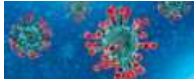


STOCKS		COMMODITIES		ASIAN MARKETS				CURRENCIES			
DSEX	CSCX			MUMBAI	TOKYO	SINGAPORE	SHANGHAI	USD	EUR	GBP	CNY
▲ 0.25%	▼ 0.05%	Gold ▼	Oil ▲	▲ 0.38%	▼ 0.36%	▼ 0.25%	▲ 0.14%	BUY TK	83.95	93.16	104.39
3,953.38	6,808.23	\$1,709.06	\$39.52	33,980.70	22,695.74	2,707.20	2,919.25	SELL TK	84.95	96.96	108.19
		(per ounce)	(per barrel)								



BUSINESS

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TAMING CORONAVIRUS RAMPAGE

Economy to blast off again from Oct: IMF

AKM ZAMIR UDDIN

There appears to be glimmer of light at the end of the tunnel after the International Monetary Fund yesterday projected that the Bangladesh economy would pick up from the second quarter of next fiscal year from the coronavirus-induced downturn.

The Washington-based multilateral lender agency, however, said the country's GDP growth would stand at 3.8 per cent this fiscal year against the previous projection of 7.4 per cent as the coronavirus pandemic has severely affected the economy.

This means, growth is projected to decline by about 4.50 percentage points fiscal 2018-19, in what would be the largest one-year decline in the last three decades.

Growth next fiscal year would be 5.7 per cent.

The organisation disclosed the projection in a report, which has prepared for the approval of \$732 million in emergency funding to the country under its credit facility and the rapid financing instrument.

The credit support was approved on May 29 in order to mitigate the balance of payment crisis because of the ongoing economic recession.

A good number of stimulus packages amounting to close to Tk 100,000 crore taken by both the government and the central bank will help the economy to rebound.

In addition, the government reopened the economy on May 31.

CPI inflation has been around the Bangladesh Bank (BB) target of 5.5 per cent, with increases in non-food inflation offset by a decline in food inflation.

Despite signs of disruptions in the domestic food supply chain, overall inflation is projected to remain broadly unchanged, owing partly to a bumper harvest in the agriculture sector.

But the IMF has also mentioned some downside risks for the economy in the days ahead.

"External risks include a prolonged COVID-19 outbreak that would delay and slow down recovery in exports and remittance inflows."

Impact of COVID-19 on Selected Economic Indicators (annual % change)				
	Pre-Covid		Projection	
	FY20	FY21	FY20	FY21
GDP	7.40%	7.30%	3.80%	5.70%
Inflation	5.70%	5.60%	5.70%	5.60%
Current account balance	-1%	-1.50%	-2.20%	-3.50%
Export	-1.50%	7%	-17.90%	-0.80%
Import	1%	10%	-8.80%	4.80%
Remittance	18%	7%	1.40%	-7.10%

SOURCE: IMF

Oversupply in the oil market could continue to slow down economic activity in the Middle East countries, which are the most important sources of remittance for Bangladesh.

Remittance had soared 20 per cent in the first eight months of the fiscal year but have started to decline from March. In May, inflows dropped off 14 per cent year-on-year to \$1.50 billion.

Some Bangladeshi diaspora workers have elected to return, while those that remain are likely to experience job losses amid a stall in economic activity.

After a modest decline in the first three quarters of fiscal 2019-20, exports in April contracted 83 per cent year-on-year.

COVID-19 has heavily affected the garment sector, with reports

of more than \$3 billion in orders already cancelled, leading to many factories to shut down.

An estimated 3.5 million Bangladeshis work in the garment sector and about one million workers have reportedly been laid off.

A larger outbreak of COVID-19 might require longer containment measures by the authorities, which could increase social discontent, further weaken domestic demand, and disrupt the lives of Bangladeshi people, the IMF warned.

The multilateral lender has suggested the central bank to strengthen its monitoring on the banking sector during the ongoing pandemic.

The already-weak banking sector could face further

challenges in maintaining its asset quality and providing necessary support to the private sector due to the ongoing economic fallout.

Controlling stressed assets of the banking sector will be imperative with banks bearing the entire credit risk for the stimulus package routed through banks.

Effective supervision by the Bangladesh Bank needs to continue while strengthening the corporate governance of commercial banks.

Loans under the stimulus package should be effectively targeted and monitored by the authorities with necessary due diligence and risk assessment considerations by banks to preserve banking soundness while providing support where most needed.

Banks can be encouraged to undertake prudent re-negotiations for loans that have deteriorated due to the shock.

But loan reporting, classification and provisioning standards should not be eased.

Before the pandemic, at the end of 2019, reported default loans approached 9 per cent, with state-owned commercial banks' classified loans reaching 24 per cent.

The authorities have already started amending several laws to enforce more discipline, but repeated loan rescheduling, regulatory forbearance and failure to deal with weak and insolvent banks hindered progress.

READ MORE ON B3

Bangladesh finally gets its own contact tracing app

STAR BUSINESS REPORT

Bangladesh yesterday rolled out a contact tracing app on a trial basis to warn users if they have been near someone who later tested positive for the coronavirus and suggest the next course of actions in a bid to flatten the curve on the rogue pathogen.

Technologically advanced countries such as South Korea and Singapore were among the first countries that have rolled out such apps to trace infected persons and prepare a risky zone. Some other countries later developed and put in place their own contact tracing apps.

To avail the service, smartphone users need to use mobile application Corona Tracer BD, a contact tracing app.

The app has been developed by local technology company Shohoz under an initiative of the ICT Division and the Directorate General of Health Services (DGHS) to bring the people of the country together in its fight against the COVID-19.

So far, 50 countries have introduced contact tracing app to flatten the curve of the coronavirus pandemic.

State Minister for ICT Zunaid Ahmed Palak introduced the application during a virtual ceremony and requested every smartphone user to download it to stop the spread of the highly contagious virus.



The app utilises Bluetooth signal to understand whether a user is near another individual who was tested positive in the past and this will help users find out whether they are at risk of COVID-19.

If a user is found to have been in contact with an infected individual recently, they would receive an alert. If the users' case seems risky, they will be able to seek medical help at the earliest and go into self-isolation, Palak said.

To use the app, mobile phones have to have data connectivity and the mobile's Bluetooth and location features have to be activated.

The app came as the number of coronavirus infections and deaths continues unabated.

More than 2,400 people tested positive for COVID-19 in the last 24 hours yesterday, taking the total number of infections to 57,563. The death toll stands at 781.

The government would ask the Bangladesh Telecommunication Regulatory Commission to request the mobile phone operators to make the app under zero internet benefit, Palak said.

The application also provides information on what to do in case of suspected infection and on the locations of nearby health and testing units.

READ MORE ON B3

Govt pledges transparency, addressing banking sector ills to IMF

REJAUUL KARIM BYRON and MD FAZLUH RAHMAN

Bangladesh has pledged to use the emergency assistance from the International Monetary Fund transparently and effectively, ensure fiscal discipline and prioritising addressing banking sector problems as it secured \$732 million from the crisis lender to tackle the coronavirus pandemic.

The finance ministry and the BB are finalising a letter of intent on their respective roles and responsibilities for servicing financial obligations to the IMF, they said.

"We are committed to ensuring that crisis resources are used transparently and effectively," said Finance Minister AHM Mustafa Kamal and Bangladesh Bank Governor Fazle Kabir in a joint letter to the Washington-based multilateral lender.

Toward that end, the government would ensure that applicants for coronavirus-related contracts provide their beneficial ownership information to the government and that this information is appropriately recorded and

made available to audit authorities.

The government will publish online an audit of COVID-19-related expenditure and other government subsidised programmes by the Office of the Comptroller and Auditor General within 12 months and crisis-related public procurement contracts and related documents.

"We will seek to adopt reforms to allow publication of beneficial ownership information of companies awarded public procurement contracts as soon as feasible," said the letter dated May 20.

On May 29, the executive board of the IMF approved a disbursement of \$244 million under the Rapid Credit Facility and a purchase of \$488 million under the Rapid Financing Instrument.

This will help finance the health, social protection and macroeconomic stabilisation measures, meet the urgent balance of payments and fiscal needs arising from the coronavirus outbreak and catalyse additional support from the international community, the lender said.

The IMF has not attached any conditions

GOVT COMMITS TO

- » Undergoing safeguard assessment
- » Providing IMF access to BB's external audit reports
- » Ensuring crisis resources are used transparently and effectively
- » Publishing audit of COVID-19-related expenditure
- » Addressing banking sector problems
- » Bringing fiscal deficit back to 5pc of GDP

for the loan like it did while extending assistance in the past and has not called for belt-tightening because spending is needed to stop people dying or from falling into a permanent trap of unemployment.

READ MORE ON B2

Floor price drags down DSE turnover to a 13-year low

STAR BUSINESS REPORT

Turnover on the Dhaka Stock Exchange (DSE) plunged 72 per cent to Tk 42.97 crore yesterday, the lowest in 13 years, as investors refrained from trading because of the floor price set by the regulator.

The previous lowest turnover of Tk 40.39 crore was recorded on April 24 in 2007, data from the premier bourse showed.

The Chittagong Stock Exchange too saw a similar trading activity with shares worth only Tk 4.59 crore changing hands.

The fall in turnover, an important indicator of the market, came after the Bangladesh Securities and Exchange Commission (BSEC) set the floor price of all stocks on March 19 by taking into account the average price of previous five trading days to prevent

the massive decline of the index amid the coronavirus pandemic.

The move made the capital market illiquid and after the floor price was introduced, the turnover averaged just Tk 180 crore, way lower than Tk 400 crore previously.

Due to the floor price, investors can't trade shares at the forced price, said a top broker. "So, turnover tanked."

Investors are keeping their hands off to see how the market behaves after the regulator withdraws the floor price, said a merchant banker.

The index may nosedive abruptly when the floor price is scrapped because it is not possible to keep the stock price up artificially, he said.

The pandemic-induced shutdown has battered the business of the listed companies as operations were closed for two months as part of a government effort to contain the virus

and the demand has collapsed.

"So, their stock prices deserve a sharp fall and there is nothing the regulator can do," the merchant banker said.

Only some pharmaceuticals, telecommunications and technology-related companies would be able to make profits in the current year, while others would incur losses, said a top official of an asset management company.

"This is normal and investors should understand this reality. So, we are thinking of how the losses can be minimised."

Yesterday, 11 securities advanced, 36 declined and 265 were unchanged on the DSE.

DSEX, the benchmark index of the bourse, fell 10.01 points, or 0.25 per cent, to end the day at 3,953.38.

The port city bourse, however, rose 4.01 points to 6,808.23.

Massive garment sector job losses likely this month

STAR BUSINESS REPORT

A considerable number of garment workers might lose their jobs this month as factories are now running at 55 per cent of their capacity because of a thin flow of work orders for the global coronavirus pandemic, said a top leader of the sector yesterday.

"Job and work order situation might turn even grimmer in future as it is not clear what will happen in the coming months of July and August," said Rubana Huq, president of Bangladesh Garment Manufacturers and Exporters Association (BGMEA).

The factory management must follow the labour law strictly in case of termination of workers, she said.

The international retailers have already cancelled work orders amounting to \$3.15 billion as a result of which many factories may face

either closure or termination of a large number of workers.

About 99 per cent of the factories have experienced work order cancellation and the buyers are not saying anything clearly about payments, she said.

Only 26 per cent of the buyers who previously scrapped orders have assured suppliers of receiving the shipments but dictated payment terms for renegotiation.

"Although most of the remaining buyers agreed to take the goods, they did not set any specific time and payment terms. Some of the buyers did not even respond to our calls," Huq said, while addressing a virtual event for the inauguration of a coronavirus testing laboratory for garment workers.

Citing a report of McKinsey & Company, she said consumption

of goods, especially clothing items, plunged 65 per cent globally because of the pandemic.

"So, it is perceived that consumption will not improve anytime soon."

Huq said they will take the responsibility of the workers who lost jobs in April and May because of the stimulus package that the government has given them to pay staff salaries.

However, if the production and work order situation improves, the management will reemploy the terminated workers on a priority basis, she said.

The garment sector has faced damages worth \$5 billion due to the pandemic.

"And this loss is irrecoverable."

Huq, however, sees some light at the end of the tunnel: shipment may look up ahead of the next Christmas.

READ MORE ON B2