Farmers in the Panchathupi area under Dhunat upazila of Bogura are having to prepare their fields for the upcoming Boro paddy season using expensive fuel oils to power irrigation pumps in absence of adequate electricity in the region. The picture was taken recently.

PHOTO: MOSTAFA SHABUJ

Pacific Denims' profit falls 66% for higher raw material prices

STAR BUSINESS REPORT

Pacific Denims Ltd, one of the leading apparel exporters in Bangladesh, logged a 66 percent year-on-year decline in profit in the October-December period of financial year 2023-24.

This brought the profit to Tk 27.86 lakh in the second quarter, down from the Tk 82.82 lakh posted in the identical quarter of 2022-23, according to the un-audited financial statement of the company.

Thus, the company's earnings per share (EPS) fell to Tk 0.02 from Tk 0.05.

The company pointed out an increase in the cost of raw materials, as well as, insufficient supply of gas for the decrease in profit, according to a filing on the Dhaka Stock Exchange (DSE).

In July-December of FY24, the apparel exporter reported a profit of Tk 1.06 crore, down 58 percent year-on-year from Tk 2.57 crore in the same period last year.

Shares of Pacific Denims increased 4.38 percent to Tk 14.30 on the DSE yesterday.

ACI sees loss in Q2 despite higher sales

STAR BUSINESS REPORT

Advanced Chemical Industries (ACI), a leading conglomerate in Bangladesh, had plunged into losses during the October-December period of the current fiscal year (FY) mainly due to higher finance costs.

ACI logged losses of Tk 35 crore in the second quarter of FY24 even though the company's sales rose by around 6 percent year-on-year to Tk 3,203 crore at the same time, showed its latest financial statement.

Meanwhile, ACI had registered profits of Tk 36 crore during the corresponding period of FY23.

The company blamed higher borrowing costs rose due to interest rate hikes as it increased spending for supporting business growth.

ACI's net finance costs rose to Tk 156 crore in the second quarter of FY24, up by about 26 percent year-on-year.

The company produces various pharmaceutical products, consumer goods, vehicles and food items while also operating retail chain and healthcare services.

ACI's healthcare segment incurred the highest loss of Tk 144 crore before tax while its concern in the retail chain segment, Shwapno, recorded losses of Tk 84 crore during the October-December period.

On the other hand, its vehicle and pharmaceutical segments notched profits of Tk 130 crore and Tk 55 crore respectively.

As such, stocks of ACI dropped 5.9 percent to Tk 173 per unit at the Dhaka Stock Exchange yesterday.

IFAD Autos suffers massive fall in profit

STAR BUSINESS REPORT

The earnings of IFAD Autos Ltd, the importer of India's Ashok Leyland vehicles to Bangladesh, experienced a sharp 84 percent year-on-year decline to Tk 0.02 per share in the October-December of the 2023-24 financial year.

The company's earnings per share in the same three-month period previous year was Tk 0.13.

However, the company made a profit of Tk 74 lakh in the July-December period of 2023-24, up from Tk 20 crore loss in the same period previous year.

IFAD Autos said its sales dropped 26.65 percent year-on-year to Tk 321 crore in the last six months of 2023 because of a fall in demand for commercial vehicles.

The automobile company, however, returned to profit in the first half of the financial year thanks to 'less devaluation of transactional exchange loss', IFAD Autos said in a disclosure.

BB measures may not work in reining in inflation

Says Prof Rashed Al Mahmud Titumir in an interview

AHSAN HABIB

The economy is going through a crisis as evidenced by the deterioration in all economic indicators. Prof Rashed Al Mahmud Titumir, chairman of the development studies department at the University of Dhaka, talks about the steps that were missing as inflation surged and what needs to be done now to bring the situation under control, in an interview

Rashed Al Mahmud Titumir

The country is plagued by protracted inflation. Not only the families stricken by poverty, but also the low and fixed-income people have been hit hard by the stubbornly high consumer prices

DS: How deep is the impact of inflation?

Prof Titumir: The country is plagued by protracted inflation. Not only the families stricken by poverty, but also the low and fixed-income people have been hit hard by the stubbornly high consumer prices.

Although the price level, particularly that of commodities, has fallen in the international market, its reflection could not be seen in the market of Bangladesh.

Businesses, especially small enterprises, are also bearing the brunt. The general mass, including the middle class, has seen a reduction in consumption, including food intake, and an escalation of malnutrition, amongst others.

The continued high inflationary pressure increased poverty in many places as the national statistical agency's Household Income and Expenditure Survey reveals.

DS: What could Bangladesh Bank do to tame higher inflation?

Prof Titumir: The main mandate of the central bank is to maintain price stability. But instead of squeezing the money supply, it provided a large sum to the cash-strapped government by printing money. It had paused for a while upon criticism.

The central bank, without bringing those to book for the mismanagement, started the second episode of printing money to rescue several banks controlled by a business conglomerate. The regulator has not said yet when it will stop the fund injection.

Now, for the third time in a row, the BB is printing money against the special bonds to foot the government's fertilizer and electricity bills. If this continues, how will the public be saved from the scourge of chronic inflation?

The swollen costs of raw materials, utilities and transport have pushed up inflation. High depreciation of the local currency against foreign currencies is also causing inflation. Therefore, raising interest rates alone would not tame inflation. The inflation target announced in the monetary policy statement (MPS) is, thus, illusory. In the past, the targets were not achieved.

DS: What do you think about the idea of the crawling peg to stabilise the exchange rate?

Prof Titumir: Several countries, including Argentina, Ecuador, Botswana, Costa Rica, Nicaragua, Uruguay and Vietnam, followed this path. The experience was not pleasant and the method had to be abandoned.

The exchange rate will not stabilise if the kerb market is active. Expatriates will not send remittances through banks when their funds fetch a higher amount from the informal market. Most importantly, when the informal market holds sway, the reversal is not easy. Nothing has been said in the MPS about the informal market. This begs the question: Which segment is not allowing to halt this unrecorded economy?

Capital flight, stagnant exports, lower-than-usual inflow of remittances through formal channels, reduced foreign direct investment and higher external debts are the reasons for the dwindling foreign exchange reserves. The dependence on food and fuel imports also put additional pressure on the reserves.

READ MORE ON B2

Only a slight rise in policy rate may not tame price spiral

Say economists

STAR BUSINESS REPORT

Only a slight rise in the policy rate, which is the rate at which the central bank lends money to commercial banks, may not tame inflationary pressure in Bangladesh as there are many reasons for elevated price levels, economists said yesterday.

They made the comments at a roundtable discussion on "Monetary Policy (January-June 2024)", organised by the Institute of Chartered Accountants of Bangladesh (ICAB) at its auditorium.

The Bangladesh Bank raised the policy rate by 25 basis points to 8 percent for the second half of the FY24.

Primarily, there was demand-pull inflation, but now it is turning into cost-push inflation, said Prof Shamsul Alam, a former state minister for the Ministry of Planning.

So, bringing inflation rate within the targeted level by only raising the policy rate will be tough, he said while speaking as chief guest.

Alam also recommended reducing import tariffs in order to contain inflation, and reducing expenditure by lowering cost and time overruns for projects.

As the local currency was overvalued for a long time and the government did not opt for reforms in macroeconomic management, it is facing a hard landing instead of a soft landing, said Prof Mustafizur Rahman, a distinguished fellow of the Centre for Policy Dialogue.

Now, the central bank is planning for a crawling peg, but it needs to make the exchange rate mechanism market-based. Initially, that may lead to higher inflation but ultimately it will reduce the price hike. The initial 'shock therapy' will be good for the economy in the long run, he said.

If the exchange rate becomes market-based, exports will be competitive and inward remittances through formal channels will be higher. So, there will be less pressure on the balance of payments, he added.

On one hand, the central bank announced a contractionary monetary policy, but on the other hand it is lending to some Islami banks by printing money, which is a contradictory measure since this money fuels inflationary pressure, said Ashikur Rahman, senior economist at the Policy Research Institute.

Due to poor governance in some banks, the central bank had to print money. So, the central bank should ensure good governance in the banking sector and take policies independently.

"The policy rate must match the inflation rate. It should not be lower than the inflation rate," he added.

Muhammad Abdul Mazid, a former chairman of the National Board of Revenue, Mohammed Forkan Uddin, president of the ICAB, Kamran T Rahman, president of the Metropolitan Chamber of Commerce and Industry, Ashraf Ahmed, president of the Dhaka Chamber of Commerce and Industry, and Sajjadur Rahman, deputy editor of the Business Standard, also talked at the event.

Submarine Cable's profit declines 18% in Q2

STAR BUSINESS REPORT

Bangladesh Submarine Cable Company Ltd (BSCCL) posted an 18 percent year-on-year decline in profit to Tk 47.99 crore in the second quarter of the current financial year, owing to a fall in revenues and a rise in bad loans.

The profit stood at Tk 58.54 crore in the October-December quarter of 2022-23, according to the unaudited financial statements. So, the diluted earnings per share fell to Tk 2.91 in the second quarter of 2023-24 from Tk 3.55 a year earlier.

The profit slowdown in the three months to December hit the earnings in the first half of FY24 as it fell nearly 11 percent to Tk 103.89 crore. The profit stood at Tk 116.59 crore in the similar half of FY23. The diluted EPS was Tk 6.30 in July-December of FY24 compared to Tk 7.07 in FY23.

The decrease in the EPS was mainly due to the reduction in revenue in international private leased circuit (IPLC) rent, IP (internet protocol) transit service, and the increase in provision for bad and doubtful debts.

An IPLC, a private line used by companies to communicate between offices that are dispersed throughout the world, can be used for internet access, data exchange, video conferencing and other forms of communications.

The net operating cash flow per share of BSCCL rose to Tk 10.09 in July-December of FY24 from Tk 8.19 a year earlier on the back of the collection of revenue from customers, the state-run company said in a filing on the Dhaka Stock Exchange.

The net asset value per share rose to Tk 89.71 on December 31 from Tk 85.05 on June 30.

Energy traders, shippers grapple with Red Sea fallout

REUTERS, *Singapore/New Delhi/London*

To avoid the Red Sea, the supertanker Grand Bonanza set out early this month on a roughly 40-day journey carrying 1.8 million barrels of Abu Dhabi crude for TotalEnergies from the United Arab Emirates all the way around Africa to France.

The trip will take at least two weeks longer than the normal route via the Suez Canal, and at about $5.7 million, will cost nearly 80 percent more, according to estimates by a shipping source and data from LSEG and Kpler.

The French oil giant's booking of the Grand Bonanza illustrates how attacks by Yemen-based Houthi forces on Red Sea shipping, which had mostly affected container shipping, are now driving up costs and disrupting global oil trading.

A strike last Friday on a Trafigura-chartered fuel tanker underscored the risk.Energy producers and traders are weighing the higher prices of longer voyages around the Cape of Good Hope and using larger crude tankers to manage costs and risks, while buyers are demanding discounts to compensate for higher freight and war risk premiums. Shippers are revising routes and refuelling points and accelerating cruising speeds, which burns more fuel and increases emissions.

The photo shows stacks of containers on the deck of ships at a port in Felixstowe on the East coast of England on January 27. Hundreds of cargo ships and tankers are being rerouted around the southern tip of Africa to avoid Houthi attacks in the Red Sea.

PHOTO: AFP

"Unless the Red Sea disruption eases quickly, we should see some significant increase in the cost of delivered crude," said Stefano Grasso, a portfolio manager at 8VantEdge in Singapore.

European refiners are hurt by the increased shipping times that are driving up costs for their crude, but their margins are supported by a drop in competing product imports from the Middle East and India, traders said.

Longer travel times have tightened tanker supply, affecting shipments of naphtha from Europe to Asia and diesel from the east to Europe, they said.

"The recent rise in clean freight rates is boosting the prices of refined products in net importing regions, including diesel in Europe, naphtha and fuel oil in Asia, and gasoline in the US," Goldman Sachs analysts said in a January 29 note.

US refiners benefit as they can send fuel products to Europe to replace supply from the Middle East, said Mukesh Sahdev, head of oil trading at consultancy Rystad Energy, just as the US did with natural gas, replacing Russian supply after Moscow's invasion of Ukraine.