

# Star BUSINESS



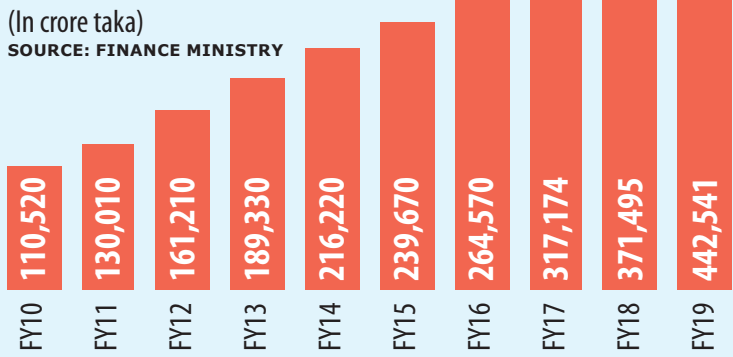
## MAJOR ECONOMIC INDICATORS

- GDP grew nearly 3 times
- Economic growth hit 8.15% in FY19, highest since FY74
- Budget grew 4 times
- FY22 budget to be 6 times higher compared to FY10
- Budget as % of GDP grew 3.5 percentage points to 17.4% in FY19
- Foreign aid and loan commitment grew 3.32 times to \$9.9b in FY19
- Tax collection shot up 3.5 times to Tk 220,771 cr
- Bangladesh reached lower-middle income status in 2015

## BEGINNING OF MEGA PROJECTS

- Padma bridge
- Rooppur nuclear power plant
- Bangladesh's first metro rail
- Karnaphuli tunnel
- Matarbari deep seaport and power plant

## GOVT'S BUDGET DURING MUHITH'S TENURE



## 10 years of AMA Muhith as finance minister

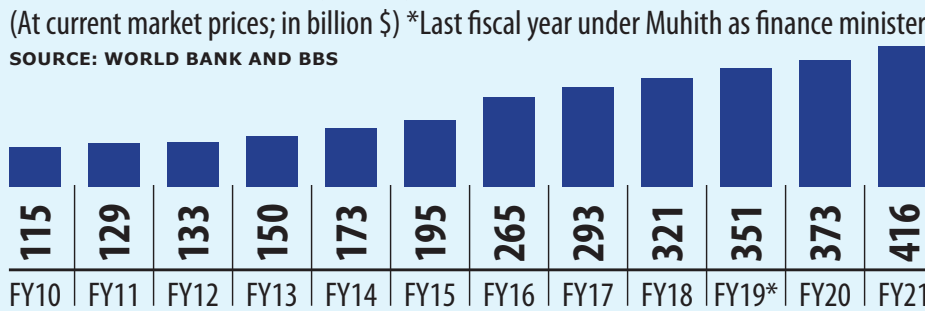
You should have good intentions for the nation and its people. This will bring good outcomes for the countrymen as well as the nation.

My family members and near ones have requested me not to utter the word 'rubbish' any more. But it was a habit. I would call anything 'rubbish' if it was so.

We had no other alternative but to begin the implementation of this project with our own funding arrangements, Muhith said in his budget speech for 2013-14 after World Bank cancelled funding for Padma bridge.

It will depend on the condition of my health. I am already 81. If there is no health problem, I will serve as minister for full term, he said replying to the media in September 2014 if he would continue as a minister.

## BANGLADESH'S GDP



# Job growth in manufacturing plunges: BBS survey

MD ASADUZ ZAMAN

Despite double-digit growth in manufacturing output, job growth has slowed down in Bangladesh alarmingly, which may raise unemployment and prevent the economy from benefiting from the abundance of working age population, official figures showed.

According to the latest Survey of Manufacturing Industry (SMI) 2019 released recently by the Bangladesh Bureau of Statistics (BBS), the annual growth of jobs declined to 1.23 per cent between 2011 and 2018, way lower than the 6.24 per cent recorded between 2006 and 2011.

Medium industries culled more than half of their jobs as the number of medium factories dipped 48 per cent to 3,178 in 2018 from 6,103 in 2011. Micro factories cut the number of units by 4 per cent, bringing the number of jobs down.

Only small and large industries added jobs, offsetting the sharp slide in micro and medium factories, which together made up 14 per cent of total industrial jobs of 54.65 lakh in 2018, albeit down from

26 per cent in 2011.

Large factories, which registered a slump in terms of numbers of units during the seven-year period, took in 24 per cent more jobs to raise it to 36.69 lakh in 2018 compared to 2011.

Rising capital intensity and adoption of advanced technologies were major reasons behind the sluggish employment growth, and this takes place at a time when the economy recorded more than 6 per cent annual growth.

"Slowdown of employment growth will result in higher unemployment and can affect wages and labour income adversely," said Rushidan Islam Rahman, executive chairperson of the Centre for Development and Employment Research.

Bangladesh's unemployment rate is 4.3 per cent, according to the latest Labour Force Survey 2016-17.

She identified two forces: the lack of rapid growth of the numbers of establishments with lower per-unit employment growth and the rising capital intensity in the large establishments.

The total employment in micro, small and medium

(MSM) industries declined to 18 lakh in 2018 from 20.5 lakh seven years ago.

The BBS survey found the number of large establishments declined 22 per cent to 2,856 in the seven years to 2018. Remarkable changes took place in the garment industry, which accounts for about 85 per cent of national exports, as the number of units plummeted by 30 per cent to 1,924 in 2018.

Apparel shipment, however, surged 49 per cent \$28.14 billion to the fiscal year of 2016-17, from \$18.91 billion in 2010-11, data from the Export Promotion Bureau showed.

Yet the share of large factories in the total employment has increased. "This implies a rise in average employment per unit," said Rushidan, also a former research director of the Bangladesh Institute of Development Studies.

"The declining trend in manufacturing sector employment is alarming for the economy," said Sayema Haque Bidisha, a professor at the economics department at the University of Dhaka.

READ MORE ON B3

## High growth in manufacturing didn't ensure job creation

Says an economist

The annual rate of growth of employment in Bangladesh has slowed, impacting wages and labour income. There is also a lack of rapid growth in the number of small and medium establishments and growth in employment per unit. Rushidan Islam Rahman, executive chairperson of the Centre for Development and Employment Research, speaks about employment growth, the share of female employment, real wage and how to encourage the growth of both large and small units, in an interview with The Daily Star.



DS: What does the new Survey of Manufacturing Industry (SMI) reveal about manufacturing sector growth?

Rushidan Islam Rahman: We are discussing the results of SMI 2019 (data is for the fiscal year of 2017-18).

Although the publication of the full report has been delayed, I think it is still useful as it provides pre-Covid benchmark data.

Also, it makes possible a comparison with the 2012 SMI Report to track changes during the seven-year period. Growth of the manufacturing sector based on gross value-added shows an impressive 16.4 per cent compound annual rate of growth between 2011 and 2018 whereas it was 16.7 per cent between 2006 and 2011. The earlier phase's high growth may have been considered an early surge from a low base. But SMI 2019 shows that the growth has been maintained.

DS: Has there been commensurate growth in employment? Has it been a jobless growth as feared?

Rushidan Islam Rahman: When it comes to employment growth in manufacturing, the picture is not as bright as value-added growth. The annual rate of growth of employment in the

recent phase was 1.23 per cent, much less than the 6.24 per cent annual employment growth during the earlier phase. If this trend continues, growth can become literally jobless. A slowdown of employment growth will result in higher unemployment and can affect wages and labour income adversely.

DS: Why did employment growth decline compared to the earlier period?

Rushidan Islam Rahman: Two forces can be readily identified. The first is the lack of rapid growth in the number of small and medium establishments and the lack of growth in employment per unit. Total employment in MSM (micro, small and medium) declined from 2.05 million in 2011 to 1.80 million in 2018. The second is the rising capital intensity, especially among the large establishments. Despite that, employment growth could have been maintained if the number of such enterprises had grown. As this did not materialise, the number of large establishments has gone through a decline between 2011 and 2018 from 3,639 to 2,856.

DS: How did the micro, small and medium enterprises perform compared to large scale ones?

Rushidan Islam Rahman: The first observation is that the share of MSM in total employment in the sector declined from 41 per cent in 2011 to 34 per cent in 2018 although the number of such establishments grew by 10 per cent over the seven years.

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## MFS providers in a costly battle for supremacy

MAHMUDUL HASAN

Mobile financial service (MFS) providing companies are spending big in the form of cashbacks on purchases made during the ongoing Eid sales season as they are fighting a costly battle for digital payment supremacy in the country.

For instance, even two weeks before Ramadan, a customer of clothing brand Sara Lifestyle came across a 20 per cent cashback offer for payments through MFS provider Trust Axiata pay (tap).

And since the beginning of Ramadan, bKash and Nagad, the country's top two MFS providers, offered the same percentage of cashback for payments to Sara Lifestyle.

However, there is a limit on how much cashback a customer can avail.

For example, a tap customer can get up to Tk 600 while Nagad

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Reminiscent of celebratory paper lanterns used in outdoor decorations, there is no festivity behind the hanging of these lunchboxes on this tree but simply the stark reminder that workers loading sacks onto a truck in the background have no place to keep their belongings while they work, a far cry from the decent workplaces envisioned through the observance of May Day today. The photo was taken at Anu Majhir Ghat in Chattogram recently.

PHOTO: RAJIB RAIHAN

STOCKS		WEEK-ON WEEK
DSEX ▼	CASPI ▼	
0.10%	0.60%	
6,655.66	19,474.45	

COMMODITIES		AS OF FRIDAY
Gold ▲	Oil ▲	
\$1,906.00	\$107.14	
(per ounce)	(per barrel)	

ASIAN MARKETS				FRIDAY CLOSINGS
MUMBAI	TOKYO	SINGAPORE	SHANGHAI	
▼ 0.80%	▲ 1.75%	▲ 0.65%	▲ 2.41%	
57,060.87	26,847.90	3,356.90	3,047.06	

## Sonali Bank to disburse freedom fighters' allowance

STAR BUSINESS DESK

Sonali Bank signed an agreement with the Ministry of Liberation War Affairs on the latter's premises on Thursday over the disbursement of government allowance for freedom fighters.

Sonali Bank Deputy Managing Director Niranjan Chandra Debnath and Additional Secretary to the ministry Ranjit Kumar Das signed the agreement, says a press release.

## Oil prices plummet

REUTERS

Oil prices fell on Friday, reversing in volatile trade, pulled downward by the US heating oil contract that plummeted by more than 20 per cent at one point on the day of its expiration.

The front-month US heating oil contract, which is a proxy for diesel prices, soared to a record high of \$5.8595 a gallon before falling as low as \$4.4067 a gallon. Diesel futures have climbed as investors worry about tight supplies globally following Russia's invasion of Ukraine.

The heating oil contract expired on Friday, along with the global Brent benchmark and US petrol futures.

Volumes in all three front-month contracts was low, creating outsized volatility in the market and leading to late-day sell-offs, analysts said.

"The fireworks were all in the expiring diesel contract," said Andrew Lipow of Lipow Oil Associates in Houston. "Today's expiry is especially volatile and may not be reflective of actual tightness."

The more-active second-month Brent crude futures contract fell 12 cents to settle at \$107.14 a barrel. The expiring front-month contract rose \$1.75 to settle at \$109.34 a barrel.



With Eid-ul-Fitr just around the corner, tailors such as these in Chitrali Bazar of Khulna's Khalishpur are working day and night to make the most of the ongoing festival market. Each worker earns about Tk 85 for making a single lady's three-piece. The photo was taken recently.

PHOTO: HABIBUR RAHMAN

# Apple sees bigger supply problems

REUTERS, Oakland

Apple Inc on Thursday forecast bigger problems as COVID-19 lockdowns snarl production and demand in China, the war in Ukraine dents sales and growth slows in services, which the iPhone maker sees as its engine for expansion.

Shares were down 2.2 per cent in late trade after executives laid out their gloom outlook on a conference call. The news outweighed record profit and sales for Apple's fiscal second quarter, which ended in March.

Chief Financial Officer Luca Maestri warned in an interview that the war in Ukraine, which led Apple to stop sales in Russia, would cut sales more deeply in the fiscal third quarter.

He told analysts on the call that supply-chain issues would hurt sales in the quarter by \$4 billion to \$8 billion, "substantially larger" than the hit in the second quarter.

Supply problems were focused on a corridor in Shanghai, China and reflected COVID disruptions and chip shortages, he

said. The pandemic was also affecting demand in China, he said.

Chief Executive Officer Tim Cook said that almost all of the Chinese factories doing final assembly of Apple products had restarted after recent COVID shutdowns, but the company is not forecasting when the chips shortage, mostly affecting older products, would end.

Cook said he hoped COVID issues would be "transitory" and "get better over time." At least one analyst said the outlook lacked clarity.

"We were all looking for just better guidance on what is really going on over there (China)... and that didn't come out," said Louis Navellier, chief investment officer for Navellier & Associates.

Kim Caughey Forrest, chief investment officer at BofE Capital Partners, said that ongoing demand remained a big question, despite Apple's management of supply chain in the March quarter.

Indeed, other high-profile tech companies also raised concerns. Amazon on Thursday posted a disappointing outlook as it was swamped by higher costs,

sending its shares down 9 per cent after the close, and Intel Corp forecast a bleak quarter based on supply chain issues, and its stock fell 4 per cent.

Both companies, along with Apple, are part of the broader Nasdaq index, which has fallen nearly 19 per cent this year as rising inflation drives investors elsewhere.

**MARCH QUARTER STRENGTH**  
Apple's overall fiscal second-quarter revenue was \$97.3 billion, up 8.6 per cent from last year and higher than analysts' average estimate of \$93.89 billion, according to Refinitiv data.

Worldwide phone sales revenue was \$50.6 billion, a 5.5 per cent increase from a year ago, and services sales rose 17 per cent to \$19.8 billion, both ahead of analyst average forecasts.

However, Maestri said that services growth would decelerate from the March quarter, while remaining in double-digits. He cited several factors, including more unfavorable currency exchange rates.

Total profit was \$25 billion, or \$1.52 per share and easily topped analysts' expectations of \$23.2 billion and \$1.43.

## The economics

FROM PAGE B4

The night before Eid is called Chand Rat because of the sighting of the moon. Muslims will often visit bazaars and shopping malls with their families for Eid shopping.

Women, especially younger girls, will often apply the traditional Mehendi, or henna, on their hands and feet and wear colourful bangles. The traditional Eid greeting is Eid Mubarak and it is frequently followed by a formal embrace.

Gifts are frequently given. New clothes are part of the tradition — and it is also common for children to be given small sums of money by their elders. It is common for children to offer salam to parents and adult relatives.

After the Eid prayers, it is common for some families to visit graveyards and pray for the salvation of departed family members.

It is also common to visit neighbours, family members, especially senior relatives and get together to share sweets, snacks and special meals, including some special dishes that are prepared specifically on Eid.

People put on new clothes, children are given gifts and money, and everyone visits relatives and friends. It is the time when everyone asks pardon for all the wrongs of the past year.

The Eid-ul-Fitr effect exists around the festivity and has an impact on the socio-economic arena. Markets for clothes, footwear, cosmetics, jewellery and electronic gadgets witness bumper sales to the tune of thousands of crores of taka ahead of Eid.

Commercial banks witness a heavy rush for money transactions as a huge number of clients withdraw and deposit cash only a few days ahead of

Eid-ul-Fitr. Commercial

banks, which face liquidity shortages, borrow from the call money market to tackle the rush. Banks and non-bank financial institutions made a record of transactions on the call money market by borrowing thousands of crores taka from the market.

The Bangladesh Bank has pumped a record amount of money into the banking system as clients flooded almost all the branches of banks across the country before the start of Eid vacation. Most Muslims are spending a substantial amount on the festival, giving a boost to both the national economy and the rural economy.

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## 'Natural' potato storage

FROM PAGE B4

On the other hand, this does not occur for the potatoes kept in natural storages as their taste remains the same, he added.

Abdur Rouf, an FMG leader who manages a natural potato storage in Mithapukur upazila of Rangpur, said they had to sell potatoes at throwaway prices from fields just after harvest for the past two years.

attained more bargaining power to ensure fair prices," he added.

However, some farmers say the existing natural storages should be updated and the FMG members provided further training on collective management

as a few influential FMG leaders sporadically use those as their personal storage space, hampering the overall objective of the programme. "We've strengthened monitoring to ensure proper management to run the storages smoothly by removing drawbacks," said ATM Ershad Alam Khan, agricultural marketing officer of Nilphamari.

Shahin Ahmed, an agricultural marketing officer of Rangpur, said the success of existing non-freezing models of potato storage has inspired people to build such facilities on their own for either personal or communal use.

## HSBC's top

OF ITS BUSINESS, THE REPORTS SAID.

CEO Noel Quinn, who has been running HSBC for more than two years, has doubled down on Asia by moving global executives there and ploughing billions of dollars in the lucrative wealth management business, with a focus on the region.

Some analysts have previously also called for HSBC to split its global business, arguing that the bank makes most of its money in Asia and that its global network adds extra costs without delivering enough benefit.

**GEOPOLITICAL TENSIONS**

HSBC has been navigating escalating political tensions between China, Europe and the United States.

"There is some sense to the proposal in a political context but HSBC does benefit from having a foothold in both the West and Asia," said John Cronin, banking analyst at Goodbody, on Friday.

Reuters reported last year that Beijing had grown disenchanted with HSBC over sensitive domestic and international legal and political issues, from China's crackdown in Hong Kong to the US indictment of an executive at Chinese national tech champion Huawei Technologies. The executive was released last September.

In 2016, the bank decided to keep its headquarters in London, rejecting the option of shifting its centre of gravity back to the main profit-generating hub of Hong Kong after a 10-month review.

## Big Fed rate hikes ahead

Amid early signs that hot inflation is peaking

REUTERS

US Federal Reserve policymakers look set to deliver a series of aggressive interest rate hikes at least until the summer to deal with hot inflation and surging labour costs, even as two reports Friday showed tentative signs both may be cresting.

Sharply higher food and gas prices lifted overall inflation to a new 40-year high of 6.6 per cent in March, data from the Commerce Department showed. At more than triple the Fed's target, hot inflation is why the central bank is widely expected to ramp up the pace of rate hikes with a half-point increase at each of its next three meetings, and continue raising rates through the end of the year.

Contracts tied to the Fed's policy rate now show heavy bets on interest rates rising to a range of 3 per cent to 3.25 per cent by the end of the year, putting borrowing costs well into territory US central bankers believe will put the brakes on growth.

But the inflation measure tracked most closely by the central bank as a signal of underlying price pressures, known as the core personal consumption expenditures price index, slowed slightly to 5.2 per cent in March, from 5.3 per cent the prior month. The report, from the Commerce Department, also contained fresh evidence of a shift toward spending on services that Fed policymakers hope will also ease upward price pressure, as spending on durable goods declined.

Meanwhile, a separate report showed employers jacked up benefits to attract historically scarce workers, accelerating the pace of employment cost increases to 4.5 per cent and underscoring the Fed's view that the labour market is extremely and perhaps unhealthily tight. But private wage growth leveled off, at 5 per cent.

The reports "won't stop the Fed from hiking by 50bp next week, but it supports our view that inflation

will fall a little more quickly this year than Fed officials now appear to expect," said Andrew Hunter, senior US economist at Capital Economics.

The Fed, and particularly its chief, Jerome Powell, is taking nothing for granted after being burned several times over the past two years in its assessment of inflation pressures that refused to wane as predicted.

"We want to see actual progress on inflation," Powell said just over a week ago, citing another round of possible sustained upward inflation pressures caused by the war in Ukraine and recent Covid-19 lockdowns in China prolonging supply chain issues.

"It may be that the actual peak was in March but we don't know that and so we're not going to count on it."

At its policymaking meeting next week, the Fed is set to raise interest rates by a bigger-than-usual half percentage point as it seeks to tamp down overall demand that has far exceeded supply in both labour and goods. It is also set to give the nod to starting the process of reducing its asset holdings as another way to tighten financial conditions.

Some analysts took no comfort from either of Friday's reports, noting that the continued rise in overall labour costs keeps fears of a wage-price spiral in play.

"These readings — which are showing no sign of easing — will be of concern to policymakers as they make decisions about monetary policy in an environment where the labour market is tight, and prices are at a 40-year high," wrote HFE's Rubee Farooqi.

American household sentiment perked up in April, the widely followed University of Michigan surveys of consumers showed Friday, as gas prices softened. But it remained near a ten-year low, and the specter of steep Fed rate hikes and what economists say is the rising chance of a resulting recession could weigh in months ahead.

## HAVAL CAR PURCHASE

## Brac Bank's 'premium' clients to enjoy benefits

STAR BUSINESS DESK

Brac Bank last week signed a memorandum of understanding (MoU) with Ace Autos, the authorised distributor of China-based Great Wall Motor Company's Haval sport utility vehicles (SUVs) in Bangladesh.

Under the agreement, the bank's "Premium Banking" customers will enjoy a warranty for three years or 100,000 kilometres on purchasing the SUVs, says a press release on Friday.

Brac Bank will also reduce interest on loans by 0.5 percentage points alongside processing fees by up to 0.50 percentage points or a maximum of Tk 15,000.

Md Mahiul Islam, head of retail banking of Brac Bank, and Azharul Islam, CEO of Ace Autos, signed the MoU at the bank's head office in Dhaka on April 27.

## Panama passes bill to permit use of crypto assets

REUTERS, Panama City

Lawmakers in Panama's National Assembly on Thursday approved a bill to regulate the use and commercialisation of crypto assets in the Central American country renowned as a hub of offshore financial services.

The bill opens the door to private and public use of crypto assets, and will make it possible for people to pay their taxes with cryptocurrencies. Experts warned it could heighten Panama's reputation as a place lacking financial transparency.

The legislation is broader in scope than measures passed by El Salvador, which last year made bitcoin legal tender, said independent lawmaker and promoter of the bill Gabriel Silva.

"We're seeing the emergence of many different types of crypto assets like works of art," he said. "That's why we didn't want to limit ourselves only to cryptocurrencies."

The bill covers the trading and use of crypto assets, issuance of digital securities, new payment systems and the tokenisation of precious metals. Tokenisation is when rights to an asset are converted into digital formats.

Under the new legislation, Panamanians may use crypto assets as means of payment for any civil or commercial operation not prohibited by law in the country.

Panama is on the European Union's list of tax havens, and Romain Dromard, chief executive officer at financial investment advisory firm K&B Family Office, said the crypto bill would not help it appear more transparent.

"Panama was already in a bad position and these payment methods skip the due diligence processes that international organisations are asking Panama to embrace," he said.

## Musk told banks he will rein in Twitter pay

REUTERS

Elon Musk told banks that he would crack down on executive and board pay to slash costs while monetising tweets, according to people familiar with the matter.

Musk — who bought Twitter for \$44 billion earlier this week — made the pitch to the lenders as he tried to secure debt for the buyout after submitting his offer to the social media giant on April 14.

His submission of bank commitments was key to Twitter's board accepting Musk's "best and final" offer.

Musk had to convince the banks that Twitter brought in enough revenue flow to service the debt he sought. He eventually clinched \$13b in loans and a \$12.5b margin loan tied to his electric car company Tesla.

He would pay the remainder of the consideration with his own cash.

Sources, on the condition of anonymity, told Reuters that Musk's pitch to the banks constituted his vision rather than firm commitments, and that the exact cost cuts he will pursue remain unclear.



Banks were asked by Bangladesh Bank to run operations on a limited scale yesterday despite it being Saturday, a weekend, to enable customers to settle financial transactions ahead of Eid-ul-Fitr. The largest religious festival of Muslims is scheduled to be celebrated either on May 2 or May 3 depending on the sighting of the moon. However, a lower number of transactions took place than the usual at this corporate branch of Sonali Bank in Chattogram city's Agrabad. PHOTO: RAJIB RAIHAN

# 84pc factories clear Eid bonus

Garment owners pay all dues: BGMEA

STAR BUSINESS REPORT

Around 84 per cent of factories across Bangladesh completed distributing festival bonuses to their workers as of yesterday in anticipation of the Eid holidays which are set to begin today, according to data from Industrial Police.

Besides, about 53 per cent of all manufacturing units have paid their workers half their due wages for the month of April in advance as instructed by the government.

"Similarly, almost all garment factories have paid festival bonuses and 15 days' salary to their workers," said Nazma Akter, president of Bangladesh Sammilito Garment Sramik Federation.

"In many cases, garment factories are even paying salaries for the full month or at least 20 days," she told The Daily Star.

Monnujan Sufian, state minister for labour and employment, previously instructed industry owners to disburse festival bonuses and their workers' salaries for March and April before the Eid holidays began on April 29.

Sufian also asked factory owners to follow the dates set by the government for public holidays on the occasion of Eid-ul-Fitr.

"But if anyone wants to run their factory on an emergency basis, they should do so in consultation with the workers if necessary," the state minister said.

She then urged industry owners to ensure payment of their employees of at least 15 days in case they are unable to pay the full salary for April.

"However, all arrears, partial or full salaries and Eid bonuses must be paid by April 28 as the public holiday starts on April 29," she added.

Sufian went on to say that the instruction was applicable for all formal, informal, public and private companies and enterprises.

Sirajul Islam Rony, a former workers' representative on the minimum wage board for garment workers, said all apparel factories have already paid festival bonuses to their workers.

Regarding the payment of 15 days' salary, he said many factories have done as instructed while others have paid that of 20 days or even of the whole month.

Echoing the same, Faruque Hassan, president of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA), said some 99.75 per cent of the garment units have paid their workers' salaries for 15 days of April.

In addition, the workers have been

allowed staggered and zone wise holidays so that they do not face any transport crisis, Hassan added.

Industrial Police estimate that there are 9,176 industrial and manufacturing units across the country.

Their records show that there are some 1,615 members of the BGMEA, 685 members of the Bangladesh Knitwear Manufacturers and Exporters Association, and 338 members of Bangladesh Textile Mills Association.

Apart from those that manufacture textile and garment items, there are around 384 other factories housed in various economic zones of Bangladesh Export Processing Zones Authority alongside 83 jute mills across the country, as per Industrial Police estimates.

In addition, there are some 6,107 industrial and manufacturing units in other categories across Bangladesh.

## Entravision MediaDonuts opens office in Bangladesh

STAR BUSINESS REPORT

Entravision MediaDonuts, a Singapore-based online advertising and technology company, has opened an office in Bangladesh as part of effort to continue its expansion in Asia in the second quarter of 2022.

With this, the company is now operational in eight countries in Asia, said the company in a press release.

The media and advertising industry in Bangladesh has grown significantly in the last few years, the company said quoting research data.

Internet penetration in Bangladesh is currently at 31 per cent, meaning the country has 53 million connected consumers and the number is continuously growing in double digits, it said.

"...an incredible opportunity for advertisers to connect with the GenZ and millennial audiences through the wide range of performance and social advertising solutions..." said Pieter Jan de Kroon, chief executive officer and founder.

## French growth crashes to zero in first quarter

AFP, Paris

The French economy flatlined in the first quarter as households reduced their consumption due to rising inflation and the war in Ukraine, the national statistics agency said Friday.

The zero-growth result was weaker than the INSEE agency's pre-war forecast of a 0.3 per cent expansion, underlying the economic difficulties faced across Europe.

The French annual inflation rate also accelerated to 4.8 per cent in April, up from 4.5 per cent the month before, INSEE said in a separate statement.

"Gross domestic product is at a standstill ... it bears the mark of the two combined external shocks (Covid and the Omicron variant in January, then the war in Ukraine that strengthened inflation)," INSEE economist Julien Pouget wrote on Twitter.

The figure puts an end to France's strong economic rebound from the Covid-19 pandemic and poses a challenge to President Emmanuel Macron, who was re-elected last weekend.

Economic growth had been clocked at 0.8 per cent in the last quarter of 2021 and 3 per cent in the third. European economies have been badly affected this year by supply problems linked first to the pandemic, then the war in Ukraine -- as well as sanctions imposed on Russia following its February 24 invasion of its neighbour.

Figures also released Friday showed that the eurozone's GDP growth slowed to 0.2 per cent in the first quarter, with a Germany eking out a similar gain as it avoided a second consecutive quarterly contraction.

## High growth in manufacturing MFS providers in a costly battle

FROM PAGE B1  
The number of large establishments declined, still their share of total employment increased which implies a rise in average employment per unit.

The second concern is that total employment in MSM has declined.

It is also observed that the large establishments have a much higher share of female employment compared to MSM. Lack of women's employment in MSM in local areas may work against the scope of women's employment growth and discourage their labour force participation.

DS: What observations can be made on the trend of wages from the SMI data?

**Rushidan Islam Rahman:** SMI provides data on the total wage/salary bill of enterprises. It is observed that out of total salary/wage/benefits paid, the large industries' share is about 74 per cent, which implies their overwhelming control of the paid employment market. Moreover, the share has increased from 61 per cent in 2006.

The other important observation is that over this seven-year period, the increase in salary/wage payment was 17.6 per cent, which is rather low if one thinks of the inflation over this period. This is only a small fraction of the increase over the previous inter-survey period, which was 221 per cent.

DS: Can we use SMI data to make observations on wage/salary per worker?

**Rushidan Islam Rahman:** The SMI does not provide data on the number of paid workers, and thus wage/salary per worker cannot be calculated. In future, this data should be collected and reported.

In the absence of data on per person salary/wage, I have done some calculations of wage/salary per person engaged (including all types of employment) in large establishments. Assuming a low share of unpaid/family employment in such units, the average will be close to salary/wage per paid employee. This average has increased by 30 per cent over the seven-year period from 2011 to 2018. This is lower than the total inflation during this period indicating a decline in the real wage.

DS: Which sectors emerged as important in this round of SMI?

**Rushidan Islam Rahman:** The top rank was maintained by readymade garments as expected. The next two are food processing and cotton textile, same as the ranks in 2011. The diversification of subsectors has been low.

DS: What is the overall assessment of the emerging trends and what type of policy directions follow?

**Rushidan Islam Rahman:** To sum up, between 2011 and 2018, the growth of value added in this sector has been remarkable, but employment growth was very small. Large industries dominate not only in the growth of output but also in the growth of employment. Employment per large

unit increased considerably, accompanied by a decrease in the number of enterprises in this group, depicting increased concentration and scaling up. A decreasing number of large enterprises controlling manufacturing sector growth and employment, if it is to continue unabated, may cause a further slowdown of employment growth and worsen the already high-income inequality in the country.

The MSM establishments did not succeed in creating jobs. The efforts at revitalising the MSM must look for new policy instruments. While the SME development policies of the government have proposed many relevant areas of improvement, these need to be seriously pursued.

In addition, the local constraints that discourage the entry of new small enterprises can be identified if one considers issues beyond those highlighted by the existing enterprises. One must bear in mind that the constraints identified by the running enterprises may not reflect the reality faced by the failed ones or the discouraged entrepreneurs. There is also a need for serious soul searching on how to encourage the growth of both large and small units in more labour-intensive sub-sectors.

I also wish to take this opportunity to suggest that the SMI is conducted more frequently and the results are published within a year which will enable quick policy response.

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and bKash costumers get Tk 500 and Tk 200 respectively, according to an official of the lifestyle brand.

About 50 per cent of the cashback is borne by the store while the rest 50 per cent comes from the MFS operator being used.

"It's a win-win situation...we both can attract customers with such offers. But the ultimate winners are the customers," said the official.

Industry insiders said the battle between digital payment providers is still centred on customer acquisition as such services are set to rule the roost of the future payment systems.

According to global data firm Statista, the total transaction value in the digital payments segment is projected to reach \$9.48 billion by the end of 2022 and \$17.86 billion by 2026.

During this Eid, the top MFS providers are giving cashbacks ranging from 5 per cent to 40 per cent for payments through their platforms to various lifestyle brands, retail shops, super shops, restaurants, and online marketplaces, such as F-commerce.

Now bKash has brought cashback offers of up to 20 per cent at around 10,000 retail outlets and Nagad up to 35 per cent cashback or discounts

at more than 4,000 outlets. The tap is also providing such discounts at hundreds of shops.

The cashback or discount battle for customer acquisition intensified ever since Nagad entered the market in 2018, and platforms are burning huge amounts of money in the process.

For example, bKash was profitable from 2014 to 2018 but has continuously made losses since 2019, when Nagad entered the market.

Shamsuddin Haider Dalim, head of corporate communications at bKash, said the company's main purpose of offering discounts and cashbacks, including those during festive seasons, was to encourage customers to pay digitally.

He went on to say that bKash offers discounts and cashbacks as part of its campaign to augment digital literacy and awareness.

Dewan Nazmul Hasan, chief executive officer of tap, said they were trying to establish digital payments as a service than can help turn Bangladesh into a truly "cashless" society as per the national goal.

"If our customers find the benefit of using their e-wallet in day-to-day transactions, then merchants, transport services and so on will also accept digital money as payment, which will develop the total cashless

ecosystem," Hasan added.

M u h a m m a d Zahidul Islam, head of communications at Nagad, said the digital payment market was at a stage of growth where incentives were necessary to bring more users into digital payment platforms.

"We want to popularise Nagad's digital payments and retain our customers by offering discounts and cashbacks," he added.

However, Rocket, the country's third-largest MFS provider which is owned by Dutch-Bangla Bank, does not give such offers very often.

An official of the bank earlier this year told this reporter that they do not subsidise Rocket and only invest in the MFS provider from their annual profits.

Although bKash, Nagad and tap say they bear no more than 50 per cent of these discounts, analysts think it costs them a lot.

"The cost of customer acquisition is very high for MFS providers and will make their sustainability a challenge," said Ahsan H Mansur, executive director of Policy Research Institute (PRI).

The largest MFS provider in Bangladesh, bKash, has been receiving strong backing from global investors. The company received investments from World Bank's International Finance Corporation in 2013, the Bill & Melinda Gates Foundation in 2014,

and Jack Ma's Ant Group in 2018.

It also secured the backing of SoftBank Group's Vision Fund as visionary venture capitalist Masayoshi Son's SoftBank took a 20 stake with \$250 million.

Brac Bank, one of top local banks, holds the majority of the stakes of bKash.

The tap also has a strong backing of Trust Bank and Axiata Digital Services Sdn Bhd, Malaysia, which owns Robi, the second-largest mobile network operator in Bangladesh.

Nagad, which runs itself as a wing of the postal division and conducts operations on the basis of an interim licence from Bangladesh Bank, has no such financial backing from any conglomerate.

"Nagad's owners invested heavily in it as such a digital start-up has high potential. The market value of Nagad has now become larger than the investment," said an official of the company.

PRI Executive Director Mansur said every MFS provider should be regulated strongly or else the government would have to bear the responsibility of compensating customers if any company defaults.

"If an unregulated MFS company collapses after so much investment, the downfall would be a mammoth one," he added.

## Job growth in manufacturing plunges

FROM PAGE B1  
Because of a lack of proper capital accumulation, the number of medium industries has decreased over the years, she said.

"If we want to increase manufacturing sector jobs, the government should come forward to ensure the flow of capital for investment in the medium-sized firms."

The survey was conducted before the coronavirus pandemic struck. If a survey is carried out now, it will show a more depressing scenario, since most factories were kept shut for at least two months after the virus arrived on the shores of the country in March 2020.

"The unemployment rate might have increased now," said Prof Bidisha, also the research director of the South Asian Network on Economic Modeling.

"Unskilled and women workers are losing jobs as they can't adjust to the changing atmosphere."

Rushidan said large establishments have a much higher share of female employment compared to MSMs.

"Lack of women's employment in MSMs in local areas may work against the scope of women's employment growth and discourage their labour force participation."

## Germany skirts recession with Q1 growth

AFP, Frankfurt

The German economy grew by 0.2 per cent in the first quarter of 2022, official figures published Friday showed, swerving a technical recession after ending 2021 on a downwards note.

Despite the positive result, the war in Ukraine has had "a growing impact" on the economy since Russia's invasion in late February, the federal statistics agency Destatis said in a statement.

Gross domestic product shrank 0.3 per cent in the last quarter of 2021 as supply bottlenecks and a new wave of the coronavirus took their toll.

Europe's largest economy was caught between "two opposing forces", said Fritzi Koehler-Geib, chief economist at the public lender KfW.

**Despite the positive result, the war in Ukraine has had "a growing impact" on the economy since Russia's invasion in late February**

The recovery after the last wave of the coronavirus had given a "positive impulse", she said, but new bottlenecks in raw materials and components as a result of the Ukraine conflict were "weighing" on the economy.

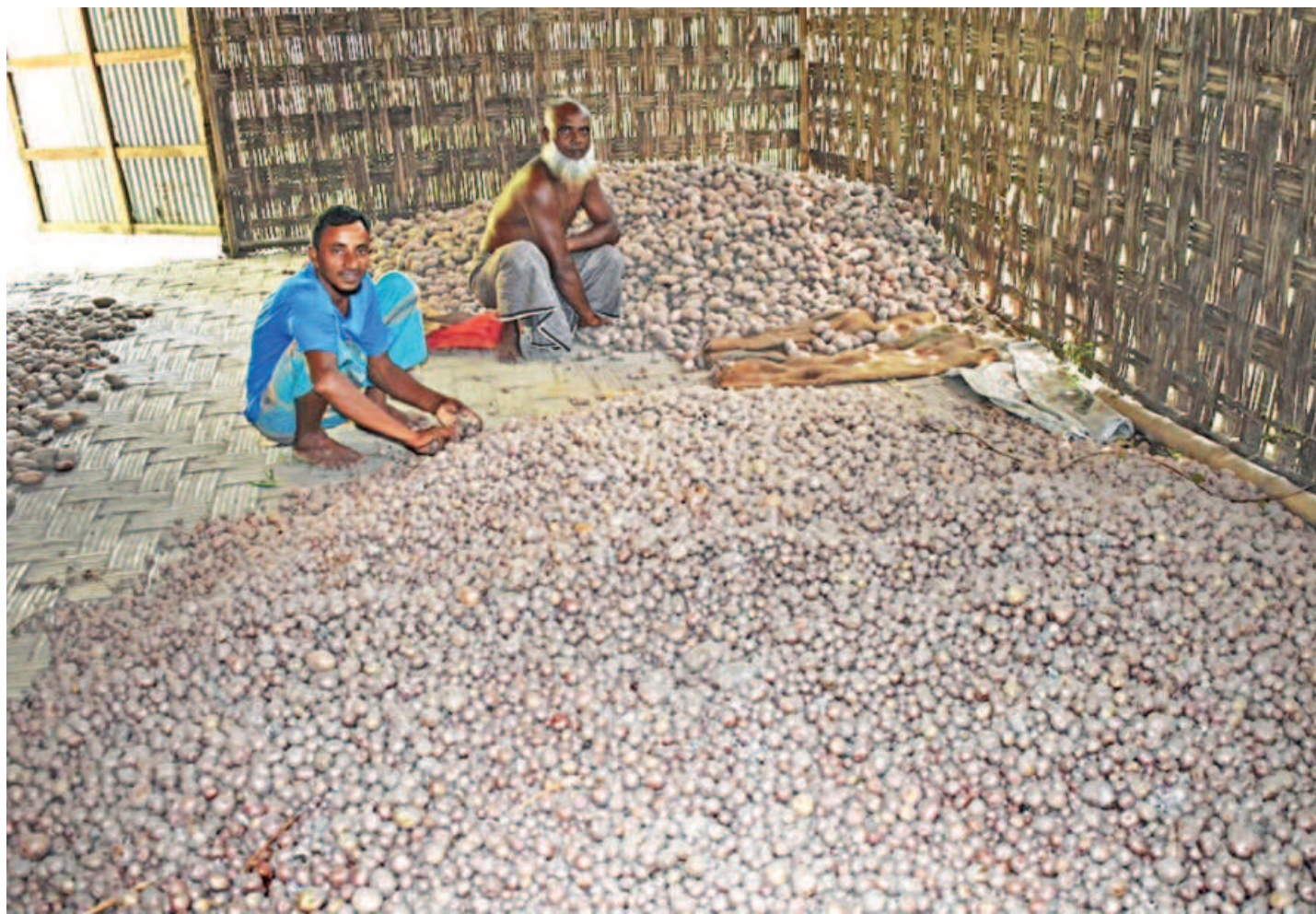
Interruptions to supplies of key parts from Ukraine have hampered production, forcing a temporary factory stop at Germany's leading auto manufacturer Volkswagen.

Rising costs for "energy and food" due to the conflict had likewise taken the wind out of a hoped-for post-pandemic consumer boom, Koehler-Geib said.

Earlier this week, the German government slashed its forecast for growth in 2022 to 2.2 per cent from the 3.6-per cent figure it had put forward in January.

Germany, which is highly reliant on Russian energy imports and maintained strong business links with Moscow, was "paying a price" for its backing for Ukraine, Economy Minister Robert Habeck said.

An Russian gas embargo in response to the war could have potentially painful impact on businesses and consumers, driving the cost of energy even higher.



Workers are seen sorting potatoes inside a "natural" cold storage in Domar upazila of Nilphamari. With production far exceeding the collective storage capacity of traditional cold storages, these bamboo structures serve as a much-needed alternative as farmers can use them to store their crops for up to four months at almost no cost.

PHOTO: EAM ASADUZZAMAN

# 'Natural' potato storage the new rage in north

Provides potato farmers a cheap way to keep their crops for later sale

EAM ASADUZZAMAN, Nilphamari

Amidst substantial amounts of potato production and subsequent space constraints in cold storages, a new method of stowing the spuds that does not require freezing has come as a blessing for farmers in the country's northern districts.

With this new method, farmers will be able to ensure good profits by selling the stored potatoes over time as they would be otherwise forced to sell them at throwaway prices just after harvests.

During a recent visit to Rangpur and Nilphamari districts, this correspondent found that there were now many "natural" storages for potatoes grown in the region.

On an average, the storehouses are about 25 feet long and 15 feet wide with roofs made of corrugated iron sheets while the floors and walls are comprised of bamboo slats to facilitate air flow.

In addition, herbs locally known as "biskutuli" are spread on the floors to protect the potatoes from pest infestations. About 30 tonnes to 32 tonnes of the tuber crop can be kept for up to four months without expense in each of these storage facilities.



The Department of Agricultural Marketing had initiated a project, styled "Potato preservation, processing and marketing at homesteads", in fiscal year 2015-18 to build 40 of these storages in the region.

Motivated by its success, the department has undertaken a new project to construct another 450 of these storages in different areas at a proposed cost of Tk 41 crore.

The project plans are currently at the planning commission for recommendations, according to relevant sources.

"Natural potato storages

have proven effective and so, many will be built in 16 districts of Rangpur and Rajshahi along with Munshiganj, Cumilla and Chadpur," said Anwarul Huque, deputy director of the department for the Rangpur region.

At present, there are some 41 natural storages that can accommodate about 1,500 tonnes of potato.

After conducting intensive surveys, Bangladesh Agricultural Research Council conveyed its observation that by using the natural storages, farmers can increase their profit by up to Tk 6 per kilogramme (kg) of the crop.

In eight northern districts of Rangpur division, potato production amounted to 40 lakh tonnes this year but the region's 102 cold storages can accommodate only 9.5 lakh tonnes, showed data from the Department of Agricultural Extension.

The cost of preserving a 50-kg bag of potato in cold storages is about Tk 260, which is too high for most farmers to bear.

A local Farmers Marketing Group (FMG), comprising 30 to 35 members, maintains the procedure of preserving and selling potatoes from storages in due time and also sharing profits proportionately.

Md Abul Islam, leader of an FMG wing in Uttar Motukpur village, said potatoes kept in cold storages remain intact from March to June and by this time, prices rise to their benefit.

This year though, they were compelled to sell large amounts of potatoes early on at a lower profit as untimely rainfall during the harvest season threatened to ruin the crops.

"But the spuds kept in cold storage lose their natural taste, which is disliked by consumers," said Moklesur Rahman, a farmer of the same village.

READ MORE ON B2

## The economics of Eid-ul-Fitr

MUHAMMAD ABDUL MAZID

The latest wave of Covid-19 is on the verge. The economy looks like on rebound mode, but it may take more time for the life and livelihood to return to normalcy if other things remain constant.

In the last 24 months, Bangladesh missed dozens of festivals, but if they could be celebrated to a greater degree, the economy would have regained momentum.

Curbing disparity, proper distribution of resources, and the window of employment opportunity for the lower and middle class can be notched up by leveraging this festival.

It was highly speculated that the economic climate will be nascent in the next phase on the heels of the last two years' exacerbated situation. So,

pouring more funds this time may turn to drainage. That takes a heavy toll on the overall scenario. This is the landscape of how the festival's economy becomes gloomy.

However, given that the nation spent a substantial amount of cash for Eid-ul-Fitr (two months' salary and festival bonus together) and remittances poured in, a special business spree started for the transportation sector as many people travel.

Media reports confirm the magnitude of financial transactions marking the celebration of Eid in a country of 17.5 crore people.

Festivals are common in all societies and cultures. With the change in social and economic structures, the nature of festivals also changes. But some festivals are so deeply rooted in the social organism that they continue to entertain from generation to generation.

Some of the festivals bear the mark of the community and nationality, some have the stamp of religion, and some bear the impression of politics. The main foundation of religious festivals is ritual and is of collective activities. Many of the rituals were related to agriculture and were determined by lunar months.

**Curbing disparity, proper distribution of resources, and the window of employment opportunity for the lower and middle class can be notched up by leveraging this festival**

The ancient rituals were magical processes to tame supernatural power. In the subsequent cultures, this characteristic feature was retained. Some spontaneous agro-based ancient festivals lost their spontaneity with the passing of time and became more formal.

Although most of the festivals were related to religions, these did not evolve on account of religions - they originated spontaneously in society. Later, they assumed a more formal character.

For example, not very long ago, singing and music were a part of the Eid festival of the Muslims of Bengal, which was an expression of spontaneity. But now it is not there. Nowadays, these are more formal than before, but new social dimensions have been added to them.

They have become occasions of mutual exchange of pleasantries among friends and relatives and become an event of economic boom, cultural activities and even political manoeuvrings.

Eid-ul-Fitr is also connoted as a festival of distributing fitra, a form of charity from the rich to the poor, helping them celebrate Eid.

In Bangladesh, Eid is observed colourfully in a befitting manner and with great zeal and zest. This festival has evolved in the primitive society out of the prayer for food and has now become varied and vibrant.

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## DEALING WITH DEFAULT

# Russia makes last-gasp dollar bond payments

REUTERS

Russia made what appeared to be a late U-turn to avoid a default on Friday, as it made a number of already-overdue international debt payments in dollars despite previously vowing they would only be paid in roubles.

Whether the money would make it to the United States and other Western countries that sanctioned Russia was still not clear, but it represented another major twist in the game of financial chicken that has developed about a possible default.

Russia's finance ministry said it had managed to pay \$564.8 million on a 2022 Eurobond and \$84.4 million on a 2042 bond in dollars - the currency specified on the bonds. The ministry said it had channeled the required funds to the London branch of Citibank, one of the so-called paying agents of the bonds whose job is to disburse them to the investors that originally lent the money to Moscow.

Russia has not had a default of any kind since a financial crash in 1998 and has not seen a major international or 'external' market default since the aftermath of the 1917 Bolshevik revolution.

The risk of another one though is now a flashpoint in the economic tussle with Western countries which have blanketed Russia with sanctions in response to its actions in Ukraine that Moscow has termed a "special military operation". The bonds were originally supposed to be paid earlier this month but an extra 30-day 'grace period' that government bonds often have in their terms meant Moscow's final deadline was on May 4.



A woman buys vegetables at a food market in Moscow on Friday. Russia has not had a default of any kind since a financial crash in 1998 and has not seen a major international or 'external' market default since the aftermath of the 1917 Bolshevik revolution.

PHOTO: AFP

## HSBC's top shareholder calls for its break-up

REUTERS

HSBC Holdings's largest shareholder, Chinese insurance giant Ping An, has called for a break-up of the London-based bank, a source familiar with the matter said on Friday.

Ping An has set out its plan to split the company to HSBC's board, according to earlier media reports, which also cited people familiar with the matter.

Ping An declined to comment.

HSBC did not comment on Ping An's involvement, but defended its overall strategy in a statement on Friday.

"We believe we've got the right strategy and are focused on executing it," a spokesperson for the bank said by email.

The plan would unlock greater value for HSBC shareholders by separating its Asia operations, where the bank makes most of its money, and other parts

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