

Jute Market Report for October 2022

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Bangladesh

Raw Jute: During the month under review, raw jute demand from major importing countries like Pakistan and India was sluggish. Although Pakistan was in the market, their buying activities were at low level compared to previous months. Their purchases did not exceed about 2.500 - 3.000 mtons of all grades of long Jute Tossa BTR BS, BTR CS, BTR KS, BTD CS as well as Tossa cuttings like BTCA and BTCB.

During celebrations of the big Hindu religious festival DIWALI purchases made by Indian buyers were just scattered. They were more inclined to watch the market rather than making purchases. Demand originating from other importing countries like China, Vietnam, Tunisia was at low ebb during the month under review.

Because of low demand from international markets, export prices for low quality fibre have been decreased by about USD 30 to 40 per mton. Export prices for higher grades however ruled steady in view of less production and scarcity of high grade quality of fibre.

Raw jute exports during the period from July 2021 up to May 2022 were 652.112 Bales against 521.293 bales during the same period in the year 2021.

New crop: During this year, the farmers did not get adequate water for proper retting for the jute plants during harvesting time. As a result, the quality suffered and availability of high quality fibre significantly declined. According to the local market information the production of the new crop this year is expected as follows:

Meshta	150,000 bales	=	25,000 mton approx.
White	55,000 bales	=	10,000 mton approx.
Tossa	5.500,000 bales	=	1.000,000 mton approx.

New Crop arrivals in the local market were regular. However, availability of higher quality grades is scarce, whereas low grade quality fibre is easily available. Local raw jute balers, jute yarn and twine spinning mills as well as composite jute mills and raw jute processing units, continued to procure new crop fibre according to their requirements, during the month under review.

Weather: Since the beginning of the month until 23rd October, beneficial weather with good sunshine was observed throughout the country, however, on 24th October, Cyclone Sitrang hit Bangladesh and several people were killed in different parts of the country. During this time, Chattogram and Mongla ports ceased unloading at outer anchorages. Flights stopped at CTG, Cox's Bazar and Barishal Airports due to heavy rain. Strong wind battered the whole country amid flood warning across coastal regions.

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The coastal districts experienced heavy damages due to strong tide, heavy wind and flash flood, central regions including Dhaka experienced strong wind and heavy rainfall. Khulna, Satkhira, Bagerhat, Patuakhali, Barguna, Bhola, Pirojpur, Barishal, Jhalakathi, Noakhali, Lakshmipur, Feni, Chandpur, Chattogram, Cox's Bazar, and the low-lying areas of remote islands were inundated by tides 5-8 feet high above the normal levels.

Jute Yarn and Twine: Although export demand for both high and low quality of jute yarn and twine from importing countries such as Turkey, Europe, and India was witnessed during the month under review, business that actually materialized was less compared with volume of business transacted during previous months.

Due to rise of Covid-19 infections in China and rigid measures taken by the Chinese Government to fight the pandemic on the one hand, but specially because of the negative impact of the depreciation of the Chinese currency RMB which has hit its weakest level against the US-Dollar since 2007, demand from China has suffered with significant decline of exports to China. Demand from other importing countries like Vietnam, Russia, Indonesia, Malaysia, Uzbekistan, and Middle East countries and the United States was subdued.

Local demand in Bangladesh for sacking and hessian quality jute yarns and twines declined during the month under review.

Export price: In view of the decreased demand from both local and international markets, export prices for jute yarns and twines experienced a downward trend during the month under review, with decline reaching about USD 100.00 to USD 150.00 per mton depending on quality.

Due to less demand from international markets, small and medium size mills as well as jute yarn mills in financial distress are facing difficulties to operate. The solvent mills are trying to operate their mills in full swing, running on 3 shifts per day, according to their confirmed orders.

Jute yarn and twine spinning mills are reportedly selling at different price ranges. It seems that the reference prices are not being always maintained and mills are selling at the best price they can fetch from their buyers. Adding to these difficulties is frequent load shedding because of the energy crisis which hit Bangladesh, and production capacity went down to 20-25%. In order to keep the reference price applying for individual counts/qualities, Bangladesh Jute Spinners Association (BJSA) has imposed a circular on 24th October to fix Minimum Export Price (MEP) as per quality.

Jute Goods: Enquiries from Europe, Australia, USA and Middle East countries for Hessians and Sackings started to increase during the month under review. Since container freight rates gradually started to decline, the business picked up a bit in comparison to the lull during previous months.

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Inquiries for Sackings also increased from African countries like Sudan and other importing countries like India, South Korea, U.A.E, Kazakhstan, Indonesia, Iran, China and Vietnam. Demand from the local market for Sacking and Hessian quality of jute bags for packaging became less.

Jute CBC demand from the regular importing countries like Europe, UK, and Japan was on a regular level during the month under review.

During the month under review, export prices developed as follows:

Hessians:	increased by approx. 2 %
Sacking:	decreased by approx. 2-3 %
CBC:	remained stable

Electricity: Due to power shortage going through in Bangladesh, factories were facing huge difficulties of completing the production in schedule. On 4th of October, four-fifths of the country's 165m people were without electricity for seven hours. Factories stood still. Pumps in apartment buildings stopped working, depriving residents of water.

Bangladesh currency: We quote from a newspaper article "*Can an IMF loan rescue Bangladesh's economy?*", published by The Daily Star on 30th October 2022 as follows:

"In July 2022, the Bangladesh government approached the International Monetary Fund (IMF) for a loan to address the country's economic challenges. An IMF team is currently in Bangladesh to discuss the details of the loan and prepare for the agreement. We have asked for an USD 4.5 billion loan, which will be provided from IMF's Enhanced Credit Facility (ECF), Enhanced Funding Facility (EFF) programme, and the New Initiatives, Resilience and Sustainability Fund (RST).

The context under which we are seeking the loan is not uncommon. Our current economic situation is one in which countries usually look to the IMF for balance of payment support. Our trade deficit is high as import payment is much higher than export income; in FY2021-22, negative trade balance reached over (-) USD 33 billion. Our current account deficit is also high since remittance flow is negative in the current fiscal year; it amounted to USD 18.7 billion in FY22. This has led to decreasing foreign exchange reserves and depreciation of the Bangladeshi taka. Our forex reserves have come down to USD 35.8 billion from USD 41.8 billion in FY22. As per IMF estimation, the actual reserves are USD 27.4 billion – only enough for about three months' import payments.

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Overall, Bangladesh is going through a difficult time; high inflation, food and fuel crises, and depleting forex reserves have weakened the macroeconomic stability that we have been enjoying for a long time. Global economic shocks caused by the pandemic as well as the ongoing Russia-Ukraine war are bound to affect all economies, irrespective of their development status. However, the scale of the impact depends on the inherent strength of each economy. That strength is achieved through appropriate policies and implementation of those policies with strong governance.

Unfortunately, over the years, Bangladesh has failed to strengthen its institutions that are responsible for delivering good economic outcomes. Our financial sector is burdened with a large amount of non-performing loans (NPLs) as loan defaulters are given leeway through various flexible measures. As of June 2022, the amount of defaulted loans stood at Tk 1.25 lakh crore or about nine percent of the total loans disbursed, according to the Bangladesh Bank. Wastage and leakage of resources in projects abound due to lack of good governance. Domestic resource mobilisation efforts are stubbornly slow, and the tax-GDP ratio is only 7.6 percent at present. Added to these problems are the reckless price hike of all commodities, making people's lives miserable.

Since IMF loans traditionally come with conditionalities, there are mixed reactions in Bangladesh in this regard. Though we have taken loans from the IMF in the past, many still feel that such loans are not necessarily good for the country. For example, while Brazil's experience in 2002 has been good in turning its economy around with IMF loans, Greece could not improve its economy with IMF's bailout in 2010-16, when the country pursued austerity policy.

While conditional loans are not liked by countries, an important reason for conditions is that the loan provider wants to make sure the money is used in such a way that the economic conditions are improved, and the country is able to repay the loans. Since the IMF's fund is the contribution of its member countries – in other words, their taxpayers' money – it is equally liable for proper utilisation of the fund disbursed to its members.

Considering Bangladesh's request for the loan of USD 4.5 billion, IMF has asked the government to take a few measures. These measures include reform and improved governance of the financial sector, reduction of NPLs, modernisation of revenue administration, expansion of tax net and increment of tax-GDP ratio, implementation of VAT law, reduction of unreasonable support and fuel subsidies, bringing down interest rate on savings certificates to a reasonable level, and withdrawal of interest rate caps.

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The availability and nature of the conditionalities depend on two factors: how the government negotiates with the IMF, and whether the government is able to repay the loan along with its interest.

One would think that, given the relevance and importance of the reform measures, the government should have taken these initiatives on its own. Unfortunately, there has always been an unwillingness for undertaking reforms and improving the governance and efficiency of public institutions in Bangladesh. Whatever reforms that took place were mostly under the directives of lenders.

While negotiating with the IMF, Bangladesh must present its own plans on the areas where its people's interests lie. For example, reducing interest rates on savings certificates will hurt many low- and fixed-income people whose only source of income is the interest from their savings. Before the next general election, the government may not be eager to make this change. The other issue is subsidies for the agriculture sector, which is related to food security. If the government can increase its fiscal space, it can provide support to farmers. However, there needs to be a balance and threshold, because subsidies lead to waste of resources and harm the environment.

Neither IMF loans nor the associated conditionalities are new to Bangladesh. However, this is the largest loan that Bangladesh is seeking to take from the IMF. The size of our economy has grown - so have our needs. The nature of the crisis is also different. Therefore, prudent utilisation of the loan will be required to bring the economy back on track. A transparent and accountable system will be key to the successful outcome of the IMF support.”

India

Raw Jute: Prices during the month under review were more or less unchanged. They are fluctuating within narrow range and seem to bottom out, but are expected to rise again in January 2023. The ruling market prices quoted by the Jute Balers Association (JBA) end of last month were fixed as follows: TD-4 IRs 6.600 and TD-5 IRs 5.900 per 100 kgs. The premium for TD-4 has gone up to IRs 700 for 100kg. The premium for TD-6 has also increased to IRs 1.000 for 100 kg.

New crop: Local supplies to Indian jute mills continued to pick up and around 882,000 bales were delivered during the month under review (against 656,000 bales in August). According to current estimates this year's crop is expected to rule somewhere around 9,5 Mio bales compared to 9 Mio bales in 2021/22.

The carryover is unlikely to exceed one million bales.

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Weather conditions: Despite above-normal rainfall for the country as a whole, Bengal recorded 20 % rainfall deficit during this monsoon. It's been the fourth monsoon within five years with shortfall in the state Bengal. For Kolkata, the rainfall deficit was even higher at 33 %. Monsoon withdrew completely from Bengal on October 20th.

Jute Yarn and Twine: Demand for jute yarns and twines again continued to be poor during the month under review.

Jute Goods: Situation during the month under review presents itself as follows: Prices for Hessians slightly under pressure at IRs 135,000 per mt. Selective mills asking for premium of 10% against prices quoted by „standard“ mills. Export demand as well as local demand was very slow and not picking up as expected during the month under review.

During the month under review market prices for sackings were also weak and ruling around: IRs 93.000 to 100.000 per mton, with selective mills asking for premium of 7 % against prices quoted by „standard“ mills.

B-Twills: The Indian Government placed orders of about 200.000 bales of B-Twill bags during the month under review. The order volume for November is expected to be lower.

Orders for Jute Carpet Backing Cloth were on a regular level, though small in quantity, which is why prices are firming up. The jute for Jute Carpet Backing Cloth will also become more expensive due to a weaker rupee.

Jute goods production of IJMA jute mills and jute mills reporting to IJMA in September 2022 amounted to 109.500 mtons of which 4.500 mtons were jute yarns/twines.

India's Directorate General of Trade Remedies (DGTR) has recommended its Finance Minister to impose anti-dumping duty on jute goods exports from Bangladesh for another five years. In January 2017, India imposed anti-dumping duties ranging from USD 19,00 to USD 252,00 per mton for five years on jute goods exports from Bangladesh. Earlier, Bangladesh Finance Minister AHM Mustafa Kamal and Bangladesh Commerce Minister Tipu Munshi wrote to their Indian counterparts asking them not to impose the anti-dumping duties on jute products once again.

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