

# Japan’s debt mountain: How is it sustainable?

AFP, Tokyo

Already the global leader in accumulating debt, Japan is adding nearly \$2 trillion to its mountain this fiscal year with record stimulus packages to cushion the impact of coronavirus.

With debt levels around two and a half times the size of its economy, Japan manages to keep government bond yields ultra low and investor confidence high that it can avoid default.

Whichever way you look at it, Japan’s debt is unfathomably large. According to the Bank of Japan (BoJ), at the end of 2019, it stood at 1,328,000,000,000,000 yen.

This is equivalent to around \$12.2 trillion, just over half the total amount of US debt in absolute terms but by far the biggest pile when measured against the size of even Japan’s mighty economy (around 240 percent of gross domestic product).

Japan’s debt began to swell in the 1990s when its finance and real estate bubble burst to disastrous effect.

With stimulus packages and a rapidly ageing population that pushes up healthcare and

social security costs, Japan’s debt first breached the 100-percent-of-GDP mark at the end of the 1990s. It hit 200 percent in 2010 and is now around 240 percent of GDP, according to the International Monetary Fund.

On Wednesday, Japan’s parliament agreed anti-coronavirus measures worth 117 trillion yen – which is likely to push the GDP ratio well above 250 percent.

To finance this debt, the Japanese government issues bonds known as JGBs.

These are snapped up in enormous volumes by the BoJ, the country’s central bank that is officially independent but in practice closely co-ordinates economic policy with the government.

As part of anti-virus measures, the bank has removed its self-imposed ceiling on buying JGBs, giving itself unlimited purchasing firepower. It holds more than half of all JGBs.

These purchases support the price of the JGBs in the debt market and keep the yield on the bonds low (prices and yields move in opposite directions). This means that in effect, the government is being financed by the central bank at an ultra-low (or even negative) interest

rate, making it more sustainable.

“The ultra-low rate conditions created by very much accommodative monetary policy by BoJ can be one of the reasons” that Japan’s mountain is less problematic than for other high-debt countries around the world, said Takashi Miwa, an economist at Nomura bank.

Risk-averse private and institutional investors also have a healthy appetite for JGBs because they see them as a safe place to put their money, burned by a history of stock market bubbles.

“A large portion of wealth is held by seniors who lack financial literacy and prioritise stability rather than return,” said Shigeto Nagai, from Oxford Economics.

“With limited investment and lending opportunities domestically, banks, insurance companies and pension funds still need the JCB to place their vast amount of excess savings,” Nagai told AFP.

The bonds are denominated in yen, still seen as a safe haven in troubled economic times and the proportion held by foreign institutions is very low -- making Japan less vulnerable to external pressure.

# China’s factory goods prices slump on virus shock

AFP, Beijing

China’s factory-gate prices remained at four-year lows in May, official data showed Wednesday, as the demand shock from the coronavirus continued to take a toll on the world’s second-largest economy.

The producer price index (PPI), which measures the cost of goods at the factory gate, deepened its contraction last month, shrinking 3.7 percent on-year.

Analysts said subdued demand and declining global commodity prices were key factors behind the fall.

The PPI figure was worse than the 3.2 percent drop expected by analysts in a Bloomberg survey, and was deeper than April’s 3.1 percent contraction -- underscoring the stress faced by manufacturers as China’s economy churns back to life after pandemic lockdowns.

China’s consumer price index (CPI) rose 2.4 percent in May, said the National Bureau of Statistics, easing from 3.3 percent a month earlier on falling food prices.

The country has been working to bounce back from a historic contraction in growth in the first three months as the

coronavirus outbreak brought activity to a near-standstill while authorities worked to curb its spread.

But the march of the virus around the world, hammering the global economy, has depressed demand across many of China’s key trading partners, forcing companies to charge less for their products.

Dong Lijuan, senior statistician at the statistics bureau, said Wednesday the PPI drop was influenced by a fall in prices in the oil industry and other major commodities.

Another key factor behind the easing of consumer prices is China’s slowing food price inflation, added Dong, with more fresh produce entering the market and an increase in pork supply.

Martin Rasmussen of Capital Economics noted the PPI change was driven by “an across-the-board decline in raw materials, manufactured goods and consumer goods price inflation”.

Consumer inflation had remained close to eight-year highs in the earlier part of 2020, and pork prices have been soaring after the country’s herds were ravaged by African swine fever that saw millions of pigs culled.

# Emirates lays off thousands of pilots, cabin crew, plans more job cuts

REUTERS, Dubai

Emirates, one of the world’s biggest long-haul airlines, laid off hundreds of pilots and thousands of cabin crew on Tuesday as it manages a cash crunch caused by the coronavirus pandemic, and more job cuts are planned, five company sources said.

Aviation is one of the industries worst hit by the fallout from the virus outbreak, with airlines forced to lay off staff and seek government bailouts.

More redundancies were expected at Emirates this week including both Airbus A380 and Boeing 777 pilots, the sources said on the condition of anonymity.

The workforce of 4,300 pilots and nearly 22,000 cabin crew could shrink by almost a third from its pre-coronavirus levels, three of the sources said.

Without giving further details, an airline spokeswoman told Reuters some employees had been laid off.

“Given the significant impact that the pandemic has had on our business, we simply cannot sustain excess resources and have to right size our workforce in line with our reduced operations,” she said.

A promise by the Dubai government to provide Emirates with new equity would allow it to “preserve its skilled workforce,”



the state airline said on May 10.

It has since laid off employees, which sources previously told Reuters were trainee pilots and cabin crew.

Outgoing President Tim Clark has said it could take four years for the airline to resume flying to all of the 157 international destinations it served before the pandemic. It has a fleet of 270 A380 and 777 jets.

The airline has operated limited, mostly outbound services from the United Arab Emirates since grounding passenger flights in March but is due to restart some connecting flights after the UAE last week lifted a suspension.

Emirates has also extended pay cuts until September, and in some cases deepened the reduction to 50%, according to an internal email on Sunday.

# Pakistan’s budget to target growth recovery


REUTERS, Islamabad

Pakistan will target growth of 2.3 per cent in fiscal year 2020-21, according to government officials and documents seen by Reuters that said the economic landscape would depend mainly on the country’s ability to control the coronavirus pandemic.

Prime Minister Imran Khan’s government is set to present its 2020-21 budget on Friday, in a parliamentary session that only 25 per cent of lawmakers will attend due to pandemic restrictions.

“The GDP growth for 2020-21 is targeted at 2.3 percent with contributions from agriculture (2.9 percent), industry (0.1 percent) and services (2.8 percent),” a planning commission working paper seen by Reuters said.

That forecast is much rosier than the 0.2 per cent contraction in 2020-21 projected by the World Bank earlier in June. The multilateral lender sees growth of -2.6 per cent this fiscal year, ending June 30, while the government expects a 0.4 per cent contraction.



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1. Price per e-Tender schedule	: 5000.00 (five thousand) Taka only.
2. Date of publish of e-Tender	: 11.06.2020.
3. Last date & time for submission of e-Tender	: 16.07.2020 up to 11.00 A.M.
4. Date & time for opening of e-Tender	: 16.07.2020 at 11.15 A.M.

Bidder may collect the e-Tender schedule from the above mentioned website. Earnest money @ 3 % (three percent) of the total quoted price shall have to be submitted in the form of Bank Draft/Pay Order/Irrevocable Bank Guarantee from any scheduled bank in Bangladesh in favour of The Managing Director, The Security Printing Corporation (Bangladesh) Ltd., Gazipur along with the price of e-Tender schedule in the form of a separate pay-order/DD in the tender box kept at Corporation’s office in Gazipur on or before the scheduled deadline for submission of e-Tender. Irrevocable Bank Guarantee may also be given as earnest money from any international commercial bank abroad with a counter guarantee from any scheduled bank in Bangladesh. e-Tender(s) without earnest money and price against procurement of e-Tender schedule shall not be acceptable. The e-Tender shall have to submit as per e-Tender guidelines mentioned at above website. Offer(s) shall be opened as per schedule mentioned above in presence of the tenderer(s) if any. 01 (One) e-Tender schedule is applicable only for one supplier/manufacturer for submitting one offer along with earnest money and price of e-Tender schedule. The authority reserves the right to reject or accept any e-Tender(s) without assigning any reason whatsoever. Submission of e-Tender after the specified time shall not be acceptable under any circumstances.

(Sheikh Mohammad Shoaib Nazir)  
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GD- 974

**Government of the People’s Republic of Bangladesh**  
Office of the Project Director (ACE), RHD  
SASEC Road Connectivity Project-2  
Improvement of Elenga-Hatikamrul-Rangpur Road to a 4-Lane Highway  
Sarak Bhaban, Tejgaon, Dhaka-1208, Bangladesh  
[www.rhd.gov.bd](http://www.rhd.gov.bd)

Memo No. 35.01.0000.069.17.001.2017-476 Date: 10 June 2020

## Invitation for Bids

**Project No. SASEC Road Connectivity Project-2**  
(SASEC Dhaka-Northwest Corridor Road Project, Phase-2)

**ICB No. and Title: SASEC-2/ICB/WP05**

Part-1: Improvement of Road from Elenga to Bangabandhu Bridge (East Side) (13.60km) to a 4-Lane Highway along with Slow Moving Vehicular Traffic (SMVT) Lane & structures,  
and  
Part-2: Performance Based Maintenance Works on Improved 4-Lane Highway from Elenga to Bangabandhu Bridge (East Side) (13.60km) along with Slow Moving Vehicular Traffic (SMVT) Lane & structures.

**Deadline for Bid Submission: 10 August 2020 (Monday) at 12:00pm (Bangladesh Standard Time)**

- The Government of the People's Republic of Bangladesh (the "Borrower") has received financing from the Asian Development Bank ("ADB") toward the cost of SASEC Dhaka-Northwest Corridor Road Project, Phase 2. Part of this financing will be used for payments under the contract named above. Bidding is open to Bidders from eligible source countries of ADB.
- The Roads and Highways Department (RHD) is the Executing Agency ("the Employer") under Road Transport and Highways Division, Ministry of Road Transport and Bridges (MoRTB) invites sealed Bids from the eligible Bidders for the Construction ("the Works").

Description of the works
<b>ICB No. SASEC-2/ICB/WP-05</b> <b>Part-1:</b> Improvement of Road from Elenga to Bangabandhu Bridge (East Side) (13.60km) to a 4-Lane Highway along with Slow Moving Vehicular Traffic (SMVT) Lane & structures, and <b>Part-2:</b> Performance Based Maintenance Works on Improved 4-Lane Highway from Elenga to Bangabandhu Bridge (East Side) (13.60km) along with Slow Moving Vehicular Traffic (SMVT) Lane & structures.
3. Intended completion time for Part-1 is 1095 days and for Part-2 is 2190 days.
4. International Competitive Bidding (ICB) will be conducted in accordance with ADB's Single-Stage: Two-Envelope Bidding Procedure and is open to all Bidders from eligible source countries of ADB as described in the Bidding Documents.
5. Only eligible Bidders with the following key qualification should participate in this Bidding: (i) The Bidder shall have minimum average annual construction turnover of US\$ 64 (sixty-four) million, calculated as total certified payments received for contracts in progress or completed within the last 5 (five) years. (ii) Bidder participated in at least One Contract that has been successfully or substantially completed within the last 07 (seven) years and that is similar to the proposed highway construction works (comprising road, flyover/overpass and bridge), where the value of the Bidder's Participation exceeds US\$ 75 (seventy-five) million. The similarity of the Bidder's Participation shall be based on the physical size, nature of works, complexity, method, technology or other characteristics as described in Section 6, Employer's Requirements. The complete eligibility and qualification requirements are stipulated in Section 3: Evaluation and Qualification Criteria of Bidding Documents.
6. Interested eligible Bidders may obtain further information and inspect the Bidding Documents during normal office hours (from 9:00am to 5:00pm) on all working days (Sunday to Thursday) up to <b>09 August 2020 (Sunday)</b> at the address given below:

**Project Director (ACE), RHD**  
**SASEC Road Connectivity Project-II: Improvement of Elenga-Hatikumrul-Rangpur Road to a 4-Lane Highway Roads and Highways Department**  
Address: Room No. 203, Block H, Sarak Bhaban, Tejgaon, Dhaka-1208, Bangladesh.  
Telephone : 8802 - 8870100  
Facsimile number : 8802 - 8870199  
E-mail address : [pd.sasecii.rhd@gmail.com](mailto:pd.sasecii.rhd@gmail.com)

- A complete set of Bidding Documents may be purchased by interested eligible Bidders upon payment of a non-refundable fee of BDT 15,000 or US\$ 180 and upon submission of a written application to the above address during normal office hours on all working days up to one day before the submission deadline. The Bidding Documents may also be sent via courier with an additional fee of BDT 60,000 or \$750 for overseas delivery only. No liability will be accepted for loss or late delivery of the bidding documents. The method of payment will be either in Cash or Pay Order/Demand Draft from any scheduled bank in Bangladesh in favour of Project Manager-6, RHD, SASEC Road Connectivity Project-II.
- A pre-bid meeting will be held at the Chief Engineer's Conference Room, Sarak Bhaban, Tejgaon, Dhaka, Bangladesh on **9 July 2020 at 11:00 hours (Bangladesh Standard Time)**.
- Bids must be delivered to the address above on or before the bid submission deadline i.e. 10 August 2020 (Monday), 12:00pm (Bangladesh Standard Time)**. All Bids must be accompanied by a Bid Security in the amount as stated in the Bidding Document (Bid Data Sheet). Late submission of Bids shall be rejected. The Technical Proposal of the Bids will be opened at the address above at 12:00pm (Bangladesh Standard Time) on 10 August 2020 in the presence of the bidders' representatives who choose to attend. The price proposal of responsive bids will be opened in presence of the Bidder's authorized representative who choose to attend at the time, date and address to be advised by the Employer. The price proposal will be opened after approval of the Technical Proposal Evaluation Report by the competent authority with no objection from ADB.
- The Employer will not be responsible for any costs or expenses incurred by Bidders in connection with the preparation or delivery of Bids.
- The Invitation for Bids (IFB) is available in the Roads and Highways Department (RHD), Road Transport and Highways Division, Central Procurement Technical Unit (CPTU) and Asian Development Bank (ADB) websites at [www.rhd.gov.bd](http://www.rhd.gov.bd), [www.cptu.gov.bd](http://www.cptu.gov.bd) and [www.adb.org](http://www.adb.org) respectively as well as in DG Market ([www.dgmarket.com](http://www.dgmarket.com)).
- The Employer reserves all the rights to accept any Bid or to reject any or all Bids without assigning any reason whatsoever.

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