

# Indian consumers face post-election fuel price shock, economy could be hit

REUTERS, New Delhi

Surging global oil prices will pose a first big challenge to India's new government, whoever wins an election now under way, especially as domestic prices have been allowed to lag, meaning consumers are in for a painful surge as they catch up.

For oil-import dependent India, higher global prices could lead to a weaker rupee, higher inflation, the ruling out of interest rate cuts and could further weigh on twin current account and budget deficits, economists warned.

But compounding the future pain, state-run fuel suppliers and retailers have held off passing on to consumers the higher prices during a staggered general election, which began on April 11 and ends on May 23, according to sources familiar with the situation.

That delay is expected to be unwound once the election is over. And there could be additional price increases to make up for losses or profits missed during the period of delayed increases, the sources said.

In some major Asian countries, such as Japan and South Korea, pump prices are adjusted periodically so they move largely in tandem with international crude prices.

That was what was supposed to happen in India but the election means there have been many days when pump prices have been unchanged.

In New Delhi, for example, while crude oil prices have gone up by nearly \$9 a barrel, or about 12 percent, in the past six weeks, gasoline prices have only risen by 0.47 rupees a litre, or 0.6 percent.

State-controlled fuel suppliers and retailers declined to say why they had delayed price increases, or discuss whether there has been any pressure from the government of Prime Minister Narendra Modi.

A government spokesman declined to comment.

The opposition Congress party said Modi's government was violating its own policy of daily price revision by advising the state oil companies to hold prices steady.

"The government should cut fuel taxes otherwise consumers will have to pay much higher oil prices once the elections are over," said Akhilesh Pratap Singh, a senior leader of the Congress party.

Nitin Goyal, treasurer at the All India Petroleum Dealers Association, representing fuel stations in 25 states, said prices were similarly held down for 19 days in the southern state of Karnataka last year, when it held state assembly elections. Only for them to surge after the vote.

"Consumers should be ready for a rude shock of a massive jump in retail prices, similar to the level we have seen in the Karnataka state election," Goyal said.

Sri Paravaikkarasu, director for Asia oil at Singapore-based consultancy FGE, said retail prices of gasoline and gasoil prices would have been up to 6 percent, or about 4 rupee, higher if they had been allowed to rise in line with global prices.

"Indian pump prices have failed to keep up with the recent uptrend in crude prices," Paravaikkarasu said.

"With the country's general elections underway, the



A woman crosses a railway track under an oil tanker train stationed at a railway station in Ghaziabad, India.

incumbent government has been keeping pump prices relatively unchanged."

India had switched to a daily price revision in June 2017 from a revision every two weeks, as the government allowed retailers to set prices. But the government faced protests last October when retailers raised prices by up to 10 rupees a litre after the crude oil price went above \$80 a barrel, forcing it to cut fuel taxes.

Global prices rose to their highest level in 2019 on Thursday, days after the United States announced all Iran sanction waivers would end by May, pressuring importers including India to stop buying Tehran's oil.

Higher oil prices will mean Asia's third largest economy is likely to see growth of less than

7 percent rate this fiscal year, economists said. Growth slowed to 6.6 percent in the October-December quarter, the slowest in five quarters.

Rating agency CARE has warned that a 10 percent rise in global oil prices could increase demand for dollars, putting pressure on the rupee and widening the current account deficit.

India's oil import bill rose by nearly one-third in the fiscal year ending March 31 to \$140.5 billion, against \$108 billion the previous year.

"The increase in international oil prices is a credit negative for the Indian economy," ICRA, the Indian arm of the Fitch rating agency, said in a note.

"Every \$10/ bbl increase in

crude oil prices increases the fiscal deficit by about 0.1 percent of GDP."

Any big price rise would also build a case for the central bank to keep rates steady, or even raise them.

The Reserve Bank of India's Monetary Policy Committee, which cut the benchmark policy repo rate by 25 basis points this month, warned that rising oil and food prices could push up inflation.

Policymakers are worried that a sustained increase in the oil price in the range of \$70-75/ barrel or higher can move the rupee down by 3-4 percent on an annual basis.

The rupee has depreciated by 1.24 percent against the dollar since a year high in mid-March.

# Uber unveils IPO terms that are well below expectations

REUTERS

Uber Technologies Inc, the world's largest ride-hailing company, plans an initial public offering that values the company as much as one-third below what the startup's insiders had hoped for, between \$80.5 billion and \$91.5 billion.

The valuation, outlined in a regulatory filing on Friday, is less than the \$120 billion that investment bankers told Uber last year it could fetch, and closer to the \$76 billion valuation it attained in a private fundraising round in 2018.

The lower valuation reflects the poor stock performance of smaller rival Lyft Inc following its IPO last month. Lyft shares ended trading on Friday down 20.5 percent from the IPO price, amid investor skepticism over the company's path to profitability.

Lyft completed its IPO at a valuation of \$24.3 billion, which corresponded to around 11 times its 2018 revenue. By comparison, the top end of Uber's valuation target is around eight times revenue last year.

"We believe that recent price reductions for both Uber and Lyft may be indicative of investor hesitance to invest in highly capital-intensive, deeply unprofitable and untested business models at this late stage of the economic cycle," PitchBook analyst Asad Hussain said.

In the filing, Uber set a target price range of \$44 to \$50 per share for its IPO. The company will sell 180 million shares in the offering to raise up to \$9 billion, with a further 27 million sold by existing investors for as much as \$1.35 billion.

Reuters reported this month that the combined value of Uber shares sold in the IPO would be around \$10 billion.

The Uber IPO would rank as the largest in the United States since that of Chinese e-commerce giant Alibaba Group Holding Ltd in 2014.

The updated public filing comes as Uber begins its 10-day investor road show, in which management will pitch the company to public markets investors.

Uber executives kicked off the road show in New York on Friday. They will host an investor presentation in London on Monday, before returning to the United States for visits to New York a second time, and to Boston, San Francisco and the Midwest.

# Building a sustainable brand key to success: experts

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Solaiman Alam, head of digital at Grameenphone, said organisations should keep in mind customers' demand and what they were paying for.

Zakia Zerin, head of digital marketing, e-commerce and customer engagement at Nestlé Bangladesh, and Tanzeen Ferdous, marketing director of Unilever Bangladesh, also spoke.

Earlier in the inaugural session, Shariful Islam, founder and managing director of the BBF, said in spite of the future being anything but, there are many who could imagine or predict it.

"Now the question is how we can prepare for such a future. Bangladesh Brand Forum's next phase of journey will be to guide and shape our thinking and skills around that," he said.

BBF Director Nazia Andaleeb Preema and Chief Advisor Syed Ferhat Anwar also shared their thoughts at the event.

Syed Saad Andaleeb, former vice chancellor of Brac University; Reazuddin Al Mamun, managing director of Epyllion Group; Ashraf Bin Taj, president of the Marketing Society of Bangladesh; Mahzabin Ferdous, head of marketing of IPDC Finance, and Yasir Azman, deputy CEO of Grameenphone, also spoke among others.

# China's industrial profits pick up in March with 13.9pc rise

REUTERS, Beijing

Profits at China's industrial firms grew in March, rebounding from four months of contraction, adding to optimism the world's second-largest economy may be starting to stabilise.

A return to profits could add to the debate over how much more stimulus Beijing needs to pump into the economy if it is on the mend.

Beijing and Washington appear to be edging towards a trade deal, but investors are concerned that a sharp slowdown in China will have repercussions on the wider global economy.

Profits in March rose 13.9 percent year-on-year to 589.52 billion yuan (\$87.62 billion), the National Bureau of Statistics (NBS) said on its website on Saturday, recovering from a 14 percent fall in the first two months.

That marked the biggest monthly increase since July 2018.

For the first quarter of the year, profits notched up by industrial companies dropped 3.3 percent to 1.3 trillion yuan compared with a year earlier, according to the NBS.

The growth in March mainly came from an acceleration in production and sales, as well as a recovery of profits in key industrial sectors, Zhu Hong of the statistics bureau said in a statement

accompanying the data.

The pick-up in industrial profits eased concerns about the slowing momentum in China's economy as it has been cooling for the past year, weighed down by a bitter trade dispute with the United States, as well as a campaign to curb debt risks that has led to higher financing costs for companies.

The government has ramped up stimulus measures this year, announcing billions of dollars in additional tax cuts and infrastructure spending. Growth in China's industrial output increased at the fastest pace since July 2014



Workers are seen next to aluminium rolls at a plant in Binzhou, China.

in March, while gross domestic product grew 6.4 percent, beating expectations.

Producer prices, in the meantime, also picked up for the first time in nine months in March, lifted by higher global commodity prices and government efforts to boost domestic demand.

However, there are still concerns about whether the turnarounds will be sustainable, as gains could have been due to seasonal factors - such as the resumption in constructions after the Lunar New Year - instead of a rebound in broader demand.

# PepsiCo sues four Indian farmers for using its patented Lay's potatoes

REUTERS, Ahmedabad/New Delhi

PepsiCo Inc has sued four Indian farmers for cultivating a potato variety that the snack food and drinks maker claims infringes its patent, the company and the growers said on Friday.

Pepsi has sued the farmers for cultivating the FC5 potato variety, grown exclusively for its popular Lay's potato chips. The FC5 variety has a lower moisture content required to make snacks such as potato chips.

The company is seeking more than 10 million rupees (\$142,840) each for alleged patent infringement.

The farmers grow potatoes in the western state of Gujarat, a leading producer of India's most consumed vegetable.

"We have been growing potatoes for a long time and we didn't face this problem ever, as we've mostly been using the seeds saved from one harvest to plant the next year's crop," said Bipin Patel, one of the four farmers sued by Pepsi.

Patel did not say how he came by the PepsiCo variety.

A court in Ahmedabad, the business hub of Gujarat, on Friday agreed to hear the case on June 12, said Anand Yagnik, the farmers' lawyer.

"In this instance, we took judicial recourse against people who were illegally dealing in our registered variety," a PepsiCo India spokesman said.

"This was done to protect our rights and

safeguard the larger interest of farmers that are engaged with us and who are using and benefiting from seeds of our registered variety."

PepsiCo, which set up its first potato chips plant in India in 1989, supplies the FC5 potato variety to a group of farmers who in turn sell their produce to the company at a fixed price.

The company said the four farmers could join the group of growers who exclusively grow the FC5 variety for its Lay's potato chips.

"PepsiCo India has proposed to amicably settle with the people who were unlawfully using the seeds of its registered variety. PepsiCo has also proposed that they may become part of its collaborative potato farming programme," the company spokesman said in a statement.

If the farmers do not wish to grow the FC5 potato variety for PepsiCo, they can simply sign an agreement with the company to cultivate other available varieties, he added.

The All India Kisan Sabha, or All India Farmers' Forum, has asked the Indian government to protect the farmers.

The forum has also called for a boycott of Lay's chips and PepsiCo's other products.

The Ministry of Agriculture & Farmers' Welfare did not immediately respond to an email seeking comment.

PepsiCo is the second large US company to face patent infringement issues in India.

# Bangladesh not on track to achieve 3 SDGs

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Four out of 11 indicators were considered to measure the progress of the Goal 10 and only one indicator is in the right direction. The rest three are going in the wrong direction, it added.

The income share held by the poorest 40 percent of the population in Bangladesh declined from 17.41 percent in 1991 to 13.01 percent in 2016.

On the other hand, the income share held by the richest 10 percent rose from 23.3 percent to 26.8 percent during the period, said Khatun.

"This will lead to an increase in income inequality in the country," said the report, which also showed that the Gini coefficient increased from 0.39 in 1991-92 to 0.48 in 2015-16.

Khatun said the situation of the SDG 13 looks most grim.

The number of households affected by natural disasters was up from about half a million in 2009 to around 2 million in 2014. The aggregate economic loss due to natural disasters during the period is

around Tk 18,424 crore.

"Overall the analysis of the SDG 13 indicates that Bangladesh is in a precarious situation with respect to climate change and will have to take preparations to deal with the impact of climate change," said the report.

On the SDG 16, Khatun, referring to Transparency International Bangladesh data, said the proportion of households who paid bribes during interactions with various service providers rose to 50 percent in 2017 from 42 percent in 2007.

The largest amount of bribery in 2017 was reported in law-enforcement agencies, she said.

The report said murder, violence against women and children, bribery and illicit financial flows are all disturbingly high and most of these crimes would increase in 2030 if they follow historical trends.

Law enforcement needs special attention so that capacity building and proper functioning accountability mechanism can significantly improve the situation, said Mia Seppo, resident coordinator of

the United Nations.

She said participation of citizens is indispensable for development and this requires governments to actively create an enabling environment for civil space.

"Unfortunately, the UN is witnessing a shrinking of civic space, and exclusion and prosecution of critical civil society worldwide. And I believe this is a trend that we do not have to see in Bangladesh."

"We can make sure that we can create space where voices are heard and where inconvenient truths can be spoken and listened to, and by doing so, it will help all of us do better for the ones we serve, the people left behind."

Planning Minister MA Mannan welcomed questions and criticisms.

"We have confidence. We are not afraid of criticism. We think critics are our friends. But there are some norms of criticisms," he said.

"Raise your hand and ask about where the government spends money. You do not need to throw bombs or remove railway tracks to do so," he said.

The minister said the government has taken several initiatives to attain the SDGs.

On inequality, he said inequality usually rises at the early stage of development and it is widening in Bangladesh as well.

The rich are becoming richer but the living standards of the people in the low-income segment are also improving, he added.

Mannan said poverty is the main problem confronting development and it has to be eliminated. For this, adequate infrastructure should be put in place to open up opportunities for the poor, he added.

Rasheda K Choudhury, core group member of the Citizen's Platform, said the government is actually the major stakeholder of the SDGs. "We want them to be in the driving seat to reach our destination safely."

Debapriya Bhattacharya, convener of the Platform, said this year 51 countries have volunteered to present their national voluntary reviews to the HLPF and Bangladesh is not one of them.

# Meeting held to fast track ADB projects

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"We are encouraged by the record contract awards and disbursements in 2018, and look forward to achieving even better results in 2019," he added.

He said the ADB committed the highest support of \$4.8 billion to Bangladesh in 2018, with eight sovereign projects totalling \$2.2 billion in loans and grants, \$16.5 million in technical assistance and \$2.6 billion in co-financing. The ADB's current portfolio has 93 loans and grants for 52 projects with over \$10 billion under sovereign portfolio.

As of December 31, 2018, the ADB's cumulative lending to Bangladesh stood at around \$23 billion for 284 loans, \$269 million for 429 technical assistance projects and \$932 million for 44 grants.

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