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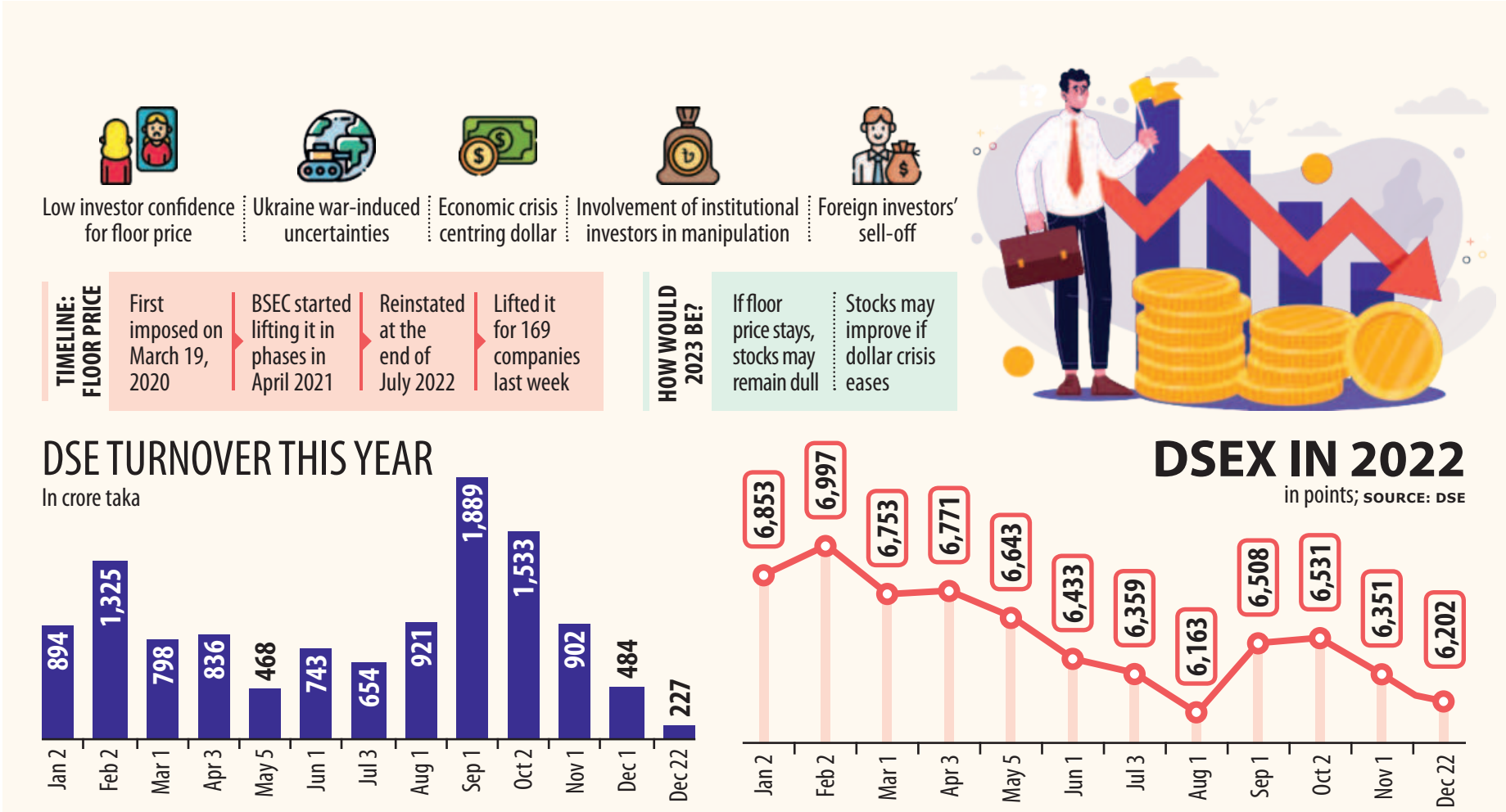
BUSINESS

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# Rough ride for stock investors as uncertainty rules the roost

**AHSAN HABIB**

The biggest challenge the stock market faced in the outgoing year was floor price as the artificial mechanism made the whole market illiquid and shattered investors' confidence amid the gloomy economic trends.

Whereas the well-performing companies suffered as they had to absorb the impacts of the coronavirus pandemic and the Ukraine war, the low-paid-up capital-based companies and junk stocks were on the bull run throughout 2022, driven largely by speculations.

But the Bangladesh Securities and Exchange Commission (BSEC) was busy keeping the key index up instead of ensuring good governance and restoring confidence in a year that saw a serious worsening in some macroeconomic indicators.

In July, the regulator set the floor price of every stock to halt the free fall of the market indices amidst global economic uncertainties that have impacted Bangladesh's economic indicators in the last several months.

The floor price was the average of the closing prices on July 28 and the preceding four days.

Last week, the BSEC lifted the floor price for 169 companies and set the circuit breaker in a way that would not allow the stock of companies to drop more than 1 per cent in a single day.

"The market performed the worst in the second half of the year due to the floor price because none dared to bring

new funds amid the price intervention mechanism," said Prof Abu Ahmed, an analyst.

"Though the regulator has brought some changes last week, the impact would be less as it allows a slight drop every day and is only for small and junk companies."

The former professor of the economics department at the University of Dhaka described the floor price as a big mistake.

He questioned how a company's stock could trade higher when the economic condition deteriorated and the performances of the listed companies were bad.

"So, the market was dry for the half of the year. Now, the market is in a floor price trap and would not perform properly until the floor price is withdrawn."

Professor Ahmed suggested the BSEC lift it in phases, by allowing stocks to slide 2.5 per cent and then 5 per cent before bringing back the 10 per cent circuit breaker previously enforced.

The stocks have been on a declining trend since February when the central bank issued an order to specifies the exposure materials for non-bank

financial institutions, said Md Sayedur Rahman, president of the Bangladesh Merchant Bankers Association.

According to the central bank, all listed shares, debentures, corporate bonds, mutual funds and other products at market prices shall be considered as share market investment for the NBFIs.

At the same time, the outstanding balance of loans given by the NBFIs to their subsidiaries and associated companies directly or indirectly engaged in the capital market will be considered as the stock market investment.

However, the equity investment of its subsidiary companies, long-term equity investment or venture capital and the shares of the Central Depository Bangladesh Ltd and stock exchanges would not be counted as the capital market investment.

The situation deteriorated once the war between Russia and Ukraine broke out and it impacted the economy all over the world, said Rahman.

Owing to the fallout of the war, Bangladesh has been facing one of its toughest periods in recent decades.

The foreign currency reserves fell from \$45.95 billion in February to less than \$33 billion recently as import bills rocketed.

Amid US dollar shortages, the taka lost its value by at least 25 per cent, while inflation hit a record 9.52 per cent in August before decelerating to some degree, hurting consumers, the poor particularly.

The higher raw material prices at

home and abroad have raised the cost of production for the listed companies. Similarly, the cost-of-living crisis hit them as consumers tightened their purse strings. This contributed to their lower earnings.

Many investors did not have much investible funds because of higher inflation.

The war-induced crisis even forced the government to shut power plants and enforce load-shedding amid gas shortage, impacting the production of manufacturers, listed and non-listed alike.

Before the war erupted, the DSEX, the benchmark index of the Dhaka Stock Exchange (DSE), rose to 7,089 points in February from 6,853 points in early January.

When the floor price was brought back -- it was introduced for the first time in March 2020 for the pandemic -- the DSEX stood at 6,133. The index hovered around 6,200 points in the past five months.

"The situation did not improve as no policy support came from the government," said Rahman.

"The market would not bounce back without any policy support."

He suggested the government cut the tax on investors' dividend incomes, exclude bond and mutual funds while calculating banks' exposure to the markets, widen the corporate tax gap between listed and non-listed companies, and help intermediaries get funds so that they can invest more.

## HEALTH SERVICES DIVISION ADP spending still low despite pandemic lesson

**MD ASADUZZAMAN**

Just two years back when the pandemic arose, Bangladesh's healthcare sector faced a dreadful situation with its inadequate equipment and infrastructural facilities.

Experts and stakeholders have since been vehemently calling for raising budgetary allocation.

However, in spite of receiving the 5th biggest allocation under the annual development programme (ADP), Health Services Division has been lagging behind in utilising the money in the first five months of fiscal year 2022-23.

Experts reason, among others, a lack of capacity and skilled manpower.

The division was able to spend only Tk 1,184 crore, or 7.5 per cent, of its Tk 15,779 crore allocation from July to November, according to a recently released report of the Implementation Monitoring and Evaluation Division (IMED).

**In spite of receiving the 5th biggest allocation under the annual development programme, Health Services Division has been lagging behind in utilising the money in the first five months of fiscal 2022-23**

Besides, the division is also lagging behind the average implementation rate of 18.41 per cent, or Tk 47,122 crore, of the period's total ADP allocation for all the 56 ministries and divisions.

The procurement process has just started and will be reflected in documents soon, Mohammed Shahadat Husain, additional secretary (audit and financial management unit wing) to the division, told The Daily Star yesterday.

Contractors are paid once contracts are fulfilled and many took up their contracts late, which is one of the major reasons, he said.

However, Professor Bazlul Haque Khandker of the University of Dhaka, termed it a "historical problem".

"Every year, we see that the health services sector cannot utilise its total fund. Usually, they spend around 70 per cent to 80 per cent of their total allocation," he said.

Last fiscal year 2021-22, the implementation rate was 79 per cent, according to an IMED report.

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STOCKS		WEEK-ON-WEEK
DSEX ▼	CASPI ▼	
0.87%	0.64%	
6,202.21	18,327.51	

COMMODITIES		AS OF FRIDAY
Gold ▲	Oil ▲	
\$1,798.58 (per ounce)	\$79.40 (per barrel)	

ASIAN MARKETS				FRIDAY CLOSINGS
MUMBAI	TOKYO	SINGAPORE	SHANGHAI	
▼ 1.61%	▼ 1.03%	▼ 0.36%	▼ 0.28%	
59,845.29	26,235.25	3,257.70	3,045.87	

## High prices buoy hybrid rice cultivation

**STAR BUSINESS REPORT**

Farmers are showing interest to use more of their lands to cultivate hybrid rice, encouraged by an increase in domestic market prices, said seed sellers yesterday.

In the ongoing Boro cultivation season, seed sellers expect to sell nearly 14,000 tonnes of hybrid rice seeds, around 12 per cent higher year-on-year.

"It is because paddy prices are attractive while hybrid rice cultivation provides increased yield," said FH Ansarey, managing director and CEO of the agribusiness division of ACI, one of the major business houses.

Another draw is the scope to harvest the grain in a shorter period than popular inbred variety BRRI Dhan 29, he said.

In general, hybrid rice can be harvested in 135 days to 140 days whereas the BRRI Dhan 29 takes up to 155 days, added Ansarey.

Farmers usually grow hybrid rice during the dry Boro season to reap benefits of the higher yield.

For the current Boro season, the Department of Agricultural Extension (DAE) aims to ensure cultivation of hybrid rice on 13.3 lakh hectares of land while all types on 49.77 lakh hectares.

The target for hybrid rice is marginally higher year-on-year, according to the DAE data.

Badal Chandra Biswas, the DAE director (in-charge) of field services wing, expects the area with the hybrid to be higher than the 13 lakh hectares achieved the previous year.

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PHOTO: STAR/FILE

## Awards presented to 'most loved' brands

**STAR BUSINESS REPORT**

Bangladesh Brand Forum (BBF) has presented awards to local and international brands in Bangladesh, stating that those were "the most loved" in the country.

In its 14th edition, the Best Brand Awards were handed over in partnership with NielsenIQ and The Daily Star at Le Meridien Dhaka yesterday.

The first, second and third awards were presented in 38 categories.

The initiative also recognised 15 overall top brands in the country. Local brands dominated with bKash, the country's leading mobile financial service provider, being adjudged best brand.

RFL Houseware and Gramophone secured second and third places respectively.

The remaining top

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