# Desco reports Tk 505cr loss in FY24

STAR BUSINESS REPORT

State-run Dhaka Electric Supply Company Ltd (Desco) posted a loss of Tk 505.7 crore in the fiscal year that ended on June 30, 2024.

This was the second consecutive year of losses for Desco.

The company's loss per share was Tk 12.7 during the financial year, an improvement from a loss of Tk 13.61 a year ago, according to a disclosure on the Dhaka Stock Exchange (DSE) website.

Desco attributed the slight improvement in losses to a modest increase in distribution revenue and reduced losses from foreign exchange fluctuations.

Despite this, the board recommended no dividend for the fiscal year, citing negative retained earnings.

Desco, responsible for distributing electricity in the western and northeastern areas of Dhaka, recorded a loss of Tk 541 crore in FY23, the first time the company posted a loss since FY02.

Shares of Desco declined 5.91 percent to Tk 22.3 yesterday on the DSE.

# EV sales up 30.5% in int'l market

REUTERS

Global sales of fully electric and plug-in hybrid vehicles rose by an annual 30.5 percent in September, as China surpassed its record numbers recorded in August and Europe resumed growth, market research firm Rho Motion said on Tuesday.

Gains in the US market have been slow and steady in anticipation of the Nov. 5 election, which makes it difficult to predict future trends in the country, data manager Charles Lester told Reuters.

Chinese carmakers are seeking to grow their sales in the EU despite import duties of up to 45 percent and amid cooling global demand for electric cars. Chinese and European automakers were going head-to-head at the Paris car show on Monday.

EVs - whether fully electric (BEV) or plug-in hybrids (PHEVs) - sold worldwide reached 1.69 million in September, Rho Motion data showed.

Sales in China jumped 47.9 percent in September and reached 1.12 million vehicles, while in the United States and Canada they were up 4.3 percent to 0.15 million.

# Millers bring down steel production as demand falls

**KEY POINTS**

- Monthly demand fell to **1.5** lakh tonnes from **5** lakh tonnes in the last one month
- Millers cut prices to Tk **93,000** per tonne from Tk **99,500** in the last two weeks
- Millers brought down production by 60% in the last one month
- Government's consumption almost zero since July
- Individual consumption also fell as people are not spending much

**THE INDUSTRY**

- Annual demand **75** lakh tonnes
- Production capacity **1.10**cr tonnes per year
- Government's consumption **67**%
- Individual and real-estate sector consume **33**%
- Overall market size Tk **70,000**cr
- Major active mills **40**

JAGARAN CHAKMA

The country's steel production fell significantly in September compared to the previous year as the industry reeled from a damaging slump in demand and subsequent price reduction.

Amid nationwide protests, curfews, a political changeover and ensuing uncertainty, the past three months have been brutal for the local steel sector, with top suppliers like Bangladesh Steel Re-Rolling Mills Ltd (BSRM) and Anwar Ispat warning of increasingly bleak conditions.

As mills faced losses on every tonne of steel they made, many lately opted to shut down their furnaces.

"Millers are now selling products below production cost to cover staff salaries and utility bills," said Tapan Sengupta, deputy managing director of BSRM.

Public construction and government mega-projects, accounting for around 67 percent of the local steel demand, have been declining since July this year and came to a grinding halt after the August 5 political changeover.

Meanwhile, the real estate sector has also been struggling due to persistent high inflation, further impacting steel demand.

Besides, new individual constructions in semi-urban and rural areas have been stalled as local public representatives fled during the political changeover, leaving the official approval processes in limbo.

According to sector people, combined sales of local steelmakers have dropped to 150,000 tonnes per month since July, down from over 500,000 tonnes per month previously.

"There is no demand like before, so we are forced to sell our finished inventory at a loss," said Sengupta.

To clear the inventory, steel manufacturers have reduced prices by nearly Tk 6,000 to Tk 6,500 per tonne in the past month to cover operating expenses.

According to the Trading Corporation of Bangladesh (TCB), 60-grade mild steel (MS) rod is being sold at Tk 93,000 per tonne, down from Tk 99,500 per tonne just a month ago.

"Steel usage is on a downward trend, making it difficult for millers to continue production at full capacity," said Manwar Hossain, former president of the Bangladesh Steel Manufacturers Association (BSMA).

**To clear the inventory, steel manufacturers have reduced prices by nearly Tk 6,000 to Tk 6,500 per tonne in the past month to cover operating expenses**

In this situation, overhead costs are increasing due to the inability to utilise full production capacity, he added.

Since the Covid-19 pandemic, steelmakers have experienced numerous hurdles, including capital shortages due to US dollar appreciation, high interest rates and inflation, according to Hossain, also chairman of Anwar Group.

There have also been increased letter of credit margins, disruptions in global supply chains, raw material shortages and rising gas and electricity prices, he said. "These factors have together put an enormous financial burden on steel manufacturers."

The recent depreciation of the local currency taka against the US dollar to Tk 120 has worsened the crisis for producers due to existing capital shortages, he added.

As a result, some mid-sized mills have been forced to temporarily halt production due to a lack of working capital and revenue.

Because of minimal profits or widening losses, almost all millers have reduced production by at least 60 percent, as they are selling below production cost, Hossain said.

Meanwhile, BSRM Deputy Managing Director Sengupta hoped for a brighter future for the local market. However, he believes that the situation will not improve overnight and that restoring public confidence in law-and-order is important for people to undertake new construction projects.

"Businesses face ups and downs and if the situation improves, demand will rebound again," he said.

However, Sumon Chowdhury, secretary general of the Bangladesh Steel Manufacturers Association, did not sound so optimistic.

He said no public projects have resumed construction work since the Sheikh Hasina-led Awami League government was ousted by a mass uprising in August.

Even the interim government has yet to take any concrete decision regarding the ongoing construction works, he added.

Consequently, demand for steel from the public sector is almost nil while it usually accounts for nearly 67 percent of the total steel consumption, which is 7.5 million tonnes annually.

Chowdhury claimed that overall demand has declined by around 70 percent.

He also said the steel sector is the second-largest industrial sector in Bangladesh in terms of market size and investment.

There are around 200 players in the local steel market, including some 40 large manufacturers. The total current production capacity of the mills is around 1.10 crore tonnes.

# Reform and the pressing needs of our economy

MD MOHIUDDIN RUBEL

As the current political transition in Bangladesh stands, it presents a rare opportunity for massive reform that must not be missed. Navigating this pivotal time requires focus on changes that enhance governance, foster a business-friendly environment, and protect the rights and freedoms of our people. This reformative era should aim to build a transparent, competitive ecosystem that boosts investor confidence and curbs corruption.

The challenges of our economy, particularly in the financial sector, cannot be overlooked. High levels of non-performing loans (NPLs) and liquidity crises arise from systemic flaws, a lack of protection, and insufficient accountability. These shortcomings have created opportunities for political interference, resulting in significant losses for our nation.

Our flawed financial frameworks hinder our pursuit of an economy driven by youth and small-and-medium enterprises (SMEs), primarily protecting the interests of lenders. The absence of an exit policy traps borrowers in uncertainty, denying them the chance to turn their situations around. This scenario is a significant drawback for young entrepreneurs. To overcome these constraints, we must create a system that prevents undue interference and upholds accountability and fairness; one where laws serve the greater good, leaders act as enablers of progress, and discrimination is actively addressed.

Political reform is a crucial step for a new governance paradigm -- one that emphasises transparency and accountability at every level. A political system that prevents vested groups from wielding undue influence and resists the politicisation of institutions is essential for progress.

At this critical time, businesses must not be victims of politics, particularly given the disruptions we've seen, like internet blackouts and political activities affecting supply chains. There must be a consensus that the economy should take precedence over politics and that industrial security must be prioritised.

A governance structure fostering inclusivity in decision-making is essential. Regulatory coherence, improved policy coordination, and greater accountability are needed to minimise the risks of arbitrary decisions that harm businesses. A clear separation of functions within government departments is equally crucial to address conflicting priorities effectively.

The failure to integrate plans across various government sectors undermines effective governance and transparency, affecting industries' day-to-day operations, whether in customs, port or tax-related activities. Dismantling siloed governance and embracing effective public-private partnerships are necessary steps.

A smoother transition from LDC status is also crucial for our economy; however, given our limitations in resources, time, administrative capacity and governance challenges, our position regarding this transition must be carefully considered.

An acute focus on infrastructure, logistics, supply chain management and long-term energy policies should take precedence in the reform agenda. Infrastructure development has been a cornerstone for countries like Malaysia, South Korea, and Vietnam, providing valuable lessons for Bangladesh in terms of industrialisation and economic growth.

As things stand, Bangladesh lags behind many of its competitors in the Global Logistics Performance Index. Even during recent floods, our national highway connecting to a major port was submerged, exposing our infrastructure's vulnerabilities and raising questions about our resilience and investment in infrastructure and sustainable energy.

In aligning policies with global competition, we must revisit trade and foreign policies to ensure they are responsive to market realities and position Bangladesh as a competitive player on the international stage. Developing strategic partnerships, enhancing trade agreements and promoting initiatives that attract foreign investment in niche sectors are essential steps.

While prioritising our economic agenda, attention must also be given to protecting SMEs, advancing the ESG agenda and promoting technology and skills adoption. Innovative approaches supported by thoughtful policy frameworks are needed to create synergies that drive meaningful impact.

This reformative era must inspire a collective vision that aligns with our people's hopes and aspirations. It is our moment to break free from past constraints and usher in a new chapter of growth and opportunity. The time for change is now.

*The author is a director of the Bangladesh Garment Manufacturers and Exporters Association*

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

AFP, *Washington*

Global public debt is expected to reach a record $100 trillion this year, the IMF said Tuesday, warning that the fiscal outlook for many countries may be even "worse than expected."

In its latest report on fiscal policy, the International Monetary Fund said it expects global public debt to hit 93 percent of global gross domestic product (GDP) this year, and to approach 100 percent of GDP by 2030 -- 10 percentage points higher than in 2019, before the Covid-19 pandemic hit.

"Global public debt is very high," Era Dabla-Norris, the deputy director of the IMF's Fiscal Affairs Department, told reporters ahead of the report's publication.

"There are very good reasons to believe that the debt burden -- or the debt outlook -- could be worse than expected," she said, pointing to current spending pressures to address issues like climate change, overly-optimistic debt projections, and the possibility of large amounts of unidentified debt. "So the bottom line is that it's time for countries to get their fiscal house in order," she said.

The IMF report introduced a new "debt-at-risk" approach to assessing the risks to debt projections.

It estimated that, in a worst case scenario, global public debt could hit 115 percent of GDP by 2026 -- almost 20 percentage points higher than the Fund's baseline estimate.

The report found that "global factors increasingly drive the fluctuations in government borrowing costs across countries," suggesting that elevated levels of debt in key countries could "increase the volatility of sovereign yields and debt risks" for others.

# Nobel prize brings global inequality back in focus

REUTERS, *London*

The Nobel committee has put the spotlight back on global inequalities. Bestowing its prestigious economics prize on Daron Acemoglu, Simon Johnson and James A Robinson, is a reminder that income disparities among and within nations are just as important as climate change, the AI "revolution" and ageing societies.

It is a much-needed wake-up call. The wealthiest 20 percent of the world's countries are now around 30 times richer than the poorest 20 percent, the Royal Swedish Academy of Sciences noted. And the gap is persisting even though poor countries have become richer.

The newly minted Nobel winners have provided compelling evidence of why inequalities among nations arise and persist. Their findings, detailed in "Why Nations Fail", the 2012 book by Acemoglu and Robinson, is that institutions and politics are key.

The book's conclusions -- backed up by impressive empirical evidence ranging from ancient Rome to modern-day Nogales, a city split between Arizona and Mexico -- is that "inclusive institutions" make countries richer. Democracy, the

Daron Acemoglu

James A Robinson

Simon Johnson

rule of law and the protection of property rights distinguish those systems from "extractive" arrangements where a small ruling class owns most resources and wealth.

At a global level, these extractive systems are alive and well. The poorest half of the world's population owned just 2 percent of global wealth in 2021 while the richest 10 percent controlled 76 percent of it, according to the World Inequality Report.

Admittedly, the gap between average incomes in the richest 10 percent of countries and those in the poorest 50 percent has dropped from more than 50 times in 1980 to less than 40 recently, but it is still huge. And inequality within countries has almost doubled in the same period.

Acemoglu, who like Johnson teaches at the Massachusetts Institute of Technology, and Robinson, who is a professor at the University of Chicago, have had some trouble explaining why some countries with less-than-democratic systems, like Singapore and China, have become much wealthier.

Nevertheless, their Nobel prize will refocus attention on an issue that risks taking a back seat to other global challenges -- like the fight against climate change and the developed world's demographic time bomb -- and fascinations such as the rise of AI, which Acemoglu has criticised.

But their award is important for another reason. Next month's US presidential election could strain some of the democratic foundations of the world's largest economy. All the more timely, then, for the Nobel committee to reward research that underscores the importance of robust institutions.

Daron Acemoglu, Simon Johnson and James Robinson won the 2024 Nobel economics prize "for studies of how institutions are formed and affect prosperity", the Royal Swedish Academy of Sciences said on Oct. 14.

The prestigious award is the final prize to be given out this year and is worth 11 million Swedish crowns ($1.1 million). "Reducing the vast differences in income between countries is one of our time's greatest challenges. The laureates have demonstrated the importance of societal institutions for achieving this," said Jakob Svensson, chair of the Committee for the Prize in Economic Sciences.