

Firms trim margins, shrink packs as fuel price hike bites

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Sectors across Bangladesh are adjusting rates and restructuring costs in the wake of the government's record fuel price hike, with freight charges from Chattogram port surging and consumer goods companies shrinking pack sizes and cutting trade margins to stay afloat.

On April 18, the government raised fuel prices to record highs – diesel to Tk 15 per litre to Tk 15, octane by Tk 20 to Tk 140, petrol by Tk 19 to Tk 135, and kerosene by Tk 18 to Tk 130, with new rates taking effect at midnight.

The hike compounded a crisis that began in early March, when the outbreak of war in Iran pushed global energy prices higher and drove up transport costs before any official revision.

Already reeling from the supply disruptions due to the war, diesel-dependent industries, including agriculture, manufacture and transport, are now facing a double whammy. And in a highly inflated economy, the burden is likely to fall on customers soon.

FREIGHT RATES UP 30%
Transport fares between Chattogram port and destinations across the country have risen 25 to 31 percent since the April 18 hike, with rates remaining volatile for the past one and a half months.

When the Iran war began in early March, covered van fares from the port to Dhaka shot up from Tk 17,000 to a maximum of Tk 32,000. The rates later eased to around Tk 22,000 after Eid-ul-Fitr, only to climb again after the fuel hike.

On Tuesday, Ashis Chakraborty, owner of Chattogram-based clearing and forwarding agency AZ Trade International, hired five covered vans to transport imported fabrics, yarn, and chemicals for Mymensingh-based garment manufacturer PM Textile. It cost him Tk 29,000 per van.

PRAN-RFL Group, which relies on hired vehicles for around 40 percent of its cargo movement between Chattogram and its factories in Ghorashal and Habiganj, is absorbing similar increases.

Kamruzzaman Kamal, the company's marketing director, told The Daily Star that covered vans now charge Tk 15,000 to carry export goods from Ghorashal to inland container depots in Chattogram – Tk 3,000 above the previous rate.

Prime movers transporting import containers to the factories now cost up to Tk 42,000, compared to Tk 32,000 before the hike.

MOST MANUFACTURERS HOLD PRICES – FOR NOW

On the manufacturing side, companies are deploying a range of measures to absorb the cost shock without immediately raising retail prices, though several have signalled that adjustments are becoming harder to avoid.

Many are resorting to shrinking the pack size. This is a classic example of "shrinkflation" – which occurs when manufacturers shrink the package size, i.e., quantity of an item, without a



Fuel price hike has pushed up operating costs for trucks and pickups, prompting transport owners to increase fares. Photo shows workers unloading sacks of grain in the Sadarghat area of Chattogram recently. PHOTO: RAJIB RAIHAN

corresponding price drop. Tanveer Ahmed Mostafa, director of Meghna Group of Industries, said the severe global energy shock stemming from the Middle East conflict has directly hit the company's costs from maritime freight to raw material procurement.

In a vertically integrated conglomerate like Meghna, such volatilities inevitably exert pressure on forward consumer outputs, he said, adding that the group is currently absorbing the pressure through internal cost containment and supply chain optimisation.

"A price adjustment remains a possibility to ensure sustainable supply," Mostafa said. "We are first exhausting all internal efficiencies."

"While a price adjustment remains a possibility to ensure sustainable supply," Mostafa said, for now they are "exhausting all internal efficiencies to keep" products affordable.

PRAN-RFL, a leading food processor and exporter, is holding the same position. Marketing Director Kamal said, "The company is currently avoiding price increases despite rising fuel costs, as consumers are already under significant financial pressure from higher living expenses."

Instead, PRAN is reducing trade margins and consolidating deliveries – minimising vehicle numbers, ensuring full-load shipments, and using larger vehicles where possible.

Increasing the maximum retail price, he said, "remains a last resort" and would only be considered if internal cost control

measures fail. Unilever Bangladesh is also deferring any pricing decision, and is focusing on innovation and operational improvements to absorb costs.

Shamima Akhter, director of corporate affairs, partnerships and communications, said the company is prioritising operational efficiency and cost optimisation over immediate price increases.

Because many of its products are discretionary, she noted, price hikes risk reducing sales volumes.

She noted that global volatility, including higher fuel prices and increased raw material import costs, has already put pressure on production and distribution over the past two months. "No new pricing decisions have been finalised. Such reviews are conducted quarterly and require time to implement due to pre-printed packaging materials"

Bombay Sweets, however, has moved more decisively. Khurshid Ahmad Farhad, the company's general manager, said export prices have already been raised by 25 percent starting last month. In the domestic market, the company is adjusting on a product-by-product basis, either raising prices or reducing weights, but not both simultaneously.

Farhad described the April 18 hike as a second shock. Cost pressures had already been building, driven by sharp increases in raw materials, including chemical and petrochemical prices. When the latest price hike came, it pushed packaging costs up by 13 percent to 69 percent.

The company's "Potato Crackers" product, retailed at Tk 10, has been reduced from 13 grams to 10 grams since the fuel hike. The change is already in the market. Farhad emphasized that increasing maximum retail prices further is difficult due to declining consumer purchasing power, making downsizing a necessary strategy.

"The company is currently prioritising survival over profit," Farhad said. "Margins have already declined."

FARMERS FACE A COSTLY HARVEST
The pressure is not limited to industry. Farmers are feeling the pinch during the Boro harvesting season. The surging diesel prices have made it costlier to rent harvesters. For instance, farmers in four haor districts of Sylhet depend on nearly 1,500 combine harvesters, which run on diesel, for bringing their crops home.

In Dingapota Haor in Mohanganj upazila, Netrokona, farmer Tofayel Khan cultivated Boro rice on 80 kathas of land this season, only for floodwater to submerge most of it before harvest. He had to spend some Tk 660 per katha to harvest the remaining crops. Last season, the rate was Tk 550 per katha. "I am concerned about how to recover my losses."

Across transport, manufacturing, and agriculture, the adjustments now underway mark the first wave of the fuel shock working through the economy. With freight rates still elevated and input costs holding, companies that have so far absorbed the pressure warn that the current measures may not hold for long.

The oligarch's playbook: A warning for post-revolution Bangladesh

KAISER KABIR

A handful of firms and a fistful of politicians – this is the widely accepted description of oligarchic economic systems. It is a malevolent alliance that eventually appropriates the national economic pie through skulduggery.

Barring a few exceptions, notably the Keiretsu in Japan and Chaebols of South Korea, oligarchic systems are demonic cabals that adversely affect long term national development, although there may be considerable growth in the short run. The proof is ubiquitous: from Latin American Caudillos and Venezuela's Bolibourgeoisie to post-Soviet Russia's oligarchs, North Korea's Kim dynasty, South Africa's Gupta family, and beyond.

The evolution of oligarchies follows a similar script worldwide. Self-serving policies at the population's expense concentrate massive economic power in an elite coterie. This economic power then fortifies political influence, eroding democratic institutions, undermining judiciaries and constitutions, suppressing dissent, and promoting systematic corruption with impunity.

In Bangladesh, traces of a chosen elite class first became visible in the power and energy sector. The Quick Enhancement of Electricity and Energy Supply (Special Provisions) Act 2010 and associated legislation paved the way for oligarchs to gain a foothold.

While massive corruption plagued the power sector, the sudden spike in the availability of electricity had widely beneficial economic impacts. Growth in service and industrial sectors was undeniably impressive for nearly a decade. Mega-infrastructure projects and remittance flows from expatriate workers created an economy that seemed to hold great promise.

However, as oligarchic influence grew, the financial sector became its primary target. Illegal bank takeovers, wilful loan defaults, capital flight, and similar practices became rampant. Simultaneously, government policies on interest rates and bad loan rescheduling were designed at the oligarchs' behest.

These distortions ultimately had a pernicious economic impact, rendering Bangladesh vulnerable to external shocks. When the Ukraine war disrupted supply chains, the macroeconomy was placed in dire straits.

Bangladesh's experience thus adds to global evidence that when a small group controls both economic resources and political influence, democratic institutions erode. Laws, regulations, and policies are shaped to protect their interests rather than the public good.

Moreover, patronising an elite group is fundamentally unnecessary – especially in Bangladesh's context. The evidence is clear: Bangladesh was built by millions of Bangladeshis.

Five groups stand out: (1) Farmers who tripled agricultural yields since 1972; (2) Entrepreneurs whose emergence in the 1980s transformed industrial and service landscapes; (3) Workers, especially women, who created a global RMG export powerhouse; (4) Expatriate Bangladeshis whose remittances kept the economy afloat during the pandemic and the Ukraine war; (5) NGOs whose innovations since the 1980s added remarkable dynamism to social sectors.

The Monsoon Revolution dismantled both an authoritarian regime and its oligarchic machinery – a historic blessing for Bangladesh. Now we face a critical choice: either build an economy that honours the millions who actually built this nation, or follow a tired script that resurrects the unholy nexus between politics and business. The former promises genuine prosperity; the latter guarantees another cycle of plunder and decay.

The writer is the chief executive of Renata PLC



War may crush oil demand today, but send it soaring long term

ANALYSIS

REUTERS

While oil demand destruction deepens with each passing day the Strait of Hormuz remains closed, the longer-term impact of the Iran war may paradoxically work in oil's favour. Spiking energy security concerns and greater fragmentation could lead to a less efficient, more voracious global energy system.

Aggregate worldwide oil consumption is plummeting under the strain of the Iran war, which has reduced global crude supplies by 13 million barrels per day (bpd), or 12 percent, since the conflict broke out on February 28.

Demand has so far been curtailed by around 4 million bpd, roughly 4 percent of global consumption, according to Russell Hardy, CEO of oil trading house Vitol.

Hardy's estimate of demand destruction is considerably higher than that of the International Energy Agency, which puts the loss at 2.3 million bpd for April. Even so, it still represents the largest monthly collapse in consumption since the depths of the Covid-19 pandemic in 2021.

The IEA expects global oil

demand to contract by 80,000 bpd in 2026, a dramatic reversal from its pre-war forecast for 730,000 bpd of growth.

Much of that loss reflects refiners, especially in Asia, scaling back operations or shutting units altogether to conserve fuel as supplies from the Middle East dry up. The region normally accounts for around 60 percent of Asia's crude imports.

Governments from Sri Lanka to South Korea have compounded

spreading to Europe, which relies on the Middle East for around 10 percent of its crude imports and more than half of its jet fuel demand. After over seven weeks of disruption, inventories are growing dangerously thin.

Parts of Europe's refining industry have been pushed out of the money. Futures markets are pricing in expectations of a relatively swift recovery in Gulf flows and a subsequent drop in prices, while physical crude remains very hard to source and very expensive.

US stocks ended lower on Tuesday, with the Dow, S&P 500 and Nasdaq all shedding more than half a percent.

When the Strait of Hormuz will reopen and how quickly shipping will normalise remain anyone's guess. If the closure extends into May, global oil demand could contract by as much as 5 million bpd next month.

Should the blockade persist long enough to exhaust both commercial inventories and strategic petroleum reserves, consumption would theoretically need to fall by around 10 million bpd – a tenth of pre-war demand. That's a highly bearish scenario, but not an impossible one.

The short-term demand hit makes for gloomy reading. But the conflict may also set in motion longer-lasting changes with a more mixed impact on consumption.

Hormuz blockade drives up costs at Panama Canal

AFP, Panama

The war in the Middle East has boosted demand to move vital cargo through the Panama Canal to such an extent that one vessel carrying liquefied natural gas (LNG) paid \$4 million to skip the line and avoid a wait that can take up to five days, according to an official report.

A surge in such payments has been recorded since the US-Israeli attacks on Iran began February 28, which led to the blockade of the Strait of Hormuz, a critical waterway for one-fifth of the world's oil and natural gas exports from Gulf countries.

To meet fuel demand, Asia's refineries are choosing to buy oil or gas from the United States and ship it through the transoceanic waterway instead of purchasing from Gulf countries who rely on the Strait of Hormuz, according to reports from the Panama Canal Authority.

this effect by rolling out emergency energy-saving measures including four-day work weeks, work-from-home mandates, restrictions on driving and outright fuel rationing.

The surge in diesel and jet fuel prices to record highs of over \$200 a barrel has cut deeply into transport demand – grounding aircraft and curtailing shipping activity.

This demand destruction is no longer confined to Asia. It is now