Beximco suffers Tk 70cr loss in Q1

STAR BUSINESS REPORT

Bangladesh Export Import Company Ltd (Beximco) incurred a Tk 70.7 crore year-on-year loss in July-September of the current financial year due to a massive fall in export and local demand for its products.

The conglomerate registered a Tk 335 crore profit in the identical quarter in 2021-22, according to its un-audited financial statements.

Therefore, Beximco reported earnings per share of Tk 0.79 negative in the first quarter of FY23 against Tk 3.83 a year ago.

The net asset value per share plummeted to Tk 2.69 negative from Tk 2.94 while the net operating cash flow per share dipped to Tk 94.21 from Tk 95.41, Beximco said in a disclosure on the Dhaka Stock Exchange.

The company said revenue decreased abnormally due to a decrease in export and local demand. Besides, the rise in revenue cost owing to the disruption in the international supply chain because of the crisis of the US dollar, the Russia-Ukraine war, and the price hike of gas and electricity were also responsible for the loss, it said.

Shares of Beximco closed unchanged at Tk 115.60 on the DSE yesterday.

Beximco Pharma posts 10% profit growth

STAR BUSINESS REPORT

Beximco Pharmaceuticals Ltd recorded a 10 percent year-on-year increase in profit to Tk 156 crore in the July-September quarter of 2023-24.

As a result, its earnings per share increased to Tk 3.48 from Tk 3.24 in the first quarter of the last financial year, according to the un-audited financial statements.

The pharmaceuticals company also saw its net cash flow per share increase to Tk 6.07, which was Tk 1.53 in 2022-23.

In a filing on the Dhaka Stock Exchange, Beximco Pharmaceuticals said cash outflows for inventories were notably higher because of the strategic buildup of inventories to protect against any supply chain disruption.

"This, together with improved working capital and revenue growth, resulted in a positive deviation in the current period's operating cash flows per share."

Shares of Beximco Pharma were unchanged at Tk 146.20 on the DSE yesterday.

A worker at a jewellery shop in Khulna city is seen welding the joint of a gold bangle. Jewellery sales have dipped as of late as people are unable to keep up with rising costs, including that of gold.

PHOTO: HABIBUR RAHMAN

Jewellery sales slump for higher gold price

Traders also blame political unrest and higher cost of living

SUKANTA HALDER

The demand for jewellery has plummeted in Bangladesh due to the record high prices of gold, ongoing political uncertainty and rising living costs, according to market players.

Sales have come down to one-fourth of their previous levels in November, when demand typically rises amid the wedding season in winter apart from major festivals like Eid and Durga Puja, they said.

An official of the Venus Jewellers outlet at Bashundhara City in Dhaka said many people are postponing their weddings to avoid any untoward situation that may arise amid the current political unrest.

"So, we are not getting many orders this time around," he added.

Besides, jewellers had raised the price of 22-carat gold to Tk 104,626 per bhori on November 5.

The new rate, up by 1.7 percent from the previous high, came into effect yesterday.

The rate was increased owing to a spike in pure gold prices in the local market, according to the Bangladesh Jewellers Association (Bajus).

The price of pure gold goes up whenever it is not available as per demand, a Bajus official said.

Many people bring gold into

the country under the baggage rule. Then, the precious metal is bought and sold based on the international price.

So, local gold prices increase in line with changes in the global market, the official added.

Commerce ministry documents show that the demand for gold in Bangladesh is about 20 to 40 tonnes per year, almost 80 percent of which is met through smuggling while the rest comes from recycling.

Market players say that gold prices have been rising for more than a year due to hikes in the international market and volatility in domestic supply.

Md Moazzem Hossain Rana, owner of Reshma Jewellers in Dhaka's Mirpur, said sales have decreased by 80 percent compared to normal times.

Rana also said he is not getting the same volume of orders he did in previous seasons as rising gold prices and higher living costs have had a major impact on the business.

Gold prices had crossed the Tk 1 lakh mark for the first time in July this year.

Bimal Halder, a jewellery trader in Goshairhat upazila of Shariatpur, said the number of orders he has received so far in November is far lower compared to the same month in previous years.

He added that people are buying fewer gold ornaments due to the country's overall situation, increase in gold prices and higher living costs.

ABM Musa, owner of Shahadat Jewellers on Sadar Road in Barishal city, said 80 percent of their annual gold ornament sales usually come during winter.

However, Musa said he got 70 percent fewer orders this November compared to the same month last year.

As such, he is now very worried about how to manage operational costs in the coming days.

"The rate at which gold prices are increasing is quite worrying because sales are decreasing day by day," said Dewan Aminul Islam, vice-president of Bajus.

"Events like weddings will be less this winter due to strikes and blockades ahead of the national election as it is normal for people to avoid taking risks amid the ongoing uncertainty," he added.

Islam also said that earlier, many people would gift gold ornaments on different occasions apart from marriage.

"But now, due to the higher cost of living, they are avoiding giving such gifts," he added.

The challenge of measuring inflation

MD ABDULLAH AL FAISAL

Mr Arif, a lower-middle-class citizen, decided to visit his local market to purchase essential goods for his family. To his dismay, he discovered that the prices of almost all necessities had gone up by a staggering 30 to 50 percent. This sudden spike in prices left Mr Arif perplexed and worried about the increasing burden on his already strained budget.

To make matters more bewildering, official data showed only 9.63 percent increase in the Consumer Price Index (CPI). This vast discrepancy between Mr Arif's real-life experience and the reported inflation figures raised a troubling question: Was the CPI truly reflecting the economic reality?

Inflation, a crucial economic indicator, profoundly impacts people's lives and influences the policies of governments and central banks. In Bangladesh, as in many countries, the CPI serves as the primary tool for measuring inflation. However, a closer examination of the CPI basket reveals significant issues that may be masking the true inflationary picture in the country.

One of the primary issues with Bangladesh's CPI is the base year, which was recently updated, but still relies on data from the household income and expenditure survey of 2016. This means that the goods and services included in the CPI basket, as well as their respective weights, have not been updated for nearly eight years. In a rapidly changing economic landscape, these infrequent updates raise serious concerns about the relevance and accuracy of the CPI.

In contrast to major economies like Japan, the US and the UK, which frequently revise their CPI baskets, Bangladesh has not kept pace with the need for updates. Failure to capture shifts in expenditure patterns can lead to the CPI becoming increasingly disconnected from reality.

The CPI basket in Bangladesh assigns a significantly higher weight to food items, with rice alone contributing 25.93 percent to food inflation. While it is crucial to monitor food prices, the over-reliance on food inflation may not accurately represent the changing dynamics of the economy. As the country's economy evolves, people's consumption habits diversify, leading to a larger proportion of their spending on non-food items like housing, education, healthcare, and transportation.

There is also a disconnect between global and local pricing. Despite significant price reductions in international markets for commodities such as wheat, coconut oil, and soybean oil, these benefits are not fully passed on to consumers in Bangladesh. Certain companies may be profiting disproportionately, taking advantage of the disparity between international and domestic prices. This not only distorts the local cost of living but also raises concerns about market fairness and transparency.

Government-controlled prices for essential goods (eggs, potatoes, onions, soybean oil, LPG and other commodities) significantly differ from market realities. The official CPI calculation relies on these controlled prices, leading to a distorted inflation picture. Inaccurate Inflation can have significant consequences for both the government and people. If the CPI does not reflect the actual spending habits of the population, these policies may fail to address the real economic challenges faced by the citizens.

In conclusion, Bangladesh's CPI, with its outdated sub-base year and overemphasis on food items, fails to provide a holistic perspective on inflation. As the economy evolves and consumption patterns change, it is imperative that the CPI basket and methodology keep pace with these transformations. Ignoring this issue risks undermining the effectiveness of economic policies and social welfare programmes, ultimately affecting the well-being of the people.

The author is first assistant vice-president of City Bank Capital Resources Ltd

Global agri prices may fall 7% in 2023: WB

STAR BUSINESS REPORT

Prices of agricultural products are projected to fall by 7 percent globally in 2023, according to the World Bank's latest Commodity Markets Outlook report.

The global lender also forecasted that the agricultural prices will see a further 2 percent decline in 2024 and 2025 thanks to ample supplies.

It said the baseline forecasts assume that the latest conflict would have a limited impact on commodity prices, with prices ultimately being driven by fundamental demand and supply factors.

Prior to the latest conflict in the Middle East, agricultural commodity prices fell 3 percent in the third quarter, mainly driven by declines in the price of food, the WB said.

"The food price index fell by 3 percent, led by a 7 percent drop in grains," it said.

"The non-renewal of the Black Sea Grain Initiative, India's export ban of non-basmati rice, and the impending El Niño drove volatility in agricultural prices, but ample supplies kept prices on a mild downward trend," it added.

Agricultural prices have risen since September and ticked up almost 4 percent since the beginning of the conflict, the WB said.

"Domestic food inflation has moderated but remains at double-digits in four out of ten low-income countries and a third of middle and high-income countries, adding to the burden of food insecurity in many parts of the world," it said.

READ MORE ON B2

Farmers harvest rice in a field on the outskirts of Srinagar on October 7. Rice prices will remain high into 2024, assuming that India will maintain its export restrictions, according to the World Bank's latest Commodity Markets Outlook report.

PHOTO: AFP

Saudi Arabia, Russia to continue oil output cuts

REUTERS, *Dubai*

Top oil exporters Saudi Arabia and Russia confirmed on Sunday they would continue with their additional voluntary oil output cuts until the end of the year as concerns over demand and economic growth continue to weigh on crude markets.

Both countries said their cuts would be reviewed next month to consider extending, deepening or increasing it.

Saudi Arabia confirmed it would continue with its additional voluntary cut of 1 million barrels per day (bpd) translating into a production of around 9 million bpd for December, a source at the ministry of energy said in a statement.

"This additional voluntary cut comes to reinforce the precautionary efforts made by Opec+ countries with the aim of

READ MORE ON B2