Apple App Store profits look 'disproportionate'

REUTERS

A federal judge on Friday grilled Apple Inc Chief Executive Tim Cook over whether the iPhone maker's App Store profits from developers such as "Fortnite" maker Epic Games are justified and whether Apple faces any real competitive pressure to change its ways.

Cook testified for more than two hours in Oakland, California, as the closing witness in Apple's defense against Epic's charges that the iPhone maker's App Store controls and commissions have created a monopoly that Apple illegally abuses.

App makers including music service Spotify Technology , European regulators and US politicians who question whether the company that once urged the world to 'think different' has now become too big and too powerful.

At the end of testimony, Judge Yvonne Gonzalez Rogers questioned Cook, pressing him to concede that game developers generate most App Store revenue and help subsidize other apps on the store that pay no commission.

Gonzalez said the profits Apple reaps from game developers "appear to be disproportionate."

"I understand this notion that somehow Apple is bringing the customer to the dance," she said.

"But after that first time, after that first interaction, the developers are keeping customers with the game. Apple is just profiting from that, it seems me." Cook disagreed.

Apple CEO Tim Cook

"The free apps bring a lot to the table. Only the people who are really profiting in a major way are paying 30" per cent commissions, he said.

Epic has tried to show that Apple's iPhone is a lucrative platform that locks in users, pointing to an internal Apple document that Epic alleges showed the App Store had 78 per cent operating margins. Cook said the document did not reflect the full costs of running the App Store.

The testimony constitutes Cook's most extensive public remarks on the App Store, which anchors Apple's $53.8 billion services business. Gonzalez Rogers also cited a survey that found 39 per cent of software developers were unhappy with Apple's app distribution services.

"It doesn't seem to me that you feel pressure or competition to actually change the manner in which you act with developers," Gonzalez Rogers said.

Cook replied that "we turn the place upside down" to respond to developer complaints, but later conceded that he does not receive regular reports on how developers feel about working with Apple.

At the start of the three-week trial, Gonzalez Rogers also pressed Epic Chief Executive Tim Sweeney with tough questions on how forcing Apple to change would ripple through the software world. Sweeney said he had not thought the issue through.

The maker of "Fortnite," an online game which pits players against in each other in an animated "Battle Royale" fight to the last survivor, has waged a public relations and legal campaign against Apple.

Epic parodied Apple's iconic "1984" commercial and argued in court that it acts anticompetitively by only allowing approved apps on the world's 1 billion iPhones and forcing developers to use Apple's in-app payment system which charges sales commissions of up to 30 per cent. Apple has sought to persuade Gonzalez Rogers that its rules for developers are aimed at keeping its customers' information private and safe from malware.

"We have a maniacal focus on the user and doing the right thing by the customer," Cook said. "Safety and security are the foundation that privacy is built on. Technology has the ability to vacuum up all kinds of data from people, and we like to provide people with tools to circumvent that."

UK stocks flat as miners stymie strong retail sales

REUTERS

London's FTSE 100 was flat on Friday, posting a weekly loss, as weakness in mining stocks countered a bigger-than-expected jump in retail sales and business activity.

The blue-chip index was flat, with miners Anglo American Plc, Glencore Plc, and Rio Tinto falling between 0.3 per cent and 0.5 per cent.

Oil majors BP and Royal Dutch Shell were the biggest boosts to the index.

Retail sales surged by 9.2 per cent in April, when non-essential shops reopened after months of closure due to Covid-19 restrictions, official data showed, with the UK Composite Purchasing Managers' Index (PMI) hitting its highest level on record.

"The rise in the UK PMIs are the latest indicator to suggest the economy is already in a better place than after the first wave last summer," said James Smith, developed markets economist at ING.

Pakistan sees preliminary economic growth of 3.9pc for 2020-21

REUTERS, *Islamabad*

Pakistan said on Friday its economy was on course to grow 3.94 per cent in the financial year 2020/2021 that ends in June, almost double the International Monetary Fund (IMF) and World Bank's projections, as it recovers from the worst of the pandemic.

The planning ministry said its provisional estimate - up from Pakistan's last forecast of 3 per cnet- was based on data for the year so far on growth in the agricultural, industrial and services sectors at 2.77 per cent, 3.57 per cent, and 4.43 per cent respectively.

"This growth in a period in which Covid placed a huge challenge to the economy is extremely gratifying," minister for planning Asad Umar tweeted.

On Friday, the ministry also revised down GDP growth for the financial year that ended on June 30, 2020, to -0.47 per cent, from -0.38 per cent.

The IMF has estimated GDP for 2020/21 growing 1.5 per cent and the World Bank estimates growth of 1.3 per cent.

Prime Minister Imran Khan's government is weeks away from presenting its annual budget which faces tough challenges on the fiscal deficit and an ambitious revenue collection target.

Due to a combination of GDP growth and strengthening of the Pakistani rupee against the dollar, Pakistan's per capita income jumped by 13.4 per cent this year from $1,361 to $1,543, Umar said.

Total GDP increased from $263 billion to $296 billion, the highest increase recorded in any year, he said.

The South Asian nation of 220 million people got into a $6 billion IMF stabilisation programme in 2019 months after Khan's government delayed it.

Pakistan's Finance Minister Shaukat Tarin has said the country is in talks with the IMF to seek easing of "tough conditions" on the loan.

Cash takes back seat as Covid drives card use

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EBL, one of the largest credit card issuers in the country, also observed the upward transaction trend in April, he said.

HM Mostafizur Rahman, head of retail banking at Dhaka Bank, mentioned three reasons behind the increase in card transactions at his bank.

People came back to their normal lifestyle in February, which also continued in the first half of March, he said.

So, transactions through cards maintained an upward trend during the period and many people purchased lifestyle products in advance to celebrate March 26, which is the country's independence day.

They also purchased products in March beforehand to celebrate Pahela Baishakh, the first day of the Bangla year, he said.

Between the third and fourth weeks of March, people continued their purchasing spree as the impact of the second wave could be noticed since the period.

Arifur Rahman, head of cards at City Bank, said that a good number of e-commerce transactions through his bank were settled in March.

The month was also the starting period of the second wave of the pandemic, which had a positive impact on card transactions.

Abul Kashem Md Shirin, managing director of Dutch-Bangla Bank, said that people had travelled to domestic tourist sites in March to celebrate the holidays.

This helped increase card transactions as well, he added.

Mahiul Islam, head of retail banking at Brac Bank, said that people had almost comeback to their normal lifestyle in March, which largely pushed up the number of digital transactions.

The issuance of credit cards was on the rise in March, when the outstanding number of bank credit cards stood at 17.37 lakh whereas it was 17.13 lakh the month before.

Similarly, the number of debit cards issued by banks stood at 2.24 crore in contrast to 2.20 crore respectively.

Reopen restaurants

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In the press briefing, they have claimed that they have so far suffered financial losses of Tk 50,000-60,000 crore due to the pandemic while 30 per cent of the hotels and restaurants have closed and 50 per cent have changed ownership during the pandemic.

The restaurant owners said 75 per cent of the customers returned to the reputed hotels while 50 per cent returned to restaurants after the first wave of Covid-19.

They also placed eight-point proposals to the government, including incentives to workers, short- and long-term loans facilities without interest from the SME sector.

Other proposals include providing electricity, gas and water bills of their hotels and restaurants without surcharge and getting rid of 15 per cent VAT.

Gani further said the authorities should consider the restaurant sector as front-liners of the pandemic as this is a service sector and provide vaccines to the owners and the workers on a priority basis.

Khandaker Ruhul Amin, chief adviser of the association, its Organizational Secretary Sayed Mohammad Andalib were among the others who were present at the press conference.

According to the association, some 30 lakh people work in 60,000 restaurants in divisional cities, districts and upazilas across the country. About two crore people are involved in this sector, it said.

TIB calls money whitening plan reckless, suicidal

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Last week, the finance minister said as long as there was undisclosed money in the economy, there would be an opportunity to whiten it.

In such a reality, the plan to keep the black money whitening opportunities indefinitely will highlight the question of fairness and equity in the tax system, said TIB Executive Director Iftekharuzzaman in the press release.

"And it will be considered as a new incentive for the corrupt at the time of Covid-19. So, it is expected that the government will move away from such reckless and suicidal plans."

If there was an opportunity to legalise black money with only 10 per cent tax, why should honest taxpayers pay 25 to 30 per cent income tax, he questioned.

"Even if the government gets some revenue from such an opportunity temporarily, it will gradually encourage a large number of taxpayers to default, which will increase the level of revenue loss in the long run and institutionalise a new culture of tax evasion," said Iftekharuzzaman.

Now is the right time to stop the long-standing unconstitutional practice of providing opportunities for whitening black money, said the TIB executive director.

Implement SME stimulus fully to help them survive

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The lending is comparatively low as a majority of them could not meet the stringent conditions to secure loans from lenders.

In addition, the perennial issue of a lack of a proper definition for CMSMEs acts as a barrier in availing of funds from the stimulus packages announced in April last year.

The entrepreneurs have been left devastated by the Covid-19 fallout, which wiped out more than 15 per cent of these businesses due to inadequate sales volumes.

This left thousands of workers without a job, while another 50 per cent of the CMSMEs are struggling to survive.

For example, Md Mokarram Hossain, managing director of Super Fit, a small-scale leather shoemaker based in Hemayetpur, Savar was forced to whittle down the number of workers from 12 to three in order to sustain his business amid the pandemic.

His sales volume has declined from Tk 20 lakh per month in the pre-pandemic era to just Tk 50,000 per month now.

Bank officials had visited his factory several times to find out whether Hossain qualifies for the loans. Still, he was unable to secure any funds due to the stringent conditions and low sales volume.

"Now, I will have to leave entrepreneurship, and I am looking for a job," said Hossain, who started the company back in 2008, when he was still a student at the intermediate level.

"The government should expand the stimulus fund and ensure proper implementation so that we can survive."

Masuda Yesmin Urmy, proprietor of Hazaribagh-based Smart Leather Products, was a bit luckier. She received Tk 20 lakh from the stimulus fund.

But since it was disbursed in several stages, she was unable to use it properly. Even she had to use some of it to repay the loan.

With her sales having been slashed by half, Urmy now operates her business online.

Rubina Akter Munni, owner of Design by Rubina, fell in trouble after having to spend around Tk 50,000 per month to continue her business with very low revenue.

"The government should give special attention to small enterprises as they create job opportunities," she said.

Sheikh Saadi, owner of Agro Machinery Industries, echoed the same.

"The next budget should focus on rescuing CMSMEs from the Covid-19 fallout. Rehabilitating the sector should get maximum priority," said Rizwan Rahman, president of the Dhaka Chamber of Commerce and Industry.

It could be through providing low-cost collateral-free funds and technical support to diversify businesses into new potential arenas. The government may even ease the burden of VAT and advance income tax, he added.

Rahman said it was found that 66 per cent of the CMSMEs did not even apply for the package at all. Among those that did apply, just 45 per cent have received loans so far.

The next round of stimulus for the sector should not be fully bank dependent, Rahman said.

The DCCI chief suggested that the SME Foundation, the Bangladesh Small and Cottage Industries Corporation, and other channels be used to disburse the stimulus funds properly.

Ferdaus Ara Begum, chief executive officer of the Business Initiative Leading Development (BUILD), called for a second stimulus for CMSMEs and preparing a proper database.

Nearly one crore CMSMEs in Bangladesh are not registered under a proper database. As a result, they are unable to enjoy various government benefits, she said.

As of May 6, some 92,800 CMSMEs received loans amounting to Tk 14,598 crore from the Tk 20,000 crore stimulus fund for the sector.

The BUILD CEO also demanded a reduction in the VAT rate and an extension of the disbursement period.

The SME Foundation has received Tk 300 crore from the government so far. The state-run agency plans to disburse Tk 100 crore by the end of June through nine banks and non-bank financial institutions, said Md Masudur Rahman, chairman of the SME Foundation.

The foundation aims to disburse Tk 1 lakh to Tk 75 lakh among new entrepreneurs at a low-interest rate.

Md Ali Zaman, president of the SME Owners Association of Bangladesh, urged the government to draw up policies to prevent larger industrial units from occupying the markets of CMSMEs.

Currently, a lot of industrial conglomerates produce goods that CMSMEs also make.

Due to this unhealthy competition, thousands of CMSME units in Lalbagh, Badda, Dhania and old Dhaka were wound up, Zaman said.

In its budget proposal, the Federation of Bangladesh Chambers of Commerce and Industry (FBCCI) has suggested the government arrange collateral-free loans for CMSMEs, said FBCCI President Md Jashim Uddin.

The apex trade body also praised the central bank for introducing a credit guarantee scheme for CMSMEs.

Lack of info, support barrier to more Japanese investment

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come to do business in Bangladesh face an absence of proper information on related fields initially," said Prodip Das, managing director of Rohto-Mentholatum (Bangladesh).

The investors do not get information either from the government offices or from private consultancy firms, he said, adding that there were no private firms that can help enable business-to-business connections and partnerships.

For any company seeking to start a business, all types of workers and employees are available except for a managerial-level workforce, he said.

They do not even get information on banking support, clearing and forwarding agents, and distributors, although these are important to run business, Das said.

Japanese companies have to provide various documents and go through bureaucratic complexities and complex rules in filing tax and calculating value-added tax.

"Japanese companies are highly compliant and expect transparency at every stage," Das said.

He believes there is a considerable scope to make improvement to attract more Japanese investors.

Shah Muhammad Ashequr Rahman, head of finance and commercial at Bangladesh Honda Private, said there was a need to improve the ease of doing business for smooth business operations. "If we are able to maintain an operational minimum lead time and faster import clearance, the cost of doing business and raw materials and capital machinery costs will be competitive," he said.

Hiroki Watanabe, managing director of Aishin International, said Japanese companies face hassles in taking profits back home.

"It is very easy to bring investment to Bangladesh but tough to repatriate the profit to the home country, which is detrimental for investment," he noted.

Companies go through a lot of official formalities, which are time-consuming, to transfer profits, he said. "The government should address this issue." Besides, the investors find it hard to manage visas and work permits, and sometimes, they have to endure long waiting periods, said Watanabe.

Md Sirazul Islam, executive chairman of the Bida, said investors and foreign experts face no hassles if they apply for visas through Bida's one-stop service platform.

He also refuted the findings that there was a lack of information available, saying the Bida provided all kinds of information on investment.

Paban Chowdhury, executive chairman of the Bangladesh Economic Zones Authority (Beza), said there was room for improving the business environment in Bangladesh and relaxing some rules and regulations to attract more FDI.

The Bangladesh Bank, the National Board of Revenue, and the commerce ministry have already issued several circulars regarding the relaxation of investment rules, he said.

"However, it would take some time to meet all expectations of the investors as they are always concerned about their investment in any country."

Chowdhury said Bangladesh was becoming a lucrative destination for FDI.

About $1.5 billion Japanese investment would be made at a dedicated economic zone in Araihazar, Narayanganj, which would be ready for setting up factories next year, he said.

BUP team wins business case competition

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help support the net zero ambition.

Three teams from Bangladesh were selected as the gold, silver and bronze award winners from five finalist teams. A total of 60 teams from 30 universities in the country participated virtually this year in the wider competition.

The qualifying teams consisted of university students from the leading universities of Bangladesh. The finalist teams received a business case challenge on 'Climate Change' and a few short hours later presented their solutions and recommendations to a panel of judges.

Barely Managing, a team of the IBA of Jahangirnagar University, and Hardly Knows, another team of the IBA of Jahangirnagar University, won silver and bronze awards respectively.

Zunaid Ahmed Palak, state minister for ICT, said, "I am really happy and proud to see how all the winners and participants have presented many innovative solutions to make the country and business environment friendly."

"Our startups are going beyond our borders and expanding to India, Nepal, Thailand and the Philippines and many more countries meeting the present market need. These startups will serve as the foundation for far reaching consequences in our GDP's overall growth," he said.

Md Mahbub ur Rahman, CEO of HSBC Bangladesh, said, "At HSBC we are committed to providing our customers, communities and our people with the skills needed in a global economy. It has been an honour to be playing a role in nurturing Bangladesh's future business leaders and entrepreneurs, who in turn will play their part in building a prosperous Bangladesh."

The judging panel included Derek Griffiths, Head of Trade & Investment, Bangladesh, Department for International Trade, British High Commission, Dhaka; Asif Saleh, Executive Director, BRAC; Simeen Rahman, Group CEO, Transcom Group, and Kevin Green, Country Head of Wholesale Banking, HSBC Bangladesh.

Simeen Rahman thanked the organisers for having a dialogue on climate change and encouraging the future leaders. She also thanked the participants for coming forward in solving the most pressing problem in the world.

"I am proud to share that at Transcom Group we have taken climate actions and particularly sustainability in our business as a priority," she said.

"We are consciously taking efforts to use solar energy, reduce water consumption and recycle solid waste to name a few key initiatives. We have also gone paperless for documentation which contributes to reducing carbon emissions. At Transcom Beverages, the Pepsi Beverages business in Bangladesh, we recognise along with PepsiCo's global system that we must create a circular economy in every country, where plastic package PET are sold. Bangladesh is no different,"

"I am happy to share that almost all of our portfolio are recyclable and that is the first step. Recycling plastic, especially PET, which is what we use, contributes significantly to saving in emission," she said.

The initiative is a part of HSBC's flagship Future Skills activity in Asia Pacific, and aims to enhance university students' business skills and broaden their global perspectives by taking their education out of the classroom and into a live competition format.

The Gold, Silver and Bronze team will receive a team development fund of Tk 200,000; Tk 100,000 and Tk 50,000 respectively. In addition to Bangladesh, the following HSBC markets in the Asia Pacific region are also conducting local business case competitions: Hong Kong, India, Indonesia, Mainland China, Japan, Korea, Malaysia and Mauritius.

The winning team from Bangladesh will participate in the regional finale hosted by Hong Kong, where participants from different countries will participate.

Textile firms stare at falling profits

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According to a market insider, Bangladesh is mainly dependent on China and India for cotton and other raw materials.

But China's market was kept shut for the pandemic and then the price of cotton rose. Then India increased the price alongside Bangladesh's local spinners.

The spinning mills attributed the hike in cotton prices to rising demand for the item globally and its supply crunch, and upward costs of other related logistics following the emergence of the pandemic.

Due to the pandemic, cotton price rose in the world market which enhanced yarn prices. It ultimately had an impact on the local yarn market, said Mir Ariful Islam, head of research of Prime Finance Asset Management Company.

So companies which had stocks of cotton booked a huge amount of profits during the period, he said.

So spinning mills generated higher profits this year, Islam added.