

US retail sales surge; weekly jobless claims drop to one-year low

REUTERS, Washington

US retail sales rebounded more than expected in March as Americans received additional pandemic relief checks from the government and increased COVID-19 vaccinations allowed broader economic re-engagement, cementing expectations for robust growth in the first quarter.

The brightening economic prospects were underscored by other data on Thursday showing first-time claims for unemployment benefits tumbled last week to the lowest level since March 2020, when mandatory closures of nonessential businesses were enforced to slow the spread of the first COVID-19 wave.

The rapidly improving public health environment and the White House's \$1.9 trillion rescue package are positioning the economy for the fastest growth in nearly four decades this year. "Consumer spending is leading a strong economic recovery in early 2021," said Gus Faucher, chief economist at PNC Financial in Pittsburgh, Pennsylvania.

Retail sales increased 9.8 per cent last month, the Commerce Department said. Data for February was revised higher to show sales dropping 2.7 per cent instead of 3.0 per cent as previously reported.

The broad-based rebound was led by motor vehicles, with receipts at auto dealerships surging 15.1 per cent after falling 3.5 per cent in February. Sales at clothing stores soared 18.3 per cent.

Consumers also boosted spending at restaurants and bars, leading to a 13.4 per cent jump in receipts. Still, sales at restaurants and bars are 1.8 per cent lower compared to March 2020.

Receipts at electronics and appliance stores increased 10.5 per cent and sales at furniture stores rose 5.9 per cent. There were also hefty gains in sales at sporting goods, hobby, musical instrument and book stores. Receipts at food and beverage stores gained 0.7 per cent. Sales at building material stores vaulted 12.1

per cent. Online retail sales increased 6.0 per cent. Economists polled by Reuters had forecast retail sales would increase 5.9 per cent in March. Many qualified households have received additional \$1,400 checks, which were part of the massive stimulus package approved in early March. The package also extended a government-funded \$300 weekly unemployment supplement through Sept. 6.

At the same time, temperatures have warmed up and the public health situation has been rapidly improving, allowing more restaurants to offer dining services.

US stocks opened higher on the data. The dollar was steady against a basket of currencies. US Treasury prices rose.

Excluding automobiles, gasoline, building materials and food services, retail sales rose 6.9 per cent last month after a revised 3.4 per cent

decrease in February. These so-called core retail sales correspond most closely with the consumer spending component of gross domestic product. They were previously estimated to have declined 3.5 per cent in February.

Strengthening domestic demand was underscored by the release of the Federal Reserve's "Beige Book" report on Wednesday, which described economic activity as having "accelerated to a moderate pace from late February to early April," and also noted that "consumer spending strengthened."

Growth estimates for the first quarter are as high as a 9.8 per cent annualized rate. The economy grew at a 4.3 per cent pace in the fourth quarter. Growth is expected to top 7.0 per cent this year, which would be the fastest since 1984. It would follow a 3.5 per cent contraction last year, the worst performance in 74 years.



People wearing protective masks shop at Macy's Herald Square following the outbreak of the coronavirus disease (COVID-19) in the Manhattan borough of New York City. REUTERS/FILE

Europe needs more short-term aid to counter continued Covid risks: IMF

AFP, Washington

European economies need "an extra push" of financial support this year and next to overcome the long-term impacts of the Covid-19 crisis, a senior IMF official said on Wednesday.

Europe faces more risks to its economic recovery due to Covid-19 variants and delays in vaccination campaigns that threaten to prolong the health crisis, said Alfred Kammer, director of the International Monetary Fund's European department. "Reflecting the periodic infection waves and the pace of vaccinations, the economic recovery in Europe is still halting and uneven," he said. "We are suggesting an extra push, and an extra effort" to limit permanent damage to the region's productivity from the pandemic, he told AFP in an interview.

Europe is expected to see economic growth of 4.5 per cent this year, 0.2 points lower than the October forecast, followed by a 3.9 per cent expansion in 2022, according to the IMF's latest Regional Economic Outlook published Wednesday.

Governments still have "fiscal space to respond if more negative shocks are coming," Kammer said, calling for a "concerted effort... the sooner the better." The IMF forecasts assume vaccines will be "widely available" by mid-year, and Kammer said "the number one priority is to boost vaccine production." The current projections would only take the region's economy "back to its pre-pandemic level, but not to the path expected before the pandemic."

A slower recovery could create "social unrest and more medium-term scarring of economies if the crisis lingers," the IMF report warned, and policymakers

"need to continue to provide emergency support to households and firms." However, Kammer said, "This is not a call for a package that boosts spending indiscriminately and permanently, but for a well-targeted and temporary shot in the arm of both demand and supply." Additional spending of three percent of GDP through next year could lift GDP by about two percent by the end of 2022 and cut the impact of scarring by more than half, the IMF estimated. "We can actually reduce these permanent output losses... and that will be hugely beneficial for everybody," Kammer said.

While the current level of support provided by European governments "looks sufficient," he cautioned that "we don't know how long (the recovery) is going to take" so fiscal support will need to continue in 2021 and 2022. However, the European Union so far has failed to ratify a 750 billion euro (\$885 billion) coronavirus recovery fund, after it was blocked by Germany's Constitutional Court. "Further delays should be avoided," Kammer said.

The Washington-based crisis lender credited governments with providing "unprecedented lifelines" during the pandemic that helped tens of millions of people, but those funds now should shift to retraining programs to help workers find jobs in emerging industries.

The costs of these programs "would pale in comparison to the benefits." Since the pandemic pain has hit certain groups the hardest, including youth, women and the poor, "inequality has been increased during the crisis, and it needs to be tackled," he said.

These groups must be given "a fair shot at opportunities... a fair shot for success in the future."

Tech glitches leave bank clients up the creek

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money amidst the strict restrictions on movement imposed by the government to keep the coronavirus pandemic at bay, said the officials of banks.

Some clients had also personally visited banks to submit cheques yesterday but those were not for the IT issue.

Severe problems have been created in managing funds due to the restrictions on movement, the officials said.

The central bank sent a letter on April 13 to banks informing that the two financial transaction systems would stay out of operation until further notice.

This has had a huge impact on the country's financial sector as businesses and clients do not carry a large amount of cash, the bankers said.

If the BACH remains inoperable, there are delays in payments and companies' activities also face a roadblock due to the absence of the financial transactions.

Of the two disconnected data centres, one is at Motijheel and the other at Mirpur,

said officials of the central bank. Although the central bank restored the connection between the two centres on the evening of April 13, the operation of the BACH is yet to be restored.

"It is not possible to repair the BACH by today. We hope that the crisis will be resolved within Saturday," said a high official of the central bank.

Two technology-related solution teams -- Microsoft and VMware -- have been working to resolve the issue since Tuesday, he said.

The BACH, the first ever electronic clearing house of Bangladesh established in 2010, has two components -- an Automated Cheque Processing System (ACPS) and the EFT.

The platform has never faced such range of crisis, said the central banker.

The inter-bank transactions through the two digital modes are the largest in terms of both number and volume of transactions.

For instance, clients submit around one

lakh inter-bank cheques, amounting to around Tk 12,000 crore, per day.

Since inception in 2010, the ACPS is the only state-of-the-art cheque clearing facility. The ACPS uses a cheque imaging and truncation (CIT) technology for electronic presentment and payment of paper-based instruments.

Under the EFT system, around 1.5 lakh transactions are settled by clients per day, amounting to some Tk 1,000 crore.

With its inception in February 2011, Bangladesh Electronic Fund Transfer Network (BEFTN) was the country's first paperless electronic inter-bank funds transfer system.

The electronic fund transfers occurs by way of using the BEFTN, which is also a major part of the BACH.

It facilitates both credit and debit transactions, as a lead over cheque clearing systems.

The network can handle credit transfers such as payroll, foreign and domestic remittances, social security payments,

company dividends, bill payments, corporate payments, government tax payments, social security payments and person-to-person payments.

Most of the government salary, social benefits, all social safety net payments and other government payments are processed through the BEFTN.

Syed Mahbubur Rahman, managing director of Mutual Trust Bank, said a majority of clients had withdrawn cash in the couple of days thinking that banks were due to be kept shut during the restrictions on movement.

So, both banks and clients did not face a severe crisis yesterday, he said.

The central bank has allowed clients to transact any amount of money through the Real-Time Gross Settlement (RTGS) platform to offset the crisis to some extent.

Clients are usually allowed to send Tk 1 lakh and above to customers of other bank through the RTGS.

This has helped clients to tackle the transaction's halt through EFT.

Country's first SME gets nod to go public

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that allowed all companies with paid-up capital of between Tk 5-30 crores to raise funds from the stock market.

There are about 78 lakh SMEs in Bangladesh employing about 2.5 crore workers in the sector, according to the Bangladesh Bureau of Statistics.

If any individual has investments of more than Tk 1 crore in listed securities, then he or she is considered a qualified investor.

Nialco Alloys shares would be traded at the bourses' SME platform, where general investors are not allowed to make purchases.

The company will not be allowed to declare any bonus shares within three years of its market debut, the BSEC said.

Its earnings per share was Tk 0.91 for the period that ended on September 30, 2020, while its net asset value without a revaluation reserve was Tk 12.43.

With the QIO proceeds, the company will develop its facilities and bear the IPO expenses. MTB Capital is the issue manager.

The BSEC also approved an open-ended mutual fund named RBIMCO BGFI Fund at the meeting.

The primary target of the fund is Tk 10 crore, of which Tk 1 crore would be provided by its fund manager, the Royal Bengal Investment Management Company, while the rest would be open for general investors.

The Bangladesh General Insurance Company is its trustee and Brac Bank is the fund's custodian.

Home stays turned into an advantage

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"I want to farm it on a larger scale and also set up a lab for producing mushroom seeds. However, I cannot arrange the capital," he said.

"My Saudi employer e-mailed me recently asking to go back spending only plane fare. But I didn't respond... what shall I do on returning a few years later?" he asked.

"I want to do something permanent in the country," he added.

Nazneen Akhter, upazila agriculture officer in Basail, said mushroom was a healthy food option.

"Saiful is a role model for the unemployed local youths. If anyone is interested in mushroom cultivation and want to avail training, we will make arrangements," she added.

Women entrepreneurs bear the brunt of pandemic

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Around 93 per cent of female entrepreneurs did not apply for loans under the stimulus package unveiled by the government to support CMSMEs, the survey showed.

The reasons include a lack of information, lengthy procedures, non-cooperation of financial institutions, and prospective borrowers being single women.

The income of most of the respondents has fallen, so they were worried about the monthly repayment of loans. Some are not interested in taking loans as they contracted their businesses.

Banks were also unwilling to provide the amount of money they need, according to the entrepreneurs.

The government has unveiled liquidity support amounting to Tk 20,000 crore, equivalent to 19.43 per cent of the total Covid-19 funding introduced since the pandemic struck Bangladesh in March last year.

Some 58.6 per cent of women entrepreneurs reported having no knowledge of the stimulus package announced for CMSMEs.

The Covid-19 liquidity support and fiscal stimulus packages were not designed with women in mind. So, they have not been fully successful in addressing women's special needs during the pandemic, the CPD said.

"Due to the economic downturn and the uncertainty regarding the future, women need cash handouts more than loans. So, fiscal measures would be more effective in easing the burden of the pandemic on women than monetary measures."

While making a presentation on the study, CPD Executive Director Fahmida Khatun focused on a range of issues, such as providing training to women entrepreneurs and improving women's access to finance.

She pointed out that child marriage, the

burden of unpaid care and domestic work, and violence against women increased during the pandemic.

All should work together to impart information about the incentive packages to the right people, said Planning Minister MA Mannan.

"The government recognises the challenges of women during the pandemic and is working towards improving their situation."

All packages need to ensure adequate and transparent delivery for women, said Shoko Ishikawa, country representative of the UN Women.

Globally, 47 million women and girls have been forced into poverty because of Covid-19, she added.

Prof Rounaq Jahan, a distinguished fellow of the CPD, said as Covid-19 added disadvantages for women, a plan of action is needed to support women entrepreneurs.

"A task force might be formed to

monitor the progress of this work."

Shaheen Anam, executive director of Manusher Jonno Foundation, said: "We applaud the government for the incentive package it announced at the time of the emergency. But as it turned out, most of the women entrepreneurs did not get help from this package."

"Many women entrepreneurs closed their businesses. So, this issue needs to be considered seriously."

The CPD demanded transparency and accountability in the disbursement of the Covid-19 support.

Lila Rashid, a former executive director of Bangladesh Bank; Kaniz Almas, CEO of Persona; Fauzia Moslem, president of Bangladesh Mahila Parishad; Farah Kabir, country director of ActionAid Bangladesh; Md Jashim Uddin, deputy managing director of the Palli Karma-Sahayak Foundation; and Selim RF Hussain, managing director of Brac Bank, also spoke.

Draw up country risk management guidelines

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If a country's rating is insignificant, banks do not have to keep any provision, but they have to keep aside funds for countries whose ratings span from low to high.

A bank's exposure with companies of a foreign country will be calculated to deduct its debts from credits.

For instance, if a client of a local bank imports products from a company of a foreign nation, it will be considered a debt of the local lender.

If the same bank exports goods and services to another company of the same foreign nation, it will be considered credit. Banks will have to maintain the provision on the net exposure.

The country's businesses are usually doing business with companies located in foreign countries which have strong ratings, said a central bank official. "Banks are not required to keep much provisions against their foreign trade," he explained.

The central bank guidelines will come into force from January 2022.

The GCRM policy will be periodically

reviewed by the boards of banks on the basis of the experience gained on the respective foreign countries.

The frequency of periodic reviews of country risk ratings should be at least once a year with a provision to review the rating of a specific country, based on any major events in that country, where bank exposure is high, even before the next periodical review of the ratings is due.

Banks will have to consider the macroeconomic situation of a country while preparing its risks.

In addition, the analysis of country risk should also take into consideration the country's social, political and legal climate. The willingness and ability of the government to recognise economic or budgetary problems and implement appropriate remedial action will have to be given emphasis.

The degree to which political or regional factionalism or armed conflicts are adversely affecting government of the foreign countries also have to be taken into account while preparing country risks.

Garment workers irked by transport crisis, high fares

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The workers who stay far away from the workplaces were supposed to be transported by the factories' own transports. But in many cases, they were not given the facility, he said.

As a result, many workers in Savar, Ashulia and other industrial areas went to their workplaces on foot or used human haulers and rickshaws that charged abnormally high fares, he said.

"The factories that transported their workers failed to maintain the required social distancing," Rahman told The Daily Star.

Md Nasir Uddin Ahmed, inspector general of the Department of Inspection for Factories and Establishments (DIFE), said all the inspectors in 23 districts, home to most garment industries, were monitoring the situation at the field-levels and from the control rooms.

"The factory managements have been asked to follow the health guidelines strictly. Otherwise, they will face actions. So far, no infections and major untoward incident were noticed," he said.

The DIFE found that the workers of a factory in Bhaluka walked to their workplace as the owner did not provide transports.

"We cautioned the factory management. The management agreed that it would manage transports for the workers."

If it fails to ensure transport for the workers, we will take action against the factory," the DIFE chief said.

Faruque Hassan, president of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA), said almost all of the factories were open. He said managements had not staggered the entry and exit of the workers.

"Last year, many factories followed the system. We are monitoring it so that they again stagger the entry and exit," he said.

Hassan acknowledged that some small and medium-sized factories were not following the health guidelines properly.

But if a factory does not follow the health rules, it will not be able to do business as there is pressure from international communities, local administrations, and international retailers and brands, he said.

Hassan said the BGMEA had instructed all member factories to provide transport facility to the workers who live far from the factories.

"I have also asked the members to produce less, if necessary, but follow the health guidelines and prioritise the workers' health safety."

If a factory cannot bring the workers from their residences using own transports, they should go for lower production, he said. "Ensuring health safety of the workers and other employees is very important."

Ahsan H Mansur, executive director of the Policy Research Institute of Bangladesh, endorsed the decision of running factories during the lockdown as a massive number of workers would have rushed to their village homes if they had been closed.

"This would have spread the virus further," he said.

He called for an independent study to determine the authenticity of the BGMEA data on the infection rate among the workers.

The BGMEA said the infection rate among the workers is 0.03 per cent.

"If the study finds the rate authentic or is in line with the national level, still it will be good to run the factories," he said, calling on the government to strengthen monitoring.