TAMING CORONAVIRUS RAMPAGE

GDP growth to plunge to 33-year low this year

But 2021 promises better outcome, says IMF

Rejaul Karim Byron *and* Md Fazlur Rahman

There is no denying that 2020 is a write-off for the high-flying Bangladesh economy, shot down to the ground by the novel coronavirus.

But if the International Monetary Fund's latest projection is considered, 2021 definitively promises to be a better year, with GDP growth set to be 9.5 per cent.

This year though, the GDP growth would be 2 per cent growth, the lowest since 1988, said the Washington-based lender in its biannual World Economic Outlook (WEO), published on Tuesday.

It comes four days after the World Bank forecasted that the country's GDP growth would be between 2 per cent and 3 per cent this fiscal year, in a stunning decline from the 8.15 per cent logged in the last fiscal year.

The economy growth would fall further to 1.2 per cent to 2.9 per cent in the next fiscal year, said the WB's latest South Asia Economic Focus report, which was released on Sunday.

For Bangladesh, which clocked in the highest economic growth in Asia in 2019, it was a crushing blow, as the government was hoping to register 8.20 per cent GDP growth at the start of this fiscal year.

Finance Minister AHM Mustafa Kamal though remains sanguine, insisting that the economy would grow by at least 6 per cent in fiscal 2019-20.

The IMF's growth projections are based on calendar years and those of the WB are based on fiscal years.

The projection from the IMF is a sharp decline from its previous forecast made in its World Economic Outlook report in October last year when the lender said Bangladesh's economic growth would be 7.4 per cent in 2020.

It is not only Bangladesh that has been bearing the brunt of the deadly novel coronavirus.

In South Asia, only Bhutan, with a forecasted growth rate of 2.7 per cent and Nepal, with projected GDP growth of 2.5 per cent, would be ahead of Bangladesh in 2020. India would grow only by 1.9 per cent.

Pakistan would contract by 1.5 per cent and Sri Lanka by 0.50 per cent. The economies of Afghanistan and the Maldives will also contract.

In Southeast Asia, Vietnam, the Philippines and Indonesia are expected to stay positive, growing 2.7 per cent, 0.6 per cent and 0.5 per cent respectively. Thailand is expected to contract by 6.7 and Malaysia's growth is seen to fall to minus 1.7 per cent.

"It is very likely that this year the global economy will experience its worst recession since the Great Depression of the 1930s, surpassing that seen during the global financial crisis a decade ago," said IMF Chief Economist Gita Gopinath in the foreword to the report.

As a result of the pandemic, the global economy is projected to contract sharply by 3 per cent in 2020, much worse than during the 2008–09 financial crisis, the WEO said.

It assumes that the pandemic will dissipate in the second half of 2020 and containment efforts can be gradually unwound, the global economy is projected to grow by 5.8 per cent in 2021 as economic activity normalises, helped by policy support.

A partial recovery is projected for 2021, with above-trend growth rates, but the level of GDP will remain below the pre-virus trend, with considerable uncertainty about the strength of the rebound, Gopinath said.

Effective policies are imperative to forestall worse outcomes, it said.

The immediate priority is to contain the contagion, especially by increasing healthcare expenditures to strengthen the capacity and resources of the sector.

Policymakers will need to implement substantial targeted fiscal, monetary and financial market measures to support the affected households and businesses.

Strong multilateral cooperation is essential to overcome the effects of the pandemic, including help to financially constrained countries facing twin health and funding shocks and for channelling aid to countries with weak healthcare systems, the IMF said.

"This will hit hard Bangladesh's exports, remittances and foreign direct investment," said Zahid Hussain, a former lead economist of the WB's Dhaka office.

The recovery in 2021 will get some accounting assistance from the base effect of low growth in the case of Bangladesh and contraction in case of the global economy.

The IMF seems to have made two rather heroic assumptions, according to the economist.

First, there will be no second or third wave of outbreaks in the second half of 2020. Second, the fiscal and monetary policy response globally, and presumably in Bangladesh, will be effective.

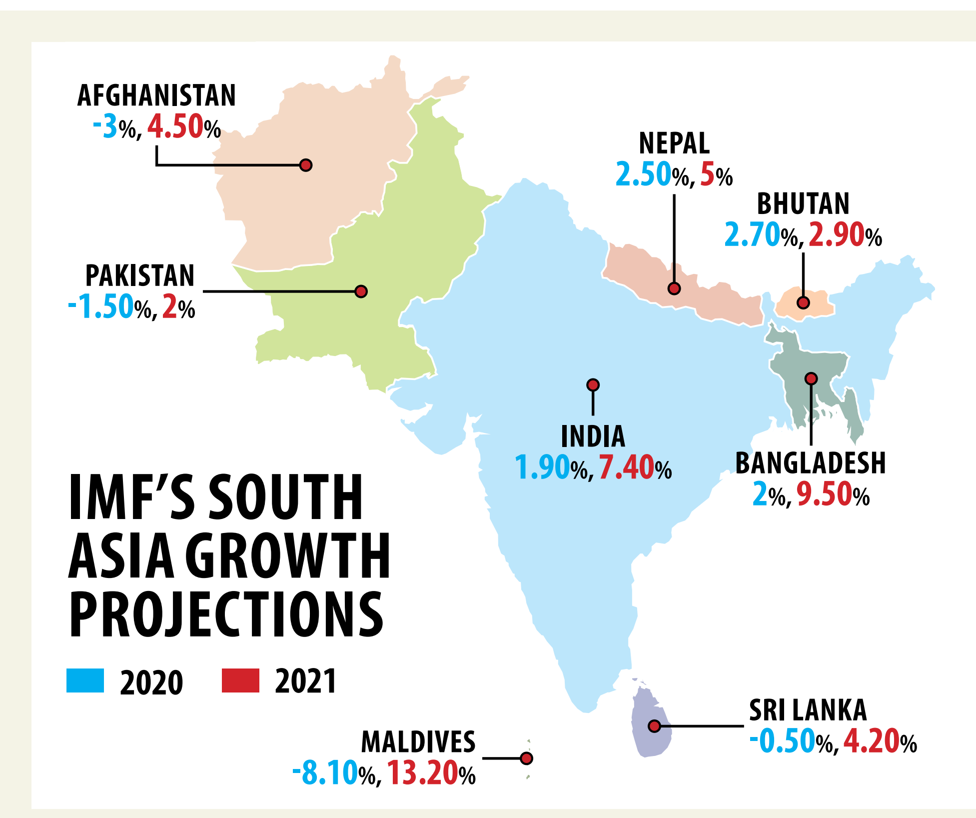
The experience of Japan, Singapore and, of late, China makes the assumption of Covid-19 fading and not coming back with a second and third wave highly questionable.

Also, history provides no assurance that the policy response internationally will be well coordinated.

"Donald Trump's suspension of funding for the World Health Organisation yesterday makes this assumption even more questionable."

The effectiveness of the policy response is also debatable in contexts where governance is a major concern.

"We all hope and pray that the IMF is right about a sharp recovery in 2021. In all fairness, the IMF does caution that there is extreme uncertainty about the outlook and severe risks of worse than projected outcomes," he added.



RAJIB RAIHAN

Importers shunning deliveries, causing Ctg port slowdown

Dwaipayan Barua, *Chattogram*

That something is amiss becomes evident right at the gates of the Chattogram port: there are no long queues of goods-transporting vehicles. Instead, only one or two occasionally rumbles past.

The port is running at a quarter of its operational capacity, bogged down by space constraints created by ever-increasing stacks of import-laden containers.

The global pandemic-induced economic slowdown is keeping most importers from accepting their deliveries. Around 1,000 TEUs (twenty-foot equivalent units) were taken away yesterday, one-fifth of the daily average.

This has led to the accumulation of 46,690 TEUs of imports, well past the port's limit of 37,620 TEUs.

The problem surfaced not long after the countrywide lockdown came into effect on March 26. The situation has turned so dire that the shipping ministry called an urgent meeting at the Chattogram Circuit House on Tuesday.

A number of stakeholders present at the meeting said most of the imports are raw materials of garment factories and agriculture commodities. They urged the respective importers to make their claims fast.

Otherwise, it will be impossible to continue the operations inside the port, said Fazle Ekram Chowdhury, president of the Berth Operators and Ship Handling Operators Owners Association.

Transport and workforce shortages and limited working hours at offices are delaying the timely release of cargoes, said Anjan Shekhar Das, a director of BGMEA.

Importers blamed the restriction imposed by the National Board of Revenue (NBR) on the release of all types of goods.

The NBR on March 24 directed customs houses to work on a limited scale allowing release of only essential food commodities, emergency medicine and associated service materials during the shutdown.

But on April 7, the revenue board widened the scope to assess the duty of more imported items in order to ease the burden on the Chattogram port. Because of the relaxation, almost all goods can now be cleared save for those that were brought in for trading purpose.

Though the port is open 24 hours, other offices such as customs houses, banks, shipping agents, off docks and plant quarantine office stay open for a limited period, said Md Zafar Alam, a member of the Chattogram Port Authority.

He also called for allowing the release of all types of goods.

This was opposed by Chattogram Customs House Commissioner M Fakhrul Alam. Anything other than essential items should be held back, he said.

Importers are not taking the delivery on time although an adequate workforce is available at the customs house, he added.

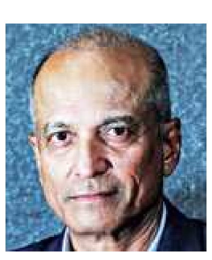
Chattogram City Corporation Mayor AJM Nasiruddin also opposed complete opening up all the offices.

Around 20,000 TEUs could perhaps be shifted to 19 private off docks in Chattogram and another 2,500 TEUs to Summit Alliance Port Ltd's inland container terminal at Muktarpur in Munshiganj to bring some relief, said newly appointed CPA Chairman SM Abul Kalam Azad.

"We need to fight the coronavirus and also need to keep the port operational. If the port becomes inoperative, the country's economy will collapse."

The decisions on keeping banks open for longer periods or shifting the import cargoes to the private off docks need to come from the higher levels of the government, said Divisional Commissioner ABM Azad.

Real estate sector could do with some help too



Arshi Haider

The coronavirus outbreak is causing a widespread economic disaster across the globe, rousing almost every country's government to come up with rescue packages.

Our Prime Minister has announced a courageous stimulus package, which I found very far-sighted as it addresses the economy along with the social security programme.

Unfortunately, the housing industry -- the proverbial "black sheep" of our society -- has been completely overlooked in the package.

The sector has been a pillar for the development and growth of our economy, contributing to 5 per cent of the GDP.

It is a highly labour-intensive sector engaging about 500,000 labourers. Thousands of engineers, architects, accountants and marketing professionals are engaged here.

So many linkage industries like tile manufacturing, steel re-rolling mills, cement factories, brick and concrete block factories to name a few are supported by this sector.

Yet sadly not a word was mentioned in the package to address the woes of this industry, which has built and handed over more than 200,000 homes in the past 25 years.

While wiping away a tear I shall not propose any benefits for the developers such as working capital financing, interest waiver on loans or wages for the millions of people involved in the industry who have been sent on leave by government order.

No. We will bear all those costs.

But I do worry about the fallout of this pandemic, which may affect thousands of ordinary people who have paid their life's savings to small and medium-sized developers with a dream of owning an apartment or handed over their land, arguably their biggest asset.

The real estate market worldwide has a very peculiar character: it is sentiment-driven. If there is any apprehension, the buyers just go into hibernation and then it takes a very long time to bring them out of this shell.

In 2008, when the sub-prime mortgage fiasco hit the American housing market, it reverberated throughout the world.

The US housing market remained in the decline for about four years, and the ripple effect of that debacle also affected our housing industry. For a good five years, our market was in the doldrums.

We, at bti, lost crores of taka during this time. Projects that we had taken with the assumption to sell for, say, Tk 15,000 per square feet had to be sold for Tk 12,000 or sometimes even less.

Being in this business for 37 years, we have seen many ups and downs and we have learned to never get euphoric when we see the good days -- and just be conservative.

This may be one of the reasons why we have been able to weather so many storms over the years.

But during our market crash following the US sub-prime crisis, many small companies had to shutter and so many projects got stuck for years.

People who had given their land to be developed found their life's biggest asset litigated on account of non-performance by the builder.

And now, I am apprehending another crisis coming to our way post the coronavirus era unless some proactive measures are taken.

Mortgage interest rates in the US have been reduced to a record low and are primed to fall again -- an extreme measure to ensure that the housing market does not collapse.

I had proposed to our association REHAB two simple actions to be taken by the government, and neither of them would yield any direct benefit to the developers or put an immediate strain on the state coffer.

1. Home finance at 5 per cent for those who buy apartments in the next one year.

2. 50 per cent reduction in the registration cost of the apartments purchased in the next year. The current cost of registration in Bangladesh is one of the highest in the world. This measure will motivate prospective buyers to take advantage of the opportunity because many people procrastinate registering their apartments due to the high cost.

A flourishing housing market is a great revenue-earner.

Apart from the income tax paid by the developers, the government collects gains tax of the land being developed, VAT and registration fees, while Rajuk collects large sums for plan approval of every project and the list goes on.

The point being that any cost that may be incurred by the above measures would be more than offset by the subsequent revenue earned by the government.

The writer is the chairman of bti Holdings

Flat sales slow to a trickle

Jagaran Chakma

It's never easy to buy or sell a home -- even in the best market conditions, said Peter Lane Taylor, a contributor to Forbes, in an article on Sunday. And in the current purgatory climate, it's become nearly impossible.

The scenario is true for almost every country that has been hit by the novel coronavirus and Bangladesh is no exception.

The country's real estate sector, which has been witnessing sluggish sales for a few years for many challenges, is likely to face further difficulty as the demand for housing would drop because of unprecedented economic uncertainty brought on by the pandemic.

The demand for flats will decline this year after showing some improvement last year, realtors say.

"It is down to the psychology of clients -- they don't want to spend money for property during any difficult time," said Alamgir Shamsul Alamin, president of the Real Estate and Housing Association of Bangladesh (REHAB).

Because of the lockdown, around 6,000 projects of the REHAB members are in limbo as construction workers and other employees have returned home.

The activities of all 120 members of the industry lobby group screeched to a halt on March 25, when the government put in place a countrywide lockdown to curb coronavirus transmissions.

"We are not thinking about business at the moment -- rather, we are trying to tackle the crisis."

The latest crisis for the real estate sector came at a time when it had been on course to recovery from a long slowdown.

The sector received a shot in the arm in July last year when the government cut the registration cost and the bank interest also came down.

And in less than six months came the coronavirus rampage, which has so far infected about 2 million people in 210 countries and territories around the world and claimed more than 128,000 lives.

Its deadly nature has prompted governments around their world to put large swaths of their national economies in an induced coma, all in the hope that they would be able to press pause on the economy, save lives and then press play again.

"The real estate is one such sector that can't run without political, social and economic stability," Alamin added.

Banks and non-banking financial institutions would be directly affected by the ongoing crisis as people have either cancelled their plans to borrow money or put the plan on hold -- a potentially devastating change in consumer behaviour.

The market is dull as renowned realtors that provide clients to IPDC Finance are not getting bookings at this moment, said Md Sirajus Saleken, head of mortgage of the non-bank financial institution and a major home loan provider.

The NBFI depends on a dozen of reputed realtors for home loan borrowers.

"If realtors can't get buyers, lenders will not get any prospective home loan borrowers," Saleken said, adding that he doesn't think the situation would improve any time soon.

It would take a long time before their confidence is restored, said an executive of another NBFI requesting anonymity.

The sector though was off to a good start in 2020, said Mahzabin Chowdhury, head of marketing at bproperty.com, the biggest online real estate broker in Bangladesh.

But from March, soon after the announcement of the first confirmed cases of COVID-19 in Bangladesh, the demand for flats nosedived, said a senior official of Sheltech, one of the leading realtors in Bangladesh.

"We don't see any immediate recovery of the sector," he added.

If the situation improves globally within the next one and a half months, the sector would post a comeback in the last quarter of 2020, Chowdhury said.

The reason being, the coronavirus pandemic is having an outsize impact on the economies of the EU and North America and a good portion of the non-resident Bangladeshis living there are solid clients of Bangladesh's real estate sector.

"Otherwise, the sector would fall into deep uncertainty," she added.

The pandemic would have a chain effect on the whole real estate sector, Alamin said.

"Customers may not get delivery of projects on time. Banks may not get back their loans on time. Realtors will have problems with landlords," he added.

The industry's allied sectors, of which there are 230 of them, have also fallen into trouble as the coronavirus compelled the country to go for a complete shutdown, according to sector people.