Manpower training can raise remittance five-fold in a decade

Bangladesh Foreign Employment Council dialogue told

STAR BUSINESS DESK

If Bangladesh's migrant workers can be turned more efficient through proper training, it will increase yearly remittance inflow from the current $21 billion to $100 billion in a decade, said experts recently.

This is attainable, on condition that Bangladesh takes the matter seriously to transform the country's youth considering the large number of skilled manpower that will be required to meet global demand in a post-Covid-19 world, they said.

The remarks came at a dialogue organised by Bangladesh Foreign Employment Council (BFEC) at Foreign Service Academy in Dhaka. Foreign Affairs Minister AK Abdul Momen, chief patron of the BFEC, was present.

A BFEC Patron Team presented a plan to increase remittance inflow by improving the contribution of semi-skilled and skilled workforce.

"The ratio of blue-collar workers to white-collar skilled workers is currently around 98 per cent. We, from the BFEC, strongly believe that we can definitely change that ratio within the upcoming few years if we all work together on this jointly," said BFEC President M Nayeem Hossain.

Shehzad Munim, managing director of BAT Bangladesh, Md Miarul Haque, managing director at DHL Express Bangladesh, Naser Ezaz Bijoy, CEO of Standard Chartered Bangladesh, MD Mahbub Ur Rahman, CEO of HSBC Bank, and Tanvir A Mishuk, managing director of Nagad, were present.

Worsening pandemic poses serious risks, ECB's Lagarde warns

FRANKFURT

European Central Bank chief Christine Lagarde warned on Thursday that the pandemic still poses "serious risks" to the eurozone economy as concerns grow about new virus variants and sluggish vaccination campaigns.

The Frankfurt institution's governing council held back from tweaking its ultra-loose monetary policy at its first meeting of the year, having already topped up up support in December.

Lagarde stressed that "ample monetary stimulus" remained essential to steer the 19-nation currency club through the Covid-19 upheaval, and that the ECB stood ready to do more as needed. "The pandemic continues to pose serious risks to public health and to the euro area and global economies," Lagarde told an online press conference.

The start of mass vaccination drives in the European Union was "an important milestone", she said, but the rollout has got off to a bumpy start in many nations.

The emergence of more contagious virus variants, first discovered in Britain and South Africa, has added to nervousness at a time when many countries are already struggling to bring down infection numbers.

Europe's top economy Germany this week extended its partial lockdown until February 14, and Chancellor Angela Merkel has not ruled out border checks to slow the spread of the new strains. France and Spain have tightened their evening curfews, while non-essential shops and leisure facilities are closed across much of the continent.

REUTERS/FILE

European Central Bank's President Christine Lagarde in Frankfurt, Germany.

The latest virus setbacks "are disrupting economic activity," Lagarde said, noting that the services sector was hit especially hard. "The intensification of the pandemic poses some downside risks to the short-term economic outlook," she added.

The ECB in December forecast 3.9 percent growth for 2021, after an estimated contraction of 7.3 per cent in 2020. Lagarde said the ECB's forecasts "remain valid" for now, as they took into account lockdowns persisting through the first quarter coupled with a gradual start to vaccinations. The former French finance minister also reiterated her plea for European governments to support the ECB's efforts through fiscal policy.

She urged European Union members to speed up the ratification of a recently agreed 750-billion-euro recovery fund, saying it had a "key role" to play in financing the region's bounce-back.

Under Lagarde, the ECB took unprecedented steps last year to cushion the impact of Covid-19 on the euro economy. Its biggest weapon is a pandemic emergency bond-buying scheme, known as PEPP, that was in December topped up by 500 billion euros to reach a total envelope of 1.85 trillion euros. The scheme was also extended to March 2022.The bank has also offered ultra-cheap bank loans and held interest rates at historic lows.

The goal of the measures is to keep borrowing costs low to encourage spending and investment in the 19-nation currency club, in a bid to boost growth and inflation.

US housing boomed in 2020 even as pandemic slammed economy

AFP, *Washington*

The US housing market boomed in 2020 even as the coronavirus pandemic caused one of the worst economic contractions of modern times, as Americans took advantage of low borrowing rates to buy homes.

The surge in new and existing home sales, and home construction, underscores the unequal experience of the pandemic across the United States. Even as tens of millions of people lost their jobs due to the pandemic disruptions, others were able to afford major property purchases.

And it serves as a stark contrast to the 2008 global financial crisis, when mortgages were at the center of the downturn and the American housing market collapsed.

Existing home sales last year hit the highest level since 2006, the National Association of Realtors (NAR) reported Friday, with sales rising to 5.64 million. That was 5.6 per cent higher than in 2019, before the virus harrowed the world's largest economy.

And while the Commerce Department will not release its year-end data for new home sales until next week, through November the 841,000 seasonally adjusted annual rate was 20.8 percent above the same month in 2019. "What's even better is that this momentum is likely to carry into the new year, with more buyers expected to enter the market," NAR Chief Economist Lawrence Yun said.

The housing market was fairly solid before the pandemic hit, but the Federal Reserve's decision to slash its benchmark lending rate to zero as the coronavirus crisis began fueled the surge in purchases that began after a short pause. The drastic Fed move was a sign of the severity of the damage and intended to keep the economy afloat. The last time the central bank cut rates to zero was during the global financial crisis, when the housing market was in the eye of the storm and a wave of subprime mortgage defaults caused millions of foreclosures.

With mortgage rates hitting historically low levels last year, according to government-sponsored lender Freddie Mac, buyers seized the opportunity.

The Pew Research Center in July reported that about one in five Americans moved due to the pandemic or know someone who had, and 18 percent of those who moved said the reason was financial.

But there was also evidence that people took advantage of the changing situation to try out new digs. Pew reported that 13 percent of people moved to a second home or vacation residence, while nine percent headed to a new place that they either bought or rented.

Though some sectors of the economy are struggling to recover from the business restrictions that began last March to stop Covid-19 from spreading, homes sales of rebounded sharply as summer arrived, and remained strong even as the pace slowed. "The housing market has been a bright spot of the economic recovery thus far," said Joel Kan, associate vice president of the Mortgage Bankers Association.

Homebuilders have struggled to keep up with demand, and construction of new homes grew seven percent last year compared to 2019. Existing home inventory in December dropped to 1.07 million units, 16.4 per cent lower than November and down 23 per cent from the year-ago period, NAR said. Unsold inventory is also at 1.9-month month supply, an all-time low.

Strong demand and short supply sent the median sale price upwards to $309,800, 12.9 percent above December 2019, and Kan warned that if the situation doesn't change, that could price the first-time home buyers who make up a third of demand out of the market. Ian Shepherdson of Pantheon Macroeconomics predicted the housing market was in for a "modest correction" and that prices would continue to rise. "We expect a renewed, sustained increase in housing activity in the spring, when the Covid pandemic should be receding, but sales are unlikely to rise further before then," he said.

Pandemic wipes out 3.57 lakh apparel jobs: study

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The capacity utilisation of the factories improved with the rise in the orders: In April, 89 per cent of factories had zero capacity utilisation, which came to down 1.3 per cent in September.

Due to the pandemic, the size of factories has scaled down. The average number of workers in a factory in December 2019 was 886, and it came down to 790 in September last year, a fall of 10.8 per cent.

Speaking at the virtual dialogue, Rehman Sobhan, chairman of the CPD, said under the current business model, most of the burden was borne by the supplying countries, and the buyers were risk-free.

There is a lack of information on how a $2 shirt is sold at $20 by international retailers and brands, he said, suggesting research firms conduct studies on this particular issue.

He suggested introducing a general comprehensive insurance programme in the garment sector. The government, buyers, donor agencies and workers should participate in the programme.

Mohammad Abdul Momen, director of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA), said the moment the garment sector was trying to recover from the fallouts of the Covid-19, the second wave hit.

During the first wave, 99.99 per cent of retail outlets were shut. It is 25 per cent during the second wave, he said.

The prices of raw materials like yarn and cotton have gone up, but the prices of garment items did not increase. Rather, it decreased by nearly 15 per cent, the entrepreneur said.

Mohammad Hatem, first vice-president of the Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA), said local suppliers faced discounts between 25 per cent and 50 per cent from buyers, not only just the cut in prices.

"We have started recruiting workers as orders are flowing in. We are suffering from the shortage of workers again," he said.

He said 80 per cent of factories were running at losses and they had kept their business up and running just to survive.

"Ten per cent of factories are running at break-even and 10 per cent large units are making some profit."

Of the more than 850 members of the BKMEA, 420 availed loans from the stimulus package. Some 99 did not receive the loan although they had applied.

The CPD study said it was alleged that factories that recruited new workers had mostly hired their retrenched workers but at a downgraded level. This means they were offered lower grades, lower pay and were hired on a contractual basis.

Though workers got the job, they lost entitled benefits due to discontinuation of their jobs, it said.

The think-tank said the subsidised credit provided under the stimulus package and the gradual rise of production orders helped factories to address the crisis.

The package covered the demand of 70 per cent of the enterprises. However, about 30 per cent of the enterprises were left out of the package. They include small and non-member factories.

Any future package for the sector needs to be customised considering the priorities to small scale enterprises and non-member enterprises, the CPD said.

Kutub Uddin Ahmed, former secretary-general of IndustriALL Bangladesh Council, said the income of garment workers declined by 8 per cent during the pandemic.

He said the fund given by the European Union and Germany for the retrenched workers could not be disbursed because of faulty lists supplied by the BGMEA and the BKMEA.

Syed Hasibuddin Hussain, project manager of MiB, moderated the meeting.

Stocks ride on increased liquidity

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"So, we can't say that Bangladesh's stock market is rising just as the other markets are as there is no such relationship between the two," he said.

Due to easy access to liquidity worldwide, most major indices have been rising and besides, some other factors influenced the bull run of Bangladesh's stocks.

"For example, optimism towards the new commission has had a positive impact," Islam said.

On the other hand, the country's stock market had been bearish for a long time, so many stocks had turned lucrative, he added.

The Nikkei stock average of Japan is at a high point of 28,631 while neighbouring India's BSE Sensex is also at a record 48,875.

The UK's FTSE 100 was at its all-time high of 7,730 in 2018 but then fell due to the Covid-19 outbreak. It is now on the rise again and has jumped to stand at 6,695 as of January 22.

It is the same scenario in Hong Kong, where the Hang Seng index topped 33,154 points in 2018 but now stands at 29,447. But this index is also in a rising trend.

Various markets, including Bangladesh's, have been rising thanks to the fiscal stimulus which brought down the interest rate, said Ershad Hossain, CEO of City Bank Capital.

"This is very basic," he added.

Governments are pumping money into their economies in a bid to survive the ongoing crisis.

The interest rate has become almost zero in the US, Hossain said, adding that Bangladesh's net deposit rate became negative due to a higher inflation rate.

"So, funds are coming to the stock market despite the pandemic and growth stunt," Hossain said.

The merchant banker also thinks that the new commission's initiatives to boost investor confidence played a part.

"They have taken many steps and reform activities and are stricter on enforcement," he added.

The Bangladesh Securities and Exchange Commission (BSEC) ensured that sponsors hold the minimum number of shares in listed companies, a rule not abided by in the last nine years. The market regulator also imposed high amounts of fines on many gamblers.

The new commission also eased the processing of initial public offerings, allowing many companies with good performance records to get listed over the last few months. This includes the trading debut of multinational Robi Axiata.

The BSEC has also taken steps to turn junk stocks to perform well. In this regard, it is working closely with Bangladesh Bank.

The central bank has asked scheduled banks to form a fund of Tk 200 crore to invest in the stock market.

Against this backdrop, the stock market is supposed to go further, Hossain said.

"We saw a downtrend in foreign portfolio investment (FPI) in 2018-19 and a sharp one in 2019-20 mostly due to the Covid pandemic. However, we see some FPI back into select stocks, that is Square Pharma and BATBC, in the last couple of months. We expect this trend to continue in blue chip shares," said Hossain.

"Our stock market does not usually match the world index but this time it has been following the trend," a stock broker said.

"Our market usually rises due to speculations in most cases but now, stock investors are now gaining confidence by seeing a well governed market," he added.

With the appointment of the new commission, confidence grew among investors as the new commission has taken many steps against the gamblers and to stabilise the market in the long run, he said.

This commission is comparatively more strict when it comes to rules and regulations and is penalising players, he added.

"So, many investors are gaining the confidence to invest here," he said.

If stocks of companies with good performance records come to the market and the regulator remains strict on rules and regulations, then the market will keep going, he added.

Bourses see extensive profit booking

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Insurance sector market capitalisation rose 1.6 per cent in the last week, according to the weekly market review of UCB Capital Management.

In the last few weeks, insurance stocks have been declining after experiencing a continuous rise for a long time. However, the IDRA's circular helped it to gain again, the stock broker said.

In the last week, junk stocks got a hit so most of the low-performing companies' stocks were red. Alltex Industries shed the most, falling 16.9 per cent followed by LafargeHolcim Bangladesh, Alif Manufacturing, Appollo Ispat, and Jute Spinners.

Investors got a lesson from the stock market regulators' step towards United Airways, said a merchant banker.

On January 12, the Bangladesh Securities and Exchange Commission (BSEC) ordered the Dhaka and Chattogram stock exchanges to transfer United Airways to the over-the-counter board from the main trading board.

As the company has not been operating since March of 2016 and has little potential to restart operation, the regulator delisted it from the main trading board.

Some other companies are also there in the market, which traded at a higher value but they are incurring losses for many years, for which the investors fear the same thing will happen with those also, the merchant banker said.

This fear is necessary to tame junk stocks, which are victims of gambling in many cases, he added.

Meanwhile, the DSE's average daily turnover, another important indicator of the market, dropped 16.25 per cent to Tk 1,565 crore in the last week.

The fuel and power sector dominated the turnover chart, covering 14.3 per cent of the total turnover.

Set up specialised bank for small enterprises: DCCI

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The chamber also suggested formulating a comprehensive policy framework redefining businesses, bringing ease in access to finance through an SME bond and introducing an online trade licencing system for their financial inclusion.

Rahman said Bangladesh will have to explore new Asian markets as 81 per cent of the country's exports were destined for Western countries which were severely affected by the Covid-19 pandemic.

He thinks the crisis would continue this year and there was even a possibility of the economy suffering until next year.

He also recommended providing all investment-related public services through the online One-Stop Service platform of the Bangladesh Investment Development Authority, pointing out that the DCCI was already providing two services through it.

He suggested enabling low-cost investment and financing for the private sector to turn Bangladesh into a lucrative destination for relocation of labour intensive industries from China, Japan and South Korea.

Once Bangladesh makes the United Nations status graduation from least developed to developing country after 2027, it will lose special and differential treatments provided by the World Trade Organization, said Rahman.

The country will also face an additional 6.7 per cent tariff in exports and 27 compliance conventions stipulated in the European Union's scheme of Generalized System of Preferences Plus meant for developing countries, he added.

Bangladesh needs to immediately start developing skills to face the global competition as little time was available, he said.

He claimed that Bangladesh's corporate tax rate of 32.5 per cent was the highest in the world as the global average was only 23.79 per cent.

He demanded a gradual reduction to this rate by 5 percentage points in fiscal 2021-22, 7 in 2022-23 and 10 in 2023-24.

There could be conditions stipulating that tax cuts here have to be invested in skills development, infrastructure funds, research development and the bond market, he noted.

He also demanded imposing a VAT based on value addition or profit margins instead of annual turnovers.

Now 38.6 per cent of graduates are unemployed, claimed the DCCI president, apprehending that around 55 people would lose their jobs by 2041 due to the emergence of the fourth industrial revolution (4IR).

Rahman stressed on the need for facilitating cluster development of backward and forward industries in specialised economic zones with emphasis on uninterrupted and competitively-priced utility, telecommunication and transport services.

He sees a good future of e-commerce in Bangladesh, saying that around 10 crore people were using the internet and annual market sales amounted to $2 billion.

According to him, around 9.78 crore people transact around Tk 50,000 crore per month through mobile banking services, which was proving beneficial in terms of digital engagement.

He also recommended to offer fiscal and non-fiscal incentives for the adoption of 4IR technologies in businesses as well as tax rebates on spending for need-based training and skills development programmes.

This will build the digital infrastructure for increasing digital competitiveness, he said.

NKA Mobin, senior DCCI vice president, Monowar Hossain, vice president, and directors Md Shahid Hossain, Golam Zilani, Hossain A Sikder and Nasiruddin A Ferdous were present.

Tk 428cr project to boost women entrepreneurship

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The project will look to create job opportunities for the unemployed and disadvantaged women, make them self-employed and provide them grants to turn them into skilled human resources.

A feasibility study was carried out to gauge the prospects of the project, according to a document of the planning ministry.

The project will be implemented through 80 centres in Dhaka North and South city corporations and 78 upazilas in 64 districts.

The provision of setting up training centres at the upazila level and in remote areas instead of concentrating them alone at district level has been incorporated in the detailed project plan.

Many people have become jobless because of the coronavirus pandemic, prompting the government to undertake projects to generate employment opportunities for them and increase their incomes.

The project is part of the government initiatives to make the economy more vibrant, said the planning ministry official. A database of trainees will be created.