Sales of trucks rebound on pent-up demand

JAGARAN CHAKMA

Even amid a business slowdown, sales of heavy-duty trucks and covered vans showed a year-on-year increase last year, according to company and vehicle registration data, as commercial vehicle distributors attribute this rise to pent-up demand since the pandemic.

Industry insiders also link this resurgence to the usual fleet replacement cycle, as transport operators upgraded their ageing vehicles rather than expanding their fleets amid economic uncertainties.

According to them, while economic challenges cloud business activities, the demand for commercial vehicles remains steady, driven by essential sectors such as logistics, e-commerce, and manufacturing.

Key players in the local market include Indian brands Ashok Leyland, Tata, and Eicher, Japanese brand Hino, and Chinese brand Foton.

Local distributors of these vehicles forecast that the need for trucks and covered vans will also remain strong in the coming years.

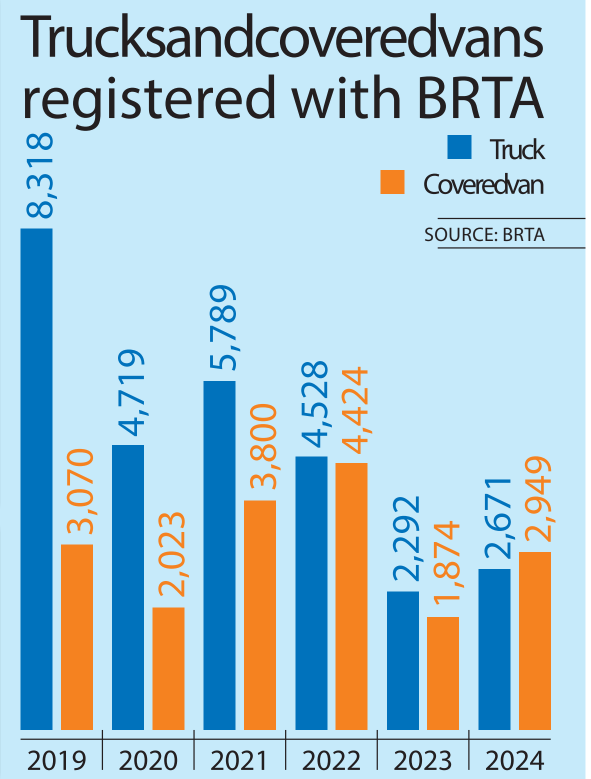
Trucks and covered vans are essential for local goods transportation, supporting industries such as garments, pharmaceuticals, fast-moving consumer goods, agriculture, and e-commerce.

Sales of these vehicles—a rough proxy for gauging the country's business activity and economic performance—had been sluggish since the Covid outbreak.

The situation worsened with the Russia-Ukraine war breaking out in 2022 and the country facing a severe dollar shortage due to higher import bills, according to Hafizur Rahman Khan, chairman of Runner Group, the local distributor of Indian Eicher trucks.

Faced with dwindling dollar stocks, the government imposed restrictions on opening letters of credit (LCs), which hampered sales, Khan said.

"Besides, the weakening taka against the US dollar saw vehicle prices go up, discouraging potential buyers from making purchases."



Now, as the interim government has eased some of the LC restrictions and allowed vehicle imports, sales picked up in the last quarter of last year, Khan said.

"The overall sales recovery last year was due largely to sales improvement in the October-December quarter," he added.

However, Taskeen Ahmed, vice-chairman of IFAD Group, the local distributor of Ashok Leyland, said the market showed signs of recovery as commercial vehicle operators began replacing their ageing fleets.

"The increase in sales of covered vans and trucks is linked to regular fleet replacement rather than overall economic growth," he commented.

Ahmed pointed out that the commercial vehicle market in the country is relatively small, with only a few key players. This makes it easier to analyse market trends and predict demand shifts.

"While new purchases may not be driven by business expansion, the necessity of fleet renewal ensures steady demand," he added.

ACI Motors, the distributor of Chinese commercial vehicle giant Foton, recorded 82 percent growth in 2024 compared to the previous year, according to Subrata Ranjan Das, deputy managing director of ACI Motors.

He said that misconceptions about Chinese products are now being cleared, which is positively impacting sales. Besides, the fuel efficiency of Foton trucks and covered vans has boosted buyer confidence.

In 2023, 1,874 new covered vans were registered, while in 2024, 2,949 were added, according to the latest data from the Bangladesh Road Transport Authority (BRTA). This indicates a 57 percent increase in new registrations.

On the other hand, truck registrations in 2024 stood at 2,671, whereas in 2023, it was 2,292, according to BRTA data. This represents 16.5 percent growth.

Das said that this does not reflect the actual sales data, as there is scope to register vehicles after purchase.

Suvenkar Gosh, general secretary of the Bangladesh Bus Truck Owners Association, said the number of covered vans and new trucks on the road has increased.

Although sales of covered vans and trucks grew last year, the actual transport business declined by around 40 percent, he commented.

LDC graduation: Boon or bane?

ASIF IBRAHIM

Bangladesh is on the path to graduating from the Least Developed Country (LDC) category. The United Nations uses specific criteria to determine whether a country is eligible to graduate from the LDC category. These criteria are reviewed every three years by the Committee for Development Policy, a body of the UN Economic and Social Council. To qualify for graduation, a country must meet thresholds in at least two of the three criteria or have a Gross National Income (GNI) per capita above a certain threshold. Bangladesh apparently met the graduation criteria for the second time in 2021 (the first time being in 2018), making it eligible for graduation in 2026. Bangladesh's GNI per capita was above the threshold of $2,554 in 2021, exceeding twice the threshold. In the human assets index (HAI) and the economic and environmental vulnerability index (EVI), the numbers were within the threshold of graduation.

However, according to the White Paper committee formed by the interim government, one of the major issues identified was that there were grave problems with the data on growth, and there was politicisation of data and information. The White Paper committee also observed that if the growth narrative presented for a long time cannot be dissected, it will be difficult to move forward with reform. Hence, the first compelling argument for requesting an extension for graduation is the lack of credibility of the data.

Apart from this, the proposed transition presents several challenges and obstacles that need to be addressed to ensure a smooth and sustainable graduation. As an LDC, Bangladesh benefits from preferential access to markets in the European Union, Canada, and other developed countries. After graduation, it may lose these privileges, making its exports, especially ready-made garments, less competitive.

Bangladesh may no longer qualify for Generalized System of Preferences (GSP) benefits, which could increase tariffs on its exports and reduce its global market share. LDCs have access to concessional loans and grants from international financial institutions and development partners. After graduation, Bangladesh may face higher borrowing costs and reduced access to such financing.

As a climate-vulnerable country, Bangladesh relies on international climate funds, many of which are earmarked for LDCs. Access to these funds may become more difficult in the post-graduation period.

The RMG sector accounts for over 80 percent of Bangladesh's exports. The lack of diversification of the export basket makes the economy vulnerable to external shocks and limits its ability to adapt to post-graduation challenges. The bitter truth is that poverty and income inequality in Bangladesh still remain high. Graduation could exacerbate these issues if economic growth is not inclusive.

The workforce lacks the skills needed for higher-value industries, which could hinder economic transformation. Strengthening institutions to manage the transition effectively is a major challenge. This includes improving governance, regulatory frameworks, and public service delivery. These issues can hinder investment and economic growth. Fluctuations in global demand, rising protectionism, and geopolitical tensions could negatively impact Bangladesh's export-oriented economy.

To mitigate the risks associated with graduation, Bangladesh needs to diversify its economy by promoting sectors like leather and footwear, IT, pharmaceuticals, and light engineering. We need to enhance trade competitiveness through improved infrastructure, logistics, and trade facilitation. We must strengthen human capital by investing in education and skills development.

There has to be a collective effort to improve governance and institutional capacity to attract foreign investment. We also need to negotiate for extended trade preferences and transitional support from international partners, focus on climate resilience and advocate for continued access to climate financing.

Are we ready to do those?

The writer is a former president of the Dhaka Chamber of Commerce and Industry.

US manufacturing ends 26-month contraction

AFP, *Washington*

US manufacturing activity expanded last month for the first time in more than two years on improving demand and production, according to survey data published Monday.

The Institute for Supply Management's (ISM) manufacturing index hit 50.9 percent last month, rising 1.7 percentage points from November to cross the 50-point mark separating expansion from contraction.

This was slightly above the median expectation of 50.0 in a survey of economists conducted by Dow Jones Newswires and The Wall Street Journal, and came in the same month Republican Donald Trump returned to the White House after his presidential election win in November.

"US manufacturing activity expanded in January after 26 consecutive months of contraction," survey chief Timothy Fiore said in a statement.

"Demand and production improved; and employment expanded. However, staff reductions continued with many companies, but at weaker rates," he added.

Fiore also noted that price growth was moderate, "indicating that further growth will put additional pressure on prices."

Govt relaxes rules to speed up rice imports

STAR BUSINESS REPORT

The government yesterday relaxed public procurement rules to buy one lakh tonnes of rice from the international market through private suppliers within a shorter period, according to a decision of the Cabinet Committee on Economic Affairs (CCEA).

Under the new directive, the food ministry can now seek bids from private suppliers within 15 days of tender floatation instead of the previous 28 days, said a senior official of the Directorate General of Food.

The move comes as the government ramps up efforts to bolster public foodgrain stocks, including rice, through imports and curb the staple's rising price.

The interim government earlier planned to import 700,000 tonnes of rice—the highest in seven fiscal years—to replenish stocks and intervene in the market to stabilise prices.

At the end of December last year, foodgrain reserves in government storages stood at 11.95 lakh tonnes, down 22 percent year-on-year, according to the food ministry.

"We will not allow any decline in the supply of essential commodities," said Finance Adviser Salehuddin Ahmed after the CCEA meeting at Bangladesh Secretariat.

Additionally, the committee approved the purchase of 10,000 tonnes of lentils from Nabil Naba Foods Ltd, a concern of the Nabil Group of Industries, for nearly Tk 98 crore.

It also cleared proposals from state agencies to procure 40,000 tonnes of diammonium phosphate (DAP) fertiliser and 60,000 tonnes of granular fertiliser.

Gold hits record high in global market

REUTERS

Gold prices hit an all-time high on Monday, bolstered by safe-haven inflows after US President Donald Trump's tariffs on Canada, China and Mexico added to concerns of inflation that would dent economic growth.

Spot gold rose 0.8 percent to $2,818.99 per ounce by 01:45 p.m. ET (1845 GMT), after hitting a record of $2,830.49 earlier in the session.

US gold futures settled 0.8 percent higher at $2,857.10.

Despite the usual dampening effect of a strong dollar on the gold market, prices have been rallying due to the safe-haven demand driven by uncertainty surrounding Trump's tariffs, said David Meger, director of metals trading at High Ridge Futures.

The 25 percent tariffs imposed by Trump on Canadian and Mexican imports from Tuesday, along with a 10 percent charge on Chinese goods, fuelled fears of a trade war that could slow global growth and feed inflation.

Canada and Mexico ordered retaliatory measures while China said it would challenge the tariffs at the World Trade Organization and take unspecified countermeasures.

However, Trump announced a month-long pause on tariffs the US had slapped on Mexico.

The market is not fully convinced about the extent of the trade war, Bart Melek, head of commodity strategies at TD Securities, said.

"We haven't seen a complete response from gold and if this trade war continues for a considerable period, it could lead to significantly higher gold prices down the road," Melek added. Gold is often considered as a safe-haven investment during periods of economic or geopolitical instability.

JP Morgan said bearish contagion from equities could weigh on gold in the near term, but disruptive tariffs were a medium-term bull case for bullion.

Tariff whiplash fires up China stimulus games

REUTERS, *Hong Kong*

After implementing 25 percent tariffs on North American trading partners, Donald Trump suspended them two days later and raised the possibility of a similar stay for the People's Republic. A hike of 10 percentage points on existing levies on Chinese exports took effect on Tuesday but the US President also warns this is merely an "opening salvo". For policymakers in Beijing, it adds to their most-pressing headache: when to ramp up measures to boost weak domestic consumption.

The Chinese government hit back shortly after the tariffs deadline passed, announcing an antitrust investigation into Alphabet's Google, as well as levies of up to 15 percent on coal, liquefied natural gas, agricultural equipment and oil from the US, among other moves. Overall, the retaliation looks soft, which shows good strategic sense. Should negotiations fail to deliver a reprieve, the hit to the sputtering Chinese economy should be manageable. Analysts at UBS estimate the 10 percent American tariff on Chinese goods could knock about half a percentage point off GDP growth.

Beijing's opening gambit for negotiations might be focused on "restoring a trade agreement" signed in 2020 with the United States. That so-called Phase One agreement, which eventually ended tit-for-tat tariff hikes, committed China to buying an extra $200 billion in American goods and services, which it did not. A hawkish White House is unlikely to give Chinese negotiators extra credit for belatedly honouring an old deal.

Trump's team may seek more substantial concessions that could extend beyond trade to, for example, helping bring an end to Russia's war in Ukraine. Such a move may also be in Beijing's self-interest because it would remove one obstacle to investments by Chinese companies in Europe.

Employees work at a factory that builds charging stations for electric cars in Ruichang, in central China's Jiangxi province. Analysts estimate that the 10 percent American tariff on Chinese goods could knock about half a percentage point off China's GDP growth. PHOTO: AFP/FILE

If China balks at such demands, however, it should be prepared for escalating threats – Trump has warned of levies up to 100 percent. Beijing's chief channel of response will again come courtesy of the renminbi's exchange rate: analysts at Capital Economics reckon a 1.4 percent depreciation of the currency in trade-weighted terms would be enough to offset a 10 percent tariff increase. But a big fall for the currency will limit the central bank's capacity for more monetary easing, putting more pressure on the central government to rapidly ramp up fiscal stimulus instead.

That will require unusual agility from Chinese planners who like to plan, often for years in advance. Analysts expect further clarity on economic measures when a political summit in Beijing convenes next month, though a US investigation into unfair trade practices is due to wrap up in April. Trump's tariff war may force Xi's hand but the waiting game will only hurt China.