The Padma Bridge would give a boost to the regional and national economy, as producers in the southwestern region would be able to sell their produce in Dhaka and other parts of the country without facing much delay and wastage.
PHOTO: SAJJAD HOSSAIN

FY23 budget's journey begins amid a tempest

MD FAZLUR RAHMAN

The timing could not be worse for the fiscal year to start with.

The Russian war in Ukraine is raging, cementing worries about the persistence of the commodity price volatility and supply bottlenecks.

Covid-19 infections are re-surging both at home and abroad, in another unpromising sign for the economy.

Like in other countries, higher inflation, which is hitting the poor and low-income groups hardest, is expected to move higher or at least stay at an elevated way for several more months to two years.

Exports are rising but are playing second fiddle to blistering imports. Remittance flow has slowed and revenue generation likely missed the target in the fiscal year that ended yesterday.

Floods have already devastated the Sylhet region and hit some districts in the northern part, and there is a threat that it can inflict damage on other parts of Bangladesh as well.

More people are in need of state support than ever as they are finding it hard to cope with escalated prices of essentials. The government's spending on expensive fuel, gas and fertiliser from the state coffer would remain at a higher level. As a result, subsidy spending could overshoot.

Amid such a distressed scenario and a gloomy outlook, the government today sets out to implement its budget for the new fiscal year of 2022-23.

In a welcoming move, the government has begun enforcing the early closure of shopping malls, markets and kitchen markets.

The argument is it would cut the use of electricity which would go on to bring down the imports of oil and gas, thus cutting the pressures on the foreign currency reserves.

But Zahid Hussain, a former lead economist of the World Bank's Dhaka office is not convinced.

"Why are you imposing it on the private sector when you can do it on your own?" he asked.

First, he explains, the government should focus on cutting expenses.

"There are many projects that, if deferred, would not cause any harm to the economy. If you cut expenses today, it would have an immediate positive impact. This will also set an example."

Like in other countries, higher inflation, which is hitting the poor and low-income groups the hardest, is expected to go up further in Bangladesh

The closure of shopping malls, markets and kitchen markets earlier than usually done would affect the revenue generation, Zahid argues.

In another major development, the opening of the Padma Bridge would give a boost to the regional and national economy, as producers in the southwestern region would be able to sell their produce in Dhaka and other parts of the country without facing much delay and wastage.

The government has also cut the tariffs on rice imports.

CHALLENGE AFTER CHALLENGE

The subsidy on fertilizer, whose prices are now almost three times higher than they were a year ago as per the World Bank, would cause a major headache for the government as it would only amplify the subsidy burden.

But there is no way to ignore the agriculture sector. The nation has to be fed.

Food prices are likely to remain high for the foreseeable future and are expected to push more households into acute food insecurity not just in Bangladesh but across the world.

So, if the government can buy enough food from the local and foreign markets before it is too late, it will be in a comfortable position in evading a food crisis, which looms large globally.

To make matters worse, a recession is knocking on the door of the US and the European Union, the two biggest export markets for Bangladesh.

If the recession worries translate into reality and the country's export destinations face an economic downturn, it would deal a blow to exporters and remitters, the two biggest sources of foreign currencies for Bangladesh.

Sorting out macroeconomic challenges would be the biggest task for the government in the new fiscal year.

HIGHER GDP VS LOWER INFLATION

Zahid Hussain does not find an appropriate explanation for setting a GDP growth target of 7.5 per cent while setting the inflation target at 5.6 per cent.

Only two impossibilities can help the government achieve the dual targets: first, if the commodity prices fall drastically in the global markets and return to the pre-pandemic level.

Second, if the productivity of the economy accelerates through an increase in the productivity of workers and factories and improvement in the efficiency of the bureaucracy.

Accelerating GDP growth and bringing down inflation simultaneously are aspirations, according to Zahid.

"But even for aspiration, there has to be internal logic and there has to be some link with the reality because this is a budget and a concrete operational plan, not a fiction document."

Ahsan H Mansur, executive director of the Policy Research Institute, says Bangladesh does not need 7.5 per cent GDP growth in FY23.

"Rather, our focus should be on tackling inflation and bringing back macroeconomic stabilisation."

He says if the government goes ahead with its GDP growth plan, it will not be able to support the imports that will be needed to pull off the economic expansion given the costlier commodity prices.

HOW TO DEAL WITH EMERGING CHALLENGES

Monzur Hossain, research director of the Bangladesh Institute of Development Studies, says as Covid-19 cases are rising, adequate attention has to be given to the health sector so that economic activities don't come to a halt again owing to the pandemic.

He expects a more proactive role from the government in reducing poverty since the poor are facing a crisis for higher inflation.

"If there is another shock from Covid-19, the employment sector will also face challenges."

Monzur called on the government to take measures to speed up private investment, improve the quality of public investment and ensure timely implementation of projects.

READ MORE ON B2

Is the next generation ready to take the baton?

MAHTAB UDDIN AHMED

I had just come out of a meeting with my friend who is a prominent banker and this very interesting conversation ensued when I told him that I am keen to help family businesses in Bangladesh with my knowledge and experience. To my utter wonder, he shared a few interesting true stories, which had me delve further into the subject matter. One of them goes like this; in the event of an unpleasant incidence with an employee, the son of a certain family business owner directed his German shepherd dog to attach the hapless employee, who had to jump into the factory pond to survive.

In another incidence, an HR personnel of a family business was ordered by the owner's highly "educated" daughter to climb up and down the stairs of a 7-storey building nonstop under the supervision of security guards until she deemed the punishment adequate. After doing a few laps the distressed employee collapsed and subsequently sought his own termination from the company.

These stories reminded me of Bollywood movies that I watched in my childhood where a mandatory part of the movie would have diabolical villains having fun watching their victims suffer untold tortures at their whims and fancies. But that was in the monkey age I thought, and that things have moved from there to a more civilized path of ascent.

However, the above stories made me think again although as always, I try to focus on the positives. Despite a sharp declining trend in family businesses, I am still optimistic in believing the new generation can introduce an improved value and governance system to the tradition of family business.

As per a study, as much as 44 per cent of family businesses experience a growth decline in the first generation, 40 per cent survive through the second generation, and 15 per cent make it through the third generation

In the last six months or so, while trying to develop myself in the consultancy of family business, I have met several renowned family business owners to understand their story of success and challenges they experienced during the transition of the business to the next generation.

From what I gathered, one of the problems with the first generation of successful businesspeople is their reluctance to embrace change. They believe their traditional approach has yielded significant wealth in the past and will continue to do so in the future and moreover, their employees are comfortable and respectful to the existing way of things. Then why rock the boat? Why change or transform things when everything is going so right?

Most of the giant family businesses of today in the country had started their journey with trading businesses in the post liberation years. In the '80s, they gradually started local manufacturing as a substitute to import. This process of local value addition further accelerated in the '90s and beyond in the form of backward and forward integration. It is noteworthy that the contribution of these family businesses to Bangladesh's economy is immense. I salute the individuals behind family businesses who have

READ MORE ON B2

China's factory, services shake off lockdown pain

REUTERS, *Beijing*

China's factory and service sectors snapped three months of activity decline in June, business surveys showed on Thursday, as authorities lifted a strict Covid lockdown in Shanghai, reviving output and consumer spending.

The official manufacturing purchasing managers' index (PMI) rose to 50.2 in June from 49.6 in May, the National Bureau of Statistics (NBS) said.

That slightly missed the forecast for 50.5 in a Reuters poll but rose above the 50-point mark that separates contraction from growth for the first time since February.

While activity has sped up since various Covid lockdowns imposed since March have been rolled back, headwinds persist, including a still subdued property market, soft consumer spending and fear of any recurring waves of infections.

"Today's NBS numbers were encouraging to see, even if manufacturing slightly underwhelmed and expectations were for an improvement given the easing of lockdown restrictions," said Matt Simpson, senior market analyst at City Index.

Investors cheered the signs of economic recovery with China's major stock indices rallying more than 1 per cent and set for their biggest monthly rise in nearly two years.

A sub-index for production stood at 52.8, the highest since March 2021, while new orders also returned to expansionary territory for the first time in four months, although growth remained weak.

Employees of Chinese heavy equipment manufacturing company Sany work on a machine production line at a factory in Beijing. China's factory and service sectors showed signs of recovery as authorities lifted a strict Covid lockdown, reviving output and consumer spending.
PHOTO: AFP/FILE

IMF tells Sri Lanka to fight graft, raise taxes

AFP, *Colombo*

Sri Lanka should stamp out corruption and substantially raise taxes to rescue its economy, the International Monetary Fund said Thursday after bailout talks with the bankrupt island nation.

Representatives from the global lender of last resort have just concluded a 10-day visit to the capital Colombo to map out a resolution to the South Asian country's unprecedented economic crisis.

Their meetings follow months of lengthy blackouts and days-long queues for petrol as a financial crunch leaves Sri Lanka without the funds to meet its energy needs.

But the IMF said more work was needed to set the nation's finances right and repair its runaway fiscal deficit before a deal could be struck on a funding arrangement to address its balance of payments crisis.