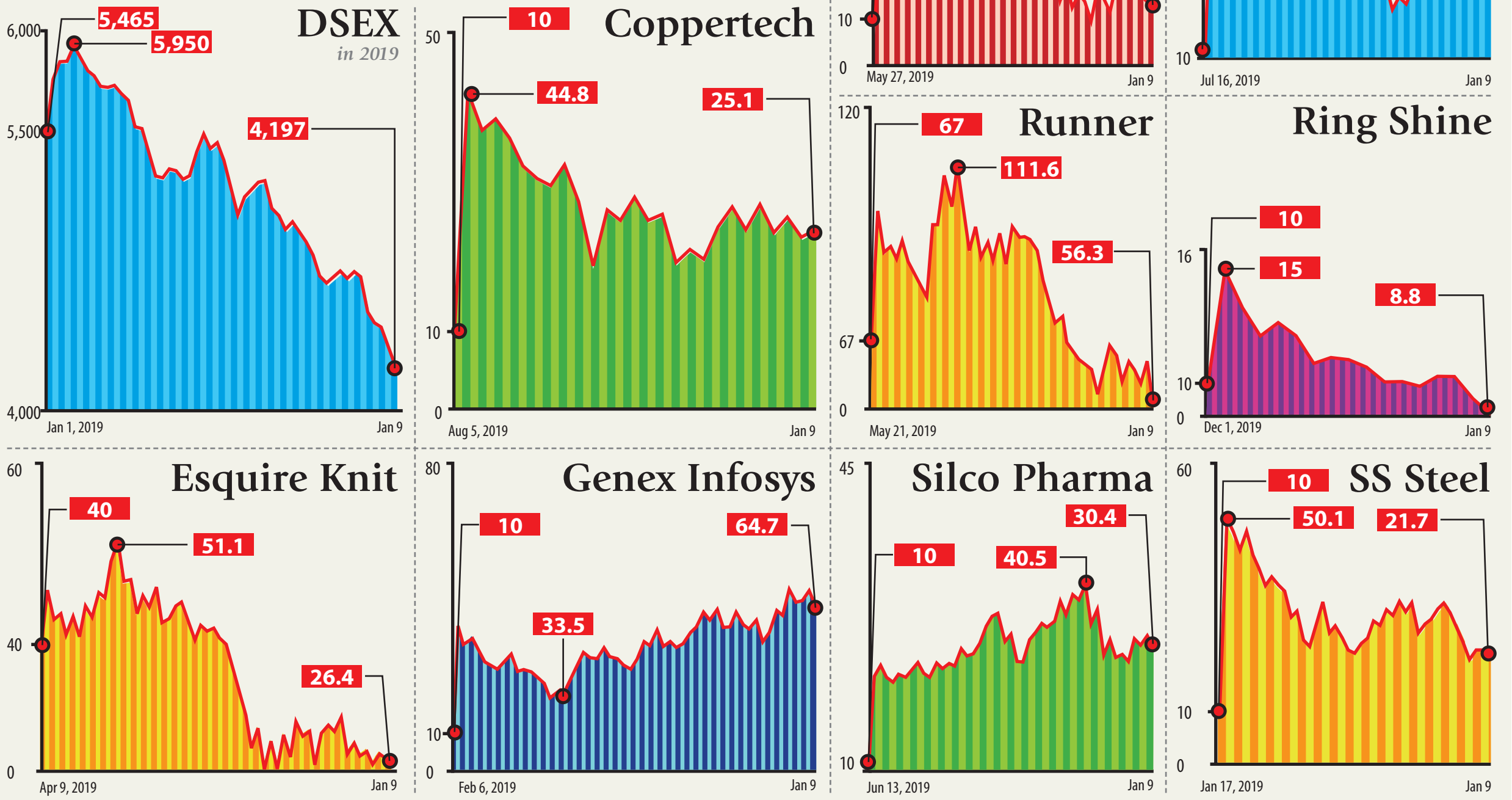


2019: NOT A GOOD YEAR FOR IPOs

Nine companies raised Tk 540 crore from the stock market last year by way of initial public offering. Almost all the companies' stock rose in the first few days of their trading. But, they tumbled after the investors got the true picture of the companies' prospects. During the time, DSEX declined but the newly listed stocks' descent was steeper.



The economics of remittance growth



ZAHID HUSSAIN

MOST economic indicators on the state of the Bangladesh economy during the first half of FY20 are down with one big exception—remittances. After declining from its peak of \$15.3 billion in FY15 to \$12.8 billion in FY17, remittances have recovered in the next two years, reaching a historic high of \$16.4 billion in FY19. One would have thought that the sheer base effect of such a peak would slow growth subsequently. But no, remittances in the first half of this year grew 25.4 percent exceeding all expectations. If remittances during the second half of the current fiscal year grow at the same rate as it did during the second half of the last fiscal year, it will reach a far greater new height of \$18.3 billion. This most likely is a conservative estimate.

What explains this extraordinary performance?

A strong temptation is to point to the 2 percent cash subsidy on remittances introduced with the FY20 budget. This has effectively raised the exchange rate for remittance dollars by 2 percent. Thus, for the remitters the total increase in the exchange rate in the first half equals the 2 percent subsidy plus the 0.4 percent depreciation in the average exchange rate in the market so far. Can this 2.4 percent increase in the exchange rate explain the 25.4 percent growth in remittance in the first half of FY20?

In theory, remittance growth can come from four sources: increase in the number of migrant workers abroad, increase in earnings per migrant worker, increase in their average saving rate and increase in their average propensity to remit.

The gross stock of Bangladeshi workers abroad increased by 5.6 percent last fiscal year. There is a lag between the time the workers move abroad and when they start remitting money home. This lag varies between 6 and 12 months, according to

various surveys. It is, therefore, most likely that a part of the boom this year is the lagged effect of the growth in the stock of workers in the previous fiscal year.

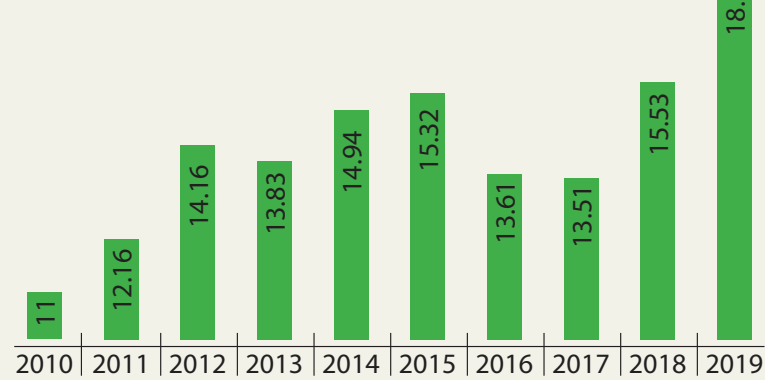
An increase in earnings per migrant worker may also have contributed. Most of the increase in remittances this year so far has come from Saudi Arabia, Oman, the UK and the US. Base salaries in Saudi Arabia grew 4.5 percent, reportedly the highest in the region. Wage growth in Oman has remained

growth 3.5 percentage points and saving growth 1 percentage point, we are still left with a residual of 15.3 percentage points that can be attributed to increase in the propensity to remit.

Effective exchange rate received by the remitters is an important, but not the only determinant, of the propensity to remit. This is evident from previous episodes of remittance boom. Remittances grew by 31.3 percent in the first half of FY07 and by 30.9 percent in the first half of FY09.

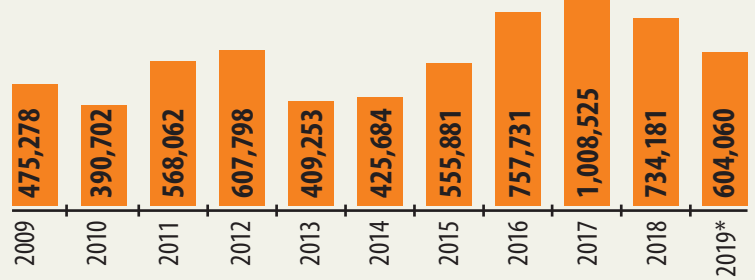
Remittance over the past decade

SOURCE: BB (in billion \$)



MANPOWER EXPORT OVER THE PAST DECADE

*Until November SOURCE: BMET



strong, averaging 11.4 percent. In the UK and the US wages increased by 3.2 and 3.6 percent respectively by the end of October 2019.

The average propensity to save may also have increased because of falling cost of living in the host countries. Inflation in Saudi Arabia and Oman was negative in the range of 1-2 percent in 2019. It declined in the UK by 0.3 percentage points but increased in the US by 0.5 percentage points.

How much of the total increase in remittances can we attribute to these three factors? Based on the numbers reported above we can only make some guesstimates. If we assume stock growth contributed 5.6 percentage points, earnings

Exchange rate, however, appreciated by 0.5 percent and 0.2 percent during these two periods respectively.

There is fairly strong evidence in the literature that remittances are motivated by altruism i. e. by caring for the families left behind by the workers. This implies that remittances will rise when bad times hit the domestic economy. Such a relationship is also suggested by the new economics of migration, which argues that migration results from a collective family decision not just to maximise income but also to minimise risks such as crop failures, injuries, job losses or business losses.

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Capacity building key to higher GDP growth: Kamal

STAR BUSINESS REPORT

The government should improve its capacity to help accelerate economic growth of the country, Finance Minister AHM Mustafa Kamal said yesterday.

"Our efficiency should be properly utilised," he said after a meeting of the cabinet committee on public purchase

at the cabinet division yesterday.

The untapped potential of the economy should be explored and inclusive growth ensured, he said, adding that the government's plans and policies are helping the economy grow faster, which has been praised by the whole world.

Bangladesh has the potential to be a bigger economy than Singapore and

Malaysia by 2025-30, he said.

At the meeting, the cabinet committee gave a go-ahead to eight procurement proposals. One of them was to construct 36 cyclone shelters in Patuakhali district at a cost of Tk 240.32 crore and 50 cyclone shelters in Pirojpur at Tk 319.50 crore.

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NEXT STEP

Making a DIFFERENCE

Bangladesh is rapidly moving towards middle income status by 2021. Our businesses definitely offer immense opportunities for the growing economy and this diversity needs a stage for the stories untold. See Bangladesh make its mark on the global map as Making a Difference brings you our proudest success stories from across the country.

Using your office breaks effectively...for more work

Breaks from work serve the essential purpose of resting your brain, limbs and whatever else is involved.

Whether you're a desk jockey or travelling salesperson (list of jobs that'll disappear soon, anyone?) - you need those breaks. But just because it's a break from work doesn't mean you can't be productive. Here's a list of activities to make sure you don't waste that break on useless mobile games like Fortnite.

PLAY A DECENT GAME THAT YOU LEARN FROM

Don't play Fortnite because it does nothing for you. Play, instead, games like Fallout Shelter, where you have to manage a colony of nuclear fallout survivors. Learning time management and reacting to (and managing) a crisis can help you when your break runs out and you have to manage workplace chaos.

HAVE YOUR CAFFEINE INTAKE

A strong cup of coffee (minus the milk and sugar, because what's the point then) can help you be productive and focused on your work. Don't go overboard, as strong caffeine can make you woozy and increase dependency over time.



EXERCISE!

If you can manage your time properly, it's a good idea to get your workout at the office, if your workplace hosts a gym. Ask around and see if there's a gym nearby. Getting a few reps in can help release endorphins and take the edge off - much better than the dopamine rush that follows every time you check your phone.

GET IN TOUCH WITH FRIENDS AND FAMILY

It's tempting to reply to friends making plans or family members asking you things while you're at work, but leave it for break time. If your office policy involves blocking social media, just send a text to or

call your loved ones for a quick update. It's never a good idea to take personal calls at work, unless it's an emergency.

ENGAGE IN SOME TEAM BUILDING

Gossiping around the water-cooler is a fun past-time activity, but these breaks are a good time to throw around some of the book ideas that might just morph into something you genuinely enjoy working on in the future. Some of the best ideas have come from skunkworks operating outside official capacity, and usually pay off in the long run.

SHAHER REAZ