The entrance to the Dhaka Export Processing Zone was crowded by protesters for a third day yesterday, further disrupting activities inside one of the country's biggest economic hubs. The protests also spilled over onto the highways, causing a huge traffic jam and hampering transport activities.

PHOTO: COLLECTED

Dhaka EPZ continues to face disruptions amid protests of jobseekers

OUR CORRESPONDENT, *Savar*

Activities at the Dhaka Export Processing Zone (DEPZ) in Savar continued to face disruptions as protesters, who are campaigning for equal opportunities, hampered production at units inside the facility for a third consecutive day.

The disruption to one of the biggest export processing zones in the country is another setback for an economy that has been struggling to find stability in recent times.

Mohammad Sarowar Alom, SP of Ashulia Industrial Police -1, told The Daily Star that around half of the factories inside the DEPZ were closed due to the protests.

Transportation was also significantly hindered as demonstrators blocked the Nabinagar-Chandra highway in front of the DEPZ since the morning, causing severe traffic jams.

While visiting the DEPZ area around 12:00pm, this correspondent saw that around 200 protestors had blocked the highway, leading to a three-kilometre gridlock.

Members of the Army and Ashulia Industrial Police-1 were also seen taking up positions inside the main gate of the DEPZ.

According to the protesters, jobs inside the DEPZ are disproportionately given to women.

A jobseeker, who did not want to be named, told The Daily Star: "We are not here to fight. We are here to raise fair demands. We come here again and again for jobs. But while females are given jobs, males are not. Everyone aged 18 to 45 should be given a job according to merit," he said.

"If necessary, we should be trained and given jobs. We want equal opportunities for males and females. We demonstrated yesterday and will continue to demonstrate if our demands remain unmet."

Subrata Kumar, assistant superintendent of police (ASP) of Ashulia Industrial Police-1, said protesters paid no heed to requests to clear the road.

Anwar Parvez, executive director (public relations) at Bepza, claimed 79,588 workers are employed in the DEPZ, of which 51 percent are female and 49 percent male.

> **Transportation was also significantly hindered as demonstrators blocked the Nabinagar-Chandra highway in front of the DEPZ since the morning**

"The DEPZ recruits workers based on merit. There is no discrimination between males and females. Some industries such as garments need more female workers, while some industries like textile need more male workers," he said.

For an example, he said about 80 percent of workers in one of the garment units located inside the DEPZ are women. But at the same time, around 90 percent of workers in an accessories factory are males.

"It depends on their requirement. Some factories have more male workers while some have more female workers. But the overall female-male ratio is almost 50/50."

Asked about SP Alom's claim that about half of the factories inside the DEPZ were closed due to the protest, he said: "No, all the factories in the new zone are open. Some factories in the old zone were closed after lunch as food supply was hampered due to protests on yesterday."

He added that efforts were being made to reach a fair settlement with the protesters.

"However, each time one group is being addressed, another group voices slogans saying that they don't agree. Each group is presenting a different demand at a different time," he said.

He added that protesters had been asked to submit their CVs, but many left without doing so.

In Bangladesh, quota protests led by students since July 1 and subsequent violence were met with a sudden curfew and a crippling internet shutdown.

Although the movement culminated in Sheikh Hasina handing in her resignation and fleeing the country on August 5, violence continued.

At least 535 individuals lost their lives as of August 7 while public assets were vandalised or set ablaze in arson attacks.

As a result of the tense atmosphere, the economy slowed to a crawl.

Production in factories was also disrupted for many days and many investors are concerned about timely production and export of goods. They also fear that further disruptions could result in export orders being cancelled and diverted to competing countries.

Currently, as the interim government tries to restore law and order to stabilise the economy, this protest has disrupted the working environment at the DEPZ.

Thermax Textile to sell its stakes in SBAC Bank

STAR BUSINESS REPORT

Thermax Textile Mills, one of the sponsor shareholders of SBAC Bank PLC, is going to sell most of the stakes it has in the bank.

Thermax Textile is a concern of Thermax Group, whose chairman, Abdul Kadir Molla, holds a 4.27 percent stake in SBAC Bank PLC, said a top official of the private bank.

Molla was earlier the chairman of the private bank and currently is a director of the SBAC Bank board.

In a disclosure posted on the Dhaka Stock Exchange (DSE) website on August 18, SBAC Bank said Thermax Textile seeks to sell 3.48 crore shares, or 99 percent of its total holding, at the prevailing market price in the block market.

Shares of SBAC Bank, which shot up to Tk 10 on August 11, the highest in the preceding 30 days, declined to Tk 9.1 at the end of last week.

In the last two days, the SBAC shares have dropped further. Shares of the private lender closed at Tk 8.7 yesterday, down 2.25 percent from that on the previous day.

Sponsors hold 77.64 percent of the stakes in SBAC Bank, which became listed with the DSE in 2021, while institutes hold 7.2 percent and general investors 15.16 percent.

Tight monetary policy: implications for capital market

M SHAHRIAR AZAD BHUIYAN

Monetary policy is a crucial tool for managing a country's economy. It involves the regulation of money supply and interest rates by a central bank to achieve macroeconomic objectives such as controlling inflation, maintaining currency stability, and fostering economic growth. For a developing country like Bangladesh, an effective monetary policy is essential in steering economic stability and growth, especially during periods of global economic uncertainty.

In the context of the capital market, monetary policy plays a significant role. It influences the cost of borrowing, investment returns, and overall economic confidence. A well-crafted monetary policy can enhance investor confidence, promote stability in financial markets, and encourage investment. However, changes in interest rates and currency stability can directly impact capital market performance, affecting stock and bond valuations.

Bangladesh Bank's recent monetary policy statement for the first half of FY25 continues its contractionary stance, primarily targeting inflation control. The policy holds the repo rate steady at 8.5 percent, maintaining the policy rate corridor at 300 basis points, with the standing deposit facility at 7 percent and the standing lending facility at 10 percent. This approach underscores the central bank's commitment to containing inflation within 6.5 percent while aligning with the government's GDP growth target of 6.75 percent. Due to political turmoil and unrest, it is predicted that the forecasted GDP growth rate will decrease further, and the economy will stagnate in the long run.

As a capital market expert, I view this policy as a mixed bag for the market. On one hand, higher interest rates make borrowing more expensive, which can dampen corporate profits and reduce stock market activity. Investors often perceive high interest rates as a signal to shift from equities to fixed-income securities, like bonds, due to better returns. Consequently, this could lead to reduced demand for stocks, impacting overall market liquidity and investor sentiment.

The crawling peg exchange rate system introduced by Bangladesh Bank aims to stabilise the currency by linking it to a basket of currencies. While this move supports exchange rate stability, it might limit potential capital gains from foreign investment in the stock market due to reduced currency depreciation risks. This policy aims to control inflation but also places pressure on domestic companies reliant on imports, as input costs remain high due to a strong currency.

The emphasis on private sector credit growth, set at 9.8 percent, reflects the bank's cautious stance. This modest target may hinder the expansion plans of businesses, impacting sectors dependent on credit for growth. In such a scenario, companies with strong balance sheets might fare better, but overall corporate investment could slow, affecting stock market growth prospects.

For the bond market, the current monetary policy environment appears more favourable. Higher interest rates increase the appeal of bonds as they offer better returns compared to equities under such conditions. Investors seeking stable and predictable income streams might prefer bonds, resulting in a shift from equities to fixed-income securities. This trend could lead to increased bond issuance and trading activity, bolstering the bond market's prospects. However, the contractionary policy could pose challenges for new equity listings. Companies might defer initial public offerings (IPOs) due to unfavourable market conditions, impacting market dynamism. Additionally, existing companies might face increased borrowing costs, affecting their profitability and stock performance.

To mitigate these challenges and enhance capital market growth, Bangladesh Bank could consider adopting a more balanced approach. A gradual easing of interest rates might stimulate economic activity without undermining inflation control efforts. Furthermore, promoting initiatives to deepen the bond market and increase financial literacy can attract more investors, fostering a vibrant capital market.

While Bangladesh Bank's monetary policy for the first half of fiscal year 2024-25 prioritises inflation control and economic stability, its impact on the capital market presents both opportunities and challenges. By carefully balancing monetary measures and supporting market development, the central bank can better harness the capital market's potential to contribute to the country's economic growth and resilience.

The views expressed are personal. The author is a capital market analyst and can be reached at shahriar@unicap-securities.com

Gold hits historic $2,500 mark in global market

REUTERS

Gold prices eased on Monday, but hovered around historic $2,500 level, as traders locked in profits following bullion's climb to an all-time peak in the previous session on expectations of a US interest rate cut next month.

Spot gold was down 0.2 percent at $2,503.10 per ounce, as of 0724 GMT, and US gold futures edged 0.2 percent higher to $2,541.50.

Enthusiasm over a likely interest rate cut by the US Federal Reserve in September propelled bullion to an all-time high of $2,509.65 on Friday. This coupled with increased geopolitical tensions and robust central bank-buying have sent bullion over 20 percent higher so far this year.

"Gold has been chasing the psychological $2,500 level for several months, and now that it has been reached, we are seeing some natural profit-taking occur," said Tim Waterer, chief market analyst, KCM Trade.

Last week, strong US retail sales print and lower-than-expected unemployment claims, along with mild inflation data, restored confidence in the world's largest economy.

Traders are confident that the US Fed will cut rates next month and the focus is now on the size of the reduction. They are pricing in a 75.5 percent chance of a 25-basis-point cut, according to CME FedWatch tool, opens new tab.

"Traders will be looking towards Jerome Powell's tone and language at Jackson Hole (on Friday) to fill in some of the blanks in this regard," Waterer added.

The market will also look out for minutes of the Fed's July policy meeting on Wednesday for further cues.

China's biodiesel producers seek new outlets amid hefty EU tariffs

REUTERS, *Singapore*

Chinese biodiesel producers are seeking new outlets in Asia for their exports and exploring producing other biofuels as supply to the European Union, their biggest buyer, dries up ahead of anti-dumping tariffs, biofuel executives and analysts said.

The EU will impose provisional anti-dumping duties of between 12.8 percent and 36.4 percent on Chinese biodiesel from Friday, hitting over 40 companies including leading producers Zhejiang Jiaao, Henan Junheng and Longyan Zhuoyue Group in an export business that was worth $2.3 billion last year.

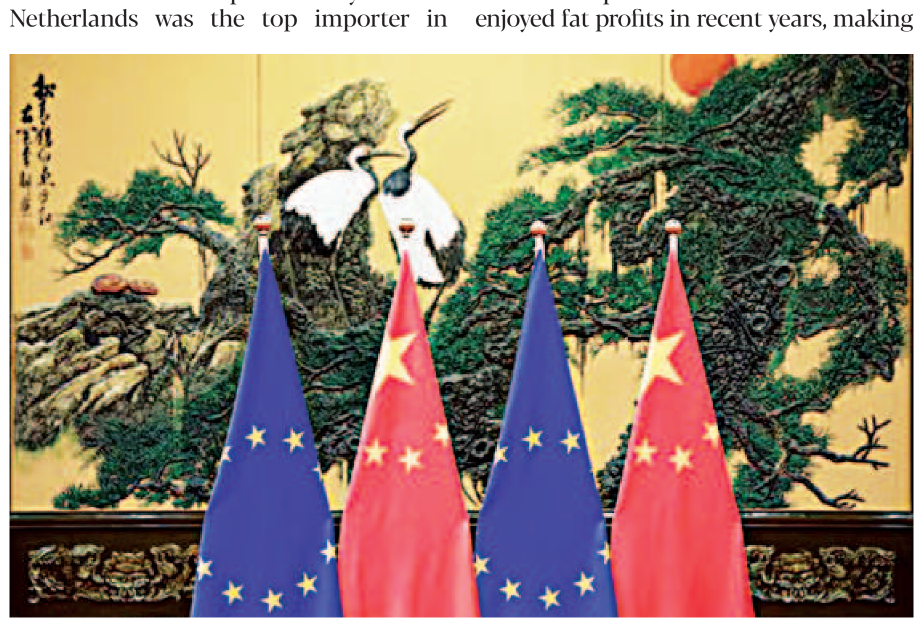
Some larger producers are eyeing the marine fuel market in China and Singapore, the world's top marine fuel hub, as they seek to offset already falling biodiesel exports to the EU, biofuel executives said.

Exports to the bloc have fallen sharply since mid-2023 amid investigations. Volumes in the first six months of this year plunged 51 percent from a year earlier to 567,440 tons, Chinese customs data showed.

June shipments shrank to just over 50,000 tons, the lowest since mid-2019, according to customs data.

At their peak, exports to the EU reached a record 1.8 million tons in 2023, representing 90 percent of all Chinese biodiesel exports that year. The Netherlands was the top importer in 2023, soaking in 84 percent of China's biodiesel shipments to the EU, followed by Belgium and Spain, Chinese customs figures showed.

Chinese producers of biodiesel have enjoyed fat profits in recent years, making the most of the EU's green energy policy that grants subsidies to companies that are using biodiesel as a sustainable transport fuel such as Repsol, Shell and Neste.



Flags of European Union and China are pictured during the China-EU summit at the Great Hall of the People in Beijing.

PHOTO: REUTERS/FILE

Many of China's biodiesel producers are privately-run small plants employing scores of workers processing waste oil collected from millions of Chinese restaurants. Before the biodiesel export boom, they were making lower-value goods like soaps and processing leather products.

However, the boom was short-lived. The EU began in August last year investigating Indonesian biodiesel that was suspected of circumventing duties by going through China and Britain, followed by a 14-month anti-dumping probe into Chinese biodiesel believed to be priced artificially low and undercutting local producers.

Anticipating the tariffs, traders stocked up on used cooking oil (UCO), lifting prices of the feedstock, while prices of biodiesel sank in view of shrinking demand for the Chinese supply.

"With hefty prices of UCO partly supported by strong US and European demand, and free-falling product prices, companies are having a tough time surviving," said Gary Shan, chief marketing officer of Henan Junheng.