STOCKS		
DSEX	▲ 1.50%	3,999.49
CSCX	▲ 1.13%	6,873.21

COMMODITIES		
Gold ▼	$1,731.26	(per ounce)
Oil ▲	$37.51	(per barrel)

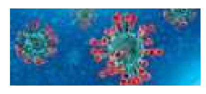
ASIAN MARKETS		
MUMBAI	▼ 2.71%	33,303.52
TOKYO	▲ 0.84%	22,062.39
SINGAPORE	▼ 1.6%	2,550.86
SHANGHAI	▼ 2.21%	2,915.43

CURRENCIES — STANDARD CHARTERED BANK

	USD	EUR	GBP	CNY
BUY TK	83.95	92.46	103.08	11.64
SELL TK	84.95	96.26	106.88	12.23

Star BUSINESS

DHAKA TUESDAY JUNE 2, 2020, *JAISHTHA 19, 1427 BS* ● starbusiness@thedailystar.net



TAMING CORONAVIRUS RAMPAGE

Even Eid failed to haul up remittance in May

AKM ZAMIR UDDIN

Remittance inflows dropped off 14 per cent year-on-year to $1.50 billion in May on the back of the global coronavirus pandemic, in a departure from historic trends that saw money sent by Bangladeshi migrant workers go up ahead of Eid-ul-Fitr.

This meant the contagion, which has caused havoc in the oil-rich countries where Bangladeshi migrant workers are mostly based, has hit the incomes of the expatriates so hard that they could not send a higher amount for their families and relatives back home.

However, the country received $16.36 billion between July last year and May this year, up 8.72 per cent from a year earlier, showed data from the Bangladesh Bank.

Migrant workers usually send in larger amounts of remittance during any national crisis relative to typical times to help the recipients back home tackle the situation.

But the ongoing situation is completely different as remittances from the Middle East and East Asia to North America and Europe have seen a steep decline due to the ongoing financial meltdown.

Besides, eight countries in the Middle East are now trying to deport expatriate Bangladeshis, a move that will put an adverse impact on the country's macro-economic stability in days ahead.

One such case is Palash Osman, a resident in Nabinagar upazila of Brahmanbaria, who went to Saudi Arabia just a few months ago by borrowing Tk 3 lakh from a local non-governmental organisation before the rogue virus surfaced.

He started working at a shop that sells electronics products.

"I got the salary for only one month. After that, I became unemployed," he told The Daily Star over the phone last month.

Like Osman, more than 7 lakh Bangladeshi workers may be forced to return home from the Middle East as the ratio of unemployment is gradually increasing in the oil-rich countries, said officials of the ministry of expatriates' welfare and overseas employment.

A majority of workers usually work on a contractual basis in the Middle Eastern countries and a good portion of them have already lost jobs.

Nearly 80 per cent of the 1.20 crore-odd Bangladeshi migrant workers are based in the Middle East.

But the situation was not as bad during the last global recession. For instance, during the global financial crisis in 2007-08 Bangladesh even enjoyed an increased trend of remittance.

Global remittance dropped 5.5 per cent year-on-year in 2009 but Bangladesh enjoyed 19.35 per cent growth.

But this time remittance began a downward trend from January when the pandemic was in its nascent stage.

Both the central bank and the government had earlier projected that remittance would touch the $19-billion mark this fiscal year given an upward movement in the first half.

In fiscal 2018-19, migrant workers sent home $16.41 billion, up 9.59 per cent year-on-year. But the current trend shows that it would hardly go past the $17 billion-mark this fiscal year.

The country faced a large deficit both for products and services in its balance of payments in the last one decade, but remittance helped protect the current account from a large deficit, said Zahid Hussain, a former lead economist at the World Bank's Dhaka office recently.

In some cases, the current account enjoyed robust a balance riding on remittance, which widened the country's foreign exchange reserve to a great extent, he said.

In fact, remittance has been spearheading a silent economic revolution in Bangladesh since its independence as it helped make the rural economy vibrant.

Although the inflow had faced some obstacles in the wake of a fall in oil prices, remittance got back its momentum within the shortest amount of time due to a steady outflow of migrant workers.

The government started to record both exports of manpower and remittance in 1976 when about 6,000 workers went abroad and sent $23.71 million.

The infrastructure development boom following the rise in oil prices in 1973 fuelled the demand for labour migrants in the Middle East and especially in the Gulf States: Saudi Arabia, Kuwait, Bahrain, Qatar, Oman and the UAE.

Remittance flow reached $630 million in 1983. Although it fell the following year, it maintained the upward growth from 1986.

In 1984-85, the oil prices fell and the migration flow ebbed, although the rising employment in service and maintenance sectors kept the demand for labour migrants high.

The newly industrialised countries in South-East Asia such as Singapore, Malaysia and South Korea went through a similar expansion boom and needed migrant workers to fill the demand for unskilled workers.

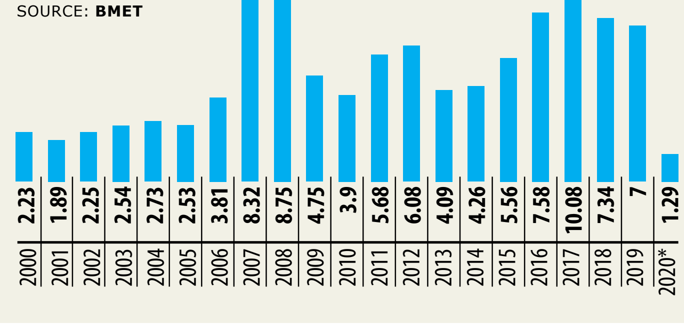
In general, the employment of labour migrants abroad is quite sensitive to the prevailing sociopolitical environment of the receiving countries, according to a study of the International Organisation for Migration.

READ MORE ON B3

Overseas employment

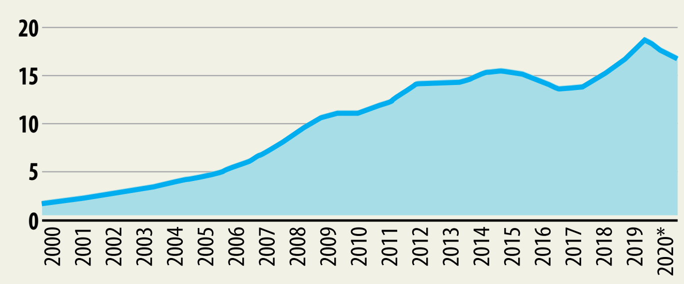
*(in lakh) *up to Feb*

SOURCE: BMET



Remittance's growing stature over the past two decades

*(in $b) *as of May;* SOURCE: BB



Inflation declines drastically

REJAUL KARIM BYRON

Inflation fell 61 basis points to 5.35 per cent in May from a month earlier owing to a drastic fall in food prices caused by a collapse in demand because of the coronavirus pandemic.

This is the lowest general inflation rate in at least 23 months.

In April, general inflation stood at 5.96 per cent, according to a Bangladesh Burau of Statistics (BBS) report. The BBS is expected to release the inflation figures for April and May today.

The general inflation was 5.63 per cent in May last year and 5.58 per cent in April last year.

Food inflation dropped 82 basis points to 5.09 per cent last month from 5.91 per cent in April.

Non-food inflation also fell, to 5.75 per cent, down 29 basis points from April's 6.04 per cent.

Headline inflation has declined primarily due to a decline in food inflation. Non-food inflation was also lower in May 2020 relative to May 2019, said Zahid Hussain, a former lead economist of the World Bank's Dhaka office.

"This reaffirms what was already being speculated as coronavirus hit our economy in March."

The pandemic caused both a supply shock and a demand shock and it segmented markets within the economy because of disruption in transportation, he said.

The supply shock pushed up inflation, particularly food prices in April, but the demand shock muted the rise subsequently, the economist said.

General inflation in rural areas declined 43 basis points to 5.65 per cent in May from 6.08 per cent in April.

Food inflation went down 56 basis points to 5.61 per cent and non-food inflation fell 19 basis points to 5.73 per cent.

In urban areas, headline inflation came down drastically to 4.81 per cent, a decrease of 92 basis points from 5.73 per cent a month earlier.

Food inflation gave up 1.39 percentage points to 3.94 per cent and non-food inflation declined 41 basis points to 5.79 per cent.

The prices of rice, lentil, egg, vegetables, spices, onion and garlic fell in May compared to a month earlier, said officials of the BBS.

The average inflation was 5.61 per cent between June 2019 and May 2020, up from 5.48 per cent a year earlier, BBS data showed.

The government has targeted a 5.5 per cent inflation rate this fiscal year. It was able to contain it at 5.48 per cent last fiscal year, which is comfortably below the target of 5.6 per cent.

Going forward, Hussain said inflationary pressure is likely to remain somewhat stable in the very near term as consumption demand remains depressed due to deep uncertainties about what is likely to happen.

"Yet, policymakers should not let their guards down," he added.

In a report in late February -- before the first confirmed cases of the COVID-19 in Bangladesh were announced on March 8 -- the finance ministry said the crash in oil prices might help the country keep its current account deficit and inflation lower.

Balance of payment shrinks with pandemic

AKM ZAMIR UDDIN

The major economic indicators of the country's balance of payments (BoP) shrivelled in the first nine months of the fiscal year on the back of the economic fallout from the global coronavirus pandemic.

Both the contraction of exports and imports has not widened the trade deficit to a great extent in the first three quarters of fiscal 2019-20.

But this is not a good sign at all for the country as the economy has been shrinking remarkably in the last few months, economists said.

The trade deficit narrowed 1 per cent year-on-year to $12.07 billion in the first nine months.

Exports stood at $28.25 billion between July last year and March this year, down 6.34 per cent from a year earlier. Imports also decreased 4.81 per cent to $40.33 billion during the period.

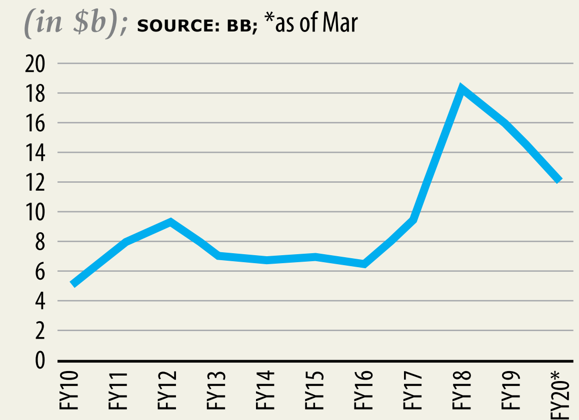
Both the volume of export and import have been decreasing alarmingly this quarter, which will put a negative impact on the BoP, said Zahid Hussain, former lead economist of the World Bank's Dhaka office.

The deficit in the current account stood at $2.64 billion in the first nine months of the fiscal year, down 37.13 per cent year-on-year.

"But the situation of the current account will change in the last quarter of this year. The deficit will increase alarmingly."

Trade deficit over the decade

(in $b); SOURCE: BB; *as of Mar



April's export, import and remittance figures do not suggest otherwise.

Export and remittance may decrease more in the months to come, he said.

"Against the backdrop, the trade deficit will widen more in the days ahead."

The foreign exchange reserves too will face trouble as both the export and remittance declined, he said.

As of March 31, reserves stood at $32.38 billion, which is good enough to settle import payments for 5.5 months.

The country, however, will manage about $1.5 billion from different multilateral lenders to mitigate its BoP crisis and implement the fiscal budget.

"But the amount will not be good enough to tackle the crisis stemming from the BoP in the days ahead," Hussain said, while urging the central bank to stop intervention in the foreign exchange market to keep the economy stable.

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10.22cr people staring at high economic, health risks

Finds Brac, Data Sense, Unnayan Shamannay study

EYE ON BUDGET

STAR BUSINESS REPORT

A staggering 10.22 crore people are facing high economic and health risks in Bangladesh and about 74 per cent of the families have seen a reduction in income because of the coronavirus pandemic, according to a new study.

Brac, Data Sense and Unnayan Shamannay carried out the joint study. The study used researches from Brac, the Power and Participatory Research Centre (PPRC), the Brac Institute of Governance and Development (BIGD), the International Monetary Fund and others.

It also carried out a survey among 962 people in 25 districts between May 15 and May 18, said Brac in a press release.

Of the people facing economic and health risks, 5.36 crore are extreme poor, including the newly poor.

The number of people facing high economic risks stands at 4.73 crore and those facing high health risks total 3.63 crore, according to the survey.

Of those surveyed, at least one individual from 34.8 per cent of the families has lost jobs. The family income went down by an average of 74 per cent between May to May.

The findings of the survey were shared at a virtual discussion styled "COVID-19 and National Budget 2021: Rethinking Strategy for BoP Population".

"The upcoming budget should be about helping people remain alive. We have to be alive first and then comes our dream and potential," said Atiur Rahman, a former governor of the Bangladesh Bank.

Because of the pandemic's impact on the formal and informal sectors, unemployment and poverty are both rising, he said.

Poverty and vulnerability have increased for those at the bottom of the pyramid. To counter that, people's food security has to be ensured while addressing their health risks.

"They should be given both food and cash support. Cash support should be continued for the next few months."

The budget should be centred around health as the h sector is fragile and out of the pocket expenditure is very high, the former governor said.

The budget allocation for the health sector was less than 1 per cent of the GDP this fiscal year and this should be doubled to more than 2 per cent.

"The growth of the health budget should move upward for the next several years keeping in mind the universal health system and to take the allocation to 4 per cent."

Agriculture and the rural economy would be the saviour of the Bangladesh economy, Rahman said.

"The demand shortfall following the fall of export and remittance flow would largely be compensated if we can keep the agriculture and the rural economy dynamic."

Bangladesh spends 2.3 per cent of the budget for social protection but 35 per cent to 40 per cent of the amount goes for the pension of government employees. If the pension expenditure is excluded, it would be about 1.7 per cent, he said.

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Mobile phone use to be even costlier

EYE ON BUDGET

SOHEL PARVEZ *and* MUHAMMAD ZAHIDUL ISLAM

Mobile phone users are likely to face higher taxes next fiscal year as the government looks to chase a bigger revenue target riding on the essential services sector that generates more than Tk 30,000 crore in turnover a year.

The existing 10 per cent supplementary duty on phone calls, data use, texting and other services may rise to 15 per cent in fiscal 2020-21, said a senior official of the finance ministry, asking not to be named.

Apart from the 10 per cent SD, mobile phone users now have to pay 15 per cent VAT and 1 per cent surcharge on their bills.

If the SD goes up as planned, customers will foot a bill of Tk 133.0725 to get a service of Tk 100, or against each Tk 100 topped up, a user would get services not more than Tk 75.147, according to officials.

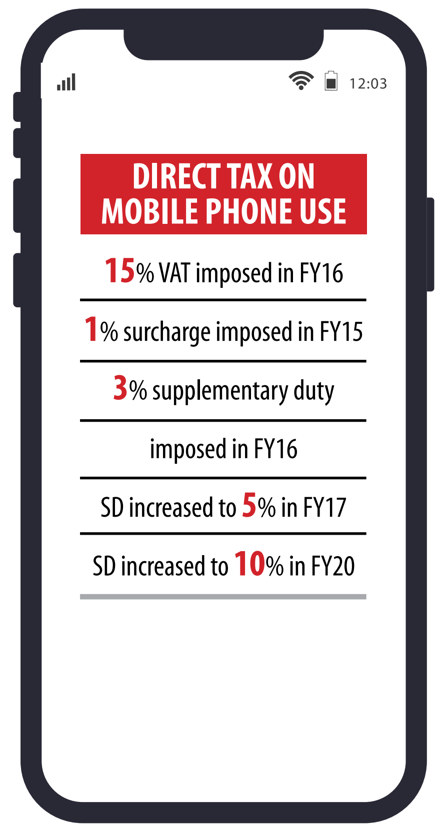
On the eve of the announcement of the national budget every year, the National Board of Revenue issues some statutory regulatory orders which empower them to collect some additional taxes even before the budget gets through the parliament.

The revenue authority considers raising the SD on the mobile phone services as it has been tasked with collecting Tk 128,800 crore in value-added tax and SD from domestic sources in the next fiscal year, which is 19 per cent higher than the revised target of the outgoing year.

The government had first slapped a 3 per cent SD on mobile phone use in fiscal 2015-16 and progressively brought it to 10 per cent this fiscal year.

Smartphone imports faced a huge tax hike last year as the government wanted to offer the local assembling industry an edge but the move eventually stymied smartphone penetration, industry insiders said.

Mobile phones and SIM cards were the third biggest sources of VAT and SD after cigarette and construction firms generating Tk 4,800 crore in fiscal 2017-18, up 12 per cent from the previous year, according to NBR data.



There should not be any such decision as it will further add to the burden on the customers, said Shahed Alam, chief corporate and regulatory officer of Robi.

"We need to remember that 53 out of every 100 taka spent by the customers reaches the government exchequer in different forms."

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