

Pandemic to cause an economic whiplash: BB

AKM ZAMIR UDDIN

All major economic segments of the country will face deep trouble this year due to the ongoing economic fallout brought on by the coronavirus pandemic, according to a central bank report.

Although the government had set a GDP growth target of 8.20 per cent for this fiscal year citing a V-shaped recovery, the central bank's projections have given an indication the economy may face deep trouble in the days ahead.

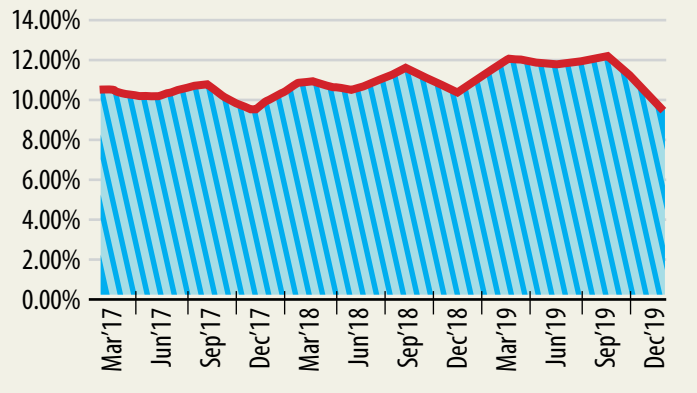
"Undoubtedly, the year 2020 would be critical and challenging for all of us. The stimulus packages alone may not suffice to address all sorts of damages made by COVID-19 on our economy," said Fazle Kabir, governor of the central bank.

He came up with the remark at the central bank's annual "Financial Stability Report" for 2019, which was released on Tuesday.

Kabir went on to urge all the stakeholders of the macro-

Default loan ratio over the quarters

SOURCE: BB



financial system to extend their concerted effort to the fullest extent.

The government has so far announced several stimulus packages worth Tk 103,117 crore, which is nearly 3.7 per cent of the country's gross domestic product, to cushion the possible economic shocks from the global coronavirus pandemic.

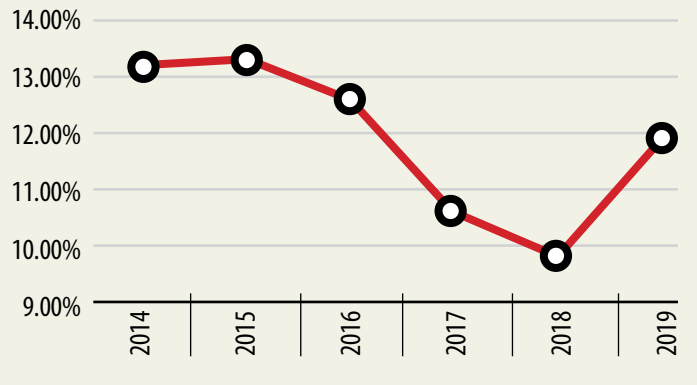
The economic whiplash by the rogue virus across the globe is likely to affect the domestic economy considerably in the coming days.

However, a considerable level of stability and resilience was observed in the financial sector of Bangladesh with a few exceptions.

In the wake of the pandemic, the vulnerabilities and uncertainties

Banks' deposit growth over the years

SOURCE: BB



that have hit the global macro-financial landscape may pose some unconventional challenges for the Bangladesh economy in the days ahead as well.

A low level of external debt and low and stable inflation was favourable from a financial stability point of view.

Despite the depreciation of the taka to some extent and a

moderate output gap, the overall domestic component appeared to be quite stable with apparently no threat for the financial system.

The stable scenario might be altered, especially if the real economy is severely affected by the coronavirus attack resulting in lower output growth and rising inflation.

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2019 was a spirited year for AB Bank

STAR BUSINESS REPORT

AB Bank, Bangladesh's first private sector commercial lender, made a remarkable turnaround in 2019 as its operating profit more than doubled on the back of its renewed efforts to expand footprint, strengthen liquidity and accelerate recovery.

The bank logged in Tk 645 crore in operating profit last year, registering a 110 per cent growth on 2018, the lender said in a press release.

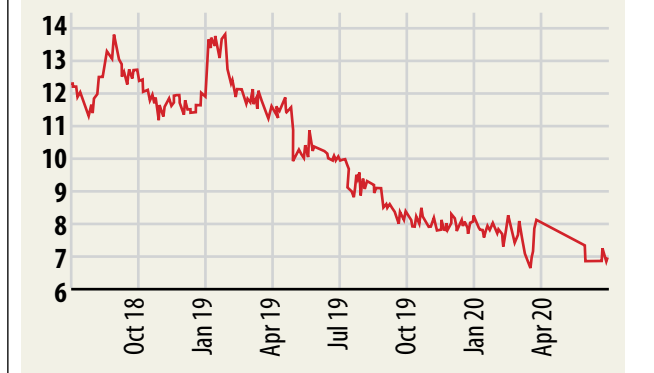
Profit after tax stood at Tk 12.33 crore on a consolidated basis and Tk 16.77 crore on a solo basis. Consolidated earnings per share were Tk 0.16 last year from Tk 0.06 a year ago, according to the annual financial statement for 2019.



AB Bank's stellar 2019

	2018	2019
Deposits	Tk 23,544cr	Tk 27,946cr
Loans	Tk 24,107cr	Tk 25,651cr
Loan-deposit ratio	91.09%	84.28%
Assets	Tk 32,253cr	Tk 36,557cr
CAR	10.03%	10.12%
Classified loans	Tk 7,973cr	Tk 4,689cr
Classified loans as % of total loans	33.07%	18.28%
External credit rating	A2	A+

AB BANK'S TWO-YEAR STOCK PERFORMANCE



It declared a 5 per cent stock dividend after a lull of two years. It announced 12.50 per cent stock dividend in 2016 and 12.50 per cent in 2015, data from the Dhaka Stock Exchange (DSE) showed. This placed the bank in 'B' category at the DSE.

The bank said 2019 was a very challenging year as it started with staggering classified loan ratio of 33.07 per cent.

It came down to 18.28 per cent thanks to the prudent steps from the management, the lender said in a statement.

Despite having difficulties in the bank's business, depositors did not lose trust in AB Bank: in 2019, deposit totalled Tk 27,946 crore against Tk 23,544 crore a year ago.

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Port users' protest halts import from India through Benapole

India not allowing in Bangladeshi export-laden vehicles

MOKAMMEL SHUVO and MOHSIN MILON, Benapole

Import from India through Benapole remained suspended since yesterday morning, as the port's users and stakeholders went for protesting India's restriction on exports from Bangladesh.

The biggest channel for trade between the two neighbouring nations reopened on June 7 after remaining closed for three months due to coronavirus-induced shutdown.

Since June 7, some 4,188 Indian good-laden trucks entered Bangladesh, said Mamun Kabir Tarafdar, deputy director of Benapole Port Authority.

"But India did not allow any export from Benapole, as it believes Bangladeshi vehicles would spread coronavirus there," he added.

To protest such a unilateral decision, five organisations involved with trade through Benapole stopped processing papers of Indian trucks to bar imports, said Mafizur Rahman Sazan, president of Benapole Clearing & Forwarding Agents' Association.



A man stands guard while a vehicle enters Bangladesh through Petrapole-Benapole channel.

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2020 has been very kind to Islami Bank

Deposits and remittance reach new high

MAHMUDUL HASAN

Every cloud has a silver lining, this famous adage rings true for Islami Bank as the ongoing coronavirus pandemic seems to have acted as a boon for the financial institution.

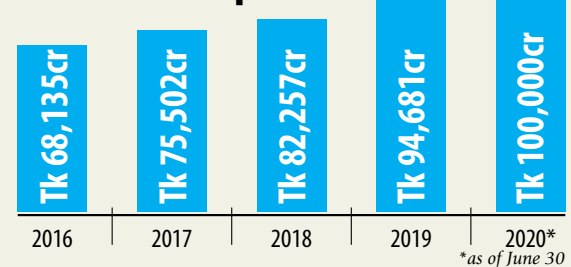
The bank has been blessed with two milestones, recently. The first is that deposits with Islami Bank crossed the Tk 1 trillion or Tk 100,000 crore-mark on June 30, a significant feat for any bank in Bangladesh.

The second is that it surpassed all previous records to rake in the highest amount of foreign remittance in the bank's history.

"These are undoubtedly big



Islami Bank's road to Tk 100,000 lakh crore deposits



achievements for us. Our seamless service during this crisis period has increased customer trust on the bank," Md Mahbubul-Alam, managing director of Islami Bank, told The Daily Star yesterday.

In the last six months, the bank received new deposits worth Tk 5,500 crore, which is another record for the country's largest private sector lender.

"We never received such a large amount of deposits in the first six months of any year in the history of our bank."

At present, deposits with state-owned Sonali Bank amount to upwards of Tk 120,000 crore. However, a significant portion of that amount comes from the government. In the case of Islami Bank,

most of the deposits made are from general customers.

The managing director outlined three of the main reasons behind the bank's success in securing deposits.

First, there is a considerable inflow of remittance, 30 to 40 per cent of which is not immediately withdrawn by the beneficiaries, leading to an increase in deposits.

Meanwhile, the other two factors are the bank's ability to provide uninterrupted customer service and expanding agent banking network.

"In the early days of the pandemic, thousands of people lined up in front of banks to withdraw money. At that time, I told my officials to never discourage people from withdrawing money."

As a result, even though more people withdrew money, the few who deposited money made bigger deposits.

Besides, after the bank changed ownership, the company's customer reach was significantly widened, Alam said.

In May, the total value of remittance received by Islami Bank was \$461 million. The bank never received more than \$400 million before this.

In June, remittance collection jumped 116 per cent year-on-year to \$575 million.

The bank is making significant contributions to the national reserve (foreign exchange reserves) by increasing remittance inflow through its banking channels, according to its MD.

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

REFAYET ULLAH MIRDHA

Personal Protective Equipment (PPE), such as face masks and surgical gowns, has become another major export of Bangladesh's garment sector as global demand for such products increased exponentially due to the ongoing coronavirus pandemic.

Although exports of other apparel items witnessed a steep fall over the past three months, PPE products turned out to be the sector's unlikely saviour.

Many garment manufacturers have already set up new lines of production at their factories in a bid to meet the soaring demand for PPEs, especially from the US and EU.

PPE companies did not need to terminate any of their workers amid the coronavirus outbreak but instead ended up recruiting a few

hundred more workers to increase production capacity.

Since people all over the world are buying PPE products at a rampant pace to protect themselves from the rogue pathogen, the coronavirus crisis seems to have provided a major opportunity for the industry.

Considering the potential, Finance Minister AHM Mustafa Kamal has altogether waived VAT charges on the manufacture of PPE products and its raw materials in the national budget for fiscal 2020-21.

According to the word of mouth, the demand for such goods will continue to grow as the coronavirus will continue to haunt public health for many years to come.

The market value for PPE products has already reached a few billion dollars, just about six months after the pandemic began



in Wuhan, China last December.

In that time, Bangladesh has become a frontrunner in supplying PPE products worldwide as local garment manufacturers continue to receive a considerable amount

of work orders from international buyers.

The risky situation has turned into an export opportunity, according to numerous apparel companies.

In April for instance, earning for garment exports was just \$0.37 billion. It should be mentioned though that this value was the biggest contribution to Bangladesh's monthly target for export earnings during that period.

However, garment sector exports rebounded to hit a total value of \$1.23 billion in May, thanks to large shipments of PPE products.

Not all local manufacturers have been able to capitalise on the opportunity though due to delays in obtaining certification from the US Food and Drug Administration (FDA) and its EU counterpart.

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Cable manufacturers' turnover to crash 50pc this year

JAGARAN CHAKMA

Cable manufacturers are fearing a 50 per cent year-on-year slash in revenue this year as demand for wires fell drastically in the country due to the coronavirus outbreak.

They also believe the financial losses would be long-term, as the pandemic has either suspended or postponed most of the development activities -- the main source of earning for the sector.

The industry lost Tk 23 crore in revenue every day during the countrywide closure for coronavirus, said Rafiqul Islam Rony, director for marketing and sales at BRB Cable Industries, the biggest cable manufacturer in Bangladesh.

The shutdown of infrastructure development and renovation activities had hurt the sector the

CABLE INDUSTRY AT A GLANCE

- ▶ Total investment: Tk 20,000cr
- ▶ Market size: Tk 7,000cr
- ▶ Revenue losses: Tk 1,500cr in two months
- ▶ Annual growth: 15%
- ▶ Total players: 120
- ▶ Total employment: 25,000
- ▶ Per day sale: Tk 23 crore
- ▶ Top players: BRB, Eastern, BBS, Paradise, Partex and Bizli, SQ

There is no possibility of getting back the pre-coronavirus environment soon for the sector, where businesses have so far invested more than Tk 20,000 crore, said Rony of BRB, which holds 41 per cent share of the local market.

It will take at least two years for the cable industry to rebound, as it takes time for the demand to pick up, he said. In 2019, about Tk 7,000 crore worth of cables were sold, up from Tk 2,000 crore 11 years earlier, he said.

The sector has been growing at about 15-20 per cent on an average for the last 16 years thanks to the expansion of power grid lines as the government looks to ensure electricity for all by 2021.

The demand for cables increased in the country in the last five years, said Mohammed Abdul Jabbar, managing director of Eastern Cables.

Not only the gridlines, but the industry also has a big market in the housing and industrial sectors, he said.

"But the epidemic spoiled the growth momentum for an indefinite period."

The private sector's development activities have started on a limited scale, but the public ones are yet to resume, Kamal said.

There are 120 cable manufacturers in the market where Eastern holds 15 per cent share, BBS 13 per cent, Paradise, Partex and Bizli 6.5 per cent each, SQ 5.3 per cent and the others the rest.

The local players believe they would have thrived more had they gotten the big contracts of the Bangladesh Power Development Board and Rural Electrification Board.

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