Workers are unloading coal from a vessel at Khulna Ghat, a port on the Rupsha river. Imported from Indonesia, this coal is mostly used for firing bricks, with the workers being paid about Tk 20 for every basket they unload. The photo was taken recently.

PHOTO: HABIBUR RAHMAN

Policy uncertainties driving away FDI

Former WB lead private sector specialist tells The Daily Star in an interview

JAGARAN CHAKMA

Policy and regulatory uncertainties are major factors discouraging foreigners from investing in Bangladesh, for which foreign direct investment (FDI) has remained low in spite of government efforts, said Syed Akhtar Mahmood, former lead private sector specialist at World Bank Group.

"The policies may be good on paper, although I would say there are still gaps in different places, such as in dealing with new technology or innovative business models," he told The Daily Star during an interview recently.

"The main problem is in the actual implementation," said Mahmood, who has three decades of experience advising governments on investment climate reforms, including ways to attract FDI.

From 2017 to 2022, Bangladesh annually received FDI of $2.92 billion on an average.

The inflow amounted to only 0.75 percent of the country's GDP, according to a report of the United Nations Conference on Trade and Development (UNCTAD).

In spite of the funds coming in US dollars, whose value is high compared to the local taka, the amount of FDI is a far cry from what was required as per government plans.

The government's "Vision 2041" aims to turn the nation into an advanced economy by 2041 and in this regard the country requires FDI equivalent to 1.66 percent of its GDP annually.

"We still have a lot of discretionary behaviour when it comes to treating foreign investors, which creates different kinds of uncertainties for the investors," said Mahmood.

Syed Akhtar Mahmood

"It is not enough to have good policies only on paper," he said.

According to him, what mattered was how those policies were implemented. Impediments in the implementation process, such as excessive ad-hoc or discretionary decisions, create uncertainties and act as a discouragement to foreign investors, he said.

"We must remember that foreign investors have many choices. If they don't find us attractive, they can easily go elsewhere," Mahmood added.

According to him, FDI, like any other investment, is driven by a calculation of risks and returns.

Foreign investors are typically driven by three motivations, he said.

Natural resource-seeking FDI is attracted by the possibilities of exploiting the natural resources of a country. The gas sector in Bangladesh, for instance, attracted some FDI in the past, said Mahmood.

They may be attracted by the large internal market of a country, which is called market-seeking FDI, he noted.

Mahmood laid emphasis on a third type of FDI, which was called efficiency-seeking FDI.

Here investors are attracted by relevant features of a country, such as the availability of cheap or skilled labour, which makes the country an efficient production base, he said.

Efficiency-seeking FDI uses such countries as production bases from which to export to that specific region or around the globe, he said.

Against the returns are the risks. Apart from the usual commercial risks, driven by developments in the marketplace, investors are also concerned about risks emanating from government behaviour, said Mahmood.

Surveys of large multinational corporations carried out by institutions like World Bank have shown that policy and regulatory uncertainties are usually the prime or second-most important factor discouraging FDI flows, he said.

"We don't have natural resources, except some gas, but we do have a large internal market," he said.

"Even though our per capita income is not that large, the total size of the economy is huge. Bangladesh is among the top 40 economies in the world. That is a large market that is attractive to foreign investors," said Mahmood.

"Bangladesh can also be a source of efficiency-seeking FDI as we have cheap labour, and labour that can learn fast," he said.

"We don't have as large a reservoir of skilled technicians and engineers as India but we do have a reasonably large number of such people," he added.

READ MORE ON B2

Encourage staff to take Universal Pension Scheme

BB asks banks

STAR BUSINESS REPORT

Bangladesh Bank has asked banks to take measures in order to encourage their employees to adopt the government's Universal Pension Scheme.

The instruction excludes the employees working at government-owned commercial and specialised banks, the central bank said in a notice yesterday.

Currently, the employees of government, semi-government or autonomous organisations receive pension benefits from the state.

The instruction excludes the employees working at government-owned commercial and specialised banks

Launched in August last year, the scheme aims at bringing the growing elderly population of the country under a well-organised social safety net and providing them with a monthly stipend so that they can meet expenses.

All citizens aged between 18 and 50 years, including expatriate Bangladeshis, are eligible.

There are four products -- Pragati, Surokkha, Samata and Probashi -- under the pension initiative.

Pragati covers private job-holders and Surokkha is dedicated to rickshaw pullers, workers, potters, smiths, fishermen, weavers and self-employed persons.

Samata is for the people with low income and Probashi will cover expatriate Bangladeshis.

Some 17,995 people have subscribed to the scheme in the first five months after the launch, said an official of the National Pension Scheme Authority.

Bida's OSS to expand to 150 services by March

STAR BUSINESS REPORT

The Bangladesh Investment Development Authority (Bida) is currently offering 112 services through its one-stop service (OSS) and plans to expand it to 150 within March this year.

Lokman Hossain Miah, executive chairman of the state-run investment promotion agency, made the remarks in a meeting held at its conference hall in the capital's Agargaon, according to a press release.

He also said that other countries give investment-related services quickly. He pointed out Vietnam which gives such services in 35 days, Indonesia in 48 days and India in 60 days.

"We need to lessen administrative hindrances and ensure investors get the required services in the quickest time possible."

Runner Automobiles returns to profit

STAR BUSINESS REPORT

Runner Automobiles, one of the leading vehicle manufacturers in Bangladesh, recorded a profit of Tk 56.76 lakh for the October-December period.

As a result, the company's earnings per share (EPS) stood at Tk 0.05 against a loss of Tk 2.08 a year earlier, according to its unaudited financial statement.

The company attributed the positive result to its "significant sales growth" in its three-wheeler vehicle segment.

Runner's half-yearly loss per share declined to Tk 2.22 from Tk 2.89 in the same period a year earlier. Its net operating cash flow per share declined to Tk 5.24 from Tk 10.51 due to repayment to suppliers, the company said.

Runner's shares rose 1.29 percent to Tk 39.30 as of 12:40 pm on the Dhaka Stock Exchange yesterday.

Unilever profit drops 15% as sales flatten after price hikes

AFP, *London*

British consumer goods giant Unilever on Thursday said its net profit dropped 15 percent last year to 6.5 billion euros ($7 billion) as sales flattened as the group hiked prices.

Businesses and consumers worldwide continue to battle higher costs as inflation remains stubbornly high, especially in the UK.

Chief executive Hein Schumacher said in the earnings statement that "competitiveness remains disappointing and overall performance needs to improve" at the group whose products include Magnum ice cream, Cif surface cleaner and Dove soap.

Group revenue dipped 0.8 percent to 59.6 billion euros last year compared with 2022.

Unilever, which makes also Ben & Jerry's ice cream and Hellmann's mayonnaise, hiked prices of all its goods last year by an average of 6.8 percent. The amount of goods sold edged up as the price hikes cooled.

"Volumes are growing again, led by Unilever's biggest brands," noted Matt Britzman, equity analyst at Hargreaves Lansdown.

"Price hikes have come tumbling back down to earth, from the mammoth double-digit levels seen in the first quarter (of last year).

"Cost inflation is easing, meaning less needs to be passed on to consumers who were starting to trade away from Unilever's higher priced products," he added.

Economy is a gamble for Biden in election year

AFP, *Las Vegas*

Anger over rising prices and wages that don't stretch far enough brought thousands of casino workers onto the streets of Las Vegas in recent months, part of a wave of labor discontent in the United States.

Yet President Joe Biden is gambling that if he keeps explaining how well the economy is doing, voters will reward him in November's election.

In America's gaming capital, that seems like a risky bet.

"The economy is horrible. Inflation has hurt everyone," Jennine Minervini of the Culinary Workers Union told AFP at a protest outside the Golden Nugget casino.

The union, which represents some 60,000 workers in Sin City, reached a last-minute agreement with casinos last week to avert a large-scale walk-out, securing pay raises for their members.

But the discontent felt among bartenders, wait staff and food servers in Las Vegas echoes that found across America where conversation frequently turns to the price of weekly shopping, or the cost of a tank of gas.

That is despite economic figures that look rather good.

Inflation, which hit a 40-year high in 2022, is trending back toward policymakers' goal of 2 percent, while the economy as a whole is growing at a decent clip, expanding 3.1 percent in 2023.

Unemployment is at near-historic lows.

"This is a good economy," Federal Reserve Chairman Jerome Powell recently declared.

But that's not how most Americans see it.

US President Joe Biden

Strikes rippled through much of the country last year, paralyzing industries that produce everything from the movies to motors with one common refrain: we need a raise.

Only a third of voters approve of Biden's handling of the economy, according to a new poll released on Monday by NBC News.

READ MORE ON B2

Chinese consumer prices suffer quickest drop in 14 years

AFP, *Beijing*

Chinese consumer prices fell in January at their quickest rate in more than 14 years, data showed Thursday, piling pressure on the government for more aggressive moves to revive the country's battered economy.

Officials have struggled for months to kickstart economic growth as they battle a range of headwinds, including a prolonged property-sector crisis, soaring youth unemployment and a global slowdown that is hammering demand for Chinese goods.

Policymakers have in recent months announced a series of targeted measures as well as a major issuance of billions of dollars in sovereign bonds, aimed at boosting infrastructure spending and spurring consumption.

But that, and recent announcements including central bank interest rate cuts and measures to boost lending, have had little impact so far.

And analysts warn a "bazooka" stimulus plan is needed to restore confidence.

"China needs to take actions quickly and aggressively to avoid the risk of deflationary expectation to be entrenched among consumers," Zhiwei Zhang, president and chief economist at Pinpoint Asset Management, said.

January's 0.8 percent drop in the consumer price index, announced by the National Bureau of Statistics, marked the fourth straight month of deflation and was much bigger than the 0.5 percent fall forecast in a survey by Bloomberg News.

A customer shops for fruits at a supermarket in Fuyang, in eastern China's Anhui province, yesterday.

PHOTO: AFP

The reading was the worst since the second half of 2009, during the global financial crisis.

And a 2.5 percent plunge in the producer price index -- which measures the cost of goods leaving factories -- signalled continued weakness.

China slipped into deflation in July for the first time since 2021 and, apart from a brief rebound in August, have been in constant decline since.

"The primary drag on inflation continued to be food prices, which fell by 5.9 percent year-on-year, the lowest level on record," said Lynn Song, Chief Economist for Greater China at bank ING.

However, he pointed to figures showing costs rising month-on-month.