



Urmi Group Chairman Ashfaq Ahmed, Managing Director Asif Ashraf, Directors Fahmida Mahfuz, Shamarukh Fakhruddin and Faiyaz Rahman, and CEO Mir Ashraf Hossain attend the launch of a three-layer antiviral and antimicrobial face mask brand 'Turag Protex', recently.

Nokia takes a hit as Samsung secures Verizon 5G deal

REUTERS, Stockholm

Finnish telecom firm Nokia has suffered a setback after a source close to the matter confirmed it had lost out to Samsung Electronics on a part of the contract to supply new 5G equipment to Verizon in the United States.

With this \$6.64 billion contract win, Samsung has reinforced its position as a challenger to the dominance of Nokia and its Nordic rival Ericsson in selling telecom gear, after China's Huawei was barred from bidding for 5G contracts in the United States.

The loss for Nokia comes after its new Chief Executive Pekka Lundmark took the top job in August, but the source said negotiations were going on before he took charge.

A Nokia spokeswoman declined to comment on the loss.

"We play a critical role in enabling Verizon's 3G and 4G networks and continue

to work with them to accelerate innovation in 5G," she said. "They remain a top three global customer."

Major telecom firms such as Verizon uses several suppliers for building various parts of a network with radio contracts accounting for a big part of the spending.

Liberum analyst Janardan Menon said the contract loss could impact Nokia's ability to invest in technology at the same rate at its competition, and rival Ericsson might have even increased its share at Verizon. Liberum has a "hold" rating on Nokia shares.

An Ericsson spokesman declined to comment.

Nokia shares were down 1 per cent in morning trade.

The shares had fallen in July when brokerage JPMorgan said there was a real risk Verizon would reduce its dependence on Nokia as its primary RAN (radio access network) supplier going forward and shift towards Samsung.



AB bank gets new independent director

STAR BUSINESS DESK

Shafiqul Alam, a former managing director of Jamuna Bank, yesterday joined AB Bank as its independent director.

He started his career with ANZ Grindlays Bank (Bangladesh) in 1980.

Alam also served Prime Bank, First Security Islami Bank, United Commercial Bank in various capacities.

He obtained his MSC degree from the University of Dhaka.

Holding on to hope amid drawn-out adversity

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The planning commission revised upwards its estimate to 29.4 per cent in June. Extreme poverty doubled to 20.5 per cent.

The highflying growth of the economy nosedived, posting 5.2 per cent in the last fiscal year, down from its historic high of 8.15 per cent a year ago.

The official growth figure is higher than the forecasts by multilateral lenders such as International Monetary Fund, World Bank and Asian Development Bank and local think-tank Centre for Policy Dialogue (CPD).

Whatever be the growth numbers, Bangladesh's economy has performed better than India's. Asia's third-largest economy shrank 23.9 per cent in the three months to June this year from that a year earlier, reports Bloomberg.

"There was a massive disruption to life and the economy. It will take time to make up for the loss. However, good things are that the economy did not see any contraction," said Arif Khan, chief executive officer of IDLC Finance.

Entrepreneurs, top executives and economists said the Tk 1 trillion-plus stimulus package unveiled by the government for industries, businesses and agriculture played a key role in boosting confidence of entrepreneurs, who saw their revenue plummet as the lockdown brought economic activities to their knees.

Businesses responded to the new reality starting from working from home using digital platforms to paying attention to improving efficiency. Many had to cut operational costs, jobs and salaries and sacrifice profits to withstand the unprecedented health and economic emergency.

"We have seen the hardest time of our business. We have seen how worst and devastating the situation could be. The catastrophe came all of a sudden for which we were not prepared," said Md Fazlul Hoque, managing director of Plummy Fashions.

Hoque recalled businesses holding a meeting at the Metropolitan Chamber of Commerce and Industry in Dhaka on March 8 on how to find alternative

sources for raw materials and other goods to ensure smooth supply as China, a key supplier, was battling with the deadly virus.

"The news broke in the evening and we went into lockdown by the end of the month. We had been in deep trouble in April and May. From that situation, we have made a huge turnaround."

"It is not that the coronavirus situation has improved but at least, the garment sector has made a turnaround," the entrepreneur said, adding that the support from the government to garment entrepreneurs to pay wages to workers at lower cost helped the sector fight back.

Shams Mahmud, president of the Dhaka Chamber of Commerce & Industry, said the private sector was protected because of a bold move of the government as it introduced low-cost stimulus packages and a re-financing scheme to support vulnerable large, cottage, micro, small and medium enterprises.

"Almost all major export sectors are becoming operational and export growth is gradually picking up," said Mahmud, also the managing director of Shasha Denims.

Rubana Huq, president of the Bangladesh Garment Manufacturers & Exporters Association, said the Covid-19 caused unprecedented disaster in the form of cancellation of orders and revenue loss.

"The industry is rebounding strongly." Citing export data, she said the growth is apparently V-shaped, a recovery pattern that involves a sharp rise back to a previous peak after a sharp decline.

"Yet, there is no scope for complacency since the recovery from the pandemic is faltering," said Haq, also the managing director of Mohammadi Group.

Not all export sectors are doing well. The exporters of leather goods and footwear, one of the leading sectors, are bearing the brunt of the pandemic. Leather goods and footwear export dropped 25 per cent year-on-year to \$428 million in the first eight months of 2020.

"We are selling goods at reduced prices and profits only to stay afloat and retain markets," said Md Saiful Islam, president of the Leathergoods and Footwear

Manufacturers & Exporters Association of Bangladesh.

WHAT WENT WRONG

However, much of the worse could have been avoided had there been adequate planning and timely response from the health ministry to control the spread of the virus.

The disease, which originated in Wuhan, China in December 2019, was not taken seriously by public health officials, so the preparation to tackle the disease in terms of increasing the testing and tracing capacity was poor.

"We were into a denial syndrome for a short period," said Fahmida Khatun, executive director of the CPD. "The lockdown was also imposed without any proper planning."

Rather, corruption and anomalies relating to the purchase of protective gears and testing materials were exposed.

While there has been appreciation for the stimulus package, support for the poor, including the new ones, was inadequate. There was also complaint of irregularities and food and cash aid going to the wrong hands.

"Support for the marginalised was very inadequate compared to their need," Khatun said.

Rizwanul Islam, a former special adviser for the employment sector at International Labour Office in Geneva, said the cash transfer scheme came very late, was too small in amount and failed disastrously in its implementation.

"What should have been in the hands of the poor in April was inaugurated in May, and by July, only a small proportion of the target number was reached," he said.

LESSONS LEARNED

The pandemic taught doing office from home is very much possible and tasks could be accomplished without physical contacts. Businesses also had to look for ways to cut costs.

"We have learned how to function digitally. A country like Bangladesh has functioned digitally. It is proved that people can work using digital platforms without physical contact," said Azam J Chowdhury, founder and chairman of

East Coast Group.

"Digital platforms and the purchase of goods by people helped the economy remain functional."

"We have lost huge business in the last six months. However, what we achieved is bigger than that," said Syed Almas Kabir, president of the Bangladesh Association of Software and Information Services.

"There has been a realisation that ICT is vital for life. This is the biggest achievement."

Rupali Chowdhury, president of the Foreign Investors' Chamber of Commerce & Industry, said fixed costs of a company should be kept at a sustainable level to survive as there is a sharp decline in demand.

During the pandemic, the areas in the public healthcare system that need to be improved have been identified. Accountability and recognition of doctors and healthcare professionals should be ensured.

She said overall, the Covid-19 testing capacity and the management of patients has improved compared to the initial days.

According to Chowdhury, the return of the economy to the pre-Covid-level would be possible when consumers can come out of their fear of the coronavirus.

She said consumers are still spending only on essential items. "The world will come to normalcy as soon as vaccines are available."

Yasir Azman, CEO of Grameenphone, said the loss during this Covid-19 pandemic is immeasurable.

"But, together, we are stronger in the recovery journey. We are now more digital savvy and adapting to new uses of technology. The transformation is supposed to happen after two to three years. It is happening now in many ways."

"It's a demanding situation we are into and that requires collaboration and leadership to navigate through."

Tanvir Ahmed Mishuk, managing director of Nagad, a mobile financial service, said, "Our best lesson is to manage resources in the best possible way in every aspect."

"In order to face current challenges,

everybody needs to adopt technology as fast as possible."

LOOKING FORWARD

Despite the sign of recovery, there are uncertainties and risks. Remittance inflows increased in recent months, but CPD's Khatun said there is a caveat.

"Many migrant workers might be returning home. I am not sure whether this will continue. The number of people going abroad has slumped."

Revenue collection remained low until July while the government's development expenditure fell 17.6 per cent year-on-year in the first month of the fiscal year.

Zahid Hussain said the economy is recovering relative to the ebb reached during the March-May period.

"But the recovery is uneven and uncertain. The non-vulnerable middle class and the rich appear to be benefiting most from the recovery implying further deepening in inequalities."

"At lower levels, the work has recovered, but incomes are far behind and the health and poverty pains remain deep as well as pervasive."

The recovery is likely to continue, said Mostafa Kamal, chairman of the Meghna Group of Industries.

"We urge public agencies to help us and speed up the process of approval for investment and business."

Selim Raihan, executive director of the South Asian Network on Economic Modeling, said the quality of institutions matter in handling the crises such as the Covid-19.

"The countries that performed better than Bangladesh in handling the health hazard and resultant economic crisis have better institutions. Therefore, reforms in critical institutional domains are very important."

Aameir Alihussain, managing director of BSRM, sounded caution.

He said people appear to have relaxed and are not wearing masks when they step outside their houses.

"If a second wave comes, economic activity will decline and many companies will not be able to survive. Then it will be tough for the government to afford another stimulus."

Stimulus loans elude many

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Banks blamed the latest floods for the weak implementation as this has discouraged entrepreneurs to take out loans, he said.

"But banks are also responsible for the lower disbursement as they have not taken adequate initiatives to give out the loans," he said.

The Tk 5,000-crore stimulus package in the form of pre-shipment credit for the export sector made the worst start as only Tk 1.1 crore has so far been disbursed.

Exporters usually avail the loans before shipping products to complete packaging.

The central bank initially asked banks to apply to it for the loan within seven days after shipping exported goods. But this is quite impossible to do so for the exporters and the central bank revised the provision last month.

As per the new condition, banks will apply to the central bank for the loans within seven days after they bankroll clients.

"The latest central bank's move will help implement the package smoothly," said Syed Mahbubur Rahman, managing director of Mutual Trust Bank.

Banks disbursed stimulus package for large industries and the service sector promptly. Some 72.85 per cent of the Tk 33,000-crore package has been given out so far.

The whole fund of the package may be disbursed by September, the BB official said.

Lenders distributed Tk 1,060 crore among around 2 lakh clients under the stimulus package worth Tk 3,000 crore set aside for the underprivileged businesses and farmers.

The entire package could be implemented by December, the central banker said.

The central bank raised its export development fund to \$5 billion against the previous amount of \$3.5 billion to make available more funds for export-oriented businesses. So far Tk 9,000cr has been distributed.

Clients of all stimulus packages will have to repay the loans within a year, which will create a crisis in the financial sector in the days ahead, said Ahsan H Mansur, executive director of the Policy Research Institute of Bangladesh.

The slow economic recovery has indicated that the financial sector will be unable to pick up fully within seven to eight months, he said.

So, both the central bank and the government should extend the repayment tenure, or else defaulted loans in the banking will escalate, he said.

The government will have to give a subsidy of around Tk 3,500 crore to execute the stimulus packages.

The central bank and the government should immediately address the problems that have created a roadblock for the implementation of the packages, said Zahid Hussain, a former lead economist at the World Bank's Dhaka office.

"In Bangladesh, the SME sector is largely considered as an informal sector. So, proper initiatives are needed to disburse loans to small businesses as they are the growth engines for the country," he said.

In Bangladesh, SMEs account for 20 per cent of the GDP, 80 per cent of the total industrial employment and 25 per cent of the labour force.

The Covid-19 pandemic has threatened the existence of 2.5 million SMEs in Bangladesh, according to the International Labour Organisation.

The central bank has introduced a credit guarantee scheme for the loans going to the SMEs. Now banks hope it would accelerate the credit flow.

The number of clients is higher in the SME segment compared to the large borrower segment, said Emranul Huq, managing director of Dhaka Bank.

For example, Dhaka Bank has been given the task of disbursing Tk 758 crore as large loans. The number of its clients in the segment is 257.

But it has got the job to give Tk 250 crore in SME loans. Some 3,100 clients of the bank are eligible for the loans.

"We are trying to speed up the disbursement," Huq said.

According to Huq, banks face challenges in availing the right information and data from SME clients. In most cases, clients don't have records and now many of them don't have a clear idea about how to make a comeback.

"So, it takes time to process an application. We have to verify the information because, at the end of the day, banks would bear the credit risks. If we don't have proper information about the clients, due diligence would not be maintained."

Dhaka Bank would disburse all large and SME loans by October 31, he said.

A managing director of a private commercial bank said banks are extra cautious in giving out loans this time.

"Although our economy is recovering, there are uncertainties at home and abroad. This additional cautiousness aims at keeping the health of banks sound and ensuring that they get back the loans."

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Therefore, the EU's economic recovery is a major factor for the recovery of Bangladesh's economy, employment and export receipts, Mansur said.

Since the EU and US markets are slowly returning to normal, so is Bangladesh's export, he added.

But although the garment sector is rebounding well, the rest of the economy is trying to do the same. Imports have also increased, albeit gradually.

Bangladesh now imports \$6 billion worth of goods each month but is currently struggling to bring it back down to \$3.5 billion.

MA Jabbar, managing director of DBL Group, a leading garment exporter, said that usually August-September is a lean period for the garment sector.

It was not the same this year for DBL though as buyers asked the factory management to continue production in order to cover the losses that were incurred in April and May because of the pandemic.

"We have definitely recovered, although not fully. Price is very low. But we are not thinking about prices now. It is our priority to run our business now," Jabbar told The Daily Star over the phone.

"Full recovery in business will not take place this year. Our strategy is to stay alive. Buyers are also struggling," Jabbar said. At the end of the current fiscal year, DBL's total export might be only 15 per cent less than their target, which Jabbar declined to reveal.

Currently, his factories are running at 75 per cent capacity but it is expected that this capacity will reach 90 to 95 per cent by November or December this year.

Jabbar also began recruiting new workers for a new unit which will be inaugurated soon.

"So, I am hopeful that exports will return to its previous position soon as the vaccine is also expected to arrive shortly," he said.

Mahmud Hasan Khan Babu, managing director of Rising Group and former vice-president of the Bangladesh Garment Manufacturers and Exporters Association, said a gradual recovery is taking place in the

Apparel leads export recovery

garment sector since mid-June this year.

For a full recovery, we will have to wait until January or February next year. Most buyers are reissuing cancelled work orders, which is good for the sector.

"It may even take one year to fulfil all the cancelled work orders, which is better than if they remained cancelled. We appreciate the buyers who are taking back their cancelled work orders," Babu said.

"To sustain our recovery in garment exports, we will have to wait for Christmas sales in the western world and US election in November," Babu added.

Leather goods exports are not recovering as fast as the garment sector because leather goods are not basic items, these are luxury items, said Saiful Islam, president of the Leather and Leather goods Manufacturers and Exporters Association of Bangladesh.

Globally, the consumption of leather goods has decreased by 35 per cent due to the pandemic, Islam also said.

Moreover, the production of tanned hides in non-compliant tanneries at Savar is another perennial problem for leather goods. The manufacturers of leather goods cannot procure tanned leather from local tanneries as those are processed in non-compliant factories.

Moreover, the consumption of imported raw materials by the local leather goods manufacturers has gone down because of a restriction imposed by the National Board of Revenue (NBR), he said.

As a result, local leather goods exporters have been facing challenges in availing raw materials.

"We have not terminated any workers until now from the leather goods manufacturing units. The inquiries are coming from the buyers gradually in this sector," Islam told The Daily Star over the phone.

"Work orders are coming back now. My factory's recovery began back in June, when my UK, German, Canadian and French buyers started placing orders for winter clothing items," said Mostafa Sobhan Rubel, managing director Dragon Sweaters. Usually, shipments of winter clothes stop

in September but this year, the factories are running at full swing even now as the buyers extended the timeframe in consideration of the Covid-19 situation, he said.

So, the shipments of winter clothes will continue up to October this year, according to the managing director, who exported sweaters and other garment items worth \$30 million last year.

Rubel expects to earn about \$29 million from exports by the end of this year as well.

"But I am not unhappy to export less than \$1 million by the end of this year as this is a crisis time when people do not have work or jobs and are undergoing financial hardship," said Rubel.

Kazi Belayet Hossain, president of the Bangladesh Frozen Foods Exporters Association, said frozen foods shipments is increasing gradually as buyers are returning with a lot of work orders.

Buyer response is better now than what it was in April-May as they are offering lower prices for frozen foods, he said.

Frozen shrimp is a luxury food item and so the buyers are offering just \$1 less per kilogramme because incomes of most of western customers was also reduced due to the Covid-19 fallout, Hossain added.

Mohammed Monsur, general secretary of the Bangladesh Fruits, Vegetables and Allied Products Exporters Association, said the situation is nearly normal in his sector as more than 500 tonnes of perishable goods are shipped from the Hazrat Shahjalal International Airport in Dhaka on a daily basis.

Before Covid-19 emerged, more than 700 tonnes of perishable items were shipped by different airlines, he said.

In the April-May period, shipment were almost zero and the local vegetable exporters were just passing time idly. However, shipments gained pace from mid-June, when the western world started reopening their economies.

Monsur, however, said that the quality of goods deteriorates because of scanning delays at airports. Sometimes, vegetables cannot be shipped on time and miss the flights because of this, he added.