Industry insiders say sales have fallen by an average of 50 per cent to 2.5 lakh tonnes per month even though the annual demand for steel products is about 60 lakh tonnes in normal times.

PHOTO: STAR

Steel industry suffering from 50pc slump in sales

JAGARAN CHAKMA

The steel industry in Bangladesh is currently witnessing a steep drop in sales as the depreciation of taka against US dollar has hiked production costs at a time when consumers are unwilling to pay higher prices for the key construction material.

Industry insiders say sales have fallen by an average of 50 per cent to 2.5 lakh tonnes per month even though the annual demand for steel products is about 60 lakh tonnes in normal times.

The recent decline comes as a double whammy for the industry considering how sales had already slumped to about 3.6 million tonnes in 2020 due to the effects of Covid-19.

And although there is no credible data in this regard, manufacturers believe the market size was Tk 58,000 crore in 2021 while it was Tk 55,000 crore in 2019. However, they could not provide any estimate on how much revenue will come from the industry this year.

According to data of the state-run Trading Corporation of Bangladesh (TCB), MS rod was selling for Tk 91,000 per tonne in Dhaka yesterday while it was priced at Tk 91,500 to Tk 92,000 per tonne in different districts.

In addition, the data shows that the price has increased by more than 17 per cent over the past year.

Md Shahidullah, secretary general of the Bangladesh Steel Manufacturers Association (BSMA), said the price of 60-grade MS rod ranges from Tk 95,000 to Tk 107,000 depending on the price of raw materials used and location of producing factories.

"We reduced production to bring down losses in the face of increasing costs. We are just trying to keep the factory alive while having to pay bank instalments and workers' wages," added Shahidullah, also managing director of Metrocem Steel.

He went on to say that steel manufacturers opened letters of credit at rates of Tk 84 to Tk 86 per US dollar six months ago but are now having to settle import bills by buying each greenback at Tk 108.

With this backdrop, the cost of raw materials has increased by 30 per cent, which is quite abnormal, he said.

"This is not a problem only for the steel sector, but also all sectors that depend on imported raw materials," Shahidullah added.

The BSMA secretary general then said most factories are having to operate at half capacity due to the dip in demand.

"Demand from the public sector is relatively unchanged but we are seeing a huge drop in demand from the private sector as people have halted their construction work while many realtors are taking a go-slow approach," he said.

The demand has fallen as people are less willing to take on the added burden of higher steel costs amid ongoing inflation, pressure on the country's foreign exchange reserves and other economic concerns.

"So, the government should immediately take initiatives to reduce duty and value added tax to keep prices at a reasonable level," Shahidullah added.

Tapan Sengupta, deputy managing director of Bangladesh Steel Re-Rolling Mills, which is the largest steelmaker in Bangladesh, said millers are selling steel below their production cost in order to ensure various construction work can continue.

However, he said it is not possible to continue this practice in the long run as the industry's working capital would be exhausted.

The production cost for MS rod is around Tk 107,618 per tonne, excluding advance income tax and tax deducted at source. However, manufacturers are selling the product at Tk 91,000 per tonne.

"There is no way to reduce the production cost at this moment due to the appreciation of dollar and hike in fuel prices in the local market," Sengupta added.

Shahriar Jahan Rahat, deputy managing director of Kabir Steel Re-Rolling Mills, said although scrap price came down to an average of \$581 per tonne between July and August this year from \$730 to \$750 per tonne in March 2022, the overall production cost has increased due the sudden depreciation of the local currency.

As a result of the increased dollar price, the cost of raw material imports rose by around 27 per cent.

"There is a perception that steel makers make huge profits but that is practically wrong," Rahat added.

DSE index crosses 6,600 points after four months

STAR BUSINESS REPORT

Dhaka stocks rose yesterday amid increased participation of investors although many shares did not find any buyer for a long time.

The DSEX, the benchmark index of the Dhaka Stock Exchange (DSE), rose 65 points, or 1 per cent, to 6,600.

The DS30, the index that consists of blue-chip companies, edged up 1.80 per cent to 2,406 while the DSES, the shariah-based index, was up 1 per cent at 1,451.

Turnover in the DSE soared around 9.7 per cent from the previous day to hit Tk 1,989 crore yesterday.

At the DSE, 88 stocks up, 155 down and 128 remained unchanged.

Miracle Industries topped the gainers' list with a 10 per cent rise followed by shares of four companies with over 9 per cent jump.

The four are: Bangladesh Shipping Corporation, Atlas Bangladesh, National Tubes and Orion Pharmaceuticals.

Sonargaon Textiles suffered the highest correction, sliding 9.13 per cent. Each share of Northern Insurance, Bangladesh National Insurance, Sonali Anash Industries and Hakkani Pulp also declined more than 5 per cent.

The Caspi, the all-share price index of the Chattogram Stock Exchange, gained 193 points, or 1 per cent to end at 19,393.

Of the issues that traded on the bourse in the port city, 72 advanced, 94 declined, and 103 did not show any price movement.

Germany sees signs of recession 'multiplying'

AFP, *Germany*

The German central bank said Monday it was increasingly likely that Europe's largest economy would shrink for a "prolonged" period as Russia throttled energy supplies to the continent.

"The signs of a recession for the German economy are multiplying," the Bundesbank said in its monthly report, warning of a "broad-based and prolonged decline in economic output".

The likely slump was above all down to "supply-side constraints", namely reduced deliveries of energy in the wake of the Russian invasion of Ukraine.

Moscow has dwindled supplies of gas to Europe and kept the Nord Stream pipeline shut since the end of August, heaping pressure on Germany's economy.

Germany had been highly reliant on Russian energy imports to power its industry and heat its homes, with 55 per cent of its gas coming from Russia before the outbreak of the war.

German GDP grew fractionally by 0.1 per cent between April and June, but an increasing number of economic indicators, such as business and consumer confidence, have begun to flash red.

The economy would likely shrink "slightly" in the third quarter of the year, the Bundesbank said, before a "marked" drop over the last three months of 2022 and the beginning of 2023.

The Russian gas supply stop meant that the situation on gas markets was "very tense", it said.

Germany could "avoid formal rationing" of the fuel, but necessary reductions in consumption would lead companies to limit or pause production, the central bank predicted.

The impact was unlikely to be as bad as an "adverse scenario" sketched out by the Bundesbank in June, which foresaw the economy shrinking by 3.2 per cent in 2023, it said.

"The outlook is however extremely uncertain," the Bundesbank said.

The reduction in gas supplies has sent prices for the fuel and for electricity rocketing, spurring decades-high inflation rates.

Europe races to prepare for energy crunch this winter

REUTERS, *Paris/Madrid/Berlin*

European governments outlined new measures on Monday to cope with potential energy shortages this winter and raced to improve energy networks to share power, with Russian gas flows still running at severely reduced rates amid the Ukraine war.

Spain drew up plans that could force energy-intensive industries to shut at peak demand times, France said it was preparing to send gas to Germany from October, while Berlin said Europe's powerhouse was still in talks on state aid for ailing utility Uniper.

German buyers briefly reserved capacity on Monday to receive Russian gas via the Nord Stream 1 pipeline, once one of Europe's major gas supply routes, for the first time since the line was shut three weeks ago. But they soon dropped the requests.

It was not immediately clear why buyers had submitted requests for capacity when Russia has given no indication since it shut the line that it would restart any time soon.

Russia, which had supplied about 40 per cent of the European Union's gas before its February invasion of Ukraine, has said it closed the pipeline because Western sanctions hindered operations. European politicians say that is a pretext and accuse Moscow of using energy as a weapon.

European gas prices have more than doubled from the start of the year amid a decline in Russian supplies.

Russian gas flows to Europe via Ukraine, although much reduced, have nevertheless continued.

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Wind power stations of German utility RWE, one of Europe's biggest electricity companies, are pictured in front of RWE's brown coal fired power plants of Neurath near Jackerath, north-west of Cologne in Germany.

PHOTO: REUTERS/FILE

China to accelerate projects to spur recovery

REUTERS, *Beijing*

China will speed up fund injections to expedite project construction and boost domestic consumption, China's state planner said on Monday, even after the economy showed signs of renewed momentum last month.

The world's second-biggest economy slowed sharply in the second quarter, dragged down by a deepening property crisis, and slowing exports and imports.

However, it showed surprising resilience in August, with faster-than-expected growth in factory output and retail sales, although the property crisis continues to hang over recovery prospects.

"The economy is at a critical juncture in its recovery, as the foundation of the domestic economic recovery is still weak despite

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