



Improved varieties of paddy seeds being unloaded at a warehouse of Bangladesh Agricultural Development Corporation at Khadimnagar in Sylhet. The seeds will be sold to farmers for cultivation during the rainy season. The photo was taken on Sunday.

PHOTO: SHEIKH NASIR

In miracle city Shenzhen, fears for China's economic future

REUTERS, Shenzhen

David Fong made his way from a poor village in central China to the southern boomtown of Shenzhen as a young man in 1997. Over the next 25 years he worked for a succession of overseas manufacturers before building his own multi-million-dollar business making everything from schoolbags to toothbrushes.

Now 47, he has plans to branch out internationally by building internet-connected consumer devices. But after two years of coronavirus lockdowns that have pushed up the price of shipping and battered consumers' confidence, he worries if his business will survive at all.

"I hope we make it through the year," said Fong, surrounded by talking bears, machine parts and his company's catalogues in his top-floor office overlooking gleaming towers in an area of Shenzhen once filled with sprawling factories. "It's a tough moment for a business."

Fong's story of rags to riches, now

threatened by a wider slowdown worsened by the coronavirus, mirrors that of his adopted city.

Created in 1979 in the first wave of China's economic reforms, which allowed private enterprise to play a role in the state-controlled system, Shenzhen transformed itself from a collection of agricultural villages into a major world port that is home to some of China's leading technology, finance, real estate and manufacturing companies.

For the last four decades, the city posted at least 20 per cent annual economic growth. As recently as October, forecasting firm Oxford Economics predicted that Shenzhen would be the world's fastest-growing city between 2020 and 2022.

But it has since lost that crown to San Jose in California's Silicon Valley. Shenzhen posted overall economic growth of only 2 per cent in the first quarter of this year, the lowest-ever figure for the city, aside from the first quarter of 2020 when the first wave of coronavirus infections brought the country to a standstill.

Shenzhen remains China's biggest goods exporter, but its overseas shipments fell nearly 14 per cent in March, hampered by a Covid lockdown that caused bottlenecks at its port.

The city has long been seen as among the best and most dynamic places for business in China and a triumph of the country's economic reforms. President Xi Jinping called it the 'miracle' city when he visited in 2019.

If Shenzhen is in trouble, that is a warning sign for the world's second-largest economy. The city is "the canary in the mine shaft," said Richard Holt, director of global cities research at Oxford Economics, adding that his team is keeping a close eye on Shenzhen.

Fong, who sells his goods mostly to domestic customers, said sales are down about 40 per cent from 20 million yuan (\$3 million) in 2020, hurt by the recent two-month lockdown in Shanghai and a general decline in consumer confidence. China's strict travel rules mean he has not been able to visit Europe to try to expand there. Shenzhen, now a city of some 18 million people, has been hit by

a succession of blows from inside and outside the country.

Shenzhen-based telecom equipment makers Huawei Technologies and ZTE Corp (000063.SZ) were placed on US trade blacklists over alleged security concerns and illegally shipping US technology to Iran respectively. Huawei denies wrongdoing, while ZTE exited probation in March five years after pleading guilty.

Another of the city's major companies, top-selling property developer China Evergrande, sparked fears of a collapse last year under its heavy debts that would have wreaked havoc with China's financial system. Down the road, Ping An Insurance Group Co, China's largest insurer, took big losses on property-related investments.

Even smaller firms have suffered. Amazon.com Inc last year cracked down on how sellers do business on the platform, impacting more than 50,000 e-commerce traders, many based in the city, the Shenzhen Cross-border E-commerce Association said.

Synergy in policies key to containing

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The proposed national budget for the fiscal year of 2022-23 was announced amid a challenging economic context, such as uneven recovery from the Covid-19 pandemic, inflationary pressure fuelled by the Russia-Ukraine war, balance of payment deficit, issues in revenue mobilisation, low budget implementation, rising poverty, inequality and unemployment.

The import tax levied on some essential items was also left untouched in the proposed national plan while potential adjustments in energy prices could fuel the inflationary pressure, said Bidisha, also a professor of economics at the University of Dhaka.

"Market mechanisms need to be strengthened and monitored in order to contain the import-based inflation."

Current expenditure and non-development expenditure rose at a higher pace in the proposed budget as there was a need to prioritise them, said Selim Raihan, executive director of the Sanem.

Some important sectors like education and health need bigger allocations but increased funding alone cannot ensure a proper outcome.

"So, implementation skills also need to be raised," said Raihan.

Besides, the government's eighth

five-year plan was not represented in the proposed budget and so, the country lags in medium and long-term development planning, Raihan said, adding that the five-year plan should be revised.

In answer to a query, he said the tax-free annual income limit should have been raised to at least Tk 3.50 lakh considering the high inflationary pressure in Bangladesh.

"The middle and lower-middle-income people are facing problems due to inflation while the poor segment is in a tough period. Increasing fuel prices in the coming days will make the situation harder."

However, the real allocation for social safety net programmes was reduced in the proposed national plan, according to the think-tank.

The government aims to borrow from banks to meet the budget deficit but that may crowd out private sector funding and so, it could seek alternative sources for financing, such as foreign loans.

With low employment elasticity despite the growth in gross domestic product, it is not clear whether cutting the corporate tax by 2.5 percentage points from the next fiscal year will lead to the required employment generation, the Sanem said.

"So, a detailed and specific roadmap for

generating employment is required."

The organisation found that many people became "new poor" during the coronavirus pandemic and the situation worsened because of the Russia-Ukraine war and subsequent hikes in global commodity prices.

However, allocations for social safety net programmes were reduced through deductions in pensions, interest, and stipends.

Moreover, the allocation for open market sales was cut in the proposed budget to Tk 1,720 crore from Tk 1,943 crore in the previous fiscal year.

The Sanem welcomed the reduction in the import duty on some products like wheat gluten and sugarcane molasses.

It recommended increasing the allocation for social infrastructure and per capita allocation under the key social safety net programmes and the total allocation, excluding pension and interest, in line with the peoples' need.

Regarding measures that provide opportunities to whiten black money, Raihan said the government should focus on stopping the capital flight instead of giving the chance to bring back the funds.

"This is because the government has ultimately rewarded those who deserve punishment and this gave a bad signal to society."

Britain GDP

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Growth was likely to rebound in the third quarter so the chances of a second successive quarterly decline in GDP – the traditional definition of a technical recession – looked low.

"But the growth outlook is poor. An already serious squeeze on households' spending power will be negatively affected by the inflationary impact of global supply chain frictions and sterling's recent weakness," Beck said.

Finance minister Rishi Sunak, who last month announced extra support for households and is expected to do more later this year, said Britain was not alone in facing the hit from surging inflation and the fallout from Russia's invasion of Ukraine.

"Countries around the world are seeing slowing growth, and the UK is not immune from these

challenges," he said in a statement.

Last week, however, the Organisation for Economic Co-operation and Development said Britain's economy would show no growth next year, the weakest forecast for 2023 of any country in the Group of 20 with the exception of sanctions-hit Russia.

On Monday, the Confederation of British Industry warned of stagnation and possibly a recession. Despite the slowdown, the BoE is expected to raise interest rates for the fifth time since December on Thursday.

It has forecast inflation will exceed 10 per cent in the final quarter of the year, five times its target.

Most investors and economists expect another quarter percentage-point rate hike this week, taking Bank Rate to 1.25 per cent, its highest since 2009.

Indian rupee

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including in India, with the Reserve Bank hiking borrowing costs by 50 basis points last week for the second time in as many months. The RBI earlier announced an out-of-cycle 0.4 per cent rate rise in May.

India's central bank has also been selling off foreign currency to stabilise the currency.

Inflation has also jumped in India owing the fallout from the Ukraine

war, overshooting the central bank's two-to-six percent target range from January to April.

It hit an eight-year high of 7.79 per cent in April, fanned by a spike in food and fuel costs.

In May, the government banned exports of wheat, with yields already hit by a heatwave, to rein in prices.

Sugar exports were also capped to safeguard supplies, while the government cut duties on fuel and edible oils.

Nesco bill payment through upay

STAR BUSINESS DESK

Mobile financial service provider upay has recently signed an agreement with Northern Electricity Supply Company (Nesco).

Rezaul Hossain, managing director of upay, a subsidiary of United Commercial Bank, and Zakiul Islam, managing director of Nesco, inked the deal at the latter's head office in Dhaka, said a press release.

Under the agreement, Nesco customers will be able to pay both the prepaid and postpaid bills through their upay accounts round the clock from the convenience of their homes.

Customers will not have to pay any service charges to avail the bill payment service.

By using the upay app or dialling USSD *268#, they can easily pay the bill.

Shakib Altaf, deputy director of upay, Hasan Mohammad Zahid, assistant director, Mohammad Mockbul Hossain Bhuiyan, deputy general manager, and Md Mahfuzur Rahman, account manager, and Amdadul Hoque, deputy company secretary of Nesco, Md Imrul Kayes, assistant manager for human resources and administration, were present.

LankaBangla Securities, Chartered Life Insurance sign deal

STAR BUSINESS DESK

LankaBangla Securities has signed a memorandum of understanding with Chartered Life Insurance Company making beneficiary owners (BO) account holders eligible for insurance coverage in case of death and permanent disability.

Khandoker Saffat Reza, chief executive officer of LankaBangla Securities, and SM Ziaul Hoque, chief executive officer of Chartered Life Insurance Company, signed the deal at the former's head office in Dhaka, said a press release.

US electric vehicle maker ELMS files for bankruptcy

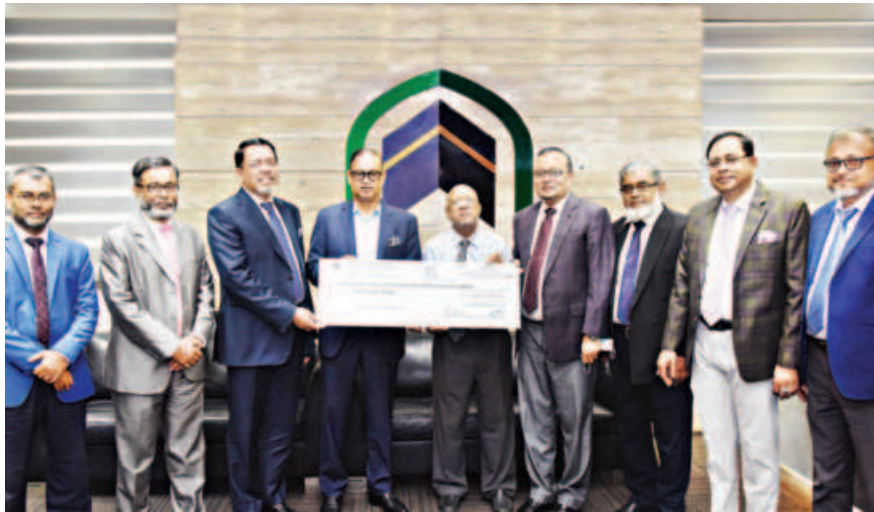
AFP, New York

Electric delivery van maker Electric Last Mile Solutions, under investigation by a top US securities regulator, has announced plans to file for bankruptcy, less than a year after going public.

The Michigan-based company, which aimed to provide urban delivery vehicles, announced late Sunday had filed for Chapter 7 bankruptcy, or liquidation.

In February, the company's CEO, Jim Taylor, and chairman, Jason Luo, resigned following an internal investigation into share purchases by the co-founders before ELMS went public.

ELMS appointed board member Shauna McIntyre as interim CEO to review the company's products and plans.



Abdus Samad Labu, chairman of the board executive committee of Al-Arafah Islami Bank, hands over a sponsorship cheque worth Tk 2 crore for an international trade fair to AM Mahbub Chowdhury, vice-chairman of the Chittagong Metropolitan Chamber of Commerce and Industry (CMCCI) at the Al-Arafah Tower in Dhaka yesterday. Farman R Chowdhury, managing director of the bank, and SM Jaffar, Shabbir Ahmed, and Md Mahmudur Rahman, deputy managing directors, were present.

PHOTO: AL-ARAFAH ISLAMI BANK



Peter Haas, US ambassador to Bangladesh, inaugurates a sub-branch complete with two ATM booths of the Commercial Bank of Ceylon (CBC) inside the US embassy in Dhaka recently to serve the diplomatic mission. Najith Meewanage, chief executive officer of the bank, was present.

PHOTO: COMMERCIAL BANK OF CEYLON