Oil prices fall on supply glut fears despite OPEC+ output cut extension

REUTERS, *New York*

Oil prices fell by more than 1 percent on Friday and cemented weekly losses as analysts projected a supply surplus next year on weak demand despite an Opec+ decision to delay output hikes and extend deep production cuts to the end of 2026.

Brent crude futures settled at $71.12 a barrel, shedding 97 cents, or 1.4 percent. US West Texas Intermediate crude futures settled at $67.20 a barrel, falling $1.10, or 1.6 percent.

For the week, Brent prices lost more than 2.5 percent, while WTI saw a drop of 1.2 percent.

Weak global oil demand and the prospect of Opec+ ramping up production as soon as prices rise have weighed on trading, said Bob Yawger, director of energy futures at Mizuho in New York

A rising number oil and gas rigs deployed in the United States this week, pointing to rising production from the world's biggest crude producer, also pushed prices lower.

On Thursday, the Organization of the Petroleum Exporting Countries and its allies, a group known as Opec+, pushed back the start of oil output rises by three months until April and extended the full unwinding of cuts by a year until the end of 2026.

Weak global oil demand and the prospect of Opec+ ramping up production as soon as prices rise have weighed on trading, said Bob Yawger, director of energy futures at Mizuho in New York.

Edible oil being sold at a subsidised rate by the Trading Corporation of Bangladesh (TCB) at Kalyanpur in the capital. The state-agency also sells lentils, sugar and sometimes rice among low-income families. About one in five non-poor households remain at high risk of being poor, according to a World Bank study based on the Household Income and Expenditure Survey 2022 of the Bangladesh Bureau of Statistics. The photo was taken last week.

PHOTO: RASHED SHUMON

One in five non-poor families at risk of becoming poor: WB

STAR BUSINESS REPORT

Despite the significant progress in reducing poverty in Bangladesh, about one in five of the non-poor households remain at high risk of falling below the poverty line, according to a study by the World Bank.

The study was presented during a session on "Poverty in Bangladesh based on HIES 2022" at an annual conference of the Bangladesh Institute of Development Studies (BIDS), which began at Lakeshore Hotel in Dhaka yesterday.

While presenting the paper, World Bank Senior Economist Sergio Olivieri said enhancing access to basic services contributed the most to reducing household vulnerability to poverty.

Still, nearly half of all households in the country remain vulnerable to slipping back into poverty as unavoidable natural shocks threaten their income, he added.

This includes severe illnesses or accidents affecting non-income earning members, reduced income of earning members due to job losses and natural disasters such as flooding.

A majority of 63 percent of the vulnerable households used their savings to cope with these shocks while about 21 percent reduced consumption to redirect funds.

But poor households were the worst affected as they had to seek additional sources of income while also reducing consumption. Some 53 percent of poor households reported using their savings to cope with shocks while 31.4 percent had reduced consumption.

Defining vulnerability as the propensity or predisposition to be adversely affected or unable to cope with natural shocks, the study said overall poverty vulnerability remained stagnant between 2010 and 2022.

However, survey results from urban and rural areas at the divisional level revealed significant changes in poverty vulnerability, it added.

Extreme poverty vulnerability fell faster in rural areas but remains above that seen in urban areas around a decade ago. Still, four out of five of the extremely poor households belong to rural areas, it said.

"Despite improvements in reducing physical propensity to severe losses, the inability to cope and high volatility of consumption pose major challenges to policymakers," it added.

The findings of the study suggested that investing in education to improve its quality is fundamental to increasing incomes and preparing for or coping with shocks.

Also, enhancing infrastructure increases access to markets and supports risk management and resilience, it said.

Furthermore, the World Bank stressed the need for expanding insurance and increasing financial literacy, access to credit, formal insurance, other financial products such as mobile money, and safety nets, which are the last resort for chronically or extremely poor households.

NBR unfreezes accounts of UCB chairman Sharif Zahir & family

STAR BUSINESS REPORT

The National Board of Revenue (NBR) has asked banks to unfreeze the accounts of United Commercial Bank (UCB) Chairman and Ananta Group Managing Director Sharif Zahir and his family.

The Central Intelligence Cell (CIC) of the revenue board lifted the restriction on money withdrawal or transfer from the accounts of Sharif on Thursday, along with his mother Qamrun Nahar Zahir and his brother Asif Zahir.

The development came four days after the CIC blocked withdrawals and transfers from the accounts.

Qamrun Nahar is the chairperson of leading garment exporter Ananta Group and Asif Zahir is deputy managing director of the same business house.

The NBR, however, maintained restrictions on the access to lockers maintained by Sharif and his family members.

China automakers pivot to hybrids to counter EV tariffs

REUTERS, *Shanghai*

Automakers in China are ramping up exports of hybrid vehicles to Europe and planning more models for the key market, exposing the limits of the European Union's electric vehicle tariff scheme.

The bloc's latest EV tariffs to protect its auto industry from a flood of cheap Chinese imports do not apply to hybrid cars. That could see major brands such as China's top EV maker BYD continue expansion in the region, analysts say.

Some manufacturers are also shifting production and assembly to Europe to lower the cost around tariffs.

"The increase is driven by Chinese OEMs shifting toward PHEVs (plug-in hybrids) as a way to sidestep the new EU tariffs on BEV (battery-powered EVs) imports from China," said Murtuza Ali, an analyst at Counterpoint Research.

He expects China's hybrid exports to Europe to grow 20 percent this year and even faster next year. EU tariffs of up to 45.3 percent on Chinese EV imports came into effect in late October to counter what the European Commission says are unfair subsidies that helped create spare production capacity of 3 million EVs per year in China, twice the size of the EU market.

The anti-subsidy investigations on Chinese EV imports, which began in October 2023, and slowing car sales in China from an economic slowdown, have led some automakers to change their European strategy to focus more on hybrid exports, the data shows.

Hybrid cars, which run on a combination of gasoline and electricity, are gaining in popularity as buyers consider them an affordable compromise between all-combustion and all-electric.

Gold edges higher

REUTERS

Gold prices inched up on Friday after the November US job growth report suggested the labor market continues to ease gradually, leaving room for the Federal Reserve to cut interest rates again.

Spot gold gained 0.2 percent to $2,636.31 per ounce by 01:41 p.m. ET (1841 GMT). US gold futures settled 0.4 percent higher at $2,659.60.

US job growth surged in November, but this probably does not signal a material shift in labor market conditions that continue to ease steadily and allows the Fed to cut interest rates again this month.

"The data was somewhere in between. We see the nonfarm payroll higher than the forecast, which could be a little bit of a bearish sentiment on gold in the short term, but the private payroll is slightly below the forecast almost by 9,000, this reaffirms the potential Fed cuts in the next couple of weeks," said Alex Ebkarian, chief operating officer at Allegiance Gold.

Economic census

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personal interviewing method, adding that there would be 25 questions focusing on three areas -- industry, services, and non-agriculture.

There will be 95,000 people out in the field working for this census, he said.

The mapping work has already been completed. According to that, there are 1.22 crore small, large and medium-sized businesses across the country, he said.

The BBS conducted the first economic census in 1986, the second in 2001-2003 and the third in 2013.

The census is usually carried out every 10 years and is a costly exercise as well.

This time around, the census project will cost the government Tk 579.52 crore.

Deferring LDC graduation

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competitiveness, especially if it fails to secure bilateral agreements with major export destinations.

In November, Finance Adviser Salehuddin Ahmed told the media that they are yet to make a decision on the scheduled graduation.

The United Nations Committee for Development Policy (CDP) reviews the LDC category every three years, assessing the progress of countries across three criteria, namely income, human assets, and vulnerability.

Based on these reviews, the CDP recommends which countries should be classified as LDCs to the United Nations Economic and Social Council (ECOSOC). The final decision is made by the UN General Assembly.

To graduate, a country must meet the threshold for two of the three criteria in two consecutive reviews.

"We have already qualified twice," Prof Mahmud said, referring to the previous reviews in 2018 and 2021.

If any country files a petition to the CDP's hearing committee saying that they are unable to graduate or asking to stay in the group of LDCs, it is considered degrading, he added.

"The Maldives and some tiny island nations applied for it, but it was unsuccessful."

When a country qualifies, it graduates automatically, the adviser explained.

"We need to continue discussions on unilateral concessions with different nations. Japan, Canada and the European Union can be favourable options," he added.

He also underscored the need for export diversification and economic diplomacy to negotiate in the global market.

Earlier, members of a panel that recently prepared a white paper on the state of the economy also advised the government not to defer graduation.

"Based on the committee's assessment of data and information, Bangladesh meets the requirements for LDC graduation despite the challenging economic situation," Debapriya Bhattacharya, who led the panel, said last week.

"So, we don't see any reason to hold back the graduation process."

In its report, the white paper committee said recent concerns about inflated economic indicators under the previous Awami League government would have little relevance in the case of LDC graduation.

The UN bodies will only revisit their calculations when a revised data set, including gross national income estimates, is available from government sources.

"Notwithstanding the reservations expressed by certain exporters' groups, there is hardly any plausible reason, as of now, for Bangladesh to request a deferment of the exit date from the LDC group," it said.

"Under these circumstances, Bangladesh will be well advised to pursue a substantive and effective LDC graduation strategy. This will require putting forward a transition plan to counteract the negative fallouts of Bangladesh's graduation out of the LDC group and enable the required structural transformation of the economy."

The white paper added that postponing graduation will invite political backlash.

According to a triennial review by the CDP in February this year, the current situation remains comfortable despite recent economic and political challenges.

Even the dampened economic performance during the current fiscal year is not expected to bring the country below the stipulated thresholds, it said.

Illusory wealth in big industry balance sheets

Speaking of how Bangladesh can build an egalitarian society after a mass uprising toppled the Sheikh Hasina regime on August 5, Mahmud said that the interim government is facing a huge shortage of resources.

This has made it difficult to increase investment in education, health and human resource development.

"A lot of money has been smuggled out of the country. People's money is in the banks, but the money has gone out," he said.

Although there is a lot of money in the balance sheets of some big industrial companies, it does not exist in reality, he said, mentioning the example of Beximco.

"Workers have to be paid. But where will the money come from?" he asked.

It is difficult to build an egalitarian society when contending with such realities.

"Now it has become a moral issue whether to buy dialysis machines or invest in public health," he said, adding that even seasoned economists and philosophers like Amartya Sen and John Rawls may not be able to come up with a solution for such a moral dilemma.

Indermit S Gill, the chief economist of the World Bank Group, said during a presentation at the event that middle-income countries, which are home to 6 billion people, were caught in a race against time.

"The external environment is making things harder, not easier. To escape the middle-income trap, countries need to undergo two transitions, not one. The transitions are between investment, infusion and innovation.

"To grow quickly, they have to discipline incumbents, reward merit, and capitalise on crises," Indermit said.

Binayak Sen, director general of the BIDS, delivered the opening remarks.

A total of 30 papers, two keynote addresses and 12 public lectures from Bangladesh and abroad will be presented and delivered at the conference, said Sen.

Revised budget

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implementation fell by 31 percent year-on-year.

Officials of the Implementation Monitoring and Evaluation Division (IMED) point out that many ADP projects were currently on hold due to contractors fleeing following the ousting of the previous government, and few had returned.

Additionally, the government is reevaluating projects that may not be deemed essential or were initiated based on political decisions, further contributing to the delays in project implementation.

As a result, the government has decided to reduce the ADP allocation by a big margin.

However, changes could come about in the revenue as the allocation for interest payments and subsidies is expected to rise.

But this has not been decided yet because a big portion of the revenue budget is spent on interest payments, a financial ministry official said, adding that increasing interest payments were exceeding previous projections.

In the budget for the current fiscal year, Tk 113,500 crore was allocated for interest payments and Tk 42,388 crore had already been spent in the first quarter.

This is a 92 percent increase compared to the same period last year.

That is why the allocation for interest payments may increase further in the revised budget.

Besides, subsidy spending has also been rising in recent years, with the government initially allocating Tk 88,015 crore for it.

By the end of the first three months of the current fiscal year, Tk 4,514 crore had been spent on subsidies, which is nearly half of what was spent during the same period last year.

The finance ministry official said the payments for subsidies have not been cleared due to the political unrest. Besides, there are arrears on bills of the fertiliser, energy and power sectors, he said.

Meanwhile, the IMF may impose a condition for the government to settle a substantial portion of these arrears to be eligible for a fresh loan, the finance ministry official said.

This could increase the allocation for subsidies in the revised budget.

As of June, arrears for bills of the power, energy, and fertiliser sectors had accumulated to about Tk 60,000 crore, and these arrears continue to grow.

The interim government, after taking charge, sought budgetary support from multilateral and development partners. The government is expecting to get commitments for $6 billion in loan support by next June.

However, a confirmation on the amount of money will be available by next March or April. And the size of the revenue budget is depending on it.

Selim Raihan, executive director of the South Asian Network on Economic Modeling (SANEM), suggested that the government's decision to revise the budget could be linked to efforts to control inflation by reducing expenditure.

He noted that government revenues were under pressure, and there were challenges involving the development projects initiated by the previous government.

To stabilise the economy, Raihan recommended that the government prioritise key projects while addressing irregularities and mismanagement from past administrations.

However, he emphasised that there is no room to reduce the operating budget as interest payments on loans continue to rise.

Raihan, also a professor of economics at the University of Dhaka, said the fiscal year would unfold with these constraints in place, but stressed the importance of developing a mid-term plan for the future.

The potential loan from the development partners would provide some relief to the government, but it is crucial to align this funding with the country's development priorities, he said.