

Quality growth in right sectors key to economic recovery

Researchers say at Sanem webinar

STAR BUSINESS REPORT

Quick disbursement of the government's stimulus packages and quality growth in the right sectors will provide effective economic recovery amid the Covid-19 fallout, according to the South Asian Network on Economic Modeling (Sanem).

"Increased employment, a reduction in poverty and social discrimination alongside strong GDP growth will help the economy recover from Covid-19's impact," said Sayema Haque Bidisha, research director of Sanem.

Bidisha, also an economics professor at the University of Dhaka, made these comments while addressing a webinar on "Covid-19 and Bangladesh: Path to economic recovery" organised by Sanem yesterday.

She also stressed the need for inclusive growth to create a sustainable economy.

The research director suggested the inclusion of other performance indexes, which could focus on the real state of the economy.

Economic growth should not only be analysed through GDP growth, rather it should be measured by the country's productivity, which is an indication of the rate of recovery, Bidisha said.

Sustainable growth is a key factor as it relates to a country's employment, inequality, poverty and other macro variables, she said.

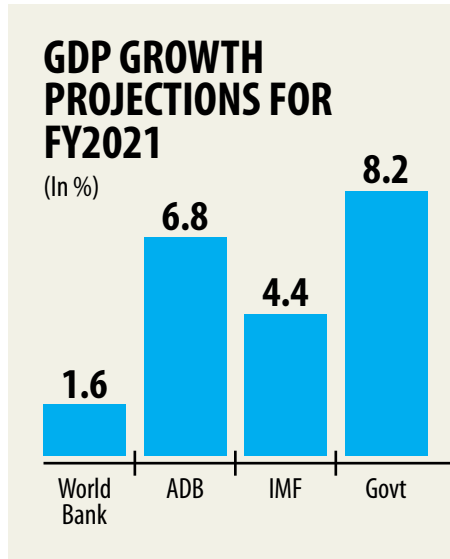
"True recovery means recovering the employment, income and wellbeing of millions of people," she added.

A positive sign for Bangladesh is that the return of work orders for the garment sector and increased inward remittance is driving the country's economic recovery, she said.

However, a number of challenges lie ahead as a second wave of coronavirus could hit during the upcoming winter and lead to uncertainty for the country's trading partners, apparel export and remittance flow, she said.

Sluggish demand in the domestic market, low private investment and slow disbursements from the stimulus packages are still prevailing issues, according to the research director.

Besides, the existing challenges of



SUGGESTIONS FOR QUICK RECOVERY

- Maintaining smooth operations of food supply chain
- Connecting local producers to urban businesses/consumers
- Restoring backward and forward linkages
- Encouraging e-commerce through incentives
- Focusing on education and skills development

inequality, new poverty, employment generation and institutional weaknesses are a few other barriers to the country's economic recovery, she said.

Still though, the timely announcement of comprehensive stimulus packages, consistent growth in remittance, agricultural production and individual coping strategies have aided Bangladesh's return to normalcy, Bidisha added.

The economy is improving over time but only some sectors are in rebound while others still suffer from the Covid-19 fallout,



True recovery means recovering the employment, income and wellbeing of millions of people, experts think.

PHOTO: STAR/FILE

CHALLENGES AHEAD

- Second wave during winter
- Uncertainty in RMG export
- Low local demand
- Sluggish private investment

said Selim Raihan, executive director of Sanem.

Raihan, also a professor of economics at the University of Dhaka, emphasised on the need for a parallel recovery of social conditions and the economy.

"The country needs to recover from Covid-19's impact on education, poverty, and discrimination in a similar way to how the economy is doing," he said.

According to the executive director, foreign remittance is working like an informal social safety net in the rural areas.

"The positive growth in remittance and

garment exports are the strengths of the economy at this moment," he added.

Raihan also said there were more challenges to be faced, which includes the Covid-19's impact on macro demand, while investments were currently unprotected.

People's confidence in doing business is on a downward trend as production currently exceeds demand, he said.

The executive director also suggested that long term targets should be set instead of just GDP growth targets.

Mahtab Uddin, a lecturer of the economics department at the University of Dhaka, said a question remained over the effectiveness of cash incentives.

He suggested introducing an alternative to cash incentives to ensure effective economic recovery.

Now liquidity in the banking system has increased as demand for loans has declined, Uddin said, adding that the informal sectors should be brought under official channels by relaxing certain policies.

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Open accounts to make int'l trade easier for exporters

Experts say at virtual meeting organised by ICC-B, ADB

STAR BUSINESS REPORT

Adoption of open accounts in international trade will help local exporters easily receive payments as traditional letters of credit (LC) are time-consuming and cumbersome, experts said.

Bangladesh Bank will assist local exporters in making transactions in the newly introduced open accounts system, said Humayun Kabir, executive director of Bangladesh Bank.

Kabir spoke while explaining the open accounts system in a virtual meeting on 'Open account export transactions and recent policy changes in Bangladesh'.

The International Chamber of Commerce Bangladesh (ICC-B) and Asian Development Bank (ADB) jointly organised the meeting on Friday.

In the open account system, goods are shipped and delivered before payment is made with a specific timeframe.

Bangladesh Bank already issued a circular regarding the introduction of open accounts in international trade in June this year.

"Bangladesh Bank will assist the local exporters in transaction in the newly introduced open accounts system," says BB Executive Director Humayun Kabir

Introduction of open accounts in international trade is a radical change in Bangladesh as traditional LCs have been practiced here for years, he said.

"Trade finance is the oxygen in business," said Rokia Afzal Rahman, vice president of ICC-B, adding that Vietnam and China have been taking advantage of open accounts in international trade.

She also said some \$3.16 billion worth of garment work orders were either cancelled or suspended by the international retailers and brands due to the Covid-19 fallout.

Mahbub-ul-Alam, managing director of Islami Bank Bangladesh, said about 85 per cent of all transactions made through his bank for international trade is done in LCs.

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