

Eurozone economy ended 2024 in fragile state: PMI

REUTERS, London

The eurozone economy ended 2024 in a fragile state, according to a survey which showed overall activity contracted for a second straight month in December as a modest recovery in the services industry failed to offset a deeper downturn in manufacturing.

HCOB's final composite Purchasing Managers' Index for the bloc, compiled by S&P Global and seen as a good gauge of overall economic health, rose to 49.6 in December from November's 48.3.

That was just above a 49.5 preliminary estimate but still below the 50 mark separating growth from contraction. Due to the holiday season the data were collected earlier than

Overall activity in the eurozone contracted for a second straight month in December

usual, with the survey conducted Dec. 5-18.

The headline index was boosted by the bloc's dominant services sector, whose PMI bounced back above breakeven to 51.6 from November's 49.5, but was weighed down by a sharper decline in factory activity.

"December PMI data doesn't exactly lay a fantastic foundation for a service sector boom in 2025, but at least incoming business has stopped falling and the decline in order backlogs has softened," said Cyrus de la Rubia, Chief Economist at Hamburg Commercial Bank.

"Service providers can count themselves lucky that, unlike manufacturers, they're not directly affected by the threat of US tariffs. Overall, they should help ensure that industrial weakness doesn't completely drag down the entire economy in 2025."

US President-elect Donald Trump, who returns to the White House later this month, has pledged to impose tariffs on goods across the board.

An index measuring new services business, a proxy for demand, nudged back into growth territory after three months of decline. It was 50.2 last month, up from 48.1 in November.

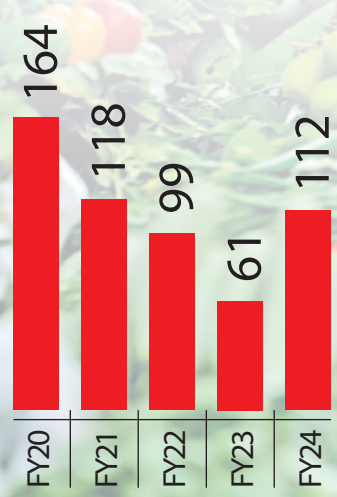
That was despite a rise in overall prices charged as firms tried to recoup a

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VEGETABLE EXPORTS

In million \$; SOURCE: EPB



High prices, freight costs take a toll on vegetable exports

SUKANTA HALDER

The exports of fresh vegetables decreased 57.93 percent year-on-year in the first six months of the current fiscal year, official figures showed.

Vegetables fetched \$70.36 million in the July-December period of fiscal year 2023-24, and in the same period of fiscal year 2024-25 it was \$29.60 million, according to data from the Export Promotion Bureau (EPB).

Exporters say that exports have declined mainly due to rising prices, increased freight costs, and a fall in government incentives.

Kawser Ahmed Rubel, chief executive officer of Global Trade Link, a vegetable exporting company, told The Daily Star that airfreight costs have increased significantly.

Now, it costs about Tk 400 to export one kilogramme (kg) of vegetables, and sometimes it even goes up to Tk 450.

In fiscal year 2023-24, the cost of exporting vegetables per kg in winter was around Tk 300. Sometimes it was Tk 270 or Tk 280, he said.

Another reason is that the price of vegetables is higher this year compared to last year, he said, adding that those from whom they source vegetables say that output has decreased while cultivation costs have increased.

"Last year, we bought each kg of Jara lemon for Tk 70 or Tk 80. This year, we have to buy it for Tk 120 to Tk 130," Rubel said.

This year, the price of beans or long beans has increased by Tk 20 to Tk 30 per kg compared to that last year. The same goes for other vegetables.

He also pointed to a reduction in the last budget on cash incentives on the export of agricultural products from 15 percent to 10 percent, negatively impacting their exports.

In the case of his company, if he compares the July-December period of 2024-25 with the same period of the previous fiscal year, his exports decreased by about 40 percent.

The exporter also mentioned that sometimes air cargo is unavailable for vegetable exports, which is another reason behind the decline in exports.

Mushtaq Ahmad Shah, proprietor of Shah Traders, another exporter, said when they exported products to the UK in December last year, the freight cost per kg of vegetables was Tk 300 to Tk 350.

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By 2024, it had increased to Tk 580, he said.

In one instance, the freight cost was increased twice in a single week, he added.

On the other hand, it costs Tk 220 to send each kg of vegetables from India to the UK. Naturally, unless there is something exceptional, no one will buy such products from Bangladesh, he said.

Babul Chandra Dey, another vegetable exporter, said if they compare the July-December period of fiscal year 2024-25 with the same period of the previous fiscal year, exports have decreased quite a bit.

The main reason behind the decrease in exports is that air cargo fares are quite high, he added.

Now the prices of vegetables are also high in

Bangladesh. Due to this, exporters are having to do with low profits after buying products from farmers in Bangladesh, he added.

Due to this, when a buyer shifts sourcing from another country, it is very difficult to bring him back to Bangladesh, he said.

Babul also informed that they mainly export vegetables and betel leaves to Saudi Arabia.

SM Jahangir Hossain, president of the Bangladesh Fruits, Vegetables and Allied Products Exporters' Association, told The Daily Star: "Our airfreight costs are higher than those of our competitors."

Exports have decreased as cargo space is often unavailable, he said.

If a UK importer buys products from Bangladesh, they will have to pay Tk 100 more per kg. And if they import it from India, they will have to pay Tk 100 less, he said.

Similarly, in the case of those in the Middle East, if they import products from Bangladesh, they will have to pay Tk 50 more and if they import it from India, they will have to pay Tk 50 less, he added.

Hossain said once an importer finds a country with competitive prices, they would no longer buy products from Bangladesh.

Again, exporters not being able to fulfill commitments due to a shortage of space in air cargo is another reason behind the decline in exports, he added.

The EPB data showed that vegetable exports were worth \$164 million in fiscal year 2019-20.

Then, in the next fiscal year, it decreased to \$118.73 million and in the following fiscal year, it decreased further to \$99.91 million.

In fiscal year 2022-23, it decreased further to \$61.14 million, but in fiscal year 2023-24 it jumped to \$124.7 million, as per the EPB data.

Banglabandha port crippled by import disruptions

KONGKON KARMAKER

Banglabandha land port, the only cross-border trading hub in Panchagarh's Tetulia, connecting India, Bhutan and Nepal, has got severely disrupted due to protests by Indian truck operators over online slot-booking issues.

No imports have been recorded through the port for the past three days, port officials said.

Approximately 95 percent of the port's imports consist of hard rock, primarily sourced from India and Bhutan.

On November 18 last year, hard rock imports from India got halted due to protests by the Fulbari Border Truck Owners' Association over slot-booking procedures.

Indian trucks exporting goods to Bangladesh must pay fees of Rs 3,000 for six-wheelers and Rs 5,000 for 10 to 12-wheelers.

Bhutanese trucks, however, are exempt under existing agreements. This disparity has led Indian truckers to protest at the Fulbari land port in India.

The situation worsened on January 4, when Bhutan also stopped exporting hard rock due to similar fee-related disputes.

The protests have left Banglabandha's usually busy yard nearly empty, causing port activities to grind to a halt.



No imports were recorded through the port in the past three days. PHOTO: STAR

In December 2024, some 5,802 trucks transported 162,847 tonnes of goods through the port.

Most of this was hard rock, making the current halt particularly damaging.

During the same period, Bangladesh exported goods to India via 228 trucks and traded goods with Nepal using 226 trucks.

The port has already exceeded its annual revenue target of Tk 68.13 crore for FY25, collecting Tk 77.23 crore within December.

However, the ongoing disruptions are expected to impact future earnings.

Local businesses and over a thousand workers dependent on port activities are already facing difficulties.

Jahangir Alam, general secretary of the C&F Agents Association, said the halt began when Bhutan refused to comply with new slot-booking fees imposed by Indian authorities.

If Bhutan agrees to the fees, importers will face increased costs, pushing up stone prices, he warned.

Rezaul Karim Shahin, convener of the Banglabandha Import-Export Group, demanded swift resolution of the issue.

Brij Kishore Prosaad, general secretary of the North Bengal Exporters Association at Fulbari, also called on the Indian government to resolve the dispute.

However, exports through the port remain unaffected.

Rising yields dampen gold prices

REUTERS

Gold prices retreated on Monday as US Treasury yields firmed, while investors' attention turned to economic data for clues on the Federal Reserve's interest rate trajectory in 2025 after the central bank flagged a slower pace of rate cuts this year.

Spot gold fell 0.2 percent to \$2,633.03 per ounce by 0932 GMT. US gold futures eased 0.4 percent to \$2,645.20.

"Gold is trading with a slightly weak momentum as yields are trading higher and traders look ahead to a series of U.S. economic data releases this week to assess Fed's stance on rate cuts," said Jigar Trivedi, senior analyst at Reliance Securities.

The US jobs report on Friday will help shape expectations of the Fed's rate path this year after the US central bank rattled markets last month by reducing its projected cuts in the face of stubborn inflation.

Market watchers are also looking to job openings data on Tuesday, ADP employment numbers and the minutes from the Fed's most recent policy meeting on Wednesday for further insights.

Goldman Sachs pushed back its gold price forecast of \$3,000 per troy ounce to the second quarter of 2026 from December 2025, citing fewer Fed rate cuts.

"Opposing forces - lower speculative demand and structurally higher central bank buying - have effectively offset each other, keeping gold prices range-bound over the past few months," Goldman said, adding that ETF demand has also grown less than expected.

Risk and resilience are the watchwords for 2025

REUTERS, London

As the world rings in 2025, try to imagine what it would have looked like in 2019 if a visitor from the future appeared with a warning about what was going to happen next.

First, the world would be struck by a deadly pandemic that shut down most developed economies. Governments would splash out to support people and businesses, adding to their already hefty debt loads. Global supply chains would strain and splinter.

Then, just as the planet was staggering back to its feet, Russian President Vladimir Putin would invade Ukraine, upending global supplies of energy and food. To control rampant inflation, the US Federal Reserve would hike official interest rates from close to zero to over 5 percent in little more than a year. A new war in the Middle East would kill thousands and threaten to disrupt global shipping. And at the end of 2024, Donald Trump would win the US presidential election following a campaign promising blanket tariffs and mass deportation.

Presented with such a prognosis in 2019, most observers would probably have expected a recession, and a dire performance by global stock markets.

They would have been wrong. Western economies roared back from their brief Covid-induced slump and have so far avoided the often predicted "hard landing". The S&P 500 Index of leading US stocks has almost doubled in the past five years, fuelled by robust corporate profits and

excitement about the potential of artificial intelligence. The US stock market trades at a higher multiple of cyclically adjusted earnings than at any time outside the dotcom craze of the late 1990s.

That record reflects the surprising resilience of the global economy and

financial system in the face of even severe shocks. It's also a sobering reminder of how hard it is to make predictions about the future.

This is the humbling backdrop against which Breakingviews columnists have once again embarked on their annual attempt to help readers think about what lies ahead in 2025. As in previous years, the objective is not to make forecasts which cling to the established consensus, but to identify some of the shocks and surprises that may confront business leaders, money managers and policymakers in the next 12 months. The only thing that is certain is that the range of conceivable outcomes is wider than ever.

Trump exemplifies that uncertainty. The returning president's agenda for his second term in office is a jumble of slogans and often contradictory ideas. Watching his administration convert these into policies will be a source of deep anxiety around the world. Will the man who inspired "Trump: The Art of the Deal" impose blanket tariffs on US imports, or use the threat of them as a negotiating tool? Will he actively abandon military alliances, or push US allies to buy more American armaments? Will he undermine the rule of law, or will the US Constitution restrain him? READ MORE ON B2



A container ship is docked next to cranes in Felixstowe, Britain. The global economy and financial system has shown a surprising resilience in the face of even severe shocks. PHOTO: REUTERS/FILE