The Daily Star | Prime Bank

MONTHLY BUSINESS REVIEW

ENERGY CRISIS HITS BANGLADESH'S WALLET

The Middle East conflict is driving up fuel and gas prices, while higher shipping and insurance costs add to the energy bill

WHY COSTS ARE RISING

- About **92-95**% of fuel is imported
- Brent crude: $**72** → above $**100**/barrel
- Hormuz disruption threatens oil supplies
- Red Sea insecurity raises freight, insurance costs
- Cape Route can stretch voyages to **50** days, from **16**

FUEL

Record prices after Tk 20/litre hike

- Diesel: Tk **135** | from Tk **115**
- Octane: Tk **165** | from Tk **145**
- Petrol: Tk **160** | from Tk **140**
- Kerosene: Tk **155** | from Tk **135**

BPC losses: Tk **22,875**cr in March-August

Expected BPC loss reduction: Tk **10,000**cr a year

LPG

- 12kg LPG: Tk **1,585** official price in Sept; consumers pay Tk **2,000–2,200**
- **Supplies tighten** Operators cut retail supplies amid higher import, shipping costs

Autogas stations also report shortages

- Imports normal
- BERC announced a new price of Tk **1,837** on Oct 4

LNG

Spot LNG: nearly $**30**/MMBtu

- Before war: $**10**-$**12**
- Recent cargoes: **$28.95-$29.795**
- Qatar disruptions force more costly spot purchases
- LNG subsidy burden increased by Tk **10,600**cr in FY26



IMPACT ON THE ECONOMY

- Transport: fares rise
- Agriculture: higher irrigation costs
- Industry: higher production, logistics costs
- Households: higher commuting, food bills
- Businesses: squeezed margins

ENERGY CRISIS STRAINS INDUSTRY, FARMING

Gas and power shortages are disrupting factories and exports, while limited gas supplies are squeezing domestic urea production and fertiliser supplies

Factories under strain

- **400**+ factories hit, mainly RMG – July **21**–Aug **31**
- **202** risk shutdown within **1-2** months
- **150**+ run at **10-50**% capacity
- **18** production units suspended
- Diesel use raises costs **10-15**%
- **55**% of surveyed knitwear factories lost/ reduced orders
- **87**% report shipment delays; **59**% face loan default risks
- Ceramics, food, pharmaceuticals also hit



Fertiliser squeeze

- July-Sept demand: **13.21** lakh tonnes
- Available stock: **12.45** lakh tonnes
- Govt says stocks are adequate; farmers report rationing
- FY27 projected demand: **58** lakh tonnes
- Farmers report rationing, delays, higher prices
- Govt blames panic buying, stockpiling, excessive use
- Farmers/experts cite distribution, procurement delays
- Approved imports: DAP **5** lakh | MOP **2.2** lakh | TSP **2** lakh tonnes

BB KEEPS RATES STEADY, BANK RULE CHANGES

Policy rate stays at 9.5%

- Policy rate: **9.5**%, unchanged for Oct to Dec
- Standing Lending Facility rate: **11**%
- Standing Deposit Facility rate: **7.5**%

- Key risks
  - » Volatile global energy prices
  - » Recent domestic fuel price hikes
  - » New public-sector pay scale
- BB's approach: Assess domestic, global shocks before changing rates



Bank resolution rules tightened

Section 18(A) scrapped

- Amendment bill passed on Sept 9
- Former bank owners/directors can no longer regain control of merged banks
- Earlier, they could regain control by:
  - » Paying **7.5**% upfront of government/ BB funds injected
  - » Repaying the remaining **92.5**% within 2 years
  - » Paying **10**% simple interest

ECONOMY: KEY NUMBERS AT A GLANCE

REMITTANCES
- $**2.76**b Sept inflow
- ↑ **3**% YoY
- ↓ **7**% MoM

EXPORTS
- $**3.93**b Sept earnings
- ↑ **8.54**% YoY |
- ↓ **11.11**% MoM

DOLLAR RATE
- Tk **123.03** Average exchange rate on Sept 30

FOREX RESERVES
- $**36.15**b gross reserves as of Sept 29
- $**31.30**b under IMF's BPM6 method

INFLATION
- **8.26**% August inflation
- ↓ from **8.32**% in July

PRIVATE-SECTOR CREDIT
- **4.62**% Growth in July
- Below BB's **6.8**% target through Dec



MOODY'S SHIFTS BANGLADESH OUTLOOK TO STABLE

WHY IT MATTERS

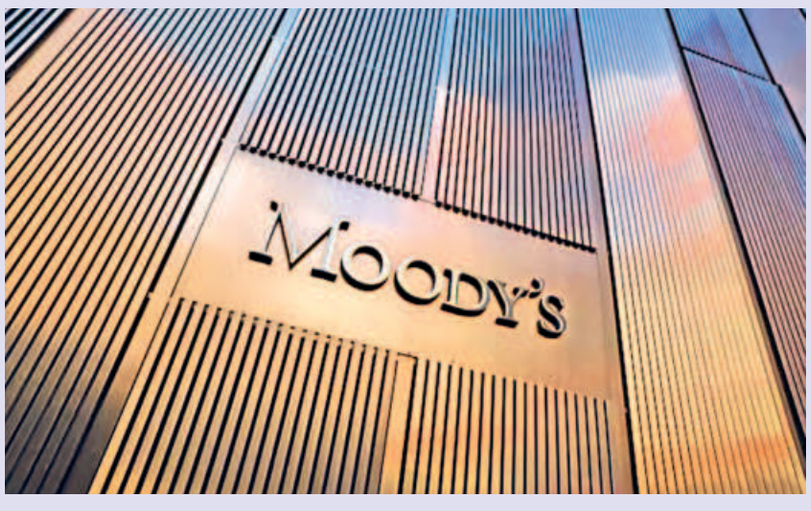
- Outlook: Stable, up from negative
- Rating: B2, indicating high credit risk
- Growth: **4.3**% projected for FY27
- Inflation: Around **9**%, expected to ease gradually
- Growth outlook: About **4.9**% from FY28 onwards
- S&P, Fitch retain B+ rating, negative outlook

WHAT IMPROVED

- Political uncertainty has eased after the Feb election
- Foreign exchange reserves have rebuilt
- Exchange rate regime has become more flexible
- Remittances reached record levels
- External shock-absorption capacity has improved

KEY RISKS REMAIN

- Severe banking sector weaknesses
- Bank recapitalisation needs estimated at 10% of GDP
- Narrow revenue base limits fiscal support
- Energy supply constraints
- LDC graduation challenges
- Structural reforms remain uneven



BIMAN BETS BIG ON NEW JETS

25 Boeing aircraft on order

11 new jets added, taking Biman's total Boeing orders to **25**

LATEST ORDER

- **5** Boeing 787-10s
- **6** Boeing 737-8s
- Catalogue value: $**2.42**b
- Contract value, delivery schedule undisclosed

AIRBUS TALKS

- **4** A350-900s
- **6** A321neos
- Agreement may conclude by Oct
- If finalised, **35** aircraft will be in the procurement pipeline

EARLIER BOEING DEAL

14 aircraft ordered in April for $**3.7**b

- **8** Boeing 787-10s
- **2** Boeing 787-9s
- **4** Boeing 737-8s
- Delivery: Nov 2031–Oct 2035

WHAT BIMAN NEEDS TO GET RIGHT

- Plan routes & frequencies
- Deploy aircraft profitably
- Win more international market share
- Strengthen management & expertise
- Phase out older aircraft



Prime Bank
BEST TIME TO OWN YOUR FLAT OR CAR
8.99% Starting Interest Rate
24/7 Helpline 16218 primebank.com.bd
Sign Language Video Call Service 013 211 16218 10 AM - 4 PM
*Conditions apply