

Processed food industry grew 8% annually since 2005

Rising middle class and urban consumer demand behind the push: USDA



STAR BUSINESS REPORT

Bangladesh's \$8 billion food processing industry has annually grown by 8 percent on an average between 2005 and 2023, powered by rising middle-class and urban consumer demand for convenience, said the US Department of Agriculture (USDA).

"The processed food and beverage industry has seen notable growth in recent years," said the agency in a July 1 report prepared as a guide for US exporters on Bangladesh's market.

"The processed food market is highly competitive as the domestic food industry is expanding investments to export to the world. Popular processed foods include snacks, ready-to-eat meals, frozen items, drinks and beverages, and dairy products," it said.

And the expansion of modern retail is also a reason behind the increased demand for processed foods, it said.

The report said an increasing percentage of upper-middle to upper-

class consumers are shopping at modern retail outlets due to greater convenience.

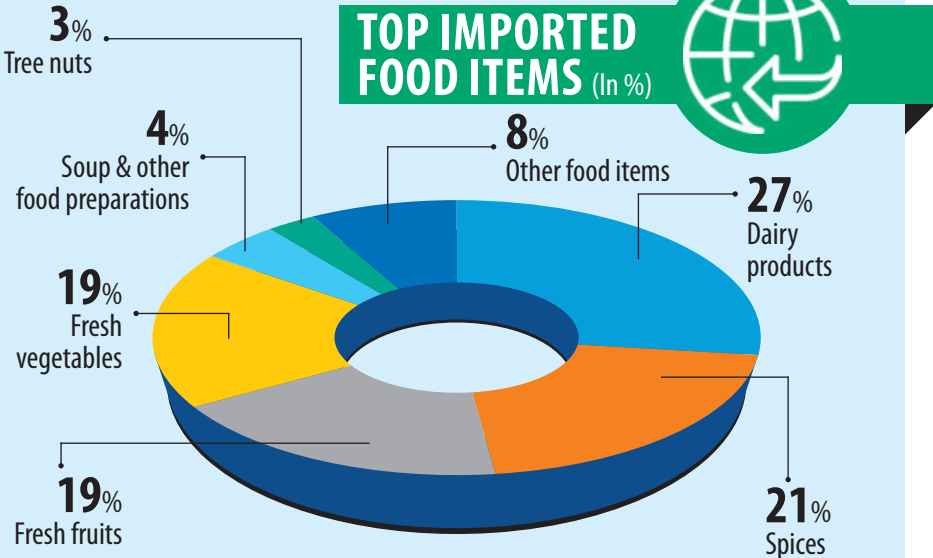
"Consumers in higher income brackets prefer international brands, including products from a specific country of origin which, they believe, indicates safety and quality," it said.

It said the modern retail sector currently constitutes about 2 to 3 percent of total retail sales in Dhaka, Chattogram, and Sylhet.

Bangladesh's modern food retail industry has approximately 40 companies with over 750 outlets.

From 2015 to 2023, the annual turnover for members of the Bangladesh Supermarket Owners Association grew from around \$200 million to \$350 million, according to the report.

"Modern retailing, including supermarkets and convenience stores, is growing in Bangladesh as consumers attach more importance to appearance, ambience, comfort; and the availability of a vast range of products," it said.



The USDA report said modern retail chains are striving to differentiate themselves from wet markets by offering more varied, high-quality products and convenience.

"However, they also have challenges, such as cold chain capacity, food preservation and packaging, and general transportation logistics," it said.

The growth of e-commerce is thriving in the urban food and non-food retail market. The adoption of digital technologies and e-commerce is expected to play a crucial role in shaping the future of the sector, it said.

It said rising per capita income, increased urbanisation, higher female labour force participation and the resulting lifestyle changes are fuelling demand for processed dairy products, bakery products, readymade meals, confectionery, breakfast cereals, baby food and non-alcoholic beverages.

"A growing number of quick-service restaurants, and e-commerce

food delivery to meet the demand for Asian and Western cuisines are driving import demand," it added.

The USDA report said Bangladesh's import of consumer-oriented food products increased from \$1.7 billion in 2019 to \$2 billion in 2022.

However, import of consumer-oriented foods declined slightly to \$1.99 billion in 2023, it said.

The report said the US was Bangladesh's 17th largest supplier in 2022, but in 2023, its position rose two spots to 15th.

This represents an 80 percent increase in its exports year-on-year to \$17.1 million in 2023, it said.

However, the value of consumer-oriented product exports from the US makes up less than one percent of its total agricultural exports to Bangladesh, it said.

Shipment of agricultural products from America fell 17 percent year-on-year to \$781 million in 2023, according to the report.

How do we increase our exports to China?

MAMUN RASHID

China is the largest exporting and second-largest importing country in the world. The Chinese domestic market is also expanding fast with increasing consumerism and brand popularity. Yet Bangladesh's export to China is dropping despite signing the tariff waiver for many "Made in Bangladesh" products.

Since 2015, China offered Bangladesh extensions on the trade benefits for up to almost 99 percent of our goods. Still, the exports from Bangladesh have not picked up to the desired level.

Analysts blame the lack of product diversification and competitiveness as a major barrier. Bangladesh's major export is readymade garment, while China itself is the largest apparel and textile supplier worldwide, occupying nearly 32 percent of the global share.

China's imports of RMGs share are more where it has signed free trade agreements like in ASEAN countries. It has effective FTAs with countries which are our competitors, especially in the garment sector. Studies reveal that we have only about 3 percent market share in China for RMG whereas it is 18 percent for Vietnam, our competitor in the same domain.

Though fisheries and aquatic products have been accorded zero duty coverage by China, they often face non-tariff and technical barriers to trade under the guise of sanitary and phytosanitary measures leading to blockages.

We don't have a strong forward and backward linkage in RMG. This is a big handicap. Bangladesh's backward linkage industry in the textile sector is 5-8 percent of total demand. Due to this, raw materials like fabrics, trims, and accessories are being imported from other countries, especially China.

Analysts think that the granting of zero duty concessions and exemptions is a transient phase accorded to least-developed countries (LDCs) and a derogation from WTO principles. This is unlikely to be continued for an indefinite manner.

Ultimately, developed and industrialised countries should give special and differential treatment to developing countries as envisaged. Even the Chinese importers think of the zero duty concessions as a temporary phase.

They are, on the other hand, favourably disposed towards those countries with which they have FTAs. Hence, we need to be more competitive and need to attract Chinese investment in our export sector. Bangladesh should take advantage of China's projected RMG import growth if needed by using China's relocated factories in Bangladesh.

If unilateral zero duty concessions cannot be expanded, we should prioritise an FTA with China. In the talks leading to the signing of FTA, we should follow a sector-by-sector approach and protect our interests in the thrust, promising and emerging sectors. China should not insist on reciprocity while granting duty exemptions.

China may consider setting up a special economic zone in Bangladesh like the Shenzhen Special Economic Zone. Once considered a sweatshop centre, Shenzhen is now the hi-tech home of leading Chinese tech firms. A research and development institute could also be set up to give thrust to innovation and entrepreneurship development.

China is now driving technological innovation in new and renewable energies, advanced telecommunications, supercomputers, AI, robotics, and space technologies. Could we not convince them to set up some of their centres in these areas in Bangladesh? Investment seems to be a big driver that could fill up the yawning export-import gap.

Our foreign minister has recently appreciated the progress in FTA negotiations between Bangladesh and China and hoped that it will be finalised by 2026. We hope the above issues will be given due priorities as our prime minister visits China this week.

The author is an economic analyst.

US jobs market sees gradual cooldown in June

AFP, Washington

US job gains eased slightly in June while unemployment edged up, government data showed Friday, in a sign that the world's biggest economy is cooling steadily as policymakers hope.

Wage growth decelerated, although it still outpaced consumer inflation. But this has not translated into rosy sentiment over the broader economy, adding to President Joe Biden's challenges as he seeks reelection.

"We have more work to do, but wages are growing faster than prices and more Americans are joining the workforce," Biden stressed in a statement after the report came out.

The country added 206,000 jobs last month, the Labor Department said, marking a slower pace of hiring than May's revised 218,000 figure.

The gains beat a Briefing.com consensus estimate of 185,000, signaling

that the labor market remains relatively resilient despite high interest rates.

The jobless rate ticked up from 4.0 percent to 4.1 percent.

For now, the figures point to a "very gradual, orderly cooling" in the market, ZipRecruiter chief economist Julia Pollak told AFP.

But she pointed to signs of weakness, including downward revisions to April and May hiring numbers by a cumulative 111,000.

The uptick in unemployment, though narrow, also marks the highest level since November 2021 — ending a 30-month stretch where the rate stood at or below 4.0 percent.

More than one-third of overall gains came from government employment, noted Mike Fratantoni, chief economist at the Mortgage Bankers Association. This means that headline numbers do not paint a full picture of the labor market's health.

"Other aspects of the data indicate a slowing job market," he said in a note.

Temporary hires dropped by 49,000, indicating that business demand for labor is falling, Fratantoni said.

Wage growth slowed from 0.4 percent in May to 0.3 percent last month, according to the report.

Compared with a year ago, the increase was 3.9 percent — also easing from before.

"Weakening demand for labor will lead to further moderation in wage growth," said economist Nancy Vanden Houten of Oxford Economics.

But this is likely to bolster the Federal Reserve's confidence that inflation is on a downward path to policymakers' two percent target.

The latest report comes on the back of a slump in business activity in the manufacturing and services sectors, alongside easing inflation.

READ MORE ON B2

Indian consumer goods makers' sales growth picks up

REUTERS, Bengaluru

Indian consumer goods companies Marico, Dabur and Adani Wilmar reported a pick up in first-quarter revenue growth as demand improved gradually, with consumers spending more on personal care and cooking products.

Volume trends from key consumer goods companies, which sell everything from hair and cooking oils to oats, are seen as an important indicator of consumption patterns in the country.

Marico gets more than a quarter of its sales from rural India, while almost half of Dabur's sales is from villages and small towns. Both are expected to be key beneficiaries of the recovery in rural demand as companies cut prices, analysts said.

The recovery, though, is not complete from last financial year when persistently high inflation forced consumers to tighten their wallets.

Oil settles 1% lower

REUTERS, Houston

Oil prices settled lower on Friday as the rising possibility of a ceasefire deal in Gaza outweighed strong summer fuel demand and potential supply disruptions from Gulf of Mexico hurricanes.

Brent crude futures settled down 89 cents, or 1.02 percent lower, to \$86.54 a barrel, after reaching their highest since April earlier in the session. US West Texas Intermediate (WTI) crude futures settled at \$83.16 a barrel, down 72 cents, or 0.9 percent.

For the week, Brent rose 0.4 percent, while WTI futures posted a 2.1 percent rise.

The head of Israel's Mossad has returned from Doha after an initial meeting with mediators trying to reach a Gaza ceasefire and hostage release deal, and negotiations will resume next week, Prime Minister Benjamin Netanyahu's office said on Friday.

Netanyahu's office said in a statement that gaps remain between the sides.

"Obviously a breakthrough there would help calm the waters," said John Kilduff, partner at Again Capital. An easing of the Middle Eastern conflict reduces the risk premium of barrels out of the region and weighs on oil prices.

WTI did not settle on Thursday due to the Independence Day holiday, giving way to thin trading, but prices have risen this week on strong summer oil demand expectations in the US.

"The last couple of days represent the peak of the drive season, in terms of demand and prices continue to creep higher. This is coming from stronger consumer demand and the effects of Hurricane Beryl," Tim Snyder, economist at Matador economics said in a note on Friday.

The US Energy Information Administration (EIA), on Wednesday, reported a much larger-than-expected 12.2 million barrel inventories draw last week, compared with analyst expectations for a draw of 700,000 barrels.

REUTERS, London

The world's advanced economies are in the grip of a prolonged productivity crisis. In the decade following the financial crisis of 2008, the growth of output per hour worked in the Group of Seven rich countries slumped to less than 1 percent a year — less than half the rate of the decade before. This dismal performance is the single biggest economic problem facing the developed world — as well as the root of much of political and geostrategic angst.

Artificial intelligence is a potential breakthrough. BlackRock CEO Larry Fink claims it will "transform margins across sectors". Goldman Sachs predicts it will boost productivity growth by up to 3 percentage points per year in the United States over the next decade. The McKinsey Global Institute says it could add up to \$26 trillion to global GDP.

Investors should beware of the hype. Four features of AI suggest that while its impact on the bottom line of some companies may be positive, its economy-wide consequences will be less impressive. Indeed, self-teaching computers may make the productivity crisis worse.

Start with AI's impact on the most fundamental driver of modern economic



An employee builds a Microsoft Copilot+ display at the Best Buy store in Miami, Florida. One recent study found that introducing AI-powered chatbots helped customer support functions resolve 14 percent more issues per hour. PHOTO: AFP/FILE

Why AI may fail to unlock the productivity puzzle

astronomical phenomena. Yet they never developed an understanding of the laws of physics that explain why these events occur. It was only with the discovery of the scientific method — constructing explanatory theories and subjecting them to experimental tests — that scientists began to grasp how the universe works. It is that ability to understand as well as predict that enables modern scientists to land a man on the moon — a feat of which their Babylonian ancestors could only dream.

AI models are digital Babylonians, rather than automated Einsteins. They have revolutionised the ability of computers to identify useful patterns in huge datasets, but they are incapable of developing the causal theories needed for new scientific discoveries. As University of California computer scientist Judea Pearl and coauthor Dana Mackenzie put it in their 2018 best-seller "The Book of Why": "Data do not understand cause and effect: humans do." Without causal reasoning, AI's predictive genius will not be making human scientists redundant.

A second argument made for AI is that it will reduce corporate costs by automating much more basic knowledge work. That is a more plausible claim, and

READ MORE ON B2