Star BUSINESS

Hormuz crisis strands country's food exports to Middle East

JAGARAN CHAKMA

Bangladesh's processed food exports to key Middle Eastern markets have come to a standstill as disruptions in the Strait of Hormuz caused by the US-Israeli war on Iran have halted shipments, leaving containers stranded and exporters fearing mounting financial losses.

Containers loaded with snacks, spices and other food products are either stranded or unable to be shipped. Companies warn that prolonged disruptions could affect cash flow, inventory management and profitability.

Bangladesh exports a wide range of products to the Middle East, industry insiders say, including beverage items, spices, biscuits, puffed rice, chanachur (Bombay mix), noodles, mustard oil, and other snacks.

The companies' major markets in the region include Saudi Arabia, the United Arab Emirates, Oman, Qatar, Kuwait and Bahrain.

Exports of Square Food & Beverage Ltd to the Middle East have been disrupted since the conflict began, leaving several containers stranded and causing financial losses, said Md Parvez Saiful Islam, chief executive officer (CEO) of the company.

"The crisis in the Middle East started on February 28. From March 1, all the containers that we had handed over to freight forwarders for shipment got stuck," Islam told The Daily Star.

According to him, around 11 containers of the company's products are currently unable to be shipped.

"If the containers cannot be shipped, we may eventually have to bring the goods back. Since the products are already packed and loaded, storage and other charges will keep increasing," he said.

The company is now in discussions with shipping lines to determine whether the containers will be shipped or returned.

The inability to fulfil export orders is the main problem, he said.

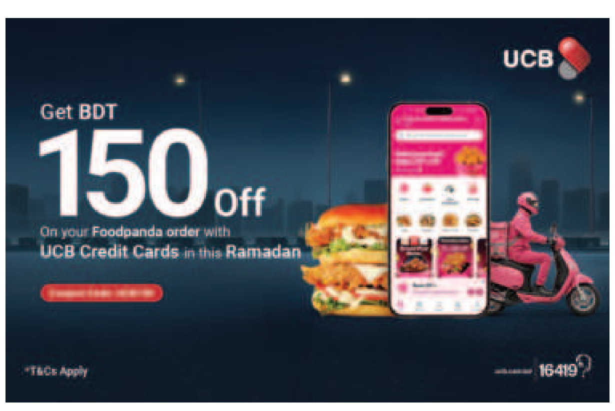
Square Food & Beverage exports products such as spices, chanachur and mustard oil to Middle Eastern markets.

The stranded consignments alone are worth about $800,000, he added.

Some export shipments of PRAN-RFL Group to Middle Eastern markets have been caught in transit, while others could not be shipped due to uncertainty surrounding maritime routes, said Kamruzzaman Kamal, marketing director of the company.

According to him, some of the company's goods are currently at Chattogram port, while others have already reached a Sri Lankan transhipment port from where they were supposed to move through the Strait towards Gulf markets.

"Our feeder vessels carry the containers to those ports, and from there the cargo is loaded onto mother vessels for onward shipment," Kamal said.



However, shipments moving through that route are now facing uncertainty. "So those goods have not yet moved forward," he added. Kamal cautioned that the disruption could lead to business losses if it continues for long.

Bombay Sweets has also halted exports to its main Middle Eastern markets since tensions first emerged, said Khurshid Ahmad Farhad, general manager of the company.

"We have not been able to export goods worth even a single taka this month," Farhad told The Daily Star.

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War on Iran rattles Bangladesh dollar market

Cautious banks trade greenback at higher rates amid fears of rising import bills and slower remittance inflows

MD MEHEDI HASAN

The US dollar exchange rate against the taka held almost flat through late February before beginning a slow, gradual climb into March.

The shift in the curve comes as taka started to weaken with the beginning of the US-Israel's war against Iran in March and the subsequent conflicts across the Middle East, mainly because cautious banks began trading the greenback among themselves at higher rates.

This latest fall of taka has revived memories of the 2022-23 currency stress.

At that period, heavy import bills, rising global commodity prices amid the Russia-Ukraine war, and slower remittance inflows and export earnings coincided with a rapidly depleting foreign currency reserve.

This time, however, the forex reserve stands at a much more comfortable level and dollar flow to the local market remains almost normal. But banks have shifted into a cautious mode triggered by the war in the Middle East.

The commercial lenders fear a prolonged war could again push up import bills, while a large share of expatriate Bangladeshis in the Gulf might send less money home.

"Many banks have taken a cautious approach due to the uncertainty ahead," said Mati ul Hasan, managing director of Mercantile Bank. "However, the real impact will be understood after about a week."

Yesterday, the weighted average interbank exchange rate stood at Tk 122.69 per dollar, up from Tk 122.58 a day earlier, according to the Bangladesh Bank (BB).

The rate was Tk 122.49 on Monday and Tk 122.43 on Sunday, according to BB data.

A top official of an import-dependent industrial group based in Chattogram told The Daily Star that banks have not yet faced a real shortage of US dollars, but some are "trying to create an artificial crisis".

He said banks are demanding between Tk 122.90 and Tk 123 per dollar when opening letters of credit (LCs). The rate is even higher in the case of forward sales, he added.

A forward dollar sale is a binding contract to sell dollars at a fixed price on a future date, regardless of the market rate at that time.

Yesterday, state-run Sonali Bank quoted Tk 122.75 per dollar for spot selling, while its spot buying rate ranged between Tk 121.68 and Tk 121.80. Private commercial BRAC Bank quoted Tk 122.95 per dollar for selling and Tk 121.95 for buying.

Dhaka Bank quoted Tk 122.99 per dollar for bills for collection selling and Tk 121.50 for buying yesterday. Mercantile Bank offered the dollar at Tk 122.90 for selling and Tk 121.60 for buying.

Mercantile Bank MD Hasan said that since the flow of dollars had been strong for quite some time and the market remained liquid, banks had not worried much about making payments.

However, they now need to plan ahead because of rising uncertainty, he said, adding that dollar inflows are not evenly distributed across banks, which may prompt some lenders to slightly raise their rates.

"Still, the situation has not become very unstable yet. Conditions could deteriorate if the war continues for long," said Hasan.

Meanwhile, BB officials said the central bank has stopped intervening in the market, meaning it is no longer supplying dollars from its stocks to support the taka. As a result, the currency has started to weaken.

They also noted that fuel prices in the international market have risen sharply, which could push up import costs and lead to volatility in the foreign exchange market in the coming days.

Considering that potential impact, BB has also stopped purchasing US dollars from the market, they added.

The central bank bought more than $5 billion from the foreign exchange market in FY26 as of March 2. The purchases helped lift the country's foreign exchange reserve.

Forex reserve stood at $34 billion as of Sunday, according to BB. However, the reserve stood at $29.38 billion based on the IMF calculation.

Between FY21 and FY25, BB sold more than $25 billion from its reserve to meet import payments for fuel, fertiliser and food.

After the war broke out, the new BB governor hinted that the regulator could provide dollar support from the reserve to import fuel if needed, officials said. But leading economists at a meeting last week advised the governor to remain cautious about spending from the reserve as tensions in the Middle East could trigger fresh economic shocks.

They said rising global fuel prices linked to the crisis could increase the country's import bill and eventually put pressure on the foreign exchange reserve.

The economists urged the central bank to explore alternative funding sources to settle fuel import payments instead of depending on the reserve.

M Masrur Reaz, chairman and chief executive officer of Policy Exchange Bangladesh, a private sector economic and investment advisory platform, was among the economists who met the governor.

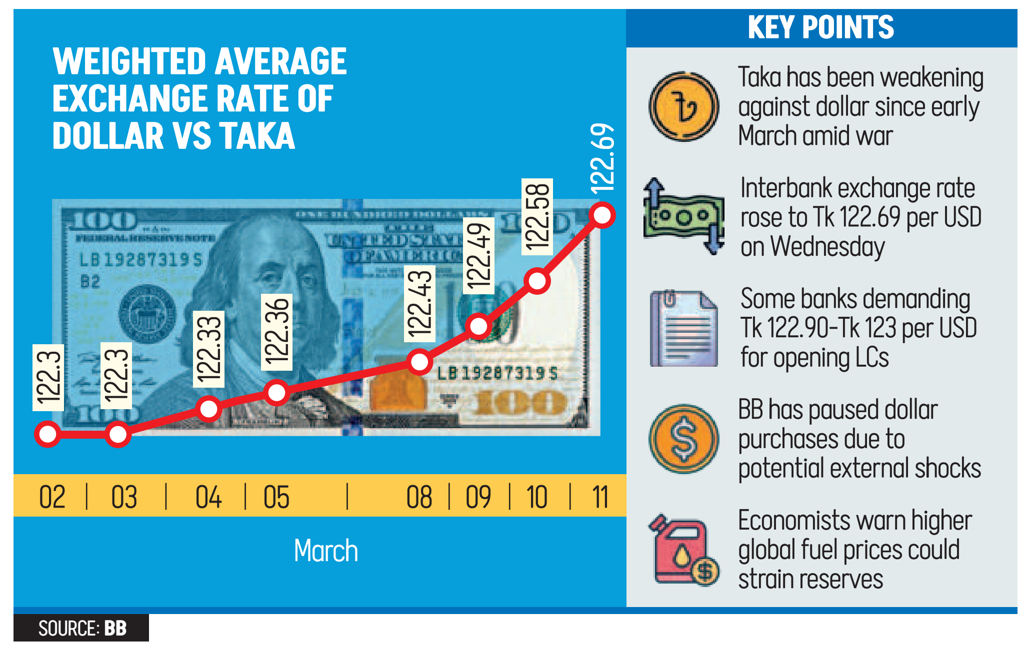
He told The Daily Star yesterday that the situation could deteriorate sharply if the Middle East war lasts for a month.

Liquefied natural gas (LNG) and fuel prices have already increased significantly, he said, adding that this will push up import costs in the coming days.

"Due to this possibility, the price of the US dollar is also rising. It may increase further in the future because higher import costs will put additional pressure on foreign currency."

Reaz said the current fuel rationing should continue. Besides, the government needs to estimate how much fuel will be required and what the cost will be over the next six months and one year, he said.

Based on that assessment, loans could be sought from the Asian Development Bank (ADB) or other multilateral lenders, said the economist. "The borrowed funds should be used to import fuel. In addition, projects that are currently stalled should be restarted quickly so that foreign funding can flow into the country."



SOURCE: BB

Three more LNG cargoes to be bought at double Dec prices

STAR BUSINESS REPORT

Bangladesh will purchase three more cargoes of liquefied natural gas (LNG) on the spot market from South Korean and UK-based companies at more than double the price paid in December, as the government moves to prevent a looming energy crisis.

The cabinet committee on public purchase approved the deal yesterday. The three shipments are expected to arrive between April 5 and April 13.

UK-based TotalEnergies Gas & Power Ltd will supply one cargo at $21.58 per MMBtu (Million Metric British Thermal Units), while South Korea-based Posco International Corporation will provide two cargoes at $20.76 per MMBtu.

The government will spend around Tk 2,660 crore on these deliveries, adding pressure on the fiscal budget.

Earlier, state-run Petrobangla secured two emergency LNG cargoes for March deliveries from the spot market at nearly three times December prices due to supply uncertainties caused by rising geopolitical tensions in the Middle East.

One cargo was purchased from US-based Gunvor at $28.28 per MMBtu, a 183 percent increase over December rates, while a second shipment from Vitol cost $23.08 per MMBtu, according to Petrobangla officials.

Previously, the government had approved LNG purchases at $9.99 per MMBtu in December and $11.97 per MMBtu in July, highlighting how sharply spot-market prices have risen. This situation highlights how vulnerable South Asian markets are to global price swings when shipping routes face disruption.

"We had to pay a steep premium because suppliers were increasingly reluctant to submit bids," a Petrobangla official said on condition of anonymity. "The ongoing Middle East crisis has reduced the number of participants willing to make short-term deliveries to this region."

LNG prices, which had been gradually falling, spiked last week due to the US-Israel war on Iran. Bangladesh had to turn to the spot market after failing to attract bidders for two consecutive days, even at more than double the usual rate.

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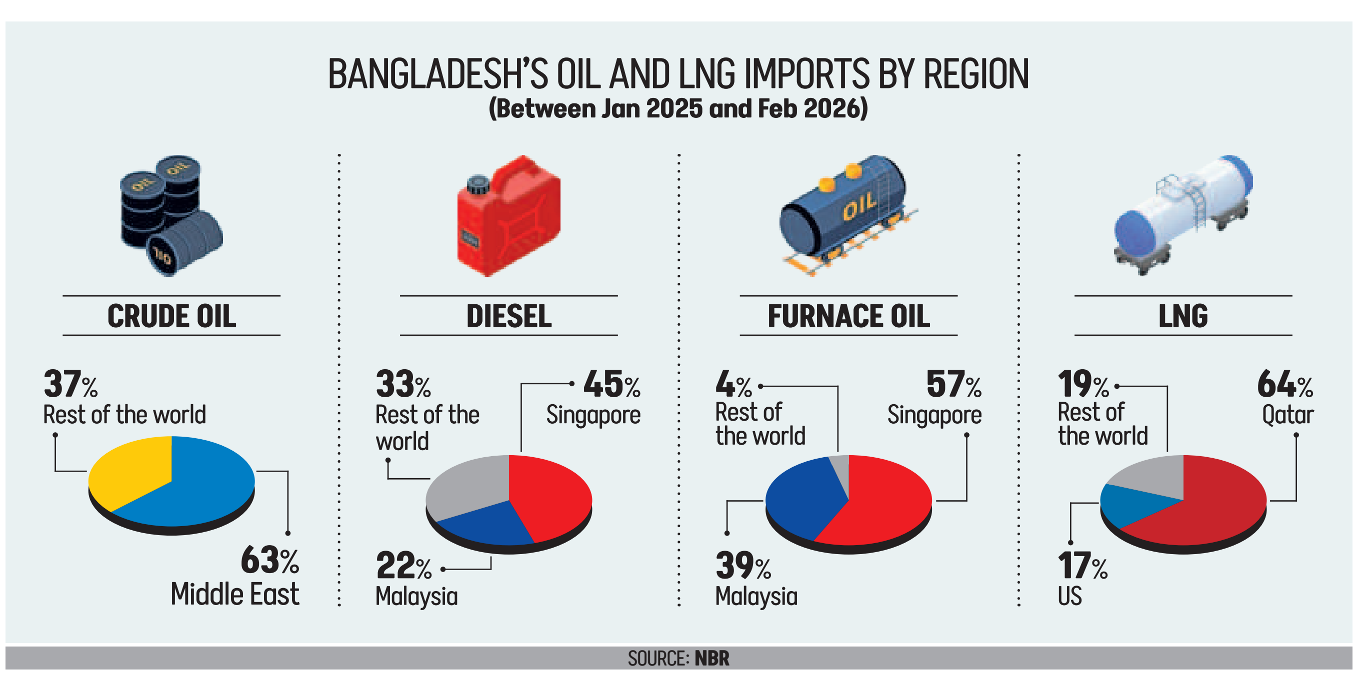
How dependent are we on Middle East oil, gas?



SOURCE: NBR

MOHAMMAD SUMAN, *Ctg*

It has been 12 days since the US-Israel war on Iran pushed the Middle East into turmoil, raising fears of a global energy crisis. Many countries, including Pakistan, have taken austerity measures, such as introducing a four-day workweek for public employees and announcing holidays for schools beginning March 16.

In Bangladesh, the government has begun rationing fuel supply to avoid a shortage, as the country meets 95 percent of its oil and 30 percent of its gas requirements through imports. Middle Eastern countries such as Saudi Arabia and Qatar are two key sources.

Now, fears are growing over the adequate supply of fuel as Iran has blocked the Strait of Hormuz, through which a fifth of the world's oil travels, demanding that the US and Israel stop the attack on Iran. Long queues of bikes and cars have been visible at filling stations in Dhaka, for more than a week. There is no sign of them shortening.

This raises the question: What is the stake of the Middle East in the global energy market?

The Energy Information Administration (EIA) says five of the world's top 10 oil producers are from the Gulf region -- Saudi Arabia, Iraq, the United Arab Emirates, Iran and Kuwait. These five countries produced 26.61 million barrels per day (bpd) in 2023, out of total global output of 101.81 million bpd. That means the region accounts for more than one-fourth of daily global oil production.

How much does Bangladesh import from the region?

SAUDI ARABIA, THE UAE MAJOR SUPPLIERS OF CRUDE

Customs data showed that Bangladesh imports crude and refined fuel oil from a range of countries, including Iran, the United Arab Emirates (UAE), Oman, Saudi Arabia, Kuwait, Iraq and Qatar in the Middle East, as well as Singapore, Malaysia and India, to meet its annual demand of roughly 70 lakh tonnes.

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War may push up logistics costs for apparel: DCCI

STAR BUSINESS REPORT

Export-driven industries in Bangladesh, particularly the readymade garment (RMG) sector, face rising logistics costs, supply chain delays, and shipping risks due to the ongoing US-Israel war on Iran, the Dhaka Chamber of Commerce & Industry (DCCI) said yesterday.

In a press release, the chamber expressed grave concern, noting that the tension is already causing turbulence in global energy markets, trade routes, and financial systems. As a highly import-dependent economy, Bangladesh is vulnerable to these external shocks.

International oil prices recently surged beyond $100 per barrel before dropping below $90, as supply disruptions hit the Middle East.

The DCCI estimated that every $10 increase in global oil prices could raise Bangladesh's monthly import bill by approximately $70-$80 million, further widening the trade deficit.

The conflict has also disrupted major shipping routes, especially the Strait of Hormuz, which handles nearly 20 percent of global oil and gas supply. Prolonged interference here could significantly increase freight rates, insurance premiums, and delivery times for Bangladeshi trade.

Domestically, exports have been declining for the past seven months due to political and economic challenges.

While short-term relief has come with over 10 vessels carrying LNG, LPG, diesel, and other fuels arriving at Chattogram Port recently, the DCCI warned that the situation remains highly unpredictable.

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