

## Vietnam growth slows as exports slump

AFP, Hanoi, Vietnam

Vietnam's economic growth slowed in the first quarter of the year as exports slumped due to reduced consumer demand, authorities said Wednesday.

The communist manufacturing hub's economy expanded by 3.32 per cent in the January-March period, down from 5.05 per cent in the same period of 2022.

Vietnam is one of the world's largest exporters of clothing, footwear and furniture but in the first quarter of 2023 the country faced "unstable and complicated developments in the world economy", the General Statistics Office (GSO) said in a statement.

"The slow recovery of the world economy with the tightening monetary policies in several countries have reduced consumption demands in major trade partners. This created an impact on Vietnam's imports and exports volume."

Vietnam earned \$79 billion from exports in the quarter -- down 11.9 per cent year on year.

According to the statement, shipments of smartphones were down 15 per cent and electronics shipments decreased by 10.9 per cent during those months.

"Commodity and export-dependent economies like... Vietnam are particularly vulnerable to slowing export demand, including from China," the World Bank said in an earlier report.

More than 630,000 factory workers lost their jobs or had their hours cut in Vietnam in 2022, according to the labour ministry.

The bank predicted Vietnam's economic growth for 2023 would be at 6.3 per cent, down from eight per cent in 2022.



The demand for protein is ever-growing in Bangladesh thanks to the country's expanding population, prompting those in the poultry and livestock sector to ramp up production in recent years. As such, bank loan disbursements for the sector rose in the first seven months of the current fiscal year.

PHOTO: STAR/FILE

# Bank loan disbursement to poultry, livestock rises

STAR BUSINESS REPORT

Banks disbursed a higher amount of loans to the poultry and livestock sector in the first seven months of the current fiscal year compared to the same period a year ago, according to data by Bangladesh Bank.

In the seven months ending with January, the share of poultry and livestock in total farm loans of Tk 18,684 crore rose 21 per cent from 17 per cent during the same period the previous year.

Poultry and livestock producers got Tk 3,923 crore in loans in the July-January period this fiscal, which was 35 per cent higher from the same months a year ago, shows monthly report on agriculture and rural finance released yesterday.

Apart from the livestock sector, farmers borrowed more to grow crops this fiscal year as the share of the crop sector in overall farm credit grew 0.3 percentage points to 47.6 per cent in the first seven

months of this fiscal year.

Banks financed Tk 8,893 crore during the period while it was Tk 8,067 crore a year ago, according to the data.

However, the disbursement of funds for poverty alleviation declined as a percentage of the total agricultural credit given by banks.

Central bank data shows that private banks' share in farm loan disbursement rose in the current fiscal year while the share of other category lenders, including specialised and state-owned commercial banks, declined.

Private Banks disbursed 56.5 per cent of the Tk 18,684 crore loans disbursed during the July-January period of the fiscal year.

In the previous fiscal, the share of private banks in agricultural loan disbursement was 54.8 per cent.

By contrast, the share of specialised banks declined to 30.5 per cent during the period, down from 30.5 per cent the same period a year ago.

State commercial banks disbursed 9.5 per cent of the total loans to crop, poultry, livestock and other areas.

The share of state banks in farm loan disbursement was 9.7 per cent in the first seven months of fiscal year 2021-22.

Foreign banks lent 3.5 per cent of the total farm loans in the July-January period of the current year, down from 3.6 per cent a year ago, as per the data.

For the current fiscal year, Bangladesh Bank has fixed the target for agricultural credit disbursement at Tk 30,911 crore, which is nearly 9 per cent higher from the Tk 28,391 crore targeted last fiscal year.

During the July-January period of the current fiscal year, banks finances to the farm sector grew 10 per cent year-on-year from Tk 17,055 crore a year ago.

The central bank data shows that recovery of agricultural credit grew 7.8 per cent to Tk 2,016 crore in January this year compared to a year ago.

## Banking turmoil means recession fears creeping back

REUTERS

The failures of US lenders Silicon Valley Bank (SVB) and Signature Bank, followed by Credit Suisse's rescue, and the ensuing turmoil in world markets have re-ignited the recession risks that appeared to have abated just a few weeks ago.

Traders now bet the Federal Reserve is practically done hiking interest rates. Optimism that followed China's economic reopening and tumbling energy prices early this year has dimmed.

"The bigger, medium-term implication, of what's happened in the last month is that global growth will be far weaker in six months than we thought even just a few weeks ago," said Mike Riddell, senior fixed income portfolio manager at Allianz Global Investors.

Here's what some closely watched market indicators say about recession risks:

Central bankers are closely monitoring the potential for banking stress, on top of lending conditions that were already tightening, to trigger a credit crunch.

Fed chief Jerome Powell believes financial conditions have likely tightened more than traditional measures indicate. European Central Bank boss Christine Lagarde has also said the market turmoil may help fight inflation.

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Goldman Sachs reckons the tightening in bank lending standards it expects could subtract at least 0.25 to 0.5 percentage points from 2023 U.S. economic growth, equivalent to the impact of another 25-50 bps of Fed rate hikes.

AXA Investment Managers Chief Economist Gilles Moec noted small and big US banks were borrowing heavily and holding onto cash, citing Fed data showing bank asset and liability positions as of March 15.

"There is a sizeable risk that the ongoing banking trouble triggers a 'sudden stop' in lending which would then send the economy into the sort of recession which would go beyond what is strictly needed to tame inflation," he added.

As the outlook darkens, traders were betting on Tuesday another Fed rate hike is a coin toss, with over 50 bps worth of rate cuts priced by year-end. ECB rates are seen peaking at around 3.4 per cent, down from over 4 per cent in early March.

This has pushed shorter-dated borrowing costs down. US two-year bond yields have dropped 80 bps in March, so yield curves are less inverted than prior to SVB's collapse.

While inverted yield curves, where long-dated borrowing costs are lower than shorter-dated ones, are good recession predictors, inversion has been followed by steepening as past recessions neared.

The US two-year/10-year yield curve has steepened over 40 bps this month, the biggest monthly steepening since 2009.

World shares down just 0.1 per cent in March and still sitting on gains this year seem to signal little recession risk, but worries are mounting under the surface.

## 'Debt servicing a concern'

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This will not bring any positive for the financial sector," Ahsan said.

"We do not allow any bank to fail but this is a bad culture. Banks facing losses should be allowed to fail," he added.

Ahsan then suggested that deposit insurance should be increased to protect the clients' funds.

Almost all countries monitor all types of economic activities, he said, adding that the black economy is available in every country.

The black economy refers to people who operate entirely outside the tax and regulatory system.

A group of people does not show their business transactions to avoid taxation, he said.

However, such types of economic

activities are also calculated by the respective authority of the foreign nations, Ahsan added.

With this backdrop, he urged the central bank to detect the volume of the black economy and bring such activities under regulation.

Binayak Sen, director general of BIDS, said the ongoing Russia-Ukraine war has had a more adverse impact on the economy than the coronavirus pandemic.

"If the war prolongs, the economy will face more problems," he added.

Sen then said that Bangladesh has taken loan from the International Monetary Policy at the right time.

"If the suggestions of the IMF are implemented properly, the country will get benefit from it," he added.

## Business process outsourcing industry growing

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for the government's a2i project, a Union Parishad HelpLine and a helpline for the Dhaka Water Supply and Sewerage Authority.

"We have been providing various types of services of the government to the citizens, solving many problems. Now we are trying to export these services to other countries," said its managing director and co-founder, Shohorab Ahmed Chowdhury.

Another segment that shows great promise in the BPO industry is the outsourcing of graphic designing and image editing.

India, the Philippines and Vietnam have long been among the major markets for outsourcing for global clients but Bangladesh has also become a favourite destination owing to its offers of lower prices and the ability to deliver projects on a large scale.

Currently, 7,000 people are working at more than 100 small and medium companies in the country specialising in graphic designing and image editing.

Another 50,000 are working as freelancers, according to an estimate by industry people.

According to the association, there are more than 70,000 people working in the BPO industry.

Kowser Ahmed Nirob, CEO and founder of The KOW Company, said 3D images, a computer-generated graphic or image that provides the perception of depth like a real-world object, would rule the roost in the BPO industry.

"We are working on it with some of the top global retailers," he said. The KOW Company currently employs over 550 people.

## Agri ministry takes



Under the five-year project, the government will provide "Krishak Smart Card" to each of 1.8 crore farmers so that they can get input subsidies and credit support, according to documents of the planning commission and agriculture ministry.

PHOTO: STAR/FILE

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said Wahida Akter, secretary to the agriculture ministry.

"Whatever we wanted to do in agriculture for so long, through this project, we want to coordinate everything," she said.

On distributing the "Krishak Smart Card", she said a database of farmers would be created across the country to ensure that the government benefits reach the real farmers.

However, the agriculture ministry last year had taken the same sort of programme, introducing "smart cards" for 1.09 crore farmers with an aim to provide area-based and demand-based agricultural services. It was supposed to be used as farmers' digital identity, which would help them get government incentives as well.

To this effect, a pilot project involving Tk 108 crore is already in the pipeline to provide digital services

to farmers in 14 agricultural zones of nine districts.

Asked why the same type of programme is being undertaken, she said they had taken up the first project as per their "digitalisation plan".

But when they got a "more updated" proposal from the World Bank, they scrapped the first project, she said.

"From the PARTNER project, each family will get a single smart card but earlier (under the previous project) more than one family member was allowed to get the card," she said.

"We are not running the previous project," said Akter.

Akter also said the PARTNER programme's cards would be very "effective" and provide additional facilities.

The previous project's card was stipulated to cost Tk 56 but under the new project, the cards would now

cost Tk 270 to Tk 275, she said.

Under the project, the ministry also plans to increase the area being used for the cultivation of fruits and vegetables through good agricultural practices to three lakh hectares while high-yielding rice varieties to two lakh hectares.

Talking to The Daily Star, Md Shakhawat Hossain Sharif, a focal point officer of the project, said they have mainly focused on crop diversification as well as exploring export possibilities through this project.

"We want to set up modern lab facilities and accredited testing processes for agricultural commodities to ensure global standards for food exports," he said.

The project is now under the supervision of the planning commission, and it will finally be placed at the Executive Committee of the National Economic Council for final approval, he said.

## BSEC seeks travel ban

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So, the commission requested the police to take appropriate measures so that the MD and CEO of Alliance Capital can't leave the country.

Yesterday, Islam told the Daily Star that the fund was invested in non-listed companies and it has been recalled. So, the fund will return to the bank account during the inquiry period, which ends on

## Beza, China chamber sign

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Congratulating the BCCCI on signing the MoU, Beza Executive Chairman Shaikh Yusuf Harun said Beza was providing land at competitive rates for planned industrialisation as well as creating an investment-friendly environment to open up new opportunities for investors.

Haroon said by attracting domestic and foreign investment, Beza was working hard to maintain the goods supply system, meet domestic demand and maintain exports.

He said Beza was developing

economic zones on a G2G basis by protecting national interest.

The Beza executive chairman also mentioned that Chinese investors were investing a significant amount of money in all the economic zones under the Beza where land allocation was ongoing.

He also urged Chinese investors to invest in the tourism parks set up by Beza.

Haroon said Beza was coordinating with various government institutions to protect the interests of all investors, including the Chinese.