

**TAMING CORONAVIRUS RAMPAGE**

# Foreign exchange reserves pulled towards riptide

AKM ZAMIR UDDIN

The country's foreign exchange reserve will face trouble in the days ahead as both the export earnings and remittance are now maintaining a declining trend due to the ongoing economic fallout from the global coronavirus pandemic.

Foreign exchange reserves yesterday stood at \$33.09 billion, enough to settle import payments for nearly seven months, according to data from the central bank.

But the reserve is not good enough given the impending rainy days, experts said.

Although the import bills have shrunk in size as well in recent months, this will not bring any respite to the reserves as both remittances and exports, the two major sources of foreign currency, have drastically declined.

In April, remittance hit a 34-month low of \$1.08 billion, down 25 per cent from a year earlier.

April's inflows take fiscal 2019-20's tally to \$14.86 billion, up 11.77 per cent year-on-year.

The country earlier expected that remittance would surpass the \$19-billion mark this fiscal year on the back of the 2 per cent cash incentive introduced by Finance Minister AHM Mustafa Kamal in his maiden budget to encourage migrant workers to send home money through the official channels.

But now the target looks unlikely to be

fulfilled, which will be a big blow to the reserves.

Export earnings in March declined 18.29 per cent year-on-year to \$2.73 billion due to a slump in shipments of apparel products, the country's main export item, according to data from the Export Promotion Bureau.

March's receipts take the export earnings from the first nine months of the fiscal year to \$28.97 billion, missing the periodic target by 14.52 per cent.

Although the EPB has yet to release the export figure for April, earnings seem to have declined drastically due to the ongoing shutdown in the majority of the export destinations.

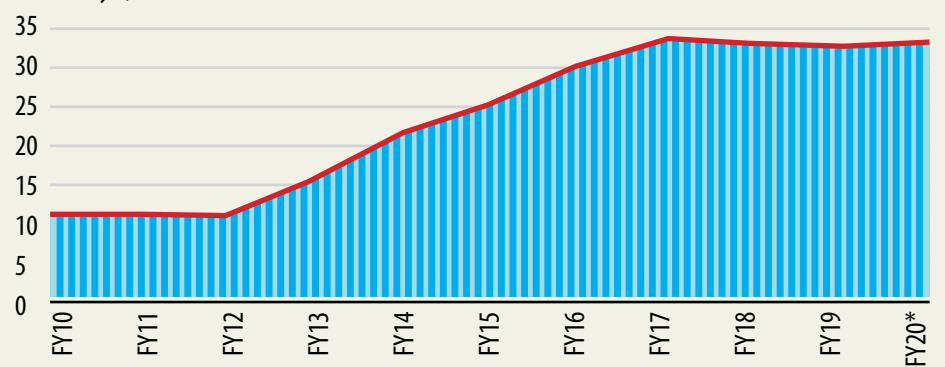
Both the export and remittance will maintain the ongoing negative trend in the next few months, so this is a crucial period for the central bank to handle its foreign exchange reserves, said Zahid Hussain, former lead economist of the World Bank's Dhaka office.

"Reserve is the last resort for any economy to tackle the economic meltdown. Considering this, the central bank should cut back on its foreign currency sales to banks."

Countries in North America, Europe and the Middle East will take a good while to restructure their economies. If those economies do not rebound, Bangladesh's exports and remittance will not bounce back.

## FOREIGN EXCHANGE RESERVES OVER THE DECADE (in \$b)

\*as of May 4; SOURCE: BB



Besides, thousands of Bangladeshi workers are waiting to come home, which will have a further adverse impact on the rural economy.

The lower import is not much of a comfort for the reserves, Hussain added.

The settlement of letters of credit, generally known as actual import, in terms of value, fell nearly 9 per cent year-on-year to \$4.54 billion in January.

Import in the first seven months of fiscal 2019-20 stood at \$32 billion, down 4.43 per cent year-on-year.

The central bank has not prepared the import figures after January due to the ongoing disruption in economic activities all over the world.

A good number of central bankers predicted that the import payments might decline significantly during the period.

The oil price in the global market has declined rapidly in the wake of the pandemic, giving a breathing space to the country's balance of payments, Hussain said.

"But this will not help keep stable the

reserve. So, banks will have to stop the import of luxurious products immediately."

Besides, the government should try to manage soft loans and grants from multilateral donor agencies to boost the reserves, Hussain said.

The declining export and remittance in May and June will create a severe strain on the reserves, said Mustafizur Rahman, distinguished fellow of the Centre for Policy Dialogue.

Salehuddin Ahmed, a former governor of the central bank, echoed the same.

He suggested banks stop the import of capital machinery to tackle the shortage of foreign currency.

"There is no need to expand investment in the industrial sector right now. Rather, we have to protect the existing industrial plants and factories from the recession," Ahmed said.

The central bank yesterday paid ACU \$650 million to settle payments for imports, which will bring down the reserves to less than \$32.50 billion within a day or two.

The ACU is an arrangement by which the participants settle payments for intra-regional transactions among the participating central banks on a net multilateral basis.

Bangladesh, Bhutan, India, Iran, the Maldives, Myanmar, Nepal, Pakistan and Sri Lanka are members of the Tehran-headquartered ACU.

## Ban relaxed for non-essential product delivery by e-commerce

STAR BUSINESS REPORT

The commerce ministry yesterday allowed online businesses to deliver non-essential products like fashion products such as dresses, electronic goods and books as the government loosened lockdowns on the occasion of Eid-ul-Fitr.

It also allowed opening restaurants to sell iftar and sehri items for takeaway services and home delivery.

However, the bar on the dine-in at restaurants continues, the ministry said in a circular.

Online food deliverymen have been given all clearance to carry food times to the doorsteps of customers. They, however, can't enter restaurants.

The government also extended the time duration for the delivery of products by online ventures. The e-commerce firms can now deliver goods from 6 am to 10 pm, which was earlier from 8 am to 6 pm.

The commerce ministry called for ensuring social distancing and maintaining hygiene.

The move from the ministry came following a request from the e-commerce industry, said Abdul Wahed Tomal, general secretary of the E-Commerce Association of Bangladesh.

E-commerce firms have been allowed to deliver products across the country.

Online shopping has drastically fallen because of the coronavirus pandemic, but this segment can be used to ensure social distancing and can be helpful to stop the spread of the deadly virus.

# Smartphones to rule in the post-pandemic era

Mobile phone makers to recalibrate strategies to stay afloat

MUHAMMAD ZAHIDUL ISLAM

As a matter of course, the coronavirus pandemic is leaving new lessons for all spectra of life and across all sectors. The mobile phone industry is no exception.

The needs emerging due to the novel virus are expected to change the entire handset business dynamics as people are now using their devices for various unconventional purposes like holding office meetings, taking academic classes and seeking healthcare, said top assemblers and importers.

Manufacturers will go for new approaches in marketing and distribution while spending lavishly on research and development to incorporate new features and designs that best suit the necessities of the post-coronavirus era.

The handset vendors said the second quarter of the year will be the worst in the history of the country's mobile device business, but this will leave a word of warning that could help them grow further in the days to come.

Sales of mobile devices including feature phones and smartphones were almost zero in April because of the government-announced holidays and lockdowns put in place since March 26, vendors said.

Subsequently, sales in the first four months of the year have been 15-20 per cent short of the target but the overall impact depends on how long the pandemic will linger, said Mesbah Uddin, chief marketing officer at Fair Group that assembles Samsung mobile devices in Bangladesh.

"People are now using a wide array of digital services, which give us a glimmer of hope that smartphone sales will jump in the coming days."

Amid the growing demand for online-based services to head off the risks of coronavirus infections, a



big number of users will shift from feature phones to smart devices.

"And if this happens, the mobile phone industry will be one of the biggest in the country," Mesbah added.

The industry sold about 3.11 crore imported and locally assembled handsets last year, of which 25 per cent were smartphones.

Smartphones will account for 40 per cent of the total sales of mobile devices in the next year, said Rezwanaul Haque, chief executive officer of Transsion Bangladesh that makes Techno

brand smartphones and itel feature phones.

"Though we are facing some headwinds, the pandemic could prove a game-changer," he said, adding that once normalcy returns, the next one year will be excellent for the handset industry.

People are now conducting office meetings via mobile devices and increasingly using smart devices for entertainment, bill payments and healthcare services.

"In the coming days, features related to healthcare and human resources management will be

incorporated in the smartphones as people are getting used to such services at a faster pace," said Haque, also the former general secretary of the Bangladesh Mobile Phone Importers Association.

Transsion was making five lakh pieces of phones every month and was planning to expand operations, but their production came to a halt, like the other mobile assembly factories in Bangladesh, for the shutdown.

To cope with the emerging situation, industry insiders said vendors will recalibrate

their strategies and focus more on online channels for the distribution and marketing of their products.

In recent times, online sales comprised less than 2 per cent of the total sales, while the rate is more than 50 per cent in the Indian market that sells about 26 crore units of handsets a year, Haque added.

"Online outlets should grow a better sense of responsibility and come up with innovations," said Farhan Rashid, head of business at the Bangladesh chapter of HMD Global Oy, the exclusive licensee of Nokia phones.

Vendors will have to look for some ways to reduce prices and improve the service quality in the post-coronavirus days as people are expected to have less to spend on non-essentials.

"We should not only sell products but also improve services such that we can offer a complete solution to customers," he added.

Eid-ul-Fitr and Pehela Baishakh are two of their peak seasons but these are going to generate depressing sales this year, which is why the overall annual sales may witness a 30-40 per cent cut, Rashid said.

Handset assemblers and importers said they registered a 15 per cent decline in sales in the January-March quarter of 2020 from a year earlier.

Companies' digital readiness could be a major factor in the post-coronavirus era as firms with strong digital presence would do better in future, said Ziauddin Chowdhury, country general manager of Xiaomi in Bangladesh.

Industry experts said flexible payment options like equal monthly instalment and micro-credit facilities, which are yet to flourish in Bangladesh, may open a window of opportunities in future and hence a regulatory framework should be readied as soon as possible.

## CPA extends storage rental waiver deadline

DWAIPIYAN BARUA

The Chittagong Port Authority (CPA) yesterday extended the deadline for full waiver on the storage rent for import load containers by 12 more days to May 16 after its two previous attempts failed to decongest the port.

This is the third time the port authority has offered such benefit to the importers in the last one month in an attempt to reduce the acute container congestion stemming from poor delivery amidst the countrywide shutdown.

"As the government holiday has been extended up to May 16, we have also extended the waiver period," CPA Chairman Rear Admiral SM Abul Kalam Azad told The Daily Star.

He, however, warned that the deadline would not be extended beyond May 16.

On April 4, the CPA for the first time announced the waiver. But seeing poor response from the importers, the CPA withdrew the waiver on April 20.

On April 28, it reintroduced the waiver for a week until May 4.

The import containers that arrived in the country since the nationwide general holiday began on March 26 would be eligible for the waiver on condition of taking the delivery during the extended period.

The waiver will also be applicable for the containers that entered the port four days before the holiday was announced to flatten the spread of the coronavirus.

# NBR to watch over Eid sales to check VAT dodging

SOHEL PARVEZ

The National Board of Revenue yesterday asked field offices dealing value-added taxes to monitor sales at restaurants and shops at malls and markets to ensure collection of the actual indirect tax.

The directive came after the government loosened rules for the shops in the markets and shopping centres so that they can be opened for limited hours on the occasion of Eid-ul-Fitr, the biggest shopping season in Bangladesh.

In the directive, signed by NBR Member VAT Implementation and IT Md Jamal Hossain, the revenue watchdog said already some large shopping malls and shops have

reopened.

The administration asked revenue officials to remain active in monitoring the restaurants and shops that brought Tk 375 crore to the state coffers in fiscal 2017-18.

The amount was less than 0.5 per cent of the total VAT and supplementary duty of Tk 78,694 crore collected in the year.

"The monitoring should be done through telephone, message, e-mail and social media," said the NBR, adding that required measures and social distancing should be maintained in case anyone is required to visit any restaurant or shop.

Also known as consumption tax paid by end consumers, VAT is the biggest source of

revenue for the government.

The NBR has been assigned to collect Tk 11,7671 crore this fiscal year. Until March, it collected Tk 64,111 crore.

Shops and shopping centres can be kept open from 10 am to 4 pm by ensuring physical distance inside shops, complying with other health rules and ensuring hand sanitisers at the entrance as suggested by the health ministry, said the commerce ministry in a statement yesterday.

The commerce ministry also asked all shop owners and the Federation of Bangladesh Chambers of Commerce and Industry and other chambers to take measures in this regard.



Shopping centres like Bashundhara City in the capital's Panthapath are set to open their doors again to capture Eid sales after remaining shut since March 26 to flatten the spread on coronavirus.

ZINA TASREEN