

Is Bangladesh economy really in a recession?

The surprisingly high number of buyers and record volume of sales have brought smiles to the faces of publishers and writers, but book lovers also appear to be happy despite the high prices and the newly introduced entrance fee. The story with flowers is also similar; during the above mentioned festivities all types of flowers were selling at double the price of last year. Certainly, I have not heard of record sales in bookstores and flower shops in the midst of a recession anywhere in the world.

AHSAN MANSUR

THE long lines in front of Bangla Academy have become a tradition, and a way of expressing people's respect for our mother tongue. What is more surprising this year is the larger crowd, despite the introduction of tickets for the first time, and the record volume of purchases by book lovers despite high prices. Similar scenes were observed during the month-long Dhaka International Fair, and during the festivities associated with the beginning of spring (Pahela Falgun), the Pitha Utshab, Nobanno, and Valentine's Day. The mix of local and foreign cultures is also a healthy sign, and I certainly enjoyed seeing the general mood of enthusiasm and celebration.

I watched and read about these festive occasions in TV channels and print media, and I saw talk shows where political commentators discussed the great depression that Bangladesh economy is currently passing through. The sight of people of all walks of life buying books and flowers in a festive mood, at a time when they are also facing record high prices for essential commodities, made me proud as a Bangladeshi. At the same time, as an economist, I wonder whether we are really in

an economic recession or facing a deep "crisis of economic security."

The main reason that this thought came to my mind is that, while we can not live without rice even if rice prices are at record levels, buying books in record numbers at record high prices certainly does not fall in the same category. Before the opening of the Ekushey Book Fair, there was a lot of concern among publishers, authors, and fair organisers about the impact of higher book prices arising from higher costs of paper and other printing materials. Despite their best efforts, publishers could not limit the price increases to less than 20-25 percent in most cases. The surprisingly high number of buyers and record volume of sales have brought smiles to the faces of publishers and writers, but book lovers also appear to be happy despite the high prices and the newly introduced entrance fee. The story with flowers is also similar; during the above mentioned festivities all types of flowers were selling at double the price of last year. Certainly, I have not heard of record sales in bookstores and flower shops in the midst of a recession anywhere in the world.

I wonder whether economists will laugh at me and ask how I

could dare to make an impression about the overall economy based on evidence like record sales at the Ekushey book fair, in flower shops, at the Dhaka International Fair, and the record gatherings at Cox's Bazar beach and Nandan Water World? Critics will justifiably dismiss such a hypothesis on the ground that these limited observations could not serve as barometers for the overall economy. Certainly, they would be right. I have to look for proper economic indicators in support of the perceived recovery, if I want to be credible. Let's take a 360-degree view of the economy.

The first thing that comes to mind to explain the buoyant domestic demand is the surging inflow of workers' remittances, which are continuing to increase at 25 percent rate. At \$6 billion, remittances amounted to about 10 percent of Bangladesh GDP in 2006/07. At the current pace, the additional inflow of about \$1.5 billion (Tk 10.5 thousand crores) would contribute an extra 2 percentage points to our GNP.

Foreign demand for our goods, as measured by Bangladesh's exports, is also showing signs of a rapid recovery. Following a sharp contraction of garment exports recorded in July (exports declining by 23

percent over the corresponding month in 2006), a result of labour unrests that almost brought the sector to the brink of destruction, exports are rebounding strongly. In particular, the two major components of our exports, knitwear and woven garments, recovered strongly in the following months. Knitwear exports increased by 40 percent and woven garments by 26 percent in November 2007 over the corresponding month in 2006, and the outlook remains healthy.

Import growth, generally a solid indicator for domestic demand and activity, has soared at a robust pace of 17.5 percent, and is projected to accelerate further to reach \$21 billion in 2007/08. I admit that about one-fourth of the increase is attributable to higher payments associated with rice imports. Even after excluding rice, import growth would be robust as Letters of Credit (LC) openings for industrial raw materials increased by 28 percent during July/December 2007; in particular, LC openings for raw cotton went up by 32.5 percent in the same period. This strengthening of the economy has been appropriately reflected in higher than targeted receipts of duties and taxes collected by the National Board of Revenue (NBR). During the first seven months of the current fiscal year through January 2008, taxes collected by the NBR increased by 24.6 percent with no sign of softening as revenue growth in January was even higher at 27.4 percent.

The record volume of shipments passing through Chittagong seaport, and through land ports with India and

Myanmar, have certainly created a transportation boom not seen before. Business is also booming in the area of passenger transportation by road and air. The recent launching of a fleet of luxury Mercedes Benz buses and three new domestic airlines, along with substantial expansion of operations by other domestic and foreign airlines, is a testimony to the ongoing boom in the transportation sector. Domestic private carriers have expanded their fleets by adding wide-body Boeing 747 aircraft, and announced plans to add several more wide-body aircraft to their fleet in the coming months in order to capitalise on this boom. Bangladesh continues to be one of the fastest growing countries in this area. Almost seven hundred thousand Bangladeshi workers left the country in 2007, and another 65,000 left in January 2008. More than 100,000 workers with work permits are awaiting flights, pointing to a healthy outlook for this sector in the coming months.

The ongoing boom in the telecom sector is even more phenomenal. Cell-phone subscriptions almost doubled to 34 million by end-2007. Land-phone lines operated by the private sector phone companies also more than doubled in 2007. Intensified competition has brought costs down significantly, enabling more and more families to gain access to the telecom network and contributing to productivity gains at all levels of economic activity.

All these positive developments appear to be manifestations of a broader economic expansion. Credit expansion by the banking



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system clearly supports this notion. The slowdown that was observed in the earlier months has given way to an accelerated pace of credit expansion across almost all sectors of the economy. In 2007, domestic credit expanded at a healthy rate of 15.6 percent. In particular, during July/December 2007, credit to the private sector increased by more than 11 percent, compared with 8.7 percent during the corresponding period in 2006. Particularly noteworthy is the 42 percent growth in industrial term loans during July-September 2007.

Data on the government's fiscal policy is not directly available. However, the fact that, despite the record growth in revenues and disbursement of foreign aid, the government's domestic borrowing is high

indicates that fiscal spending must have also increased at a record pace, injecting positive stimulus into the economy. Fiscal policy had to be expansionary in view of the massive transfers through fuel and fertiliser subsidies, and other forms of direct transfers to the flood and Sidr affected people as part of relief and rehabilitation activities. A massive surge in foreign aid during July-December 2007, almost double the amount received during the corresponding period in the preceding year, helped sustain the expansionary expenditure policy. It is encouraging to note that net foreign aid (net of repayments) increased more than four-fold to almost \$500 million during this period.

Certainly, Bangladesh economy has passed through a soft

patch. The massive drive against corruption, some ill-planned drives against people and companies for tax evasion, and the unintended consequences of interventions in the market to stabilise prices had contributed to an economic slowdown. The loss of agricultural crops, fisheries and livestock caused by the two rounds of flood and cyclone Sidr had certainly negatively impacted on the economy. The positive thing is that, supported by strong domestic demand, private sector economic activity is rebounding strongly. The impression of economic despair created by political commentators and many talk-show hosts is not borne out by facts and figures.

Ahsan Mansur is a freelance contributor to The Daily Star.

Combating bird flu

We have appallingly failed to educate our poultry farmers about bird flu, which is the fundamental need in the present context. We could not effectively propagate the simple message to all that life is more important than transient economic loss, or offer adequate incentive to farmers to go voluntarily to the appropriate authority with their sick poultry, to strengthen the ongoing preventive measure. That is why forced culling has become the key option.

ZULFIQUER AHMED AMIN

BANGLADESH'S poultry industry is one of the world's largest, producing 220 million chicken and 37 million ducks annually, while millions of households rely on poultry production for income and food. The industry was first hit by bird flu in February 2007, that mainly affected backyard chicken belonging to hapless poverty stricken people in the back country when bird flu wasn't high on Bangladesh's list of things to solve. It resurfaced in January 2008, affecting 271 farms in 78 upazilas in 43 districts till date. The industry is now confronted with its greatest challenge since large-scale poultry farming was first introduced in the 1980s, and, with an investment of about \$1.457 billion, is on the verge of collapse following the outbreak of bird flu.

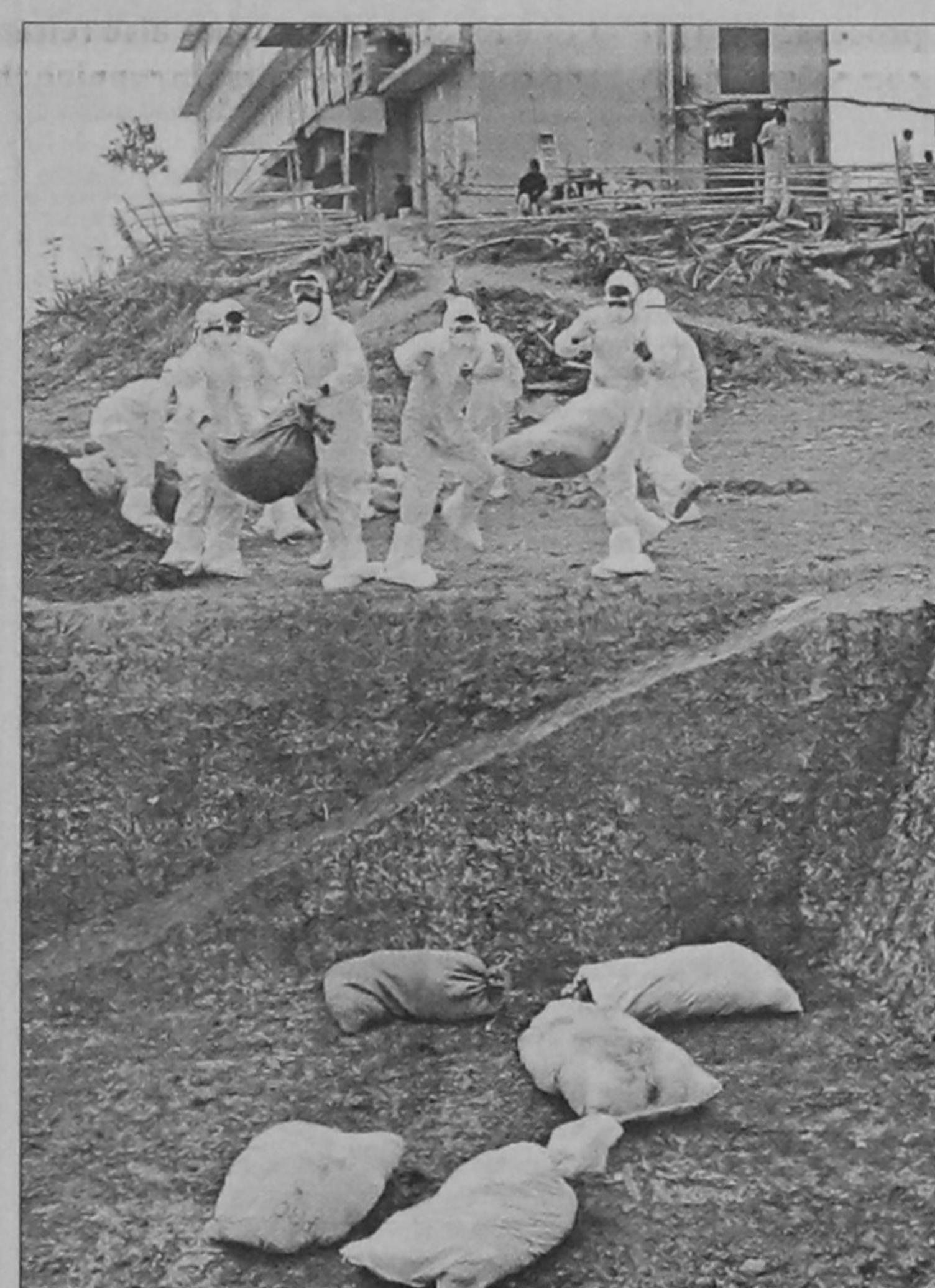
Usually, a farming community in Bangladesh is developed in a village or a specific area, where farms are located next to each other because of dense population, and for supporting each other logically. When a single farm, whatever its size, is infected, hundreds of surrounding farms need to be brought under surveillance, and concurrent culling of all the birds, including healthy ones, has to be undertaken.

In a country like Bangladesh, which is trying desperately to tone down the menace of poverty of its vast population, the Fao

prescription to defend against bird flu has hurt us economically. Almost 5 million Bangladeshis are directly or indirectly affiliated to the poultry industry for their livelihood, with almost 1.5 lacs farms dispersed country wide adding some \$833 million to the country's GDP. Added to that are another 7.5 million households maintaining small backyard coops that provide almost 70 percent of the country's annual chicken output.

The poultry industry has been registering 20 percent growth over the last few years -- the fastest growth rate for any industry in the country. With the present bird flu panic, and culling of 8,83,613 chicken and destruction of 11,02,669 eggs from 271 farms (The Daily Star, 22.2.08), this budding industry has plummeted, and has forced the closure of 40 percent of the nation's poultry farms, leaving thousands jobless. According to a rough estimate, bird flu has caused a loss of about \$714 million to the poultry industry.

With Bangladesh having 50%



and malnutrition, is causing substantial harm to our economy and staking the health and lives of our already economically hard-pressed population.

Without gearing up many other preventive measures, adop-

tion of the extreme option of culling the fowls is an unsustainable self-destructive approach. Cooking the chicken flesh at 600 C or above and boiling the eggs make them safe enough for consumption, but many are unaware of this reality and get panicky. It is incessantly being brought to our notice by the media that fowls are being handled by the sellers without gloves and face-masks, and dead birds are littered indiscriminately. This increases our vulnerability.

We have appallingly failed to educate our poultry farmers about bird flu, which is the fundamental need in the present context. We could not effectively propagate the simple message to all that life is more important than transient economic loss, or offer adequate incentive to farmers to go voluntarily to the appropriate authority with their sick poultry, to strengthen the ongoing preventive measure. That is why forced culling has become the key option.

In Bangladesh, chickens are traditionally bought live from the market and slaughtered at home - and this presents a challenge. After the bird's throat is slit, it thrashes about and its blood splashes all over the courtyard. The blood is not washed away, nor are the remains properly disposed of. Instead, the bird is thrown away where wild birds may eat it. Home-grown chickens

generally roam about the court, employed in some countries. The message raised at the conference in Delhi by some within the Fao ranks, about the need to consider the social impacts of responses and the importance of "targeted" culls, was quickly forgotten. Not that such matters are high on the agenda of the international community anyway, judging from the disturbing inability to resolve international disputes over the sharing of virus samples and vaccines. The row that flared up in February 2007 over patenting issues -- between the powerful pharmaceutical interests, led by the US and the UK, and the poor countries most vulnerable to bird flu, led by Indonesia -- is yet to be resolved.

Any policy decision imposed from outside will be unfriendly to local interests. We cannot expect any outsider to plan for our best, taking into cognisance our limitations and strengths. A policy that does not consider local influencing factors can never help materialise the aspirations of our populace. For us, for all the above reasons, selective culling of fowls with highest bio-security measures and education is the most appropriate strategic option to fight against bird flu. In a flash, one of the world's most dynamic areas of poultry farming has been practically ruined, and the livelihoods of millions of poor families pushed to the brink. This has been caused not so much by bird flu as by the response to it.

Paradoxically, Fao is silent about the irreparable loss of diversity that the culling would entail, and about the alternatives that have been successfully

employed in some countries. The message raised at the conference in Delhi by some within the Fao ranks, about the need to consider the social impacts of responses and the importance of "targeted" culls, was quickly forgotten. Not that such matters are high on the agenda of the international community anyway, judging from the disturbing inability to resolve international disputes over the sharing of virus samples and vaccines. The row that flared up in February 2007 over patenting issues -- between the powerful pharmaceutical interests, led by the US and the UK, and the poor countries most vulnerable to bird flu, led by Indonesia -- is yet to be resolved.

Dr Zulfiqer Ahmed Amin is a physician and specialist in Public Health Administration and Health Economics.

Advertising and sales

The method of fixed percentage of sales or profits on advertising considers advertising as a luxury. It is a financial rather than a marketing approach. It also does not consider what advertising can or should accomplish. The lead-time needed to calculate profits also makes this approach unwieldy.

A.B.M.S. ZAHUR

ADVERTISING is a major tool used by companies to promote their products to target buyers and the public. It consists of non-personal communication under clear sponsorship conducted through the media. Broadly speaking, it is undertaken to increase company sales and/or profits. More specifically, advertising enhances potential buyer response to the organisation and its offerings.

A marketing manager must plan the advertising budget. The most common methods of deter-

mining advertising budgets consider (i) diminishing returns, (ii) a fixed percentage of sales or profits, (iii) the return on the advertising investment, and (iv) the competitor's budget.

Basing the ad budget on diminishing returns presupposes that the marketing manager can determine the relationship of advertising to sales as well as the cost of advertising. As this relationship is often hard to pinpoint it is easier to make the advertising budget equal to fixed percentage of sales or profits.

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can or should accomplish. The lead-time needed to calculate profits also makes this approach unwieldy.

The return-on-investment approach treats advertising as a capital investment that must compete with other investment opportunities for a limited supply of funds. This approach may be considered only when a firm is introducing new products, and expenditures exceed sales. Any profits that occur are reinvested in advertising.

Basing advertising on what the competition spends is a defensive rather than an aggressive approach, and can lead to financial difficulties. It is generally not a practical policy in the long run. Advertisers go through the following three stages to develop their message:

• Message generation is an activity for developing a num-

ber of alternative messages about the product. No ad should say more than a few things. In fact, to gain distinctiveness they should emphasise one theme to enforce the product's position in the marketplaces;

• The task of selecting the best message needs introduction of criteria for judging the communication potency of different messages;

• The impact of an advertisement depends upon what is said and how it is said. In fact, message execution can be decisive for those products that are essentially the same as the competition (such as detergents, cigarettes, coffee etc);

• Media selection involves finding the best way to deliver the desired number of exposures (product trial) to the target audi-

ences. Given the reach, frequency and impact objectives, the media planner has to review each major type for its capacity to deliver the particular objective.

Newspapers have the advantages of flexibility, timeliness, good local market coverage, brand acceptance, and high believability. Magazines have the advantages of high geographic and demographic selectivity, credibility and prestige, high quality reproduction, long life, and good pass-along readership. Radio has the advantages of mass use, high geographic and demographic selectivity and low cost. Television has the advantages of combining sight, sound and motion.

Billboard advertising has a high frequency of exposure. Outdoor advertising is especially valuable for products and ser-

short period of time to obtain the maximum impact.

Communication-effect research discovers whether the advertising is achieving the intended effects. Certainly, it helps advertisers to improve the quality of message content and presentation.

No doubt there has been some visible advancement in advertising in Bangladesh since independence. However, it has to traverse a long track to reach international standard. Our entrepreneurs must realise that advertising goals are long-range goals. Continued exposure to advertising generates eventual purchases. Advertising increases sales. A working knowledge of the costs and benefits of advertising is very important for marketing managers.

A.B.M.S. Zahur is a former joint secretary.