

STOCKS		COMMODITIES		ASIAN MARKETS				CURRENCIES			
Week-on-week		As of Friday		Friday Closings				As on Thursday			
DSEX	CSCX	Gold	Oil	MUMBAI	TOKYO	SINGAPORE	SHANGHAI	USD	EUR	GBP	CNY
▼ 0.51%	▼ 0.70%	\$1,870.49	\$44.96	▲ 0.65%	▼ 0.42%	▲ 1.3%	▲ 0.44%	BUY TK 83.95	98.37	110.11	12.60
4,879.96	8,410.98	(per ounce)	(per barrel)	43,882.25	25,527.37	2,813.01	3,377.73	SELL TK 84.95	102.17	113.91	13.24



Star BUSINESS

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Second wave starts taking a toll on garment export

Buyers place 30pc fewer orders

REFAYET ULLAH MIRDHA

Just as Bangladesh's main foreign currency-earning apparel sector had begun recouping from shocks to its exports, a second wave of the coronavirus pandemic has started inflicting damages again.

This is because international clothing retailers and brands have placed 30 per cent fewer work orders year-on-year for the next four months starting December.

The figure on the export season came up as preliminary findings of a survey carried out last week among 50 out of 350 major factories by the Bangladesh Garment Manufacturers and Exporters Association (BGMEA).

Research by The Daily Star revealed similar findings of local suppliers receiving fewer work orders.

Buyers have been taking a lot of time to decide and place work orders and are not seeking the same volumes of the last export season due to the second wave that has already jolted the Western world and economy.

The fear of contracting Covid-19 has kept buyers from travelling freely, a practice aimed at checking proper work environments, product quality, compliance and establishing better business communication.

Since they cannot come on visits to factories in Bangladesh, they have currently reduced the volume of work orders for factories here.

For instance, a buyer was supposed to come to the factory of



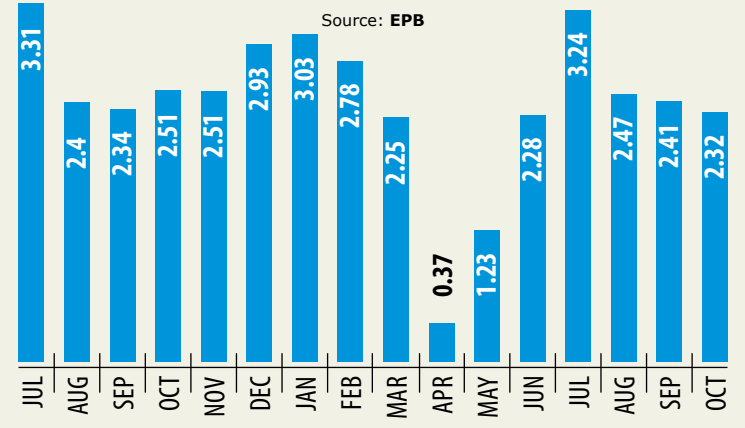
Shahidul Haque Mukul, managing director of Adams Apparels, from France last week but could not because of the second pandemic wave in France.

Though the buyer assured that an order would be placed, Mukul was still in the dark as to when.

Similarly, a Brazilian buyer of Mukul was supposed to reissue an order for 60,000 pieces of trousers previously suspended for the first wave of the pandemic.

"However, my buyer could take only 20,000 out of 60,000 pieces so far with the recovery from the first wave. But this buyer again put a halt on the orders," Mukul told The

GARMENT EXPORT IN BILLIONS OF US \$ IN FY2019-20 AND FY2020-21



Daily Star over the phone. "The inflow of work orders is slow, and the buyers are confused because of the current Covid situation in the Western world," he said.

Like Mukul, almost all suppliers have been facing similar kinds of problems arising from the buyers because of a second wave

of the coronavirus pandemic. Unfortunately, the buyers are also offering lower prices to the suppliers, Mukul said.

Mahmud Hasan Khan Babu, managing director of Rising Group, a leading garment exporter, said the second wave was already having an effect on his factory.

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Banks' excess liquidity doubles

Stimulus packages, robust remittance lead to pile up of funds

AKM ZAMIR UDDIN

Banks have faced excess funds in the recent period in the wake of a slower trend of investment against the large volume of money injection by the central bank into the financial sector.

The implementation of the stimulus packages initiated by both the central bank and the government and an upward trend of remittances are mainly responsible for the excess liquidity in the banking sector, experts said.

The Bangladesh Bank (BB) has already injected around Tk 55,000 crore in the financial sector as part of its effort to implement the stimulus packages.

The upward trend of remittances has also forced the central bank to purchase \$5.08 billion from banks in order to keep the exchange rate of the taka stable against the dollar, according to data from the BB.

This means the central bank has supplied around Tk 43,000 crore to the market by way of purchasing the dollar given the existing rate between the taka and the dollar.

Between July and October, remittance hit \$8.82 billion, up from 43.24 per cent year-on-year.

The central bank injected the reserve money for the implementation of the packages and purchasing the dollar.

Reserve money is also called central bank money, monetary base, base money, and high-powered money, and sometimes narrow money.

Such high-powered money inflates the overall money supply in the financial sector, given its multiplier effects.

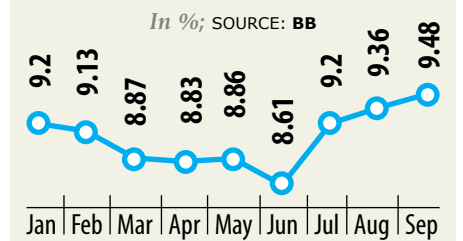
The excess liquidity in the banking sector stood at Tk 160,979 crore as of August, up from 105 per cent year-on-year.

The excess liquidity in the banking sector is a global reflection on the back of the ongoing economic meltdown caused by the coronavirus pandemic, said Ahsan H Mansur, executive director of the Policy Research Institute of Bangladesh.

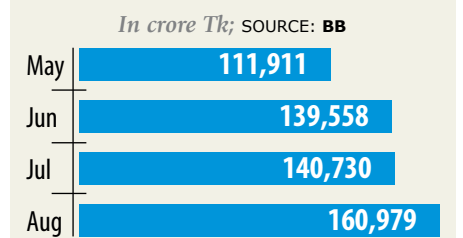
Although credit growth has slightly increased in recent months due to the implementation of the stimulus packages, the overall credit demand has been on the decline.

Businesses are persistently reluctant to expand given the economic hardship and a probable second wave of the coronavirus

PRIVATE SECTOR CREDIT GROWTH



EXCESS LIQUIDITY IN BANKING SECTOR



infection, he said.

This has compelled banks to bring down their lending rate on term loans to 7.5-8 per cent, lower than the interest rate cap of 9 per cent on all loan products set by the central bank.

The lower credit demand has reduced the interest rate on deposit products as well.

The majority of banks now mobilise deposit by offering 3.5-4 per cent interest rate for fixed deposit receipts (FDRs).

The high growth of remittances and lower credit demand have pushed up the excess liquidity in the banking sector, Mansur said.

In addition, the large corporates are bagging foreign loans at an interest rate of 3.5 per cent, much lower than the rate set by the local banks, he said.

So, these things have created a difficult situation for banks to expand their credit volume, said Mansur, also the chairman of Brac Bank.

From the economic perspective of the global market, it will take several years to normalise the ongoing unstable situation in the domestic money market, he said.

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Women RMG workers paying price for long-term unemployment: ILO

MAHMUDUL HASAN

Long-term unemployment of women garment workers adversely affects their economic and social empowerment, according to a new brief from the International Labour Organisation (ILO).

It also may lead to adverse intergenerational impacts on health and education for children, particularly girls.

As the ILO has observed in previous recessions, loss of women workers' incomes in lower-income households has a greater longer-term impact when compared to men because women tend to invest more of their income in their children's health services, education and nutrition.

The brief also stated that the impact of the Covid-19 on women in the garment industry has worsened due to underlying challenges, including discrimination and harassment, underrepresentation of women's voice, wage gaps as well as unevenly shared unpaid care and family obligations.

The brief -- Gendered impacts of Covid-19 on the garment sector -- aims to raise awareness of the gendered reality of the Covid-19 and outline how the pandemic impacts women and men workers in the garment sector.

In a study conducted on garment workers in Bangladesh, Cambodia, Kenya, Lesotho and Vietnam, the Better Work found that waged employment helped advance women's empowerment in societies considered to be highly gender unequal.

"Women account for approximately 80 per cent of the garment sector workforce, so they are heavily affected to start with by many of the impacts of the Covid-19 pandemic. However, women also experience additional impacts due to the existing challenges they face in the workplace as well as expectations regarding women's obligations in the home," said Joni Simpson, senior gender specialist for the ILO's Regional Office for Asia and the Pacific.

Recent ILO research highlighted how

major buying countries' imports from garment-exporting countries in Asia had dropped by up to 70 per cent in the first half of 2020, due to the Covid-19. This has led to a sharp increase in worker layoffs and dismissals, while factories that have reopened are often operating at reduced workforce capacity.



The Asia-Pacific region employed an estimated 65 million garment sector workers in 2019, accounting for 75 per cent of all garment workers worldwide.

The brief highlights the short, medium, and long-term impacts of the crisis on women workers. It also includes a series of recommendations to help build a more just and resilient industry and greater gender equality.

As some factories retrench (and later rehire) workers, women are more likely to be directly and indirectly discriminated against, based on gender-biased selection criteria. Common criteria of such retrenchment include contractual status, years of service, performance, qualifications and absence records, and these may perpetuate discriminatory practices, resulting in dismissals that disproportionately impact women workers.

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Uncertainty halts recovery of car sales

JAGARAN CHAKMA

Bangladesh's automobile industry has fallen into deep uncertainty as sales declined by 40 per cent this year due to the ongoing coronavirus pandemic.

Besides, banks seem uninterested to provide auto-loans amid the current crisis.

Car sales came down to 900 units per month across the country while it was around 1,500 per month last year, according to Abdul Haque, president of the Bangladesh Reconditioned Vehicles Importers and Dealers Association (Barvida).

"This means our sale volume fell by about 40 per cent compared to normal times," he said.

Customers are worried about a potential second wave of infections and do not want to spend money on costly items, Haque added.

Car sales had increased in August and September, and it suddenly slowed again in October due to the threat of a potential second wave, said Mohammed Shahidul Islam, secretary-general of the Barvida, and chairman of HNS Group.

"The market is now quite unpredictable amid the current situation," Islam said.

As per a rough estimate by the Barvida, the average number of cars sold across the country is



currently 36 units per day, while it was 61 units in 2019.

This 40 per cent decline in sales has only worsened the troubles for the automobile importers and distributors, Barvida officials said.

Mannan Chowdhury Khasru, a former president of the Barvida, and owner of Nippon

Autos Trading, said he had not witnessed such a loss throughout his four-decade-long career in this sector.

Nippon Autos sold at least 200 units in 2019 and may sell just 50 units this year, a 75 per cent slide, due to the coronavirus impact.

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Tk 200cr likely to be left unspent in VAT Online Project

SOHEL PARVEZ

Around Tk 200 crore is likely to be left unspent under the VAT Online Project (VOP) as some of the planned components have been made redundant for amendments brought to the VAT law, said officials.

So far, Tk 256 crore could be spent out of the total estimated cost of Tk 690 crore for the much-talked-about initiative taken by the government to automate the value-added tax (VAT) system in order to increase revenue collection.

"It will not be possible to accomplish some tasks, such as (development of a) human resource software and training within the deadline of the project," said Project Director Kazi Mostafizur Rahman.



uniform 15 per cent VAT rate on all goods and services, moving away from multiple VAT rates.

But its enforcement was delayed on several occasions for lack of preparedness of the revenue administration and opposition from businesses, particularly from the Federation of Bangladesh Chambers of Commerce and Industry (FBCCI).

The government finally began to implement the law from July 2019 with multiple VAT rates to appease businesses.

Rahman said the extension was required as activities under the VOP remained almost suspended for two years because of delays in implementation of the law and a two-month general holiday amid the outbreak of the pandemic in the country from early March.

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