Slow takeoff for aviation in Europe

AFP, *Paris*

After coronavirus lockdowns that brought civil aviation to nearly a complete halt air traffic is slowly resuming in Europe as borders reopen, but tens of thousands of jobs are still hanging in the balance.

The lockdowns saw air travel plunge by 94.3 percent in April compared with the same month last year, when measured by kilometres travelled by paying passengers. IATA, the leading trade association for the aviation industry, believes the recovery in air travel is likely to be determined not only by the pace of restrictions being lifted but also by the extent health worries keep people from travelling.

IATA expects the recovery to begin in domestic air travel, then extend to continental travel and finally, at the end of the year, to long-haul inter-continental flights. It sees air travel returning to its pre-coronavirus levels only in 2023.

Most travel restrictions within Europe have been lifted and starting Wednesday nationals from 15 countries are allowed into the EU.

The United States, Russia and Brazil -- where the virus is still spreading quickly -- were left off the list.

In Europe, during the week of June 15-21, an average of 7,706 flights were recorded each day, a 78 percent drop from the same week last year, according to Eurocontrol which manages European airspace.

The airlines operating the most flights were Turkish Airlines, Lufthansa, Wizz Air, the Norwegian regional airline Wideroe, and Air France.

The busiest airports were Paris-Charles de Gaulle, Frankfurt, Amsterdam-Schiphol, London-Heathrow and Istanbul.

Lisbon was the top destination for tickets booked in the first half of June, beating out Paris, Amsterdam, Athens, Rome, Madrid, Frankfurt, Vienna, Barcelona and London, according to data released Monday by ForwardKeys, an outfit which analyses trends in air travel.

Last year during the same period, London topped reservations, and its relegation is due to quarantine measures, according to the firm.

IATA's chief economist Brian Pierce said nations which have imposed quarantines have seen drops in traffic similar to a complete ban on flights. IATA has instead urged authorities to instead adopt sanitary measures like requiring travellers to wear masks, conducting temperature checks and requiring health declarations.

Government support measures for the industry "have saved thousands of jobs and are enabling airlines to keep connectivity going," said IATA's regional vice president for Europe, Rafael Schvartzman, last month.

"But I'm afraid the worst may be yet to come," he said, as airlines rely on the summer holiday travel season to earn profits that carry them through the lean winter months. "There will be no summer cushion" this year, he said.

IATA expects European airlines to suffer losses of $21.5 billion this year compared to a profit of $6.5 billion last year. It believes 6 to 7 million jobs linked to aviation are at risk.

Airlines and other businesses in the industry have already begun to cut jobs.

In recent days alone, Airbus has unveiled 15,000 job cuts -- 11 percent of its workforce -- as it seeks to adjust to the plunge in the commercial aviation business and as airlines eye delaying taking delivery of new aircraft.

SSP, the British owner of food outlets in railway stations and airports worldwide including sandwich chain Upper Crust and Italian takeaway Caffe Ritazza, said it may cut up to 5,000 UK jobs as the coronavirus pandemic keeps customers away.

Airport services group Swissport that provides check-in agents and cargo-handlers for airlines announced it was eliminating 4,000 jobs in Britain. Swiss duty-free shop operator Dufry, which has more than 2,400 shops and 31,000 employees across the globe, said it plans to reduce its spending on staff by up to 35 percent.

AFP

Air travels plunge by 94.3 percent year-on-year in April due to Covid-19 outbreak.

US consumer confidence up to 98.1 in June, above expectations: survey

AFP, *Washington*

The Conference Board on Tuesday said the lifting of lockdowns to stop the coronavirus pushed the US consumer confidence index above predictions to 98.1 in June.

Similar improvement was seen in consumers' assessments of present conditions and future expectations, but The Conference Board warned the index remains weak, with activity below where it was before the pandemic.

Confidence was up from 85.9 in May, while the Present Situation Index improved from 68.4 to 86.2. "The re-opening of the economy and relative improvement in unemployment claims helped improve consumers' assessment of current conditions, but the Present Situation Index suggests that economic conditions remain weak," said Lynn Franco, senior Director of economic indicators at The Conference Board.

The expectations index measuring consumers' short-term outlook for economic conditions increased to 106 from 97.6 in May, which Ian Shepherdson of Pantheon Macroeconomics said was above its average before the pandemic.

The percentage of people expecting business conditions to worsen in the next six months decreased, while those expecting it to improve held steady at 42.6 percent.Moderate improvement was seen in consumers' impressions of the job market and economy. Respondents saying business conditions are "good" jumped a point to 17.4, while the percentage of those saying jobs are "plentiful" went up more than four points to 20.8.

But whether any of this positivity can withstand the surge in coronavirus cases across the country, which has prompted some state and local authorities to reverse reopening measures, remains to be seen. "Faced with an uncertain and uneven path to recovery, and a potential COVID-19 resurgence, it's too soon to say that consumers have turned the corner and are ready to begin spending at pre-pandemic levels," Franco said.

Unilever announces MD for its new entity in Bangladesh

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The board of GSK Bangladesh was reconstituted post acquisition by Unilever Overseas Holdings BV and Masud Khan was re-elected as the chairman.

Minhaj brings with him two decades of rich fast-moving consumer goods (FMCG) experience across multiple categories in foods, home and personal care while leading both marketing and customer development functions as a member of the management committee of Unilever Bangladesh over the last nine years.

He started his career at Nestlé Bangladesh in 2000, doing stints in supply chain and brand management before joining Unilever in 2006.

He was one of the youngest marketing directors of the country in 2011, leading a motivated and dynamic marketing team that successfully reshaped the laundry, skin and hair portfolio delivering both competitive and profitable growth.

The seeds of the future businesses like water, savoury edibles and hand and body were also sown under his leadership through the introduction of brands like Pureit, Knorr and Vaseline, the press release said.

In 2014, Minhaj was appointed director for sales and customer development at UBL.

In the last six years, he has successfully transformed the function, making it future-fit by driving execution excellence, expanding distribution base, and creating a fine blend of go-to-market talent.

It will be a huge privilege to lead Unilever's nutrition business in Bangladesh, Minhaj said in the statement.

"I cannot help but celebrate the moment as two of the most respected global organisations operating in Bangladesh join hands to take the nutrition business to a greater height. I believe with such high quality of talent and purposeful brands we will be able to build an inspiring food and refreshment business in Bangladesh," he added.

The 44-year-old obtained a bachelor of business administration degree in management from the business studies faculty and an MBA in marketing from the Institute of Business Administration, both under the University of Dhaka.

He went to Dhaka College and St. Joseph High School in Dhaka, according to his LinkedIn profile.

Unilever Consumer Care will continue as a publicly listed independent entity and all the brands of GSK Bangladesh such as Horlicks, Boost and Glaxose-D will continue to be a part of the company's portfolio.

In 2018, Unilever announced its intent 82 per cent stakes in GlaxoSmithKline's health food and drinks business in Bangladesh for Tk 2,020.75 crore in its push to further its footprint in Asia's fast-growing economies.

GSK shuttered its 60-year-old pharmaceuticals business in Bangladesh in 2018. The pharmaceuticals unit, based in Chattogram, was incurring losses in the previous five years, much to the concern of the GSK Bangladesh board.

With the view to preventing any more losses, the board decided to bring down the curtains on the business.

GSK continued to outperform competitors in both health food drinks and toothpaste, with the company's share increasing to 95.8 per cent in the health food drink category, a gain of 0.3 per cent over 2017.

The share of GSK traded 0.34 per cent higher at Tk 2,182 on the Dhaka Stock Exchange on Tuesday. The market was closed yesterday because of the bank holiday.

Gulf economies to shrink 7.6pc over virus, oil slump: IMF

AFP, *Dubai*

The Gulf states' economies could contract by 7.6 percent this year in their deepest decline in decades, as the coronavirus and low oil prices take their toll, a top IMF official said Tuesday.

The new projection for the six-nation Gulf Cooperation Council (GCC) is dramatically worse than the 2.7 percent contraction the IMF forecast just two months ago.

Oil revenues in the GCC, the Gulf Arab monarchies that supply nearly a fifth of the world's crude, are also expected to decline by $200 billion in 2020, said Jihad Azour, director of the IMF's Middle East and Central Asia Department.

"The oil sector will shrink sharply by around 7.0 percent and it will be accompanied by a drop in the non-oil sector also," he said in a webinar on the prospects for a post-coronavirus recovery in the region.

Azour however predicted a faster rebound in 2021 as Gulf economies grow by 2.5 percent -- "a full 10 percent turnaround".

The GCC comprises regional powerhouse Saudi Arabia and the United Arab Emirates along with Bahrain, Kuwait, Oman and Qatar.

Azour said that oil prices in real terms (adjusted for inflation) dropped to their lowest level since 1973 earlier this year before recovering partially following a deal among major exporters to slash production.

The IMF last week kept its projections for Brent oil prices unchanged at around $36 a barrel, almost half of last year's average.

Azour said the sharp drop in oil prices and the impact of the pandemic would lead to more debt in GCC economies, a problem he warned must be tackled.In its World Economic Outlook released last week, the IMF projected the Saudi economy, the largest in the region, would shrink by 6.8 percent -- the lowest growth in more than three decades.Ahmed al-Kholifey, governor of the kingdom's central bank, the Saudi Arabian Monetary Authority, downplayed the projection as too gloomy.

"We see the IMF forecast as more pessimistic than our projections or even the (experts') consensus," Kholifey told the virtual forum, although he declined to provide figures.

Saudi Arabia's General Authority of Statistics published figures on Tuesday showing that the kingdom's economy shrank by 1.0 percent in the first quarter.

But Kholifey acknowledged that the second-quarter performance would be weaker.In the neighbouring UAE, Dubai said Tuesday that its GDP had declined by 3.5 percent in the first quarter of 2020 compared to the same period in 2019.

The emirate's official media office said however that its troubled real estate activity had registered 3.7 percent growth.

REUTERS

The IMF last week kept its projections for Brent oil prices unchanged at around $36 a barrel, almost half of last year's average.

Pandemic to cause an economic whiplash: BB

FROM PAGE B4

Besides, the economy may face some challenges due to the implementation of mega projects.

Over the last couple of years, the government has emphasised the implementation of mega projects including that of the Padma bridge, Ruppoor nuclear power plant and metro rail to foster economic growth to the next level.

A significant part of the financing for such projects has, however, come in the form of foreign currency-denominated loans from the development partners and multilateral organisations.

As a result, there is a gradual accumulation of foreign debts that need to be repaid in instalments from the near future.

While the number and size of these projects are increasing, there is a probability that such short and long-term debts may pose some pressure on the balance of payments if remittance inflow experiences slow growth due to coronavirus.

Higher growth of remittance inflow due to cash incentives declared by the government, the decline in oil price and the overall slow growth of import helped improve the external sector balance in 2019, the report said.

However, a constant fall in oil price could be a possible source of stability threat for Bangladesh as it might shrink remittance inflow from the oil-exporting countries.

Trading peer nations' real GDP growth, inflation in import partners and unemployment in top inward remittance partners worsened last year compared with 2018.

The external economy scenario is likely to be worse this year due to the pandemic, which might slow down export earnings and remittance inflow as most of the trading and remittance partner countries have severely been affected too.

Despite recent improvements, proper monitoring of rescheduled loans amid the pandemic remains a critical challenge for the banking industry.

Most of the banking sector indicators might be affected due to the impact of the pandemic.

However, the bulk amount of the government's stimulus credit package augmented by the central bank's refinancing schemes should help the banking sector in combating the ill effects.

Allowing a higher proportion of institutional government funds to be deposited in private commercial banks might have caused the change as these deposits were shifted mostly from the state lenders to them.

This recent stance improved the overall liquidity situation in the private commercial banks. The higher liquid asset holding should enable the banks to better manage their future liquidity issues amid the pandemic.

Default loans in banks stood at 9.3 per cent of the outstanding loans in 2019, down from 10.3 per cent in 2018. The amount of classified loans increased Tk 420 crore year-on-year to Tk 94,330 last year.

The decline in the default loan ratio last year could partially be attributed to stringent supervision by the central bank, improved monitoring from banks and restructuring of loans under a new policy aimed at reducing debt servicing burden of good borrowers.

Despite the recent improvement, proper monitoring of rescheduled loans amid the pandemic will be a critical challenge for the banking industry.

Banks rescheduled defaulted loans amounting to Tk 52,770 crore last year, up from 127.35 per cent a year earlier.

The ongoing economic meltdown could severely affect the debt-servicing capacity of the borrowers and the performance of the rescheduled as well as regular loans might be hampered.

The BB has already extended necessary policy support to help the borrowers and banks and minimise the impact of the ongoing coronavirus outbreak.

Deposit growth in banks stood at 11.3 per cent last year, up from 10.5 per cent a year earlier.

The deposit growth in the banking sector, however, might decline soon due to the impact of the coronavirus outbreak.

This might happen due to weaker economic activities accompanied by lower demand for labour in the remittance-originating countries.

Bedsides, demand for holding excess cash may also increase due to uncertainty associated with the pandemic.

The stress testing carried out by the BB revealed that the banking sector would be resilient to different shock simulations.

But the significant amount of loans concentrated among a few borrowers and a considerable level of default loans in some banks and non-bank financial institutions could pose a risk to the overall financial stability.

Strict compliance with the guidelines on large loans and single borrower exposure would help reduce risks on banks' exposure to large corporates or a specific group, sector or region.

PPE exports bring a glimmer of hope to heavy-hearted garment sector

FROM PAGE B4

The EU and the US follow high standards when purchasing PPE products. Therefore, local manufacturers need to follow certain standards when producing for export.

"I am waiting for the FDA's approval. I hope I can obtain the required certification very soon," said Asif Ashraf, managing director of Urmi Group, a leading garment exporter.

However, he has already received a lot of work orders for PPEs, he added.

Local giant Beximco, which has long been a reputed exporter of medical products to various countries, has the FDA certification and some experience in PPE production.

Beximco is a big player in the textile industry as well.

"We got a lot of work orders from our buyers and straightaway started making and shipping them," said Syed Naved Husain, group Director and chief executive officer of Beximco.

Every month, Beximco is exporting $20 million worth of PPEs.

"We have a target to export $250 million worth of PPE in 2020 and 2021," Husain told The Daily Star over the phone.

Even during this time of crisis, Beximco did not layoff or put any employees on furlough thanks to a healthy supply of work orders for PPEs.

Beximco mainly exports to the US, the EU, Canada after supplying the domestic market.

The company is a major PEE supplier for Bangladesh's health ministry too, Husain said.

SM Khaled, managing director of Snowtex, has a lot of pending work orders for PPES but has been unable to prepare them as he is otherwise preoccupied with orders for other garment items, such as jackets and outerwear.

"So I am not interested to make and export PPEs now. Rather, I recruited 800 new workers recently to cater to the work orders for other garment items from my factory."

However, Khaled has made and donated PPEs worth about Tk 1.5 crore to different organisations at free of cost.

However, his company exported 26 lakh units of masks worth $1.27 million last week to a French buyer.

"I manufactured the masks because of pressure from the buyer. I also left making masks because of other work orders," Khaled added.

Vidiya Amrit Khan, deputy managing director of Desh Garment, said she initially wanted to undertake the manufacture of PPEs but then lost interest as she believes the demand for such products will drop as soon as the coronavirus situation improves.

"So, my investment might be in trouble," she said.

At least 30 local garment factories recently started manufacturing PPEs and masks either for domestic sale or for export purposes, said Khan Monirul Alam, chairman of the PR committee of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA).

Many garment factories have the capacity to export the products but obtaining certification from the FDA is time-consuming, said Navidul Huq, a coordinator of the BGMEA initiative to make PPEs.

As a result, all of those companies cannot start exporting PPEs even though many have made preparations to export.

"However, definitely PPEs and other health safety gears are the new additions to the country's garment business," he added.