

Russian e-commerce booms despite economic doldrums

AFP, Moscow

Moscow photographer Galina Goryushina says that online shopping has changed her life.

"I've got more time for myself," said the 30-year-old freelancer. "I don't have to haul heavy shopping bags. And I don't waste money on silly knick-knacks laid out on the store shelves," said Goryushina.

The young woman began shopping online a decade ago when she could not find clothes she liked in Russia and now makes most of her purchases online.

Russia may be a latecomer to the world of online shopping but e-commerce is experiencing explosive growth in the country despite a stagnant economy weighed down by Western sanctions.

Russia's economic growth stood at just 0.7 percent in the first six months of 2019.

Over the same period, the Russian e-commerce market has expanded by 26 percent to 725 billion rubles (\$11.3 billion), according to a study by Data Insight, a Russian-based research agency.

The sector is developing rapidly despite numerous logistical challenges in the world's largest country including an often unreliable postal service.

Long distances and low population density make e-commerce an



The picture shows Russia's online retailer Ozon's logistics centre outside the town of Tver, Russia.

appealing -- and sometimes even the only -- option in Russia.

Even in affluent Moscow, where shopping malls offer a huge variety of consumer goods, many prefer to shop online to avoid the ubiquitous traffic jams.

One of Russia's biggest online retailers, Ozon, began as an online bookstore -- much like the global giant Amazon -- and later expanded into other types of merchandise.

On a recent tour of Ozon's offices in Moscow's business district, chief executive Alexander Shulgin said the potential for growth in Russia was

enormous.

"I am absolutely confident that e-commerce will be absolutely huge in Russia, it's transformative for the country," he said, pointing to Russia's high internet penetration, with 95 million online users.

In the first six months of this year, the number of online orders went up by 44 percent reaching 191 million.

Together with Russia's biggest e-commerce site, Wildberries, and the online pharmacy Apteka.ru, the top trio's business has grown by 107 percent compared to the first half of last year.

Shulgin said that online shopping offered Russians living in remote locations access to millions of products at affordable prices.

"It's just phenomenal how e-commerce improves quality of life for people in small villages and towns," he added.

Besides its huge size, Russia's harsh climate is also seen as a boon for the business.

"When there is rain or snow or it's cold outside, people prefer to shop online, so (Russia) is an ideal country," he said.

Shulgin said the e-commerce market was fragmented and accounted for just 6 percent of total retail.

"So the opportunity for growth is huge," he added.

In a logistics centre in the town of Tver, located around 180 kilometres (111 miles) northwest of Moscow, Ozon employees are busy pushing carts around aisles as they prepare to ship goods to customers across Russia.

"The centre handles over 100,000 packages a day and around 2,000 people work here on a daily basis," said Ivan Popov, deputy logistics manager at Ozon.

In the cities, the company relies on couriers, automated pick-up lockers and drop-off locations.

To ship the packages to remote locations, Ozon has partnered up with the Russian Post.

India's industrial output falls at the fastest pace in six years

REUTERS, New Delhi

India's industrial output fell at the fastest pace in over six years in September, adding to a series of weak indicators that suggests the country's economic slowdown is deep-rooted and interest rate cuts alone may not be enough to revive growth.

Annual industrial output contracted 4.3 percent in September, government data showed on Monday. It was the worst performance since a 4.4 percent contraction in February 2013, according to Refinitiv data.

Analysts polled by Reuters had forecast industrial output to fall 2 percent for the month.

"A contraction of industrial production by 4.3 percent in September is serious and indicative of a significant slowdown as both investment and consumption demand have collapsed," said Rupa Rege Nitsure, chief economist of L&T Finance Holdings.

The industrial output figure is the latest in a series of worrying economic data in Asia's third largest economy.

Earlier in the day, a government data showed that India's power demand fell at the fastest pace in at least 12 years in October, signalling a continued decline in the industrial output. Electricity has about 8 percent weighting in the country's index for industrial production.

The South Asian country needs electricity to fuel its expanding economy but a third decline in power consumption in as many months points to tapering industrial activity in a nation that aims to become a



A worker cuts metal inside a workshop manufacturing metal pipes in Mumbai.

\$5 trillion economy by 2024.

Economists say that weak series of data could mean economic growth for July-September period will remain near April-June quarter levels of 5 percent, which was a six-year low. The Indian government is likely to release April-September economic growth figures by the end of this month.

Subdued inflation and an economic slowdown have prompted the Reserve Bank of India (RBI) to cut interest rates by a total of 135 basis points this year.

"These are tough times for the RBI, as it cannot do much about it but there will be pressures on it to act...Blunt tools like monetary policy may not be effective anymore," Nitsure said.

Data showed in September mining sector fell 8.5 percent, while manufacturing and electricity fell 3.9 percent and 2.6 percent respectively. Capital goods output during the month fell 20.7 percent, indicating sluggish demand.



Md Mahub ul Alam, CEO of Islami Bank Bangladesh, opens the bank's 350th branch in the capital's Basabo yesterday.

AirAsia transfers some Kuala Lumpur-Singapore slots to long-haul service

REUTERS

Malaysian budget carrier AirAsia Group Bhd said on Monday it would transfer two slots on its Kuala Lumpur-Singapore route, its most profitable, to long-haul sister airline AirAsia X Bhd, which has been struggling financially.

The two daily return flights will help AirAsia X deploy its Airbus SE A330s for more hours of the day, allowing it to boost revenue, the carriers said. The services will also give passengers from China, India, Japan and Korea better connections from its Kuala Lumpur hub to Singapore.

Using the widebodies rather than

AirAsia's narrowbody Airbus A320s also doubles capacity in those slots on the Kuala Lumpur-Singapore route, the world's busiest international route by frequency of services, according to aviation data provider OAG.

AirAsia and AirAsia X said they would share the operating profits from the slots on a 50-50 basis, with 2.42 million ringgit (\$584,823.59) expected in the first year taking into account operational costs. The low-cost carrier will continue to operate several other daily flights on the route using its A320s.

The deal comes after AirAsia rivals Malaysia Airlines and Singapore

Airlines Ltd signed an expanded codeshare agreement.

AirAsia X in August posted a 207.6 million ringgit loss for the quarter ended June 30, its largest since 2015, due to aircraft disposals and a weak ringgit.

AirAsia X shares are down nearly 30 percent year-to-date, compared with a 5.5 percent fall at AirAsia and a 1.5 percent decline at Singapore Airlines.

AirAsia X also in August confirmed an order for 12 more A330neos and said it would order 30 of the smaller, long-range A321XLRs to help it open longer niche routes without the need to fill a widebody.

Adidas to close German, US robot factories

REUTERS, Berlin

Adidas plans to close high-tech "robot" factories in Germany and the United States it launched to bring production closer to customers, saying on Monday deploying some of the technology in Asia would be "more economic and flexible".

The Adidas factories were part of a drive to meet demand for faster delivery of new styles to its major markets and to counter rising wages in Asia and higher shipping costs. It originally planned a global network of similar factories.

The German sportswear company did not give details for why it was closing the facilities, which have proved expensive and difficult to extend the technology to different products.

Martin Shankland, Adidas head of global operations, said the factories had helped the company improve its expertise in innovative manufacturing, but applying what it had learnt with its suppliers would be "more flexible and economic".

Adidas started production of shoes largely by robots at its "Speedfactory" in the

southern town of Ansbach near its Bavarian headquarters in 2016 and opened another near Atlanta in 2017.

Founded by German cobbler Adi Dassler in 1949, Adidas has shifted most of its production from Europe to Asia and now relies on more than 1 million workers in contract factories, particularly in China and Vietnam.

However, Adidas said on Monday production at the two factories would be discontinued by April 2020 at the latest as it focuses instead on using the technologies they pioneered to produce shoes at two of its suppliers in Asia.

The suppliers would use the techniques to make a broader range of products with a short production time, not just running shoes, while Adidas will keep testing manufacturing processes at its so-called adiLab site in Scheinfeld in Germany.

It said it would continue to work with Oechsler, the German company which operates the two factories, in other manufacturing areas, such as producing soles for its springy Boost shoes, as well as soles for soccer shoes and advanced 3D printed soles.

BOJ debated whether to boost stimulus if inflation momentum stalls

REUTERS, Tokyo

Bank of Japan policymakers debated whether extra easing measures were needed to hit the central bank's inflation target at its last policy meeting, a summary of opinions showed on Monday, as heightened risks threatened a fragile economic recovery.

Some in the BOJ's nine-member board insisted on the need to communicate to markets the central bank would maintain loose monetary policy given the time need to accelerate inflation to its 2 percent price goal, the summary of the Oct. 30-31 meeting showed.

One of the members said additional easing measures would be needed "without hesitation" if momentum toward achieving the inflation target falters.

"In the current situation where risks are skewed to the downside, the Bank should continue to examine whether additional monetary easing will be necessary," another board member was quoted as saying in the summary.

At the October meeting, the BOJ kept monetary policy steady but introduced new forward guidance to indicate more clearly its readiness to cut rates if needed, underscoring



A man walks past the Bank of Japan building in Tokyo.

its concern over simmering overseas risks.

In its policy statement last month, the BOJ said it expected short- and long-term interest rates to stay at their present or lower levels given the possibility efforts toward achieving the elusive price target stall.

Board member Goushi Kataoka dissented on the decision to change forward guidance, saying such momentum had already been lost.

In the October meeting summary, some board members warned that long-term uncertainties remained high even as short-term

risks temporarily eased on progress in US-China trade negotiations.

One board member said the BOJ needed to signal that its policy stance was now further tilted toward monetary accommodation and a "downward bias in the policy rates."

However, another member said there had been no increase in risks that the inflation target would be not be met. The board members are not named in the summary.

Under its yield curve control policy, the BOJ pledges to guide short-term rates at -0.1 percent and the 10-year government bond yield around 0 percent. It also buys government bonds and risky assets to accelerate inflation to its price goal.

Japanese policymakers have been under pressure to offset the impact on the domestic economy from an overseas slowdown with a diminishing tool-kit, as soft global demand hurts the export-reliant economy.

Given heightened risks to the outlook, Prime Minister Shinzo Abe on Friday asked his cabinet to compile a package of stimulus measures to support the economy and build infrastructure to cope with natural disasters.

Businesses expect robust growth next year

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Only 42 percent of Bangladeshi businesses believe that their key trading markets are becoming more protectionist, down from 93 percent the previous year.

Even so, Bangladeshi firms are proactively taking countermeasures through joint ventures with local companies, selling more online, using more local suppliers, and adapting their product and service offerings.

The proactivity of firms is encouraging with three quarters of Bangladeshi firms expecting their business to change substantially in the next five years compared to just half of their global peers.

"Where there is fast growth, there is also fierce competition. Nowhere is that more apparent than Asia. The future is bright for Bangladeshi businesses if they remain positive and proactive, raising their game to match their potential," Maricourt said.

Some 77 percent of Bangladeshi companies think a favourable political climate is a key driver for growth, compared with just 20 percent of firms surveyed

globally.

More than two-thirds of Bangladeshi businesses believe that introducing sustainable business practices will increase sales, while nearly half think it will help them meet buyer expectations.

Bangladeshi companies are well ahead of the global average in considering these factors (both factors cited by 23 percent of firms globally). Companies are also feeling external pressure to adopt sustainable practices in the next five years, the report said.

The report suggested Bangladeshi firms invest more in technology, innovation and infrastructure to improve sustainable production.

"Half of Bangladeshi companies plan to do so in the next five years," it said.

It also recommended exploring ways to raise funding to support sustainability. Fifty-seven percent of companies view working capital as a challenge when it comes to implementing environmental, social and governance policies over the next five years.

Fintech to boost stocks

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Xu Minbo, executive president of Shenzhen Kingdom Sci-Tech, which caters to brokers of the DSE's strategic partners, the Shenzhen and Shanghai stock exchanges, expressed his keenness about Bangladesh.

They can provide successful technologies and share knowledge on developing the financial and ICT sectors, he said, adding that fintech would increase people's participation in investment and trade.

"We are keen to enter Bangladesh to build the country's financial infrastructure. It can be a joint venture," he added.

Ifty Islam, chairman of Asian Tiger Capital Partners, stressed the need for multi-purpose fintech products to take the economy to the next level. "Fintech can provide more services for users and yield more profits for businesses," he said. Minhaz Mannan Emon, a DSE director, said the world's technology was fast evolving but "we are far away".

Daily turnover at Shenzhen Stock Exchange reaches billions of renminbi whereas the DSE barely makes it to Tk 500 crore, he pointed out.

ACI posts Tk 74cr in losses

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"We will get its benefit once we start exporting to the US from it instead of relying on an Indian factory," he added. He hopes to get the approval midway next year.

Anis Ud Dowla, chairman of ACI, said the government's promise of a single digit interest rate was yet to come about. "It has impacted us." "So we have started a process to change our strategy to get equity investment from abroad but it takes time to negotiate," he said.

In reply to a question, Arif said retail chains around the world took on an average at least 15 years to make a profit, for which they knew it would take some more time for investments in Swapno of ACI Logistics to bring in returns.

"I hope another three to four years would be enough," he said, adding that currently it had reached break-even.

To another question, Anis said retail market sales in Bangladesh amounted to around Tk 200,000 crore, of which retail chains accounted for only 1.4 percent whereas it is 7 percent in India and much higher in peer countries. "So Swapno has huge potential, thus, I think it is our golden egg-laying goose," he said, requesting to keep patience by overlooking the current losses.

However, ACI declared 100 percent cash and 15 percent stock dividends for its shareholders on last year's performance.

In the first quarter of 2019-20 (July-Sep), ACI's earnings per share stood at Tk 5.99 in the negative, whereas it was Tk 0.97 in the same period a year ago.

Each share of ACI was traded at Tk 229 at the Dhaka Stock Exchange yesterday.

FH Ansarey, managing director of ACI Motors, and Pradip Kar Chowdhury, chief financial officer of ACI, were also present.