

| STOCKS   |          | COMMODITIES               |                         | ASIAN MARKETS |           |           |          | CURRENCIES    |        |        |       |                         |
|----------|----------|---------------------------|-------------------------|---------------|-----------|-----------|----------|---------------|--------|--------|-------|-------------------------|
| DSEX     | CSCX     | Gold                      | Oil                     | MUMBAI        | TOKYO     | SINGAPORE | SHANGHAI | USD           | EUR    | GBP    | CNY   | STANDARD CHARTERED BANK |
| ▼ 0.35%  | ▼ 0.60%  | \$1,896.86<br>(per ounce) | \$42.82<br>(per barrel) | ▲ 0.76%       | ▲ 0.96%   | ▲ 0.19%   | ▼ 0.20%  | BUY TK 83.95  | 97.72  | 107.54 | 12.23 |                         |
| 4,916.97 | 8,423.37 |                           |                         | 40,182.67     | 23,647.07 | 2,543.11  | 3,218.05 | SELL TK 84.95 | 101.52 | 111.34 | 12.86 |                         |

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# BUSINESS

DHAKA FRIDAY OCTOBER 9, 2020, ASHWIN 24, 1427 BS ● starbusiness@thedailystar.net

## WB sees U-shaped recovery

*The lender says Bangladesh should spend proactively and tap into international resources*

REJAUL KARIM BYRON and  
MD FAZLUR RAHMAN

Bangladesh's economy may make a U-shaped recovery if the government spends proactively and can tap into international resources even though output is set to fall drastically in the next two fiscal years because of the prolonged coronavirus pandemic, World Bank said yesterday.

U-shaped recoveries happen when a recession occurs and the economy does not immediately bounce back but tumbles along the bottom for a few quarters.

In its twice-a-year regional update, the WB maintained its GDP forecast for Bangladesh at 1.6 per cent for the current fiscal year and 3.4 per cent for the next fiscal year, assuming that the impact of the Covid-19 crisis would extend.

"Bangladesh would experience a

fall but would recover quickly (a 'U-shaped' recovery)," said the latest South Asia Economic Focus.

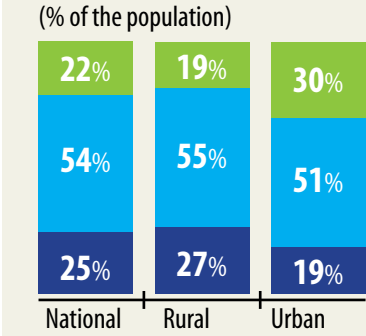
Speaking on the report, Mercy Tembon, World Bank's country director for Bangladesh, said the global economic downturn will impact Bangladesh's economy like all the economies in South Asia.

However, the policies that the government has undertaken to mitigate the impacts are in the right course, she said.

"For resilient recovery, the government needs to continue to save lives, protect the poor and vulnerable, save its debt and fiscal positions, build financial sector health and create a conducive environment for private sector development and job creation."

The WB forecast came as South Asia is set to plunge into its worst-ever recession as the devastating impacts of the Covid-19 on the

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region's economies linger on, taking a disproportionate toll on informal workers and pushing millions of South Asians into extreme poverty.

It forecasts a sharper than expected economic slump across the region, with regional growth expected to contract by 7.7 per cent in 2020.

"The collapse of South Asian economies during the Covid-19 has been more brutal than anticipated, worst of all for small businesses and informal workers who suffer sudden job losses and vanishing wages," said Hartwig Schafer, World Bank vice president

for the South Asia Region, in a press release.

In Bangladesh, private consumption growth is likely to remain subdued with depressed wage income and a decline in remittance inflows, while anemic private investment is projected due to heightened uncertainty.

Investment and exports will suffer amid major uncertainty about the resumption of demand for ready-made garments. Demand in Europe and the United States is stabilising but the recovery is fragile.

Moreover, while remittance inflows have surged over the

past three months, this may be the result of repatriated savings by returning overseas workers. Remittances are forecast to decline in FY21 with weaker demand from migrant-receiving countries such as the oil-producing Gulf states.

Weaker demand and financing constraints may further reduce industrial production, while flooding in early FY21 may hamper agriculture production. However, GDP growth is projected to recover to 3.4 per cent in FY22, supported by a rebound in export demand, remittance inflows and public investment.

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## Strengthen audit for better compliance

*BB asks four state banks*

AKM ZAMIR UDDIN

The central bank yesterday asked four state-run commercial banks to strengthen their audit function to bolster internal control and compliance.

Such measures will help the banks give a boost to the corporate governance as well.

The Bangladesh Bank came up with the instruction at a meeting with four state-owned banks – Sonali, Janata, Agrani and Rupali – at the central bank headquarters in the capital. BB Governor Fazle Kabir chaired the meeting, while the top executives of the four banks and senior officials of the central bank were present.

The meeting was organised as part of the memorandum of understanding between the BB and the lenders. It is usually organised once in every three months as part of an effort to strengthen the ailing financial health of the state lenders.

The audit division has a big role to play to ensure the sound health of banks and it also protects them from financial corruption.

The banks have been facing a wide range of financial irregularities that have pushed their defaulted loans up and caused the capital shortfall to widen.



Officials of the state lenders assured the banking regulator of complying with the instruction and appointing more staff to fortify the audit division in the quickest possible time, said an official of a state bank, who took part in the meeting.

A central banker said the banks had also been asked to strengthen the default loan recovery process.

The BB asked them to concentrate more on recovering non-performing loans (NPLs) rather than going after the top 20 defaulters.

Recovering NPLs from the top 20 defaulters is highly difficult, so the lenders should give the equal importance to realise delinquent loans from all defaulters, the central banker said, quoting the governor.

Default loans at the four banks stood at Tk 34,609.60 crore, which is 36 per cent of the outstanding NPLs of Tk 96,117 crore in the banking sector as of June this year.

The four banks were ordered to speed up the SME loan disbursement under the central bank's stimulus package as their performance is not good given the overall lending scenario.

The central bank also instructed them to give efforts to fortify their capital base as they have been facing the capital shortfall for long. Three out of the four banks faced a large amount of capital shortfall at the end of the second quarter.

Capital shortfall at Janata Bank stood at Tk 3,569 crore, Agrani at Tk 2,195 crore and Rupali at Tk 159.23 crore. Sonali Bank, however, managed a capital surplus of Tk 3.35 crore as of June.

## State banks asked to disburse SME stimulus funds quickly

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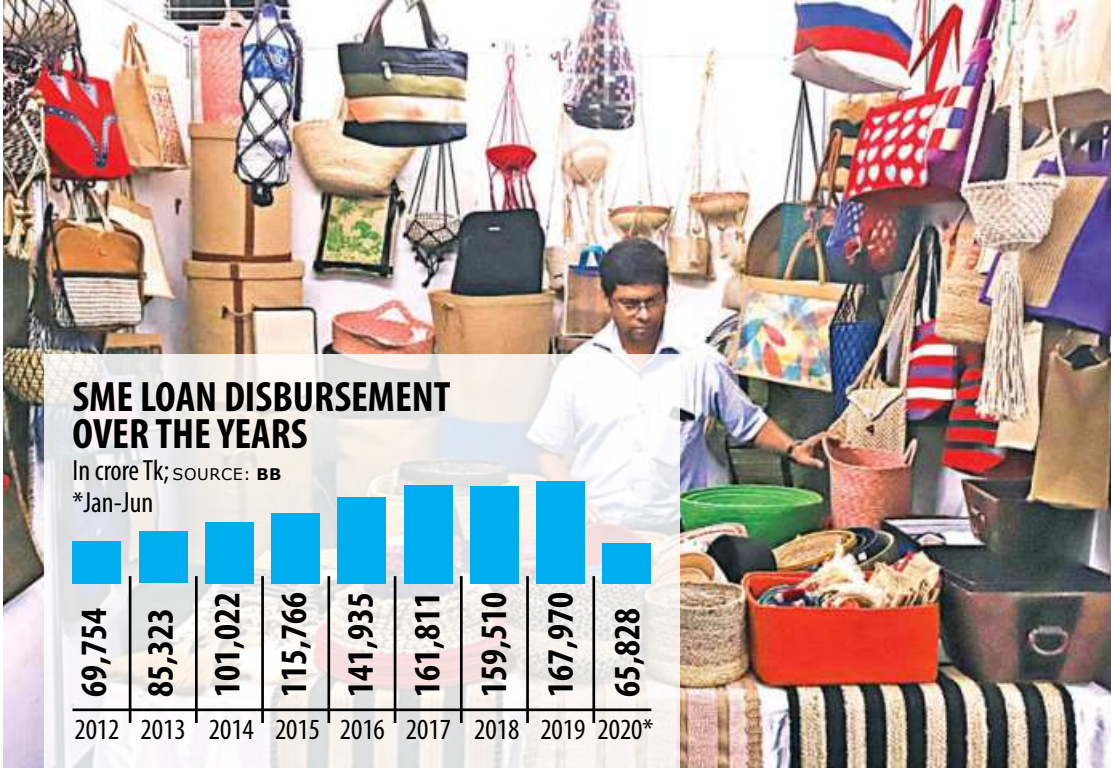
The finance ministry yesterday asked state-run banks to speed up their SME loan disbursement under the central bank's stimulus package in a bid to recover the economy at a faster pace.

Six state lenders -- Sonali, Janata, Agrani, Rupali, BASIC and Bangladesh Development Bank -- have been asked to detect their hurdles for disbursement of cottage, micro, small and medium enterprises (CMSME) loans.

As of September 30, banks gave out Tk 5,883 crore, or 29.41 per cent of the total stimulus fund to the tune of Tk 20,000 crore, according to data from the Bangladesh Bank.

But the disbursement ratio of the state banks is very low compared to the performance achieved by the overall banking sector.

The six banks disbursed only 12 per cent of their disbursement



target of Tk 2,974 crore as of September.

The banking regulator introduced the stimulus package for the CMSME sector on April 13 so that the small borrowers can tackle the economic fallout.

Banks will have to complete disbursing the stimulus fund within this month as per the central bank's instruction.

The dismal performance of the lenders has forced the finance ministry to convene a meeting.

Md Ashadul Islam, senior secretary of the financial institutions division, chaired the virtual meeting attended by the managing directors of state banks and senior officers of the central bank.

Quoting Islam, a senior official of the banking watchdog told The Daily Star that the ministry has asked the state banks to inform the central bank about their problems in the disbursement of the SME stimulus funds.

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## Covid-19 won't affect LDC graduation

*Says Debapriya Bhattacharya*

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Bangladesh will graduate from the least developed country (LDC) status in 2024 despite the Covid-19 fallout as it will attain all three of the required criteria, said Debapriya Bhattacharya, a distinguished fellow of the Centre for Policy Dialogue (CPD).

Bangladesh became the first LDC to qualify for graduation by meeting the required levels of all three criteria -- gross national income (GNI), human assets and economic vulnerability index (EVI).

The most recent data available suggests that Bangladesh's GNI per capita as well as human asset index (HAI) have increased significantly since the last triennial review.

"But despite having slightly deteriorated, the country's EVI also remains positive," he said while addressing an online discussion on "LDC graduation prospect of Bangladesh in the context of COVID-19".

The event, organised by the CPD, was held yesterday.

According to Bhattacharya, graduating from the LDC category will have serious implications for Bangladesh.

This includes loss of preferential access to foreign markets and subsidies on



Debapriya Bhattacharya

agriculture alongside increased compliance with intellectual property rights and payment of institutional fees.

The transition of Bangladesh to a lower middle-income country back in 2015 had created challenges for accessing concessional development finance.

This posed the challenge of "dual transitions", he said.

The coronavirus outbreak across the country began in early March and has had a trickle-down effect on the core graduation criteria as well as the supplementary criteria.

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## Canada should open visa office in Dhaka to boost trade

*Businesses say at CanCham meeting*

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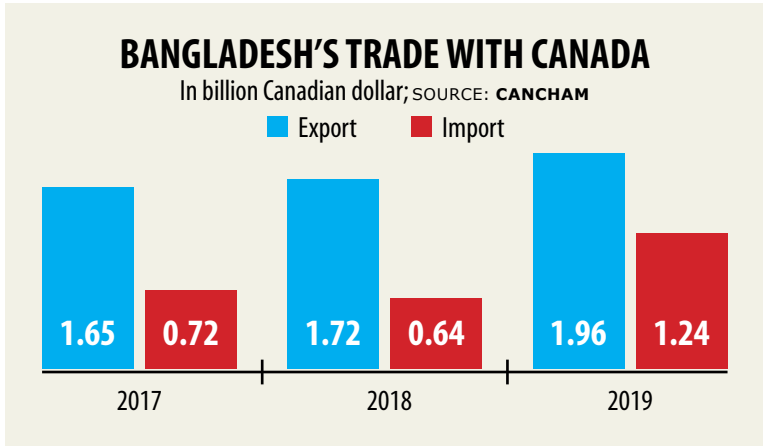
Bangladeshi businesspeople have demanded that Canada open a full-fledged visa office here, citing the fast rate at which bilateral trade has been growing.

The North American country is a very important business partner of Bangladesh.

Bilateral merchandise trade has increased from 600.5 million Canadian dollars in 2004 to over 3 billion Canadian dollars in 2019, according to data from the Canada Bangladesh Chamber of Commerce and Industry (CanCham).

Canadian merchandise exports to Bangladesh amounted to 1.24 billion Canadian dollars in 2019. On the other hand, Bangladesh's exports to Canada grew 14.53 per cent year-on-year to 1.97 billion Canadian dollars in 2019.

"You will be happy to know that current bilateral trade between Canada and Bangladesh is over 3 billion Canadian dollars and targets to reach over 5 billion



Canadian dollars within a few years," said CanCham President Masud Rahman.

But Bangladeshis intending to go on visits are bound to obtain Canadian visas from neighbouring countries such as India and Sri Lanka or from Singapore, which is a time consuming and expensive process.

The relocation of the visa office is

important to explore new business opportunities, to diversify and expand bilateral business in private sectors and to increase student enrolment in Canadian universities and colleges, said Rahman.

"The Canadian government should ease the visa processing system to encourage more people into visiting Canada. It now can relocate the visa office to Dhaka

in order to fast track the visa processing system," he said.

"It is a very important subject and a big demand of our private sectors. The Canadian government should seriously look into this matter," Rahman said.

The CanCham president was speaking at a virtual meeting on "Canada Bangladesh Bilateral Trade, Investment and Education and how to take it to the next level" on Wednesday night.

The Immigration, Refugees and Citizenship Canada statistics of 2019 show that Canada was receiving the highest number of students from India (172,600) followed by China (142,985), Republic of Korea (24,195), France (22,745), and the US (14,620), Rahman said.

"On the contrary, only 6,520 students enrolled in Canada from Bangladesh. Canada and Bangladesh needs to look into this area and strengthen education action plan between Canada and Bangladesh," he said.

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