Bangladesh's destiny is largely in its own hands

ZAHID HUSSAIN and JOHANNES ZUTT

GDP growth in Bangladesh is likely to recover in FY2015, driven by some revival in private investment activities, stronger domestic demand resulting from increased public investment in infrastructure, and domestic consumption growth getting a boost from remittance recovery and implementation of wage increases in the garment industry. Macroeconomic stability is expected to be maintained with underlying inflationary pressures, as reflected in non-food inflation, continuing to trend downward, aided by policy restraint. Bangladesh Bank has set a 6.5 percent inflation target for FY2015 and the first quarter data suggest the economy is on track to moving in that direction. Achieving the FY2015 inflation target will depend on international price trends as well as domestic demand and supply conditions.

International commodity prices, particularly crude oil and agricultural commodities, are expected to remain weak through the first quarter of 2015. A slowdown in the euro zone and emerging economies, a strong US dollar, increased oil supplies, and good agricultural prospects have contributed to the recent downtrends in international prices. However, what will matter most for Bangladesh are domestic supply-demand conditions and macroeconomic management. Inflation may be adversely affected if domestic demand is boosted by the monetary effects of a surge in remittances and/or monetisation of budget deficit target. It is reassuring that the monetary policy statement for FY2015 maintains a cautionary stance to ensure price and exchange rate stability as it did last year.

The immediate outlook for global growth is fragile. The IMF recently marked down its global growth projection for 2014 by 0.3 percent, to 3.4 percent, considering a less optimistic outlook for several emerging markets combined with a weak first quarter in 2014 in the United States. Downside risks remain a concern. Financial market risks include higher-than-expected US long-term rates and a reversal of recent risk spread and volatility compression. Global growth could be weaker for longer, given the lack of robust momentum in advanced economies, despite very low interest rates and the easing of other brakes to the recovery. In some major emerging market economies, the negative growth effects of supply-side constraints and the tightening of financial conditions over the past year could be more protracted. Bangladesh's ability to deepen and diversify export markets will depend on the strength of growth in advanced and emerging economies

Yet global volatility is not Bangladesh's main worry. The macroeconomic risks hinge primarily on the vulnerability of domestic policies and politics. Even if external risks do not materialise, sustaining growth recovery will depend critically on mitigating the infrastructure deficit. Infrastructure investment increased from less than 1 percent of GDP in FY2009 to about 2 percent in FY2013, but that is still considerably lower than the 7-10 percent needed annually for next ten years to address Bangladesh's infrastructure deficit. Key infrastructure pillars are energy and transport.

There has been some progress in improving Bangladesh's competitiveness ratings, most visibly in electricity supply. But there remain large deficiencies on the quality of infrastructure relative to different Asian countries (see Table). Even Pakistan, which ranks lower than Bangladesh in country competitiveness, is ahead on the quality of its roads and port infrastructure. The infrastructure gap is especially large with competitors like Sri Lanka, India and Cambodia. Much stronger attention is needed to achieve an efficient implementation of infrastructure investments along with necessary institutional changes relating to policymaking and regulation.

The availability of serviced land is another binding constraint for sustained growth enhancement. The land market is dysfunctional. Efforts to establish export processing zones (EPZs) have produced limited results, and there are no results yet in establishing special economic zones (SEZs). The latter are hindered by a number of bottlenecks, including infrastructure support for connecting ports and airports with functional roads and rail links along with efficient services.

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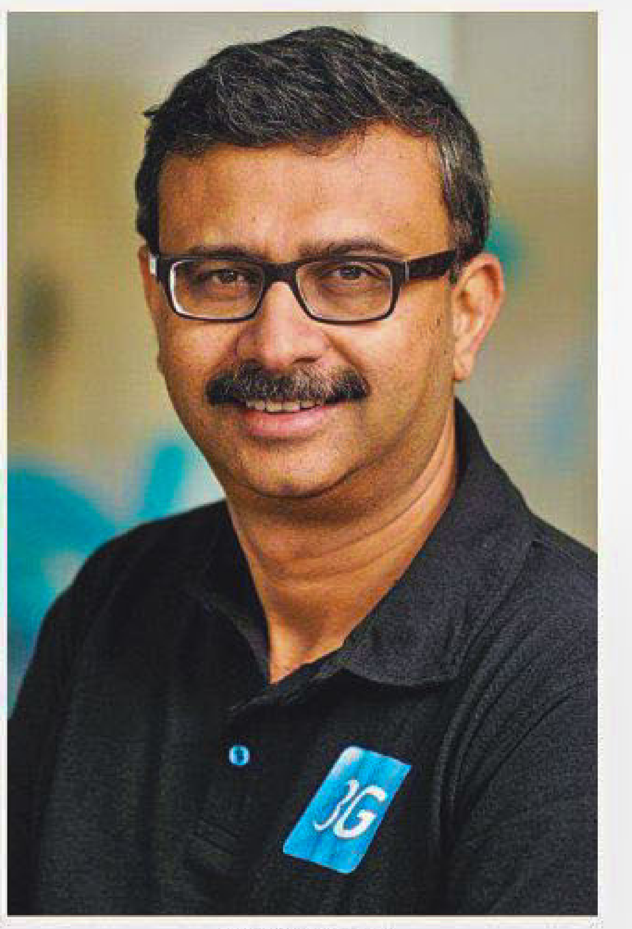
COMPARISON OF INFRASTRUCTURE QUALITY 2014-2015

COUNTRY/ REGION	COUNTRY RANKING*	OVERALL INFRASTRUCTURE SCORE**	ELECTRICITY	ROADS	RAILROADS	PORT
BANGLADESH	109	2.8	2.5	2.9	2.4	3.7
INDIA	71	3.7	3.4	3.8	4.2	4.0
CHINA	28	4.4	5.2	4.6	4.8	4.6
CAMBODIA	95	3.4	3.0	3.4	1.6	3.6
MYANMAR	134	2.3	2.8	2.4	1.8	2.6
PAKISTAN	129	3.3	2.1	3.8	2.5	4.4
SRI LANKA	73	5.0	4.8	5.1	3.7	4.2
THAILAND	31	4.1	5.1	4.5	2.4	4.5

SOURCE: THE GLOBAL COMPETITIVENESS REPORT 2014-2015 (2014 WORLD ECONOMIC FORUM); *RANKING AMONG 144 COUNTRIES. THE RANKINGS ARE IN DESCENDING ORDER WITH "1" AS THE BEST PERFORMER. **THE RAW DATA ON INDICATORS FOR A GIVEN COUNTRY ARE SCORED ON A SCALE OF 1 TO 7, WHERE 7 IS THE BEST SCORE.

Thank you

VIVEK SOOD



Vivek Sood

We are now five crore, and we have reached this milestone together. Seventeen years ago the people of Bangladesh embraced Grameenphone when we started. In that time, we have always worked to maintain relevance and value in all our products and services. Our highest priority has always been the customer and I am happy to say that we have been rewarded with the largest family of mobile services users.

In my mind, 50 million is a community which can achieve the impossible. Fifty million is not something that can be easily dismissed. Fifty million is the indication of the will of a nation to grow and advance to a better connected Bangladesh.

As the fastest operator to spread 3G services throughout the country, Grameenphone can help people change their lifestyles through innovative internet services. Our speed has only been possible due to the most widespread network infrastructure in the country. The 3G internet can be the most effective tool in our hands at the moment to share knowledge and spread expertise within communities. Now more than eight million people subscribe to Grameenphone's data services changing the way they choose to lead their lives.

Since Grameenphone started operations in Bangladesh, we have been focused on customer experience and being the thought leader in mobile service innovations. When subscriber growth began to stagnate with the onset of our journey, we were quick to introduce GP-GP connections -- an innovation that took the market by a storm and once again reignited our growth.

Once considered an item of luxury and affluence, affordable Grameenphone connections were heartily welcomed by the population. From farmers to blacksmiths, big corporations to SME entrepreneurs, people could find solace in what they did through the strongest communication network.

Building the size of the network that we have developed has been at the core of our expansion plans -- we built on the belief that customers would (and did) respond to affordable telecommunications solutions. In our journey to build our robust network, we have faced many logistical issues related to operations in a developing country. We have built network in areas without real roads; we have built network in areas without reliable power or no power at all. The company has sought out and invested in alternative energy solutions to mitigate some of the challenges to ensure a continuous network.

I am happy to report that our efforts have been rewarded with recognition from the GSMA at the Mobile World Congress in Barcelona in February this year, when Grameenphone was awarded the 'Green Mobile Award' for our 'Climate Change Programme'.

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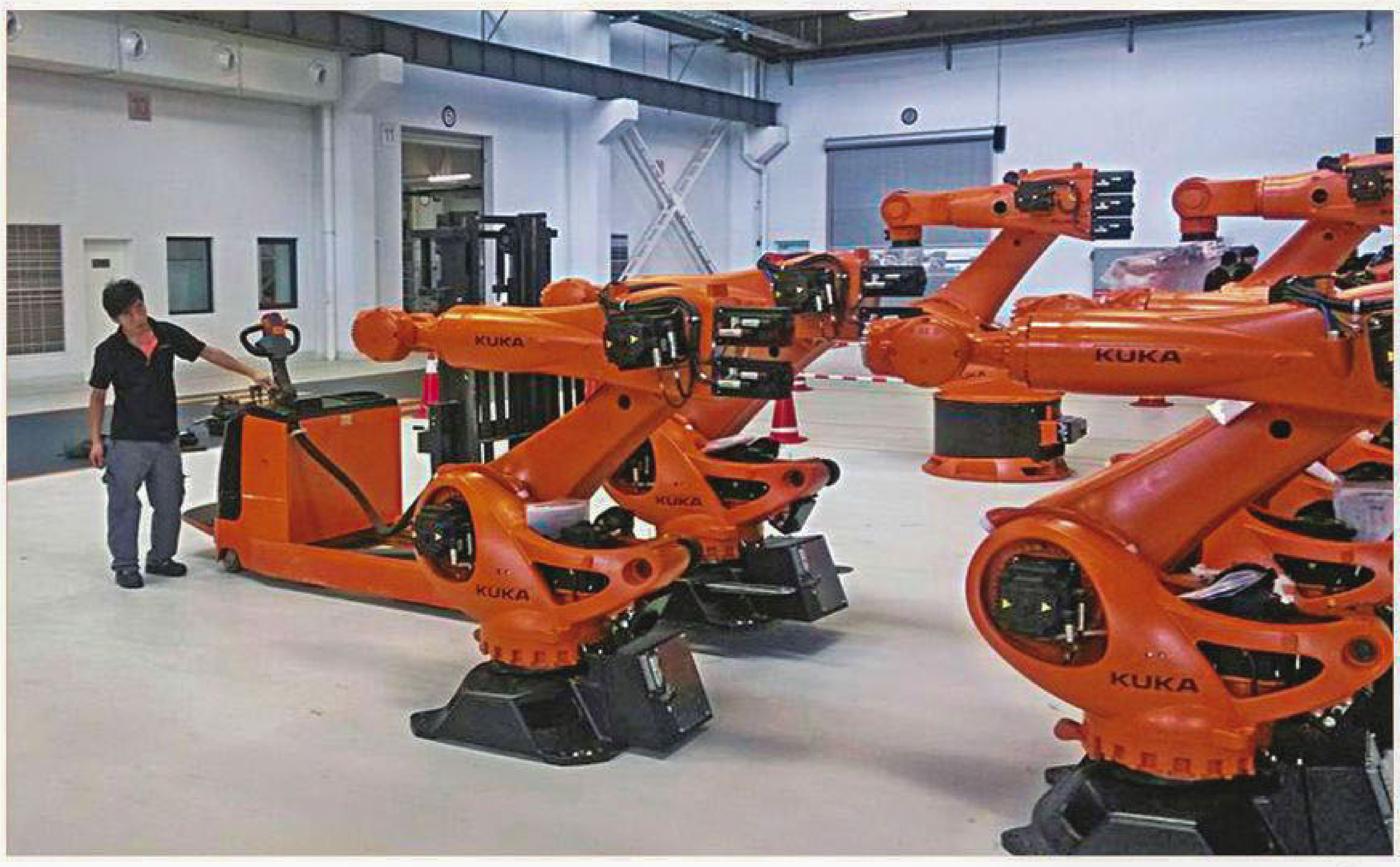
In China, high demand for robots but too many robot manufacturers

REUTERS, Shanghai



REUTERS/FILE

A staff member stands next to robots at a plant of Kuka Robotics in Shanghai.

CHINA wants domestic companies to buy more locally made robots to lift productivity, but industry insiders have warned its policies are overstimulating the market and that robot manufacturers were "coming up like mushrooms."

Government officials, worried that productivity growth may have turned negative since 2009, see the promotion of automation as a policy that will increase efficiency. Chinese manufacturers, struggling with increasing costs of labour, also favour more use of robots where possible.

The confluence of policy support and market demand made China the world's biggest buyer of robots in 2013, overtaking Japan.

At the same time, both central and local governments are encouraging new domestic players to capture market share from established foreign brands. In its five-year economic plan for 2011-2015, Beijing specifically targeted robotics as a key sector for development, hoping to create four or five domestic robotics "champion" firms to meet an annual production target of about 13,000 robots.

But Stefan Sack, CEO of robot manufacturer Comau Shanghai Engineering, warned that the government policies carried a risk.

"Government intervention can help industry to grow but it can also create bubbles," he said at a robotics industry conference, adding that small manufacturers in the sector were "coming up like mushrooms".

"Everybody wants to become a robot manufacturer now because it's sexy," Sack said.

The official Xinhua news agency reported on Monday that China now has 420 robot companies, adding that more than 30 industrial parks devoted to robotics were being built or were already functioning around the country.

Beijing's industrial policies have a history of going astray, most recently in renewable energy, where official endorsement of what was seen as a cutting edge technology resulted in duplicated investment around the country, ending in a wave of bad debt as profit margins were wiped out.

Although analysts said that the robotics industry is not at that stage, there are already early warning signs.

"China's market is totally fragmented; you've basically got 31 provincial markets," said Andrew Polk, resident economist at the Conference Board research house in Beijing. "You get a directive on the central front to build robots or whatever, and everyone moves to create their own local champions."

"They are doing this at a point where wages are rising, but their comparative advantage is still relatively cheap labour," he added. "They could be pushing this too hard too early."

According to the China Robot Industry Alliance, about 37,000 robots were sold in China in 2013, almost three-fourths of them manufactured overseas.

The number of domestically produced industrial robots tripled to about 10,000 units, on track to meet Beijing's goal of having domestic brands account for a third of sales by 2015.

Official media said that by mid-summer, 54 listed Chinese companies had invested in robotics firms, of which 80 percent were first-time investors, causing the number of robot stocks to nearly triple since July 2012.

The mergers have been welcomed by mainland investors: when JS Corrugating Machinery Co Ltd said it would acquire a robotics firm in June, its stock spiked by 60 percent in a few trading days.

Established players are also doing well. Shanghai Siasun Robotics & Automation, one of China's best-known robot makers, is up over 50 percent this year and pricing at around 84 times earnings, far outperforming benchmarks.

Few economists dispute that the export powerhouse provinces of Zhejiang and Guangdong, China's main manufacturing hubs, are facing a genuine problem.

"Zhejiang province is facing a worker shortage. We have new constraints on resources, input factors, and the environment; we need to adjust our economy's structure," said Zhou Tufa, division chief at the province's industrial investment department.

"We hope to substitute machines for labourers doing heavy physical work," he said in an interview in the provincial capital Hangzhou.

Local governments have adopted a variety of different stimulus tactics in robotics. Dongguan, a manufacturing centre in Guangdong, has been particularly aggressive, creating a 200 million yuan ($33 million) investment fund to subsidise robotics investments by local firms.

Wang Dayong, president of Zhejiang Sanhua Automotive Components, told Reuters that his major challenge is attracting and retaining workers, a problem he hopes robots can solve.

"We are automating for long-term competitiveness," he said.

But customers warned that demand for more robots does not equate to demand for more robot suppliers.

Frank Chuang, assistant director of manufacturing operations at Ford Greater China, said that since most robot manufacturers use customised operating systems and components, his company is conservative regarding suppliers.

"If we don't carefully select the robots, then in the near future we will generate not just programming language issues but also maintenance issues."

Facebook warns of increased spending, shares fall

REUTERS, San Francisco

FACEBOOK Inc warned on Tuesday of a dramatic increase in spending in 2015 and projected a slowdown in revenue growth this quarter, slicing a tenth off its market value.

The hefty spending plans exposed the first signs of stress in the rock-solid support that investors have accorded the social networking company over the past year.

With Facebook's mobile advertising business delivering repeated quarters of breakneck revenue growth, the company has faced little pushback from investors on pricey, multi-billion dollar acquisitions such as WhatsApp and Oculus. Shares of Facebook reached an all-time high of $81.16 on Tuesday, before the company reported its third-quarter results.

Chief Financial Officer Dave Wehner told analysts on a conference call that the social network is preparing for a 55 percent to 75 percent spike in expenses next year, when the world's largest social network intends to invest in Whatsapp, Oculus and other products that have yet to show a profit.

That's a big change from the company's current spending patterns, with costs and expenses in the first nine months of 2013 up a relatively modest 32 percent. Facebook declined to provide any estimates for its expected pace of revenue growth in 2015, adding to investor worries.

"Giving expense guidance without giving revenue guidance is frustrating and spooking The Street," said BTIG analyst Richard Greenfield.

"The multi-billion dollar question is what's revenue growth going to look like next year," he said.

Wehner forecast revenue growth of 40 percent to 47 percent in the final quarter of 2014. That's down sharply from 59 percent in the third quarter.

The financial forecasts came on the same day as Facebook revealed hundreds of millions of dollars in losses from WhatsApp.

Facebook Chief Executive Mark Zuckerberg has told Wall Street he is in no hurry to extract a payoff from the collection of acquired products, stressing the importance of growing the number of users first.

"For us products don't get that interesting until they have about a billion people using them," Zuckerberg said.

Shares of Facebook, up roughly 47 percent this year, slid nearly 9 percent to $73.80 in extended trading on Tuesday.

Facebook reported a better-than-expected 59 percent jump in third-quarter revenue and a solid gain in its user base that's already the world's largest social media community. The company is considered a pioneer in mobile advertising, outshining rivals like Twitter Inc, which are struggling to sustain user engagement and growth.