



Husne Ara Shikha

## BB gets new GM

STAR BUSINESS DESK

Husne Ara Shikha has recently been promoted as a general manager of Bangladesh Bank (BB). Prior to the promotion, she was a deputy general manager. Shikha joined BB as an assistant director in 1996, according to a statement.

She obtained her graduate and post graduate degrees in pharmacy from the University of Dhaka.

Shikha also has an MBA in finance from the Institute of Business Administration under the university.

# Fed says coronavirus causing disruptions, widespread concern

AFP, Washington

The coronavirus outbreak has already disrupted travel and access to goods for US industry, and businesses nationwide sounded the warning that things could get worse, the Federal Reserve said Wednesday.

While activity in the world's largest economy continued to grow at a modest to moderate pace in recent weeks, the outlook was becoming more uncertain, according to the Fed's beige book survey.

The report contains dozens of mentions of the deadly virus, which said "producers feared further disruptions in the coming weeks." Painting a picture of a widespread and growing impact, the report underscores the Fed's decision Tuesday to make an emergency interest rate cut to boost confidence and shore up the US economy.

"The coronavirus has entered the list of concerns, which still includes tariffs and tight labor markets," according to the Philadelphia Federal Reserve Bank. And in Chicago, many manufacturers "expected a larger effect if the disruptions continued much longer." Meanwhile, "local customers have been avoiding some of Philadelphia's Asian restaurants and shops, as unfounded

fears spread," the report said.

Amid rising concerns about the virus and the damage to the global economy, the Fed's policy-setting committee on Tuesday slashed its key interest rate by a half point to a range of 1.0-1.25 percent -- the first inter-meeting cut since late 2008 at the height of the global financial crisis.

Fed Chair Jerome Powell said the move aimed "to help the US economy keep strong in the face of new risks to the economic outlook." Treasury Secretary Steven Mnuchin applauded the Fed's action, calling it "very precautionary and the right thing to do. We're taking a whole of government approach." But most investors expect the Fed to cut the benchmark borrowing rate again at the March 17-18 policy meeting to stem the economic uncertainty.

The US Congress is set to approve a \$8 billion emergency spending package to combat the disease -- both the health and economic consequences.

The epidemic deflated the optimism felt after President Donald Trump signed a Phase One trade deal with China in January, calling a truce in the hostilities between the two economic powers, but leaving many tariffs in place.



RANCON MOTORS

**Edward Bradley, a service expert of Mercedes-Benz AG; Salim Akhter Khan, chairman of Asset Development and Holdings; and Redwanul Zia, chief operating officer of Rancon Motors, general distributor of Mercedes-Benz AG in Bangladesh, launch a five-day 'Service Clinic 2020', a signature service programme of Mercedes-Benz's South-East Asia, in Dhaka on Monday.**

## LafargeHolcim continues to reward shareholders

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LafargeHolcim Bangladesh now owns four cement plants, including the country's only operational integrated cement plant in Chhatak.

"2019 was a challenging year for the cement industry," said Rajesh Surana, chief executive officer of LafargeHolcim Bangladesh.

The impact of the increase in raw material costs and additional taxes was significant.

"Despite this impact, LafargeHolcim demonstrated a strong

performance trend. Our focus on improving operational efficiencies, driving commercial innovation and cost optimisation continues to be effective."

The company's consolidated sales revenues for the year rose to Tk 1,784 crore, up by Tk 120.8 crore from 2018.

The cement makers' stock price rose about 33.86 per cent to Tk 42.3 in the last three months.

The company has three subsidiaries: Holcim Bangladesh, Lafarge Umiam Mining and Lum Mawshun Minerals.

"Now, the company is getting the benefits of the amalgamation because it already has reduced many types of costs," said an official of the company requesting anonymity.

LafargeHolcim Bangladesh acquired 100 per cent shares of Holcim Cement (Bangladesh) for Tk 504.7 crore. The transfer of shares of Holcim Cement was completed on January 7, 2018.

The company targeted to increase revenue and reduce unnecessary costs at the same time, the official said.

## Exporters on the ropes

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"It's definitely not a good sign for the economy as export continues to plummet for the third consecutive month and six out of the eight months of this fiscal year reported negative growth which is extraordinarily alarming," said Rubana Huq, president of Bangladesh Garment Manufacturers and Exporters Association.

"The challenges and weaknesses still remain," she said.

The sector has apparently lost its competitive edge because of a decline in prices, mandatory annual increment of wages and the strong local currency against the dollar, Huq said.

"On top of it, price of electricity has gone up 4.9 per cent recently. The coronavirus outbreak is also predicted to have a certain impact on the industry," she said.

The global retail market is also not faring well: The US clothing retail sales in January went down 3.1 per cent which is the worst in the last 10 years. Shopping malls in a few big cities have already started feeling the pinch.

"And we are yet to see what impact do Brexit and EU-Vietnam FTA leave on the sourcing dynamics," Huq said.

"Therefore, the time is extremely challenging for now. And there is no better time than now to support the sector."

Meanwhile, among the other sectors, frozen and live fish exports declined 4.39 per cent to \$376.73 million, while leather and leather goods 9.04 per cent to \$631.89 million in July-February.

However, exports of jute and jute goods edged up 24.45 per cent to \$697.63 million during the period.

## BB warns banks not to serve unauthorised payment service providers

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A large number of people now purchase products by using digital wallets of unauthorised companies. This will create an adverse impact on the economy as a whole if their illegal activities cannot be tackled.

Banks have been asked to open custodian accounts of any organisations by verifying whether they have approval from the central bank.

# Outcry at interest rate capping

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The interest rate on lending will automatically go down if default loans and inflation can be lowered, said Mansur, also a former official of the International Monetary Fund.

The focus should be on recovering default loans but there has been no discussions to that end, said Mohammed Farashuddin, a former governor of the central bank.

The 9 per cent and 6 per cent interest caps will create a problem for new banks in running their businesses.

The central bank should not fix any interest rate ceiling on SMEs and consumer loans like credit cards.

"I have doubts on whether the 9 per cent interest rate will be effective given the perspective of the market economy," Farashuddin added.

Not one central bank in the world determine the interest rates in their country as only commercial banks do so based on market demand, said Mamun Rashid, managing partner of PricewaterhouseCoopers (PwC) Bangladesh.

The government of Kenya earlier implemented such interest rate ceilings but was later forced to backtrack from its decision.

The single-digit lending rate will help businesspeople but it will not bring any good for depositors.

The low interest rate on deposits will encourage people to invest in land, gold and fictitious cooperative societies and multi-level marketing companies, Rashid said, adding that a good number of people will launder their money abroad as well.

Banks disbursed loans between 7 and 9 per cent interest rates in 2015 and 2016, said Syed Mahbubur Rahman, managing director of Mutual Trust Bank.

The interest rate on lending was fixed by the market in line with market demand.

"We should improve corporate governance in the banking sector. And the authority concerned should strengthen the judicial system to tackle habitual defaulters."

Controlling habitual defaulters is a tough job as many of them usually take political shelter, said Rahman, also a former chairman of the Association of Bankers, Bangladesh, a forum of managing directors in the banking sector.

"We should boycott the habitual defaulters socially. Countries like Nepal have already taken such measures against the delinquents."

Remittance may decrease if the interest rate on deposits is brought down and a good amount of funds will escape the banking sector, Rahman added.

"We should accept the 9-6 per cent bound positively as there is no other option," said Mashrur Arefin, managing director of City Bank.

Banks should emphasise on developing human resources as a large number of employees are not digitally efficient, he added.

The four state run lenders -- Sonali, Janata, Agrani and Rupali -- have been following the single-digit interest rate for one and an half years, said Zaid Bakht, chairman of Agrani Bank.

"I do not see any cause to be panicked as Agrani Bank's deposit frequency has not declined despite setting a 6 per cent interest rate."

State run banks will welcome SME clients if they do not get loans from private banks, Bakht added.

The central bank has the power to determine the interest rate on all deposits and lending products as per the Banking Companies Act 1991, said Fazle Kabir, governor of Bangladesh Bank.

The central bank earlier set an interest rate cap on farm loans when the interest rate on lending increased, he said while addressing the event as chief guest.

Banks now enjoy excess liquidity of more than Tk 100,000 crore after maintaining their statutory liquidity ratio.

They will have to give out loans to SME and the manufacturing sector as lenders will not be allowed to decrease the funds flowing in to the industrial sector below their average credit growth in the last three years, Kabir said.

He went on to hope that investment would gain tempo due to the 9 per cent interest rate on lending.

"The central bank is following due diligence while taking this initiative. It recently provided a licence to a new bank after scrutinising it in detail for three years," Kabir said.

Dewan Hanif Mahmud, editor of Bonik Barta, moderated the event, where Khwaja Shahriar, managing director of LankaBangla Finance, also spoke.

## China's consumer sales steadying after virus hit

REUTERS, Beijing

The coronavirus outbreak has hit global demand, but its impact on China's foreign trade is only temporary, the Commerce Ministry said on Thursday, adding that authorities would roll out more targeted support measures to stabilise supply chains.

The epidemic, which has killed more than 3,000 people and infected more than 80,000 in mainland China, has triggered a record contraction in the country's vast manufacturing sector, with firms slashing output and losing orders.

The virus has limited employees' movements, caused blockages in international logistics and reduced global trade, especially of intermediate goods, said Li Xingqian, director of the foreign trade department at the commerce ministry in a media briefing.

But sales in China's consumer market stabilised in late February as people gradually returned to work after efforts to curb the outbreak had succeeded in some places, Wang Bin, another commerce ministry official, said at the same briefing. On Wednesday, a United Nations agency said China's exports of vital parts and components for products ranging from automobiles to cellphones are estimated to have shrunk by an annualised 2% in February, costing other countries and their industries \$50 billion.

Li added that exporters are facing great difficulties maintaining orders, securing market share and delivering on their contracts, but fluctuations in trade growth, triggered by a public health emergency, are still within a reasonable range.

Amid concerns that the spread of the virus in South Korea and Japan could mean a second wave of disruption at Chinese factories, Li said imports of electronic products and parts - for which China relies heavily on its neighbours - have so far maintained steady growth.

## Digital commerce fairs start tomorrow

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The fair will be inaugurated at the Sheikh Hasina Software Technology Park in Jashore, where sponsors and senior government officials will be present alongside e-CAB leaders. Daraz, the country's largest online shopping platform, is a platinum sponsor for the event while two other local e-commerce market leaders, Evaly and Chaldal, are gold sponsors.

"The culture of digital commerce has emerged and keeping distance from this digitalisation is not possible," said Tomal, adding that since the post office will act as the primary delivery channel for products bought online in the coming days, the e-CAB decided to partner with them.

Seventy per cent of all businesses across the globe will be conducted online by 2025 and Bangladesh needs to prepare for that, Tomal said.

Every year, the e-CAB observes April 7 as the National e-Commerce Day while April 7-13 is observed as e-Commerce Week.

Bangladesh's e-commerce market stands at \$1.6 billion currently and will double to \$3 billion by 2023 on the back of a digital foundation laid down by the government and a young and tech-savvy population, a German research firm said recently.

In terms of e-commerce revenue, Bangladesh is ranked 46th in the global ranking, according to Statista.

## Gamblers having field day with off colour Central Pharma stocks

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"When the general investors will buy the stocks the gamblers will sell," he said, adding that the Bangladesh Securities and Exchange Commission (BSEC) and the Dhaka Stock Exchange have surveillance software separately that can detect everything.

This begs the question why the two bodies are not forbidding the big buyers from jumping into a profit declining company, he added.

According to the DSE data, the drug maker's profits and revenue has been waning since its listing in 2013.

The drug makers' turnover dropped 53.47 per cent to Tk 30.74 crore in the 2018-19 financial year compared with the 2014-15 financial year. Its profits declined at the same rate and so did its stock price.

"We cannot ask an investor why they are buying the stock of a company whose profits are shrinking," said a top official of the BSEC requesting not to be named.

Investors should be cautious about what they are buying and what returns they will get them.

A merchant banker said when a company rises abnormally and some people buy the stocks it is definitely because of bad intentions.

"So, the BSEC should find them and punish them to stop the gambling. Otherwise, stock investors' confidence will not return to the market," he added. Mansur Ahmed, managing director of Central Pharmaceuticals, did not answer to calls from The Daily Star.

## Govt to launch Bangabandhu Innovation Grant for startups

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"This is just our commitment to the society which we are dedicating to the father of the nation," he added.

Besides, the ICT division aims to introduce 100 new citizen services and promote Bangabandhu Sheikh Mujibur Rahman through ICT services.

Through the division's efforts for the past 10 years, about 11 lakh jobs have been created but the government now has a target to offer another 10 lakh jobs in the ICT sector in the next five years, said Palak.

"We want to eradicate corruption and discrimination from the society using ICT," he added.

As part of the celebrations, the ICT division will also organise a special hackathon for women in July. An e-sports event will also be held in June to encourage the country's online gaming population.

Senior officials of the ICT division were also present at the press conference.



UCB

**Arif Quadri, additional managing director of United Commercial Bank, and Hasib Uddin, a director of Audi Bangladesh, launch a joint campaign after signing a deal in Dhaka recently. The deal will enable the customers to get low-interest car loans, zero processing fees and discounted price on selected Audi models.**

# Bangladesh's supply chain amongst the most susceptible to coronavirus

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The analysis is based on United Nations Statistics Division trade data covering about 200 countries and 13 manufacturing sectors.

The slowdown of manufacturing in China due to the coronavirus outbreak is disrupting world trade and could result in a \$50 billion decrease in exports across global value chains, the UN agency said in a statement.

In February, China's manufacturing Purchasing Manager's Index, a critical production index, fell by about 22 points to 37.5, the lowest reading since 2004. Such a drop in output implies a 2 per cent reduction in exports on an annual basis.

Because China has become the central manufacturing hub of many global business operations, a slowdown in Chinese production has repercussions for any given country depending on how reliant its industries are on Chinese suppliers.

"In addition to grave threats to human life, the coronavirus outbreak carries serious risks for the global economy," UNctad Secretary-General Mukhisa Kituyi

said in the statement.

Any slowdown in manufacturing on one part of the world will have a ripple effect in economic activity across the globe because of regional and global value chains.

The analysis assumes that supply disruptions are limited to China. Disruptions that the coronavirus may directly cause in the output of other countries are not considered at this stage.

The results of the analysis are to be interpreted as short-term effects as they assume the supply capacity in the rest of the world would remain constant.

The Unctad says while there is still uncertainty about the impact of the coronavirus on China's productive capacity, the most recent statistics point to a significant downturn. The full effect of the virus on global value chains will become clearer in the coming months.

However, one question of importance is how a disruption in Chinese supply of intermediate inputs will affect the rest of the world.

Based on the analysis of this note, two key points can be made, the note said.

First, even if the outbreak of the virus is contained mostly within China the fact that Chinese suppliers are critical for many companies around the world implies that any disruption in China will be also felt outside China's borders.

European, American and East Asian regional value chains will be disrupted.

The estimated global effects are subject to change depending on the containment of the virus and/or changes in the sources of supply.

Second, it is expected that the spill over effects of a disruption in Chinese supply will be diverse across economic sectors and dependent on the geographic localisation of the coronavirus outbreak and of the containment measures within China.

For example, automotive industry's intermediate exports may fall relatively more as the industry is geographically localised in the region where the outbreak of coronavirus occurred.

Importantly, because of lack of information this note does not consider this second aspect.

Once sectoral data on Chinese output

is available the likely effect on the various global value chains will become clearer.

Among the most affected economies are the EU (\$15.6 billion), the US (\$5.8 billion), Japan (\$5.2 billion), South Korea (\$3.8 billion), Taiwan (\$2.6 billion) and Vietnam (\$2.3 billion).

The trade impact of the coronavirus epidemic for India is estimated to be about \$348 million. For Pakistan, it is \$44 million and for Indonesia it is \$312 million.

"There is no doubt that there will be at least short-term impact. And if the outbreak persists for a long time, this will have far-reaching impact not only on Bangladesh but also on the global economy," said Bangladesh's finance ministry recently in a report on the possible impact of the coronavirus.

"Of course, if the virus continues to spread and gets out of control, and we see closures not only in China but also in India and the United States and everywhere else in the world, then it would be a big problem," said Alessandro Nicita, from Unctad's Division on International Trade and Commodities, in another news article on the UN's news website.