Doreen to sell non-current assets of its Tangail plant

STAR BUSINESS REPORT

Doreen Power Generations and Systems Ltd has announced that it will sell all of the non-current assets, including 244.54 decimals of land, of its 22-megawatt power plant in Tangail.

The company took this decision due to prolonged uncertainty regarding the extension of its power purchase agreement with the Bangladesh Power Development Board, according to a disclosure on the Dhaka Stock Exchange website.

Doreen's board also sanctioned a vendor agreement with Ruposhi Bangla Group for the sale of engines, alternators and associated equipment from the Tangail plant for Tk 10 crore.

"The land will be sold separately at a competitive market price in the future," the company said in its disclosure.

Farmers busy planting Aman paddy in Badaghat area of Sylhet sadar upazila. Aman, grown under monsoon rains, is the second largest rice crop in Bangladesh. The Department of Agricultural Extension has set a target for 59.66 lakh hectares of land to be cultivated in fiscal year 2024-25 for Aman. An estimated 2,901,156 tonnes were produced in fiscal year 2022-23, down 3.32 percent year-on-year, according to the latest data available at the Bangladesh Bureau of Statistics. The photo was taken recently. PHOTO: SHEIKH NASIR

Crisis provides an opening for important reforms

Says Edimon Ginting, ADB country director for Bangladesh

REJAUL KARIM BYRON

Bangladesh is facing several challenges, including restoring law and order and stabilising the economy in the near term.

The country also needs to address structural constraints such as a lack of economic diversification, low productivity, high youth unemployment, a large informal sector, and weaknesses in governance and accountability.

"These are the root of ongoing macroeconomic challenges like low foreign exchange reserves, high inflation, low revenue mobilisation, meagre foreign direct investment, and significant banking sector vulnerabilities," said Edimon Ginting, country director of Bangladesh at the Asian Development Bank (ADB).

In an interview with The Daily Star, he said the crisis provided "an opening for important reforms to improve governance and public administration to combat corruption".

"Tax revenues remain low compared to international peers and must be raised so that critical investments in physical infrastructure and social sectors can be made," he said.

The chief of the Dhaka office of the ADB, one of the leading financiers for Bangladesh, said greater transparency and accountability of government institutions would help win the public's trust.

"The regulatory and policy environment must be more conducive to investment. Finally, tackling institutional capacity gaps, design flaws and implementation challenges will enable more effective social protection schemes."

Citing Bangladesh's banking sector, he said it is a big area of concern, especially as non-performing loans (NPLs) have been on the rise for quite some time.

"The recent political change, coupled with improved data transparency, may change the picture on NPLs and it is possible that the size of NPLs increases significantly," he said, adding that the decision to form a banking commission supported by international expertise is a positive development.

He said Bangladesh needs a stable and strong banking system to efficiently finance its development needs going forward. For this, Bangladesh Bank will need to address weaknesses in the regulatory environment while strengthening supervision and governance to rebuild confidence, he said.

Ginting, an Indonesian national, said the ADB is engaging with the interim government to understand its priorities, share its views, and offer assistance.

The country needs to address structural constraints such as a lack of economic diversification, high youth unemployment, a large informal sector, and weaknesses in governance

"My impression is that the interim government is focused on stabilising the situation, and on making effective use of the opportunity to advance robust and far-reaching reforms," he said, citing meetings between senior ADB officials and Chief Adviser Prof Muhammad Yunus and other top government functionaries.

He said the ADB stands ready to support the reforms, which are needed to forge a more inclusive, resilient, and sustainable future for the people of Bangladesh.

Edimon Ginting

Ginting said the interim government needs the support and trust of the public, which means restoring confidence in law and order and getting the economy back on track while charting a path towards elections.

"There are no quick fixes."

He added that the Manila-based lender has a large ongoing portfolio of projects financing critical sectors including energy, transport, human and social development, finance, public sector management and governance, agriculture, water, and urban development.

"Once the situation is more stable, we intend to undertake a comprehensive portfolio review with the interim government so that public investments and services are not stalled."

This year, ADB has committed $481 million to three projects and had planned to commit to many more projects.

"We hope to be able to continue financing as requested by the interim government. Our approach will be cautious, paying close attention to the political environment and preparations for an election that will hopefully bring a peaceful resolution to the current difficulties."

For new projects, ADB will carefully identify any needed adjustments to meet the priorities of the interim government.

He said the interim government's major reform priorities line up with the ADB's key areas of interest and expertise. The ADB will continue to provide support on the country's most pressing development challenges, he added.

"There are persistent, cross-cutting issues such as climate change and inclusive growth that we aim to prioritise.

"Also, there are growth opportunities that we should further leverage, such as an abundance of talent and skills and a thirst for digital transformation."

In times of transition, strong development outcomes depend on a stable political settlement, transparent and fair processes, and trust in public institutions and political leaders, he opined.

"ADB is an apolitical institution, but as a trusted development partner of Bangladesh, we are committed to supporting the strength and resilience of public institutions so they can be a force multiplier to drive growth and prosperity.

"Once a new government is elected, ADB will work hard to support the leadership's policy agenda to realise the country's immense potential and help meet the aspirations of its people," said Ginting, who has over 20 years of experience, including about 14 years at the ADB.

Stocks fall for fifth day amidst cautious bets

STAR BUSINESS REPORT

Indexes of share markets in Bangladesh fell for a fifth trading day yesterday as investors made cautious bets only on blue-chip stocks amidst falling prices.

Regarding the fall in stock prices, Saiful Islam, president of the DSE Brokers Association of Bangladesh, said the main driver was a lack of confidence among investors in the market.

The market regulator must bring back investors' confidence in the market as soon as possible, he said.

Initially, after the interim government took to office, the prime index rose by 700 points in one week, which was unprecedented, he said.

"Really, we are now enjoying a correction or profit-taking period. But none of us could predict that it will be prolonged by such a long extent," said Islam.

"Actually, there was uncertainty in the overall situation of the country, especially in the banking sector, financial sector and macroeconomy. In such a situation, investors are not gaining confidence on the market," he said.

"It is necessary to bring back confidence...we have to do that right away. No more delay for it. The regulator will have to do the main work with the stakeholders. Only paperwork will not hold water. Confidence will be brought back in reality," he added.

The views were echoed by Asif Khan, chairman of EDGE Asset Management Company.

However, Khan believes that the market would make a rebound if the economy stayed on the right track. "I am optimistic about it," he said.

"The market witnessed a euphoria; it rose massively after the interim government took up the helm. Therefore, we also saw a massive fall," he added.

Initially, after the interim government took up office, the prime index rose by 700 points in one week, which was unprecedented, said an expert

"Now an anti-corruption movement is going on. The accounts of various persons are being frozen. Most of them have held shares for the last 15 years. We have also heard that some more accounts will be frozen. All these have an impact on the market," said Khan.

He also pointed out that the blue-chip shares, which are called fundamentally sound shares, are more resilient than the other shares such as Square, BRAC Bank, Marico.

"The market has been falling...But these shares are not falling in the way that other shares have fallen. They had a flow," he said.

The DSEX, the broad index of Dhaka Stock Exchange (DSE), dropped 108.40 points, or 1.90 percent from the day prior to close at 5,606, marking the losing streak for the fifth consecutive day.

The DSES index for the Shariah-based companies slipped 28.28 points, or 2.30 percent, to 1,201 and the DS30 index for the blue-chip firms sunk 45.64 points, or 2.18 percent, to 2,047.

At Chittagong Stock Exchange, the all-share price index went down by 227.69 points, or 1.38 percent, to settle at 16,202.

However, turnover at the DSE, which is the total value of shares traded, increased 3.51 percent from that on the preceding day to Tk 536.8 crore.

The banking sector dominated the turnover chart accounting for 36.25 percent of the day's total market turnover.

The contribution of block trades, meaning high-volume transactions in a security that are privately negotiated and executed outside of the open market, was 10.7 percent of the overall market turnover.

Square Pharmaceuticals was the most traded share with a turnover of Tk 74.6 crore.

Of the issues that were traded, prices of 11 went up, 371 closed lower and 12 remained unchanged.

Euro emerges a winner from market turmoil

REUTERS

The euro is trading at its highest this year against the dollar, emerging as a clear winner from the recent ructions in global currency markets that have unsettled a strong dollar and halted a relentless slide in Japan's yen.

Having broken decisively above the symbolic $1.10 level , the euro's more than 2.5 percent gain in August sets the currency up for its best month since November.

Traders, distracted up until now by the yen's sudden surge after a surprise July 31 Bank of Japan rate hike and a broad dollar pounding as expectations for US interest rate cuts grow, are paying attention.

After all, history shows $1.10 is not an easy level to crack and as recently as April, some analysts speculated the euro could weaken to parity. It's now the second best performing major currency versus the dollar this year after sterling.

The gains, forecast to be modest from here, are nevertheless notable as U.S. Federal Reserve rate cut talk coincides with speculation that further European Central Bank easing could be limited by sticky service-sector inflation. "It's a rate differential story," said Commerzbank currency analyst Volkmar Baur.

"Inflation is coming down on both sides (of the Atlantic), but the Fed is expected to move a little bit more aggressively on the way down, and that closes the rate spreads a little bit and gives way for a stronger euro."

The ECB, which cut rates in June, could deliver at least two more 25 basis points reductions, market pricing suggests.

It's now the second best performing major currency versus the dollar this year after sterling

In contrast, traders see 94 bps of Fed cuts across its three remaining meetings this year -- implying three 25 bps moves, with a good chance of one larger one. That's a change of around 30 bps from early August; ECB pricing has moved much less.

This shift followed weak US labour market data, which sparked recession fears and jolted stocks and bonds. Markets have since calmed, but policy easing expectations remain.

For sure, it's not just the euro that has strengthened against the dollar in August, but the single currency is where there are the fewest complications for traders looking for a relatively safe FX bet.

China targets dairy imports from EU in latest barb in trade row

AFP, *Beijing*

Beijing on Wednesday launched a probe into EU subsidies of some dairy products imported into China, the day after the bloc said it planned to impose five-year import duties of up to 36 percent on Chinese electric vehicles (EVs).

The investigation, which marks the latest barb in a trade standoff between the two, will cover a range of items including fresh cheese and curd, blue cheese, and some milk and cream, Beijing's commerce ministry said.

"The Ministry of Commerce has decided to initiate an anti-subsidy investigation on imported relevant dairy products originating in the European Union from August 21, 2024," the ministry said in a statement on its website.

Officials said they had received an application from the Dairy Association of China for an anti-subsidy probe into European products on July 29, and held consultations with the European Union on August 14.

Beijing said the investigation would cover EU subsidy schemes implemented in the year up to the end of March 2024, and damages to China's domestic industry between the start of 2020 and the end of March this year.

The probe takes aim at major pillars of the bloc's setup including the common agricultural policy as well as national subsidy plans in Ireland, Austria, Belgium, Italy, Croatia, Finland, Romania and the Czech Republic. It will last one year but may be extended for up to six months "under special circumstances", the ministry said.

The EU exported 1.68 billion euros ($1.87 billion) of dairy products to China last year, according to figures from the European Commission's Directorate-General for Agriculture and Rural Development, which cited Eurostat.

A staff member arranges cartons of milk on refrigerator shelves at a supermarket in Beijing, China. The EU exported 1.68 billion euros ($1.87 billion) of dairy products to China last year. PHOTO: REUTERS/FILE

The EU Chamber of Commerce in China said the investigation "should not be considered a surprise" in the wake of the bloc's own imposition of import tariffs on Chinese EVs.

"Regrettably, the use of trade defense instruments by one government is increasingly being responded to seemingly in kind by the recipient government," the chamber said in a statement.

It said it "will be monitoring the ongoing investigation and hopes that it will be conducted fairly and transparently", adding that it expected its affected member firms to cooperate.

The news comes a day after the European Commission said it planned to impose five-year import duties on Chinese EVs, unless Beijing can offer an alternative solution to a damaging trade row over state subsidies.

Brussels last month hit EVs imported from China with hefty provisional tariffs -- on top of current duties of 10 percent -- after an anti-subsidy probe found they were unfairly undermining European rivals.