Oil prices jump

REUTERS, *Singapore*

Oil prices jumped in the first session of the New Year, boosted by the chances of Middle East supply disruptions after a naval clash in the Red Sea, as well as hopes of strong holiday demand and an economic stimulus in China, the top importer of crude.

Brent crude rose $1.28, or 1.7 percent, to $78.32 a barrel by 0438 GMT while US West Texas Intermediate crude was at $72.69 a barrel, up $1.04, or 1.5 percent.

A Reuters survey of economists and analysts predicted Brent crude would average $82.56 a barrel this year, slightly higher than the 2023 average of $82.17, as weak global growth is expected to cap demand, though geopolitical tensions could provide support.

US helicopters repelled an attack on Sunday by Iran-backed Houthi militants on a Maersk container vessel in the Red Sea, sinking three Houthi ships and killing 10 militants, fuelling risks of the Israel-Gaza war becoming a wider regional conflict.

Brent crude would average $82.56 a barrel this year, slightly higher than the 2023 average, a survey finds

"The oil price may be affected by the escalation ... in the Red Sea over the weekend and the peak demand season during China's Spring Festival," said Leon Li, a Shanghai-based CMC Markets analyst said.

Li, who was referring to the Lunar New Year holiday due in early February, added that the forecast Chinese holiday demand was also raising expectations for a price rebound this month.

A wider conflict could close crucial waterways for oil transport, such as the Red Sea and the Straits of Hormuz in the Gulf. After the naval battle, an Iranian warship sailed into the Red Sea, Iranian media said on Monday.

Traders at a wholesale market in Barishal city are seen unpacking various vegetables before selling them to retailers from all over the country. Although the ongoing inflationary pressure has eased a bit, food security remains a concern as commodity prices are still high. PHOTO: TITU DAS

Rising food prices a concern for 71% families in Bangladesh: WB

STAR BUSINESS REPORT

Rising prices of food items are a cause for concern for 71 percent of families in Bangladesh, according to a World Bank report.

The global lender revealed the data in its Food Security Update in December, when prices of all vegetables were spiralling unusually in the country's retail markets in spite of supplies being adequate since winter is the peak harvesting season.

The report classified countries into four categories based on the rate of food inflation, placing Bangladesh in the second highest category with 12.6 percent for the October-November period.

Meanwhile, neighbouring India, Sri Lanka, Afghanistan, Bhutan and Nepal had much lower figures.

In October, overall inflation in Bangladesh stood at 9.93 percent, according to data published by the state-run Bangladesh Bureau of Statistics (BBS).

However, inflation fell by 44 basis points to 9.49 percent in November, led by a decline in both food and non-food prices, according to the BBS.

As prices of commodities on which low-income groups are dependent still remain high, the slight decline in inflation will not give them any respite.

But the prices of commodities on which low-income groups are dependent still remain high. As a result, the slight decline in inflation will not give them any respite, according to experts.

Meanwhile, according to the primary findings of a survey conducted by the BBS, one in every five households in Bangladesh experienced food insecurity in 2023.

The BBS carried out the survey for "Food Security Statistics 2023" last June on 29,760 households across the country.

Some 0.83 percent of the households faced "severe" food insecurity while 21.08 "moderate", according to the survey, the full report of which is yet to be published.

According to the World Bank report, Bangladesh government's food grain production targets for fiscal year 2022-23 were marginally underachieved.

There were 1.85 million tonnes of food grain in government stocks as of December 10 last year whereas 1.76 million tonnes in June, as per the report.

It said food grain import bills were 1.4 percent lower than that in 2022 while prices of non-grain food items were 20 percent lower.

Domestic rice prices have remained largely stable, although the price of high-quality rice has fallen since April last year.

Eurozone economy likely entered recession last year

REUTERS, *London*

Eurozone factories ended 2023 on the back foot, with activity contracting in December for an 18th straight month, according to a survey which gave scant signs of any imminent strong bounceback in an economy likely in recession.

HCOB's final eurozone manufacturing Purchasing Managers' Index (PMI), compiled by S&P Global, did nudge up to 44.4 in December from November's 44.2 but remained firmly below the 50 mark separating growth in activity from contraction. A preliminary estimate was for no change from November.

An index measuring output, which feeds into a composite PMI due on Thursday and seen as a good gauge of economic health, dipped to 44.4 from November's final reading of 44.6 but was ahead of the 44.1 flash estimate.

The pessimistic trend strongly pointed to a contraction in eurozone GDP last quarter, Hamburg Commercial Bank's chief economist Cyrus de la Rubia said. The bloc's economy contracted 0.1 percent in the third quarter, official data has shown, so a second quarter of contraction would meet the definition of recession.

"Amid a relentless slump in the manufacturing sector of the eurozone, the HCOB PMI has shown little improvement compared to November. It paints a bleak picture for the eurozone and would mean that the euro zone entered a recession in the third quarter," de la Rubia said.

The 20-country eurozone will endure a short and shallow winter recession, an early December Reuters poll found. An ongoing decline in new orders did ease moderately last month but remained below 50, as it was for all of 2023. The sub-index rose to 42.0 from 41.5.

Rupee may rise to 81/USD by 2024 end

Goldman Sachs says

REUTERS, *Mumbai*

The Indian rupee is likely to appreciate to 81 against the U.S. dollar over the next 12 months amid expectations of heavy foreign capital inflows, Goldman Sachs said in a note on Tuesday.

Still, the currency will underperform its Asian peers as the Reserve Bank of India (RBI) could continue to accumulate inflows and build forex reserves "at every opportunity," economist Santanu Sengupta said.

Equity portfolio flows into India will be "robust" as the Federal Reserve starts its interest rate easing cycle in 2024, while debt inflows will be strong following India's inclusion in the JPMorgan's global bond indexes, Goldman Sachs added.

Moreover, Asia's third-largest economy will continue to benefit from regional supply chain diversification, which will boost foreign direct investments, it said.

The brokerage has a fairly bullish view on the rupee compared with other analysts.

The rupee will gain to 82.80 by end-November, according to a Reuters poll last month.

Pragati Life partners with SSL Wireless

STAR BUSINESS DESK

Pragati Life Insurance Ltd recently signed a strategic partnership agreement with SSL Wireless, a software development, fintech and ITES company in Bangladesh, to drive Insurtech innovation and expand access to micro-insurance in Bangladesh.

Md Jalalul Azim, managing director and CEO of the life insurer, and Md Iftekhar Alam Ishaque, chief operating officer of the software development, fintech, and ITES company, penned the deal at the former's head office in the capital's Karwan Bazar, read a press release.

Under this agreement, SSL Wireless will provide embedded insurance technology support, enabling the development and testing of new insurance products and services within the regulatory sandbox framework.

The software development company will also integrate the insurer's micro insurance policies into their digital platforms, expanding access to insurance for underserved communities.

Quazi M Murshed, assistant managing director of the life insurer, Md Jaharul Islam, senior vice-president and head of bancassurance, and Mohiuddin Tawfik, assistant general manager and head of banking and financial services of the software development company, and Syed Mahabur Rahman, deputy manager for banking and financial services, along with senior officials of both organisations were also present.

PHOTO: PRAGATI LIFE INSURANCE

Md Jalalul Azim, managing director and CEO of Pragati Life Insurance Ltd, and Md Iftekhar Alam Ishaque, chief operating officer of SSL Wireless, exchange signed documents of an agreement at the former's head office in Karwan Bazar, Dhaka recently.

Business at ICDs

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The five leading ICDs -- comprising KDS, Portlink Logistics Centre Limited, two units of Summit Alliance Port Limited (East and West), Incontrade Limited and Esack Brothers Industries Limited -- jointly handled 542,783 TEUs of export and import containers, around 61.84 per cent of the total volume.

Still, container handling dropped across the board. KDS' handling dropped by 8.8 percent, Portlink's by 14.39 percent, Summit Alliance Port Limited's (East and West) by 8.16 percent, Incontrade's by 11.3 percent, and Esack Brothers' by 15.46 percent.

Among them, KDS Logistics handled the most import and export containers, amounting to 144,814 TEUs, around 16.50 per cent of the total volume.

In 2023, the 17 ICDs handled a total of 661,152 TEUs of export containers, down 11 per cent from the previous year, and 216,537 TEUs of import containers, down 9.7 per cent from 2022.

KDS Logistics was also top in terms of handling export containers, handling 109,554 TEUs in 2023.

KDS Logistics Executive Director (ED) Md Ahsanul Kabir said 2023 was a challenging year for business as overall foreign trade declined, thereby impacting the trade volume of ICDs.

Despite the fall in volume, they tried to focus on developing efficiency to ensure better services to clients, he said.

Nurul Qayuum Khan, president of the Bangladesh Inland Container Depots Association, told The Daily Star that the overall fall in the inflow of export and import cargo was the reason for the negative growth in total handling by ICDs.

Most ICDs saw their revenue drop due to decreased business in 2023 and outstanding dues in the market are climbing, he said, adding that the owners were facing difficulties in paying off instalments on their bank loans.

However, Khan hoped for a better situation in 2024.

Small businesses navigated

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Khatun informed that she was compelled to cancel work orders amounting to about $60,000 last year for failing to open LCs against her exports.

"This was a big setback for a small business like ours," she said.

Another challenge is that production costs are rising within the time it takes to get a work order after providing the price quotation, thereby narrowing the profit margin even to the point of incurring losses.

"This leaves us with the difficult choice of having to cancel work orders," Khatun added.

She also pointed out that the price of common leather has surged by about Tk 40 per square foot to between Tk 120 and Tk 160 over the past year.

With this backdrop, Khatun said the inflated price of raw materials is making it near impossible for local exporters to survive in the global market in face of competition from countries like India and Pakistan.

Manirul Islam Munna, who sells mattresses and other bedding items from his store in Dhaka's Panthapath, reported 70 percent lower sales in the past five months.

Still, he anticipates better days ahead if the ongoing economic and political uncertainty are resolved after the upcoming national election.

Saidur Rahman, owner of Saidur Furniture in the same area, had to close three of his five outlets after incurring substantial losses resulting from a roughly 60 percent drop in sales last year.

In fact, the situation has become so difficult that some stores, such as DC Foreign Furniture and Kakan Furniture in Panthapath, have had to close down their operations, according to local traders.

As per data of the Bangladesh Bureau of Statistics (BBS), SMEs account for some 25 percent of the country's gross domestic product.

Sumanta Kumar Mohanta, a senior official of the Bangladesh Women Chamber of Commerce and Industry, emphasised on the need for special government assistance.

This includes providing stimulus packages and improved banking facilities to help SMEs survive the current crisis, he said.

Mohanta added that the government should provide training to enhance the manufacturing and export marketing skills of SMEs while also easing the overall export process, including logistics and customs.

M Abu Yusuf, executive director of the Research and Policy Integration for Development, said the SME sector faced setbacks due to Covid-19, the Russia-Ukraine war and escalating raw material prices.

With this backdrop, he urged the government to subsidise utility services in the country so that SMEs can stay afloat amid the current economic climate.

Export, remittance

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"Most of the workers are interested in sending money through informal channels because it is easier and offers higher rates than in the formal platform."

"The workers are going abroad to earn money, so they will definitely prefer the channels that give them the better rates."

Chowdhury says the formal-informal rate gap could be as high as Tk 7 per US dollar.

In Bangladesh, a one-per cent deviation between the formal and informal exchange rate shifts 3.6 percent of remittances from the formal to the informal financial sector, the World Bank said in May.

Chowdhury also highlighted the difficulty some undocumented workers face in remitting money through formal channels due to a lack of proper documentation.

Syed Mahbubur Rahman, managing director of Mutual Trust Bank, said although the exchange rate gap is a factor, the earnings will not pick up even if the exchange rate goes up.

He said the growing use of hundi, an illegal cross-border transaction system, is the major reason for the lower remittance flow.

The hundi system was believed to have been used in transferring nearly half of remittances to Bangladesh even before the coronavirus pandemic when the formal-informal rate gap was not as wide as it is today.

"But banks and the Bangladesh Bank will not able to stop hundi. It is the law enforcing agencies that can eliminate it," Rahman said.

Zahid Hussain, a former lead economist at the World Bank's Dhaka office, said the export outlook is good for the upcoming days because there is a demand for garments in the global market. "But there is some uncertainty whether we are able to compete with our competitors."

The economist also cited internal factors such as the gas crisis and labour unrest for the lower earnings. "If the gas crunch mitigates and the unrest does not emerge again, there will be no problem for the export sector."

He, however, warns that the forex reserve situation would not improve even if exports grew.

"This is because we have seen a huge gap between exports and actual export realisation in recent times."

The unrealised export proceeds -- the difference between export shipments and realised export proceeds -- increased to $9.6 billion in the last fiscal year, amounting to 2.1 percent of GDP, according to a document of the IMF.

"The export realisation will not increase if there is mismanagement in the forex market," Hussain said.

Hussain called for the suspension of the US dollar rate-setting by the Bangladesh Foreign Exchange Dealer's Association (BAFEDA) and the Association of Bankers, Bangladesh (ABB).

"Otherwise, export earnings will not go up. The same is true for the remittance sector," he said, adding that a market-driven exchange rate should be introduced.