

Steps to curb infections slow economic activities: ICC-B

STAR BUSINESS REPORT

The lockdowns to control the infection of Covid-19 have devastated economies, as the economic activities of people paused to a great extent, according to the International Chamber of Commerce - Bangladesh (ICC-B).

Analysts have identified the pandemic as a turning point in world history, with ramifications for everything from climate change to the global balance of power, the ICC-B said in its quarterly news bulletin for Jan-Mar'21.

Just a year ago, on March 11 in 2020, the World Health Organisation (WHO) declared Covid-19 a global pandemic.

According to WHO, the virus has infected over 135.65 million people worldwide and caused 2.93 million deaths, as of March 31.

To fight the pandemic, regional cooperation is needed to bolster South Asian capabilities, the chamber said.

South Asia has done better in containing the pandemic in the form

of a single metric: the number of deaths from Covid-19 per million people.

According to World Bank's South Asia Economic Focus released on March 31, prospects of an economic rebound in South Asia are firming up as growth is set to increase by 7.2 per cent in 2021 and 4.4 per cent in 2022, climbing from historic lows in 2020 and putting the region on a path to recovery.

But growth is uneven and economic activity is still well below pre-Covid-19 estimates, as many businesses need to make up for lost revenue and millions of workers (mainly informal sector), still reel from job losses, falling incomes, worsening inequalities, and human capital deficits.

The region is set to regain its historical growth rate by 2022. Electricity consumption and mobility data is a clear indication of recovering economic activity, the ICC-B also said.

India, which comprises the bulk of the region's economy, is expected to grow more than 10 per cent in fiscal year 2021-22 -- a substantial upward revision of 4.7 percentage points from

January 2021 forecasts.

The outlook for Bangladesh, Nepal and Pakistan has also been revised upward, supported by better than expected remittance inflows, World Bank added.

According to the United Nations World Economic Situation Prospects (WESP) 2021 released in January, the pandemic and the global economic crisis have consequently left deep marks on South Asia, turning this former growth champion into the worst performing region in 2020.

But to grow back stronger, South Asian countries will need first to redouble their efforts to diversify their economies, while at the same time taking stock of global trends initiated by the crisis, such as restoring of global value chains and a decreased appetite for contact-intensive services.

Achieving resilience to external shocks should be among the most important considerations within the decision framework for policymakers in South Asia, who are currently rethinking their industrial policies, UN WESP 2021 added.

India says EU summit will be virtual due to Covid surge

AFP, New Delhi

A planned summit between European Union and Indian leaders in Portugal next month will now be virtual because of the sharp rise in coronavirus cases in India, New Delhi said Tuesday.

India has recorded more than three million new infections and 18,000 deaths this month alone, dashing hopes in January and February that the country might have beaten the pandemic.

The United States on Tuesday advised its citizens against travelling to India while Britain, cancelling a visit by Prime Minister Boris Johnson, added the country to its "red list".

"In view of the COVID-19 situation, it has been decided, in consultation with the EU and Portuguese leadership, to hold the India-EU Leaders' Meeting in a virtual format on 8 May 2021," the Indian foreign ministry said.

"The India-EU Leaders' Meeting in the EU+27 format, the first time that such a meeting is being held, reflects the shared ambition of both sides to further deepen the Strategic



REUTERS/FILE

European Union flags fly outside the European Commission headquarters in Brussels, Belgium.

Partnership," a spokesperson said.

The 27 leaders of the European Union member states are due to meet EU officials, labour, business and civil society organisations in the Portuguese city of Porto on May 7, a day ahead of the EU-Indian leaders'

meeting.

They will discuss a European Commission proposal to fully implement a plan to protect the rights of workers and small businesses across the bloc, as well as climate change and the transition to a digital economy.

Clothing brands still see Bangladesh as a major supplier

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"Both Bangladesh and Sri Lanka have the capacity to supply products that are supplied by China," the study said.

It proposed that in case of a major global crisis, a redistributive approach should be maintained to ensure export orders at least at the pre-crisis level, particularly for countries that have financial constraints and weak social support programmes to support their suppliers and workers.

According to the study, 76 per cent of suppliers had to reduce export orders. The highest proportion of order reductions was seen in case of Bangladesh at 93 per cent, followed by Vietnam at 80 per cent, China at 74 per cent, and India at 61 per cent.

Fiscal constraints of Bangladesh and Sri Lanka squeezed domestic capacity to support the apparel sector during the crisis, it said.

In Bangladesh, \$1.2 billion subsidised credit to garment enterprises was disbursed in the form of workers' wages, an extension of letters of credit usance, waiver interest of loans, increase in the export development fund, and temporarily deferment of loan payment.

The subsidised credit support has not been received by all factories, the study said.

As of October 2020, more than 360,000 workers lost jobs. Only 14 per cent of the laid-off or retrenched workers received dues. Fifty-eight per cent of workers were in financial difficulties, and 82 per cent saw a deterioration in their food

intake in Bangladesh.

In Sri Lanka, a debt moratorium of six months for interest and capital was offered, and short-term working capital loans at 4 per cent interest were extended. Most factories availed the working capital loans made available in Sri Lanka.

There have been substantial impacts on workers' incomes and livelihoods as debt increased, assets sold, and savings spent, the study said.

Rehman Sobhan, chairman of the CPD, said that the International Labour Organisation (ILO) could consider playing an entrepreneurial role in bringing together international buying countries with supplying countries to restructure the global demand management.

"A tripartite exercise should be carried out, including government, employers, and workers to produce a mutually accommodating system of unemployment insurance to address not just the immediate impact of the coronavirus crisis but a longer-term crisis."

Mostafiz Uddin, managing director of Denim Expert Ltd, said during the crisis, his buyers even did not respond to emails, although they were saying that they were long-term business partners. He is not hopeful about getting back all of his arrears from the buyers as lead-time, contracts, and prices changed due to the fallouts of Covid-19.

"Brands and retailers should consider us as their business partners meaningfully," the

entrepreneur said. Husni Salieh, director for strategic transformation at MAS Holdings in Sri Lanka, said the value of a value chain was truly optimised when its stakeholders work collaboratively, particularly during the crisis.

He added that building resilience within a relatively diversified but existing value chain could face the current and future crisis successfully.

Pierre Börjesson, head of sustainability for global production of H&M Group, called for speeding up digital marketing so that the supply chain was not affected during any disaster.

The Swedish retail giant, which purchases more than \$3.5 billion worth of garment items from Bangladesh every year, did not cancel any work order during the pandemic, Börjesson said, calling for social protection for workers.

Binu Wickramasinghe, co-founder and managing director of Design Collective Store in Sri Lanka, said small and medium enterprises in the Island nation suffered a lot in availing loans.

Dan Rees, director of Better Work, a flagship programme of the ILO, said only sector-specific measure might not address the existing challenges.

In order to build strong resilience and protect the workers, trust and cooperation among the stakeholders and a long-term plan were required, he said.

Fahmida Khatun, executive director of the CPD, and Mustafizur Rahman, a distinguished fellow, also spoke.

Construction work of first private hi-tech park begins

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This company will develop all kinds of software, industrial digitalisation, data entry and outsourcing with an estimated investment worth \$200 million successfully.

"This should attract startup companies who can explore their venture out of an economic premise," the press release said.

Startup boot camps and accelerator programme will be organised to support strengthening of the start-up ecosystem and through upskilling entrepreneurs in Bangladesh.

Speaking at the event, Palak said: "Korean EPZ Hi-Tech Park would play an important role in the development and growth of Bangladesh's information technology sector." "It would make a significant contribution to the economy."

The state minister said once the project is implemented, the port city will grow into a modern IT business hub.

LEE Jang-keun said Korea would open a new chapter of the business relations with Bangladesh by taking off their previous traditional corporations and moving into a new corporation focusing on hi-tech park and ICT.

Kihak Sung said while Youngone Corp was investing massively in man-made fibre

project to supply to the country's garment sector, it was ready to make a significant contribution to ICT industries and startup ventures by providing infrastructure and investment.

"Especially, we will be seeking Korean help in this respect."

Korea is one of the successful ICT nations. Its IT sector accounts for 12 per cent of GDP and 36 per cent of the export amount, he said.

Jimmy Kim, co-founder and partner at SparkLabs Global Ventures, a venture capital fund based in California, described the future of the zone as promising.

Its facilities would support the startup ecosystem of Bangladesh by connecting foreign investors with local startups and developing incubation centres and accelerators, he said.

KEPZ was inaugurated in October 1999 under the agreement of Bangladesh and Youngone of South Korea.

Youngone started the development of the EPZ in 2009, and it now hosts more than 32 factories, employing around 25,000 local workers.

Tina Jabeen, managing director of Startup Bangladesh, and Md Shahjahan, managing director of the KEPZ, also spoke.

GP net profit drops 16pc

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With the acquisition of 10.4 MHz spectrum in the first quarter of 2021, Grameenphone holds the country's largest spectrum of 47.4 MHz, said the telecom operator.

It said it was using its technological expertise in building capabilities and digital enablement.

"We are also faced with increased volatilities as Bangladesh faces its worst yet wave of Covid-19," said Azman.

"Our efforts will continue in devising

collaborative solutions in supporting recovery from the pandemic while we will continue to enrich our service propositions and facilitate the country towards growth and digitalisation," he said.

Capital expenditures stood at around Tk 360 crore, excluding licence and lease for network coverage, said the mobile operator in a press release. Grameenphone now has 16,852 base transceiver stations, which essentially facilitate wireless communication between user equipment and the network.

Brac Bank registers Tk 454cr net profit

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It is one of the highest NPL coverage ratios in the country's banking industry.

"Brac Bank had come out of the pandemic with its reputation among customers and stakeholders even higher than at the start of the year," said Managing Director Selim RF Hussain.

He particularly complemented the bank's 9,500 odd staff members, saying they exhibited the highest standards of professionalism and sincerity during very

difficult circumstances.

M Masud Rana, deputy managing director (DMD) and chief financial officer, Sabbir Hossain, DMD and chief operating officer, Tareq Refat Ullah Khan, DMD and head of the corporate banking division, and other senior officials took part in the event.

The disclosure programme brought together many local and foreign investment analysts, portfolio managers and capital market experts and was also broadcast live on social media for overseas stakeholders.

Banking stocks lose grace for high defaulted loans

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The government should take up prudent policies to make the banking sector healthy, he said.

Moreover, considering the low price-to-earnings (P/E) ratio, investors can invest in some banks, the analyst added.

The P/E ratio refers to a company's share price compared to its earnings per share.

The P/E ratio of banks is much lower than that of other listed companies. Of the 31 listed banks, 22 have had their P/E ratio in the past 12 months ranging from 4 to 8, according to the DSE data.

The P/E ratio of most companies range from 15 to 25, shows the data. If the P/E ratio is lower than 15, the stocks are considered to be much lucrative.

The DSE data shows that the average P/E ratio for the banking sector is 8.13, the lowest among all the sectors. Ratios closest to it are of the fuel and power and textile sectors, 11.93 per cent and 17.93 per cent respectively.

Mir Ariful Islam, head of research of Prime Finance Asset Management Company, said investors have very little confidence on the banking sector due to their high amounts of non-performing loans and low asset quality.

So they are not buying bank shares although those come to provide handsome dividends, he said.

Almost all the listed banks are paying over 10 per cent dividend every year.

For 2020, 15 banks have declared dividends. Of them, two declared less than 10 per cent, four 10 per cent to 14 per cent, four from 15 per cent to 19 per cent and three from 20 per cent to 29 per cent. Two are going to provide over 29 per cent.

However, stock investor Md Jakir Hossain expressed his frustration, saying that he bought many banks' shares on seeing that they had a low P/E ratio but the stock price was eroding month after month.

"I invested in some banks at least four years earlier but the share prices of the banks are still lower than that of my buying price," he said. He however acknowledged that they were paying dividends.

Banks' share prices have remained bullish over the last few years. Furthermore, many of the stocks have been downed to less than the face value, Hossain added.

Ali Reza Iftekhar, chairman of the Association of Bankers, Bangladesh (ABB), acknowledged

that the share prices of many banks were low because of high non-performing loans or high deferral of provision or low cash reserve ratio in the banks.

High deferral of provision comes about for banks which, facing a shortage of provision, secure permission from the central bank to declare a dividend on condition of keeping that provision for the next few years, he said.

But there are also some banks with good performance records which are paying high amounts of dividends and with no deferral of provision, for which their stock prices also remain high, said Iftekhar, also managing director of Eastern Bank.

The veteran banker cited his bank as an example, saying that they were providing good dividend year after year and so its share price was also pretty good and had remained almost at a standard level.

Sometimes high paid-up capital is also a reason of share prices going low, he said, adding that investors would regain confidence in the banking sector if the non-performing loans decrease and the lenders steadily start to perform well.

"This is a matter of investors' confidence," he said.

Shop-owners desperate to stay afloat

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On the Bangshal Road, which also has stores of steel and building material sellers, this correspondent saw a similar picture: shop owners and salesmen are waiting for old and new customers to turn up.

Once a shop owner comes across a buyer, he partially opens the shutter, takes the product out, delivers and brings down the shutter again.

This is not an isolated case. Elsewhere in Dhaka city, the centre of economic and commercial activities, similar scenarios would grab the attention of a bystander.

The latest restriction on shop opening has devastated the hopes of recovery of micro and small business and shop owners, who were hit hard by the two-month-long lockdown last year.

Bangladesh has more than 53 lakh shops, and Dhaka alone holds about five lakh shops, according to an estimate by the Bangladesh Shop Owners Association.

Wholesale and retail trade accounts for 13.87 per cent of the country's gross domestic product, the Bangladesh Economic Review says.

Many retail and wholesale traders, one of the key players of the economy, fell into debt and became loan defaulter.

"We would have to sit here and wait for customers. Banks will not waive our loans and interests although we have to keep stores shut for the lockdown," said Shahin Ahmed, another auto parts seller in the same area.

"We will have to repay. But the government has imposed restriction on shop opening without giving any financial support. The government should not have done this. How could retailers survive unless we can sell and earn?"

Amid surging infections, the government has enforced 'lockdown' since April 5 and later extended to April 21. On Tuesday, the government said the curb would be in place until April 28 as the coronavirus situation has worsened.

Wahid Dhali, an iron and steel trader in North South Road, has borrowed Tk 10 crore from banks.

"They often call for repayment. If the current situation persists, I will have no way but to sell properties in my village and repay the loans," he said.

Selim Hossain, a cloth wholesaler in Dhaka's Islampur, one of the largest wholesale markets for cloth in the country, said he lost the scope to do business last year as he had to shut the store for the lockdown.

"I have not been able to absorb the

shock of business losses yet."

Hossain said he sold a large amount of cloth on credit to many people.

"I can't even realise the money," said the 45-year-old businessman, who borrowed Tk 22 lakh, including Tk 20 lakh from a bank.

The merchant could not sell as he had expected ahead of the celebration of Pahela Baishakh, the first day of Bangla new year. And this is the peak season for him and his colleagues for sales as Eid-ul-Fitr, the largest shopping season, nears.

For him and others, the closure of shops means huge losses of business and piling up of inventory as Eid and Baishakh sales account for more than 30 per cent of the annual sales of clothing.

"We had wanted to make a turnaround this time. Instead, we see stockpiles of sari, lungi, salwar kameez and other clothes," said Nesar Uddin Mollah, general secretary of the Islampur Cloth Merchant Association.

Md Shaheen, an electrical items wholesaler and retailer at Mazar Cooperative Market in Mirpur 1, kept the shutter of his store partially open. He was afraid of the police.

"I have no alternative but to keep the store open anyhow as I have to pay back

bank loans," he said, "So, instead of keeping the shop closed, whatever I can sell is good."

The 38-year-old could log Tk 15,000 in daily sales during normal times. During these days of strict restriction, the sales dropped to Tk 2,000.

In the New Market area, all were quiet. Markets and shopping centres were shut, and the usual crowd of shoppers in the greater area—from New Elephant Road to Gauchicha market to Nilkhet—vanished.

Yet, one would encounter the question: "What are you looking for? What is the book you want? Do you need any photocopy?"

"We are barely surviving. Over the last year, we suffered the most," said Mohammad Tuhin, a bookseller at the Nilkhet market.

The 29-year-old was sitting on a bench in front of a closed store. Until 1 pm yesterday, he could sell only one book at Tk 560 from his store located inside the market. It would give him a profit of Tk 60 only.

He was waiting outside the market only to get a customer. If he gets one, he would bring the book out from the store and deliver. Tuhin's family has two book stores in

the market, and he alone incurred losses of more than Tk 200,000 in the last year, owing to the slump in sales as schools and educational institutions have been shut since the pandemic struck the country in March last year.

"Our family is the worst victim of the pandemic," he said.

Nearby, a salesman at a stationary store stood with his hands on the shutter so that he could pull it down as soon as the police were in sight.

"If caught, I will not be released before evening," said the salesman.

At Hatirpool, one would also find some traders waiting for customers. Golam Rosul, a tiles and sanitary products trader, was one of them.

"I know that no customer will come. But what would I do sitting idle at home? Eid is approaching. I do not know how to manage everything," he said.

Helal Uddin, president of the Bangladesh Shop Owners Association, said all the industries, banks, insurance companies, and stock exchanges were open.

"We, the traders, are in deep trouble. We want to open our shops in compliance with hygiene rules," he said.

The auto-part seller Masud also wanted to reopen his store soon.

Govt to buy more LNG from spot market

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The survey found that the economic shock induced by the pandemic has pushed 2.45 crore people into poverty in one year.

Kamal was addressing a virtual press briefing following the cabinet committee meeting.

"If any organisation publishes any survey report, that will be assessed by the BBS and we will only consider the assessment of the BBS," he said.

No such assessment has been done yet, he added.

Mentioning that the government is working with the aim of lifting people out of poverty, Kamal said the upcoming national budget would focus on financially insolvent people and they would get priority.