

STOCKS		COMMODITIES		ASIAN MARKETS				CURRENCIES			
DSEX	CSCX	Gold	Oil	MUMBAI	TOKYO	SINGAPORE	SHANGHAI	USD	EUR	GBP	CNY
▲ 0.81%	▲ 0.76%	\$1,875.82	\$51.29	▲ 1.14%	▼ 0.04%	▼ 0.89%	▲ 0.99%	BUY TK 83.95	102.14	112.78	12.71
5,402.06	9,403.54	(per ounce)	(per barrel)	46,973.54	26,656.61	2,843.81	3,396.56	SELL TK 84.95	105.94	116.58	13.37



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Economy bruised, not broken

MD FAZLUR RAHMAN

The year 2020 could have been a watershed for Bangladesh. Policymakers would have put their heads together and looked at what have been achieved and what went wrong in order to set targets accordingly to become a prosperous and developed nation.

But people had to spend the entire year fighting against the deadly virus to keep their heads above water as the pandemic headwinds have brought the whole world to its knees.

Amid distress and devastation everywhere, businesses were in a testing situation that they had not experienced at least in the last two decades.

It was kind of an endurance test for the economy, and so far, it appeared to be a winner, despite bruises.

"Endurance is the call of the

day. And we are doing that," said Ahsan H Mansur, executive director of the Policy Research Institute of Bangladesh.

There were debates about GDP growth figures, but even naysayers have agreed that there was positive growth.

In fact, Bangladesh's economy grew the highest in Asia and the third-highest in the world in 2020, when only 23 out of 190 economies managed to post positive growth, according to the International Monetary Fund.

"Growth is not a major concern during situations like this. Managing to survive is the most important thing," said Zahid Hussain, a former lead economist of the World Bank's Dhaka office.

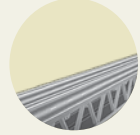
The battle against the pandemic showed the real character of Bangladeshi people, businesses and the economy.

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GOOD THINGS HAPPENED IN 2020



Highest GDP growth in Asia-Pacific region: **3.8%** (IMF)
Per capita GDP: **US\$1,970** in FY'20, up from **\$1,828** in FY'19



Padma Bridge becomes visible



Remittance: **\$19.7bn** in Jan-Nov '20, up **18%** a year ago



Internet subscription

Nov '20: **11 cr**, up **11%** from **9.94 cr** in Dec '19



Forex Reserve: **\$43.17bn** in Dec '20, up **30%** from a year ago

THINGS NOT FAVOURABLE



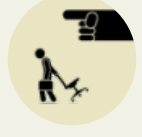
Poverty doubles From **20.5%** to up to **40.9%** of population owing to lockdown



Export: Jan-Sep '20: **Tk 200,407 cr**, down **19%**



Import: Jan-Sep '20: **Tk 300,186 cr**, down **13%**



Income and many jobs lost

CHALLENGES AHEAD

- Successful rollout of Covid-19 vaccines
- Achieving higher economic growth
- Attracting local and foreign investment
- Reforming health sector
- Bringing students back to schools
- Earning more taxes
- Creating jobs
- Supporting the poor
- Reforming banking sector
- Reducing inequality

Most banks see their operating profits fall

Top executives term it satisfactory given the gravity of hardship

AKM ZAMIR UDDIN

Operating profits of most banks in the just concluded year have shrunk on the back of a business slowdown caused by the ongoing coronavirus pandemic.

However, top executives are finding the sector's profits quite satisfactory, given the gravity of the economic hardship.

The Daily Star talked to at least seven managing directors who came clean on having apprehensions beforehand of a year-on-year profit decline.

Pubali Bank witnessed a fall from Tk 1,025 crore to Tk 935 crore, Eastern Bank Tk 885 crore to Tk 850 crore and Southeast Bank of 22 per cent, down to Tk 770 crore.

Although a good number of banks did not declare operating profits until 8:00pm last night, officials of most banks might end up having to digest such a downing.

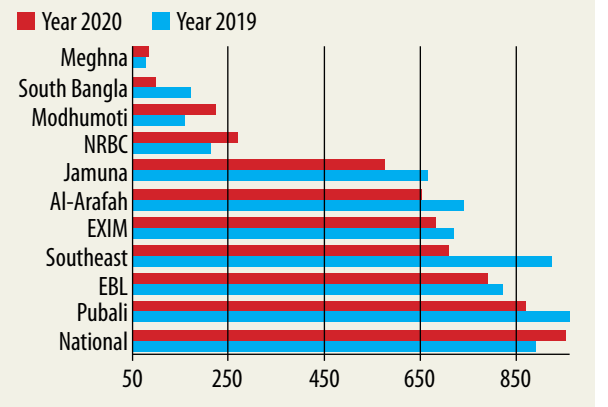
Branches of some banks in 64 municipalities had remained opened yesterday to facilitate election candidates in making deposits of their security money, creating a roadblock in finalising profit statements.

A major portion of the profit will have to be maintained in the form of provisioning against both defaulted and unclassified loans, which will ultimately erode the profit base.

A good number of banks have transferred their accrued interest, which is yet to be realised, to their income segment, which has also helped them inflate their profit for the time being.

OPERATING PROFIT IN BANKS IN 2020

In crore taka; SOURCE: RESPECTIVE BANKS



The central bank has declared a loan moratorium facility for all borrowers throughout last year in order to come to the aid of clients affected by the financial meltdown.

This has helped banks bring down their defaulted loans as well reduced the amount of money required to be kept as provision. Non-performing loans stood at Tk 94,440 crore as of September last year, down 1.74 per cent from that three months earlier and 18.73 per cent year-on-year, showed data from Bangladesh Bank.

Against this backdrop, the central bank recently asked banks to keep an additional 1 per cent provision against all types of unclassified loans of theirs to absorb the downside risks posed by any business slowdown in the days ahead.

The banks have to set aside around Tk 10,000 crore to comply with this central bank instruction.

Net profit will finally undergo a massive decrease after the provisions are secured and taxes paid.

The interest rate on lending nosedived last year, putting an adverse impact on the profit, said M Kamal Hossain, managing director of Southeast Bank.

The majority of businesses have adopted a go-slow policy in setting up new industrial units and expanding existing ones due to the ongoing crisis, he said.

This has had an adverse impact on the need of businesses to borrow money, Hossain said.

Despite jitters, 2020 was a banner year for stocks



AHSAN HABIB

Despite all the economic uncertainty amid the ongoing coronavirus pandemic, 2020 saw growing investor confidence in the country's stock market, which rose by more than 20 per cent this past year.

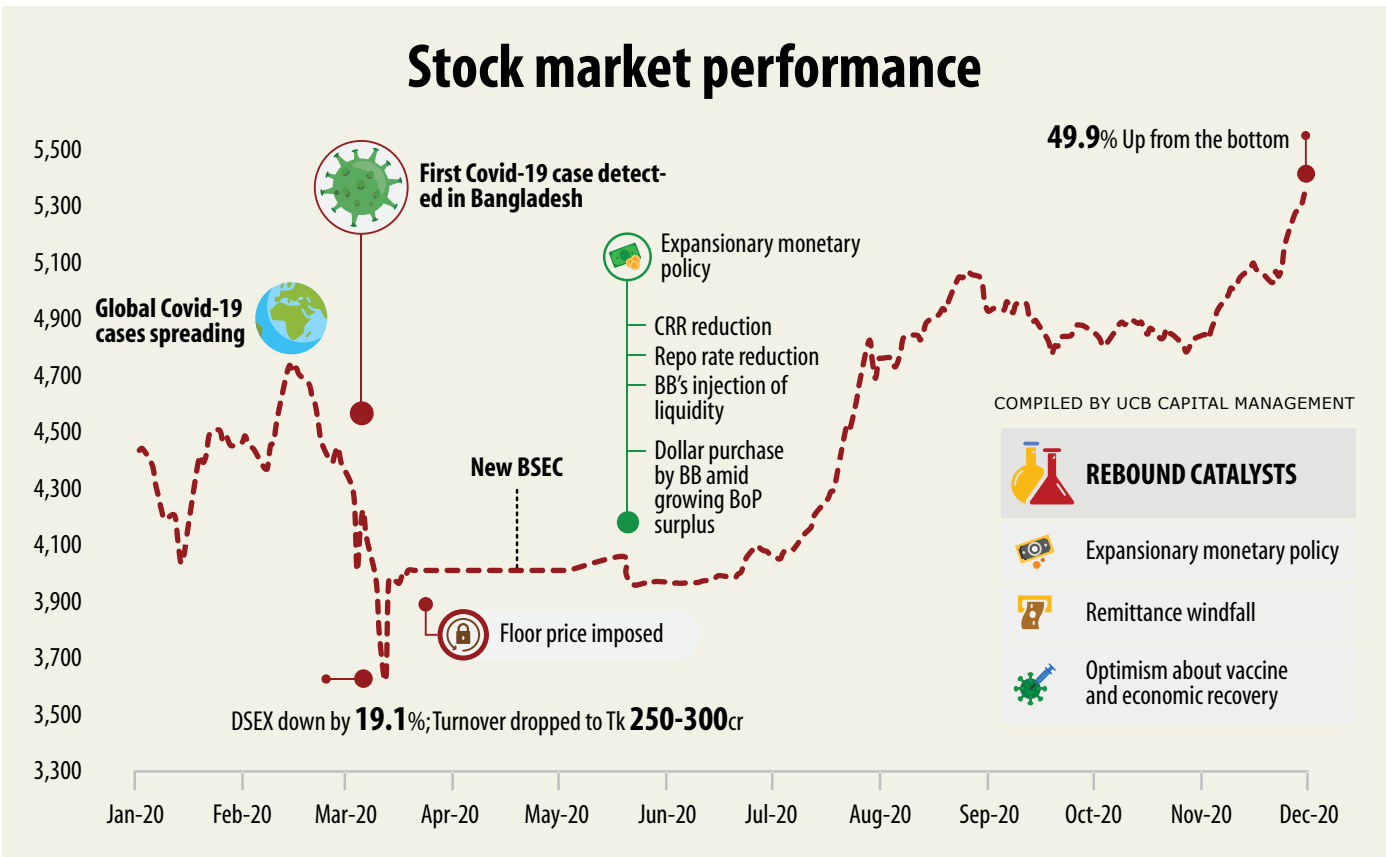
DSEX, the benchmark index of the Dhaka Stock Exchange, stood at 4,453 points at the beginning of the year on January 1 while it was 5,402 by the end of December.

A number of indications influenced the upward trend in investor confidence, such as a change to the market regulator's long-standing leadership and policy support from Bangladesh Bank, according to market analysts.

The year will also be remembered for the abnormal rise of insurance stocks, which almost doubled in value amid the current crisis.

Lower commission for agents increased the sector's earnings while stock rumours and gambling fuelled its meteoric rise, the analysts said.

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Business leaders expect recovery by mid-2021

REPAYET ULLAH MIRDHA, AHSAN HABIB and MOHAMMAD SUMAN

Several business leaders and entrepreneurs have expressed their hope that Bangladesh's economy will start to recover from mid-2021 after the Covid-19 vaccine arrives.

"We expect the garments sector to recover from June 2021," said Rubana Huq, president of Bangladesh Garment Manufacturers and Exporters Association (BGMEA).

With a vaccine already being disbursed in the UK and US, the Bangladesh government signed a trilateral deal with Beximco Pharmaceuticals and the Serum Institute of India for three crore doses.

The coronavirus fallout on businesses was the most memorable aspect of 2020.

Besides, the ongoing crisis has exposed the garment sector's vulnerability to forced closures and contract losses, Huq said.

"We will mainly consolidate our business by decreasing operational expenses through restructuring while focusing on product diversification and securing new markets in 2021," she added.

Fazlul Hoque, managing director of Plummy Fashions Limited, also hoped that the country's economic recovery would start from June next year as the vaccine is all set to roll out in the market.

"We experienced some negatives and a lot of positives amid the Covid-19 outbreak," he said.

For instance, the lack of preparation for such a natural disaster was the main negative from Covid-19.

"But we have learnt that we could reveal our internal strength and resilience so after the first wave infections, we were recovering fast even though the second wave has started affecting us," Hoque added.

Still though, many look forward to expanding their business in 2021 in light of their hopes for recovery.

"We will expand our operations next year," said Rupali Chowdhury, president of the Foreign Investors Chamber of Commerce and Industry.

When the situation improves, the market will rebound and then product demand will rise, said Chowdhury, also the managing director of Berger Paints Bangladesh.

However, the demand for more expensive products will rebound faster compared to the goods meant for middle- or lower-income consumers. For instance, the recovery of clothing will be slower compared to gold and other luxury items, Chowdhury said.

"I think 2021 will go slow and so will the recovery but after June, the situation will start improving," said AK Azad, former president of the Federation of Bangladesh Chambers of Commerce and Industry.

Like Chowdhury, Azad also plans to expand his spinning and textile business which will specialise in high-value garment items in 2021.

"The learning from the Covid-19 fallout is how we can reduce the overhead costs like bank loan, cost of operations and bank borrowing," added Azad, managing director of Ha-Meem Group.

According to Rizwan Rahman, president of

the Dhaka Chamber of Commerce and Industry, although a V-shaped recovery trajectory was previously forecasted, Bangladesh's economy will likely experience a U-shaped recovery due to a prolonged outbreak.

"The correlation and nexus of the private sector and economic growth has always been evident and considering this, economic recovery through private sector improvement should be prioritised," Rahman said.

Bringing the private sector's competitiveness and confidence back to pre-pandemic levels should be of utmost importance going into 2021, he added.

According to Rahman's predecessor, Shams Mahmud, the DCCI worked to support the private sector and ensure economic revival amid the ongoing pandemic.

"We also highly prioritised low-cost and flexible financing sources for enabling the revival of the private sector as it is the lifeline of economic development," Mahmud said.

Like the former DCCI president, Ali Reza Iftekhar, managing director and CEO of Eastern Bank, said small businesses were hit hard by the pandemic.

The second wave of coronavirus infections across the EU has only brought more cause for concern, he added.

Syed M Tanvir, managing Director of Pacific Jean's, said the apparel industry has been one of the worst affected industries by this pandemic. It is estimated that Covid-19 will wipe \$297 billion from the global apparel market in 2020, a 15.2 per cent decline compared to 2019.

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The pandemic exposed the garment sector's vulnerabilities. The focus in 2021 will be on consolidation, restructuring, cost cutting, product diversification and new markets. We expect a recovery from June 2021

Rubana Huq, BGMEA President



The passing year taught the importance of increasing dependence on the internet and IT. Market recovery is dependent on disposable incomes and consumer confidence

Rupali Chowdhury, FICCI President



Small businesses and garments were hit hard and making a comeback will take some time. Leading macroeconomists forecast rise of a new class of poverty. Entrepreneurs will be keen to invest in pharmaceuticals, therapeutics and hospitals

Ali Reza Iftekhar, ABB Chairman



We received 30 per cent fewer orders for leather and leather goods for next season. But suppliers persisted, government stimulus retained jobs and Bangladesh performed better than its South Asian neighbours. Opportunities will come and we need to know how to grab it

Md Saiful Islam, LFMEAB President



We had forecast a V-shaped recovery but it's more likely to be U-shaped and especially slow for micro, small and medium enterprises. Private sector should be prioritised to lead economic growth

Rizwan Rahman, DCCI President



The price falls and closures taught how to reduce bank borrowing and operational cost. Recovery in 2021 will be slow and improvements will surface after June. I plan to expand into spinning, textiles and specialised, high-value items

AK Azad, MD of Ha-Meem Group



The crisis exposed a lack of preparation but also our resilience. The availability of vaccines gives hope of better times within six months, after which I aim to start expanding on a hunch that quality factories will enjoy good demand

Fazlul Hoque, MD of Plummy Fashions



Now it is too early to comment on extent of recovery. Businesses should maintain a crisis management fund, reduce overdependence on imported supplies, focus on product innovation

Syed M Tanvir, MD of Pacific Jeans