Govt to buy urea fertiliser, red lentils

STAR BUSINESS REPORT

The government will purchase 90,000 tonnes of urea fertiliser and 20,000 tonnes of red lentils under four proposals approved by an advisory committee on public purchase in its first meeting yesterday since the interim government took to office.

The industries ministry will buy two-thirds of the granular fertiliser in bulk under state-to-state arrangements with the United Arab Emirates and Qatar, says a press release.

Of it, 30,000 tonnes will be availed from UAE-based Fertiglobe Distribution Ltd for Tk 121.95 crore and another 30,000 tonnes from Qatar Chemicals and Petrochemical Marketing and Distribution Company for Tk 120.06 crore.

The industries ministry will procure the remaining 30,000 tonnes of granular urea in sacks from Karnaphuli Fertilizer Company Ltd for Tk 117.79 crore.

The commerce ministry will purchase the 20,000 tonnes of red lentils for Tk 203.72 crore from Nabil Naba Food Products Ltd.

DC Industry to set up $5.36m factory in Bepza EZ

STAR BUSINESS REPORT

DC Industry (Bangladesh) Company Ltd signed an agreement with Bangladesh Export Processing Zones Authority (Bepza) yesterday to set up a bag and wallet manufacturing facility in Bepza Economic Zone at Mirsharai, Chattogram with an investment of $5.36 million.

Md Ashraful Kabir, member (investment promotion) of Bepza, and Han Chenguang, managing director of the company, penned the deal at Bepza Complex in Dhaka, said a press release.

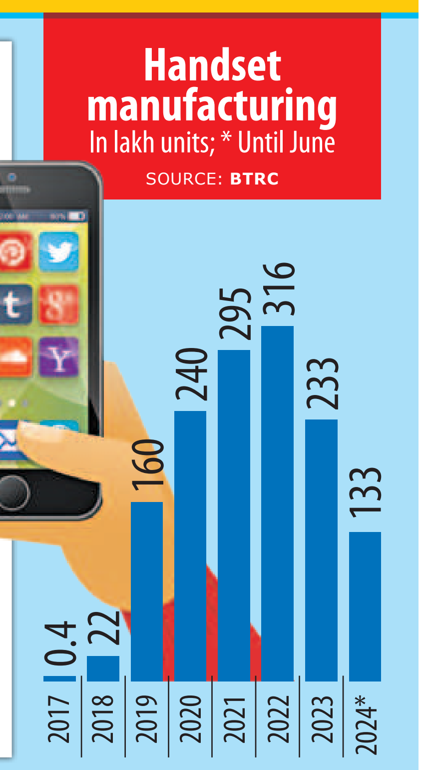
The company has an annual target to produce 2.5 million handbags, 1.5 million backpacks and 1 million wallets and the investment is expected to create employment opportunities for nearly 3,000 people.

Maj Gen Abul Kalam Mohammad Ziaur Rahman, executive chairman of Bepza, said Bepza always encourages investments for the production of a diverse array of products.

So far, a total of 31 companies, including DC Industry (Bangladesh) Ltd, signed agreements to set up manufacturing facilities inside Bepza Economic Zone and the proposed investments altogether amount to $711 million.

AT A GLANCE

- Handset production rose **38.45**% year-on-year in Jan-Jun
- Smartphone sales increased by **15**%, feature phones by **5.3**%
- About **78**% of locally produced handsets are feature phones
- Rising inflation is reducing consumer spending on smartphones
- Unauthorised phones account for **35**% of the total handsets
- Sales nosedived in July and August due to unrest and floods



Handset production rises, but buyers in short supply

MAHMUDUL HASAN

Local production of handsets saw a significant increase in the first half of the year, but manufacturers continue to face challenges due to reduced demand for high-end smartphones.

Industry insiders also foresee a bleak future after sales dropped drastically in July and August, when student-led protests and the imposition of a nationwide curfew disrupted normal business activities.

More recently, operations have been impacted by flash floods that have inundated 10-11 districts of eastern part of the country.

According to the Bangladesh Telecommunication Regulatory Commission (BTRC), handset production rose 38.45 percent year-on-year in the first six months of 2024, hitting 1.33 crore units.

However, just over three-quarters of the units produced were feature phones. Only 21.60 percent were smartphones.

Industry people added that the local handset industry had been in crisis since the second quarter of 2022.

This was brought on by the rising value of the US dollar against the local currency, which in turn led to difficulties opening letters of credit (LCs).

Persistent inflation has further aggravated the situation, causing consumers to increasingly cut back on spending, particularly on splurging on smartphones.

Smartphone production had steadily increased till March 2022, accounting for around 40 percent of local handset production that month.

However, due to the impacts of falling real incomes, consumers began to prefer feature phones.

In 2023, domestic handset production slowed for the first time since local manufacturing began in 2017, signalling the start of the sector's ongoing struggles.

"The quantity alone does not reflect the full picture," said Jakaria Shahid, president of the Mobile Phone Industry Owners' Association of Bangladesh (MIOB).

"We are currently selling handsets to merely survive, without any profit. We are struggling to cover our costs."

Furthermore, he added, consumers are not replacing handsets as frequently as before. Many are opting to continue using old or even broken devices, he said.

The first six months of the year are typically the peak season as the period coincides with two Eid festivals, which are major occasions for handset sales.

The MIOB reported that smartphone sales increased by 15 percent to 38 lakh in the first half of this year while feature phone sales rose a little over 5 percent to 51 lakh.

"The downturn began during the protests in July, and now we are facing floods," said Rezwanul Hoque, vice-president of the MIOB. "There have been very few sales in recent days and we anticipate a challenging year ahead."

Another significant threat is the expansion of the grey market, which now accounts for about 35 percent of the local handset market, according to the MIOB.

"Many people use used or refurbished phones that were smuggled into Bangladesh illegally, posing a major challenge for us," Hoque noted.

Although the US dollar crisis has somewhat eased, with improved access to dollars and an easier time opening LCs, the rising price of the greenback continues to impact the industry negatively, he added.

Leveraging GenAI to power successful businesses

ARIJIT CHAKRABORTI

More than 50 years ago, the invention of silicon-based microprocessors catalysed the progress of automated instruction-led activities in industries. Gradually, that led to the adoption of computers in business, which was later followed by technology-led business transformations. What we see today as enterprise resource planning (ERP) system implementations and upgrades to cloud-based ERP systems in organisations -- including those in Bangladesh -- have been built on technological inventions like microprocessors and algorithms.

Technology-led business transformations provided businesses to lead in their respective markets and cater to the evolving customer demands. The advent of artificial intelligence (AI) -- and more specifically, generative AI (GenAI) -- in the recent years has created another opportunity to catapult growth, address concerns on bigger problems like climate change and create more value for the stakeholders.

To understand the thinking of business leaders in Bangladesh on GenAI, PwC asked the CEOs a few questions while conducting its 27th Annual Global CEO Survey. About 62 percent of the CEOs in Bangladesh responded that GenAI will improve the quality of their companies' products and services in the coming years. More importantly, about three-quarter of the respondents in Bangladesh believed that GenAI is going to intensify the competition (72 percent), will significantly change the way their companies create, deliver and capture value (76 percent), and that GenAI will require most of their workforce to upskill themselves (78 percent).

Considering that the CEOs have already started thinking about the opportunities and challenges that would come with the proliferation of GenAI, one can be inclined to think positively with respect to the growth of businesses in future. The most significant point here is to understand that GenAI may also become a crucial factor that helps businesses stay relevant and survive in the future.

According to a PwC report, businesses have an enormous opportunity to improve their operating margin by adopting GenAI into their respective operations. The margin improvement can vary between 2 percent and 19 percent, depending upon the sector where a particular business operates. For example, sectors like transport and logistics, energy and resources, and power and utilities are expected to see an improvement of 2-3 percent in their operating margins. At the same time, companies in the telecom, entertainment and software sectors are expected to see an improvement of 13-19 percent in their operating margins. Clearly, there are benefits to reap.

However, such gains are likely to erode over time with intensified competition and increased customer expectations. Thus, late adopters will likely gain by just staying relevant in the market while the early adopters are more likely reap the most benefits and shape the market of the future.

The business leaders in Bangladesh should be aware of the key elements of successful adoption of GenAI. First, they should revisit their strategy and determine the course they would like to take for their business. If they want to be a disruptor in their market, they should move fast and be aware about the difficulties and downsides. Additionally, businesses that are already leading in their market and want to hold their leadership position should move fast too. Due to their pre-existing leadership positions in the market, their adoption journey may be easier with fewer downsides.

Secondly, business leaders must prepare a comprehensive skills transition plan. A significant part of the benefits will be derived by enhancing the efficiency of the workforce with GenAI adoption, so the upskilling process will be non-negotiable.

Finally, business leaders must have a robust risk management plan. Due to the limited understanding and continuously evolving nature of GenAI, there will be risks of unintentional propagation of societal biases that need to be addressed by formulating a responsible AI adoption strategy. Moreover, there will be concerns on sustainability due to GenAI's perceived higher demand for energy that needs to be benchmarked and communicated to the stakeholders. The stakeholders, including customers and employees, should also be managed from the risk of disinformation.

The time for GenAI adoption has come for the business organisations in Bangladesh. Therefore, organisations in Bangladesh should start laying the groundwork for business transformation using GenAI now in order to ensure steady growth and relevance in the future.

The writer is a partner with PwC. The views expressed here are his own

Gold pressured by stronger dollar

REUTERS, *London*

Gold prices fell on Wednesday under pressure from a stronger dollar and uncertainty ahead of a key US inflation report that could provide more clarity about the Federal Reserve's September policy meeting.

Spot gold was down 0.6 percent at $2,510.39 an ounce by 0953 GMT but held above the psychologically key level of $2,500, having climbed to a record high of $2,531.60 on Aug. 20.

The US currency steadied on Wednesday, making dollar-priced commodities less attractive for buyers using other currencies. Recent declines in the dollar had pushed the currency to its weakest in more than a year.

The dollar index , which measures performance against a basket of currencies, was last up 0.36 percent.

"There are a lot of moving parts today, and items like Nvidia results are hanging over the market for direction clues on (interest) rates," one gold trader said. "The Fed is rightly cautious right now and that's not helping people with direction. Cash is king today."

Markets are focused on looming US personal consumption expenditure (PCE) data, the Fed's preferred measure of inflation, due on Friday. Markets are pricing in about a 66 percent chance of US interest rates being cut by 25 basis points (bps) in September and a 34 percent chance of a 50 bps cut, the CME FedWatch tool shows.

With a rate cut widely expected, physically backed gold exchange-traded funds (ETFs) started purchases again after several years of outflows.

With modest net inflows of 8 metric tons ($403 million) last week, according to the World Gold Council, gold ETFs are heading for a fourth consecutive month of inflows in August.

China's solar sector blazes trail in commitment to renewables

AFP, *Yinchuan*

Hundreds of rows of gleaming panels blanket swathes of scrubby sand at sunset in a remote northern Chinese desert -- once the biggest solar farm in the world.

On the edge of the forbidding Tengger desert, the solar park produces 1.5 gigawatts of power -- but it has since been eclipsed and the largest is now further west with more than double the capacity.

China, the world's biggest emitter of greenhouse gases, is building almost twice as much wind and solar capacity as every other country combined.

Last week, its wind and solar capacity overshot a target set by President Xi Jinping nearly six years ahead of schedule.

The vast solar arrays in the Ningxia region are a testament to a state-led industrial policy that has driven that breakneck growth.

South of the regional capital Yinchuan, huge lorries roar down a highway flanked by photovoltaic panels and wind turbines stretching to the horizon.

Ningxia, like much of China's northwest, is sparsely populated and sun-soaked, pockmarked with small farms, vineyards and hulking power stations.

This geography makes it a prime location for generating solar power, which is then sent to China's eastern and southern provinces where electricity demand is highest.

"China's solar energy is developing at an unprecedented pace and scale," said analyst Wu Di from Peking University's Institute of Energy.

The country increased its installed solar capacity by more than 55 percent last year, according to the National Energy Administration.

China now accounts for over 40 percent of the total installed capacity worldwide, said Wu.

Beijing aims to bring emissions of planet-heating carbon dioxide to a peak by 2030 and to net zero by 2060, part of its commitments under the Paris climate accord that seeks to limit global warming to 1.5 degrees Celsius above pre-industrial levels.

This aerial photo shows solar panels built over a sewage treatment plant in Zhengzhou, China's central Henan province. China is building almost twice as much wind and solar capacity as every other country combined. PHOTO: AFP/FILE

"Carbon can't peak unless incremental consumption demand is covered entirely by incremental growth in clean energy," said David Fishman, a senior manager at the Lantau Group specialising in China's power sector.

"Incremental solar capacity growth is an important part of making sure all power demand growth is met by clean sources."

The government only permitted around nine gigawatts of new coal power in the first half of 2024, a year-on-year reduction of 83 percent, according to a report published this month by the Centre for Research on Energy and Clean Air.

"With new renewable energy installations now capable of meeting all incremental power demand in China, the need for new coal is waning," the Finland-based independent research group said.

But it also warned that construction continued on existing coal projects, potentially slowing Beijing's energy transition.

The blistering pace at which extra solar capacity has been added has not quite been matched by developments in the power grid, causing some energy to be lost -- a phenomenon known as curtailment.