Hike in airfreight puts vegetable and fruit exporters in trouble

MD ASADUZ ZAMAN

Fresh vegetable and fruit exporters are apprehending a drop in sales of perishables following a hike in cargo freights, particularly by Biman Bangladesh Airlines, last month.

Biman, the state carrier, hiked cargo fares in August anywhere from 56 percent to 150 percent depending on the routes compared to that six months ago.

Bangladesh Fruits, Vegetables and Allied Products Exporters Association sent letters in this regard to Finance and Commerce Adviser Salehuddin Ahmed and Biman on August 25.

The exporters have to pay anywhere from 0.86 cents to $1.75 per kilogramme for destinations in the Middle East, including Saudi Arabia, where most Bangladeshi workers migrate to, the association said.

However, it was around 0.55 cents to 0.70 cents in February, it said.

Likewise, Biman hiked fares by 143 percent to $3.65 per kilogramme on the Hazrat Shahjalal International Airport to London route in February.

"It is going to hurt our exports significantly. Fuel prices have not increased so there is no reason for the sudden spike in fares," said the association's general secretary, Mohammed Monsur.

Exports of vegetables and fruits have been falling for the last three years, said the association.

Bangladesh shipped 124,500 tonnes of fresh farm produce, the highest in a decade, in fiscal year (FY) 2019-20, it added.

The volume of shipment dipped to 49,000 tonnes in FY24, down 8 percent year-on-year.

Export receipts fell in line with a decline in the volume of shipments, according to the association.

In FY24, exporters fetched $75 million in earnings, down 11 percent year-on-year.

The association expressed concerns that they would lose the market to the exporters from India, Nepal, Pakistan and Sri Lanka because of the increase in airfreight charges.

"We want a reasonable fare for the agricultural products following adjustments with that in neighbouring countries," he said.

The trade body also complained that the rate offered by Biman for garments is low compared to that of the other airlines.

Bangladesh usually exports a wide variety of vegetables and fruits to the Middle East, with Saudia Arabia, United Arab Emirates, Qatar, Oman, Bahrain and Kuwait being the main destinations.

The second largest export destinations are European countries, including the United Kingdom, Italy, Germany and France. A small quantity of fresh produce is shipped to Asian countries like Malaysia and Singapore.

Among the North American countries, only Canada is the main destination.

Biman Spokesperson Boshra Islam said it was not only Biman, rather other airlines operating from Bangladesh had also increased air cargo freight charges.

"Our fares are still less than the fares of other airlines," she said.

Biman carries 15 percent to 17 percent of the total export cargo going through as airfreight. "We do not have any cargo carriers. We carry export items in our passenger flights," she added.

Reduce import duty to cool off prices of essentials

Tariff Commission urges govt

STAR BUSINESS REPORT

The Bangladesh Trade and Tariff Commission (BTTC) has urged the government to significantly reduce tariffs on onions, potatoes and eggs to bring down current red-hot prices by boosting the supply of these food items through imports.

The BTTC recommended that the National Board of Revenue (NBR) completely remove the import duty on onions and reduce tariffs on eggs and potatoes to 5 percent from the current total tax rate of 33 percent.

The BTTC sent a letter to the NBR last week and pointed out that lowering tariffs on these items for a specific period would encourage imports, which could help reduce inflation.

The commission, which operates under the Ministry of Commerce, noted that recent flooding in the eastern part of the country has severely impacted poultry farming in 11 districts, leading to a shortage in egg supply.

Besides, potato production has declined by 12 lakh tonnes, leading to a rise in prices of this starchy vegetable.

The price of onions, another kitchen staple in Bangladeshi cuisine, has shown no signs of easing.

This is largely due to India, a key supplier, maintaining a 40 percent export duty in addition to a minimum export price of $550 per tonne to stabilise its domestic market.

Given these circumstances, the BTTC advocated for reducing import duties to ensure stability in the supply and prices of these essential items.

Potato was being sold at Tk 52 to Tk 60 per kilogramme (kg) in Dhaka kitchen markets yesterday. This was an increase of 28.74 percent from that on the same day last year, according to the state-run Trading Corporation of Bangladesh (TCB).

The local variety of onions was at Tk 110 to Tk 120 per kg, which was an increase of 35.29 percent.

The imported variety of onions was at Tk 100 to Tk 110 per kg, which was an increase of 50 percent.

Meanwhile, every four eggs were selling at Tk 50 to Tk 53 -- with the prices almost unchanged in the past year.

Eurozone inflation falls to three-year low

AFP, *Brussels*

Eurozone inflation fell to its lowest level in more than three years this month thanks to falling energy costs, official data showed on Friday, raising expectations of a European Central Bank interest-rate cut.

Consumer price rises slowed to 2.2 percent in August compared to the same month last year after reaching 2.6 percent in July, closing in on the European Central Bank's two-percent target. The August rate was the lowest since July 2021 and in line with expectations by analysts for FactSet and Bloomberg.

But core inflation, which strips out volatile energy, food, alcohol and tobacco prices and is a key indicator for the bank, cooled slightly to 2.8 percent in August from 2.9 percent in July, Eurostat said.

Friday's data will provide some relief after inflation unexpectedly edged up in July.

The ECB launched an aggressive rate-hiking campaign in July 2022 to tame red-hot inflation, which peaked at 10.6 percent in October that year as Russia's invasion of Ukraine sent food and energy prices soaring.

A customer looks at fruits and vegetables at a hypermarket in Paris. PHOTO: AFP/FILE

The ECB cut rates for the first time in June this year.

The Frankfurt-based institution has since kept rates unchanged but the market hopes another cut will come after a meeting on September 12.

The data "makes a rate cut at the European Central Bank's upcoming September policy meeting more likely", said Sam Miley of London-based Centre for Economics and Business Research.

"However, the higher rate of core inflation and continually tight labour market will present risk factors to implementing looser monetary policy," Miley said.

French central bank chief Francois Villeroy de Galhau called for a September rate cut in an interview with French magazine Le Point, saying it would be "fair and wise".

"If we waited until we were actually at two percent to lower rates, we would be acting too late," he said in comments published on Friday.

Villeroy de Galhau is a member of the ECB governing council that decides on rates.

An ECB board member had warned on Friday before the data was published that there should be a cautious approach to loosening monetary policy.

"The pace of policy easing cannot be mechanical. It needs to rest on data and analysis," Isabel Schnabel said during a speech in the Estonian capital Tallinn.

The better performance in August was mainly thanks to a 3.0 percent fall in energy prices, including prices at the pump. The drop came after energy costs had risen by 1.2 percent in July.

Food and drinks prices rose by 2.4 percent this month in the eurozone, at a slightly faster rate than the 2.3 percent registered in July. Services inflation accelerated to 4.2 percent in August, up slightly from 4.0 percent recorded in July, which could have been in part caused by the Olympic Games in Paris.

China GDP hiccup would have long-term aftershocks

ANALYSIS

REUTERS, *Hong Kong*

China loves to set itself different goals with an array of plans. Its GDP growth target of "around 5 percent" for this year is the most imminent -- and is facing headwinds. Beijing now treats such a measure more as a planning tool than the compulsory target it used to be. Yet a slowdown is still likely to prompt policy changes to keep on track longer-term plans, such as doubling per-capita GDP by 2035.

An impressive 5.3 percent growth for the first quarter this year prompted a lot of bullish calls from international banks. For instance, UBS only upgraded its forecast on China's growth from 4.6 percent to 4.9 percent in April. Yet in a research note published last week, the same economists including Wang Tao revised their estimate back to 4.6 percent. The swing in sentiment is primarily due to a deeper-than-expected property slump. Feel-good factors after the Chinese government's policy combo to prop up the market, including easing mortgage rules and allowing local governments to turn unsold homes into welfare housing, have also faded.

PHOTO: AFP/FILE

People walk along the Huguosi street, Xicheng district, in Beijing.

The key word in the State Council's annual growth target more recently is "around". That probably gives economic managers enough leeway this year to argue they accomplished the objective should the headline number eventually come above 4.5 percent. And it helps that Beijing did not put a figure on how much bigger GDP should get in the country's 14th Five-Year Plan, which runs from 2021 to 2025.

Back in 2021, though, President Xi Jinping said it's entirely possible for China to meet its longer-term goal of doubling the economy or per capita income by 2035. To do so, the world's second-largest economy has to keep growing at a pace of around 4.8 percent for 15 years, per Breakingviews calculation. That's a tall order.

Should the $17 trillion economy expand significantly below 5 percent this year, that would be the second miss since 2022 when Beijing prioritised pandemic control over growth. Chinese planners will be keen to stop the hiccups from becoming structural woes. The intensity of their potential policy reactions, such as more generous fiscal spending on welfare to boost consumption, will tell how worried they are about misses becoming more prevalent.

Ctg chamber board resigns

Seeks appointment of administrator

STAFF CORRESPONDENT, *Ctg*

Omar Hazzaz has resigned from his post as president of the Chittagong Chamber of Commerce and Industry (CCCI).

The 23 directors of the executive committee have also quit. Hazzaz sent a letter to Dr Nazneen Kawshar Chowdhury, director general (Trade Organisation Wing) of the commerce ministry, yesterday to apprise her of the matter.

Since the Awami League government was ousted by a mass uprising on August 5, platforms such as the "All Business Community of Chattogram" and the "Deprived Business Community" have been demanding the resignation of the CCCI's executive committee and for fresh elections to be held, Hazzaz said in the letter.

The decision to resign was made to avoid tarnishing the century-old reputation of the CCCI amidst the changing political scenario, he said, requesting the appointment of an administrator to ensure that the trade body functions smoothly, and free and fair elections are held.

Two directors resigned on August 28 while 10 others submitted resignations on Sunday, CCCI Secretary Md Faruk said.

Former business leaders allege that the 24-member body was formed through nepotism.

The election to form the executive committee was held on August 6 last year.

It saw all 24 hopefuls emerge victorious without any votes being cast as all the aspirants were uncontested.

Asian factories show tentative recovery as China improves

REUTERS, *Tokyo*

Asian factories, including China's manufacturing sector, showed signs of a tentative recovery in August and chip makers benefitted from firm demand, private surveys showed on Monday, but economic headwinds loom.

Analysts say prospects of slowing US growth, which is likely to lead to interest rate cuts by the Federal Reserve this month, and uncertainty over the outcome of the US presidential election cloud the trade outlook.

China's Caixin/S&P Global manufacturing purchasing managers' index (PMI) rose to 50.4 in August from 49.8 in July, the private survey showed on Monday, beating analysts' forecasts and exceeding the 50 mark that separates growth from contraction.

The reading, which mostly covers smaller, export-oriented firms, shows a more optimistic view than an official PMI survey released on Saturday, which indicated an ongoing decline in manufacturing activity in August.

"The PMIs for August suggest that economic momentum held broadly steady last month, with modest improvements in manufacturing and services helping to offset a further slowdown in construction activity," Gabriel Ng, assistant economist at Capital Economics, said in a research note on China's PMI.

"But with factory gate price declines accelerating, the economy clearly remains at risk of slipping back into deflation," Ng said.

Factory activity in South Korea and Taiwan also expanded in August, while Japan saw a slower rate of contraction due in part to solid global demand for semiconductors.

Workers are seen inspecting a car on the production line at the Nissan Motor Tochigi plant in Kaminokawa, Japan. The country saw a slower rate of contraction in factory activity due in part to solid global demand for semiconductors. PHOTO: AFP/FILE

Japanese manufacturers also gained from a rebound in car output after a safety scandal led some plants to temporarily suspend production.

But manufacturing activity contracted in Malaysia and Indonesia, the surveys showed, underscoring the pain some of the region's economies are facing from China's prolonged slowdown.

"Chip-producing countries are doing fairly well, but China's slowdown will continue to drag on Asia's manufacturing activity for quite some time," said Toru Nishihama, chief emerging market economist at Dai-ichi Life Research Institute.

"Slowing US demand could add to the pain on Asian economies, many of which are already wary of the fallout from sluggish Chinese growth," he said.

Japan's final au Jibun Bank Japan manufacturing PMI rose to 49.8 in August, contracting for a second straight month but less sharply than in July when the index reached 49.1.

South Korea's PMI stood at 51.9 in August, up from 51.4 in July, due in part to strong customer confidence and new orders in the domestic market, the private survey showed.