Rebooting the economy

ZAHID HUSSAIN

The Bangladesh economy came to a sudden stop in July 2024 as the student movement against quota in civil service took a disruptive turn. The killings, arson and destruction traumatised the nation. The crackdown on the nonviolent uprise of the students and the subsequent one thing leading to another chain of events locked down the economy, only figuratively reminiscent of the pandemic in 2020. Historian Yuval Noah Harari says, "We fully appreciate our knees only when they stop working." The knees of the Bangladesh economy incurred more like systemic malfunctions than just glitches.

Getting the knees back up

Curfew sheltered everyone at home as did the violence preceding it. Factories, shops, markets, and roads faced sudden escalation of disruption. Mobile data and broadband switch off corroded the economy's immune system founded on digital connectivity. All stakeholders remained "virtually" isolated from the rest of the world and from each other with unspeakably adverse human and economic consequences.

The coming together of virtual and real lockdowns dragged the economy down to its barebones. When order collapses, the weak usually suffer most. Bangladesh is no exception to this law of history. Navigating livelihood systems becomes harder when the ordinary business of life faces extraordinary risks from an unraveling social order. Taking student away from their families for "their own safety" without their consent, block raids and indiscriminate arrests suggest the bottom is still in the front view mirror.

The economy's operating system cannot reboot without hick-ups if the institutional hardware has malfunctions such as overt and covert political unrest, curfew, fear, digital disconnects, and closed educational institutions. These undermine the ecosystem in which economic policies and institutions operate.

The recent reopening of broadband and mobile data helps get the knees back up with deep sprains remaining. Social media and digital connectivity restrictions are limiting the public's right to communicate and stay informed.

Handling the consequences

The ecosystem is badly damaged, putting it mildly. Salient are the families distressed by loss of lives and injuries, damaged public properties and tremors in trade and financial relationships. Red flags tend to go up everywhere when tragedies such as Abu Sayeed, captured in incontrovertible footage, happen.

Those of us observing the loss of lives from afar should not pretend to have any clue about the trauma the families of the victims are enduring. It will forever be toxic in their hearts and minds. Nothing short of holding the real perpetrators accountable can heal their emotional wounds and provide some solace to the bereaved families yearning for justice.

The losses incurred by the private sector are surely considerable. For instance, according to Internet Society Pulse, communication failures alone during the internet blackout could have inflicted over $3.5 million economic losses per day. The loss of confidence that usually comes with such sudden stops does not automatically reverse as the net is switched back on.

Pre-existing sore points will be aggravated by the economic fallout from death, destruction, and disruption. Scars in the real and virtual supply chains may exacerbate already entrenched high inflation. Remittances through formal channels could be hit, maybe temporary but a hit, nevertheless. The trade deficit may widen as exports lose competitiveness on lead time and confidence. Investors, both foreign and local, tend to shy away from concrete commitments in times of deepened uncertainty. Rating agencies and development observers may downgrade their risk assessments. The Standard and Poor's downgrade of Bangladesh's sovereign credit rating on July 30 suggests the conditions preceding the sudden stop, which drove the downgrade, were not that healthy either.

Revenue based fiscal consolidation, as envisaged in the FY25 budget, will be challenged by resistance from business groups eager to pass on the hit on their profits to the taxpayers. Yielding to the temptation to seek the path of least resistance by printing money will inflame inflation and fertilise foreign exchange shortage.

Rebalancing fiscal priorities could prove challenging. Crafting economic policy responses to a nationally traumatic political shock, where the weak suffer the most but the strong dominate the voice for policy support, is no piece of cake. It may serve us well to heed Kenneth Rogoff's (Harvard University) caution "although things usually get better after a catastrophic shock, they can also get much worse".

Rising to the occasion

The connected class will naturally seek financial, fiscal, and regulatory remedies. There already are postures for regulatory favours, moratorium on debt services payments, wage subsidies, tax and fee waivers. Privileged access to public contracts for rehabilitation of damaged structures will come as corollaries.

Rehabilitation of public properties considered "iconic" will rise in priority as the authorities revisit their FY25 public expenditure programme. Some of the demands from businesses such as waiving port demurrage charges and penalty interests, providing one stop service in customs, ensuring uninterrupted supply of gas and electricity make sense. Moratorium on loan repayment, cash subsidies, waiving shipping charges, tax concessions are whole different matters.

The diversion of headline public attention from mega corruption is a big casualty of the ongoing situation. Stories on mega corruption had lived a life of its own prior to the current predicaments. S&P's report couches their concern under the following diplomatic piece of economic writing: "Foreign direct investment has remained persistently low, possibly reflecting the country's evolving institutional settings, infrastructure deficiencies, and bureaucratic inefficiencies." We get the point.

It is easy to repeatedly blame others and divert attention to real or imaginary external threats. Such strategies are popular in authoritarian playbooks globally. They generally come with greasing endemic corruption, stressing already malfunctioning services, and increasing absenteeism of the rule of law, all leading to staggering inequality and simmering instability awaiting a trigger.

Will good sense dawn?

The analogy between rebooting a digital device and rebooting the economy does not extend beyond the metaphorical biosphere. The economy does not have a unique restart button to click or a switch on the side to turn on. Rebooting requires denting the culture of impunity. Words carry no credibility unless backed by actions. A highly concentrated as well as polarised political landscape constrains limits, checks and balances on governance and undermines the predictability of policy responses.

The oligarchic model endures despite appealing to none. You don't find too many expressions of pride over market manipulation practices. We pretend to monitor the market, respect the institutional pillars of integrity, allow the media free play and the voters to cast their own votes. We may do exactly the opposite and, at the same time, feel shame in admitting it.

A crisis of this magnitude defines a critical game changing juncture. A head in the sand cannot wish it away counting on draconian tools to enforce order. The instant results run the risk of being misread as presaging durable stability. The economy is on slippery slopes with policies held hostage by the supposed imperatives of managing protracted stream of crisis. The challenges are unprecedented and the disagreements intense.

Can those in power keep their fears under control, be humbler about their views, and more responsive to public sentiments in their actions? Your guess is as good as mine!

The writer is former lead economist of the World Bank's Dhaka office.

Export and import activities through Chattogram port suffered severe disruptions amid transport problems because of violence centring the quota reform movement and internet shutdown by the government. PHOTO: RAJIB RAIHAN

Stocks rebound after three-day fall

STAR BUSINESS REPORT

Shares of both stock markets in Bangladesh rebounded yesterday after a three-day losing streak.

The DSEX, the broad index of Dhaka Stock Exchange (DSE), rose over 10 points, or 0.21 percent, from that on the day before to hit 5,280 by the end of the trading session yesterday.

The DSES, the Shariah-based stock index, also grew 0.21 percent to 1,153 while the DS30, the blue-chip share index, went up 0.23 percent to 1,886.

Chittagong Stock Exchange saw a rising trend as the Caspi, the main index of the premier bourse of the port city, went up by over 48 points, or 0.32 percent, to close at 15,093.

The day's turnover at the DSE, meaning the total value of shares traded in the market, increased 8.76 percent to Tk 470 crore.

Block trade, meaning high-volume securities transactions privately negotiated and executed outside of the open market, accounted for 6.1 percent of the overall market turnover.

Techno Drugs became the most traded share with a turnover of Tk 23.5 crore.

Sector-wise, engineering, cement and telecom were the top three to close in the positive while ceramics, jute and travel and leisure were the top three to close in the negative.

The pharmaceuticals sector dominated the turnover chart, accounting for 22.65 percent of the day's total.

Of the 397 issues that changed hands on the DSE, 171 advanced, 163 declined and 63 did not witness any price movement.

Most of the sectors that account for large amounts in market capitalisation, which refers to the total value of a company's outstanding shares of stock, posted a positive performance.

The engineering sector booked the highest gain of 1.13 percent, followed by telecommunication (0.82 percent), food and allied (0.45 percent), fuel and power (0.40 percent), pharmaceuticals (0.36 percent), banking (0.03 percent) and non-bank financial institutions (0.38 percent).

The DSEX, the broad index of Dhaka Stock Exchange, rose over 10 points or 0.21 percent to end the day at 5,280

Shares of the large-cap and blue-chip stocks performed well in propelling the index, according to the website of LankaBangla Financial.

They include Heidelberg Materials Bangladesh, Marico Bangladesh, National Bank, Pubali Bank, Alif Industries, Grameenphone, British American Tobacco Bangladesh, Kohinoor Chemical Company (Bangladesh), Robi Axiata, and Taufika Foods and Lovello Ice-cream.

Of them, Heidelberg Materials Bangladesh and Marica Bangladesh topped the chart by jointly enabling a rise of about three percent.

Meanwhile, Khan Brothers PP Woven Bag Industries, Beacon Pharmaceuticals, Beximco Pharmaceuticals, Sea Pearl Beach Resort & Spa, Prime Bank, IFIC Bank, BRAC Bank, Southeast Bank and Premier Bank performed poorly.

Of them, Khan Brothers PP Woven Bag Industries and Beacon Pharmaceuticals jointly caused the loss of over two percent.

Reconnecting Summit's LNG terminal to take more time

Deal signed to install 50MW solar power plant

STAFF CORRESPONDENT

Reconnecting a liquefied natural gas (LNG) terminal, damaged during Cyclone Remal, to the national grid is set to be further delayed as fresh repairs are needed to mechanisms used to keep it docked.

They will need at least another 10 days to complete the repairs, said Nasrul Hamid, state minister for power, energy and mineral resources, yesterday.

"We hoped to complete the repairs by this month (July), but it didn't happen," he said in response to journalists' queries after a programme at the capital's Biddyut Bhaban.

Summit LNG Terminal Co (Pvt) Ltd's floating storage and regasification unit (FSRU) had returned from Singapore to Cox's Bazar's Moheshkhali on July 10 after repairs to its ballast tank that was damaged during the cyclone on May 27.

With only one FSRU of Excelerate currently in operation, LNG supply to the national grid has dropped to half, resulting in patchy gas supply in various districts including Dhaka and Chattogram.

At yesterday's programme, the Power Division signed two agreements with Sonagazi Solar Power.

One agreement was over setting up a 50MW solar power plant in Chattogram's Mirsarai upazila and the other was on purchasing power.

"The power plant was supposed to be set up in Feni's Sonagazi but due to non-availability of land, it was shifted to Chattogram," said Habibur Rahman, secretary to the Power Division.

The letter of intent to set up the plant was issued in 2018 but the implementation has been delayed due to the issues over acquiring the land, he said.

Under the agreement, the power plant will be set up by German company ib vogt to provide electricity to the national grid for 20 years at a cost of $0.1094 per unit (kWh-Kilowatt hour).

Govt waives 7-day port demurrage for importers

STAFF CORRESPONDENT, *Ctg*

The shipping ministry has waived seven days of demurrage on storage rent for importers, whose goods have arrived or are scheduled to arrive at Chattogram port in between July 16 and August 5 this year.

Imported goods can be kept free of charge at the port storages for four days since their arrival. From the fifth day, the port starts taking a daily demurrage.

The consignments will get a maximum of seven days of demurrage waiver after enjoying the four-day free storage facility.

However, the benefit will not be extended to the importers, who will fail to remove the goods from the port by August 14.

Deputy Shipping Secretary Nazrul Islam Azad informed the Chattogram Port Authority about the waiver through a letter yesterday.

The letter mentions that the charges will be waived in accordance with Section 23 of the Chattogram Port Authority Act, 2022, in addition to the store rent/penal charge waiver policy issued by the ministry.

The shipping ministry took the decision upon requests from the Federation of Bangladesh Chambers of Commerce and Industry, Bangladesh Garment Manufacturers and Exporters Association, and the Chittagong Chamber of Commerce and Industry.

The leading trade bodies made the request as the importers have encountered delays in releasing the goods due to the countrywide violence, curfew and internet blackout centring the job quota reform movement.

Samsung shows fastest growth in over a decade

AFP, *Seoul*

Samsung Electronics Wednesday reported its fastest growth since 2010, with operating profits soaring for the second quarter, as chip prices bounce back and demand for generative AI continues to grow.

The world's largest memory chip maker posted an operating profit of 10.44 trillion won ($7.5 billion) "as favourable memory market conditions drove higher average sales price" for the April to June period, it said in a statement.

It added that "robust sales of OLED panels", used in creating digital displays, had also contributed.

The figure is a 1,462.29 percent jump from 670 billion won for the same period a year earlier, exceeding market expectations. Sales rose 23.4 percent to 74 trillion won, Samsung said.

The firm is the flagship subsidiary of South Korean giant Samsung Group, by far the biggest of the family-controlled conglomerates that dominate business in Asia's fourth-largest economy.

Semiconductors are the lifeblood of the global economy, used in everything from kitchen appliances and mobile phones to cars and weapons.

And demand for the advanced chips that power AI systems has skyrocketed thanks to the success of ChatGPT and other generative AI products.

Samsung is one of only a handful of companies worldwide that manufacture premium high-bandwidth memory (HBM) chips tailored for artificial intelligence processors.

Kim Jae-jun, executive vice president of memory, told reporters HBM sales were up 50 percent in the second quarter compared with the three months prior -- and the company was increasing production capacity.

"We have secured nearly four times the volume of customer requests compared to the previous year," he said.

Samsung said in a statement it would "actively respond to the demand for high-value-added products for AI and will expand capacity to increase the portion of HBM3E sales."

Earlier this month, the company showcased the deployment of AI across a range of its consumer electronic products -- including high-end health wearables -- as it seeks to extend its leadership in global smartphone sales.

"Samsung Electronics' high credit quality is supported by its robust earnings this year that are driven by an upswing in the memory chip cycle," said Gloria Tsuen of Moody's Ratings.

Attendees line up to enter the Samsung Electronics booth during CES 2023, an annual consumer electronics trade show, in Las Vegas, US. PHOTO: REUTERS/FILE

Oil price rises

REUTERS, *Bengaluru*

Oil prices climbed on Wednesday, rebounding from 7-week lows, as the killing of a Hamas leader in Iran ratcheted up tensions in the Middle East and overshadowed concerns about weak China demand.

Brent crude futures climbed $1.80, or 2.29 percent, to $80.43 a barrel by 1038 GMT ahead of expiry on Wednesday, while the more active October contract was up $1.85 at $79.92.