MODHUMOTI BANK

Zahid Maleque, health and family welfare minister; Momotaz Begom, a lawmaker; Humayun Kabir, chairman of Modhumoti Bank; and Sheikh Fazle Noor Taposh, chairman of the executive committee, open a Modhumoti Bank branch at Singair in Manikganj yesterday.

IMF chief calls for all-out offensive to counteract epidemic

AFP, *Washington*

IMF chief Kristalina Georgieva on Wednesday called for an all-out, "no regrets" response to the new coronavirus epidemic which poses a "serious threat" to the global economy.

"At a time of uncertainty... it is better to do more than to do not enough," she said, warning that the impact of the COVID-19 outbreak will slow growth in the world economy to below the 2.9 percent posted last year.

The epidemic "is no longer a regional issue, it is a global problem calling for global response," Georgieva told reporters, warning that the financial need could top $1 billion.

The virus has shuttered factories, disrupted travel, infected nearly 95,000 people worldwide and killed more than 3,200, mainly in China, while some countries are struggling to test for and contain the spread of the illness.

That has spurred global policymakers to come out in force to mitigate the damage, including an emergency, half-point cut in interest rates by the Federal Reserve on Tuesday, followed by a similar cut by the Bank of Canada on Wednesday.

While some economists argue lower interest rates will do little to help address interruptions in supply chains, Federal Reserve Chair Jerome Powell said it should provide a boost to confidence.

And while Georgieva said the global financial system is in good shape now after being fortified in the wake of the 2008 crisis, "We do need to have measures that are bringing a sense of confidence," and prevent credit from freezing up.

The epidemic's impact on confidence and demand, as well as the steps imposed to contain it, are impacting economic activity, with the result that "global growth in 2020 will dip below last year's levels," she said.

IMF Managing Director Kristalina Georgieva

The IMF in January forecast growth this year of 3.3 percent, which means at least a half point will be lost to the virus. But "how far it will fall and how long the impact will be is still difficult to predict," she said.

Georgieva said the fund's analysis had assumed the virus would be largely confined to China, which would have led to a sharp but short economic slowdown, followed by a quick recovery.

"Unfortunately over the last week we've seen a shift to a more adverse scenario for the global economy," due to the "sheer geographic spread of the epidemic around the world," impacting a third of the IMF's 189 member countries.

The fund is due to release its updated forecasts in mid-April.

Georgieva and World Bank President David Malpass spoke to reporters after a conference call of finance officials from member nations, who directed the IMF "to use all its available financing instruments to help member countries in need." "We are determined to provide the necessary support to mitigate the impact, especially on the most vulnerable people and countries," the statement from governing body the IMFC said.

It was the first time the group had ever held a meeting by teleconference, the IMF said.

Georgieva said the Washington-based development lender has $1 trillion in overall financing capacity, including $50 billion available without a formal IMF program, and $10 billion in no-interest funds for the poorest countries. These are existing aid facilities that can be deployed quickly to deal with emergency situations, such as natural disasters.

Georgieva said the fund also has a grant program used for the 2014 Ebola outbreak that relies on government donations and is underfunded with only $200 million against a need that could reach $1 billion.

"I called on member countries to help ensure that this facility is fully re-charged and ready for the current crisis," she said.

The World Bank on Tuesday announced it had $12 billion available to help countries respond to the coronavirus threat, especially the poorest nations that are least equipped.

Malpass told reporters "the speed and breadth of the response is crucial to its effectiveness." As the US death toll rose to 11, Congress reached a deal on $8 billion in emergency spending to combat both the health and economic consequences of the disease.

The Eurogroup was still mulling an exceptional spending package as cases in Europe grew and Italy shuttered schools, but pledged to use "all appropriate tools to achieve strong, sustainable growth" including fiscal measures.

India plans to airlift components from China to help local tech industry

REUTERS, *New Delhi*

India is planning to backstop its growing electronics sector by arranging to airlift components from China, three government officials said, as it tries to contain the fallout from the coronavirus crisis in China.

India's federal technology ministry has asked electronics and smartphone industry lobby groups to draw up a list of components made in China which then can be airlifted, two of the officials said. China is slowly getting back to work after an extended shutdown, but it is still grappling with a range of production and logistics delays.

Electronics manufacturing, especially the assembly of smartphones, is a bright spot for India's otherwise flagging economy. But the country is still highly dependent on China for components such as camera modules and display screens.

The emergency airlift plans underscore the interconnected nature of global supply chains and the continued dependence on China for key goods even as some manufacturers - prompted in some cases by the U.S.-China trade war - move to build up capacity outside of China. Other industries are also exploring airfreight options.

The Automotive Component Manufacturers Association of India has reached out to its members to assess which parts are in short supply and can potentially be air-lifted, according to a source aware of the matter. India's auto industry relies heavily on China for parts such as electronic components, pressure sensors and fuel injectors.

India's embassy in China is also helping coordinate an airlift of drug ingredients from China, said a government adviser with direct knowledge of the matter.

For the electronics and smartphone components, the technology ministry "is in touch with aviation carriers and air freighters and they've been connected with the industry," one of the government sources said.

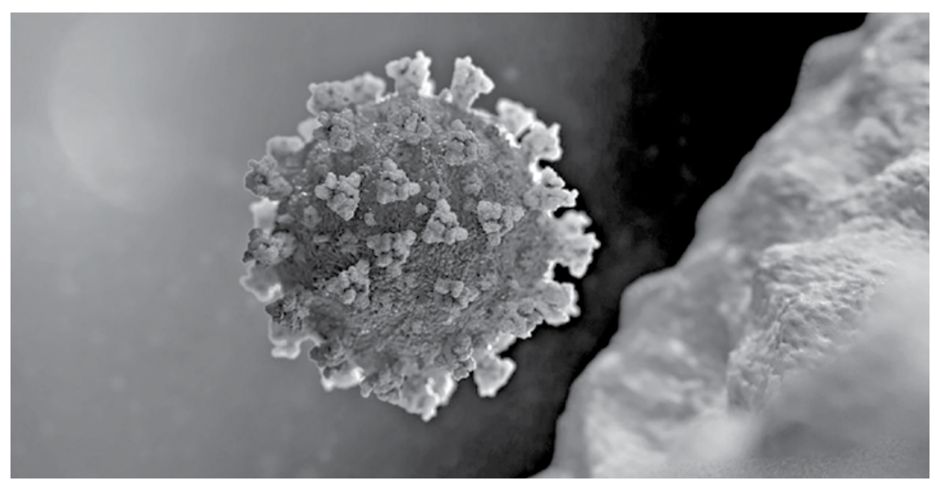
The airlifting of components from the Chinese cities of Guangzhou and Shanghai is one option being discussed, the official said. The sources did not say when the airlifting might begin. The aviation ministry did not immediately respond a request for comment.

Lack of truck drivers, a proliferation of road checkpoints and a shortage of workers at Chinese ports have slowed shipments even for parts that are still being produced, Reuters has reported. Air cargo firms have also reduced services in response to crew health concerns and uncertain demand.

China is India's biggest trading partner, but India's imports of Chinese goods contracted in February to their lowest levels in nearly four years, trade ministry data reviewed by Reuters showed.

Smartphone makers in India thus far have largely weathered the virus crisis, partly because they had built up inventories of Chinese-made parts to cover the Lunar New Year holiday period when China's factories close down.

But those stocks could dry up soon. S.N. Rai, the co-founder of homegrown smartphone maker Lava, said the supply of some components had resumed, but the pace of production at his factory on the outskirts of New Delhi could soon slow down.



REUTERS/FILE

A computer generated image created by Nexu Science Communication and the Trinity College in Dublin, shows a structural model of the betacoronavirus. It is one of four genera of the COVID-19 or coronavirus strain, which recently broke out in Wuhan and has since made its way to many parts of the world.

MCCI

Abu Hena Md Rahmatul Muneem, chairman of the National Board of Revenue, speaks at a luncheon meeting of the Metropolitan Chamber of Commerce and Industry, Dhaka, at the chamber's Gulshan office yesterday. Nihad Kabir, the chamber's president, was present.

Opec seen backing big oil output cut, but awaits Russian support

REUTERS, *Vienna*

Opec ministers are expected to approve on Thursday the outlines of a deal for a significant cut in oil production to shore up prices hammered by the coronavirus outbreak but they are still waiting for Russia to indicate whether it will back such a move.

Saudi Arabia wants Opec and its allies, including Russia, to cut 1 million to 1.5 million barrels per day (bpd) for the second quarter and to keep existing cuts of 2.1 million bpd, which expire this month, in place until the end of 2020.

But Riyadh, the biggest producer in the Organization of the Petroleum Exporting Countries, and other members of the group have yet to win Russian support for such a deal. So far, Moscow has indicated it would back an extension but not a deeper cut.

Saudi Energy Minister Prince Abdulaziz bin Salman, who met his Russian counterpart Alexander Novak in Vienna on Wednesday, has kept the market guessing about progress in the negotiations.

Asked about prospects for a pact shortly before Opec ministers began their meeting in the Austrian capital, the Saudi prince told reporters: "We will have to see today and tomorrow."

Moscow, which has cooperated on output policy since 2016 in an informal group known as OPEC+, has in the past shown reluctance during negotiations but has signed up at the last minute.

OPEC sources have signalled that preliminary talks with Russia this week in Vienna have been trickier than before.

Prepare for shocks to drive economic growth

FROM PAGE B4

Sobhan spoke at the inaugural ceremony styled "Bangladesh's economy: Envious Growth and Sustainable Development" at the Bangladesh Economic Conference 2020 at the Pan Pacific Sonargaon hotel in Dhaka yesterday.

Banik Barta, a Bengali daily specialising on economic and business news, and City Bank, a private bank, organised the event in association with LankaBangla Finance, a non-bank financial instituition, on the occasion of the 100th birth centenary of the Father of the Nation Bangabandhu Sheikh Mujibur Rahman.

Sobhan compared the coronavirus to the black swan.

He referenced to the book 'The Black Swan: The Impact of the Highly Improbable' written by author and former options trader Nassim Nicholas Taleb.

The book focuses on the extreme impact of rare and unpredictable outlier events -- and the human tendency to find simplistic explanations for these events, retrospectively.

"This emerged out of nowhere and it is a lesson to all of us that even though everything is going well in the economy, random shocks can come and afflict you and you may not be prepared for this and you will need to develop appropriate reactions."

"Hopefully, it will be no such thing and all of the scientific skills of China and the rest of the world will enable us to escape from this becoming a global pandemic. The main message is: we need to prepare for random shocks, which may affect our economy."

According to Sobhan, there is a need to get the country's financial and banking system in order. "Much has been written and much has been said about this. Much needs to be done now."

As the country is on course to graduating to the big league, it needs to have a working financial system, which dispenses resources into the economy in a competitive and predictable way and where the viability of the system, the borrowing and the recovery of the funds and the sustainable growth of the economy are ensured.

"If you run into a system that is conspicuously malfunctioning and raises questions about the reliability and credibility of the system, this is not only going to impact the sustainability of the growth but also equally the capacity to attract significant amount of foreign investment."

Speaking about Bangabandhu, Sobhan said the Independence leader's whole life was dedicated to the causes of the common people.

"He was a great believer in social justice and in the need to uplift the condition of the working people."

Bangabandhu aspired to build opportunities where the most marginalised and deprived would have chances to improve their living standards, he said.

Whilst the country has done well in achieving higher growth and reduction of poverty, there is a long way to ensure equitable justice to live up to the vision of Bangabandhu.

"We are on a path to considerable progress and success, but we have ground to cover and we have got still unfulfilled dreams to realise. I hope that the centenary year and the 50th year of independence will create opportunities for setting us in that direction," Sobhan added.

The savings instruments were introduced for the marginalised groups and pensioners but the system was distorted as the target groups did not receive the benefit, said Finance Minister AHM Mustafa Kamal.

This led the government to cut interest rates on postal savings certificates.

The banking sector has been automated, which will not allow savers to exceed the savings limit at the national certificates.

"The interest rate on postal savings will not decrease. There is no chance for them to be cheated."

The minister also talked about the bearish stock market.

"My responsibility about the stock market is clear: I don't work for the ups and downs of the market. My task is to accelerate the economy. If the economy becomes stronger, the stock market will be stronger."

Kamal blamed the higher interest rate for the high volume of default loans.

The finance minister said he faced questions for his move to cap banks' lending rates at 9 per cent.

"But the market forces will take control when the situation becomes stable."

The minister also said the country's tax-to-GDP ratio would be more than 14 per cent -- and not the existing 9-10 per cent -- if all the tax holidays and tax exemptions given to large infrastructure sectors are taken into account.

"But we are giving the tax holiday and exemptions for accelerating industrialisation," he added.

All the problems facing Bangladesh are known and the solutions are there, said Salehuddin Ahmed, a former governor of the Bangladesh Bank.

So, it is time to implement them.

"We have moved out of the bracket of the 6-7 per cent growth rate. We are at a satisfactory level. But it took us 47 years. We can't wait for another 47, or 27 or 17 years for the next phase of growth. We have to move fast. That is the main challenge."

Many economic indicators are currently not at a very good level. Remittance is a bit better. The negative growth of exports has narrowed. The remaining indicators are facing challenges.

Bringing down the interest rate to 9 per cent will not bring expected results. The other costs associated with businesses have to be reduced and the unloading of goods at the port has to be fast-tracked, the former governor said.

There are a lot of challenges facing the banking sector: the financial institutions are progressively getting weaker for lack of skill and corruption and honest and bold people are not being promoted.

In case of economic and banking sectors there might be political guidelines, but it is not good to dictate who will get loans at what rates.

Fixing the interest rates for savings and loans at 6 per cent and 9 per cent respectively does not seem practical.

There should have been a band from 6 to 9 per cent and 9 to 12 per cent, Ahmed added.

"Bangabandhu's call for economic emancipation is still relevant," said Hossain Zillur Rahman, executive chairman of the Power and Participation Research Centre, a think-tank.

Bangladesh's GDP still relies on two sectors: garment and remittance. But the effectiveness of these drivers of the economy would erode gradually.

So, the country should identify sectors that will drive the next phase of the economy and keep up the growth momentum, he said.

Bangladesh is facing a syndrome of inefficient expenditure, said Rahman, also a former caretaker government adviser.

The country is spending a lot but there are inefficiency, corruption, waste and dilly-dallying in the expenditure.

The inefficient expenditure has had a toll on the quality of growth.

Rahman called for increasing budgetary allocation for education and health sectors and improving the quality in the services to move away from the low-cost labour economy.

The spread between the lending rate and deposit rate has never been less than 4.5 per cent in Bangladesh, so it would be tough to limit it to 3 per cent, said Mirza Azizul Islam, a former finance and planning adviser to a caretaker government.

Deposit growth is declining and if banks can't mobilise deposits, they would not be able to lend. Private sector credit growth was already at the lowest level in a decade in December, he said.

If the banking sector can't channel money to the private sector, job creation will be affected, which will ultimately hurt poverty alleviation efforts, Islam added.

Bangladesh was one of the top 20 reformers in the latest World Bank's report on the Ease of Doing Business, said Salman F Rahman, adviser to the prime minister on private industry and investment.

"We hope Bangladesh will advance by another 25-30 spots this year and will be in the double-digit ranking by next year."

In order to make the desired jump in the ranking, which was 168th in 2019, laws are being amended, he said, adding that required amendments will be done by this year.

Digitalisation would be the next driver of Bangladesh's economy.

Bangladesh has laid out fibre optic cable in most of the unions across the country, laying the foundation for digitalisation, Rahman said, adding that the country also has the second largest population of freelancers in the world after India.

Banks' lending dropped off and this will impact the economy, said Mashrur Arefin, managing director and chief executive officer of City Bank.

"It is a matter of concern."

The banker called for raising the tax-to-GDP ratio. "People's income has gone up but many are not paying tax."

The government should pay attention to revive the stock market, whose key index lost 31 per cent in the last two years, he added.

Dewan Hanif Mahmud, editor of the Banik Barta, moderated the opening ceremony.