

Economy at a glance

Corona Virus Outbreak: World Bank forecasts worst economic slump in South Asia in 40 years

Bangladesh, India and other South Asian countries are likely to record their worst growth performance in four decades this year due to the coronavirus outbreak, according to the World Bank. The South Asian region, comprising eight countries, is likely to show economic growth of 1.8 per cent to 2.8 per cent this year, the World Bank said in its South Asia Economic Focus report, well down from the 6.3 per cent it projected six months ago. Measures taken to counter the coronavirus have disrupted supply chains across South Asia, which has recorded more than 13,000 cases so far - still lower than many parts of the world. To minimize short-term economic pain, the Bank called for countries in the region to announce more fiscal and monetary steps to support unemployed migrant workers, as well as debt relief for businesses and individuals.

Remittance hit a 15-month low in March due to coronavirus fallout

Remittance hit a 15-month low in March due to the economic fallout in the global economy stemming from the coronavirus pandemic. In March, expatriate Bangladeshis sent home \$1.28 billion, down from 12 per cent a year ago and 11.36 per cent one month earlier, according to data from the central bank. The ongoing economic crisis, which has derived from the Covid-19 outbreak, has put an adverse impact on remittance, said a central bank official. The price of petroleum in the global market has sharply declined in the recent period, which has made the financial activities come to a halt in the Middle East, the region where the majority of Bangladeshi expats work. The government's move to provide a 2 per cent cash subsidy for remittance senders from fiscal year 2019-20 had earlier helped increase remittance significantly. But the policy measure is not working due to the ongoing financial crisis.

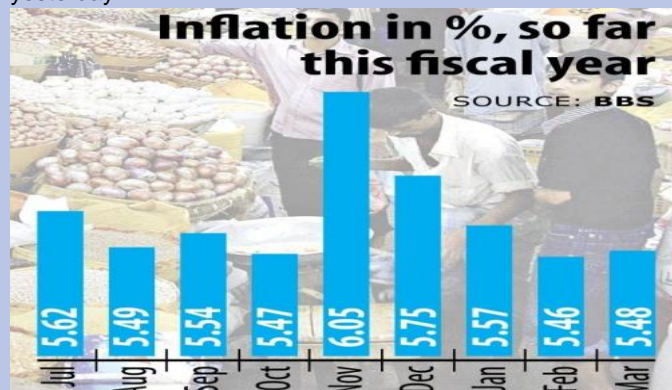
Single digit interest rate on lending comes into effect

Banks in the country started implementing single digit 9.0 per cent interest rate for all kinds of loans except credit cards in compliance with the government directives. Banking industry sources said all private banks started implementing the order from Wednesday (April 1) while state-owned banks began it much earlier. However, bankers' said that it may take this month to fully implement the new rate for all kinds of lending designated under the BB order. The Bangladesh Bank on February 24 in a circular asked all scheduled banks to charge highest 9.0 per cent interest for all types of lending, barring credit cards, from April 1 to help expand business and economy. It said current high bank interest rate regime was weighing on the country's small, medium and large industries badly.

Inflation up in March

Inflation edged up slightly in March owing to the rise in prices of non-food items although coronavirus-induced panic-buying before the country was placed on a lockdown made some food

items expensive. General inflation rose by only two basis points to 5.48 per cent from 5.46 per cent last month, according to data released by the Bangladesh Bureau of Statistics (BBS) yesterday.



Food inflation dropped 10 basis points to 4.87 per cent, while non-food inflation went up 22 basis points to 6.45 per cent. Although food inflation declined across the country last month, the prices of some items rose in Dhaka city due to panic-buying before the lockdown began March 26.

Tk 50b stimulus package for export-oriented industries: BB invites applications from banks

The central bank has invited applications in prescribed forms from all the scheduled banks for receiving low cost fund from the government-announced Tk 50 billion stimulus package. BB has issued a circular in this connection in line with the ministry of finance (MoF)'s guideline. According to senior officials of BB, eligible exporters may clear their workers' wages with the fund from April to June 2020 if they submit applications properly through their banks concerned. The commercial banks will provide the fund charging 2.0 per cent as service charge to the export-oriented industries to clear their workers' wages for up to three months, according to the central banker. Export-oriented industries, which export minimum 80 per cent of its total production, will be eligible for the government-announced financial stimulus fund, according to the guideline, issued by the MoF on 31st March. The banks will be paying the wages directly using mobile financial service accounts of the workers, it added.

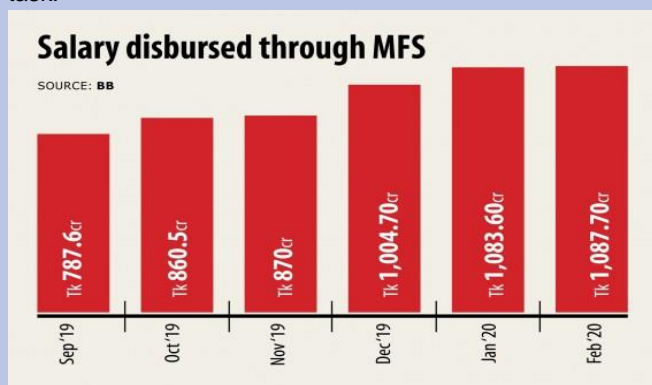
Bangladesh Bank cuts repurchase rate and reserve ratio to inject liquid cash into economy

The central bank further cut both the policy rate and cash reserve ratio (CRR) once again to inject liquid funds into the market to push through the ongoing economic fallout stemming from the coronavirus pandemic. The regulator of the banking sector reduced banks' CRR by 100 basis points to 4 percent, a move that would inject about Tk 12,800 crore into the economy, according to central bank officials. Bangladesh Bank also slashed the policy or repurchase agreement rate (known as the repo rate) by 50 basis points to 5.25 percent to make funds cheaper for banks. The new CRR would take effect from April 12, while the lower repo rate would be effective from April 15, according to a central bank notice sent out to all lenders.

On March 23, the central bank cut the CRR by 50 basis points to 5 percent and the repo rate by 25 basis points to 5.75 percent. But, the central bank has been forced to ease both the monetary tools once again due to the ongoing liquidity crunch in the banking sector.

Financial inclusion agenda gets a lift

The central bank's order to open bank or mobile financial service (MFS) accounts for disbursing the salaries of employees of export-oriented factories from the government's Tk 5,000 crore stimulus package will give a leg up to the digitalization and financial inclusion agenda, experts said. But factory owners said the instruction given to complete opening of all accounts by April 20 might create some challenges for them as well as the employees as the ecosystem is not ready yet for such an uphill task.



Only half the garment sector's 40 lakh workers now get salaries through bank or MFS accounts and opening another 20 lakh new accounts in less than two weeks will be difficult, according to garment factory owners. In the short term,

disbursing salaries through digital means will help the employees maintain a social distance, which is key to reining in the spread of the novel virus that has already left nations reeling. However, some experts said that opening the accounts will not be a challenge at all. They added, the country has a total of five lakh MFS agents and even if one-fifth of them remain operational amid lockdown, the new accounts can be opened easily.

Loan classification policy to remain unchanged until June 30

The Bangladesh Bank has asked the scheduled banks to keep unchanged the classification status of loan, lease or advance until June 30 to facilitate business activities amid the coronavirus outbreak. As per the circular, the classification status of loan, lease or advance on January 01, 2020 will remain unchanged until June 30. But, the classification status of loan, lease or advance will be changed as per rules if the classification improves, the circular added.

One more player in non-bank FI sector

Bangladesh Bank gave its final approval to one more non-banking financial institution on Thursday, 12th March in a decision that raised eyebrows among analysts. The central bank asked Strategic Finance and Investments Limited to bring in major portion of its equity and fund from overseas financiers. The latest approval came when the non-bank lending sector has been struggling to stay afloat, with some failing to repay depositors' money, plagued with ballooning troubled loans along with murky corporate governances. According to BB official, two foreign companies, one from the United States and another from Canada have already injected funds as 50 per cent stakeholders of the company.

REAL ESTATE NEWS

Infrastructure project works grind to a halt

The coronavirus pandemic has thrown a spanner in the works of all major infrastructure projects, a turn of events that is poised to delay implementation and scale up cost, according to project officials and experts. The government is currently implementing more than \$30 billion worth of infrastructure projects such as the Padma bridge, Rooppur nuclear power plant, Matarbari power plant, Karnaphuli river tunnel and Dhaka metro rail. Experts showing concerns by saying that, the coronavirus pandemic is a

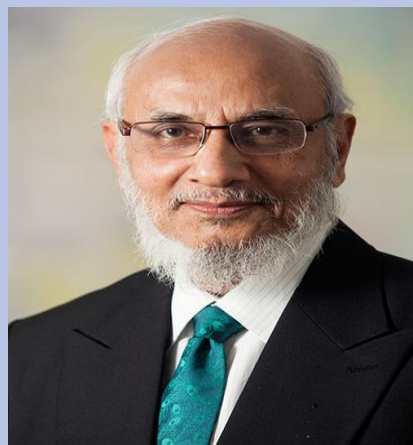
fresh blow to the infrastructure projects that customarily have to navigate through several barriers and neither foreign nor local employees are able to work under the prevailing situation, which will definitely slow down the progress of the projects and in the long run affect the economy. According to experts, the slow progress in the infrastructure projects due to the pandemic will leave a negative impact on economic growth but the losses could be minimized if the implementing entities and contractors can reach a consensus for putting in extra effort.

NATIONAL HOUSING NEWS

National Housing Finance gets New Independent Director

Mr. Abdul Mueyed Chowdhury, a former caretaker government adviser, has been appointed independent director of the National Housing Finance and Investments Limited.

Mr. Chowdhury is the CEO of Tiger Tours, a member of the board of Advanced Chemical Industries (ACI) and a director of ACI Formulations, MJL Bangladesh, Omera Petroleum, Omera Fuels, Omera Cylinders, Omera Chemicals, Summit Alliance Port and PEB Steel Alliance. He is also a member of the governing body of Brac University, Sajida Foundation and the Bangladesh Youth Enterprise Advice and Help Center. Chowdhury obtained his Bachelor of Arts degree with honours in history and Master of Arts degree from the University of Dhaka.



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