

Vietnam's economy sees positive changes: govt

ANN, Viet Nam News

The Ministry of Planning and Investment has reported that Viet Nam's socio-economic situation has been experiencing gradual and positive changes, with steady growth observed in several important indicators and indexes month by month.

This has contributed to the overall improvement in the first half of this year and set the stage for the upcoming months.

Minister of Planning and Investment Nguyễn Chí Dũng emphasised this during the teleconference between the Government and localities and the regular Cabinet meeting in Hà Nội on Tuesday.

Reports from the ministry showed that the Consumer Price Index (CPI) recorded an average increase of 3.29 per cent in the first six months compared to the same period last year, maintaining its downward trend. State budget revenue reached 54 per cent of the estimated target for the first half of the year. In June, the total import-export turnover continued to rise, showing a growth rate of approximately 3.6 per cent compared to the previous month. The trade surplus for the first six months was projected to reach US\$12.25 billion, a significant increase compared to the \$1.2 billion recorded during the same period last year.

Investment showed more positive signs, with the total invested capital in the second quarter increasing by 5.5 per cent compared to the same period of last year, surpassing the growth rate of 3.7 per cent in the first quarter.

Overall, in the first six months, the total social investment capital was estimated to exceed VND1.35 quadrillion, a 4.7 per cent increase compared to the same period.

Registered foreign investment in the second quarter reached nearly US\$8 billion, a nearly 50 per cent increase compared to the first quarter.



Mung dal being processed from mung bean using a milling machine developed through a project undertaken by the Bangladesh and Australian governments. Inset, until a couple of years back, quern-stones were used for the purpose. PHOTO: SOHRAB HOSSAIN

Milling machine leveraging mung dal farmers

SOHRAB HOSSAIN, Patuakhali

The availability of a simple electricity-run milling machine is helping farmers in Patuakhali double their earnings from a legume crop.

Mung bean is a relatively drought-tolerant and low-input crop that can improve soil fertility and provide livestock feed.

Drying, removal of its green skin and subsequently splitting it in half yield the pale-yellow mung dal, which can sell for twice as much.

Until a couple of years back, this processing was done using quern stones, which is tedious, for which farmers used it for only what they sought to consume themselves.

However, things started to change since January 2021.

Existing grain millers started to get the machines for free from Bangladesh Agricultural Research Institute and the Bangladesh Wheat and Maize

Research Institute with support from an Australian government project through the Australian Centre for International Agricultural Research.

It had taken 5 years to develop the "mini mills" with the help of local craftspeople, that too using parts readily available in the local market, said Dr Mrinmoy Guha Neogi, deputy project leader from the University of Western Australia.

There were 14 set up in Patuakhali and Barguna each, two in Pirojpur and one in Barisal. The only precondition was that the millers could charge farmers no more than Tk 10 per kilogramme.

And this has been a long time coming for Rafiq Sipai. The farmer of Patuakhali sadar upazila has been cultivating mung beans for around 15 years.

This year he is very happy to get Tk 120 to Tk 130 per kilogramme of mung dal whereas the same amount of mung bean would have brought him Tk 40 to Tk 50.

Harvesting 16 maunds (one maund equals around 37 kilogrammes) from

1.30 acres of land, he plans to expand his cultivation next year.

Farmer Zakir Hossain of Barguna also plans to grow more of the legume. This year he harvested 25 maunds from 1.5 acres.

Both farmers use a machine set up inside the shop of Abdul Mannan Sikder in Hetalia Bandhghat area of Patuakhali town.

Sown in December and harvested in February, mung bean is one of the most preferred crops after rice and watermelon, said Abdul Awal, deputy assistant agriculture officer of Patuakhali sadar upazila.

Yields stand at around 1.3 tonnes per hectare in Patuakhali, he added.

This year 86,432 hectares of land were used, around 1,000 hectares more than that last year, said Md Nazrul Islam, Patuakhali district agriculture extension officer.

The machines are bringing more revenue for farmers and getting others interested, he said.

New Zealand signs 'ambitious' trade deal with EU

AFP, Brussels

The European Union and New Zealand on Sunday signed a free trade agreement which Brussels says can lift exchanges between the two by 30 per cent with a decade.

The deal, agreed in June 2022 after four years of tough negotiations, is "ambitious", said European Commission President Ursula von der Leyen.

"It is a very well-balanced free trade agreement," she added.

"New Zealand is a key partner for us in the Indo-Pacific region, and this free trade agreement will bring us even closer together," the EU chief said from Brussels.

New Zealand Prime Minister Chris Hipkins said it "will generate substantive new economic opportunities."

"It's of huge benefit to both partners," he said.

The EU is New Zealand's third biggest trading partner importing wines, fruit and meat into the continent.

Bilateral trade was just under nine billion euros (\$9.9 billion) last year.

According to Brussels, EU exports to the South Pacific nation could increase by 4.5 billion euros a year. The bloc's investment in New Zealand could climb progressively by as much as 80 per cent.

The deal includes a section on sustainable development, a first for an EU trade pact.

"For the very first time in a trade deal, we have included commitments on the Paris climate agreement," which set a goal of limiting global warming to well below two degrees Celsius, noted von der Leyen.

German industrial output slips

AFP, Frankfurt

German industrial production unexpectedly fell in May, official data showed Friday, raising fears of a prolonged downturn in Europe's top economy.

Output in the manufacturing powerhouse slipped by 0.2 percent compared to the previous month, seasonally adjusted figures from federal statistics agency Destatis showed.

Analysts surveyed by financial data firm FactSet had forecast the indicator would come in almost flat.

The German economy fell into recession at the turn of the year, weighed down by surging inflation and aggressive interest rate hikes.

ING economist Carsten Brzeski warned the latest data indicated that "German industry is still stuck in stagnation."

"It needs an activity surge in June to avoid an extension of the recession," he said.

The fall in production came after an increase of 0.3 percent in April.

May's figure was affected in particular by a seven-percent decline in the energy sector.

Energy prices have surged since Moscow invaded Ukraine and slashed supplies to Germany, which had previously relied heavily on Russian gas.

The manufacture of pharmaceuticals also slumped by about 13 percent.

Tax collection target

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Data showed that the new goal is 32 per cent higher from the total collection of the FY23.

"Achieving the target will be impossible," said Mansur, also a former economist at the IMF, "At best, the NBR would be able to collect 15 per cent higher tax," he said.

The economic situation is likely to become more depressed this fiscal year as Bangladesh Bank adopts a contractionary monetary policy, said Mohammad A Razzaque, director of the PRI Study Centre on Domestic Resource Mobilisation (CDRM).

"Interest rate hike and increased cost of businesses will bring down economic dynamism and revenue mobilisation will be more difficult," he said.

Mansur however said the revenue target given for the current fiscal year is "very much achievable".

"It should be achieved," he said, adding that the NBR could not achieve the target for its administrative failure.

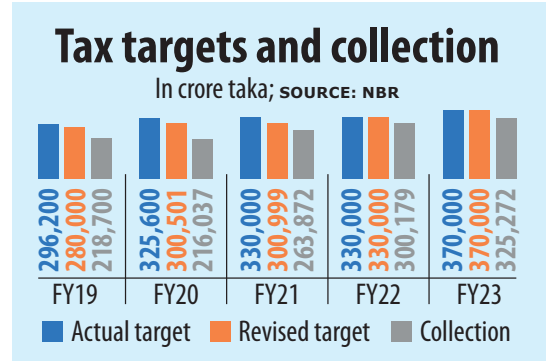
Without modernisation of the tax administration and automation, reduction of direct and regular contact between taxpayers and tax administration

as well as separation of revenue collection from policymaking, the tax target will not be achieved, he added.

Mansur said the slower growth in revenue collection might cause Bangladesh to go for a separate negotiation with the IMF.

As per the IMF's task list, Bangladesh was supposed to ensure a higher revenue collection and prevent the forex reserve from falling. That could not be achieved, he added.

"So stronger measures have to be taken. At



least sale of forex from reserve has to be stopped," he said.

It was understandable from the very beginning of last fiscal year that the revenue collection target was likely to be missed, said Towfiqul Islam Khan, senior research fellow of the Centre for Policy Dialogue (CPD).

The target was too ambitious. During the course of the year, the government also took several austerity measures, including that involving public expenditure and imports, which negatively affected the revenue collection, he said.

While it is true that the tax-GDP ratio is very low in Bangladesh and the government has laid emphasis on it as a part of the IMF conditionalities, the NBR should focus on revenue collection by any means, he added.

This year's fiscal measures, passed under the budget for FY2024, clearly indicate that the NBR does not necessarily take into consideration the distributive and strategic concerns adequately, said Khan.

The key approach for tax collection should curbing tax evasion and illicit financial outflow, he added.

Farmers allege difficulties

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Jamil also said while it is true that they are currently unable to fully provide after-sales service, the facility will be developed gradually.

According to officials of the Department of Agricultural Extension (DAE), around 34 companies are supplying 12 types of agricultural machinery under the project.

Of these companies, 14 mainly import and retail combine harvesters.

Seeking anonymity, a senior official of a leading supplier of agricultural products, said some local companies are providing substandard products to farmers.

Besides, a number of them that do not provide quality products are still being contracted under the project thanks to some unscrupulous business practices, the official added.

As the implementing agency, the DAE has so far distributed around 30,000 agricultural machineries at subsidised rates, said Project Director Tarik Mahmudul Islam.

Asked about the farmers' allegations, Islam said they are facing some problems

regarding the implementation of new technologies on a countrywide level.

During previous iterations of the project between 2009 and 2020, there were some problems related to supplying quality machineries.

"But the project is ongoing very successfully. In the last Aman and Boro seasons, the country saved some Tk 2,700 crore thanks to the farm mechanisation project through improved cultivation," Islam said.

"We are carefully trying to monitor the farmers' allegations against suppliers," he added, citing how they have already taken steps against some companies as per farmers' written complaints.

M Asaduzzaman, former research director of the Bangladesh Institute of Development Studies, said the government should ensure feasibility studies before taking such projects as influential groups may be the ones benefiting rather than farmers.

"When farmers purchase machines, they have to invest a huge amount on it. If they don't get sustainable services from the provider, they may face large economic losses," he added.

Will take long to recover losses

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Last year, Bangladesh spent \$8.2 billion for energy purposes and the amount will be \$10 billion this year, he said, adding that the amount will be \$15 billion if the government wants to supply energy to industrial units at full capacity.

Currently, the textile sector needs 3,300 million cubic feet of gas each day but they are getting 2,550 million cubic feet.

The government has also reduced the EDF limit at a time when sector is facing challenges, Khokon said.

"If the government takes away Tk 1.32 lakh crore from the banking sector, the industrial sector will suffer from the shortage of funds," he added.

Even the 9 per cent interest rate on borrowing was high for the garment sector but now, the SMART interest with 3 per cent spread is a burden

for the sector, said Faruque Hassan, president of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA).

"Why isn't the spread 1.5 per cent instead of 3 per cent over SMART?" Hassan asked.

Shawkat Hossain Masum, online chief of The Daily Prothom Alo, said the taka was devalued by 25 per cent at a bad time as the devaluation was denied earlier.

He also urged for energy security. Jamal Uddin, former ICAB president, said the government's operating cost should be downsized to 50 per cent from 70 per cent.

Ferdaus Ara Begum, chief executive officer of Business Initiative Leading Development (BUILD), said sufficient research and discussions should have been held before introducing trade in Indian rupee.

She suggested for introducing a single exchange rate instead of four different exchange rates.

Mahbub Ahmed, a director of Bangladesh Bank, urged for easing the sales of treasury bonds so that regular people can buy such financial instruments.

Atiur Rahman, former governor of the central bank, said only the inflow of US dollar can resolve the current crisis.

So, the government should hunt the greenback not only from exports or remittance, but also from other areas like foreign development projects.

"Moreover, the government can earn a handsome amount of US dollar if the rules are eased for the nearly 7 lakh freelancers in the country as they also earn money from abroad," he added.

Ceramics export rises

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As a result, we were not able to supply goods against around 30 per cent of the orders," said Irfan, also the managing director of FARR Ceramics Ltd.

The government is providing a 10 per cent cash incentive against exports of ceramic products. "This is encouraging," Irfan said.

MA Jabbar, managing director of DBL Ceramics, said the business of the ceramic sector is going through a difficult period due to the increase in the production cost and the gas crisis.

The absence of uninterrupted gas and power supply and the increase in the cost of production hampered production, ultimately affecting the exports of ceramics, he said.

The entrepreneur said owing to the disruption in gas and power supply, the sector faced a big challenge in

maintaining the quality of products.

Local ceramic manufacturers mainly produce three types of products: tiles, tableware and sanitaryware. Of the 68 manufacturers currently operating, 20 produce tableware, 32 make tiles and the rest produce sanitaryware.

Bangladesh mainly ships tableware and has added tiles to the export basket in recent years.

According to Jabbar, considering the ongoing high inflation environment, manufacturers have not been able to hike the price of their products in line with the spike in the cost of production.

"As a result, the profit margin has plunged to the lowest level."

Ruslan Nasir, deputy managing director of Mir Ceramic Limited, said tiles manufacturers export on a limited scale and contribute an insignificant amount to the export basket.

The company mainly exports to the northeastern states of India.

Nasir said local tiles manufacturers are focusing on the local market since demand has grown over the past decade thanks to rapid urbanisation.

"There is a lot of competition in the tiles segment globally. And since the sector is dependent on imported raw materials, it will take time for the local producers to grab a significant share of the international export market."

He, however, sees a bright future for the tiles segment since local manufacturers produce world-class products.

Manufacturers have so far invested around Tk 10,000 crore in the sector, which employs about five lakh workers, including two lakh women. They ship goods to more than 50 countries.