Stocks post weekly 2% fall

STAR BUSINESS REPORT

Stocks fell last week as concerns over potential corporate tax hikes in the upcoming budget weighed on investor sentiment.

This is the second consecutive week the stocks have edged down.

The DSEX, the benchmark index of the Dhaka Stock Exchange (DSE), tumbled more than 108 points, or 2.07 percent, to close at 5,097.

The DS30, comprising blue-chip stocks, dropped 53 points to 1,875, while the DSES Index, which tracks Shariah-compliant companies, slid 29 points to 1,143.

Market participation also waned as total turnover fell to Tk 1,596 crore last week, down from Tk 2,436 crore in the previous week.

The market operated for four trading sessions instead of five due to a public holiday, bringing the average daily turnover down by 18 percent to Tk 399 crore, according to DSE data.

Investors were most active in the pharmaceuticals sector, which accounted for 14 percent of the week's total turnover.

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The banking and food sectors followed with 10 percent and 9.4 percent, respectively.

Sector-wise, cement companies suffered the most losses, slumping 4.2 percent over the week.

Non-bank financial institutions, pharmaceuticals, banking, and telecom stocks also witnessed notable declines.

Of the 396 issues traded, 299 declined, 77 advanced, and 20 remained unchanged on the DSE trading floor.

Bangladesh Shipping Corporation topped the turnover chart, with shares worth Tk 98.7 crore changing hands.

Other heavily traded stocks included Beach Hatchery, Beximco Pharmaceuticals, Uttara Bank, and Shinepukur Ceramics.

The Chittagong Stock Exchange also ended in the red, with its benchmark CASPI index shedding 250 points to settle at 14,259.

The worst of the economic CRISIS MAY BE OVER

Says Rupali Chowdhury as she sees glimmer of recovery

JAGARAN CHAKMA

Rupali Chowdhury
Managing Director, Berger Paints Bangladesh Ltd

TAKEAWAYS

- Manufacturing hit hardest as high costs squeeze margins
- Banking sector profits rise while industries struggle
- IPO pipeline slows as firms weigh compliance issues
- Bearish market trend continues
- Govt urged to ensure predictable taxes, streamlined regulations

As listed companies, especially those in the manufacturing sector, have reported falling profits in recent quarters, business leaders are now turning their attention to how best to navigate 2025 amid global uncertainty, domestic inflation and rising borrowing costs.

Despite the storm clouds, many industry leaders remain cautiously optimistic as they say signs of recovery are beginning to emerge.

"We believe the worst may be over," said Rupali Chowdhury, president of the Bangladesh Association of Publicly Listed Companies (BAPLC).

In a recent interview with The Daily Star, she said that the freefall of local currency taka against the US dollar has stabilised, the foreign exchange reserve is recovering, and businesses are gradually adjusting to a new economic reality.

"Hope in future this trend will be continued," said Chowdhury, also the managing director of Berger Paints Bangladesh. "If law and order remain stable and consumer confidence improves, economic recovery is possible."

Reflecting on the broader macroeconomic pressure, she acknowledged the slowdown. "Not all companies are facing a downturn, but overall, growth has slowed down," she said.

"Some companies have seen revenue increases, yet their profits remain stagnant or have declined due to rising costs."

Inflation, according to Chowdhury, has been a major factor. The price pressures started to tick up after the pandemic and have persisted due to lingering global and local economic uncertainties. The steep depreciation of the taka in recent years has only added to the pressure.

"The taka lost value almost overnight, leading to higher costs of goods sold. Many companies could not pass this inflation onto the consumers, which reduced profit margins," she said.

The manufacturing sector has felt this impact most acutely. In 2023 and early 2024, expansion plans were stalled, and investments were delayed due to letter of credit (LC) restrictions.

Another blow to profitability has come from the increased cost of financing. Many manufacturing firms rely on imported raw materials, and the volatility in foreign exchange rates has sent costs soaring.

"In 2023 and 2024, companies were forced to open letters of credit under 'usance payable at sight' terms, leading to exchange rate risks. The difference in rates at the time of LC opening and retirement adds financial burden," said Chowdhury, who is also a former president of the Foreign Investors' Chamber of Commerce and Industry (FICCI).

In contrast, she said the banking sector has gained from this economic environment.

"While manufacturing and service industries are struggling, banks have managed to improve their profitability. The rising interest rates have helped banks generate better returns on lending, although it has made borrowing more expensive for businesses."

One of the key hurdles for businesses now is low consumer confidence. "When uncertainty looms, consumers tend to cut back on spending, which affects demand across industries," she said.

Sectors such as steel and cement have been hit hard due to a slowdown in construction, while the fast-moving consumer goods (FMCG) segment has delivered mixed results. "Even FMCG companies, which usually perform well, are experiencing slower growth," she commented.

Still, there are glimmers of hope. "In January and February 2025, we observed signs of recovery. If this trend continues, we could see further economic stabilisation in 2025."

The business leader said that remittance inflows have picked up and exports have posted double-digit growth, even as several garment factories remain shut leading to job losses.

However, there are concerns over the capital market, which continue to remain sluggish. "There seems to be a lack of investor confidence. Even well-performing companies are experiencing stock price declines. The reasons behind this trend need to be analysed further."

To encourage investment, she said the government must ensure stability and implement policies that support businesses.

"Capital market dynamics are influenced by multiple factors, including foreign investment. Over the years, many foreign investors have exited, impacting the market. They have experienced capital erosion due to devaluation of currency. Encouraging foreign and local investors to reinvest will be crucial."

To draw investors back, returns from the stock market must at least match bank interest rates, she said.

Another issue is the limited number of quality companies seeking listing. "The critical question is why would good companies be interested in an IPO if compliance costs outweigh the benefits? Bank loans are often easier to secure."

Still, some companies are staying the course.

"We are not scaling back our investments. In fact, we are expanding by setting up a third factory in Mirsharai, investing more than Tk 800 crore, and bringing in new businesses and technology. Bangladesh has a strong history of economic resilience, and we believe in its potential."

She also underscored foreign direct investment (FDI) in long-term growth. "The government is working on attracting FDI, which will bring advanced technology and create employment opportunities. The establishment of economic zones is a positive step in this direction."

Chowdhury welcomed the resolution of the long-standing issue surrounding the Korean EPZ, calling it a positive signal for foreign investors.

On government support for listed companies, Chowdhury offered several suggestions.

She said simplifying compliance requirements could encourage more firms to go public. The taskforce set up by the government to revive the stock market has received proposals from BAPLC.

While the corporate tax gap between listed and unlisted firms has narrowed, she believes more incentives are needed to encourage listings through initial public offerings (IPOs).

She also called for streamlining the appointment process for independent directors. "Their responsibilities are significant, and attractive remuneration packages should be introduced to bring in qualified professionals."

Chowdhury urged the government to pursue predictable fiscal policies. "Sudden changes in tax and duty structures create instability," she said, citing the supplementary duties imposed in January 2025 as an example. "Businesses need predictable policies to plan effectively."

An automated tax system, she argued, would reduce corruption and improve transparency, ultimately benefiting the wider economy.

She also pointed to discrepancies in import duty calculations, urging the National Board of Revenue (NBR) to align the harmonised system (HS) code classifications more accurately with international standards.

"Currently, some duties are calculated under a different code instead of the specific one, leading to higher import duties for businesses," she said.

Rectifying this issue would not only reduce costs but also help avoid unnecessary demurrage charges.

Looking ahead, Chowdhury believes 2025 holds promise but not without challenges.

Interest rates remain high, causing cash flow problems for many firms. "To

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Conflicts of interest in business erode integrity

MAMUN RASHID

When we hear the phrase "conflict of interest," many of us picture shady backroom political deals. But in truth, conflicts of interest are just as rampant in the world of business, especially in Bangladesh's fast-growing economy, where family ties and personal connections often blur professional lines.

At its core, a conflict of interest occurs when someone in a position of trust, like a CEO, MD, chairman or director, uses their power for personal gain or to benefit friends and family, rather than acting in the best interest of the organisation.

In boardrooms and executive offices across Bangladesh and beyond, familiar patterns emerge: top executives appointing relatives and friends to key roles, not necessarily because they are the most qualified, but because they are "their person". The problem is not that family and friends are always unqualified, some may be perfectly capable. But far too often, merit takes a backseat to personal connections.

Nepotism, favouritism, cronyism -- whatever you call it -- erodes the foundations of a healthy business environment. In a country like Bangladesh, where personal relationships are deeply rooted in the culture, trust is often built through family or community ties. That can be a strength, but it can also open the door to serious conflicts of interest.

And nepotism is only one face of the problem. CEOs and directors may award contracts to companies owned by friends or relatives, even when better bids exist. They may greenlight investments or partnerships not based on merit, but personal benefit.

At a glance, these decisions may seem harmless or even justifiable. But over time, such compromises create a culture of mediocrity, resentment, and eventual failure. Talented individuals leave, stakeholder confidence crumbles, and companies underperform.

These issues rarely stay behind closed doors. In today's hyper-connected world, reputations built over decades can collapse overnight.

So how do good leaders protect their organisations from this silent erosion?

First and foremost, awareness is key. Leaders must ask themselves: Am I making this decision in the company's best interest, or am I influenced by personal ties or emotion? It sounds simple, but in practice, it takes real discipline.

Second, transparency is non-negotiable. Good CEOs do not make decisions in the dark. They document them, explain their reasoning, and welcome scrutiny. Clear hiring and procurement processes, fair and merit-based, can protect an organisation.

Establishing internal policies on conflicts of interest is also crucial. Global companies often require disclosure of personal relationships or financial interests that may influence decisions. While such policies are gaining ground in Bangladesh, they are too often treated as box-ticking exercises.

Most importantly, ethical leadership must be modelled from the top. A CEO who plays favourites signals that integrity is optional. But a leader who makes fair, sometimes uncomfortable decisions fosters trust and inspires a culture of meritocracy.

Leaders must also be willing to say "no" to undue influence, even from powerful sources. In Bangladesh, where familial and social obligations carry great weight, rejecting a relative's or ally's request can be hard. But true leadership demands that kind of courage.

If Bangladesh wants to continue its sustainable economic growth and become a true regional powerhouse, we must confront conflicts of interest head-on. We can no longer afford to shrug off nepotism and favouritism as "the way things are done." We deserve better and so do the countless young, talented professionals whose futures are being blocked by an outdated system of personal gain.

Mamun Rashid is an economic analyst who has worked with global corporations for more than 35 years.

Trump goes to war with the Fed

AFP, *Washington*

Donald Trump's simmering discontent with the US Federal Reserve boiled over this week, with the president threatening to take the unprecedented step of ousting the head of the fiercely independent central bank.

Trump has repeatedly said he wants rate cuts now to help stimulate economic growth as he rolls out his tariff plans, and has threatened to fire Fed Chair Jerome Powell if he does not comply, putting the bank and the White House on a collision course that analysts warn could destabilize US financial markets.

"If I want him out, he'll be out of there real fast, believe me," Trump said Thursday, referring to Powell, whose second four-year stint as Fed chair ends in May 2026.

Powell has said he has no plans to step down early, adding this week that he considers the bank's independence over monetary policy to be a "matter of law."

"Clearly, the fact that the Fed chairman feels that he has to address it means that they are serious," KPMG chief economist Diane Swonk told AFP, referring to the White House.

Stephanie Roth, chief economist at Wolfe Research, said she thinks "they will come into conflict," but does not think "that the Fed is going to succumb to the political pressure."

Most economists agree that the administration's tariff plans -- which include a 10 percent "baseline" rate on imports from most countries -- will put upward pressure on prices and cool economic growth, at least in the short term.

That would keep inflation well away from the Fed's long-term target of two percent, and likely prevent policymakers from cutting rates in the next few months.

"They're not going to react because Trump posted that they should be cutting," Roth said in an interview, adding that doing so would be "a recipe for a disaster" for the US economy.

China's manufacturing backbone feels Trump trade war pinch

AFP, *Zhongshan*

Employees work on an assembly line at a factory of LED lighting manufacturer WOSEN in Zhongshan, in southern China's Guangdong province, on April 17. China's vast southern province of Guangdong has long been the country's biggest manufacturing hub. PHOTO: AFP

Sky-high tariffs imposed on China by US President Donald Trump have triggered a slump in factory orders, manufacturers told AFP this week -- with some fearing business may never return.

China's vast southern province of Guangdong, crisscrossed with factories making everything from clothing to electronics, has long been the country's biggest manufacturing hub.

For decades, it has churned out products for the insatiable American consumer base, offering low prices few can compete with and serving as a key driver in China's meteoric rise to global economic superpower status.

But Trump's drive to bring manufacturing back to the United States and launch of a brutal trade war with China now threatens to upend that -- adding to the country's already grim economic outlook.

Xiao Junyi, a clothing factory owner in the province's largest city of Guangzhou, told AFP that the US market had accounted for between 20 to 30 percent of orders.

But after the tariffs were announced, "we were genuinely affected," he said.

"Our sales and orders clearly declined."

Many of his factory's products are sold to consumers in the United States via Temu, the low-cost overseas e-commerce platform operated by Chinese retail giant PDD Holdings.

In response to the US tariffs -- now 145 percent for most products and as much as 245 percent on others -- Temu issued a notice saying there will be reduced advertising in the US market going forward, Xiao said.

The 24-year-old factory owner said he was hoping to find other markets for his clothes.

"Aside from the United States, we can do business with the whole world," he said.

But he admitted it was "really unlikely" that other countries would replace the US market.

"The United States is a truly developed country, and the order volume is bigger."

Nearby, businesspeople from across the globe convened for the opening phase of the Canton Fair -- a colossal trade show held every spring and autumn.

The event serves as an opportunity for merchants from around the world to meet face-to-face with Chinese manufacturers and assess their products up close, establishing new supply arrangements or shoring up old contacts.

But buyers from the United States this year were few and far between.

Those that were there declined to comment when asked by AFP which products they were interested in -- or if the tariff war would complicate business.

One Chinese firm keen to make contacts was Wosen Lighting Technology, a supplier to US e-commerce juggernaut Amazon.

"It's a new round in the trade war," Andy Lin, the firm's business development manager, told AFP at one of its factories in nearby Zhongshan.

"It becomes a case where you add tariffs and I also add tariffs -- then it turns into a boundless competition," said Lin.

"This situation won't be able to last long, because after all, it has very real impacts on all countries," she added.