

ECB facing high core inflation in the near term

Lagarde says

REUTERS, Frankfurt

Underlying inflation in the euro zone will stay high in the near term so a 50 basis point European Central Bank interest rate increase later this month is increasingly certain, ECB President Christine Lagarde told Spanish media group Vocento.

The ECB has already raised rates by 3 percentage points since July and essentially promised another half a percentage point increase on March 16 but investors have recently speculated on an even bigger move given poor inflation data.

Lagarde said the flagged increase is now “very very likely” but she also warned that underlying inflation, which filters out volatile food and fuel prices, could stay uncomfortably high even as the overall inflation rate drops in the coming months.

“In the short term, core inflation is going to be high,” Grupo Vocento quoted Lagarde as saying on Sunday.

Several policymakers have warned recently that ECB rate hikes need to continue until core inflation turns around and starts falling towards the ECB’s 2 per cent target.

Underlying inflation rose to a record high 5.6 per cent last month and some policymakers fear that the increase is now due to a surge in wages in the services sector, which makes price growth more durable and difficult to break.

UK public inflation expectations rise unexpectedly

REUTERS, London

The British public’s expectations for inflation over the coming year and five to 10 years ahead rose unexpectedly in February, US bank Citi said after publishing a monthly survey conducted by market research company YouGov.

The Bank of England closely watches surveys of inflation expectations as it believes they influence businesses’ pricing decisions and the extent to which workers push for higher pay.

British consumer price inflation hit a 41-year high of 11.1 per cent in October and is still in double digits, but last month the BoE forecast it would drop below 4 per cent by the end of this year.

However, Citi said public expectations for inflation in 12 months’ time rose to 5.6 per cent in February from 5.4 per cent in January, while expectations for the long term rose to 3.8 per cent from 3.5 per cent.



Amit Dev Thapa, chief executive officer of Transcom Foods Ltd, takes photographs with motorcycles and scooters winning general managers and operations leaders of the company’s restaurants across the country at a bike handover ceremony at its office in Gulshan recently.

PHOTO: TRANSCOM FOODS

Transcom Foods recognises its employees with 75 bikes

STAR BUSINESS DESK

Transcom Foods Limited, the official franchisee of the KFC and Pizza Hut brands in Bangladesh, recently held a “Bike Handover Ceremony” at its office in Gulshan-1.

As a show of appreciation for the continuous resilience, hard work, and dedication of their team

members, the company handed over 75 motorcycles and scooters to general managers and operation leaders of the restaurants.

The company has 53 restaurants in operation across the country.

“Since 2020, Bangladesh’ and the restaurant industry have had innumerable challenges, from the Covid-19 pandemic to inflation

and lack of access to imports. Despite all these challenges that we have faced and continue to face, our team has not only continued our operations with excellence but have helped grow both the KFC and Pizza Hut brands during this period,” said Amit Dev Thapa, CEO of Transcom Foods Ltd, during the ceremony.



Mohammed Rabiul Hossain, managing director of Uttara Bank, cuts a ribbon to inaugurate the Agrabad branch office of Uttara Bank Securities in the Agrabad commercial area of Chattogram yesterday. Muhammad Golam Farukh, deputy general manager of Uttara Bank Securities, Md Rabiul Hasan, general manager of public relations division, and Mohammad Liton Pasa Khan, deputy general manager, were present.

PHOTO: UTTARA BANK

Top five gainers’ list of the DSE

Mar 5, 2023; source: DSE

Company	Category	Rose (In %)
Meghna Pet Industries	Z	10
Bangladesh General Insurance	A	9.96
Usmania Glass Sheet	Z	9.96
Shyampur Sugar Mills	Z	9.94
Eastern Housing	A	9.92

At the end of July 2022, the BSEC set the floor price of every stock to halt the free fall

In December of 2022, the regulator lifted floor price from 169 companies

Last week, the BSEC reintroduced the floor price again on the 169 companies

“Even though the indices rose, most stocks in the top 10 gainers’ list were either small companies or those that perform poorly,”

A stockbroker

Small-cap, low-performing firms send stocks higher

STAR BUSINESS REPORT

All indices of the Dhaka Stock Exchange (DSE) yesterday rose, snapping a two-day losing streak even though it was mostly low-performing companies that propelled the rise.

The DSEX, the benchmark index of the Dhaka bourse, gained 36 points, or 0.58 per cent, to close the day at 6,250 points.

Similarly, the DS30, which represents blue-chip stocks, advanced 0.43 per cent to 2,225 while the DSES, an index comprised of shariah-compliant companies, edged up 0.41 per cent to 1,362.

“Even though the indices rose, most stocks in the top 10 gainers’ list were either small companies or those that perform poorly,” a stockbroker said.

Meghna Pet Industries, a junk stock that failed to provide any dividend since its listing in 2001, registered the highest appreciation by soaring 10 per cent.

Bangladesh General Insurance Company surged 9.96 per cent while two other junk stocks – Usmania Glass Sheet Factory and Shyampur Sugar Mills – rose 9.96 per cent and 9.94 per cent, respectively.

“When junk stocks mostly make up the top gainers’ list, it shows that there are people working behind the scene to drive up the shares,” the stockbroker said, adding that this does not give a good

impression to institutional and foreign investors.

He went on to say that investor confidence will not return until fundamentally sound and well-performing companies lead the market.

“But as the regulator has reinstated the floor price, some investors think their funds will now be safe from further erosion.”

At the end of July 2022, the Bangladesh Securities and Exchange Commission (BSEC) set a floor price for every stock in a bid to halt the freefall of market indices. The floor prices were determined based on the stocks’ average closing price on July 28 and the preceding four days.

The commission lifted the floor prices on 169 companies last December. However, it brought back the regulatory measure once again last week.

“Bargain hunters showed buying interest on sector-specific stocks with lucrative prices as the BSEC is continuously encouraging investors to increase the flow of funds in the market,” International Leasing Securities Ltd said in its daily market review.

The market opened on an upbeat note that continued until closure despite some sales pressures during the second hour of the session.

Investors increased their participation in major sectors such as pharmaceuticals, travel and food, helping the DSE achieve a

54.9 per cent higher turnover of Tk 662.4 crore compared to the previous session.

Gainers were strong in the market as out of the 340 issues traded, 152 advanced, 14 declined, and 174 remained unchanged.

All the sectors achieved price appreciation except mutual funds, which dropped 0.2 per cent. The travel sector rose by 5.8 per cent and the jute sector increased by 4.8 per cent.

Investor activity was mainly focused on the IT sector, capturing 15.3 per cent of the day’s total turnover, followed by the travel sector with 13.7 per cent.

Union Capital shed the most, losing 10 per cent. ICB Third NRB Mutual Fund, AIBL 1st Islamic Mutual Fund, Fas Finance and Investment, and Monno Agro and General Machinery were also on the list of significant losers.

Bangladesh Shipping Corporation was the most-traded stock with issues worth Tk 48 crore being transacted. Genex Infosys, ADN Telecom, Sea Pearl Cox’s Bazar Beach Resort and Spa, and Eastern Housing witnessed significant turnover as well.

The Caspi, the all-share price index of the Chittagong Stock Exchange, went up 120 points, or 0.65 per cent, to close at 18,402. Of the issues traded, 108 rose, 27 retreated and 14 did not see any price swing. Turnover on the bourse in the port city surged 104 per cent to Tk 16.61 crore.

Husking rice millers call for Tk 30,000cr fund

STAR BUSINESS REPORT

Husking rice mill owners yesterday urged the government to form a Tk 30,000 crore fund to enable sick mills to make a turnaround and help them compete in the grain market.

In a proposal placed at the National Board of Revenue for the fiscal year of 2023-24, the Bangladesh Auto Major and Husking Mills Owners Association (BAMHMOA) said the existence of small rice mills is almost threatened against the backdrop of modern technologies and higher milling capacity.

The association called for tax exemption for the rice mills with a paid-up capital below Tk 10 crore, according to the proposal placed by Shahidur Rahman Patwari Mohan, vice-president of the BAMHMOA.

China sets modest growth target of about 5%

REUTERS, Beijing

China set a modest target for economic growth this year of around 5 per cent on Sunday as it kicked off the annual session of its National People’s Congress (NPC), which is poised to implement the biggest government shake-up in a decade.

The economy gave one of its weakest performances in decades last year, when gross domestic product (GDP) grew by just 3 per cent, squeezed by three years of Covid controls, a crisis in the vast property sector and a crackdown on private enterprise.

In his work report, outgoing Premier Li Keqiang stressed the need for economic stability and expanding consumption, setting a goal to create around 12 million urban jobs this year, up from last year’s target of at least 11 million, and warned that risks remain in the real estate sector.

Li set a budget deficit target at 3.0 per cent of GDP, widening from a goal of around 2.8 per cent last year.

“Global inflation remains high, global economic and trade growth is losing steam, and external attempts to suppress and contain China are escalating,” Li said during his speech to open the parliament, which will run through March 13.

“At home, the foundation for stable growth needs to be consolidated, insufficient demand remains a pronounced problem, and the expectations of private investors and businesses are unstable,” he said.

This year’s growth target is at the low end of expectations, as policy sources had recently told Reuters a range as high as 6 per cent could be set. It is also below last year’s target of around 5.5 per cent.

Alfredo Montufar-Helu, Beijing-based head of the China Center at the Conference Board, said setting a higher growth target would have required massive stimulus and “exacerbated the structural imbalances that China is trying to deal with to achieve its long-term development goals.”

Firms optimistic Pharmaceutical shipments

FROM PAGE B1

However, the volatile service sector is yet to recover even though it has many opportunities that can be explored. Business entities in the service sector, especially micro, small and medium enterprises, need to be modern and adopt cutting-edge technologies to provide competitive services.

The BUILD said companies established between 2018 and 2022 are less optimistic than those set up before. “This indicates these companies need more support. Thus, priority should be given to newly established companies while designing policy support.”

At the launch of the survey report, Industries Minister Nurul Majid Mahmud Humayun described the survey report as well-timed, saying its findings should be taken into serious consideration.

He said the war in Ukraine and its related events have had a significant impact on Bangladesh. BUILD Chairperson Nihad Kabir said: “We will continue to publish this survey to address the concerns of businesses.”

“What is happening in Bangladesh is that we move one step forward only to go back by two steps later,” said Abul Kasem Khan, a trustee board member of the platform.

Citing the now-scrapped Ease of Doing Business Ranking of the World Bank, he said: “We have moved forward but other countries have moved faster.”

FROM PAGE B1

to 151 countries, including those in the EU, Africa and Latin America as well as the US, after catering to 98 per cent of the domestic demand, according to Bapi.

“The markets of the rest of the world are becoming stable in the post-Covid era. It will give us opportunities to expand our operations,” said Mohammad Mujahidul Islam, executive director (marketing and sales) of Eskayef Pharmaceuticals.

The biggest milestone of Eskayef’s journey in exports came in 2022, when its injectables manufacturing facility received approval of the United States Food and Drug Administration.

“Following the approval, we have already started shipping our injectables and oral solid products to the US. Our strategy is to solidify export sales from SRA [stringent regulatory authority] markets, especially the US market,” he added.

Obstacles for the pharmaceutical industry are gradually being lifted, including restrictions on opening letters of credit (LCs) to import raw materials, said Monjurul Alam, director for global business development at Beacon Pharmaceuticals.

“The manufacturers are getting orders from major importers amid the global economic crisis as their situation is improving,” he added.

Alam then said the company might perform well within the first half of 2023 as the number of export destinations could increase.

According to him, the pharmaceuticals sector is still struggling to tackle the situation amid the ongoing US dollar crisis and recent gas and power price hikes.

He thanked the government for giving the pharmaceuticals sector priority in opening LCs to import raw materials.

However, he said the export of Covid-19 drugs came down due to significant improvements in the pandemic, which had an effect on the

overall export volume of Bangladesh.

But the industry suffered as the taka lost its value by about 25 per cent against the US dollar since the Russia-Ukraine war began in February last year.

“The profit margin of all drug manufacturers fell due to an increase in the cost of production,” said Mohammad Ziauddin, deputy general manager (marketing) of ACME Laboratories.

The devaluation of the taka against the US dollar increased the import cost of raw materials, in some cases by 40 per cent to 45 per cent.

However, he said the companies adopted short and long-term strategies to recover from the crisis, helping them improve the situation regarding exports.

Ziauddin believes that by the end of the current month, the industry would be able to reach year-on-year growth.

“It will take more time to reach year-on-year growth as export orders are being placed very slowly,” said Wasim Haider, manager for international marketing at Beximco Pharmaceuticals.

Major importers like Sri Lanka, Myanmar and Nepal are yet to start importing products due to the US dollar crisis.

Besides, manufacturers are facing restrictions in opening LCs to import raw materials, Haider added.

He went on to say that the price hike of the US dollar and renminbi of China has increased production costs.

According to him, they have to settle LCs at Tk 110 against each US dollar while the import cost has gone up by around 22 per cent due to the price hike.

As a result, profit margins declined in export as prices of export items did not increase although production costs had increased.

Haider also said pharmaceutical companies suffered a lot due to the Russia-Ukraine war, the coronavirus pandemic and US dollar crisis.