Cement makers have found themselves in a quandary as sales of the major construction material have plummeted due to the political changeover and recent unrest. Industry players say demand has nearly halved as work is halted on public projects while the real estate sector is also shying away from taking on new projects. PHOTO: STAR/FILE

Cement demand plummets as public projects lie dormant

JAGARAN CHAKMA

Sales of cement nearly halved in the last couple of months as real estate developers shelved construction plans while public projects came screeching to a halt in the face of nationwide unrest and the sudden political changeover.

According to industry insiders, dwindling sales of the major construction material have had a notable impact on the industry, with difficulties mounting for cement producers.

"Due to the student movement and sudden change in the political scenario, the demand for cement declined by nearly 50 percent compared to usual," remarked Iqbal Chowdhury, chief executive officer of LafargeHolcim Bangladesh Limited (LHBL).

He added that a lot of public projects were halted because contractors that were appointed to implement them had absconded after the Sheikh Hasina-led Awami League government was ousted by a mass uprising on August 5.

As per cement manufacturers' association, sales declined by over 3 percent to 25 million tonnes in January-August this year compared to 26 million tonnes in the same period last year

As such, demand for cement from the public sector, which accounts for 35 percent of annual cement consumption, has plummeted, Chowdhury said.

Demand from the real estate sector has also reduced since they are not undertaking new projects as sales have declined due to high interest rates for home loans.

Similarly, individuals who were thinking of constructing buildings have also postponed such plans due to the sudden change in the political situation.

Chowdhury further said the demand for cement in public infrastructure projects would not increase as the interim government will not implement any new infrastructure projects.

So, the cement sector will witness a dull period for a long time although most big manufacturers expanded their production capacity, he said.

Chowdhury added that cement companies were owed huge sums by contractors, but they could not pay because they could not get their own bills cleared by the government.

According to the Bangladesh Cement Manufacturers Association (BCMA), cement sales declined by over 3 percent to 25 million tonnes during January to August this year compared to 26 million tonnes in the same period last year.

The BCMA added that cement makers logged insignificant revenue in July and August, adding that it would take time for the business to return to normalcy.

According to the association, local producers collectively churn out about 78 million tonnes of cement each year against demand for around 40 million tonnes.

Mohammed Amirul Haque, managing director of Premier Cement Mills, said sales had declined to 2.5 lakh tonnes at present from 4 lakh tonnes in a normal situation.

As demand has fallen substantially, the company has scaled down production. Usually, it produces around 4.5 lakh tonnes of cement per month. But it has cut back to just 2.7 lakh tonnes at this moment.

However, Haque was optimistic that demand for cement would grow alongside remittance inflows as cement consumption is higher in rural areas than in urban areas due to rapid urbanisation.

He believes sales will grow in the winter season, opining that individuals will start constructing buildings when the overall political situation stabilises.

Md Moshiur Rahman, chief executive officer at Akij Cement Company Ltd, said sales had reduced as public projects remain halted.

Many of the contractors that were hired for government projects had close links to the previous regime and fled the country after the political changeover, he said.

"Moreover, others are not working due to fear. Another reason is that there is no guarantee that they will be paid for any completed work," Rahman said.

On the other hand, there are no plans at present to implement any more mega projects, so demand for cement will not increase from the government's side, he added.

He further said the interim government had put restrictions in place regarding lifting sand from sand quarries, which was also affecting the cement sector.

"We reduced production to 1.45 lakh tonnes per month from 2.10 lakh tonnes due to slow demand," Rahman added.

According to Akij Cement's CEO, they now supply 4,200 tonnes per day compared to 6,500 tonnes in the past, which indicates that sales have declined by 35 percent.

Against this backdrop, Akij Cement has been facing losses amounting to Tk 3.6 crore on average per month over the past few months, he said.

Attracting higher FDI still a ways off

MAMUN RASHID

In order to narrow or meet the investment gap and more so, to abide by employment generation obligations, every country needs foreign direct investment (FDI).

FDI along with technology transfer ensures the migration of global best practices.

Along with the existing macroeconomic crisis and resulting foreign exchange shortage, recent violence centring the quota reform movement, a subsequent five-day internet blackout and countrywide curfews have naturally shaken foreign investors' confidence in Bangladesh.

Not only should this be addressed with immediate effect, it comes with the need for a clear or semi-clear roadmap for the country's transition to democracy.

Global investors put a lot of focus on political and economic stability as well as potential growth prospects in their destination of choice.

My long association with facilitating large FDI in the country tells that all large investors, who get into any emerging countries, base their decision on some common indicators of investment attractiveness.

This includes the scope for returns on investments, availability of unencumbered land, policy continuity, logical foreign exchange and interest rates, guaranteed repatriation of income -- be it principal, profit or dividends -- and volume of skilled manpower in investment destinations.

According to various media reports, Bangladesh needs to attract FDI equal to 1.66 percent of its annual GDP to become an advanced economy by 2041. But in 2022, the country's FDI inflow amounted to just 0.75 percent of its GDP.

Bangladesh Bank data shows that net FDI inflow fell to $3 billion in 2023, down by some 14 percent year-on-year.

Against this backdrop, the investors' confidence crisis caused by recent events becomes even more concerning. Whether we like it or not, people are yet to get clarity on what is happening in Bangladesh and how far the impacts may reach.

Investors already had a number of issues with Bangladesh in this regard.

Problems like corruption, bureaucracy, anti-competitive government procurement practices, contract and intellectual property right violations, weak judicial system, and inconsistent policy shifts were all previously identified as barriers to Bangladesh attracting higher FDI.

And the recent issues and backlash did little to help the country's image, with several international rights organisations and foreign countries having identified a number of human rights violations during the government's brutal crackdown on protesters in July and August.

The modern nature of business is such that all business activities around worldwide have become tremendously dependent on internet usage. So, the five-day internet blackout had a massive impact on all local businesses and showed how easily the country can be disconnected from the world. Although the country has since slowly recovered in regards to online and physical connectivity, the local businesses' delayed return to full operations amid recent turmoil in industrial belts forced some off-takers to shift a few of their orders to other countries.

Some factories had to go for costly air shipments to make up for the production delay and meet lead times. Besides, the uncertainty that many businesses and investors faced during the internet outage has made them particularly antsy, with many foreign investors raising questions about Bangladesh's political stability.

And even though the interim government remains confident about the country's ability to attract FDI, we believe there is a lot that can and should be done to regain investors' trust. First, the interim government must urgently restore their confidence by cracking down on disturbing elements and reinstating normalcy by lowering tensions within society at large.

It also needs to take all the necessary steps to ensure a positive business environment that is conducive to attracting investment, and that can largely mitigate the losses businesses suffered.

There should be no more confusing statements on the country's liquidity and foreign exchange levels from the central bank. Also, pending bills should be paid at the earliest convenience or the contracts extended mutually.

But amid all these challenges, there is hope. Bangladesh as a country has a long history of bouncing back from crisis and remains an attractive destination for its growing consumer spending.

However, the country needs strong leadership and coordinated efforts now more than ever.

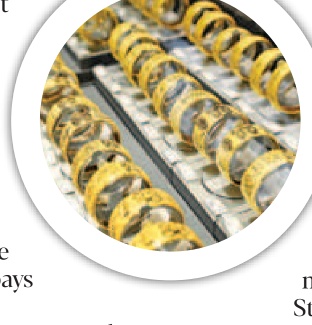
The author is chairman of Financial Excellence Ltd

Gold breaks $2,600 barrier

REUTERS

Gold soared above the $2,600 level on Friday for the first time, extending a rally boosted by bets for further US interest rate cuts, and rising tensions in the Middle East.

Spot gold was up 1.3 percent at $2,620.63 per ounce by 1:43 pm ET (1743 GMT), while US gold futures settled 1.2 percent higher to $2,646.20.



Bullion's latest rally got a fillip after the Federal Reserve initiated an aggressive easing cycle on Wednesday with a half-percentage-point reduction, adding to the appeal for gold, which pays no interest.

Prices of the safe-haven asset have climbed 27 percent in 2024, their biggest annual rise since 2010, as investors also sought to hedge uncertainties spurred by prolonged conflicts in the Middle East and elsewhere.

The record rally could be poised for a correction, analysts said.

"Clearly, there's still some buying activity associated with the Fed's decision to begin their easing cycle with a big cut," said Daniel Ghali, commodity strategist at TD Securities.

However, "the source of this buying activity remains off our radar," given ETF inflows are relatively marginal and Asian buyers are on a buyers' strike, all signs of "extreme positioning," Ghali added.

The record rally has eroded retail demand in top consumers China and India.

The rally in gold "should not go on forever," Commerzbank said in a note, citing the expectation for rate cuts of only 25 basis points each at the Fed's next two meetings.

Still, some analysts said gold could see more upward spikes.

"Geopolitical risks, such as ongoing conflicts in Gaza, Ukraine, and elsewhere, will ensure to sustain gold's safe-haven demand," Forex.com analyst Fawad Razaqzada said in a note.

Continued weakness in the dollar, which makes gold cheaper for holders of other currencies, offered additional tailwinds, analysts said.

Rate cut could lift US consumer spirits before elections

AFP, *Washington*

The US Federal Reserve's decision to cut interest rates by half a percentage point gives consumers a much-needed psychological boost ahead of November's presidential election.

Analysts expect any economic impact of the first rate cut for four years to be modest, and some see it as having only a marginal impact on voting.

But that could still move the needle in an election where Democratic Vice President Kamala Harris is essentially tied with her Republican opponent, former president Donald Trump.

Voters have consistently named the economy as their top concern.

In a close election like 2024, "rate cuts at the margin help Vice President Harris," Oxford Economics senior economist Nancy Vanden Houten told AFP.

Rate cuts typically lower borrowing rates over time, putting more money in consumers' pockets, which in turn fuels demand in the economy.

But this takes time -- something Harris doesn't have, given the election is less than seven weeks away. "We might not see a huge difference in the economic data, but one thing it might do is give consumer spirits a bit of a lift," she added.

US consumer confidence rose for much of the 2010s under Barack Obama and Trump, before taking a nosedive at the onset of the Covid pandemic from which it has yet to recover, according to survey data from the Conference Board.

Given the lags with which monetary policy works, any economic benefits from the Fed's rate cut are unlikely to be felt before the election, according to KPMG chief economist Diane Swonk.

PHOTO: AFP/FILE

Shoppers are seen in a Kroger supermarket in Atlanta, Georgia. Rate cuts typically lower borrowing rates over time, putting more money in consumers' pockets, which in turn fuels demand in the economy.

"The Fed doesn't have a horse in that race," she wrote in a recent blog post, adding: "That will not stop politicians on both sides of the aisle from blaming the Fed."

It's also hard to guarantee that a rate cut will have a positive impact on the economy, given all of the other factors that shape it.

"The economy is not going to go in one direction or another as a function of a 50 basis point rate cut," EY chief economist Gregory Daco told AFP.

"Most people have no idea what the fed funds rate is," David Wessel, a senior fellow in economic studies at the Brookings Institution, told AFP, referring to the bank's benchmark lending rate.

"They know if they got a raise. They know what the price of eggs are. They know if their kid graduated from college and couldn't find a job," he said.

"Given the choice we face as a society between Kamala Harris and Donald Trump, I find it really hard to believe that interest rate moves of a quarter, a half, even a full percentage point, are going to really make a difference," he added.