

Nestle pins hopes on rising consumer class

Suresh Narayanan, chairman of Nestle India, says growth story in Bangladesh is encouraging

SOHEL PARVEZ

BANGLADESH sees a rising consumer class due to more than 6 percent annual economic growth and improvements in the country's position in various social indicators.

The progress offers prospects to businesses, especially those engaged in food, nutrition, healthcare and wellness, said Suresh Narayanan, chairman and managing director of Nestle India Ltd.

Bangladesh is going through a period of rapid economic and social changes, which indicate that consumer behaviour has also evolved, he told The Daily Star in an interview last week.

Narayanan was in Dhaka to meet stakeholders and visit the factory of the company.

In the consumer class, the "seekers" and "aspirers" are those who are clearly more affluent, he said, adding that the number of such seekers is almost half the country's 160 million people.

In the last decade, the middle class in Bangladesh rose substantially, Narayanan said.

All these things tell about a positive trend to a nutrition and wellness-based company like Nestle, which recorded double digit growth in its Bangladesh business in the last couple of years. "I think the growth story in Bangladesh has been quite encouraging."

Headquartered in Switzerland, Nestle started commercial production in Bangladesh in 1994.

The company now operates in four to five segments such as nutrition, milk, food and confectionary in



Suresh Narayanan

Bangladesh and plans to introduce new products.

The 150-year-old company has more than 2,000 brands globally.

"Around 35 percent people in Bangladesh are young. Obviously consumers are aspiring not only for affordable products, but also for products that reflect their personalities and their lifestyles -- slightly expensive, premium brand products."

The official said the overall food market registered around 10 percent growth a year in Bangladesh in the last few years. The entry of more firms with new products also helps expand the size of the market.

He said Nestle never compromises the quality of its products. If there are more companies that put emphasis on both quality and safety, it will be very good for the country, he added.

"As a result, the market will in fact expand because consumers will start having more trust, saying what I am

consuming is actually a safe product, and a high quality product," Narayanan said.

He also talked about the Maggi noodles issue in India.

In May last year, Indian food safety authorities banned the production and sale of Maggi amid claims they contained high levels of lead.

Nestle relaunched the popular brand after the ban was overturned in the Bombay High Court.

Narayanan said the Maggi issue in India also impacted their Bangladesh business and the overall results of the company.

"But we are back in the market and sort of encouraged by the positive consumer response that we have received," he said.

Nestle has been investing for the last couple of years -- both in creating new categories and expanding facilities. "I think this process will continue in the coming years as well."

HSBC to pay \$601m for shoddy US mortgage practices

AFP, Washington

British banking giant HSBC is to pay more than \$600 million to US authorities for its abusive mortgage lending and foreclosure practices in the housing market, officials said Friday.

HSBC will pay \$470 million to settle the allegations by the US government, 49 states and the District of Columbia, the Justice Department said.

"This agreement is the result of a coordinated effort between federal and state partners to hold HSBC accountable for abusive mortgage practices," said Stuart Delery, acting associate attorney general, in a statement.

US, India in talks to settle solar power trade dispute

REUTERS, Washington

The United States and India are in talks that could settle a long-running solar power trade dispute, delaying the announcement of a ruling by the World Trade Organization, an Obama administration official said on Friday.

Washington filed the WTO challenge three years ago, claiming that India's national solar power programme illegally discriminated against imported solar panels and related products though its domestic content requirements.

The WTO in recent weeks has twice delayed the public announcement of a ruling in the case, rescheduling it for next Wednesday. Indian media reported last August that a WTO dispute settlement panel had confidentially notified Washington and New Delhi that it would rule against India in the case.

US Trade Representative spokesman Andrew Bates declined to confirm any details of the WTO's intentions, but said the talks were aimed at reaching an out-of-court resolution before any public announcement by the Geneva-based trade body.

"The United States initiated this dispute

for the purpose of advancing the rapid deployment of clean, affordable energy in India and around the world," Bates said. "India has now asked to speak with the United States regarding the issue, and in light of ongoing discussions, release of the WTO panel's report ruling has been temporarily delayed."

The US complaint in 2013 alleged that the Jawaharlal Nehru National Solar Mission subsidies were available only if developers used equipment produced in India, violating a key global trade rule. The programme is aimed at easing chronic energy shortages in India, Asia's third-largest economy.

The Obama administration argued that the rules are a barrier to solar products made in America and elsewhere but also effectively raised the cost of generating solar power in India and were extending the country's dependence on fossil fuels.

Green groups, including the Sierra Club, Greenpeace USA, and Friends of the Earth urged the USTR last year to drop the challenge, saying it would hurt efforts to combat climate change by undercutting India's development of a domestic solar industry.

BJMC seeks funds once again

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Of the 25 jute mills under BJMC, at least five of them would have to be turned into holding companies. BJMC will hold the majority shares, with the rest offloaded into the stock market.

BJMC has been provided with the fund in various times but it did not fulfil any of the conditions.

This time, funds will be provided only after the mills meet the conditions.

In the last nine years, the mills suffered losses every year, save for one, in fiscal 2010-11, when a slight profit of Tk 14 crore was made. From fiscal 2006-07 onwards, they made losses of

Tk 66 crore to Tk 700 crore each year.

Last fiscal year, BJMC suffered a loss of Tk 640 crore, according to provisional estimates.

As of December 2014, BJMC owed Tk 1,219 crore to state-owned banks, according to the latest economic review.

Officials of the ministries of finance and jute said there are various problems in the running of the jute mills and hence the loss-making by them.

For instance, the mills are said to be over-stuffed: about 60,000 work in them. And the salaries paid to them are much higher than those in the private sector.

The jute mills cannot produce even half of their capacities but they still have to pay salaries to their employees.

In 2011, the government reopened five mills that were shuttered due to loss-making and freshly recruited workers for them.

When the jute procurement season starts, the mills fail to procure due to lack of funds. They end up purchasing when the season is over, paying a higher price.

The officials said there is a lack of transparency in the jute purchasing process. It is alleged that manipulation occurs in the weighing of the jute and their pricing.

Notice

Today's issue of Spaces cannot be published for unavoidable reasons. It will come out on February 14 instead.

US jobless rate falls to 4.9pc

AFP, Washington

The US unemployment rate fell to an eight-year low of 4.9 percent but hiring slowed in January, fresh evidence of the US economy hitting a soft patch.

But there were enough signs of persistent strength in the Labor Department's January jobs data Friday to fend off the conclusion the global slowdown is dragging the US down with it.

The country's jobs machine generated just 151,000 net new positions last month, a sharp downshift from the average 271,000 new jobs over the previous two months.

Coming on the tail of a second very strong year for hiring -- 2.7 million new positions were generated in all of 2015 -- the one-month downturn did not by itself signal a new trend.

There were some signs of modest strength, with the unemployment rate hitting its lowest level since February 2008, at the beginning of the US recession.

AKH Group opens flagship green factory

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"If the government can supply us gas with adequate pressure, we can build such eco-apparel buildings every two years, as we have a lot of potential and customers."

The factory, which sits on 13 acres of land, has a rainwater harvesting system. Rainwater will be reused to reduce the consumption of groundwater, according to the company.

"For AKH Eco Apparels, its management, employees and customers, the future is now," said Roger Hubert, H&M's head for Bangladesh and Pakistan. H&M is a major customer of AKH Group.

About 150 factories either open or under construction are applying the green concept. They are the "future of Bangladesh's garment industry", he said.

These visionary and daring entrepreneurs have opened a path for Bangladesh to become a global role model for the garment sourcing market, according to Hubert.

But for that to happen, building green factories is not enough: establishing solid water, chemical and waste management is a must and all stakeholders have to join forces in this gigantic task, Hubert added.

The Tazreen fire and Rana Plaza collapse have urged the garment makers to reinvent and take the sector to a new height, said Quamrul Islam Rajeev, senior vice-president of Li & Fung, another buyer of AKH Group's wares.

"AKH symbolises the new future of Bangladesh. A transformation has been happening in Bangladesh in a new and innovative way," said Marcia Bernicat, US ambassador to Bangladesh.

February 6 is a day of pride for AKH and the EU as the European trade bloc has

been supporting Bangladesh's trade with duty-free benefit, said Pierre Mayaudon, EU ambassador to Bangladesh.

"If we want to export \$50 billion worth of garment items by 2021, we need such green factories and support of the buyers," said Siddiqur Rahman, president of the Bangladesh Garment Manufacturers and Exporters Association.

"Over the last two years and nine months, there was no record of industrial accident in Bangladesh as factory owners have been improving safety in their production units," said Commerce Minister Tofail Ahmed.

Bangladesh's exports to the US increased more than 16 percent to upwards of \$5.5 billion last year despite the suspension of generalised system of preferences, he said.

It will cross \$6 billion at the end of this year, when the total export of the country will surpass \$33.5 billion, he added.

Former presidents of Federation of Bangladesh Chambers of Commerce and Industry AK Azad and Mir Nasir Hossain; German Ambassador Thomas Prinz; Japanese Ambassador Masato Watanabe, AKH Group Chairman Delwar Hossain, and FBCCI Vice-President Shafiqul Islam Mohiuddin also spoke.

AKH Group's exports last year stood at \$219 million and are expected to cross \$250 million this year, Alam said. The group employs 18,000 people, with the number to surpass 20,000 by the year-end.

Currently, it has 14 production units in Savar and Dhamrai and can ship 2.6 million pieces of knitwear items and two million pieces of woven garment items in a month.



Officials of Dutch-Bangla Chamber of Commerce and Industry attend a press meet at a hotel in Dhaka yesterday to announce a two-day trade fair to be held in the Netherlands on April 14. Story on B1

Trade fair on Bangladeshi goods in Dutch capital in April

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The fair will also help attract Dutch investment to the projects in Bangladesh that were identified during the prime minister's visit, said Shahriar Taha, chairman of the standing committee on the event.

Business networking meetings will also be held on the sidelines of the fair, Taha said.

President of the chamber Md Hassan Khaled unveiled the logo of the Dutch-Bangla Expo 2016 at the press conference.

Md Atiqul Haque, vice president of the chamber, and Pieter de Vries, first secretary for economic affairs and garment from the Dutch embassy, were also present.

China-backed AIIB taps former British minister

AFP, Shanghai

The China-initiated Asian Infrastructure Investment Bank (AIIB), viewed by some as a rival to the World Bank, on Friday announced executive appointments including a treasury minister from Britain's former coalition government.

The bank, which started business in January, is already led by its president Jin Lique, formerly a Chinese finance official who has also worked at the Asian Development Bank (ADB).

Liberal Democrat Sir Danny Alexander was number two at Britain's Treasury between 2010

and 2015 but lost his seat in parliament at last year's general election as his party was almost wiped out.

He will be one of five vice presidents for the AIIB, the lender said in a statement, as well as its corporate secretary, a role co-ordinating between the bank's management and members.

Britain was the first major Western country to announce its intention to join the AIIB. The United States, and Japan -- the world's largest and third-largest economies, respectively -- have notably declined to join the bank.



ELITE PAINT

Firoz Ahmed, chairman of Elite Paint Group and managing director of Elite International Ltd, and Selim Ahmed, vice chairman of Elite Paint and Industries, attend a meeting with the dealers of the Elite Paint's Dhaka depot, at Rawa Convention Hall in Dhaka on Wednesday.

Right strategy key to e-commerce growth: retailers

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Businesses must have the right business model in place, cut costs and be efficient, he added.

With an average 7 percent growth in the last one decade, turnover in the retail sector was expected to grow by 30 percent in 2015, according to a report published in the RetailBD, a quarterly publication launched yesterday.

The publication will play a role in sharing best practices, learning and cases from local and global retail practices, said BBF founder Shariful Islam.

He said there is a positive relation between the development of a country and how organised its retail sector is. The retail sector involves transactions of thousands of crores of taka.

"There has not been much work on the sector yet."

The country's retail sector faces challenges such as policy gaps and skill gaps, he said. Shaheen Khan, CEO of Meena Bazar, painted a gloomy picture of supermarkets.

He said the supermarkets pay 4 percent in value-added tax but the general retail stores do not have to.

"They do not have to face harassment from 14 different government agencies -- each armed with their own standard."

As a result, the superstores are losing money, he said. Christophe Eichivard, CEO of Agora Supermarkets, said retailers should work with suppliers and farmers in order to provide the best quality of products.

Retailers also called for a common

platform or association so that their concerns are properly dealt with.

Under the theme of "Transforming to Sustainable Retail Business," the daylong event hosted multiple keynote sessions and panel discussions with experts in the retail sector from home and abroad.

The sessions and discussions addressed the current trends in retail business, the challenges, growth prospects and ways to ensure sustainable growth through a cooperative eco-system.

It discussed key areas in retail business, talked about macro-economic factors, shared consumer trends, explored technology innovation and business strategy to help local retailers maximise value creation and business growth.