RAK Ceramics sees profits fall

STAR BUSINESS REPORT

RAK Ceramics saw its profits slump 34 per cent year-on-year to Tk 28.5 crore in the January-June period of 2023 as its costs largely outgrew sales owing to non-availability of adequate gas and increased cost of gas and electricity.

Volatility in the foreign currency market and disruptions in the global supply chain were the two other factors that affected earnings, said the company in its unaudited financial statements for the second quarter of 2023.

Shares of the ceramics maker stood unchanged at Tk 42.90 on the Dhaka Stock Exchange yesterday.

RAK Ceramics, one of the largest ceramics makers in Bangladesh, said its sales increased marginally in the first half of the year to Tk 381.39 crore from Tk 380.30 crore a year ago.

Revenue growth remained almost flat in the April-June quarter.

On the other hand, its cost of sales, administrative, marketing and selling expenses increased in the first half of 2023.

RAK Ceramic's cost of sales grew 6.5 per cent year-on-year while other expenses soared 19 per cent in the January-June period.

As such, its earnings per share (EPS) fell to Tk 0.67 in the January-June period, down from Tk 1.01 at the same time the previous year.

The ceramics maker also posted reduced earnings in the April-June quarter with its profits plummeting 31 per cent to Tk 12.8 crore.

Robi's Reddot to launch subsidiary

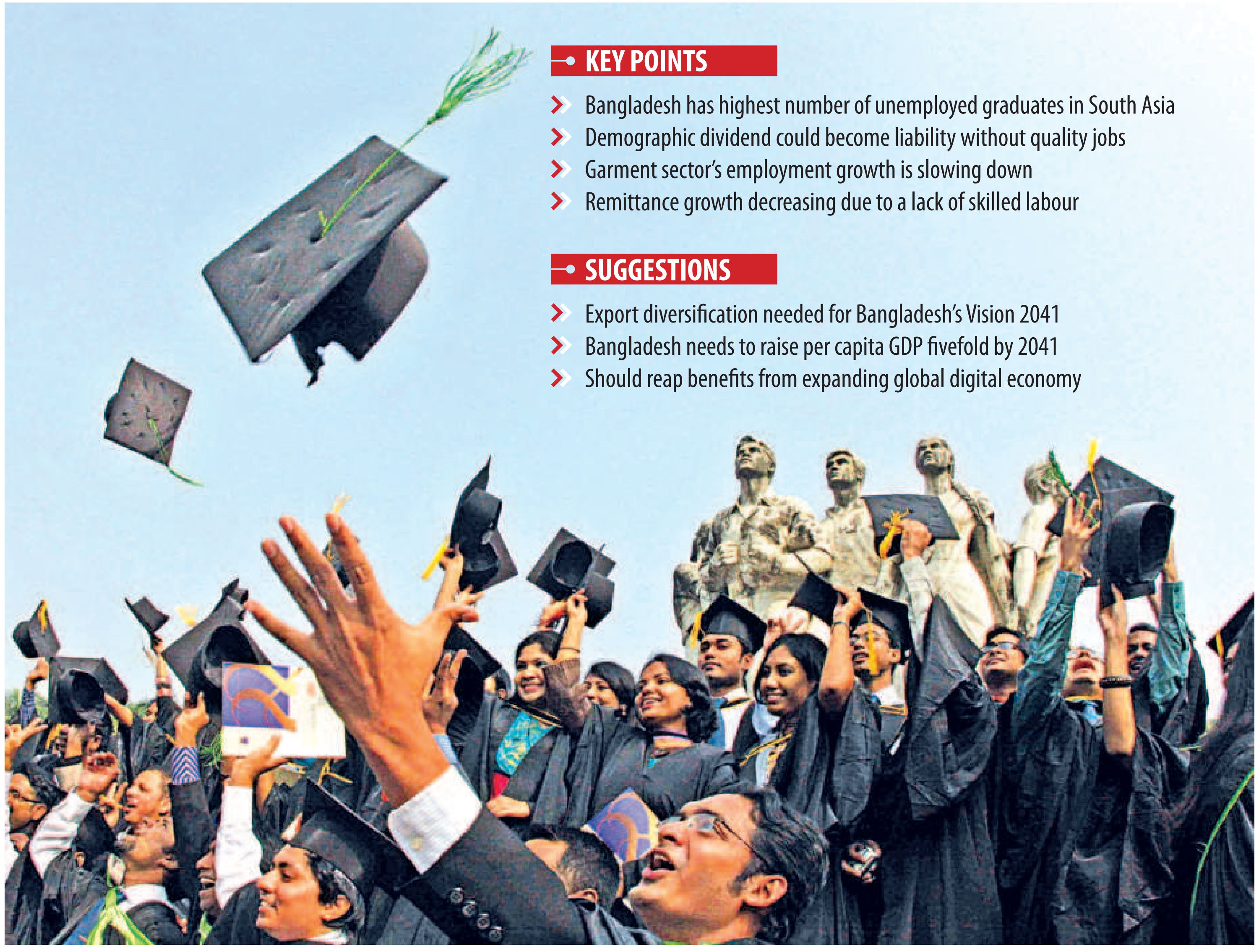
STAR BUSINESS REPORT

Reddot Digital Ltd, owned by mobile network provider Robi, is going to launch a new subsidiary, called "AxEnTec PLC", to sell and distribute IT solutions and digital services in Bangladesh.

It will also serve the market through sales, distribution and marketing services for connectivity, ICT, software, application and hardware solutions. This includes data centres, cloud and cloud infrastructure, the Internet of Things (IoT), and cyber security.

On July 12, the board of Reddot approved the scheme, which will have its registered office in Bangladesh, the company said in a disclosure on the Dhaka Stock Exchange yesterday.

However, Reddot will continue its operations of IT and ICT software, applications and other related solutions.



KEY POINTS

- Bangladesh has highest number of unemployed graduates in South Asia
- Demographic dividend could become liability without quality jobs
- Garment sector's employment growth is slowing down
- Remittance growth decreasing due to a lack of skilled labour

SUGGESTIONS

- Export diversification needed for Bangladesh's Vision 2041
- Bangladesh needs to raise per capita GDP fivefold by 2041
- Should reap benefits from expanding global digital economy

Demographic dividend may turn into a liability

Experts stress adequate, quality jobs

STAR BUSINESS REPORT

The demographic dividend that Bangladesh currently enjoys could turn into a liability if an adequate number and quality jobs are not created, according to experts.

"Another important factor for the country to address is unemployment among youth, particularly educated youth," said M Masrur Reaz, chairman and CEO of the Policy Exchange of Bangladesh.

At present, Bangladesh has the highest number of unemployed tertiary graduates in all of South Asia.

"This is not great news for a country that has a good demographic dividend. Unless we address policy issues and create openings for jobs, the demographic dividend might become a liability," he added.

Reaz made these remarks while presenting the keynote speech at a conference, styled "Resilient and resurgent Bangladesh: Sustaining economic growth in a changing climate".

The event was organised by the International Growth Centre (IGC) at InterContinental Dhaka yesterday.

He said it will take economic diversification and expansion of formal gainful employment to realise "Vision 2041", which aspires to see Bangladesh become a developed country by that year.

But to become a developed country, Bangladesh's gross domestic product (GDP) per capita needs to increase nearly five-fold from $2,800 to $12,996.

Meanwhile, private investment needs to rise from 21 per cent of the GDP at present to 36 per cent.

Besides, the total volume of private investment needs to expand by about 70 per cent from the existing $70 billion to $955 billion.

Additionally, foreign direct investment and exports will have to be raised by 600 per cent and 900 per cent respectively.

"This has implications for jobs, both in terms of demand and supply. If we have to deliver that economic target, we need to ensure enough human capital is present to support the growth rate," Reaz said.

> **Economic diversification and expansion of formal gainful employment are important to realise "Vision 2041", says an expert**

"As we edge closer to those targets, it is expected that gainful and quality employment opportunities will be created if guided by the right policies and governance," he added.

Reaz also said the ability to create jobs is weaning even in the garments industry, the country's principal manufacturing and export sector.

And as employment growth in the sector is slowing significantly, the country needs to find other sustainable industries that are globally integrated to lessen the burden on garments.

"Is Bangladesh doing good in this regard? Not really as diversification remains elusive even after at least a decade of heavy discussion," he added.

Garments account for about 84 per cent of the country's total exports. Recent government data on export figures for fiscal 2022-23 show that 94 per cent of all exports that year comprised just five products.

"And if you look at new products exported to new markets, they usually accounted for 1 per cent in the last 10 years, indicating how the diversification agenda is struggling as well as the policy attention it requires," Reaz said.

"Because without that, it is going to be very difficult for Bangladesh to get the necessary number and quality jobs it requires," he added.

Reaz also suggested the country could reap benefits from the digital economy that is expanding globally in terms of job creation.

Ahsan H Mansur, executive director of the Policy Research Institute of Bangladesh, said the country has been doing well across various economic sectors for the past few years.

"But we are still lagging behind other developing and competing countries. Especially due to Covid-19 and the Russia-Ukraine war, the economy is going through a turbulent situation," he said.

But these external factors are also responsible for internal political decisions, Mansur added.

Mansur also said that two main sectors of Bangladesh's economic growth are garment exports and expatriate income.

But in the last two decades, no other export sector has been able generate export earnings equal to that of garments.

"Also, expatriate income is coming down as we are not able to send skilled people abroad," he added.

Mansur pointed out that the tax-GDP ratio is decreasing rather than increasing while there is no discipline in the banking sector.

"And excessive fuel costs are reducing our competitiveness in the global market. All in all, such a situation cannot be called sustainable," he added.

Jonathan Leape, executive director of the IGC, also spoke.

Impact of AI on business

SAZZADUL HASSAN

The advent of ChatGPT triggered huge enthusiasm for artificial intelligence (AI) technology and its immense potential. Some experts termed it as the most wondrous invention after internet in recent times. Bill Gates, the co-founder of Microsoft, said, "This will change our world."

No wonder, business leaders are equally excited as they see it as an enabler for improving productivity and efficiency, thus saving costs. Resultantly, generative AI is making its way at an unprecedented speed to become one of the critical resources for companies across various industries.

A survey conducted by famous business magazine Forbes revealed that companies are already using AI technology in the areas like cybersecurity, fraud management, content production and customer support.

Companies have started using AI for instant messaging, emails, phone calls handling and product recommendations to enhance customer experiences. They are also applying this technology to improve production processes and process automation. Moreover, AI is being leveraged for data aggregation, idea generation, internal communications, preparing presentations and reports and writing codes.

According to Goldman Sachs, over the next 10 years, AI would potentially increase productivity by 1.5 per cent per year which in turn would help businesses increase profits by 30 per cent. Improvement in workforce productivity has far-reaching positive impacts on the global economy and annual global GDP will increase by 7 per cent over a decade.

The world is witnessing massive investments being made by companies to incorporate AI technology in their operations. As of 2021, global private investment in AI totalled $94 billion. However, off late, more and more investments are being followed in this area at a very high pace. Analysts estimate the total investment in AI could reach up to $300 billion by 2030.

There are, however, a few concerns as well.

One obvious worry is AI will reduce the workforce. A recent report by Goldman Sachs revealed some harsh possibilities when it comes to AI and the workforce. The report shows around 300 million positions worldwide could be exposed to automation from new AI advances.

The report also says that one-fourth of all work being done could be replaced by generative AI.

Another notable concern is the potential for providing misinformation to businesses or their customers which might cost companies heavily. Business leaders are also expressing apprehensions about data security and privacy in the age of AI.

These concerns are quite natural. Since the first industrial revolution, the world has witnessed significant changes in the field of science and technology, which resulted in radical changes in the way work used to be done.

Every time a new technology emerges, there is a fear of a reduction in the workforce. However, the world has also experienced that worker displacement from automation has historically been offset by the creation of new jobs. The emergence of new jobs due to technological advancement contributes significantly to the growth of employment.

It is assumed that savings from workforce cost, new job creation, and higher productivity raise the likelihood of economic boom although the analysts are not very certain about the timing.

The author is chairman and managing director of BASF Bangladesh Limited. Views expressed here are personal.

India should cash in on 'China plus one' strategy

World Bank chief says

REUTERS, *New Delhi*

India has an opportunity to cash in on global companies' efforts to build factories outside China, the new World Bank president said on Wednesday, as firms seek to diversify their supply chains.

His comments follow recent investment announcements by US firms, including chipmaker Micron Technology, in India and come as the United States looks for a strong counterweight to China in Asia amid growing tensions in ties.

In recent years, many companies have adopted a "China Plus One" strategy to build new manufacturing units outside the People's Republic.

India has a window of three-to-five years to seize this opportunity to attract investment, said Ajay Banga, the former Mastercard CEO who became World Bank chief last month.

"I think India's opportunity currently is to cash in on the 'China plus one' opportunity. This opportunity won't stay open for 10 years," Banga told reporters in New Delhi during his first official visit to the country.

Indian Prime Minister Narendra Modi had his first state visit to the United States last month, which coincided with a flurry of investment announcements by US companies in India.

Banga also said that India's growth has been cushioned by domestic consumption in the face of a global slowdown.

People select vegetables at a supermarket in Beijing. The Asian Development Bank has cut its inflation forecast for developing Asia largely because prices in China have eased sharply.

PHOTO: AFP/FILE

ADB cuts inflation forecast for developing Asia

AFP, *Manila*

The Asian Development Bank cut its inflation forecast for developing Asia on Wednesday, as food and fuel prices eased, supply chain disruptions waned and interest rate hikes started to bite.

Inflation, which has squeezed household budgets and left millions of poor households struggling to put food on the table, is heading back towards pre-Covid levels, the Philippines-based lender said.

It expects inflation of 3.6 percent this year, compared with its forecast in April of 4.2 percent as prices in China ease sharply, the bank said in its flagship outlook report.

Developing Asia refers to the multilateral lender's 46 emerging member economies, stretching from Kazakhstan in Central Asia to the Cook Islands in the Pacific.

The ADB kept its economic growth forecast of 4.8 percent for 2023, citing robust consumption, travel and investment, even as global demand for the regions' exports weakened.

Further upside to its forecast was possible, the bank said.

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