

Pandemic may trigger corporate, household debt defaults

Says ICC Bangladesh

STAR BUSINESS REPORT

The economic crisis stemming from the fallouts of the coronavirus pandemic is likely to trigger a series of corporate and household debt defaults, said Mahbubur Rahman, president of the International Chamber of Commerce Bangladesh, yesterday.

Bangladesh has recorded one of the world's fastest growth rates in the past few years with a stable economic performance, reducing poverty and social inequalities, he told a virtual 25th annual council of the chamber's executive board.

Quoting a recent International Labour Organisation (ILO) report, Rahman said Bangladesh was now faced with battling both the pandemic and its economic fallouts.

In such a situation, economic risks are not only limited to the short term but also extend to major future productivity losses both through labour and capital, according to a press release from the chamber.

Like most other emerging economies, Bangladesh has to reach a number of key targets to achieve the desired GDP growth, which include that in healthcare, export, foreign direct investment (FDI) and remittance.

In Bangladesh, there are around 7.8 million enterprises and 90 per cent of them are micro-enterprises.

The cottage, micro, small and medium enterprise sector contributes 25 per cent to the GDP, amounting to around \$79 billion. This sector accounts for 30 per cent of the country's total employment as well, said Rahman.

The high cost of doing business is affecting these firms. Besides, many have been suffering tremendous setbacks in terms of production, marketing and sales, he said.

Bangladesh's status graduation from a least developed to a developing country by 2024 will lead to the loss of preferences,



ICC Bangladesh President Mahbubur Rahman presents the executive board report at ICCB Annual Council 2019 through a digital platform yesterday. ICCB Vice President Rokia Afzal Rahman, Apex Footwear Chairman Syed Manzur Elahi, ICCB executive board members AK Azad, ASM Quasem, Sk Kabir Hossain, Mahbul Alam, Kutubuddin Ahmed, Tapan Chowdhury, Mir Nasir Hossain, Abdul Hai Sarker, Aftab ul Islam, Muhammad Hatem, Simeen Rahman and Md Fazlul Hoque, DCCI President Shams Mahmud and ICCB Secretary General Ataur Rahman were also present.

ICC BANGLADESH

including those in trade with major export destinations. So, the country must focus on reaching free trade agreements (FIAs) with major trading countries, Rahman added.

Mentioning the executive board report, the chamber's statement also said the second wave of Covid-19 was already sweeping through Europe and the US which would further prolong the economic downturn.

Like most other emerging economies,

Bangladesh will also be affected and will have to tackle the desired GDP growth issues, which include saving the small-scale firms, getting expatriate workers back to their workplaces to maintain remittance inflow and attracting more FDI.

Saving the small-scale enterprises is very important to maintain sustainable growth, keep supply chains functional and stay cost-effective, it said.

The pandemic created a massive

economic contraction that will be followed by a financial crisis in many parts of the globe, as nonperforming corporate loans accumulate alongside bankruptcies.

Sovereign defaults in the developing world are also poised to spike. This crisis will follow a path similar to the last crisis and the crisis will hit lower-income households and countries harder than their wealthier counterparts, the report observed.

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Beza's OSS fees can now be paid through bKash

STAR BUSINESS REPORT

The Bangladesh Economic Zones Authority (Beza) yesterday took a step to give a boost to the ease of doing business as it teamed up with bKash to fast-track the transactions that investors make at the agency's One-Stop Service Centre.

The authority of the economic zones also signed a deal with Brac Bank for opening a branch at the Bangabandhu Sheikh Mujib Shilpa Nagar (BSMSN).

The deals will ease the process for investors to pay the fees for the services taken through Beza's One-Stop Service Centre, Paban Chowdhury, executive chairman of the Beza, said at the signing ceremony at the Pan Pacific Sonargaon in Dhaka.

Some more banks, including HSBC, City and Eastern, will soon start work to set up dedicated branches at the BSMSN, he said.

The door is open for other MFS providers also if they want to team up with Beza, said an official of the zones authority.

Md Abdul Mannan, executive member of the Beza, Tareq Refat Ullah Khan, deputy managing director of Brac Bank, and Monirul Islam, chief external and corporate affairs officer of bKash, signed the deals.



The Beza has been successful in bringing globally renowned investors like Sumitomo of Japan, Adani of India and Wilmar of Singapore to Bangladesh, Chowdhury said. "Now we need cooperation from all public service providers to help Bangladesh do good in the Ease of Doing Business Index and turn the country into a role model for development in the world."

The Beza has been bringing foreign investment to the country even during the pandemic, which clearly depicts how investment-friendly the government is, Ahmad Kaikus, principal secretary at the Prime Minister's Office, said at the programme.

Bangabandhu Shilpa Nagar will fulfil the dream of investment in Bangladesh in the future, he said.

Md Maksudur Rahman Patwary, senior secretary of the land ministry, said his ministry has been allocating land for economic zones as per the need for industrialisation.

He believes the Beza would help the country go for planned industrialisation.

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IRRI launches second phase of farm innovation in coastal area project

STAR BUSINESS REPORT

The International Rice Research Institute (IRRI) has rolled out the second phase of its project aimed at promoting food production in Bangladesh's polders to improve food security, nutrition and livelihoods of rural communities.

The initiative will also help evaluate more pragmatic farming approaches for the efficient utilisation of land and water resources to intensify polder-based agriculture sustainably, according to a press release. Polders are pieces of low-lying land reclaimed from the sea or a river.

The project styled -- Pathways of scaling of agricultural innovations for sustainable intensification in the polders of coastal Bangladesh -- was officially launched at a virtual inception workshop yesterday.

In the first phase, which ran from 2015 to 2019, the focus was on unlocking the potential of Bangladesh's polder communities through the efficient use of resources and diversified cropping systems.

The Usaid funds the project through the Sustainable Intensification Innovation Lab (SIIL) under the US government's Feed the Future initiative.

For both phases, the IRRI has been collaborating with the Kansas State University and its national partners in Bangladesh, according to the press release.

Speaking at the workshop, Md Mesbahul Islam, secretary of the agriculture ministry,

said that the government had been giving special attention to increasing productivity in the agriculture sector through the diversification and intensification of cropping patterns in the coastal areas.

"The ministry is committed to devising appropriate policies to upscale the project's findings to meet the future food and nutritional security challenges of Bangladesh," he added.

Md Shahjahan Kabir, director-general of the Bangladesh Rice Research Institute (BRRI), said that his organisation had developed suitable salinity-tolerant, short-duration and high-yielding rice varieties.

"But a combined effort from all stakeholders will be required to increase the overall agricultural productivity of the coastal region," Kabir said.

IRRI Country Representative Humnath Bhandari thanked all participants, especially the government, for supporting the IRRI's research and development activities in the country.

The IRRI, in collaboration with its national agricultural research and extension system (NARES) partners, will continue to support Bangladesh in attaining sustainable food and nutritional security through innovative research, improved crop and water management technologies, he said. The SIIL-Polder Project will work closely with the NARES partners to develop and scale up appropriate agricultural innovations in the coastal areas, Bhandari added.



Shyam Sunder Sikder

BTRC gets new chairman

STAR BUSINESS REPORT

Former senior secretary to the Posts and Telecommunications Division Shyam Sunder Sikder has been appointed chairman of Bangladesh Telecommunication Regulatory Commission (BTRC).

The Ministry of Public Administration issued a notice yesterday announcing the appointment for a three-year term and providing the same rank and benefits as of a senior secretary.

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Bank stocks drop for higher provisioning requirement

STAR BUSINESS REPORT

Most banking stocks dropped yesterday, fuelled by apprehensions of a reduction of profits of lenders centring a Bangladesh Bank decision directing them to keep aside extra provisioning.

However, the DSEX, the benchmark index of the Dhaka Stock Exchange (DSE), rose 20.59 points, or 0.40 per cent, to 5,147.

The lenders must keep an extra 1 per cent in provisioning than what they now maintain for their unclassified loans, according to a central bank's notice published last week.

Withnerves being rattled, stock investors were on a selling spree, said stock market analysts, adding that the BB decision would turn out to be good for the banking sector in the long run.

Among the 30 listed banks, the stocks of four witnessed a rise, four remained the same, and the remaining 22 dropped on the DSE.

Banking stocks normally remain at the top of the board in December because the listed lenders announce yearly profits in the following month, said stock investor Arup Ratan Roy,



who studied finance.

But the stocks are dropping this year despite announcements of higher profits as of September amid the pandemic, he said.

Banks were asked to keep from classifying borrowers this year, thus lowering provisioning needs.

"So, banks' profits were higher until September," said Roy.

But the recent Bangladesh Bank decision will reduce their profits at the year's end, he added.

"I support the central bank's decision because it would support banks to survive in the long run," said the head of the research team of an asset management company.

If banks artificially show higher

profits and provide higher tax and higher dividends to shareholders, it will deteriorate their health in the coming period, he said.

In the current month, the index rose 281 points, or 5.77 per cent, riding on blue-chip and multinational stocks.

Turnover, another important indicator of the stock market, stood at Tk 979 crore yesterday, down from Tk 1,003 crore the day before.

Dominance Steel Building Systems topped the gainers' list rising 9.89 per cent followed by Sonali Ansh Industries, Asia Pacific General Insurance Company, Purabi General Insurance Company, and SS Steel.

Beximco was the most traded stock, worth Tk 67.82 crore, followed by Beximco Pharmaceuticals, Dominance Steel Building Systems, IFIC Bank, and SS Steel.

Of a total of 358 companies to witness trade, 122 advanced, 166 declined, and 70 remained unchanged.

Aman Feed shed the most, losing 10 per cent, followed by Zaeen Spinning, First Finance, Metro Spinning and Tung Hai Knitting and Dyeing.

GLOBAL BUSINESS

Falling plane values, e-commerce rise fuels boom in converting passenger planes to freighters

REUTERS, Sydney/Jerusalem/Montreal

From Air Canada to China's CDB Aviation, airlines and leasing firms are rushing to permanently convert older passenger jets into freighters, betting on a boom in e-commerce as the value of used planes tumbles amid the pandemic.

That has created a huge opportunity for passenger-to-freighter (P2F) conversion companies, including Singapore Technologies (ST) Engineering Ltd, Israel Aerospace Industries (IAI) and US-based Aeronautical Engineers Inc.

Aviation analytics firm Cirium expects the number of P2F conversions globally will rise by 36 per cent to 90 planes in 2021, and to 109 planes in 2022.

"We estimate that most slots are sold for 2021 and at least 40 per cent for 2022," Cirium Head of Market Analysis Chris Seymour said. "There is an increase in newer-generation programs,

notably the 737-800 and A321 as well as the A330, although older types like the 767 continue to see strong demand, driven in the past few years by Amazon building their own fleet."

The market value of 15-year-old planes has fallen by 20 per cent to 47 per cent since the start of the year depending on the model, according to advisory firm Ishka, which makes freighter conversions more attractive.

Air Canada is looking to convert several of its Boeing Co 767s, Russia's S7 Group is acquiring its first 737-800 converted freighters from lessor GECAS, and lessor CDB Aviation has ordered two Airbus SE A330 conversions from ST Engineering's EFW joint venture with Airbus.

The P2F conversions are a step beyond the cheaper temporary conversions many airlines have implemented during the pandemic, which remove passenger seats to carry more cargo. Permanent

conversions are a financial bet that air freight demand, which was weak before COVID-19, will remain strong for years to come as shoppers turn to e-commerce. The airline industry estimates it will take until 2024 for passenger

traffic to recover to 2019 levels. Freight markets are notoriously volatile, however, and have been beset by extended downturns; shortage can quickly turn into overcapacity, analysts warn. Normally about half of the

world's cargo is carried in the bellies of passenger planes, but the hit to demand has left the world more reliant on dedicated freighters.

"2020 has seen record high freighter aircraft utilisation, and our view is that the pandemic has accelerated the long-term structural shift towards increased e-commerce demand," said CDB Aviation chief executive Patrick Hannigan. Boeing said cargo yields had risen by 40 per cent through September because of the pandemic-related passenger disruptions, and it forecasts more than 60 per cent of freighter deliveries over the next 20 years will be conversions rather than new widebody freighters like the 777. Narrowbody freighters are almost all conversions.

The conversion boom is also helping aviation maintenance, repair and overhaul groups offset some of the lost business from the decline in passenger flights.



REUTERS/FILE

View of the interior of a fully converted Airbus A321 freighter at an ST Engineering hangar in Singapore.

NEWS In Brief

Unilever to put its climate change plans to a shareholder vote

REUTERS

Consumer goods giant Unilever Plc will put its plans to cut greenhouse gas emissions to a shareholder vote, it said on Monday, becoming the first blue-chip company to give investors a say on its climate strategy.

Shareholders will vote at the company's annual general meeting on May 5 on measures including plans to cut emissions from its operations to net zero by 2030 and to halve the environmental impact of its products.

The move comes on the heels of the "Say on Climate" campaign launched by British billionaire Chris Hohn that aims to force firms to give shareholders more of a voice.

"Unilever believes that the economy-wide shift to net-zero emissions will require a greater and deeper level of engagement between companies and their investors about their climate transition plans," said the company, which is worth \$120 billion.

Larger rival Procter & Gamble faced a revolt in October over its climate change efforts when shareholders voted for a proposal to make the company more transparent about how it sourced palm oil and was reducing deforestation.

Unilever, which makes Dove soap, Hellmann's mayonnaise and Lipton tea, is also aiming to cut emissions from the sourcing of products through to the point of sale to net zero by 2039 - 11 years ahead of the Paris Agreement deadline. "Unilever could be a trend-setter here, although it will only really make a difference in the long run if shareholders actively engage," said Russ Mould, investment director at AJ Bell.