

STOCKS		COMMODITIES		ASIAN MARKETS				CURRENCIES			
DSEX	CSCX	Gold	Oil	MUMBAI	TOKYO	SINGAPORE	SHANGHAI	USD	EUR	GBP	CNY
Closed	Closed	\$1,653.30 (per ounce)	\$33.21 (per barrel)	Closed	▲ 4.24% 18,576.30	▲ 3.40% 2,470.59	Closed	BUY TK 83.95	89.67	98.12	11.69
								SELL TK 84.95	93.47	101.92	12.29



আপনার নিরাপত্তাই আমাদের অগ্রাধিকার

ব্যাংকিং হোক ঘরে বসেই

- দ্রুত ট্রানজাকশন
- মোবাইল টপ-আপ
- ক্রেডিট কার্ডের বিল শ্রদান
- ইন্সট্যান্ট বিল শ্রদান
- ব্যাংক স্টেটমেন্ট

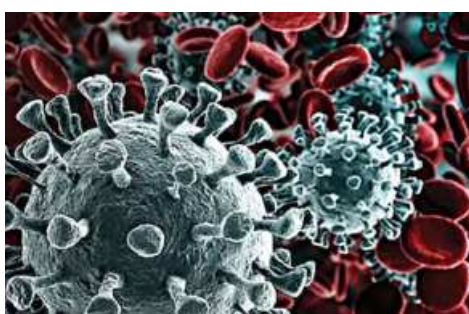
SIBL Social Islami Bank Limited

Star BUSINESS

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TAMING CORONAVIRUS RAMPAGE

Govt battling an unknown quantity



MD FAZLUR RAHMAN and REJAUJ KARIM BYRON

Bangladesh has thus far announced a \$8.56 billion stimulus package that is nearly three times the initial projected economic losses from the coronavirus pandemic.

Earlier in March, the Asian Development Bank forecasted that Bangladesh's gross domestic product may contract by as much as 1.1 per cent in the hypothetical worst-case scenario of a significant outbreak of coronavirus in the country.

That means, \$3.02 billion of the \$300 billion-plus economy could be wiped off.

Then on April 3, ADB said its preliminary estimates indicate that about 0.2 per cent to 0.4 per cent of Bangladesh's GDP may be lost due to the global pandemic.

From that perspective, the government's priming the pump seems adequate.

"But under the present circumstances, it is assumed that the extent of loss could be much more," said Prime Minister Sheikh Hasina said on Sunday while unveiling a second stimulus package worth Tk 67,750 crore for all businesses, industries and economic sectors, irrespective of size.

As of yesterday, 123 people were infected with coronavirus in Bangladesh and 12 killed by the deadly pathogen, according to the Institute of Epidemiology Disease Control and Research.

To flatten the curve on the novel virus, the government has essentially put the country on lockdown since March 26. The lockdown has now been extended to April 14.

Given that the country reported the highest increase in confirmed cases yesterday, it appears that the number of cases would blow up in the near future, necessitating further extension of the shutdown that has brought economic activities to a near halt.

"If a significant outbreak occurs in Bangladesh, the impact could be more significant," the ADB said on Friday.

The prime minister gave some examples of how the lethal, pneumonia-like virus is affecting the economy.

Import expenditure and export income fell by almost 5 per cent year-on-year so far in the fiscal year. This drop may be extended at the end of the fiscal year, she said.

Garment exports, which account for more than 80 per cent of the national exports, would be hit hard in the coming months as some retailers have cancelled \$3.02 billion worth of shipment orders amid demand collapse in Western markets, according to data compiled by the Bangladesh Garment Manufacturers and Exporters Association showed.

Private investment may not reach the expected level because of the delay in implementation of construction of ongoing mega projects, setting up of special economic zones and implementation of the single-digit interest rates.

There will be adverse impact on the services sectors, including hotels, restaurants, transport and aviation, the prime minister said.

The purchasing capacity of the low-income people could be reduced as well as there could be disruption in the supply chain due to the long general holidays affecting the production of the SMEs and hindrance in the transport services.

Due to the decline in global demand, the world fuel oil price has reduced by more than 50 per cent. As a result, inward remittance flow will be affected.

Remittance, one of the lifelines for the economy, hit a 15-month low in March due to the economic fallout in the global economy stemming from the coronavirus pandemic.

"I hope our economy will rebound and we could reach near the desired economic growth, if the stimulus packages, the previous and the fresh ones, could be quickly implemented," the prime minister said.

Banks grumbling about the onus of bailout package imposed on them

AKM ZAMIR UDDIN

Banks will face trouble in implementing the government's Tk 72,500 crore bailout package due to their ongoing liquidity crunch that has been compounded by the coronavirus pandemic.

Of the total amount of the rescue packages, banks will provide Tk 30,000 crore in loans from their own resources to the businesses. The interest rate on the loans would be 9 per cent, of which the borrowers will provide 4.5 per cent and the government the rest.

In another package, the government will provide Tk 20,000 crore as working capital to the small and medium industries. The clients would be footing 4 per cent of the 9 per cent interest on the loans.

This means a total of Tk 50,000 crore will have to be provided by banks to implement the package.

The initiative taken by the government is an excellent effort to resolve the crisis, but banks have been given the short end of the stick, said Syed Mahbubur Rahman, managing director of Mutual Trust Bank.

"Lenders are struggling to ensure profit as it is. And now, there is a chance that a portion of the loans from the bailout package would enter the defaulted zone. This will put extra pressure on banks."

The Bangladesh Bank should form fresh finance schemes to implement the financial package, said Rahman, an immediate past chairman of the Association of Bankers, Bangladesh, a forum of bank managing directors.

Besides, the BB should cut the statutory

liquidity ratio (SLR), cash reserve ratio (CRR) and policy rate to help banks, he said -- a suggestion that Ahsan H Mansur, executive director of the Policy Research Institute, and AB Mirza Azizul Islam, a finance adviser to a caretaker government, are on board with.

However, another bank MD preferring anonymity said the BB should ponder much before cutting the SLR and CRR as the tools are designed to give protection to depositors.

"The BB should rather explore new avenues to resolve the crisis," he added.

On March 23, the central bank made funds cheaper for banks by reducing the policy or repurchase agreement rate (Repo) by 25 basis points to 5.75 per cent.

It also cut the CRR by 50 basis points to 5 per cent, injecting about Tk 6,400 crore into the economy.

The BB should relax the loan-deposit ratio as well, Rahman said.

Against the backdrop, the governing body of the ABB will arrange a meeting today to explore avenues on how to address the issues, said another managing director of a bank.

The government has also declared a package of Tk 5,000 crore for exporters, but lenders have been in confusion over the terms of condition of the programme, he said.

The central bank will deduct funds from the current account of the respective banks with the BB even if the exporters fail to repay the loan instalments.

Lenders will have to keep provisioning against the defaulted loans, which will create a problem for them, the MD added.

Banks will not feel encouraged to give out the loans as the government will not share the credit risk, Mansur said.

If the government gives a commitment to bear the losses of the defaulted loans under the package, banks will show interest in disbursing the loans, he said.

The central bank should take quantitative easing (QE) promptly to supply available cash or else the banking sector will be unable to implement the

bailout package.

Under QE, the BB will purchase the excess Treasury bills and bonds from banks. At present, banks have about Tk 100,500 crore extra in the form of T-bills and bonds. Islam echoed the same.

Asked how the central bank would give support to banks for implementation of the bailout package, its spokesperson Md Serajul Islam said the BB was awaiting instructions from the finance ministry.



RASHED SHUMON
Customers line up to take counter services from a bank branch in the capital's Dhankhondi area yesterday while maintaining a safe social distance.

The promising software industry now teetering

MUHAMMAD ZAHIDUL ISLAM

Just a few months ago, Skylark Soft, a software development company for technology used in the garment industry, maintained accounts with 50 top factories.

Today, it does not have any work on hand as apparel manufacturers shuttered their operations amid fears of coronavirus contagion, in a demonstration of the all-encompassing devastation that is being caused by the virus outbreak from Wuhan, China.

"The situation has gone from bad to worse," said BM Sharif, chief executive officer and managing director of Skylark Soft, which has about 35 employees.

Since January, the company did not get even regular maintenance orders, as the apparel manufacturers started taking stock of the impending dangers.

If the current situation prevails, the other companies like Skylark Soft will also find it difficult to pay their employees regularly, he added.

The managing director's words ring true though as the continued progress of

Bangladesh's software and information services industry has almost completely come to a halt.

The country's software industry has taken a massive hit at both the local and international markets due to the coronavirus fallout, according to the Bangladesh Association of Software and Information Services (BASIS).

The overall toll the virus has had on the industry is no less than 70 per cent of its total value, said BASIS President Syed Almas Kabir.

"Now, the software industry is facing the biggest possible challenge for its survival. Without government support, it will be tough to return to the normal pace," he added.

About 175 software companies are plying in the international market. However, 74 per cent of the foreign buyers stopped placing orders in the last three months.

The two major export destinations for Bangladeshi software are the US and Europe, which are now being overwhelmed by the virus outbreak.

More than 600 companies actively operate in the domestic market. However, even the local demand will crash 60 per cent in the next three months, according to Mushfiqur Rahman, a BASIS vice president.

The government is the main buyer of locally developed software.

"Traditionally, the last three months of a fiscal year is the prime time to purchase ICT services for the public sector. But we are seeing the hit coming already," said Rahman, also a managing partner of Spectrum Software and Consulting, a leading software developer.

Subsequently, BASIS is requesting the government to continue to provide tenders such that the software engineers can work while sitting at home, he added.

"The current situation is ever changing. It is frightening to think that in the next few months, a large number of software companies may shut down," said Rupayan Chowdhury, group CEO and co-founder at Synesis IT, a top listed software company.

The industry's domestic market size is not worth less than Tk 10,000 crore

annually, while about two lakh skilled employees are vested in the sector.

Besides, if the government wants to continue its countrywide digitisation plans, the policymakers need to do something for the industry, Chowdhury said.

The government could even go as far as to instruct leading companies to outsource 30 to 40 per cent of large orders to smaller companies to ensure their survival.

For more sophisticated projects, the foreign companies could be told to establish joint ventures with local firms as well, Chowdhury added.

To help the industry overcome the crisis, the BASIS has sought Tk 660 crore in aid from the government for the next six months.

Expenses from April to September are estimated to run up to Tk 1,000 crore for the 1,400 BASIS member companies and the government grant will be used to supplement staff salaries and office rent.

BASIS also sought a Tk 500-crore loan accompanied by concessions at 2 per cent interest as a part of a 'business continuity plan'.

Steelmakers facing cocktails of challenges

JAGARAN CHAKMA

Steel manufacturers are bracing for massive losses as the coronavirus pandemic has disrupted the import of raw materials and production -- a development that will also deal a blow to real estate and infrastructure projects.

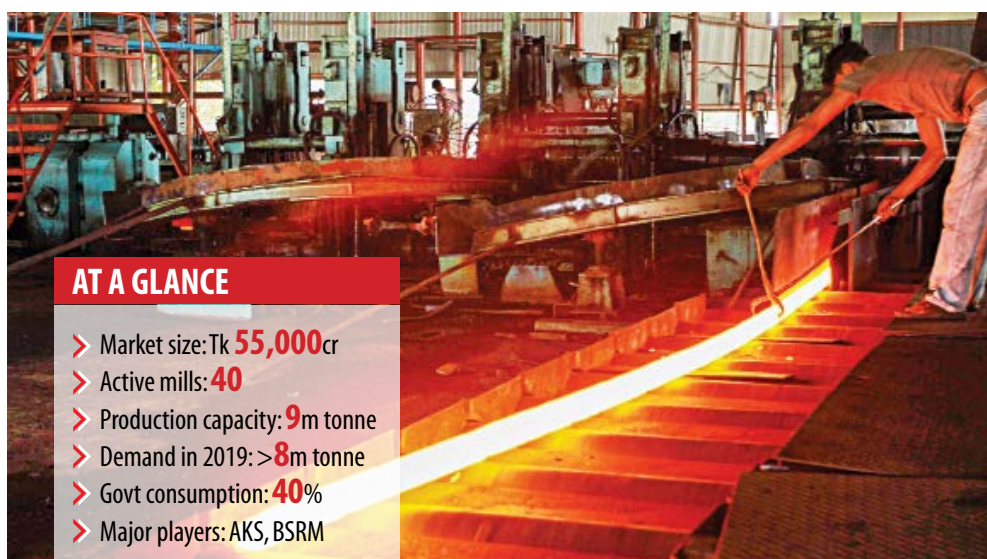
As much as 90 per cent of the raw materials are imported from the US, Canada, Italy, the UK and Australia, which have gone into partial or full lockdown since the beginning of March to contain the spread of the highly contagious and deadly pathogen.

And the lockdown in the countries are unlikely to be lifted anytime soon given the breathtaking pace at which the novel virus is infecting people there and claiming lives.

In the first two weeks of March, the steelmakers' losses amounted to Tk 350 crore, said Manwar Hossain, president of Bangladesh Steel Mills Owners Association.

If the situation goes on like this for the next four months, the losses will run north of Tk 4,000 crore, said Hossain, also the managing director of Anwar Group of Industries that owns Anwar Ispat.

Not only raw materials, steel manufacturers are unable to bring in spare parts or capital



AT A GLANCE

- > Market size: Tk 55,000cr
- > Active mills: 40
- > Production capacity: 9m tonne
- > Demand in 2019: >8m tonne
- > Govt consumption: 40%
- > Major players: AKS, BSRM

machinery for the near standstill of economic activities around the world, he said, adding that about eight million empty containers are now stranded in the Chinese ports alone.

To tide them over during this trying period, steelmakers are demanding some policy support -- but not funds from the government.

Banks can extend the tenure of payment for letters of credit by an additional six months without the need for taking prior permission from the central bank, Hossain said, while calling for a fund for short-term loans against LCs.

The steel industry is now worth Tk 50,000

crore, according to the sector people.

In the past few years the country saw a good number of new steel and re-rolling mills that use state-of-the-art technologies and churn out world-class products, said Md Shahidullah, secretary general of the Bangladesh Steel Manufacturers' Association.

The country has about 40 active manufacturers, who altogether have the capacity to manufacture nine million tonnes of steel a year. Of them, Abul Khair Steel, GPH Steel, BSRM and KSRM meet more than half the annual demand for about eight million tonnes.

"We have been left in a pickle as the pandemic has broken the supply chain of all the countries from where we source our raw materials," said Shahidullah, also the managing director of Metrocem Steel.

Though the steel industry is not export-oriented, the government should give it the same importance as the garment sector, he said, adding that the present situation may also affect Bangladesh's real estate sector.

Sales of steel products declined during the last two months because of a slowdown in construction works for some of the big infrastructure projects of the government, while private consumption also went down significantly, Shahidullah added.

The impact of production disruption in the steel industry will not be felt straightaway for the Padma bridge and Karnaphuli river tunnel projects, which have a stock of construction materials, said Jamilur Reza Choudhury, a renowned civil engineer and a former teacher of Bangladesh University of Engineering and Technology.

But the works of other projects like the Dhaka-Chattogram elevated expressway will be hampered.

"Against the backdrop, the overall implementation of the infrastructure projects may slow down for the time being," said Choudhury, also a consultant of the government's major infrastructure projects.

The government's infrastructure projects account for 35-40 per cent of the total steel consumption in Bangladesh, up from 15 per cent a decade ago, according to Shahidullah.

The fate of at least 8,000 workers in Chattogram-based PHP Family's steel mill is hanging by a thread as the factory has been closed due to the lockdown, said Dilshad Ahmed, head of media and public relations of PHP Family that owns the PHP Arabian Horse Super brand.

"Production as well as sales has flatlined," he added.