Global commodity prices may drop in 2025. Can Bangladesh benefit from it?

SUKANTA HALDER

Global commodity prices are projected to decrease in 2025, but Bangladesh may fail to reap the benefits if the depreciation of the local currency continues.

Bangladesh relies heavily on imports of essential food items such as edible oils, lentils, onions, sugar, and spices, which saw a 5 percent year-on-year price increase in December.

Businesspeople warn that a stronger US dollar will further drive up the cost of imports and worsen inflation.

After four months of relative stability, the US dollar surged in December, raising import costs.

Importers are currently opening letters of credit at Tk 127 or Tk 128 per dollar, adding pressure on businesses and consumers alike.

The World Bank, in its October Commodity Market Outlook, forecasted a 5 percent decline in global commodity prices in 2025 and a further 2 percent drop in 2026.

The report also predicted the World Bank's aggregate commodity price index will hit its lowest level since 2020.

Energy prices are expected to lead to the decline, with the energy price index projected to fall by 6 percent in 2024 and another 6 percent in 2025, followed by a 2 percent drop in 2026.

Brent crude oil prices are forecast to average $80 per barrel in 2024, dropping to $73 in 2025 and $72 in 2026.

However, stable prices for metals and agricultural commodities and rising natural gas costs may moderate the overall decline.

The World Bank noted that the annual average oil prices are likely to fall for four consecutive years, settling slightly above 2021 levels.

Taslim Shahriar, senior assistant general manager at the Meghna Group of Industries, one of the biggest local commodity importers and processors, said 2025 could bring relief for Bangladeshi consumers.

However, he mentioned that if the taka continues to weaken, the benefits of the declining global prices may not fully be gained.

Shahriar also said that the price of the US dollar has risen from Tk 122 to Tk 128-129 in recent weeks.

While soybean prices have already dropped globally, sugar prices could decrease further if production improves in India and Thailand.

Wheat supply is also stable, and prices are expected to decline, along with soybean oil, he added.

Bangladesh has been grappling with inflation above 9 percent since March 2023.

To curb inflation, the central bank raised the policy rate five times this year to 10 percent.

Additionally, a crawling peg exchange rate introduced in May allowed banks to trade US dollars freely within a range of Tk 117.

Moinul Khan, chairman of the Bangladesh Trade and Tariff Commission, told The Daily Star that consumers in Bangladesh will enjoy some of the benefits of the World Bank's forecast in 2025.

The prices of some consumer goods have been on a downward trend for the past 15 days or a month, he said.

Besides, the government has taken various tax and duty related measures to keep the prices of essential commodities under control, he mentioned.

In addition, some non-tariff related barriers were removed in some products, Khan said.

On the other hand, the US dollar has also created a place of relief, because remittance rose 14 percent in November.

Remittance sent home by Bangladeshis living abroad rose 14 percent year-on-year to $2.2 billion in November, according to Bangladesh Bank's data.

As Bangladesh relies heavily on imports for some essential food items, experts say that a stronger US dollar will further drive up the cost of imports and worsen inflation.

PHOTO: RAJIB RAIHAN

Decoding the economic impact of BDT/USD movements

ASIF IBRAHIM

In 2024, we have seen the highest devaluation of the Bangladeshi taka (BDT) against the United States dollar (USD). The exchange rate between the BDT and the USD significantly influences various facets of business operations in Bangladesh, including import and export costs, foreign investment, profitability, and inflation. Incorporating statistical data from authoritative sources provides a clearer understanding of these impacts. In 2000, the exchange rate was approximately BDT 52 per USD.

Ten years later in 2010, it rose to BDT 69 per USD. On December 27, 2024, as per Bangladesh Bank, the amount was 120. A crawling peg exchange rate was introduced in May this year, allowing banks to buy and sell US dollars freely within a mid-range of Tk 117. However, it rose to 127 plus or minus in the curb market.

A weaker taka makes imports more expensive, increasing costs for businesses reliant on foreign goods. The export-oriented industries benefit from enhanced competitiveness, as Bangladeshi goods become cheaper for international buyers.

However, we have historically seen that international buyers adjust buying prices according to the movement of the exchange rate.

Naturally, on the counter-narrative, appreciation of the taka reduces import costs, benefiting businesses reliant on foreign raw materials. It may also reassure investors about the economic strength of the country. However, it hurts export competitiveness, as Bangladeshi products become more expensive for foreign buyers.

Unfortunately, we have seen depreciation of taka for a while now. It makes investments in Bangladesh more attractive in local currency terms, enticing foreign investors. However, excessive depreciation can raise concerns about economic stability. Bangladesh's foreign exchange reserves, as per the last published amount on the Bangladesh Bank website, are approximately $24.35 billion in November 2024.

On a worrisome level, the Inflation reached 11.38 percent in November 2024, driven by rising import costs and currency depreciation, according to the Bangladesh Bureau of Statistics. To stabilise the economy, the Bangladesh Bank raised its repo rate to 10 percent, aiming to curb inflation and support the currency. However, higher interest rates have increased borrowing costs for businesses.

We have seen the impact of the increased rate of borrowing for project finance in the drop in the percentage of private sector credit growth. This is paradoxical, as private sector investments will be crucial to overcoming the economic crisis we face as a nation.

Going forward, businesses can mitigate exchange rate risks through hedging strategies to offset potential losses. They can also diversify sourcing and markets to reduce reliance on any single currency and implement flexible pricing models to adjust for currency fluctuations.

The BDT/USD exchange rate is a critical factor influencing the Bangladesh economy. Its effects are wide-ranging, from importers grappling with rising costs to exporters capitalising on competitiveness. By staying informed through reliable data from sources such as the Bangladesh Bank, Bangladesh Bureau of Statistics, and Trading Economics, businesses can navigate these challenges effectively, maximising opportunities and minimising losses.

The writer is a former president of the Dhaka Chamber of Commerce & Industry (DCCI)

Summit Power gets time to submit financial statement

STAR BUSINESS REPORT

The Bangladesh Securities and Exchange Commission (BSEC) has granted Summit Power time to submit its financial statement, according to a disclosure published on the Dhaka Stock Exchange website yesterday.

The listed power generation company now has until March 31 of 2025 to submit its audited financial statements for the fiscal year ending on June 30, 2024.

The same will be applicable for the submission of the unaudited financial statements for the quarters ending on September 30 and December 31 of 2024.

The original deadlines were October 28 and November 14 of 2024 and January 30 of 2025 respectively.

Summit Power assured stakeholders that it would complete the necessary audits and prepare all required reports within the extended timeline, as per the disclosure.

The development comes after the company recently sought a five-month extension from the BSEC for submitting the audited financial report for fiscal year 2023-24, which ended in June this year.

Publicly listed companies have to submit audited financial reports within 134 days of the end of a fiscal year and hold the annual general meeting within the following fiscal year.

Stocks gain for second day

STAR BUSINESS REPORT

The major indexes of the stock market in Bangladesh rose for the second consecutive day yesterday.

The DSEX, the benchmark index of the Dhaka Stock Exchange (DSE), rose by 20.33 points, or 0.39 percent from the previous day before closing at 5,204.

The other two indices of the DSE showcased a mixed performance when the DSES index that represents the Shariah-based companies edged down by 0.34 points, or 0.03 percent, to 1,166 and the DS30 index for the blue-chip firms went up by 4.40 points, or 0.23 percent, to 1,931.

At Chittagong Stock Exchange (CSE), the CSE All Share Price Index (CASPI), the prime index of the port city bourse, saw the similar rising trend, as the index grew by 36.15 points, or 0.25 percent, to settle the day at 14,471.

Of the issues that changed hands on the DSE trading floor, 225 saw a hike in prices, 100 closed lower and the remaining did not witness any price fluctuation.

The DSEX, the benchmark index of Dhaka bourse, rose by 20.33 points, or 0.39 percent, from the previous day

Turnover, which indicates the total value of the shares traded on the country's premier bourse, stood at Tk 374 crore, posting an increase of 32.66 percent compared to the previous day's trading session.

Orion Infusion Ltd emerged as the most traded share, with a turnover of Tk 20.6 crore.

In its daily market update, BRAC EPL Stock Brokerage said most of the large-cap sectors posted positive performance yesterday.

The food & allied sector booked the highest gain of 1.24 percent, followed by telecommunication 0.53 percent, fuel & power 0.52 percent, banking 0.45 percent, and engineering 0.19 percent.

However, the non-bank financial institutions (NBFIs) sector posted a loss of 0.27 percent, and the pharmaceuticals sector logged a 0.54 percent loss.

Investors today showed interest mostly in the shares of BAT Bangladesh, Pubali Bank, Southeast Bank, Eastern Bank, City Bank, Robi Axiata, Beximco Pharmaceuticals, Far Chemicals Industries, Shahjalal Islami Bank and Legacy Footwear, according to the day's market update by LankaBangla Financials.

But none of the companies saw a double-digit growth in share prices.

Russian manufacturing growth slows in Dec

REUTERS, *Moscow*

Russia's manufacturing sector continued to expand in December, but at a slower pace than the previous month, as inflationary pressures remained high and business confidence weakened, S&P Global reported on Friday.

The Purchasing Managers' Index (PMI) for Russian manufacturing edged down to 50.8 in December from 51.3 in November, indicating a marginal improvement in sector health. A PMI reading above 50 signals growth, while below 50 indicates contraction.

New orders saw a slight increase, supported by sustained client demand, but the growth rate was below the long-term average.

Export orders rose for the fifth consecutive month, driven by increased trade with neighbouring countries, although the pace of expansion was the weakest since August. Despite the growth in orders, output expansion was modest, with firms citing softer demand and material shortages.

"The rise in production was linked to a sustained uptick in new order inflows," the report noted.

Inflationary pressures remained elevated, with input costs rising due to material price hikes and unfavourable exchange rate movements. Output prices also increased, although the rate of inflation softened to a three-month low.

Tokyo's property boom looks built to last

REUTERS, *Singapore*

Tokyo is bustling. Office vacancy rates in the Asian city are around 3 percent, sharply lower than 15 percent for New York and 8 percent for London. Japan's rising appeal to financiers, tourists and global buyout firms alike, plus its enduring low interest rates, will underpin another strong year for its commercial property market.

Total transaction volume in real estate, including offices, hotels and logistics, stood at $23.6 billion in the first half of 2024, per MSCI, the highest level since the global index compiler began collating such data in 2007. That's up nearly 30 percent from the first half of 2022. Capital and income returns are eye-catching too.

These rose to a combined annualised 4.8 percent by mid-2024 in local currency terms, up from 4.4 percent in 2023, compared to declines of between 1 percent and 7 percent seen in 2023 in the United States, the UK and Australia.

Japan is benefiting from a strong recovery in office-going culture after the Covid-19 pandemic. The weak yen means visitor numbers are surging: from January to October 2024, Japan saw 30 million visitors compared with 25 million for the whole of 2023. Hotel occupancy rates are high too.

Meanwhile, Japanese companies are under official pressure to improve shareholder returns; disposing of non-core property is one of the fastest ways to achieve the goal. Property and railway firm Seibu, for example, tapped potential buyers including Blackstone and Singapore state investor GIC in 2024 for a central Tokyo office building for at least $1.95 billion, per Reuters. That's lucrative because such assets are usually held on a seller's books at acquisition cost.

The night view of a skyscraper in Tokyo. The total transaction volume in real estate, including offices, hotels and logistics in Japan, stood at $23.6 billion in the first half of 2024.

PHOTO: AFP/FILE

Though the Bank of Japan has started to reverse a decade of ultra-cheap money, it is taking baby steps. The short-term interest rate may only rise 50 basis points to 0.75 percent in 2025: with commercial real estate financing rates hovering under 2 percent, both local and foreign buyers should be able to cope with small increases.

Of course, a hot market can always overheat. The BOJ said in October that loans to real estate businesses have stayed high on an increasing trend. Particularly, the commercial real estate prices to rent ratio has been above levels seen in the period leading up to the 2008 global financial crisis. For now, there seem to be enough big buyers and sellers to keep the market in a happy balance.