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Bangladesh's supply chain amongst the most susceptible to coronavirus

Unctad's analysis finds

STAR BUSINESS REPORT

Bangladesh is one of the 35 countries most vulnerable to the production recess in China brought about by the lethal coronavirus, according to a United Nations

The trade impact of the coronavirus for Bangladesh is estimated to be about \$16 million if China's exports of intermediate inputs drop off 2 per cent, estimates published by the United Nations Conference on Trade and Development (Unctad) showed on Wednesday.

The trade of leather goods will see an



impact of \$15 million, while it will be \$1 million for textiles and apparels, said Unctad's technical note styled 'Global trade impact of the coronavirus epidemic'.

Bangladesh's communication equipment, electrical machinery, metals and metal products, office machinery, paper products and publishing, chemicals and precision

instruments would not be affected. The methods used in the analysis are meant to identify the economic sectors and countries that are most exposed to a disruption of China's exports of intermediate inputs.

China is the biggest trading partner of Bangladesh and the biggest source for raw materials. The world's second largest economy accounted for more than a fifth of the country's imports of \$56 billion in fiscal 2018-19, Bangladesh Bank data

Exporters on the ropes

Shipment keeps falling with weak apparel performance

REFAYET ULLAH MIRDHA

Export earnings in February edged down 1.80 per cent year-on-year to \$3.32 billion mainly because of a slowdown in apparel shipment, according to data from the Export Promotion

The February earning is also 10.74 per cent short of the \$3.72 billion target set for the month, while overall exports in July-February, the first eight months of the current fiscal year, fell 4.79 per cent to \$26.24 billion.

The July-February receipt is also 12.72 per cent less than the periodic target of \$30.06

Exports await a further blow amid the coronavirus outbreak in China, the major source of raw materials for Bangladesh's apparel items, said exporters and economists.

The coronavirus will badly impact the economy as exports from the country are likely to be affected, said Ahsan H Mansur, executive director of the Policy Research Institute.

"We have to agree that China is an integral part of the global supply chain. We will also lose due to the outbreak," he said.

Bangladeshi exporters are going through a rough patch in recent months because of factors like poor labour efficiency, high cost of production, low price of garment items and a strong local currency against the US

The level of efficiency of garment workers is higher in the peer countries such as China, READ MORE ON B3 | Vietnam and Turkey, Mansur said, adding

that Bangladeshi manufacturers are meeting their matches in the global markets with poor productivity.

The local currency can be devalued as a stopgap measure as Bangladesh's competitors like India, China and Vietnam have already done so and are reaping benefits.

In July-February, garment shipment declined 5.53 per cent year-on-year to \$21.84 billion, which is also 13.45 per cent less than the target

of \$25.24 billion set for the period.

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Of the earnings, some \$10.89 billion came from knitwear export and \$10.94 billion from woven garment, according to the EPB data.

However, both knitwear and woven exports declined 5.17 per cent and 5.88 per cent respectively in the July-February period when the overall growth in apparel shipment stood at 5.53 per cent negative.

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Bangladesh hopeful of GSP amid US nonchalance

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Bangladesh continues to remain hopeful of the revival of its Generalised System of Preferences (GSP) status in the US market although the visiting officials of the United States Trade Representative (USTR) gave no such assurance in the fifth round of a Ticfa meeting in Dhaka yesterday.

"We strongly urged the USTR delegation for the reinstatement of the GSP to the US market as we have improved our workplace safety and labour rights a lot," said Md Jafar Uddin, secretary to the commerce ministry.

The GSP reinstatement was discussed at the meeting held between the USTR and Bangladesh under the Trade and Investment Cooperation Forum Agreement (Ticfa) at the InterContinental hotel in Dhaka.

Ticfa was signed in November 2013 to create a platform for negotiating trade and investment between the two

Bangladesh also sought financial and technical assistance to strengthen trade negotiation skills and export capacities upon graduation from least developed to a developing country, Jafar told The Daily Star after the meeting.

The Bangladesh side demanded fair prices during sale of goods, especially garment items.

Bangladesh discussed investment, removal of trade barriers, easing market access, increasing bilateral trade, intellectual property rights, cotton issues and the digital economy.

The USTR did not talk with the media



Members of US and Bangladesh trade delegations attend a meeting at the InterContinental Dhaka yesterday.

after the meeting.

The US delegation showed interest in investing in the ICT and digital economy cotton at the port of entry in Bangladesh,

important because of safety concerns. And they are convinced," said the year, citing poor working conditions secretary, who headed the Bangladesh and a lack of labour rights in the

side in the meeting.

The GSP status, a preferential tariff system which provides tariff reduction and sought waiver of fumigation test of US on various products, was suspended for Bangladesh following the nation's deadliest industrial accident, the "We told them that fumigation is collapse of Rana Plaza in 2013."

The suspension came in June that

garment sector. The apparel industry, Bangladesh's main export earner, never

enjoyed GSP in the US market. The USTR had also outlined 16 conditions to be met by Bangladesh should the country wish to reclaim the GSP status.

Improvements followed in electrical, fire safety and structural issues in factories. Labour laws were also

amended to improve worker's rights as per the recommendations.

Progress reports on workplace safety were submitted to the USTR twice. However, the USTR did not reinstate GSP status for Bangladesh as the US government observed that further improvements, especially in labour rights, were required.

Currently, the US government does not provide GSP status to apparel items from any country but the duties imposed differ from nation to nation.

The total value of exports from Bangladesh to the US under the GSP was \$34.7 million until it was scrapped. Beneficiaries included sectors such as tobacco, sports equipment, porcelain and plastic products.

The US is Bangladesh's single largest export destination. As a least developed country, 97 per cent of the goods originating from Bangladesh had enjoyed duty-free benefits in the US markets as per a decision taken during the Hong Kong Ministerial Meeting of the World Trade Organization in 2005.

However, the country's main export item, garments, was not included in the 97 per cent package. Garment exports account for 95 per cent of Bangladesh's exports to the US.

As a result, Bangladeshi exporters face 15.62 per cent duty on the export of apparel items to the US markets.

In fiscal 2017-18, Bangladesh exported goods worth \$5.98 billion to the US market while importing goods worth \$1.70 billion, according to data from the commerce ministry.

BB warns banks not to serve unauthorised payment service providers

STAR BUSINESS REPORT

The central bank yesterday warned banks not to provide anv banking services to unauthorised payment service providers and operators.

A good number of companies are carrying out businesses just like mobile opening digital wallets for clients to settle transactions without prior approval from the central bank, according to a Bangladesh Bank notice.

Such businesses mav cheat clients. which will subsequently create a lack of confidence in authorised entities. The central bank asked

banks not to open any custodian accounts in favour of unauthorised payment service providers and operators in the interest of the banking sector.

Pavment providers keep public funds in the form of custodian accounts with a bank.

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LafargeHolcim continues to reward shareholders

Announces 10pc cash dividend for 2019

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LafargeHolcim Bangladesh declared 10 per cent cash dividend for 2019, which is the same as in the previous four years, as the cement maker continues to hold steady amidst a rise in raw material prices.

The only green field company of the stock market took 12 years to start paying dividends, but now it is providing dividends every year. The cement company

Now, its earnings per share (EPS) is also rising though it dropped suddenly in 2017. In 2017, the company's EPS fell 64 per cent

The company's EPS rose 56 per cent yearon-year to Tk 1.50 in 2019. Its initiatives on cost optimisation helped it to achieve a growth of profit-after-tax by 56 per cent to

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Gamblers having field day with off colour Central Pharma stocks



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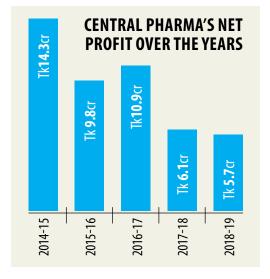
Stocks of Central Pharmaceuticals almost doubled in the last one month even though its production of few drugs have been on pause in the last three months.

On the other hand, earnings per share (EPS) of the company is also deteriorating. Its EPS dropped 75 per cent to Tk 0.11 in the first half of

the current financial year.

In response to a notice from the Dhaka Stock Exchange the drug maker yesterday informed that its production has been suspended since December 5 last year as the Directorate General of Drug Administration temporarily scrapped its licence of production of few drugs.

However, no bad news was able to stop the curious abnormal rise of the drug maker's stock price.



In the span of one month it rose 97.67 per cent to Tk 17. Yesterday, it advanced 9.68 per cent despite the notice posted on the DSE website.

The increase is just because of gambling by some

people, said a stock broker preferring anonymity. People are buying the stocks in order to create an artificial demand and price hike so that general investors are drawn in.

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