




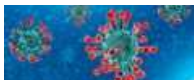


STOCKS		COMMODITIES		ASIAN MARKETS				CURRENCIES			
DSEX	CSCX			MUMBAI	TOKYO	SINGAPORE	SHANGHAI	USD	EUR	GBP	CNY
Closed	Closed	Gold 	Oil 	 0.76%	 0.28%	Closed	 0.23%	BUY TK 83.95	89.64	102.94	11.66
		\$1,694.30 (per ounce)	\$31.36 (per barrel)	31,443.38	19,674.77		2,871.52	SELL TK 84.95	93.44	106.74	12.26



BUSINESS

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TAMING CORONAVIRUS RAMPAGE

ADB paints the bleakest picture for Bangladesh

Approves \$500m in short notice to stave off financial ruins

REJAUL KARIM BYRON and MD FAZLUZ RAHMAN

The coronavirus pandemic will drive an additional 13 million people into poverty, cut 3.7 million jobs, take budget deficit to as high as 7.5 per cent and inflict a minimum revenue loss of 2 per cent of GDP in Bangladesh as the killer bug is wreaking havoc throughout the economy, the Asian Development Bank (ADB) has warned.

The grim picture was painted as the Manila-based development lender yesterday approved an additional \$500 million loan for Bangladesh to bolster its efforts to manage the impact of the pestilence on the economy and the public health.

This is the first budget support from any development lender to Bangladesh after the outbreak of the coronavirus, as it seeks more than \$3 billion initially from development partners to ward off the impact of the virus and embark on implementing its \$11.3 billion-strong stimulus packages.

The Asian Infrastructure Investment Bank (AIIB) is planning to provide \$250 million in co-financing with the ADB to support the government's programme.

This package will build on ADB's ongoing collaboration with Bangladesh on structural reforms by supporting the government efforts to speed up the country's social and economic recovery, said ADB President Masatsugu Asakawa in a press release.

"We will work closely with the government and development partners to mitigate the economic impact of the pandemic on the poor and most vulnerable, particularly those affected by job losses in small and medium enterprises and the informal sector."

Since March 26, Bangladesh has virtually shut its entire economy to flatten the curve on coronavirus.

Still, the country is moving to the fourth stage of infection (community transmission), with 59 of the country's 64 districts affected.

As of yesterday, the total number of infections and fatalities stood at 12,425 and 199 respectively.

"Given the density of the country's population, sizable slum population and underdeveloped medical system, Bangladesh faces significant challenges in containing the disease," the ADB said.

On April 30, the ADB approved a \$100 million concessional loan to support Bangladesh to address the immediate public health requirements of combatting the pandemic.

The lender also released a \$350,000 emergency grant for the procurement of medical supplies and equipment and \$1.3 million from an existing project to provide one-time cash support to 22,619 trainees to enable them to continue their ongoing skills training programme.

COVID-19 IMPACT

In 2019, over 34 million people, or 20.5 per cent of Bangladesh's population, were poor and 17 million, or 10.5 per cent, were extremely poor. The shutdown and the consequent economic disruptions have led to a spike in poverty.

The International Food Policy Research Institute estimates that an additional 42 million people in

South Asia could fall into extreme poverty in 2020 due to the pandemic.

For Bangladesh, the ADB estimates that the pandemic is expected to drive an additional 7.7 per cent of the population or close to 13 million people into poverty.

The gross domestic product (GDP) growth rate is projected to decline to 3.8 per cent this fiscal year 2020 from 8.2 per cent in fiscal 2018-19, the ADB said, quoting data from the International Monetary Fund.

This would be the slowest growth rate since

The reduction in remittance inflow will impact consumption and put the livelihood of many migrant workers' families at risk.

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

Domestic consumption accounts for 75 per cent of the economy. Google's mobility report provides indications of the cliff-like drop of domestic consumption which will severely impact retail, accommodation, restaurants, and transportation sectors of the economy.


Consumption in the retail and recreation sector

COVID-19 response plan, the ADB said.

A social protection and economic stimulus package amounting to Tk 95,619 crore, or \$11.3 billion, equivalent to 3.5 per cent of the GDP has been announced.

With rising expenditure and declining revenues, additional government financing requirements in fiscal 2019-20 are estimated at \$8.8 billion, or 14.2 per cent of the this fiscal year's budget.

About \$2.9 billion of the deficits will be financed through external sources and \$5.9 billion from the domestic market.



Impact of coronavirus on the Bangladesh economy

- 7.7pc people will be poor additionally
- Budget deficit to soar to 7.5pc of GDP in FY20.
- Industry to decline 2pc, services 3.5pc
- Exports to decline 19.8pc in FY20.
- Revenue to fall by \$6.7b

ADB's fund will be used

- Support for 1.5cr poor and vulnerable
- Salary support for 15 lakh workers in export industries
- Healthcare personnel fighting COVID-19 in government-run hospitals to receive honorarium
- 20 lakh poor families to get \$23 each
- 10 lakh poor, vulnerable families to receive food support of 20kg a month
- Eligible industries, sectors to get loans at subsidised interest

The government will need \$8.8b in additional financial requirement in FY20 and hopes to manage \$2.9bn from external sources



2002, which is lower than the 5 per cent growth at the height of the global financial crisis in 2009.

The nationwide stay-at-home order has resulted in simultaneous supply and demand shocks, with production, consumption, trade and investment all at a standstill.

Many informal workers, which account for 85.1 per cent of the workforce, lost their livelihoods instantly.

The lack of social safety net coverage will lead to dire consequences for the more than 20 per cent of the population who live below the poverty line and the many newly jobless who will join them.

By sector, the industry is expected to decline by 2 per cent (from 12.7 per cent in fiscal 2018-19) and services by 3.5 per cent (from 6.8 per cent in fiscal 2018-19).

The traditional growth drivers of the economy -- export-oriented industries, remittances, domestic consumptions, and SMEs -- have all ground to a halt.

Exports have been one of the main drivers of economic and social development in Bangladesh. The growth rate was 10.9 per cent in 2019 but a decline of 19.8 per cent is expected in fiscal 2019-20.

Total remittances are expected to stagnate in fiscal 2019-20 and drop sharply in fiscal 2020-21.

the penalty and interests for the failure of taxpayers to comply with time-bound rules and extend time -- a move that is likely to give respite to a large number of taxpayers from the risk of fine.

The decision comes nearly one-and-a-half months after the government declared a general holiday and enforced a stay-at-home order to slow the spread of highly contagious coronavirus that has wreaked havoc all over the world.

Most of the businesses save for essential commodity processors and marketers, drug makers, superstores, groceries and perishable foods and banks have remained shut since March 26.

While the NBR kept its field offices of VAT open from April 12 to April 15 to receive

VAT returns from businesses, the majority of the businesses could not file returns timely because of the adverse environment.

Subsequently, various trade bodies including the Federation of Bangladesh Chambers of Commerce and Industry appealed for extending the deadline for submission of VAT returns without fine.

Last month, the NBR got 31,000 returns, which is half of what it received the previous month, officials said.

As per rule, businesses have to submit details of transactions of the previous month and deposit VAT paid by the end consumers to the state coffer within the 15th of the following month.

Firms have to pay Tk 10,000 as a penalty for failure to submit VAT returns within the

crashed 76 per cent between February 29 and April 11, in grocery and pharmacy 55 per cent and the transportation sector 72 per cent, according to the Community Mobility Report.

The pandemic is having a significant impact on the fiscal position.

Before the pandemic, the economy was on track to grow by 7.8 per cent this fiscal year. The budget deficit was expected to return to the 5 per cent range after a temporary jump to 5.5 per cent in fiscal 2018-19 due to elections.

As per the Manila-based multilateral lender's estimate, the fiscal deficit is likely to rise to 7.5 per cent of GDP in fiscal 2019-20.

The pandemic and consequent stoppage of economic activities are expected to significantly reduce tax receipts. Non-tax revenue will also be severely affected by the reduction of imports and other fee sources.

A minimum revenue loss of 2 per cent of GDP (\$6.7 billion) is projected by the government.

The Bangladesh economy stands to lose a staggering \$13.3 billion for the coronavirus outbreak, the ADB said earlier this month, which is 4.9 per cent of its GDP.

BANGLADESH'S FUND REQUIREMENT

Bangladesh has taken prompt actions to control the spread of the disease and manage its impact on health, welfare, and the economy under its

deadline.

They can also seek time for delayed furnishing of return but they have to pay 2 per cent simple interest monthly for delayed submission, according to rules.

In the face of rising concerns and difficulties faced by businesses, Finance Minister AHM Mustafa Kamal last month said that the deadline for submission of VAT returns would be extended.

Apart from VAT, there are various time-bound provisions in the income tax law.

Many taxpayers who got permission to file tax returns after petition could not file their income and expenditure statement as the lockdown began ahead of their submission deadline, said a senior official of the income tax department.

Of the foreign portion, Bangladesh hopes to receive \$600 million from the ADB, \$250 million from the AIIB, \$100 million from the World Bank, \$700 million from the IMF and \$1.239 billion from other sources.

FURTHER CHALLENGES FACING BANGLADESH Delayed implementation of the economic stimulus or inadequate size may reduce the effectiveness of the programme and significant escalation of the pandemic may lead to severe disruptions in government work that may hamper programme implementation too, the ADB said.

Insufficient internal control may lead to reduced efficiency, fairness, and transparency of the government support programme.

The lender cautioned that the government's plan to fund a significant portion of expenditures from domestic sources may not succeed if the pandemic situation deteriorates.

The government has been prudent in raising external debts, with low external debt-gross domestic product ratio of 15 per cent.

Tapping different funding channels should be considered and ADB will continue to engage the government to evaluate various strategic options, it said.

Finance Minister AHM Mustafa Kamal thanked Asakawa for approving the loan in such a short period.

Shopping centres must follow health and safety measures when open

Says commerce minister

STAR BUSINESS REPORT

The government has left the decision to reopen shopping centres to their owners as it gradually lifts the restrictions of the shutdown to allow businesses to resume operations ahead of Eid-ul-Fitr, said Commerce Minister Tipu Munshi yesterday.

"Reopening shopping centres is not mandatory," he said.

If the shopping centre owners do not want to reopen their properties, they can do so too. But if any shopping centre does open its gates to customers again, the management will have to follow the health and safety measures.

Shopping centres, shops and shopping complexes can reopen on a limited scale from May 10, the government said on Monday. The opening hours are from 10 am to 4 pm.

The government has also decided to import goods by trains from India during the pandemic as transportation through road has become difficult.

Both Bangladesh and India have agreed in this regard. The higher-ups of both countries will finalise the standard operating procedure (SOP) on carrying goods on Sunday.

"We can start carrying goods by trains from India very soon once the SOP is ready," Munshi told The Daily Star after a press conference at his secretariat office in Dhaka.

Meanwhile, state-owned Trading Corporation of Bangladesh (TCB) has started selling commodities such as sugar, lentil and edible oil since April 1 and it will continue up to May 20.

The TCB is selling the items in 425 spots across the country, including 80-85 locations in metropolitan areas, 10-12 in divisional cities and four to eight spots in the district level.

Some 3,000 TCB-appointed dealers have also been taking part in the sales of the goods to supply the essentials to the people at reasonable prices during the fasting month of Ramadan.

The state agency will start selling onion at Tk 25 per kg from Saturday, the minister said.

The government took the decision following a rise in the price of the key cooking ingredient at the beginning of Ramadan.

Cabinet comes to panic-struck taxpayers' rescue

New clause to be added to law to allow deadline extension for extraordinary circumstances

SOHEL PARVEZ and REJAUL KARIM BYRON

The cabinet yesterday decided to bring in changes in direct and indirect tax laws with the view to thwarting taxpayers from getting slapped with a penalty for their failure to comply with deadlines owing to the shutdown.

It was decided that a provision would be added to the VAT and Supplementary Act 2012 such that the revenue authority can extend the deadline for submission of value-added tax returns during extenuating circumstances like natural calamity, pandemic and other emergencies.

A similar provision would be added to the Income Tax Ordinance 1984 so that the National Board of Revenue (NBR) can waive

Besides, employers have to submit statements of return filings by their employers within April 30 every year to avoid a penalty, which many could not do.

Companies are also required to deposit the tax deducted at source of goods and services of the current month within the first half of the following month.

There is also a time-related obligation regarding disposal of tax-related appeals in the present rules, said officials and firms.

But many could not do them for the shutdown.

Now, a senior official of the NBR said time equivalent to the number of days lost for the shutdown will be extended so that taxpayers can comply without facing a penalty.