

# Economists pin hope on vaccine rollout

MD FAZLUR RAHMAN

Economists see a promising 2021 for Bangladesh because of the rollout of coronavirus vaccines globally and manageable impacts of the pandemic on the country, while sounding out alarms about the bumpy road the economy has to ride before full recovery takes place.

Bangladesh's hopes for a vaccine received a major boost on Wednesday after the UK approved the Oxford-AstraZeneca vaccine. Bangladesh is in line to receive the vaccines as early as in January.

"We are very optimistic about 2021. The pandemic will be handled through the import of vaccines," said Prof Shamsul Alam, a member of the planning commission.

He said the economy received a shock in 2020 because of the pandemic, but the good thing was the country has recovered rapidly.

"If we can handle the new coronavirus strain well and execute mass vaccination through proper regulation and management, we will be able to recover from the damages we incurred in 2020," said Sayema Haque Bidisha, a professor of the economics department at the University of Dhaka.

Mustafizur Rahman, a distinguished fellow of the Centre for Policy Dialogue, said the activities of the economy would largely depend on how the country deals the availability, access and distribution of vaccines.

There is an expectation that the stimulus packages would be repaid and recycled in 2021, so it would also have an impact on the economy, he said.

A weak point is the private sector investment, which was stagnant at about 24 per cent of GDP even before the pandemic.

"Stimulating the private sector will be a major challenge. Boosting the money supply will not solve the problem," Rahman said.

"Investment will rely on the business climate, certainty and competitiveness, not just access to liquidity. There is adequate liquidity in the market."

There was an uncertainty about whether the global recovery would be V-shaped from the recession.

A V-shaped recovery is characterised by a quick and sustained recovery in measures of economic performance after a sharp economic decline.







"There will be depressed demand. So, export-oriented industries may not make a quick turnaround. The second wave and the new strain of the virus have added more woes."

This will force Bangladesh to bank more on the domestic economy. Reforms and congenial business environment require more attention.

Bangladesh is expected to receive a record amount of foreign aid in 2021. This fund has to be used efficiently to create more fiscal space, Rahman said.

The CPD's distinguished fellow said Bangladesh is setting up 100 economic zones. In order for them to attract foreign direct investment, there has to be a transparent regulatory regime and dispute settlement.

"We have weaknesses in these areas. We

					
The economy received a shock in 2020 because of the pandemic but the good thing is the country has recovered rapidly. We are very optimistic about 2021. The pandemic will be handled through the import of vaccines	The experience of the pandemic shows that neither economic growth nor achievements in social developments were sustainable. Hence, the focus of the debate on recovery has to move from a single-minded pursuit of growth to inclusive recovery	The private sector investment was stagnant even before the pandemic. So, stimulating the private sector will be a major challenge. Boosting money supply will not solve the problem. There is adequate liquidity in the market	Mis-governance is everywhere but it has become a crisis in the financial sector. The banking industry requires an immediate remedy. Otherwise, this can cause a general crisis in the whole economy	SMEs are the most dynamic sector that can make the economy vibrant. But they did not receive the support they deserve. If needed, we have to extend the deadline of stimulus packages to support them SMEs	If we can handle the new coronavirus strain well and execute mass vaccination through proper regulation and management, we will be able to recover from the damages we incurred in 2020
<b>M SHAMSUL ALAM,</b> member of General Economics Division	<b>RIZWANUL ISLAM,</b> former special adviser of ILO	<b>MUSTAFIZUR RAHMAN,</b> distinguished fellow of CPD	<b>MAHBUBUL MOKADDEM,</b> chairman, department Economics of DU	<b>MONZUR HOSSAIN,</b> research director of BIDS	<b>SAYEMA HAQUE BIDISHA,</b> professor, department Economics at DU

have to digitalise the services and make them more streamlined."

Prof Shamsul Alam said migrant workers are sending more than \$2 billion every month.

Foreign currency reserves rose to a record high of \$43 billion. Agriculture production has been good.

There is an adequate supply of vegetables, poultry, dairy and livestock products. So, the prices have remained within the purchasing power of the people, he said.

The new year would mark the beginning of the Eighth Five-Year Plan, and it would be supported by a massive stimulus package, which covers small producers, micro, small and medium enterprises to large industries, the policy-maker said.

The implementation of mega projects such as Padma Bridge, Matarbari Project, Metro Rail and the Rooppur Nuclear Plant Project is going on full-swing.

"This will support economic growth in 2021."

According to Prof Alam, the biggest lesson from the pandemic is the country would have to reorganise the health system.

"The services have to be improved."

Prof Alam said Bangladesh would meet

the three criteria again in February 2021 to graduate to a developing country from the grouping of the least-developed country.

"This is one of the brightest achievements for us."

Mahbubul Mokaddem, chairman of the economics department of the University of Dhaka, said the policies that the government announced to tackle the pandemic were more or less correct. The government followed an expansionary monetary policy and gave a large amount of credit to the affected sectors.

"But implementation was very slow, and there were corruption and pitfalls."

Prof Mokaddem said the growth rate, in spite of debates about numbers, was accepted nationally and internationally as a relatively better performance compared to other South Asian countries.

"But the major issues that came out is two-fold: there were mis-governance and wide corruption and increasing inequality."

Re-establishing good governance and reducing inequality in various areas such as education, health and wealth would be a challenge in 2021, he said.

Prof Mokaddem said the country observed an important crisis in the banking industry.

Both state and private banks have failed to recover default loans, and the defaulters were able to smuggle a large amount of money out of the country.

"Mis-governance is everywhere, but it has become a crisis in the financial sector. The banking industry requires an immediate remedy. Otherwise, this can cause a general crisis in the whole economy."

The agriculture sector and remittance sent by the migrant workers saved the economy and the country.

"If these drivers of the economy are not properly reared and given incentives, their contribution may not be sustainable."

Monzur Hossain, research director of the Bangladesh Institute of Development Studies, said: "2021 will be more promising. This is because some vaccines have already been rolled out. There is also vibrancy in our economy."

If the developed countries can implement their vaccine rollout plan, Bangladesh's markets for garment products would revive soon. "It is a good sign for exports."

Hossain said the rural economy and the agriculture sector have almost been insulated from the pandemic. But people need more

confidence to make a new investment.

"The rollout of vaccines in Bangladesh will provide some confidence. I hope the economy would be fully operational from the middle of 2021."

Support to the sectors that have been affected by the pandemic has to be continued, he said.

One of them is small and medium enterprises, which is the most dynamic sector that can make the economy vibrant, create jobs and lift domestic demand.

"But SMEs did not receive the level of support they deserve. If needed, we have to extend the deadline and change rules to continue supporting SMEs," Hossain said.

The research director said if students can't return to classes physically in 2021, the government would have to see how the students from the poor households could be connected to schools digitally.

The public health sector is the weakest point in Bangladesh, he said.

"Overnight reforms are not possible but it can be started immediately. The efficiency and the service quality at the public hospitals have to be improved and governance issues have to be addressed."

Rizwanul Islam, a former special adviser for the employment sector at the International Labour Office in Geneva, said the rise in the incidence of poverty should be taken into account.

"This is the first time in several decades that such a reversal has occurred."

Inequality in income was already rising and must be rising further. This seems inevitable because smaller enterprises are recovering slowly and real wages of workers are falling.

Islam said the economic recovery seems to be taking a K-shape - with one segment recovering and another segment continuing to decline.

"A large number of jobs have been lost, and real wages appear to have been falling in recent months."

According to the labour expert, the experience of the pandemic shows that neither economic growth nor achievements in social developments were sustainable.

"Hence, the focus of the debate on recovery has to move from a single-minded pursuit of growth to broad-based and inclusive recovery. An effort needs to be made to reverse the rise in the incidence of poverty and the decline in real wages."

"Appropriate measures are needed to find alternatives for prospective job-seekers."

Prof Bidisha called for effective implementation of the stimulus packages to help the poor and the vulnerable.

Prof Bidisha said the issue of returnee migrant workers should be addressed effectively.

The social safety net programmes have expanded, and this was a good move. It has to be expanded further, she said.

The education sector has to be given more attention. Many students have dropped out because of lengthy closures. They have to be brought to schools.



## GLOBAL BUSINESS

# Covid-19 shock, rattled and rolled the global economy in 2020

REUTERS

When 2020 dawned, the global economy had just notched its 10th straight year of uninterrupted growth, a streak most economists and government finance officials expected to persist for years ahead in a 21st Century version of the "Roaring '20s."

But within two months, a mysterious new virus first detected in China in December 2019 - the novel coronavirus - was spreading rapidly worldwide, shattering those expectations and triggering the steepest global recession in generations. The International Monetary Fund estimates the global economy to have shrunk by 4.4 per cent this year compared with a contraction of just 0.1 per cent in 2009, when the world last faced a financial crisis.

Government-mandated shutdowns of businesses and any non-essential activities in much of the world unleashed a wave of joblessness not seen since the Great Depression. Still, unemployment levels varied dramatically across the globe.

In some countries, like China, COVID-19 infection levels were effectively suppressed through strict but relatively brief lockdowns, allowing unemployment rates to remain low. Others, such as Germany, deployed government-backed schemes to keep workers on company payrolls even as work dried up.

Elsewhere, including in



Employees wearing face masks work at a factory of the component maker SMC during a government-organised tour of its facility following the outbreak of the coronavirus disease in Beijing.

Brazil and the United States, the uncontrolled spread of the virus and patch-work government health and economic responses fueled rampant job losses. Some 22 million people in the United States were thrown out of work in March and April alone and the unemployment rate jumped to near 15 per cent.

Most economists expect it to take a year or more for labor markets to return to something resembling the pre-pandemic era. The pandemic delivered a body blow to global trade, with export

volumes dropping abruptly to their lowest in nearly a decade in March and April.

The recovery since then has been led largely by China, which stands alone among major economies in seeing year-over-year growth in exports.

Unprecedented levels of government stimulus prevented even larger damage to many economies but also added to a global mountain of sovereign debt amassed by governments, raising questions about whether a financial crunch is the next crisis

the world must deal with.

However, historically low interest rates hovering around - and sometimes below - zero percent mean that debt servicing costs for the Group of Seven (G7) economies are at their lowest since the 1970s, when the debt burden was only a fraction of what it is now.

"Debt today is sustainable and it will remain so for a few years because as long as economic activity and employment have not recovered momentum, central banks are unlikely to do anything

with their interest rates. That allows governments to keep up the fiscal support in the form of retention schemes and support to firms," said Laurence Boone, the OECD's chief economist.

One offshoot of that largesse has been that consumer spending has held up better than many had expected. While spending on services plunged and remains depressed - at restaurants and for travel and leisure in particular - consumers did lay out for goods, especially big-ticket items such as cars and home improvements that benefited from rock-bottom interest rates.

As a result, retail sales in many economies are up on a year-over-year basis, in some instances by more than they were at the end of 2019.

Another direct effect of all that government spending has been a surge in savings among consumers in many parts of the world. Government support payouts in developed economies padded household bank accounts and, with consumers hunkered down in the pandemic's early days in particular, savings rates soared.

They began returning to earth in the latter part of 2020 but remain well above pre-pandemic levels. Some economists see this as the dry tinder to help fuel an economic rebound in 2021 and beyond when COVID-19 vaccines allow a wider recovery to take hold and consumers to begin moving about - and spending - more freely.

## NEWS In Brief

### Decision to suspend US tariffs already paying off: Britain

REUTERS, London

Britain said on Thursday its decision to suspend retaliatory tariffs against the United States was already bearing fruit after it was spared in a new round of US tariff increases which hit French and German produce.

Britain said earlier this month it would use its new-found freedom outside the European Union to diverge from common EU trade policy towards the United States, deciding to unilaterally suspend tariffs relating to a 16-year dispute on aircraft subsidies.

### Airbus says US tariffs counterproductive, Europe should respond

REUTERS, Brussels

The US decision to expand tariffs against the European Union to components for aircraft made in the United States would harm its own workers and consumers and Europe should respond "appropriately", Airbus said on Thursday.

"USTR's expansion of tariffs to include components for aircraft manufactured in the US - by American workers - is counterproductive in every way," a spokesman said in an emailed statement.

"Airbus trusts that Europe will respond appropriately to defend its interests and the interests of all European companies and sectors, including Airbus, targeted by these unwarranted and counterproductive tariffs," the statement continued.



The logo of Airbus is pictured at the entrance to the Airbus facility in Bouguenais, near Nantes, France.