

Indian stocks suffer worst day in 4.5 years on virus panic, oil price crash

REUTERS, Bengaluru

Indian stocks on Monday recorded their worst single-day fall in more than four years, tracking global markets lower, as panic over the economic fallout of the coronavirus outbreak intensified and oil prices plummeted. The NSE Nifty 50 index closed down 4.90 per cent at 10,451.45, its worst daily decline since August 2015. The benchmark S&P BSE Sensex ended 5.17 per cent lower at 35,634.95. European markets suffered hefty losses in early trade, while MSCI's broadest index of Asia-Pacific shares outside Japan lost 4.4 per cent in its worst day since August 2015. "Panic is an understatement," said

Manav Chopra, head of research for equity at Indiabulls Securities Ltd in Mumbai. "Important support levels have been breached with ease in this environment," he said of the Nifty 50. The number of people infected with the coronavirus has topped 110,000 globally as the outbreak reached more countries and caused more economic carnage. Unnerving already panicked investors, oil prices sank more than 25 per cent in their biggest one-day rout since the Gulf War after Saudi Arabia launched a price war with Russia. Analysts expect the decline in crude prices to help boost economic growth in India, one of the world's top oil importers, but shares in large oil

companies slumped on Monday.

State-run Oil and Natural Gas Corp recorded its worst fall since 1995, dropping nearly 16 per cent, while oil-to-telecoms conglomerate Reliance Industries Ltd dived 13 per cent.

The country's markets regulator, the Securities and Exchange Board of India, issued a statement on the market selloff, saying: "The perceived economic fallout from COVID-19 coupled with steep fall in global crude prices led to volatility in securities market."

Monday's rout comes after a bruising two weeks in which the Nifty 50 shed 9 per cent on virus fears and turmoil at Yes Bank Ltd, one of the country's largest lenders.

The blue-chip index also hit a 17-month low on Monday, erasing a roughly 12 per cent gain it recorded in 2019.

The rupee was down 0.13 per cent at 74.0562 against the dollar, as of 1030 GMT, having hit its lowest since October 2018 earlier on Monday.

The global selloff also hit other markets in South Asia.

Pakistan's Karachi Stock Exchange benchmark 100-share index was down 3.3 per cent, while the Pakistani rupee fell to 156 rupees to a dollar, its lowest level in six months, according to the Exchange Companies Association of Pakistan.

In Bangladesh, the Dhaka Stock Exchange 30 index plunged 6.19 per cent.

Sri Lankan markets were shut on Monday for a holiday.



LANKABANGLA FINANCE

Khwaja Shahriar, managing director of LankaBangla Finance, receives an award from Fazle Kabir, governor of Bangladesh Bank, at the concluding ceremony of "Banker-SME Women Entrepreneur and Product Display-2020" at the Bangladesh Bank Training Academy in Dhaka recently. The non-bank financial institution was awarded for its contribution in developing cottage, micro, small and medium enterprises in Bangladesh.

Boeing proposal to avoid MAX wiring shift does not win US support

REUTERS, Washington

Boeing Co's proposal to leave wiring bundles in place on the grounded 737 MAX has not won the backing of US aviation regulators, a person briefed on the matter told Reuters.

Last month, Boeing told the Federal Aviation Administration (FAA) it does not believe it needs to separate or move wiring bundles on its grounded 737 MAX jetliner that regulators have warned could short circuit with catastrophic consequences.

The source said the FAA told Boeing on Friday that it did not agree with the planemaker's argument that the planes' wiring bundles meet safety standards and now it is up to Boeing

to decide how to proceed.

The FAA said Sunday it "continues to engage with Boeing as the company works to address a recently discovered wiring issue with the 737 MAX. The manufacturer must demonstrate compliance with all certification standards."

Boeing said Sunday it was in ongoing discussions with the FAA over the issue. Boeing could opt to make a new proposal or move the bundles or try to convince the FAA to reconsider its position, but a US official said it was "unlikely" the FAA would reconsider.

Boeing and the FAA first said in early January they were reviewing a wiring issue that could potentially cause a short circuit on the 737 MAX, and under certain circumstances lead to a

crash if pilots did not react in time.

Boeing's 737 MAX was grounded worldwide last March after two crashes in Indonesia and Ethiopia killed 346 people within five months.

There are more than a dozen different locations on the 737 MAX where wiring bundles may be too close together. Most of the locations are under the cockpit in an electrical bay.

If the bundles pose a potential hazard, regulations would typically require separating the bundles or adding a physical barrier. Boeing has noted in talks with the FAA that the same wiring bundles are in the 737 NG, which has been in service since 1997 and logged 205 million flight hours without any wiring issues.



REUTERS/FIL

A man walks past the Bombay Stock Exchange building.

Japan revises down Oct-Dec GDP raising recession fears

AFP, Tokyo

Japan said Monday its economy contracted more than initially believed in the October-December quarter, reflecting the country's economic fragility even before the new coronavirus outbreak began to threaten global growth.

The gloomy revised figures led economists to project Japan is headed for its first recession since 2012, with the viral outbreak seen depressing exports.

The country's gross domestic product for the October-December quarter was revised down to a contraction of 1.8 percent, dropping further from the 1.6 percent contraction estimated in February.

The fall was also sharper than a 1.7 percent contraction estimated by private economists, according to a survey by the Nikkei business daily. The latest estimate tracked a contraction during the April-June quarter of 2014 after the government raised the consumption tax from five to eight percent.

The tax was raised again, to 10 percent, in October, despite fears of its economic impact. The last quarter also saw a series of

natural disasters including typhoons that caused widespread flooding.

The nation logged a larger-than-expected fall in non-residential investments that pushed overall domestic demand to shrink by 2.3 percent, rather than a fall of 2.1 percent estimated earlier, according to the Cabinet Office. And Japan faces a difficult path ahead, with the global virus outbreak expected to depress growth at home and abroad, particularly pressuring exports.

"Unfortunately, any recovery in Q1 has been nipped in the bud by the global spread of the coronavirus," said Tom Learnmouth, Japan economist at Capital Economics.

"We have pencilled a 0.5-percent quarter-to-quarter contraction in GDP this quarter (January through March)," he said, raising the possibility of a recession.

"That's likely to be primarily driven by plunging export volumes," he said.

Consumer spending will also be "hit hard" with many people staying at home to avoid the virus, following calls from PM Shinzo Abe for the public to cancel unnecessary outings while schools across the nation were requested to shut for most or all of March.

Yarn prices soar as virus fear triggers panic buying

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Against this backdrop, the BGMEA called for support in the form of disaster assistance fund, credit guarantee scheme and amendment to the back-to-back letter of credit (LCs) rules.

The disaster assistance fund may be extended to factories/exporters to support unforeseen costs such as air freight, sourcing of raw materials and accessories from alternate and more expensive options to complete the orders and cost of financing for the extended period, the BGMEA said.

While exporters will negotiate with buyers, banks should be willing to extend the credit term by 30-60 days due to late arrival of raw materials and increased costs for the extended period.

"Given the scenario that there could be potential delays to recover from this crisis, the central bank may consider a special credit guarantee scheme to encourage commercial banks so that they can continue to support the industry."

Since goods from Chinese suppliers would be delayed, Bangladesh Bank may issue policy directives to the scheduled banks to amend the respective clauses in the back-to-back LCs to make the payments to suppliers conditional and justified, according to the BGMEA letter.

The association also asked its member factories to raise awareness among workers about the virus and opened a "BGMEA coronavirus control room" at its head office.

Uncertainty over fair prices stymies agri-financing

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"Agriculture insurance is an input for farmers. As they do not know whether they would get good prices after harvest, they do not want to spend on crop insurance," he said.

He urged the government to take measures to ensure just prices for growers. This is a major problem in the country, he said.

Many farmers keep their crops on the field whenever prices become too low to recover even the costs of labour and transportation, said Parvez. He called for withdrawal of a 15 per cent VAT imposed on agricultural insurance.

The insurance company has been offering services to the agriculture sector since December 2018.

Ahmed Aslam Al Ferdous, vice president and head of the agent banking department of Dutch-Bangla Bank, said presence of middlemen in the supply chain was a reality and it was not possible to abolish the channel.

But farmers will not get fair prices unless the middlemen are brought into a system. And banks will not be interested

unless they find lending to farmers profitable, he said.

Swapan Kumar Bala, commissioner of the Bangladesh Securities and Exchange Commission, said establishment of commodity exchanges would ensure fair prices for certain agricultural commodities.

Banks and insurance companies should work together to support farmers, said SM Ziaul Hoque, chief executive officer of Chartered Life Insurance Company. Loan and insurance should be an intertwined package, he said.

Regulators should come forward and be flexible towards encouraging finance for growers, said SM Saiful Islam, head of agriculture and MFI finance at Brac Bank. The regulator should be flexible in bundling agricultural loans with insurance, he said.

Md Nazmul Hasan, head of agent banking of Brac Bank, said a comprehensive policy encompassing all regulators and stakeholders was needed.

The Daily Star's Associate Editor Brig Gen (ret'd) Shahedul Anam Khan moderated the discussion.

January boost for German industry ahead of virus impact

AFP, Frankfurt

German industrial production nudged upwards in January, official data showed Monday, although the fillip for the struggling manufacturing sector predated the impact of the novel coronavirus.

Industrial output expanded 3.0 per cent month-on-month in January, federal statistics authority Destatis said.

There were boosts for makers of producer and capital goods, while consumer goods firms held steady.

But the overall barometer remained slightly below its level from a year before, as manufacturers were only beginning to recover from the US-China trade war, Brexit uncertainty and other factors that braked industry throughout 2019.

In a separate release, Destatis reported exports flat month-on-month in January, while imports grew slightly.

Exports to Britain remained down 16.3 per cent year-on-year after 2019 brought repeated episodes of Brexit brinkmanship.



MAX GROUP

Kazi Yaminur Rashid Turjo, executive director and CEO for industrial division of MAX Group, attends a 'Mechanic Conference' of MAX Spring, a product of Max Group's sister concern AFA Steel Industry, in Bogura recently.

Now Square gets approval to ship medicines to Congo

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It has received approvals to export products to the US, the UK and Australia.

Listed on the Dhaka Stock Exchange, the company's shares closed 6.6 per cent lower at Tk 173.30 yesterday, as fears of coronavirus outbreak hit the stock market hard.

Bangladesh's earning from pharmaceuticals exports rose 25.60 per cent to \$129.95 million in the last fiscal year, according to the Export Promotion Bureau.

Pharma exports grew 7.23 per cent to \$96.72 million in the first eight months of the fiscal year. The government has targeted to earn \$169.59 million in pharmaceuticals exports in fiscal 2019-20.

Bangladesh exports pharma products to about 150 countries and caters to 97 percent of the domestic market. Syed Afzal Hasan Uddin, independent director of Square Pharmaceuticals, and Prosenjit Chakraborty, general manager for international marketing and business development, were present at the certificate awarding ceremony.

Indo-Bangla river-borne trade to get a shot in the arm

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On the Indian side, Dhulian, Maia, Kolaghat, Sonapura and Jogigopha will be declared as the new ports of call while Tribeni (Bandel) and Badarpur will be considered as the extended ports of call.

At present, there are eight river routes earmarked under the PIWT&T.

Under the revised protocol, the new routes on the Indian side will be Badarpur, Sonamura, Kolaghat, Maia and Jogigopha. Ghorasal, Daudkandi, Sultanganj, Aricha and Bahadurabad are the new river routes on the Bangladesh side.

Capital and maintenance dredging will be carried out in 470 kilometres of river routes under a joint venture.

India will bear the majority of the cost.

The river routes are the 175km Sirajganj-Doikhaao and the 275km Ashuganj-Jokiganj. India will continue the dredging for the next four years as per agreement, the cabinet secretary said.

The cabinet also gave its consent to the draft protocol to be signed for receiving assistance from Russia over the operation and maintenance of the Rooppur Nuclear Power Plant after constructing the country's first nuke power plant.

As per agreement, Russia will take back the nuclear waste of the power plant, the secretary said.

There was no specific clauses in the

current agreement on maintaining the plant after its construction, said Surayya Akhtar Jahan, deputy secretary of the science and technology ministry.

Consultancy, training services, services for repairs and maintenance and supply of equipment and materials will be incorporated in the additional agreement, she said.

One of the ambitious mega projects of the government, the construction of the \$12.65 billion-power plant began in November 2017.

Russia's State Atomic Energy Corporation Rosatom is constructing the 2,400 megawatt power plant at Rooppur in Pabna and the first two units of the plant are expected to be operational in 2023.

Loan write-offs sink to a five-year low

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Sponsor-directors have received dividends by avoiding written-off loans, said Ahsan H Mansur, executive director of the Policy Research Institute of Bangladesh.

Assets in the banking sector could have widened had lenders maintained provisioning against their soured loans, he added.

Khondker Ibrahim Khaled, a former deputy governor of the central bank, echoed Mansur.

Banks are trying to paint a better picture for their financial health either by using the write-off tool or the loan rescheduling facility. "But the financial health of banks will not improve in reality."

"Default loans will go up once again, which may hit the banking sector in a dreadful way in the days ahead. And we have to face difficulties in tackling the situation," Khaled added.

A total of Tk 56,016 crore has been written off since the facility was introduced in January 2003.

Of the amount, 79 per cent has remained outstanding to date, meaning banks' efforts to recover the loans did not bear much fruit.

As of December last year, state-owned banks have written off Tk 23,258 crore and private banks Tk 30,889 crore.

Two state-run specialised banks -- Bangladesh Krishi Bank and Rajshahi Krishi Unnayan Bank -- wrote off Tk 604 crore and foreign banks Tk 1,265 crore.

BTRC wants to pull the plug on 2G handsets

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"This picture actually tells the real truth of Bangladesh, that the smartphone market has immense potential to grow," Haque said.

For that the industry needs to work together though. "We never think that the market will be corrected only by issuing directives or orders."

Mobile carriers need to improve their quality and at the same time more and more of the digital services need to be on board so that customers feel the need for smartphones, Haque said.

Bangladesh witnessed the launch of 3G services in October 2012 and 4G in February 2018. The regulator is now formulating the 5G guidelines.