



Workers at this wholesale outlet that sells fabrics mainly for women's apparel products are seen showcasing one of their designs at the Pir Yemeni Market in Dhaka's Gulistan. Wholesale and retail establishments such as these were making apt recovery from Covid-19 but the Russia-Ukraine war is now slowing their progress. PHOTO: AMRAN HOSSAIN

COVID-19 FALLOUT

Wholesale, retail sectors yet to fully recover

Russia-Ukraine war slowing progress, says govt survey

REJAUL KARIM BYRON and MAHMUDUL HASAN

Wholesale and retail establishments that saw their business crippled by Covid-19 may have enjoyed some recovery alongside the return to economic normalcy but the ongoing Russia-Ukraine war now threatens to offset their gains amid global inflationary pressure.

Around 65 to 75 per cent of all wholesale and retail traders in the country suffered from poor business due to a lack of customers, economic crisis and complications of Covid-19 during the height of the pandemic in 2020, according to a government survey.

Of the total 40.49 lakh retail trade establishments, 26.06 per cent endured a lack of customers while 13.39 per cent witnessed a downturn for the economic crisis and 26.04 per cent were directly impacted by the pandemic.

The lack of customers stemmed from restrictions on public movement while the economic crisis refers to increased input costs resulting from the pandemic. Meanwhile, the fallouts of Covid-19 caused complications in the transport of goods, sourcing of raw materials and so on.

Of the 18.87 lakh wholesale establishments, 22.93 per cent suffered from a lack of customers, 17.81 per cent were affected by the economic crisis and 33.66 per cent were directly impacted by the pandemic.

This is the first survey of its kind conducted by the government to shed light on the woes of wholesale and retail businesses, which collectively employ more than 91 lakh people, during the pandemic.

The report, titled "Wholesale and Retail Trade Survey 2021", was conducted by the Bangladesh Bureau of Statistics last year to obtain up-to-date information on the wholesale and retail sectors.

The survey found that wholesale and retail organisations conducted 100 per cent business activities from July 2019 to February 2020.

It then dropped below 25 per cent between April and May 2020 but recovered up to 75 per cent in June.

Sales of wholesalers and retailers started recovering in earnest from the last quarter of the year as the pandemic situation had started to improve by then.

But from the beginning of 2021, they once again began witnessing sluggish business due to global price hikes that got exacerbated by the ongoing Russia-Ukraine war.

"The price of products increased by 25 to 30 per cent in recent months and sales subsequently fell by 20 to 25 per cent," said Aminul Islam Sahin, president of the Newmarket Dokan Malik Samity.

"So, the path to recovery from the pandemic downturn has become difficult," he added.

He then said the authorities' decision to have stores close their doors by 8:00pm in

a bid to save electricity amid rising energy costs has also impacted their business.

Economist Zahid Hussain said there has been a slowdown in business activities ever since the initial countrywide lockdown during the first wave of the pandemic in April-May 2020.

Around 65 to 75 per cent of all wholesale and retail traders suffered from poor business due to a lack of customers, economic crisis and complications of Covid-19 during the height of pandemic in 2020

People maintained social distancing even after the lockdown was lifted and that had an effect on wholesale and retail businesses as well.

A major cause for the recovery in sales in 2020 was that the e-commerce sector grew immensely when people avoided going outside to purchase their daily essentials.

Besides, the spread of Covid-19 disease was more intense in Dhaka and Chattogram, highly impacting sales in those regions while other places were more or less unhampered, Hussain said.

Regarding the sufferings of small businesses, he said that small retail and wholesale establishments were blindsided by the economic downturn as they had no

access to finance.

However, this issue is not limited to the Covid-19 pandemic as the lack of access to finance is a perennial issue for small businesses.

Citing the survey, Hussain said it found that if wholesale and retail traders invest Tk 1, the value addition for this reaches up to Tk 2.67, meaning the returns are high.

But even though the returns are high, their investment is very low.

For example, the investment ratio against capital is 24 per cent at the national level but it is just 0.5 per cent at the wholesale and retail levels.

"This is because they don't get loans from formal banking channels due to a lack of collateral as banks don't consider moveable property as collateral," Hussain added.

In addition, many traders do not even have a trade license, which is a prerequisite for getting bank loans.

This problem will be reduced though as the government is passing the Secured Transactions (Movable Property) Act, allowing moveable assets to be considered as collateral for bank loans.

The last Wholesale and Retail Trade Survey was performed in 2009-2010 and after a long hiatus, it was conducted again in 2020.

The fieldwork for updating the list of establishments within sample areas began on January 21 and continued until January 30 in 2020. But due to

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Access to short-term forex loans widens BB set ceiling at SOFR plus 3.5pc

STAR BUSINESS REPORT

The Bangladesh Bank yesterday raised the ceiling of the rate at which local clients secure finances from external sources through local banks after the benchmark rate hikes by the United States central bank made it difficult for them to access finances.

On August 16, the BB set the all-in-cost ceiling per annum with a markup of 3 per cent over the benchmark rate applicable to the relevant currency against short-term trade finance, a decrease of 50 basis points from 3.5 per cent previously.

But after the US Federal Reserve raised its benchmark interest rate on September 21 by 75 basis points, clients in Bangladesh are struggling to borrow from external sources, said a central banker and a commercial banker.

Rising interest rates shrink global liquidity. For businesses, a tighter credit environment results in higher borrowing costs. Monetary tightening in the US has led to investors pulling their money out of Asian economies, according to the Asian Development Bank.

Given the global market trends, it has been decided to set the all-in-cost ceiling per annum at SOFR + 3.50 per cent for short-term trade finance in foreign exchange, said the BB in a notice yesterday.

All-in costs comprise the entire cost of a financial transaction or business operation, including all taxes and fees such as closing costs, origination fees, or commissions.

The Secured Overnight Financing Rate (SOFR) is a benchmark interest rate for dollar-denominated derivatives and loans that is replacing the London Interbank Offered Rate.

The managing director of a private commercial bank welcomed the central bank's move.

"Mobilising liquidity is the most important thing at the moment. Now we will be able to offer trade finance loans to our clients," he said.

Another banker said although the access to trade finance in foreign currencies would widen, the cost of funds would go up thanks to the spike in the ceiling.

Bourses end in black though most shares fall

STAR BUSINESS REPORT

The Dhaka and Chittagong stock exchanges rose marginally yesterday, snapping a three-day declining trend.

However, most of the shares on the bourses declined for the fourth consecutive day amid cautious trading by investors, who are concerned about the deteriorating exchange rates, the rising inflation, and worldwide economic turmoil.

The DSEX, the benchmark index of the Dhaka Stock Exchange, added 7.34 points, 0.11 per cent, to close at 6,496.

The DSES, the shariah-based index, gained 0.15 per cent to 1,415, while the DS30, the index that consists of blue chip companies, inched up 0.29 per cent to 3,323.

Turnover, however, fell more than 6 per cent to Tk 1,484 crore.

"Some of the investors preferred to book profit while others took the opportunity of buying stocks at lucrative prices," said International Leasing Securities Ltd, a brokerage house, in its daily market review.

Shares of only 71 companies gained on the DSE, while 114 retreated, and 186 were unchanged.

Among the sectors, ceramic was up 3.6 per cent, and financial institutions rose 1.3 per cent.

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EU countries at odds over possible gas price cap

REUTERS, Brussels

European Union countries were at odds on Wednesday over whether to cap gas prices in the bloc, with France, Belgium and 13 other states stepping up their call for the move opposed by Germany and others.

Eyes were on the EU executive European Commission, which was expected to present an analysis on the feasibility of the bloc capping gas prices during a meeting of diplomats from the 27 EU member states on Wednesday.

The Commission's document would not include legal proposals, sources said, but rather present an assessment of options countries could use to tackle high gas prices, which are stoking record inflation across the bloc and threatening a recession.

A group of 15 countries including France, Italy, Spain and Poland urged the Commission on Tuesday to propose a price cap on all wholesale gas transactions to help rein in surging prices.

On Wednesday, Belgium's energy minister suggested the measure could be designed as a "flexible price corridor".

"To tackle the high gas prices, it is crucial to address the price volatility without jeopardising security of supply," Tinne Van der Straeten said in a tweet.

But with Germany, the Netherlands and Denmark among those arguing that a gas price cap would harm efforts to contain Europe's energy crunch, there were doubts as to whether any potential proposal could win sufficient support to become law.



Cabin crew of the Russian airline Aeroflot walk past during the International Paris Airshow at Le Bourget in France. Russia's aviation industry plans to use locally built parts to produce 1,000 airliners by 2030 and end a reliance on Boeing and Airbus. PHOTO: AFP/FILE

Russia aims to fly solo without Airbus, Boeing

REUTERS, Moscow

Russia's aviation industry will aim to go it alone without the West, using locally built parts to produce 1,000 airliners by 2030 and end a reliance on Boeing and Airbus, state-owned engineer Rostec said.

The remarks from Rostec, a vast state corporation headed by a close ally of President Vladimir Putin that includes Russia's only manufacturer of civil aircraft, are the strongest indication yet that the country's aviation sector sees the confrontation with the West as a permanent schism.

The West's imposition of the most severe sanctions in modern history after Moscow sent thousands of troops into Ukraine has forced the biggest change on Russia's economy since the Soviet Union crumbled from 1989 to 1991.

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