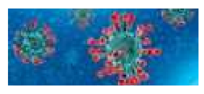


TAMING CORONAVIRUS RAMPAGE

What will happen when overseas employment and remittance dip?

RIZWANUL ISLAM

Among all the news about the fallout of the pandemic caused by COVID-19, two pieces of news didn't escape my attention.

The first is an announcement by the foreign minister that more than 28,000 workers who were employed in different countries outside Bangladesh were likely to return soon. The second piece of news was a dip in remittances.

In the journey of Bangladesh from a "basket case" or "test case of development" to a lower-middle-income developing country, one factor that has played an important role is overseas employment.

From a paltry 6,000 in 1976 the number going abroad for employment in recent years has soared to some 7-10 lakh. These, of course, are gross outflows and don't represent the net outflow because nobody knows how many return every year.

The government seems to assume that even taking returnees into account, about five lakh people find employment abroad every year.

There are at least three ways in which overseas employment contributed to the success story of Bangladesh's development. The obvious one is as a source of employment and as a way of relieving pressure on the domestic labour market.

The figure of five lakh can be put in perspective by noting that the new addition to the labour force in recent years has been about 16 lakh.

Second, most of the workers are from relatively lower-income groups (though not from really poor households), and their families usually remain home.

Remittances sent by the workers are usually the major -- if not the only -- source of income of such households, and thus play an important role in meeting their expenditures.

And that, in turn, contributes to the growth of GDP through the consumption route.

Household expenditure on a range of goods and services generates demand for them, which, in turn, creates the impetus for output growth.

Third, remittances have played an important role in building up the foreign exchange reserves to an impressive level and in supporting the current account balance of the country.

The trade balance (i.e., the balance of exports and imports) of the country is almost always negative. It is the current transfers -- in which remittances are by far the major component -- that help makes up for the negative trade balance.

As a result, the current account balance has been positive in most of the years during the past couple of decades.

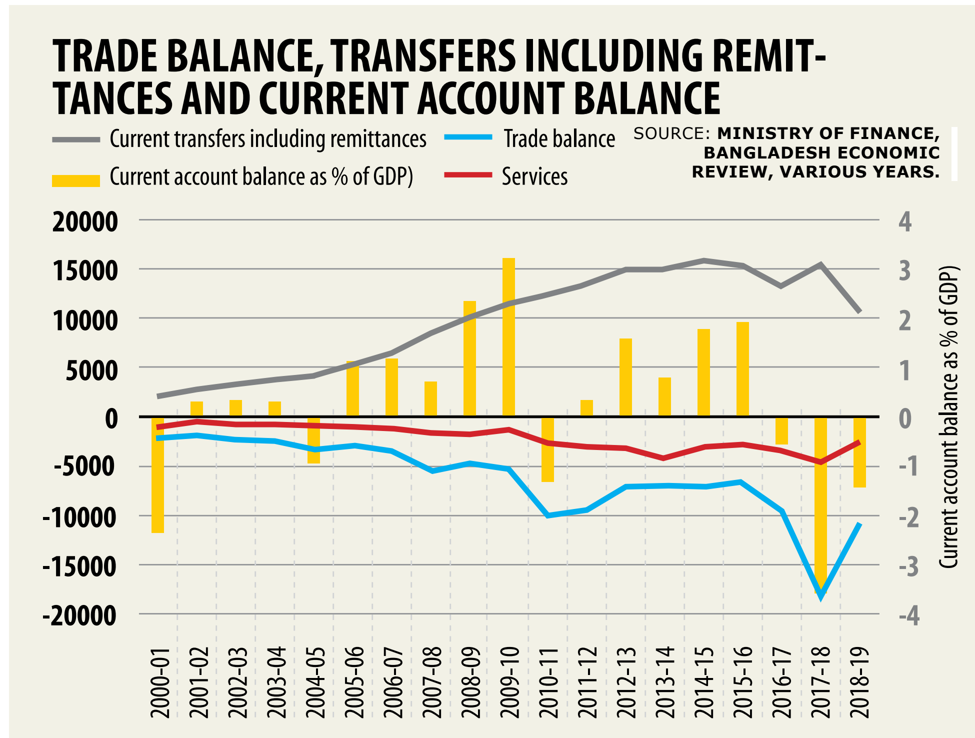
But in fiscal 2017-18, there was a sudden steep increase in imports; and as a result of that spike in imports, the current account balance had a huge deficit that year.

Then there was a decline in the inflow of remittances during fiscal 2018-19, which led to a continuation of that deficit.

In the kind of situation mentioned above, what could be the consequences of a sharp decline in overseas employment and the flow of remittances?

On the employment front, it is easy to see that additional pressure will be created on the already fragile domestic labour market.

As pointed out by myself in an earlier article in this newspaper (May 1 2020), about one crore people may have lost their jobs in March-April due to the shutdown of public life and economy.



On top of that, one would have to add the number of workers who will be losing their jobs abroad and will return and perhaps join the labour force.

Although there is no data on overseas employment after February this year, one can surmise that very few were able to get such jobs. And the situation is likely to continue until at least economic recovery starts in the labour-receiving countries.

If the current forecasts of global economic growth made by the International Monetary Fund and the World Bank are any guide, it can be assumed that the tap of overseas jobs is unlikely to reopen until about the last quarter of this year.

In that scenario, the number of such jobs for the whole of 2020 is unlikely to be more than three lakhs (the total for January and February was 129,127).

If one takes into account the number that is likely to return because of loss of jobs, the net outflow may turn out to be insignificant.

So, the current year is likely to be a lost year as far as overseas employment is concerned.

What was once a reliever of pressure on the domestic labour market is going to turn back and play the opposite role.

Coming to remittances, a survey on their use carried out by the Bangladesh Bureau of Statistics in 2013 showed that nearly 39 per cent of the amounts received by households is spent on food and clothing alone.

Education and health together account for another 9 per cent or so. The rest is spent on purchasing land or constructing house and repaying debt.

Although it is not known how households would adjust to a sharp decline in the flow of money, one can conjecture that adjustment may take place mainly in the items of consumption outside food.

To the extent that happens, the demand for non-agricultural products (e.g., clothing, furniture, etc.) may decline, which, in turn, may have a dampening effect on their production.

The fallout of the dip in remittances may thus extend to create a negative impact on output and economic growth as a whole.

The possible negative impact of a fall in remittances on the balance of payments of the country has already been indicated earlier.

With the sharp decline in exports that the economy is currently experiencing, unless imports also fall simultaneously, trade balance may worsen further.

In fact, during the July-April period of this fiscal year, exports declined 19.09 per cent from a year earlier. Not unexpectedly, imports also declined.

But if projections made by the WB of a 22 per cent decline in remittances turn out to be true, the impact on the current account balance is likely to be quite severe.

What policy measures can be undertaken in the face of the situation mentioned above?

On the employment front, the issue is linked to that of overall employment strategy that the country should be pursuing; and this is not the place to get into that.

However, a word may be said about the large number of workers who are already returning and are likely to do so in the coming weeks and months.

A full-fledged strategy is required to extend assistance to them in getting re-integrated into the economy.

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Banks might be able to give dividends to retail investors after all

STAR BUSINESS REPORT

Bangladesh Bank, it seems, may walk back on its bold move on May 12 to bar listed banks from giving cash dividends to both sponsors and investors until September to boost their capacity to absorb the strain on their capital base from the ongoing economic dire straits.

The decision turned out to be wholly unpopular with general investors, who have been hit hard by the continued slide of the bourse.

Subsequently, in a meeting yesterday between the Bangladesh Securities and Exchange Commission and BB Governor Fazle Kabir, it was decided that banks might be allowed to give dividends to their general shareholders after all.

"We stepped in to give the small investors some relief," Shibli Rubayat Ul Islam, the newly appointed chairman of the Bangladesh Securities and Exchange Commission, told journalists after the meeting.

The central bank may issue a notice soon that will allow the listed banks to distribute dividends only among general investors and not institutional investors and sponsors, Islam said.

"Bangladesh Bank and the BSEC will work together to fight coronavirus and develop the capital market. We met the central bank to work for the betterment of the economy where we talked to find the way out to help the economy after the pandemic."

The two regulators will appoint two officials from both sides who will work intensively towards fighting any liquidity shortage prompted by the pandemic, he said, adding that they would meet every month and take timely decisions.

"We are ready to help the banking sector if they need the stock market to implement incentive packages of the prime minister," the chairman said.

Commissioners Shaikh Shamsuddin Ahmed and Khondoker Kamaluzzaman were also present at the meeting.

Accord finally hands over safety role to local body

REFAYET ULLAH MIRDHA

A new chapter begins in the country's apparel factory inspection and workplace safety, as RMG Sustainability Council (RSC), a local entity formed by the sector's apex trade body with representation from brands and trade unions, finally started its journey yesterday.

Various apparel manufacturers, international brands and retailers, global unions and their Bangladeshi affiliates established this national initiative to carry forward the significant accomplishments made on workplace safety in Bangladesh, according to a statement from the RSC.

The responsibility to monitor safety measures at the apparel factories of Bangladesh previously belonged to the Accord, a platform of more than 200 European retailers and brands formed after the Rana Plaza building collapse in April 2013.

Bangladesh's apparel industry fell into an image crisis after the disaster when the eight-storey commercial building housing many garment factories collapsed due to structural faults.

It was the country's deadliest industrial accident as 1,138 garment workers lost their lives while a further 2,500 were injured.

The disaster brought light to the prevalence of abysmal working conditions and safety measures at local factories and so, many Western consumers began to shy away from Bangladeshi products.

Hundreds of consumers abroad stood outside their local malls and protested the purchase of apparels tailored at 'Bangladesh's sweat shops'.

To mitigate the situation, the retailers and brands that sourced garment products from Bangladesh formed the Accord less than a month after the Rana Plaza collapse.

The aim of the five-year legally binding agreement was to strengthen the fire, electric and structural safety measures of Bangladesh's garment sector.

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Deadline for tax-related formalities extended to June 29

STAR BUSINESS REPORT

Taxpayers who failed to comply with tax-related formalities for coronavirus-induced shutdown will be able to accomplish their tasks by June 29 this year.

The National Board of Revenue (NBR) issued a notification in this regard yesterday waiving penalty and interest on tax matters that taxpayers could not comply with from March 26 to May 30 this year amid the lockdown and closure of most of the offices.

Taxmen said many taxpayers could not timely submit tax returns, statements of return filing by employees and withholding tax deductions during the period. Problems also arose for various tax appeal-related issues that are time-bound as per law.

Yesterday, the NBR extended the deadline for complying with tax appeal and alternative dispute resolution related matters that should have been accomplished between March 26 and May 30.

The deadline has been extended until August 5 this year.

The NBR's move came after the government issued an ordinance last month, giving power to the tax authority to take into consideration the period of the pandemic in computing the time limits and extend those.

A senior official of the NBR yesterday said they took the shutdown periods into context and no interest or penalty would be charged for the inability of taxpayers to comply.

For example, employers have to submit statements of income tax filing by their employees within April 30 every year to avoid penalty.

But this year, despite the willingness to do so, many firms could not do so for the shutdown enforced since March 26 to flatten the curve on the novel coronavirus.

Tk 2,492cr projects to fight COVID-19 to get nod today

REJAUL KARIM BYRON *and* JAGARAN CHAKMA

Two projects worth Tk 2,492 crore chalked out as part of the government's plan to fight the pandemic will be tabled in today's meeting of the Executive Committee of National Economic Council (Ecnec).

The World Bank (WB) and the Asian Development Bank (ADB) have decided to join hands with the government as both of them have set aside a $100 million fund each to implement the projects during April 2020 to June 2023.

The first one -- COVID-19 Emergency Response and Pandemic Preparedness Project -- will have a budget of Tk 1,128 crore, of which Tk 850 crore will come from the WB and the rest from the government.

To support the project, the WB approved a fast-track $100 million financing on April 3 to help Bangladesh prevent, detect and respond to the Covid-19 pandemic and strengthen its national system for public health emergencies.

The project will be rolled out nationwide to help upgrade selected health facilities and laboratories to detect, manage and treat suspected and confirmed COVID-19 cases and support screening in Bangladesh's designated health facilities and entry points.

It will benefit people with suspected and confirmed infections, at-risk populations and medical and emergency personnel, as well as public and private service providers, medical and testing facilities and the national health system, according to the planning ministry officials.

This project will support the implementation of Bangladesh's national plan to respond to the pandemic.

READ MORE ON B3

No charge for missed instalment on fixed deposit and pension schemes

STAR BUSINESS REPORT

The central bank yesterday asked banks not to impose any charges on savers if they fail to pay instalments on fixed deposit and pension schemes.

Banks have been asked not to impose any penalty on clients in case of their failure to pay the instalments for April and May.

The government had declared a general holiday from March 26 to May 30 and imposed restrictions on people's movements, which created a problem for clients in paying the instalments.

Banks will have to take this issue into consideration, according to a central bank notice.

Clients will have to pay their due instalments within June 20 or else they will not enjoy the relaxed facility.

If lenders impose any charge on clients due to their failure to pay the instalments, they will have to pay back the money to the clients.

Now non-bank entities can set up ATMs

AKM ZAMIR UDDIN

In a ground-breaking move, the central bank yesterday allowed non-bank entities to install automated teller machines and point-of-sale terminals across the country as part of its efforts to promote card-based transactions.

The initiative will help people in the backwaters to settle transactions without going to banks as some private companies have expressed their intent to build a wider network of ATMs.

Only banks are now allowed to build ATM and POS infrastructure but they are unwilling to expand the base further given the rising cost for maintenance, manpower and security.

The central bank has worked on the issue for years and issued a detailed guideline yesterday, according to a Bangladesh Bank official.

India's central bank drew up such regulations in 2012 and let private companies set up ATMs in 2014. In many countries, banks hardly provide ATM services.

Banks in Bangladesh usually set up ATMs and POS terminals based on the number of customers in a given area, said an official of a private bank.

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