

Govt to buy edible oil, lentil worth Tk 350cr

STAR BUSINESS REPORT

The government yesterday decided to buy edible oil and lentils worth Tk 350 crore from five local firms in order to sell them among the poor and low-income people at subsidised rates.

City Edible Oil Ltd, a concern of commodity major City Group, will supply 11,000 tonnes of soybean oil to state-run Trading Corporation of Bangladesh (TCB) at Tk 168 crore, according to a decision by the cabinet committee on government purchase.

This means each litre of the popular cooking oil will cost Tk 152.98, which is higher than the previous purchase rate of Tk 155.57.

Sena Kalyan Sangstha and Nabil Naba Food Ltd will supply 5,000 tonnes of lentils each. The total value of the contracts is Tk 102.75 crore.

The committee also approved the bids of Majumder Bran Oil Mills Ltd and Majumder Products Ltd to sell 50 tonnes of rice bran oil to the TCB. The government will spend Tk 76 crore for the products.

The consent came after the commerce ministry placed the purchase proposals at the cabinet committee.

TCB now sells edible oil, lentils, onions, chick peas and dates among the low-income people at below the market prices so that they can afford the items.

Eurozone inflation falls faster than expected

AFP, Brussels

The eurozone's annual rate of inflation dipped further than predicted in March, official data showed Wednesday, spurring hope that the European Central Bank will cut interest rates in June.

Consumer price rises in the single currency area slowed to 2.4 percent, from 2.6 percent in February, the EU's statistics agency said.

Analysts surveyed by FactSet had predicted inflation would remain stable at 2.6 percent while economists asked by Bloomberg expected a smaller drop to 2.5 percent.

The figure is getting closer to the ECB's two-percent target, which will make the case for cutting rates in June stronger, but analysts do not expect a cut at the next monetary policy meeting on April 11.



Restaurants are crowded ahead of Iftar by those seeking delicacies to enjoy after breaking their fast. But eateries across Dhaka remain empty on the inside, with few customers during the peak hours of lunch and dinner. Restaurant owners said sales had dropped by more than 20 percent compared to the previous Ramadan, blaming persistent inflation and the fallout of the Bailey Road fire. PHOTO: PALASH KHAN

No cheers for restaurant owners, staff this Eid

They face setbacks for Ramadan and fallout from Bailey Road fire

SUKANTA HALDER

Restaurants usually face a dearth of customers during Ramadan but coupled with the fallout from the Bailey Road fire, such establishments have been dealt a double whammy from which they are struggling to recover.

At least 46 people were killed in a fire that enveloped the Green Cozy Cottage Shopping Mall in Bailey Road on February 29 this year, with reports stating that the seven-storey building, which housed eight eating joints, had no fire safety measures.

As a result, people began avoiding dining out, and sales of restaurants had already slumped.

This has been further exacerbated by the fact that mostly Iftar items are sold during Ramadan as people are fasting during breakfast and lunch and prefer to have relaxed dinners at home. So, the income is much lower compared to regular days during the holy month.

As a consequence of the slump in sales, some eateries have been forced to sack their employees before Eid-ul-Fitr, one of the biggest religious festivals in Bangladesh, while others have taken bank loans to pay staff salaries and fund renovations, including safety measures and decor.

As sales are lower during Ramadan, some employees have also been sent on temporary



leave for the month. However, the number of workers sent on temporary leave this year is much higher than that in previous years. Bipu Chowdhury, chief executive officer of Nawabi Voj, which operates four outlets in the capital, said that sales during the current Ramadan had halved compared to last Ramadan. "We are going through a very difficult time. It can't be explained," he said. "Now we make sales of Tk 100,000 to Tk 150,000 per day, but it was Tk 200,000 to Tk 250,000 last year."

Chowdhury said the lingering impacts of the Bailey Road fire and subsequent drives by law enforcement agencies continued to weigh on the business.

He was struggling to see a way out of this pattern of negative growth. However, he hoped the

situation would improve after Eid. After the Bailey Road incident, it was found that among the 25,000 Dhaka restaurants, only 134 had secured the government licence to run a restaurant business.

When that information was made public, there was a huge outcry and many people began avoiding restaurants, said industry people.

Many small and large restaurants have sprouted up in Dhaka over the past decade to cater to the growing demand for hygienic food while also serving the middle and higher-income segments with options for dining out.

However, restaurants have been struggling to ward off the impacts of persistent inflation, which has hovered over 9 percent since March last year.

Amid record inflationary

pressures, the profit margin in the restaurant business has also narrowed considerably. At the same time, the rise in prices of essential commodities had led to increased prices for items, which was another reason behind the decline in sales.

"The profit margin decreased last year due to various reasons. Meanwhile, sales have decreased by 20 percent this Ramadan compared to last Ramadan. All in all, I'm very uncomfortable," said Mizan of Bangla Restaurant in the capital's Motijheel.

Currently, there are 4.81 lakh restaurants in Bangladesh, employing 30 lakh people. Overall, two crore people are dependent on the sector, directly and indirectly, according to the Bangladesh Restaurant Owners' Association (BROA).

Firoz Alam Sumon, chief executive officer of Al Kaderia Restaurant at Rampura Bazar in Dhaka, said people were still anxious following the Bailey Road incident.

Consequently, 30 percent fewer customers are dining out this Ramadan compared to last Ramadan, he said.

He added that 20 percent of their staff was laid off on the first day of Ramadan.

"It is not possible to run the business normally only by selling Iftar. So, this decision was taken out of compulsion," he added.

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A contrarian perspective in turbulent times

MD ABDULLAH AL FAISAL

In the tumultuous landscape of the Dhaka Stock Exchange (DSEX), investors find themselves navigating through a maze of uncertainties. With the recent correction in the index, coupled with various macroeconomic challenges, the question arises: is the DSEX overvalued, undervalued, or fairly valued?

Let's delve into the numbers and factors at play. From February 11 to March 28, the DSEX witnessed a significant correction of 10.37 percent, plummeting from 6,447.07 points to 5,778.33 points. Currently, the index's price-to-earnings (P/E) ratio stands at 11.64, indicating a seemingly undervalued market. However, it is crucial to dissect the historical context and broader market dynamics.

Examining historical trends, the market P/E ratios over the fiscal years show fluctuations, with the current ratio comparatively lower than previous years only except for the coronavirus pandemic period. This indicates a potential undervaluation, particularly when considering the inclusion of all listed scripts in the index calculation.

The exclusion of reputable companies such as ACI, IDLC Finance, and RAK Ceramics, coinciding with the removal of 83 firms, has raised suspicions of index calculation. Approximately 30 percent of the listed companies now lie outside the main index, distorting market perception.

Moreover, the floor prices for six companies—Beximco Ltd, BSRM Ltd, Islami Bank Bangladesh, Khulna Power, Meghna Petroleum, and Shahjibazar Power—further complicate the situation, potentially impacting market dynamics and investor confidence.

The DSEX's woes are compounded by a myriad of macroeconomic challenges.

High inflation, decades of high risk-free rates, US dollar shortages, political instability, and regulatory uncertainties cast a shadow over market performance. Moreover, reduced foreign participation exacerbates the situation, contributing to a volatile investment landscape.

In the midst of challenges, contrarian investors discern opportunities amid adversity. Despite the prevailing macroeconomic headwinds, signs of underlying market value emerge.

Initiatives by the central bank to tackle non-performing loans (NPLs), enhancements in corporate governance, and significant reforms such as the adoption of a crawling peg exchange rate, removal of lending rate caps, and adherence to International Monetary Fund (IMF)-prescribed monetary and fiscal policies, provide glimpses of optimism for a potential turnaround.

The S&P 500, the index tracking the stock performance of 500 of the largest companies listed on stock exchanges in the United States, faced a 24.82 percent decline by October 2023 post-Fed rate hikes but rebounded impressively by 47 percent thereafter till now, showcasing market resilience.

In contrast, the DSEX shed 21 percent from October 2021 due to high inflation, regulatory shifts, and geopolitical uncertainties. Despite challenges, discerning investors may find opportunities amid the DSEX's correction.

Despite the challenges, optimism prevails for the DSEX. As macroeconomic factors gradually stabilise and regulatory uncertainties subside, the market is poised for a resurgence.

Investors with a long-term horizon and risk appetite stand to gain from contrarian positions in undervalued assets. With cautious optimism and strategic insights, the DSEX journey promises to be a rewarding endeavour for those willing to seize the moment.

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Japan's economy recovers to full capacity

REUTERS, Tokyo

Japan's economic output recovered to full capacity for the first time in about four years in the October-December quarter, a positive sign that may allow the central bank to raise interest rates again.

Japan's output gap, which measures the difference between an economy's actual and potential output, stood at +0.02 percent in the final quarter of last year, an estimate by the Bank of Japan (BOJ) showed on Wednesday.

It followed a reading of -0.37 percent in the third quarter, and was the first positive reading in 15 quarters.

The output gap is among data the BOJ watches closely in determining whether the economy is expanding strongly enough to propel a demand-driven rise in inflation.

A positive output gap occurs when actual output exceeds the economy's full capacity, and is considered a sign of strong demand. It is seen by analysts as one of a handful of prerequisites for wages to rise more, and push inflation sustainably around the BOJ's 2 percent target.

The BOJ ended eight years of negative interest rates and other remnants of its unorthodox policy last month, making a historic shift away from its focus on quashing deflation and reflating growth with decades of massive monetary stimulus. Markets are on the look-out for any clues on how soon the central bank could raise interest rates again.

Expectations that the BOJ will go slow in any further rate hikes have pushed the yen down to near 152 to the dollar, a level seen by markets as heightening the chance of yen-buying intervention by Japanese authorities.

India's 'Goldilocks' economy to prompt cenbank to keep rates on hold



REUTERS, Mumbai

Strong economic growth and moderating inflation means India's central bank will have room to keep interest rates on hold at its review this week and likely until July, economists say.

The Reserve Bank of India (RBI) is widely expected to keep rates unchanged on Friday, for the seventh consecutive meeting.

All 56 economists in the March 15-22 Reuters poll expected the RBI to hold the repo rate at 6.5 percent while most expect no change at least until July. The RBI has ample room to remain on hold in the near term, Barclays said in a note.

The central bank last changed rates in February 2023, when the policy rate was hiked to 6.5 percent.

"We think the RBI will have to consider the balance of risks between over-tightening (given the 'not too-hot-not-too-cold' state of the economy) and maintaining monetary policy conditions for achieving reasonably good real GDP growth of at least 7 percent," Barclays

economists wrote, referring to the proverbial "Goldilocks" ideal state of stable economic growth.

As India heads into a general election, the economy is growing faster than expected amid signs prices are trending lower though food inflation remains a risk.

Prime Minister Narendra Modi said at

an event on Monday that the RBI must give top priority to growth but at the same time focus on trust and stability. Modi's Hindu nationalist Bharatiya Janata Party is expected to secure a comfortable win for a third straight term at the polls starting on April 19. The Dow dropped 1 percent, the S&P 500 shed seven-tenths of a percent

and the Nasdaq lost nearly one percent.

India's economy grew a stellar 8.4 percent in the fourth quarter of 2023, the fastest among major economies while retail prices in February rose at a faster-than-expected pace of 5.09 percent due to elevated food prices, staying above the RBI's 4 percent target.

In February, one of six monetary policy committee members voted for a cut in policy rates arguing that real rates in India are too high since inflation is seen easing to an average of 4.5 percent in 2024-25.

"India's growth is robust when compared to the rest of the world, but not when compared to our potential or to our aspirations," monetary policy committee's external member Jayanthi Varma told Reuters.

But central bank governor Shaktikanta Das has repeatedly said that it is premature to ease policy before inflation returns to the 4 percent target. Headline inflation in India has remained above the central bank's target, core inflation has fallen below 4 percent, which some say may allow the central bank to signal policy easing ahead.

The current monetary policy stance is "withdrawal of accommodation", signalling that monetary policy will likely remain tight.



Indian central bank governor Shaktikanta Das has repeatedly said that it is premature to ease policy before inflation returns to the 4 percent target. PHOTO: AFP/FILE