STOCKS		COMMODITIES		ASIAN MARKETS				CURRENCIES (STANDARD CHARTERED BANK)				
DSEX	CSCX	Gold	Oil	MUMBAI	TOKYO	SINGAPORE	SHANGHAI		USD	EUR	GBP	CNY
1.03%	0.69%	$1,948.00	$42.89	0.88%	0.26%	1.7%	0.23%	BUY TK	83.95	97.30	107.38	11.76
4,214.42	7,250.15	(per ounce)	(per barrel)	37,736.07	22,339.23	2,529.82	3,286.82	SELL TK	84.95	101.10	111.18	12.37

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Economy in a limbo

SOHEL PARVEZ and REFAYET ULLAH MIRDHA

The economy, it seems, is in a sort of limbo, neither fully on recess nor roaring ahead.

While power and energy consumption has risen sharply since the easing of movement restrictions on May 30, the other indicators, most notably retail sales, are blowing hot and cold, all of which suggests the full recovery is far away.

People are flocking to stores but they are not spending, posing risks of a tidal wave of infections after Eid-ul-Azha and subsequently delaying the economic recovery.

"But there are not many shoppers," said Shams Mahmud, president of the Dhaka Chamber of Commerce and Industry (DCCI).

The reason being, many have seen their salaries reduced owing to the pandemic.

"Overall money circulation has dropped and shoppers are cautious," Mahmud said.

The cottage, micro, small and medium enterprises, which have a big role in the economy and job creation, are still suffering.

Besides, the global situation is yet to become normal as the risk of a resurgence of Covid-19 remains.

"It is a tricky situation. Good thing is that orders are gradually coming," he said.

Daily generation data from the Bangladesh Power Development Board (BPDB) showed that electricity usage has been increasing gradually since April, the first month of the countrywide shutdown to fight the coronavirus disease.

A 10-day average of usage showed that daily average electricity usage rose to 235 million units, or kilowatt-hour units, in July from 153 million units in April. Average daily consumption was 245 million units in July last year when businesses had been normal.

BPDB Chairman Belayet Hossain said generation and consumption of electricity have increased as everything, including industries, were reopening gradually.

Consumption of gas rose to 1,700-1,800 million cubic feet per day (MMCFD) after the removal of the shutdown since June, data from Titas Gas Transmission & Distribution Company showed.

Average daily gas consumption had dropped to 1,320 mmcfd during the shutdown period from an average of 1,777 mmcfd before 25 March, according to data from Titas, which has nearly 60 per cent share in gas sales.

The volume of consumption was almost similar last year, said Rana Akbar Haidary, director operations of Titas, which operates in the country's major industrial and commercial regions greater Dhaka and Mymensingh.

"It appears that industries are using gas and they have resumed full-fledged production," he said.

Sales of petroleum, including diesel and jet fuel, are improving, said Murshed Hossain Azad, deputy general manager of state-run Bangladesh Petroleum Corporation, the sole importer and refiner of petroleum products.

Economic activities have started recovering compared with March-May, said Khan Monirul Alam Shuvo, chairman of the PR standing committee of the Bangladesh Garment Manufacturers and Exporters Association.

Export has begun to make a turnaround and July may see some more recovery, he said.

There has always been a sudden rush in production or shipments before holidays and a good portion of the recent shipments maybe the clearance of stocked or cancelled goods.

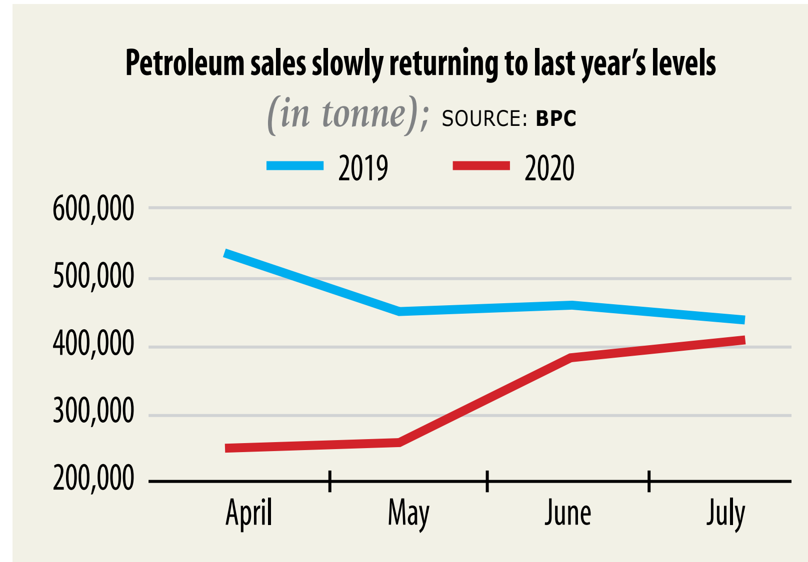
"So, we can't say for sure that this trend will sustain, although we hope it will," he added.

The gradual rise of usages of electricity, petroleum and gas since April to July is a good indication of the economy's return to normalcy, said Khondaker Golam Moazzem, research director of the Centre for Policy Dialogue.

"However, these positive changes need to be interpreted carefully."

The use of energy and power is still behind the level of last year's that portrays that most of the sectors are yet to reach their last year's level.

At the same time, consumption of power and energy widely varies between industries because of the difference in the level of demand for power and energy, the scale of operation and affordability in this crisis period due to supply chain disruptions, the economist said.



The sectors and activities where consumption and demand are growing both at local and global markets are benefiting more from the revival of economic activities.

Firms that have received support from the government's Tk 103,117 crore stimulus packages are also benefiting, Moazzem said.

Major companies involved in essential product markets are likely to be the major beneficiaries, he said.

A large segment of informal industries, services and other activities have resumed operations but they seem to be running at a much lower level of their capacities and the stimulus package did not help them.

"Consumers are yet to get ready to spend beyond their emergency needs due to the uncertainty in jobs and income and health risk. A full-fledged economic recovery will be needed some other essential things that are beyond the full consumption of power and energy," Moazzem said.

The increased usage of energy is a reflection of resumption of economic activities, said Selim Raihan, executive director of the South Asian Network on Economic Modeling (SANEM).

"We still have a long way to go before we can see the pre-COVID pace of economic activities," he said.

He went on to cite the export-oriented garment, leather and domestic market-oriented steel, food-processing and transport sectors that are not running in full scale yet to further his point.

"Even, we do not see a huge number of people going home to celebrate Eid that we saw in the past."

Private investors are trying to cope with the situation instead of making further investments, said Raihan, a professor of economics at the University of Dhaka.

"It appears that they are trying to reach the pre-crisis level. None is operating at their full capacity and overtimes bills are not generating in many garment factories."

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New stores open doors defying pandemic

Fakir Apparels brings South Korean Yoyoso to Bangladesh; Roar sails to become a retail clothing giant

MAHMUDUL HASAN

Opening a new business or expanding the existing operations amid a pandemic do not make sense as demand invariably tends to be too low.

But some intrepid local entrepreneurs are going against the grain. If anyone goes through Banani 11, they would come across the dazzling façade of two new stores, which corroborate the claims of economists and experts that Bangladesh would witness a V-shaped recovery once the pestilence passes.

One is the outlet of Yoyoso, a South Korean fast fashion designer brand, and the other is a store of Roar, a newly founded lifestyle brand.

Fakir Apparels, a sister concern of Fakir Group, brought Yoyoso to Bangladesh, in what is the top garment exporter's first step in the retail landscape.

It had signed the deal with Yoyoso back in December, becoming the master franchisee of the company, which has a footprint in 60 countries and more than 2,000 stores.

The first store of Yoyoso Bangladesh was opened on 1 June, right in the middle of the global coronavirus pandemic.

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Most garment workers got full bonus and salary

REFAYET ULLAH MIRDHA

Almost all the garment and knitwear factories have paid their workers Eid festival bonus and salaries for July yesterday, in a refreshing departure from previous years, where the days leading up the religious festivals are almost always marred by demonstrations.

As many as 96 per cent, or 1,821 out of 1,898, of the factories that are members of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA) have paid workers Eid festival bonus, while 94 per cent, or 1,788, of them have paid the salary for July.

This update came from the field level as of 3:00pm yesterday and the balance is expected to be cleared by the evening, said Khan Monirul Alam Shuvo, chairman of the PR Standing Committee of the BGMEA.

The 850-odd factories registered with the Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA) have disbursed the salary and bonus, said Mohammad Hatem, vice-president of the trade body.

Sirajul Islam Rony, a former representative for garment workers in a minimum wage board, also confirmed that a majority of the factories had paid workers as of yesterday.

The factories though could not get away by not paying the workers their dues given the outsize help they have been getting from the government.

So far, the export-oriented sectors, which are largely dominated by apparel and textile factories, have received Tk 10,500 crore in bailout funds from the government to tide them over the economic hardship brought on by the global coronavirus pandemic.

The sectors originally got Tk 5,000 crore to pay the workers' salaries for three months from April. The amount has since been topped up twice, with the latest coming last week.

Last week, the government provided Tk 3,000 crorefor the payment of workers' salaries for July.

In spite of that, some factories had provided half of July's salary, according to Rony.

But every decision was taken after consultation between the factory managements and workers.

"There was no untoward incident, which indicates that factories have paid the workers or reached an understanding about the payments," Rony added.

Shuvo reiterated the same about the absence of worker agitation this time.

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No surprises as banks' profits plummet in the second quarter

AHSAN HABIB

The expected happened. Banks' profits were supposed to take a massive hit in the second quarter of 2020, and that took place.

Most of the listed banks' profits slumped in the April-June quarter on the back of the shrunken economic activities for the pandemic and the implementation of the single-digit interest rate for lending while still paying higher interest for some deposit schemes.

The banks' overall lending, as well as loan recovery, also plummeted to new depths during the period.

Their non-interest income suffered a major blow as export and import dropped significantly while earnings from the ailing stock market were very depressing.

Of the 30 listed banks, only eight posted higher profits in the quarter compared with a year, while 18 booked lower profits, two incurred more losses. The other two are yet to publish their earnings, according to data of the Dhaka Stock Exchange.

Bankers fear the situation would worsen in the upcoming quarters when all banks will be allowed to downgrade their loans to bad debts if borrowers fail to repay.

Bangladesh Bank issued a notice last month saying that no banks would be allowed to downgrade any loan until September, which means that failure of any borrower to repay loan instalments between January and September would not result in defaults.

"It was expected that the earnings of the banking sector are going to fall as our lending rate suddenly dropped to 9 per cent but the deposit rate could not be brought down accordingly," said Syed Mahbubur Rahman, managing director and chief executive director of Mutual Trust Bank.

The government set the ceiling on banks' lending rate at 9 per cent and the deposit rate at 6 per cent for the sake of industrialisation and the rates came into effect from 1 April.

"We offered many schemes like money doubling plans or something like that where the deposit rate was 9 per cent or even 11 per cent in some cases. These could not be brought down and so our costs were higher."

As a result, the net interest income of the banking sector plunged, Rahman added.

Md Abdul Halim Chowdhury, managing director of Pubali Bank, echoed the same, saying that the severest blow came from the interest rate ceiling.

"And the pandemic has just added to the woes."

The business of the banking sector was almost zero in April, Chowdhury said, adding that loan recovery was not satisfactory even after the lockdown was lifted, which affected banks' turnover and profits.

As the central bank eased rules to boost money supply, the ceiling on the lending rate could be implemented but banks cannot lower their deposit rates overnight, he said.

BB brought down the bank rate to 4 per cent from 5 per cent in the monetary policy for fiscal 2020-21.

It also cut the repurchase agreement rate from 5.25 per cent to 4.75 per cent to make funds stream towards banks.

About the monetary policy, Rahman said the liquidity situation would ease and the cost of borrowing would come down due to the policy shift.

So, the overall cost of funding would be lower. However, most of the funds of the banks come through customers' deposits, so the efficacy of the latest BB move in priming the pump is up in the air.

About the non-funded income of the banking sector, Rahman said trading activities were very low in the last three months. With the decline in export and import, banks' non-funded income also dropped, he added.

Bangladesh's export earnings plunged 16.93 per cent, or $6.86 billion, to $33.67 billion in the last fiscal year -- a five-year low -- as the coronavirus pandemic brought global trade to its knees.

Due to the central bank move on loan classification, banks got a breather during the quarter. Otherwise, there could have been more classified loans and more provisions and hence lower profits, Rahman said.

"The next six months would be more challenging unless credit disbursement rises."

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