Stocks stumble for second day

STAR BUSINESS REPORT

Stocks entered a second session of decline while market turnover remained low yesterday as people are shaky about making investments amid the rising cost of living and production in Bangladesh.

Bangladesh Bank recently issued a directive asking lenders in the country to adjust the interest on deposits so that it cannot be lower than the current inflation rate.

"But when the deposit interest rate rises, it has a negative impact on the market as people prefer to keep their money in banks," a stockbroker said.

Besides, investor behaviour was influenced by a rumour that the Bangladesh Securities and Exchange Commission would repeal its decision to the lower circuit breaker.

As per the new circuit breaker, stocks cannot fall by more than 2 per cent daily.

However, the market regulator later confirmed that the rumour was unfounded as no such action had been taken.

The DSEX, the benchmark index of the Dhaka Stock Exchange (DSE) shed 6 points, or 0.09 per cent, to hit 6,691 yesterday.

The country's premier bourse saw 100 stocks advance and 242 decline while 38 stayed in place after the session.

Turnover at the DSE rose by around 3 per cent to Tk 634 crore.

Beximco remained the most traded stock with shares worth Tk 45 crore changing hands, followed by Dragon Sweater and Spinning, BDCOM Online, Bangladesh Shipping Corporation, and Silco Pharmaceuticals.

Gemini Sea Food topped the gainers list, gaining 8.6 per cent, followed by Premier Bank, Beach Hatchery, Apex Foods, and Fortune Shoes.

Aamra Technologies shed the most, dropping 1.99 per cent, followed by Asian Tiger Sandhani Life Growth Fund, Bangladesh Building System, Anlima Yarn, and VFS Thread.

The Chittagong Stock Exchange (CSE) also dropped yesterday as the CASPI, the main index of the port city bourse, eroded 39 points, or 0.20 per cent, to reach 19,616.

Among the 283 stocks traded, 57 advanced, 198 fell and 28 remained unchanged.

The exorbitant price of raw jute, difficulties in securing bank loans, and a lack of skilled manpower are some of the challenges faced by small jute mills, according to industry insiders.

PHOTO: STAR/FILE

Rangpur jute mills in a rundown state

EAM ASADUZZAMAN, *Nilphamari*

The jute industry in Rangpur is facing collapse as four small mills in the region have shut down while others may follow suit at any time after being compelled to shrink production due to multiple issues.

The exorbitant price of raw jute amid unabated exports of the natural fibre to countries like India, unjustified tariffs imposed on jute products shipped to the neighbouring nation, difficulties in securing bank loans and stimulus funds, and want of skilled manpower are some of the issues faced by small jute mills.

As such, the industry has been so far unable to fully recover from the coronavirus-induced downturn.

Sources at the Department of Jute in Rangpur division said there are a total of 19 small jute mills across five districts in the region with 10 being placed in Rangpur, six in Nilphamari, and one each in Gaibandha, Kurigram and Lalmonirhat.

The four mills to recently close down are the North Bengal Jute Mill and SR Jute Mill in Rangpur, JK Jute Mill in Kurigram, and Gobindaganj Jute Mill in Gaibandha.

"Although the government's ban on the use of plastic bags for packaging commodities brought a good opportunity for small jute mills, the unabated export of raw fibres is causing a local crisis," said Khondokar Foyez Ahmed, general manager of the Bhai-Bhai Jute Mill in Rangpur's Burirhat.

Exporters' agents do not hesitate to purchase raw jute from hoarders at high prices of between Tk 3,500 to Tk 3,800 per maund (37 kilogrammes), and this increases the production cost of small jute mills.

However, the price of their products do not rise in proportion to the increased costs as plastic goods remain a strong alternative.

"To avert losses, the owners either shut down their mills or decrease production," said Raz Kumar Poddar, owner of ND Jute Mills in Saidpur of Nilphamari.

Aminul Islam Mintu, director of Selim Agro Industries in the same district, urged the government to allow the export of raw jute only after domestic requirements are fulfilled.

Md Shafiqul Islam, general manager of Nine Jute Mill in Rangpur, said they operate the mill for just two or three days a week to minimise losses as they could not renew their bank loan or get stimulus funds amid the pandemic.

"Our mill has 150 looms but due to the high price of raw jute, we decreased production and now run only 120 looms," said Md Abu Sayed, general manager of the once flourishing Eque Jute Process in Nilphamari.

"We're unable to run our mill further for manifold problems and decided to sell it," said Mizanur Rahman Swapan, owner of SR Jute Mill in Rangpur's Haragas.

Owners reported that due to uncertainty, skilled workers leave the profession and become easy bike drivers or migrate to big cities as construction workers, which is a big blow to the industry.

Rangpur Chamber of Commerce and Industries' President Mostofa Shohrab Hossain Chowdhury Titu, also owner of the Motahar Hossain Chowdhury Jute Mill, expressed his views on the issue.

"The government doesn't impose tax on raw jute export and utilising this opportunity, foreign buyers, particularly from India, are purchasing our goods to run their mills smoothly," he said.

"On the contrary, the Indian government imposed unjustified taxes on finished jute products shipped from Bangladesh," Chowdhury said.

"It is interesting that India, after purchasing our finished goods, exports them abroad after branding them as made in India. So to save our jute mills, the government should impose high tax on jute export," he added.

"We're sincere in our efforts to overcome any hindrance, but coordinated efforts are necessary to this end," said Md Solaiman Ali, additional director of the Rangpur regional jute department.

Inflation: more to come

ZAHID HUSSAIN

Inflation is rising in Bangladesh as it is in several advanced and emerging economies. Increased headline inflation in February was driven by a spike in food inflation. The 12-month moving average inflation has been on an upward trend since the November 2019 to October 2020 period.

While demand recovery played a role, as evinced by increased prices of consumer items such as furniture and furnishings, the predominant driver has been cost-push imported largely from abroad and domestic price adjustments of oil, gas, and transport.

Pent-up demand fuelled by stimulus and pandemic disruptions is helping inflation spread around the world through global factors like higher food and energy prices, and soaring shipping costs.

Bangladesh's inflation has been more moderate compared with Sri Lanka (15.1 per cent), Pakistan (12.2 per cent), and Brazil (10.4 per cent), not to mention Venezuela (340.4 per cent), Argentina (52.3 per cent) and Turkey (54.4 per cent).

However, it is similar to India (6.1 per cent) and Thailand (5.8 per cent) while countries like Vietnam (1.42 per cent), Philippines (3 per cent) and Indonesia (2.1 per cent) have done much better.

Bangladesh's relatively tepid price gains may see greater momentum in coming months. The outlook remains uncertain, and Bangladesh Bank should be ready to tighten policies if inflation pressures and expectations mount.

But if we recognise that the root of inflation is from a supply shock rather than excessive demand, it is prudent to keep the monetary policy accommodative. Bangladesh Bank seems intent to stay "behind the curve" in allowing the economy to recover from the Covid-19 pandemic.

Pent-up demand fuelled by stimulus and pandemic disruptions is helping inflation spread around the world through global factors like higher food and energy prices, and soaring shipping costs

It will be important not to lose sight of the fact that the cost-push levers are now far different than in the recent past due to a global commodities contagion. The key risk is the possibility that world commodity prices will stay elevated for a prolonged period because of Russia's invasion of Ukraine, pressuring inflationary tendencies further.

The authorities should carefully monitor the pass-through of international prices to domestic inflation to calibrate appropriate actions going forward. The central bank should do some sensitivity analyses to gauge how much inflation in Bangladesh would be hit if the average world price of oil stays at around $95 per barrel or rises to $120-140 per barrel.

Although inflation breached the government's target of 5.5 per cent, market players were earlier confident that inflation would eventually dissipate, but not anymore. With geopolitical conflict raging, the turn in global commodity prices is by no means imminent. We can very well expect inflation expectations to unravel quickly in the coming months in major markets around the globe.

Fiscal policy response and the government's stance on the administered prices of oil, gas and power will make a big difference to the direction of inflation in Bangladesh in the months to come. The immediacy of adjusting the administered prices can be pushed back through a temporary increase in subsidies in the current fiscal year.

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Oil prices jump above $111 as EU mulls ban

REUTERS, *London*

Oil prices jumped more than $4 on Monday, with Brent crude climbing above $111 a barrel, as European Union nations considered joining the United States in a Russian oil embargo and after a weekend attack on Saudi oil facilities.

Brent crude futures were up $4.55, or 4.2 per cent, at $112.48 a barrel by 1205 GMT, adding to a 1.2 per cent rise last Friday.

US West Texas Intermediate (WTI) crude futures rose $4.35, or 4.2 per cent, to $109.05, extending a 1.7 per cent jump last Friday.

Prices moved higher ahead of talks this week between European Union governments and US President Joe Biden in a series of summits that aims to harden the West's response to Moscow over its invasion of Ukraine.

EU governments will consider whether to impose an oil embargo on Russia.

Early on Monday, Ukraine's deputy prime minister, Iryna Vershchuk, said there was no chance the country's forces would surrender in the besieged eastern port city of Mariupol.

With little sign of the conflict easing, the focus returned to whether the market would be able to replace Russian barrels hit by sanctions.

"Optimism is seeping away about progress in talks to achieve a ceasefire in Ukraine and that's sent the price of oil on the march upwards", said Susannah Streeter, senior markets analyst at UK-based asset manager Hargreaves Lansdown.

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A technician walks in the Rumaylah oil field near Iraq's southern port city of Basra on March 19. Oil prices moved higher ahead of talks this week between European Union governments and US President Joe Biden that aim to harden the West's response to Moscow over its invasion of Ukraine.

PHOTO: AFP

China keeps lending benchmark unchanged

REUTERS, *Shanghai*

China kept its benchmark interest rate for corporate and household lending unchanged on Monday, as expected, although analysts say the case for monetary stimulus is building amid mounting external risks to an already slowing economy.

The one-year loan prime rate (LPR) was held at 3.70 per cent while the five-year LPR remained at 4.60 per cent.

Just over half the traders and analysts surveyed in a snap Reuters poll last week expected China to keep both rates unchanged. read more

The pricing of the LPR is loosely pegged to the People's Bank of China (PBOC) medium-term lending facility (MLF) rate, which the central bank kept unchanged last week, dashing expectations for a cut.

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