CAB community has 27 per cent women entrepreneurs, which goes to show that women are contributing fairly well in the economy," he added.

Stocks can't fall

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crore in the stock market from the stabilisation fund in order to ensure higher liquidity in the market.

"The investment has already started," Ahmed said.

In June last year, the BSEC passed a rule that formed the market stabilisation fund using undistributed and unclaimed dividends of listed companies. The aim is to use the funds to

safeguard the interests of the stock market and general investors.

The BSEC commissioner went on to say that protecting investors is a key task of his organisation and so, they take many steps in this regard.

Lowering the limit and directing fund managers to pour in money from the stabilisation fund came in line with the same reason.

Some people spread

rumours concerning the war and its impact on the stock market.

"But we traced these people and have decided to take action against them," he said.

General investors should not pay heed to rumours, and instead analyse the reality behind the rumours before taking any investment decision.

"We have proper acts on market makers even though there are no such

entities in the country. If there were some market makers, they could help the market in such tough periods," Ahmed said.

"The Investment Corporation of Bangladesh also cannot play a proper role when the market falls, so the turnaround becomes slow," he added.

Mohammad Rezaul Karim, executive director and spokesperson of the BSEC, was present at the event.

control, he added.

"If not, the price will have to be increased by another fold. As the pressure of inflation increases, so will the pain of the people."

Khondaker Golam Moazzem, research director of the Centre for Policy Dialogue, suggested the government borrow from the international agencies to clear soaring import bills.

"This will reduce fiscal pressure on the government as increasing administered prices of petroleum will be politically unpopular as it will stoke inflation."