

WEEKLY NEWS BLAZE

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Top News

Gross forex reserves cross
\$25b in steady rebound

Exports grow 6.78% in
September'24

Bangladesh's rice output
crosses 4cr tonnes for the first
time



Weekly News Blaze is a weekly Newsletter from Research & Development Unit of Dhaka Bank PLC. This comprises important news from Economy, Banking and relevant Industries.

Editor
Farzana Afroz, R&D Unit

For any query please contact
rnd@dhakabank.com.bd

RESEARCH & DEVELOPMENT UNIT

DHAKA BANK PLC.

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National Economy

- Govt's bank borrowing nearly doubles in Jul-Sep'24
- Gross forex reserves cross \$25b in steady rebound
- Inflation edges down 1.0pc, price respite awaited
- Current account surplus after years



Export-Import

- Exports grow 6.78% in September'24



Bank

- Call-money market moribund as funds switch into SDF
- Banks stay away from lending as investor confidence remains low



Industry

- As demands fizzle, steel, cement makers scale back operations
- Bangladesh's rice output crosses 4cr tonnes for the first time
- RMG Sector in Tight Spot
- E-waste recycling offers \$500m annual business potential for Bangladesh



World Economy

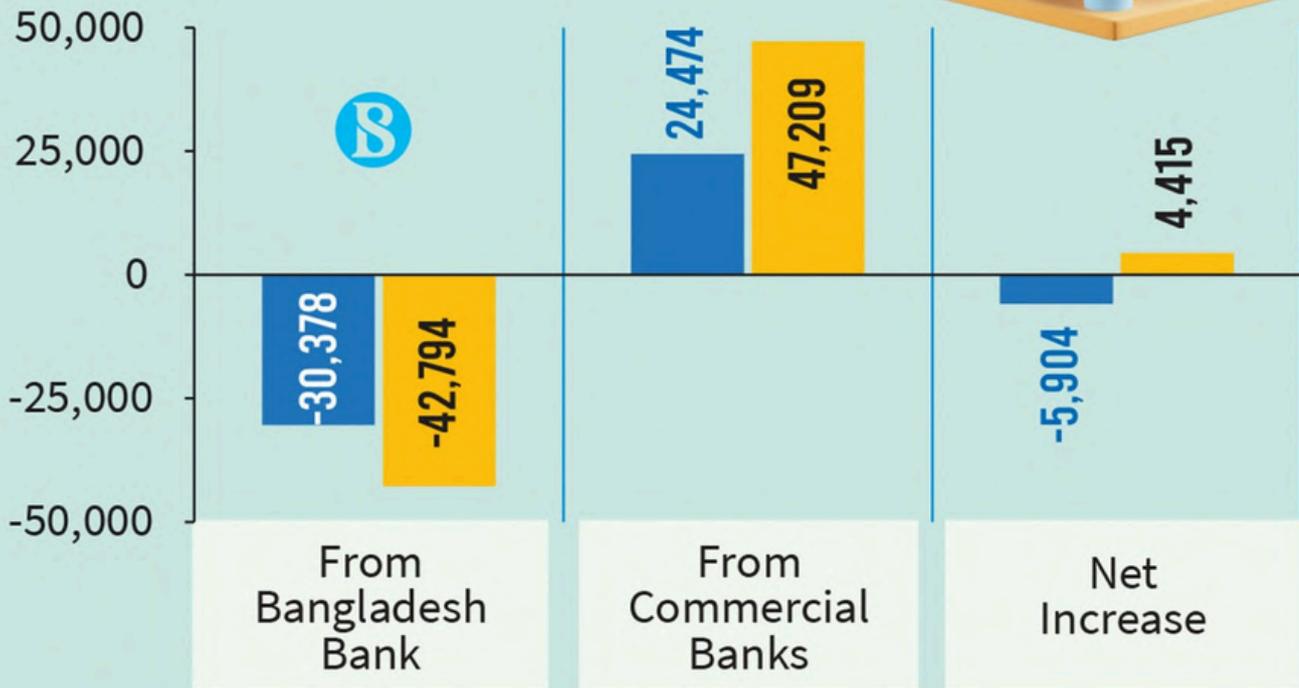
- Global public debt may exceed \$100tn this year: IMF
- Southeast Asia emerges as global data centre hot spot
- Garment export to US falls 9.16% in Jan-Aug



GOVT BORROWING FROM BANKS

Figures in crore taka

■ Jul-Sep FY24 ■ Jul-Sep FY25



Source: Bangladesh Bank

GOVT BANK BORROWING OUTSTANDING

At the end of Sept
FY24: TK3.80 LAKH
CRORE

At the end of Sept
FY25: TK4.79
LAKH CRORE

Govt's bank borrowing nearly doubles in Jul-Sep'24

Reason:

Due to lower revenue collection.

Opportunity:

High interest rates on treasury bills and bonds have become an attractive investment option for banks

GROSS FOREX RESERVES

Figures in billion US dollars

As per BB calculation



As per IMF's BMP6 matrix



REMITTANCE INFLOW

Q1, FY 2023-24 → \$4.91b

Q1, FY 2024-25 → \$6.54b

First 14 days of
Oct 2024 → \$1.21b

So far in October

- Nearly \$50m bought from commercial banks
- Only \$10m sold to commercial banks
- *Net purchase of US currency from commercial banks directly also contributed to forex reserves growth*

Gross forex reserves cross \$25b in steady rebound

Reason:

Higher inflows of remittances through formal banking channels.

Opportunity:

- The forex reserves rose to \$25.14 billion on October 15 from \$24.97 billion on October 08.
- It was \$24.86 billion on September 30.
- Bangladesh received \$1.21 billion in inward remittances during the first 14 days of October.

Banks stay away from lending as investor confidence remains low

The country's banking sector has squeezed lending activities as investment confidence, which remained subdued for the last two years amid the dollar crisis, deteriorated.

- LC opening declines by 13% in Jul-Aug
- Capital machinery import falls by 44% in Jul-Aug
- Pvt sector credit falls to 9.86% in Aug from 10.13% in Jul
- Situation not expected to improve before Dec

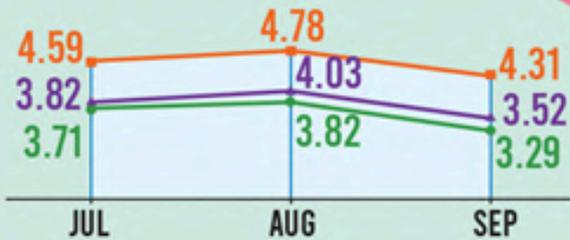
Inflation edges down 1.0pc, price respite awaited

- According to official data released by the Bangladesh Bureau of Statistics (BBS), the point-to-point inflation declined to 9.92 per cent in September from 10.49 per cent in August last.
- Commodity prices have shot up in the recent weeks.
- Meantime, the purchase-committee meeting approved a proposal to import one-cargo LNG from M/S Gunvor Singapore Pte Ltd, Singapore, at a cost of Tk 6.57 billion. Each unit of the liquefied natural gas will cost \$13.93.

MONTHLY EXPORT TREND

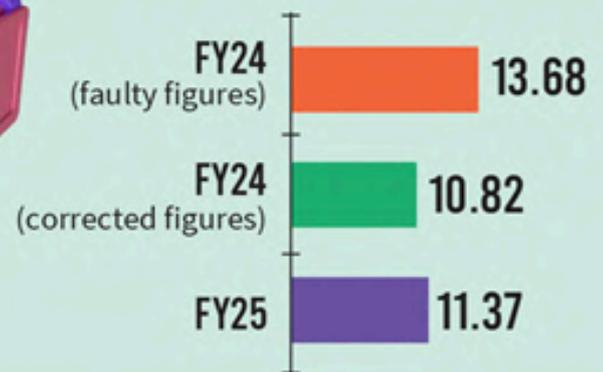
Figures in billion USD

- FY24 (faulty figures)
- FY24 (corrected figures)
- FY25



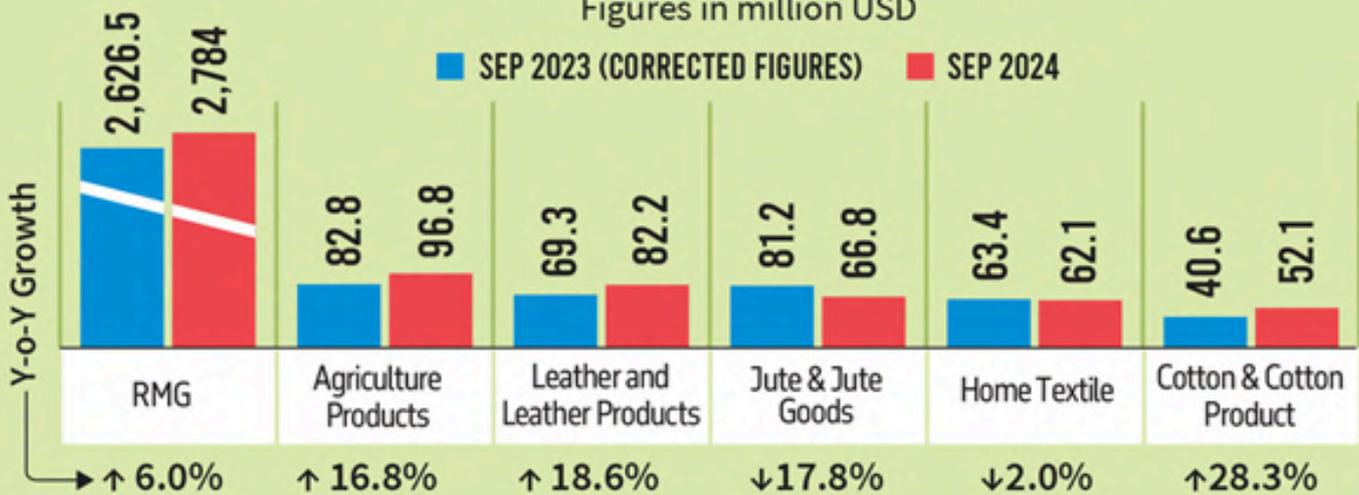
TOTAL EXPORTS IN JUL-SEP

Figures in billion USD



EXPORT PERFORMANCE OF MAJOR PRODUCTS

Figures in million USD



Source: Export Promotion Bureau (EPB)

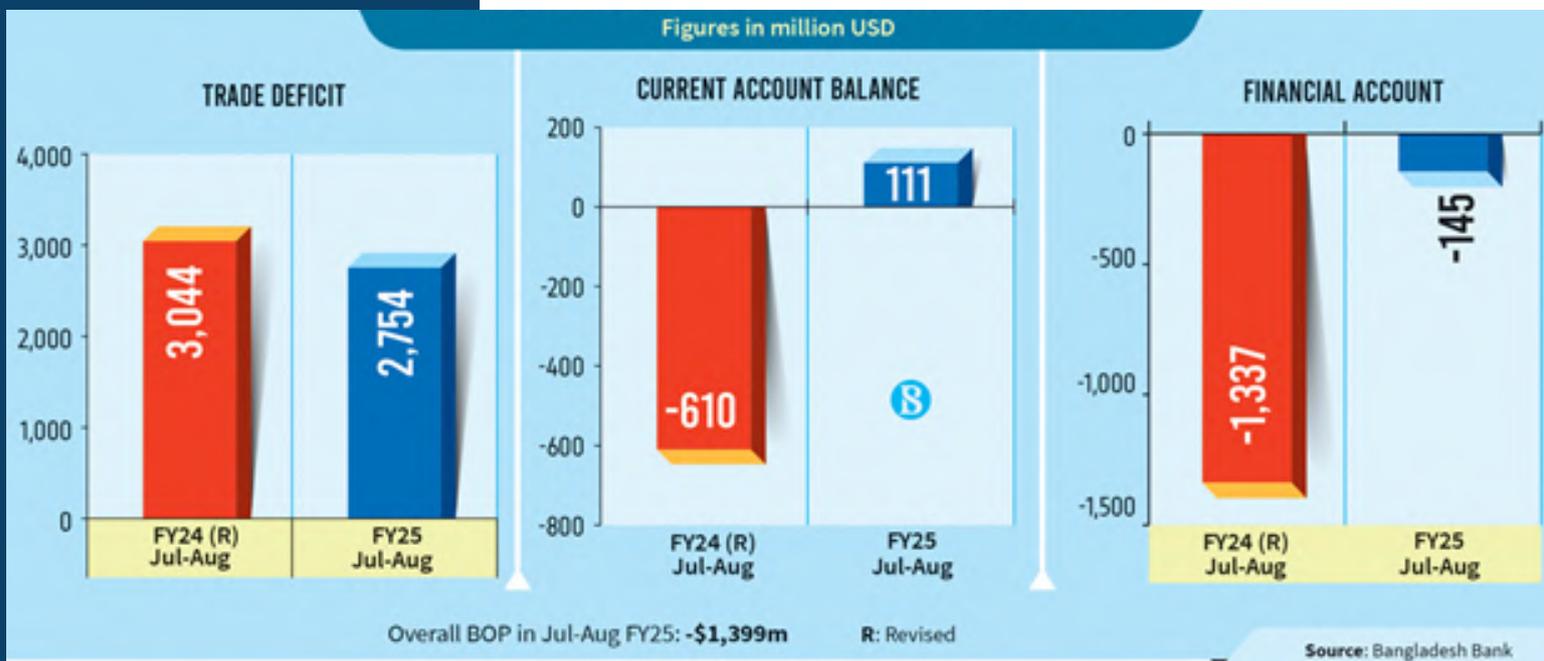
Exports grow 6.78% in September'24

Reason:

Driven by readymade garment shipments

Key Point:

According to EPB, the country's earnings reached \$3.51 billion in September, representing a \$220 million increase compared to the same month last year.



Current account surplus after years on robust remittances

Reason:

Due to a robust inflow of remittances.

Key Point:

- The current account, a key component of the country's balance of payments, has turned positive after years.
- At the end of July-August, the current account recorded a surplus of \$111 million, compared to a deficit of \$610 million last fiscal year.--BB

AFFLUENT BANKS' INVESTMENTS IN SDF

FY '24 | **Tk 4.0 billion** Invested by only one bank

Oct '24 | **Tk 279.23 billion**
(First seven working days)



RATE OF INTEREST

Cash-hungry

Many borrower banks in call money market offer rates as high as **10%**

Reluctance

But affluent banks keep uninvested money in state-guaranteed SDF at **8.0%**

Costly borrowing

The fund shortage to prompt cash-strapped banks to borrow from BB through SLF at **11%**

DAILY TRANSACTIONS IN CALL-MONEY MARKET

Few months ago
Tk 100 billion-140 billion

Oct '24 (First 7 working days)
Tk 26 billion

Since early September, things have reversed completely

Many banks squeezed the counterpart limits considering current state of the banking industry, which could be a reason for the banks' least focus on call-money market

- Syed Mahbubur Rahman
MD & CEO, MTB

Call-money market moribund as funds switch into SDF

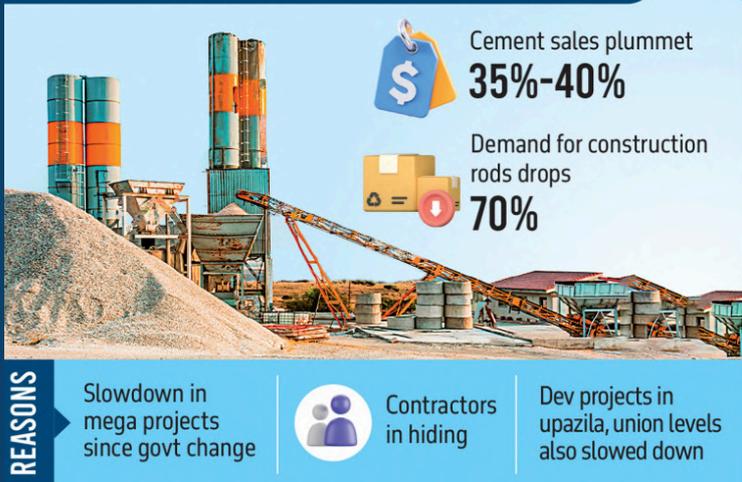
Reason:

Switch of the surplus funds of the well-off commercial banks, the volume of cash deposits in the SDF continues ballooning.

Key Point:

- The affluent banks kept some Tk 279.23 billion in the SDF in the first seven working days of this month.
- The banks daily deposited almost Tk 40 billion a day in the state-guaranteed deposit instrument.
- A total of Tk 181 billion was transacted on the call-money market in these first seven working days of this month with daily average volume of Tk 26 billion. Even few months ago, the daily call-money transactions were hovering in-between Tk 100 billion and 140 billion.

CEMENT & STEEL INDUSTRY IN SLUMP



Cement sales plummeted
35%-40%



Demand for construction rods drops
70%



Contractors in hiding

Dev projects in upazila, union levels also slowed down

Slowdown in mega projects since govt change

ROD PRICES (MS ROD)

75-grade: Was Tk86,000- Tk88,000 per tonne
► Tk92,000- Tk94,000 two months earlier

60-grade: Was Tk78,000- Tk81,000 per tonne
► Tk86,000- Tk88,000 two months earlier



STEEL INDUSTRY OVERVIEW



Around **200** factories



Local demand: 75 lakh tonnes per year

Capacity: 1.10 crore tonnes per year

Total investment: Around Tk75,000cr

CEMENT INDUSTRY OVERVIEW



40 factories



Total demand: 4 crore tonnes per year



Production capacity: 7.8 crore tonnes

TBS Insights by
IPDC
FINANCE

As demands fizzle, steel, cement makers scale back operations

Current Situation

- Cement sales have plummeted by 35%-40%, while demand for construction rods has dropped by as much as 70%, according to industry sources.
- Over the past two months, the price of mild steel rods has dropped by Tk6,000-Tk7,000 per tonne due to declining demand.

Reason:

- Govt. mega projects are not running as there is new Government and political sloth.
- Demand for individual unit has decreased
- Dollar crisis for raw material import
-

Way Forward:

- Restart of Govt. mega projects and inauguration of new projects
- Economic stability will increase individual unit demand.
- If foreign exchange market become stable, the import of raw material will increase

RMG IN TIGHT SPOT

Most manufacturers either running at loss or merely breaking even

This is despite gains from around 35% recent currency devaluation

The benefit goes to buyers' pockets due to lower orders

Industry insiders warn this could worsen

ECONOMIC CHALLENGES

INCREASE PRESSURE ON BANKS

LEAD TO SIGNIFICANT JOB LOSSES

TBS Insights by
IPDC
INDUSTRIAL POLICY DEVELOPMENT CENTRE



REASONS FOR THIS DOWNTURN

A drop in global demand for apparel

A sharp increase in utility costs, wage hikes

Around 50% rise in production costs

THREAT OF FACTORY CLOSURE



500 FACTORIES FEARED TO BE CLOSED IN SIX MONTHS

Around 250 BGMEA, BKMEA member factories closed in 2 years

Some new factories have come into operation but specific number unavailable

Around 2,500 factories remain operational

It was around 4,000 a decade ago

RMG Sector in Tight Spot

Current Situation

- **With 40% of garment factories currently operating at a loss, the future of Bangladesh's garment industry looks uncertain.**
- **Production costs have also surged by nearly 50% due to an increase in wage and utility expenses.**

Reason:

- **A drop in global demand for apparel translating to fewer orders.**
- **Sharp increase in gas and electricity rates and supply shortages of inputs.**

BANGLADESH'S RICE PRODUCTION

In lakh tonnes



AUS AMAN BORO TOTAL



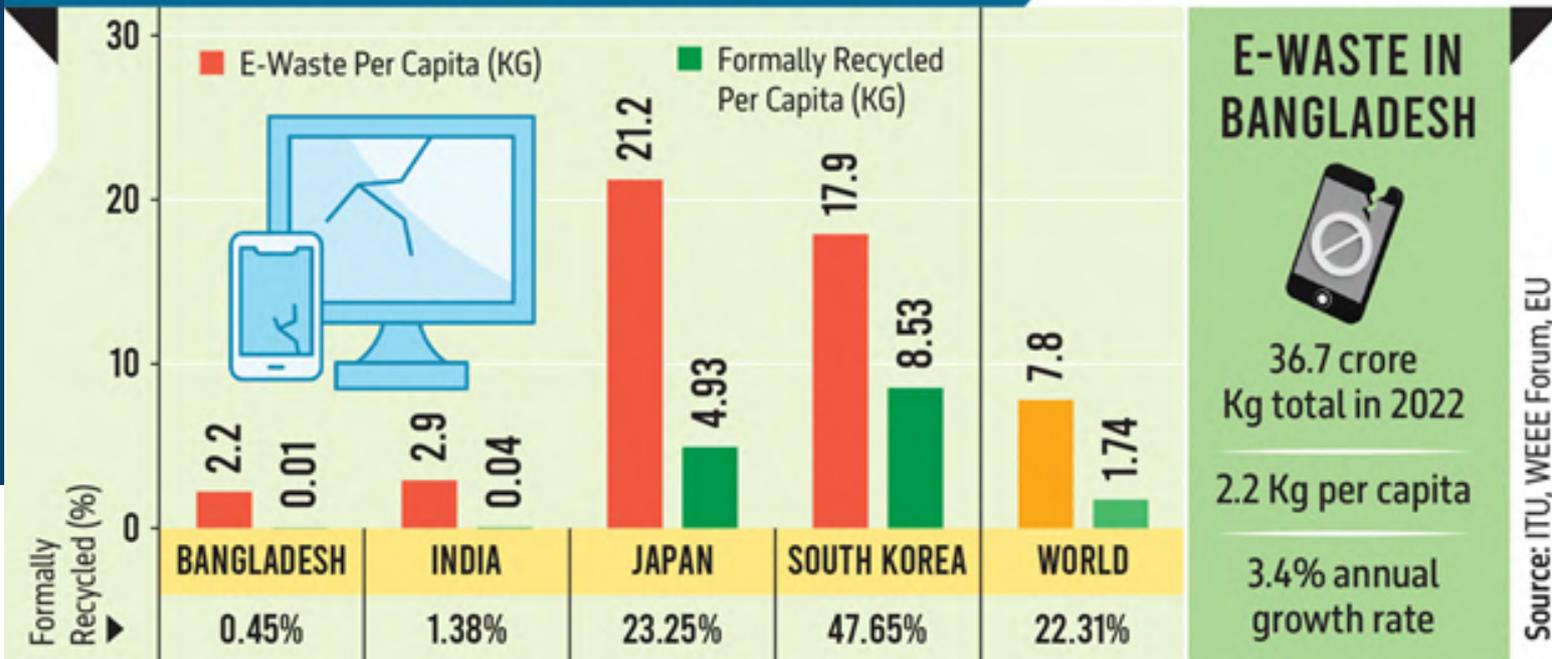
Bangladesh's rice output crosses 4cr tonnes for the first time

Current Situation:

Estimates by the Bangladesh Bureau of Statistics (BBS) show that farmers bagged 4.10 crore tonnes of rice in FY 2023–24, up by 4.1 percent year-on-year in what was the highest growth in six years.

Reason:

Local farmers have been gradually switching to high-yielding and hybrid varieties of the cereal grain, bringing the country's need for rice imports down to zero.



E-waste recycling offers \$500m annual business potential for Bangladesh

Current Situation:

- Compliant e-waste recycling could provide Bangladesh with a \$500 million annual economic opportunity if the country formally manages all its electrical and electronic waste, which is currently either being informally recycled or discarded into the environment.
- Bangladesh generated 367 million kg of e-waste in 2022, growing at an annual average rate of 3.4%

Opportunity:

- With supportive regulations, proper incentives, and sufficient investments in place, Bangladesh could establish a robust certified recycling industry capable of processing all its e-waste, potentially generating \$40–50 million in annual profits.

Global public debt may exceed \$100tn this year: IMF

Key Points

- IMF expects global public debt to hit 93 percent of global gross domestic product (GDP) this year.
- This may approach 100 percent of GDP by 2030.
- This is 10 percentage points higher than in 2019.

Southeast Asia emerges as global data centre hot spot

Key Points

- The world's largest technology firms are flocking to South-east Asia to build data centres.
- The investments will also improve the region's digital infrastructure, allowing small businesses and large institutions to store their data locally, significantly reducing downtime while increasing data sovereignty.

Garment export to US falls 9.16% in Jan–Aug

Key Point:

- Fall in demand for apparels in American markets, garment export to the USA fell by 9.16 percent year-on-year to \$4.70 billion in the January-August period of the current year.
- The textile and garment shipment from Bangladesh to the USA also fell by 8.98 percent year-on-year to \$4.84 billion in the January-August period this year.

WORLD COMMODITIES

Commodity	Close Price	Value Change	Percentage Change
Crude Oil [WTI]	\$ 70.54	↑ 0.15	↑ 0.21 %
Crude Oil [Brent]	\$ 74.40	↑ 0.18	↑ 0.24 %
Gold Spot	\$ 2,677.65	↑ 3.82	↑ 0.14 %

GLOBAL STOCK INDICES

Index Name	Close Value	Value Change	Percentage Change
DJIA	\$ 43,077.70	↑ 337.28	↑ 0.79 %
FTSE100	\$ 8,349.37	↑ 20.30	↑ 0.24 %
Nikkei 225	\$ 38,911.19	↓ 269.11	↓ 0.69 %