Farmers of Ilisha union of Bhola sadar upazila sort and stack betel leaves according to size and quality for sale to wholesalers. The tedious task requires extra hands or agricultural produce handlers who are paid Tk 600 for a day's work. The photo was taken at the Bottola Bazar next to the Barishal-Bhola highway recently. PHOTO: MONIR UDDIN ANIK

Dhaka stocks rise for fifth straight day

Price spike in blue-chip stocks plays an important role

STAR BUSINESS REPORT

The major index of the Dhaka Stock Exchange (DSE) extended its gaining momentum as it surged for the fifth successive day yesterday largely thanks to a spike in the prices of the blue-chip shares.

The shares of Renata, BSRM Steel, BAT Bangladesh, MJL, Grameenphone, Bangladesh Monospool Paper Manufacturing, Sea Pearl, Unilever Consumer Care, LafargeHolcim, and Prime Bank are among the blue-chip stocks that rose significantly.

Renata dominated the pullers' index with a rise of 12.93 percent when BSRM Steel jumped 2.28 percent.

Yesterday, the market opened higher and touched the 5,300-point mark within half an hour.

The DSEX, the benchmark index of the country's prime bourse, edged up 3.01 points, or 0.06 percent, to close the day at 5,247.

Similarly, the DSES, the index that represents the Shariah-based companies, rose 0.59 points, or 0.05 percent, to 1,146.

The DS30, the index that comprises best blue-chip firms, advanced 2.03 points, or 0.11 percent, to 1,877.5.

The market closed flat with an increase in turnover, according to the daily market update by UCB Stock Brokerage.

Turnover, which indicates the volume of shares traded during the session, increased 7.46 percent to Tk 486 crore compared to the last day's trading session.

The pharmaceuticals sector dominated the turnover chart accounting for 20.80 percent of the daily total market's turnover.

Among sectors, jute, engineering and paper and printing ended the day in the positive territory while mutual fund, information technology (IT) and general insurance closed in negative territory.

Of the issues that changed hands on the DSE, 232 declined, 111 edged higher, and 55 did not see any movement.

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Salvo Chemical Industry topped the gainers' chart, with a 10 percent gain.

Paper Processing & Packaging, Bangladesh Monospool Paper Manufacturing Company and Zahintex Industries made gains of 9.95 percent, 9.94 percent and 9.43 percent, respectively.

Sonali Aansh Industries, Wata Chemicals, Walton Hi-Tech Industries, and Sonali Paper & Board Mills were also on the gainers' list.

Northern Jute Manufacturing Company and Legacy Footwear shed the most, losing identical 2.99 percent each.

The two were followed by Stylecraft Limited and Crystal Insurance Company, both of whom lost 2.98 percent and 2.97 percent correspondingly.

JMI Syringes & Medical Devices, Paramount Insurance Company, Apex Tannery, Khan Brothers PP Woven Bag Industries, Miracle Industries, and Meghna Pet Industries also suffered losses.

Chittagong Stock Exchange (CSE) also saw the similar trend with its all-share price index gaining 34.90 points, 0.24 percent, to settle at 14,821.72 when the Selective Categories Index increased 22.37 points, or 0.25 percent, to 8,921.94.

Take steps to overcome barriers to private investment

States Bangladesh Business Climate Index 2024

STAR BUSINESS REPORT

Bangladesh needs to overcome barriers to increasing private investment, as year-on-year private sector credit growth fell short of the government target of 11 percent for this month, according to Bangladesh Business Climate Index 2024.

In December 2023, it experienced a slightly lower year-on-year growth of 10.2 percent, compared to its growth rate of 10.9 percent in December 2022, it said.

The index was released by the Metropolitan Chamber of Commerce and Industry (MCCI) and Policy Exchange Bangladesh (PEB) in Dhaka recently.

The growth rate was primarily influenced by higher domestic and international commodity prices, coupled with a notable depreciation of the Bangladeshi taka against the US dollar, they said in a report.

Despite that, Bangladesh performed fairly well compared to many other emerging and developing Asian economies, it added.

Bangladesh is acknowledged as a burgeoning investment hub, said the report.

Foreign direct investment (FDI) remains limited and predominantly focused on traditional sectors such as garments and textiles, oil and gas, energy and power, financial services and pharmaceuticals, it said.

The FDI is a powerful tool for developing the Bangladesh economy and can significantly contribute to achieving the country's socioeconomic objectives, including poverty reduction goals, the report added.

The inflow of foreign capital strengthens the domestic investment base, stimulates economic activities, creates employment opportunities, and brings along technological advancements and managerial expertise, which can have a transformative effect on local industries, it said.

The inflow of private investment and FDI is hampered by various factors, which have prevented the country from keeping pace with many of its comparator nations, according to the MCCI and the PEB.

The FDI flowing into various sectors of Bangladesh offers valuable perspectives on the nation's economic terrain and highlights the industries drawing notable investments, they said.

STOCKS

DSEX ▲	CASPI ▲
0.05%	0.23%
5,247.13	14,821.71

COMMODITIES AS OF FRIDAY

Gold ▼	Oil ▼
$2,320.79	$80.60
(per ounce)	(per barrel)

UK retail sales rebound

REUTERS, *London*

British retail sales jumped sharply last month after heavy rain kept shoppers away in April, official figures showed on Friday, in a minor boost for Prime Minister Rishi Sunak ahead of the July 4 election.

Sales volumes rose 2.9 percent in May, up from a revised 1.8 percent fall in April, the Office for National Statistics said.

Economists polled by Reuters had on average forecast sales volumes would increase by 1.5 percent in May.

Compared to a year ago, May's sales volumes were 1.3 percent higher, after a revised 2.3 percent fall in April, but remained 0.5 percent below their level in February 2020 before the COVID-19 pandemic.

ADB to lend $20.8b

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promoting economic diversification, trade openness and investment, encouraging green growth, and strengthening institutions and governance, with a focus on digitalisation.

The transport sector's lending will pursue "transformative pathways to shifts to low carbon transport and decarbonised systems", said the ADB.

The support for the agriculture, food, nature and rural development sector will look to manage climate change and disaster risks, improve rural access to market and rural livelihoods and productivity, and strengthen institutional capacities.

The ADB said the country is navigating several macroeconomic challenges, including low revenue mobilisation and foreign exchange reserves, elevated inflation, low direct investment, and heightened banking sector vulnerabilities.

To address these issues, the government is taking proactive measures such as the implementation of a formula-based petroleum fuel price adjustment mechanism, realignment of the exchange rate, liberalisation of retail interest rate, and revenue-based fiscal consolidation, the development lender added.

BB monetary policy

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On a 12-month average during June 2023 and May 2024, the inflation rate was 9.73 percent, much higher than the BB's target of 7.5 percent for the outgoing fiscal year of 2023-24.

The government has set a goal to contain the consumer price hike at 6.5 percent for fiscal year 2024-25.

The banking regulator raised the policy rate several times since May 2022 to increase the cost of money.

In May the BB raised the policy rate by 50 basis points to 8.5 percent to rein in runaway inflation.

In the same month, the central bank relaxed the bank interest rate and US dollar exchange rate as per the prescription of the International Monetary Fund.

Central bank officials said the banking regulator was likely to hike the policy rate further to tame inflation.

Industry insiders said the BB was still injecting money into some weak banks, for which, despite the presence of a tight monetary policy, it has not been possible to cool down inflation.

Ahsan H Mansur, executive director of the Policy Research Institute of Bangladesh, at a discussion recently said the policy rates should be increased further from the current 8.5 percent to at least 10 percent without further delay to curb high inflation.

FY25 budget won't ensure

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allocating fresh funds for fossil fuels as positive. "The budget should reiterate the government's commitment to phase out old, dated, and expensive fuel-based plants."

Moazzem highlighted six major challenges confronting the power and energy sector: rising generation capacity; continuous load-shedding; slow progress of transmission and distribution system projects; less attention given towards renewable energy expansion; inability to import energy; and continuous financial loss of public entities.

He, however, said a reduction in budgetary allocation for the gas sector is not rational. "There is no alternative to domestic gas exploration to increase fuel supply and reduce load-shedding."

The integration of renewable energy into the grid has a lot to do with the upgradation of transmission and distribution systems, he said.

The CPD also pointed out the subsidy going to the power sector, which received Tk 40,000 crore for 2024-25, accounting for 37 percent of the subsidy segment. Most of the allocation will be spent on paying capacity charges.

Stating that the subsidy is not a sustainable solution, Moazzem said relying heavily on imported LNG could make Bangladesh more vulnerable to changes in global prices.

A subsidy allocation of Tk 7,000 crore in LNG imports has been proposed in FY25, which is up from Tk 6,000 crore in the outgoing fiscal year.

"Rather than enhancing LNG import, the fund should be allocated for domestic gas exploration," the economist said.

He said some important issues that required distinctive fiscal measures have not been addressed in the budget.

These include fossil fuel phase-out, the retirement of rental and quick rental power plants, ending capacity payments, and incentivising renewable energy.

A special allocation of Tk 100 crore has been proposed by the finance minister to encourage the development and use of renewable energy.

"Though the amount is small, the initiative is appreciated since it will accelerate the breaking of carbon lock-in in the country," Moazzem said.

Prof M Shamsul Alam, energy adviser of the Consumers Association of Bangladesh, alleged that the Bangladesh Energy Regulatory Commission has failed to set fair energy prices.

He alleged that everybody knows about the corruption in the Bangladesh Petroleum Corporation, but no effective steps were taken to stop it.

Mohammad Tamim, a professor of the chemical and materials engineering department of the Bangladesh University of Engineering and Technology, stressed the need for a long-term energy policy and strong regulatory authority.

"The existing energy policy was formulated in 1996 but no amendment has been made yet. A good policy ensures a strong regularity authority."

AK Azad, a lawmaker and an industrialist, said it is becoming difficult to run factories due to a spike in gas prices on the one hand and continuous load-shedding on the other hand.

Mohammad Hussain, director-general of the power cell of the Power Division, said if the country had adequate primary energy, the issues of over-capacity, capacity payments, and the financial losses incurred by state-run entities might not have come into discussion.

He also recognised that it would be better if the allocation in the energy sector goes up.

Mohammad Alauddin, rector of the Bangladesh Power Management Institute, welcomed the first-ever separate allocation for the development of renewable energy.

He called for lowering taxes and duties to encourage the private sector to produce more solar power.

What's in the budget

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necessitated devising ways to continue running business operations rather than going for expansion through fresh investments.

Considering this, it is quite difficult for the business community to bring in big investments, he said.

He suggested focusing on labour-intensive industries at this moment to create employment opportunities.

Local investors do not have sufficient money at hand to make investments and they should lay emphasis on bringing in foreign direct investment (FDI) through joint ventures, he said.

Such joint venture investments are most likely to facilitate the government's plan on achieving the private investment to GDP target, he said.

Asif Ibrahim, chairman of Chittagong Stock Exchange, said, in order to achieve the target, the government could focus on improving infrastructure, streamlining regulations, offering incentives, promoting FDI and investing in education and skills development.

Besides, it needs to ensure political stability, promote innovation and entrepreneurship, and develop the capital market, he said.

These efforts can create a lucrative environment for private investors and contribute to economic growth and development, said Ibrahim.

Unfortunately, investors still face red tape and delays in obtaining licences and necessary utility connections and impediments over logistics, he said.

According to him, there is a lack of coordination among the agencies responsible for facilitating the ease of doing business.

These hurdles need to be overcome to take private sector investment to 27.34 percent of the GDP for FY25, he suggested.

Ashraf Ahmed, president of the Dhaka Chamber of Commerce and Industry, said the proposed budget focused on containing inflation, while the latest monetary policy statement was contractionary in nature, which were constraints for investment.

As private sector credit growth, public investment, balance of payments and FDI remain low, it is unlikely that employment and investment will see significant growth in the coming days, he said.

In fact, persistence of a high bank interest rate and low liquidity from a crowding out effect could even trigger an economic meltdown, he said.

"Unless our policy stances shift after December 2024, it will be difficult to achieve the investment target," said Ahmed.

Ferdaus Ara Begum, chief executive officer of Business Initiative Leading Development, said it would not be possible to reach the private sector investment target if policies were not consistent and friendly towards investment.

She said the investment targets for the private sector have been almost static for long.

In the budget for FY2024-25, the target has been increased to 27.34 percent while it was reduced to 23.51 percent in the outgoing fiscal year from 24.18 percent in FY2022-23, she said.

According to her, even though public sector investment had increased, it could not support private sector investment.

In the government's 8th Five Year Plan, the investment target is 36.59 percent of the GDP in 2025, which is still a far cry, she said.

She said policy consistency for investment was the prime requirement.

The policy continuity for the investors in economic zones and hi-tech parks could contribute a significant amount of investment while creating new employment opportunities, she said.

She also pointed out that investors are facing problems in availing gas connections and electricity while subsidies for electricity and gas were going to be withdrawn in phases as per the suggestions of the International Monetary Fund.