

Impact Analysis of COVID-19 2021

**A Study on the Covid-19
Repercussion on
Different Industries of
Bangladesh**



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Credit Rating Ltd
an independent house of risk assessment



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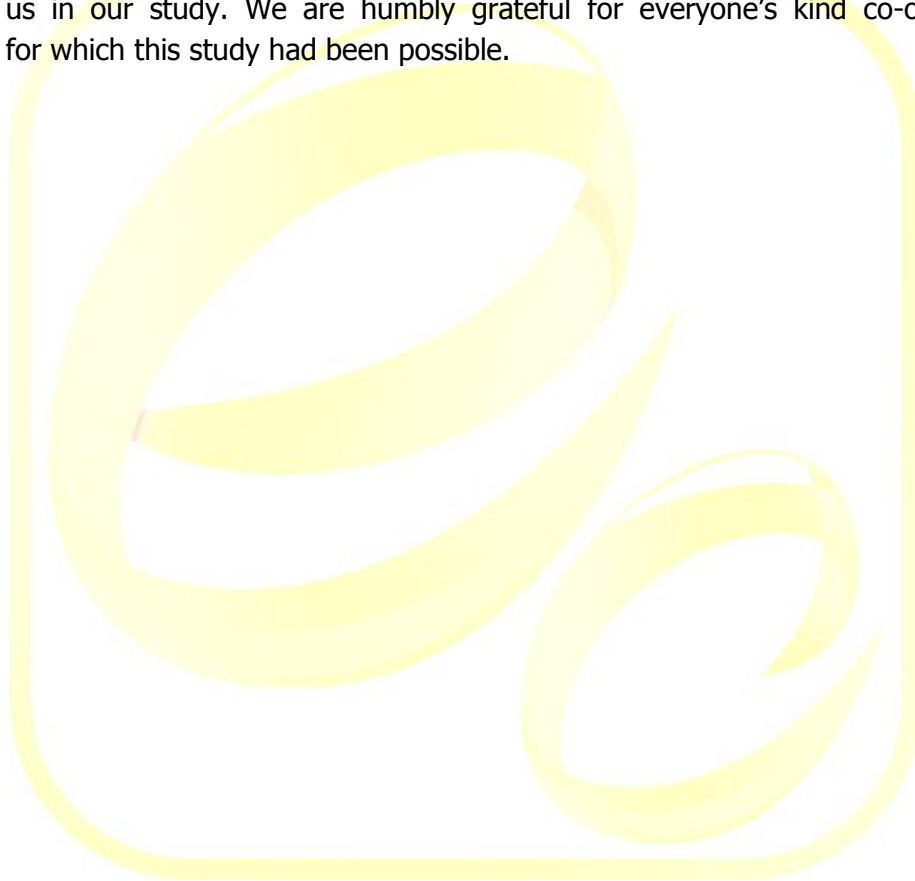
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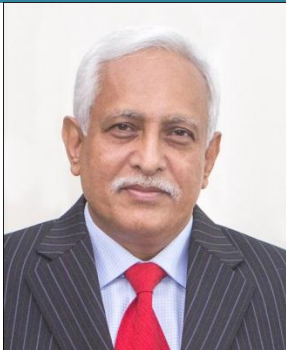
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About ECRL

Emerging Credit Rating Limited (hereinafter referred to as ECRL) began its journey in the year 2009 with the motive to deliver credible superior & quality credit rating opinion in various industry segments around Bangladesh. ECRL obtained credit rating license from Bangladesh Securities and Exchange Commission (BSEC) in June 2010 as per Credit Rating Companies Rules 1996 and also received Bangladesh Bank Recognition as an External Credit Assessment Institutions (ECAI) in October 2010 to do the rating of Banks, Financial Institutions and their borrowers and also from Insurance Development & Regulatory Authority (IDRA) in 2015 to do the rating of Insurance Companies & affiliated with Malaysian Rating Corporation Berhad.

Emerging Credit Rating Limited's team is oriented towards the continuous improvement of processes, striving for an important role in the leadership of the business world. Every individual in ECRL is committed to providing topmost ingenious Credit Rating Services and Comprehensive Research Services in Bangladesh. ECRL's rating services and solutions reflect independence, professional, transparency and impartial opinions, which assist businesses in enhancing the quality of their decisions and helping issuers access a broader investor base and even smaller known companies approach the money and capital markets. The Credit Rating process is an informed, well-researched and intended opinion of rating agencies on the creditworthiness of issuers or issues in terms of their/ its ability and willingness of discharging its financial obligations in a timely manner. Issuers, lenders, fixed-income investors use these risk assessments for the purpose of lending to or investment in a corporation (such as a financial institution, an insurance company, a non-banking corporation or a corporate entity) as well as evaluating the risk of default of an organization's financial obligations in terms of loan or debt.

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ECRL Research provides insights, opinions and analysis on Bangladesh and International Economies. ECRL Research conducts surveys and produces working papers and reports on Bangladesh's different socio economic issues, industries and capital market. It also provides training programs to professionals from financial and economic sectors on a wide array of technical issues.

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Acronyms

ACI	Advanced Chemical Industries Limited	CPD	Centre for Policy Dialogue	NBFI	Non-Banking Financial Institution
ADB	Asian Development Bank	CPI	Consumer Price Index	NBR	National Board of Revenue
ADP	Annual Development Program	CRR	Cash Reserve Ratio	NPL	Non-Performing Loan
ADR	Advance to Deposit Ratio	CSE	Chittagong Stock Exchange	PATA	Pacific Asia Travel Association
AKS	Abul Khair Steel	DSE	(Dhaka Stock Exchange)	PFI	Participating Financial Institutions
API	Active Pharmaceutical Ingredient	EDF	Export Development Fund	RMG	Ready-Made Garments
B2C	Business to Consumer	EPB	Export Promotion Bureau	RSRM	Ratanpur Steel Re-Rolling Mills Limited
BB	Bangladesh Bank	FDI	Foreign Direct Investment	SHGSI	SteelHome Global Steel Price Index
BBS	Bangladesh Bureau of Statistics	FDR	Fixed Deposit Receipt	SME	Small to Medium Enterprise
BDT	Bangladesh Taka	FY	Fiscal Year	TOAB	Tour Operators Association of Bangladesh
BGMEA	Bangladesh Garment Manufacturers and Exporters Association	GDP	Gross Domestic Product	TRIPS	Trade Related Aspects of Intellectual Property
BIFFL	Bangladesh Infrastructure Finance Fund Limited	GoB	Government of Bangladesh	UAE	United Arab Emirates
BILS	Bangladesh Institute of Labour Studies	GSP	Generalized System of Preferences	UK	United Kingdom
BKMEA	Bangladesh Knitwear Manufacturers and Exporters Association	GWh	Gigawatt hours	USA	United States of America
BOP	Balance of Payment	IATA	International Air Transport Association	USAID	United States Agency for International Development
BPDB	Bangladesh Power Development Board	ICT	Information and Communications Technology	USD	US Dollars
BPICC	Bangladesh Poultry Industries Central Council	IMF	International Monetary Fund	USDA	United States Department of Agriculture
BRAC	Bangladesh Rural Advancement Committee	IPP	Independent Power Producer	VAT	Value Added Tax
BSMA	Bangladesh Steel Manufacturers Association	IT	Information Technology	WB	World Bank
BSRM	Bangladesh Steel Re-Rolling Mills Limited	KSRM	Kabir Steel Re-Rolling Mills Limited	WHO	World Health Organization
BTMA	Bangladesh Textile Mills Association	LDC	Least Developed Countries	WPSA	World's Poultry Science Association
CASA	Current Account Saving Account	LFS	Labour Force Survey	WRI	Wage Rate Index
CD	Customs Duty	MOF	Ministry of Finance	WTO	World Trade Organization
CIS	Commonwealth of Independent States	MW	Megawatt	WTTC	World Travel & Tourism Council

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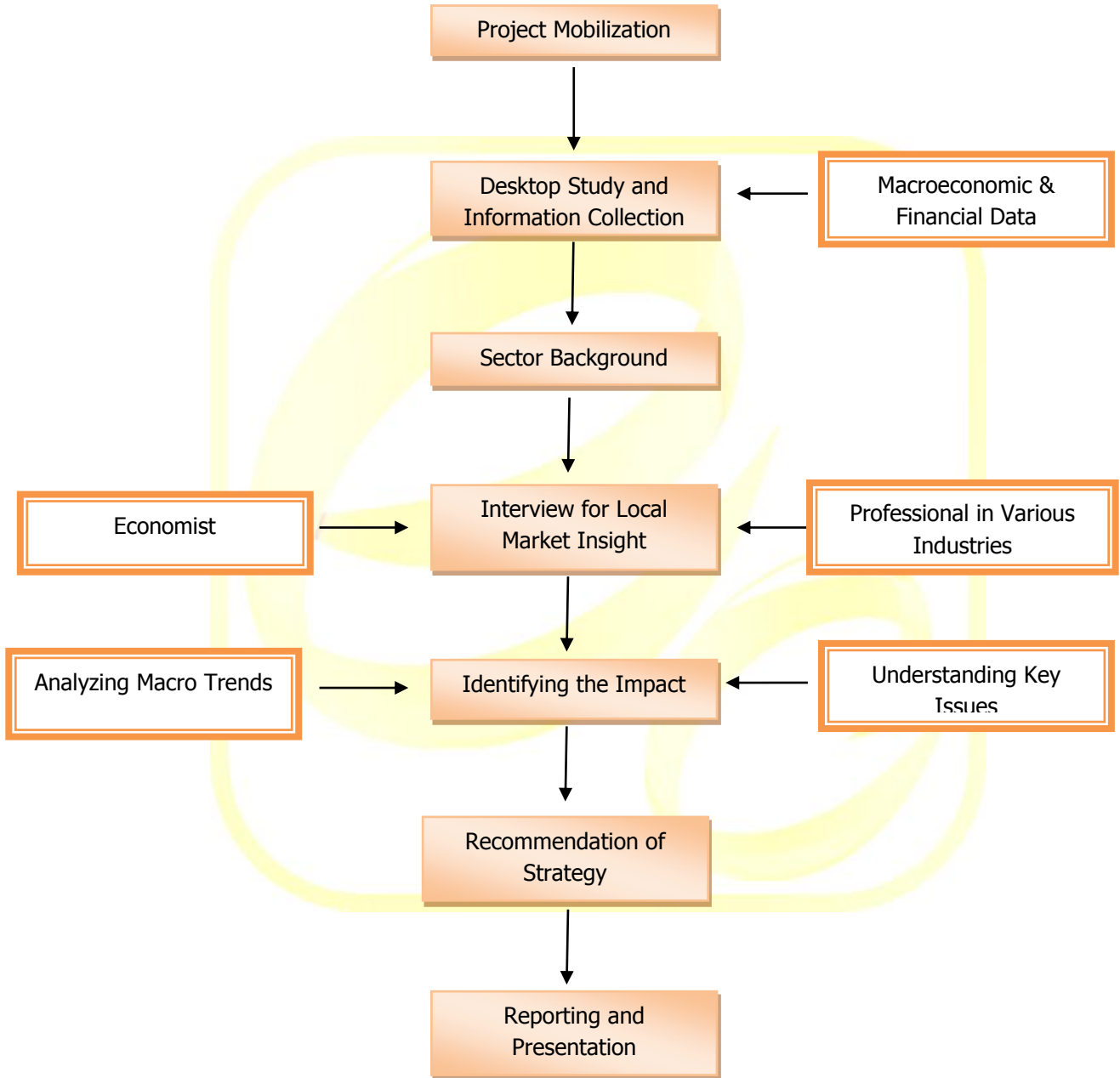
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Methodology



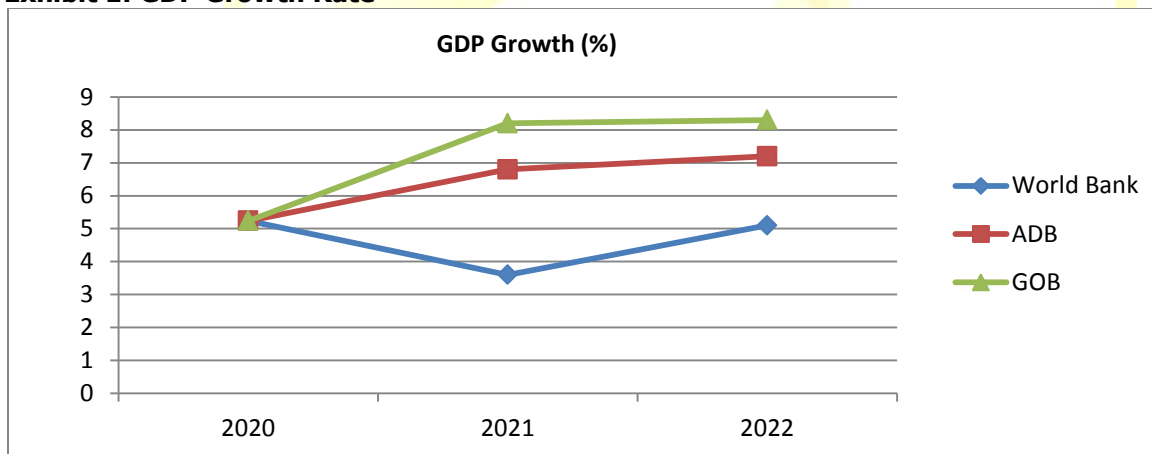
Overall Impact of COVID 19 on Bangladesh

Section I: Overall Impact of COVID 19 on Bangladesh

1.1 COVID-19 Impact on Macroeconomic Factors of Bangladesh

The economic performance of Bangladesh in FY2020 exhibits the glimpse of an extraordinary year affected by the sporadic emergency event unfolded in the form of the COVID-19 pandemic. Existing macroeconomic challenges further aggravated by the pandemic and other stressful natural disasters like cyclone & flood, had resulted in a significant challenge for Bangladesh economy in 2020. However, despite facing numerous challenges Bangladesh was able to maintain its GDP growth albeit lower than projected and as per projection of both GOB (Finance Division, Ministry of Finance, 2020) and key international organizations Bangladesh is expected to experience GDP growth in FY 2021 and FY 2022.

Exhibit 1: GDP Growth Rate



*Note: FY2021 & FY 2022 projected data; Source: (The World Bank, 2021), (Asian Development Bank, 2021), (Finance Division, Ministry of Finance, 2020)

Overall Economy of Bangladesh has posted a mix result which is surprising considering the overall performance of other economies of the neighboring countries. Key economic indicators are listed below.

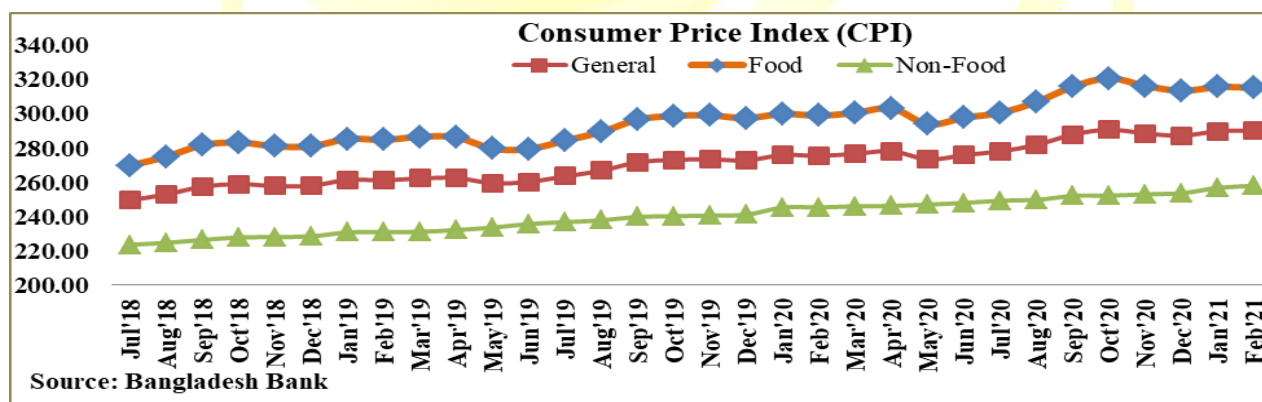
- **During the July-October period of FY2021, total revenue mobilization of the GOB rose by 8.00% compared to the corresponding period of FY2020 (Centre for Policy Dialogue, 2021).**

- **NBR tax collection increased by 7.31% during the July-March period of FY2021 over the comparable period of FY2020, thus requiring a 45.98% growth during the last quarter to reach the target¹.**
- **Production of crop and non-crop agricultural commodities maintained upward trend in Q2FY21. Among rice crops, the production of *aman* rice, one of the main crops harvested in Q2FY21, amounted to 14.44 million metric ton (MMT), which was 1.65% higher than last year's production (Bangladesh Bank, 2020).**
- **In first 9 months of FY 2021 export contracted by 0.1% albeit an improvement from 6.2% contraction of previous comparable period of FY 2020 (Asian Development Bank, 2021).**
- **In first 9 months of FY 2021 remittance grew by 35.1% while in first 9 months of FY 2020 it grew by only 16.1% (Asian Development Bank, 2021).**
- **In FY 2020 Real GDP growth of Agriculture and Service sector declined slightly² while Industry declined significantly from 12.67% to 6.48% (Bangladesh Bureau of Statistics, 2020).**
- **Overall Balance of Payments Surplus increased from USD 179 million (FY 2019) to USD 3.7 billion (FY 2020) resulting the Gross Foreign Exchange Reserve to stand at USD 36 billion (Bangladesh Bank, 2021).**
- **In the first two quarters of FY2021, the implementation rate of the ADP allocation has been less than that of the same period of FY2020 (Centre for Policy Dialogue, 2021).**

1.2 CPI Inflation:

The twelve-month average general CPI inflation had gradually increased by 17 basis points and stood at 5.7% in June 2020, exceeding the maximum target of 5.5%. The main reason for such increase includes higher non-food inflation, increased remittance inflows, and disruption of supply chains due to the COVID-19 pandemic. Comparatively, it had a reduction of 5.63% in February 2021 which was 0.23% higher than the targeted inflation of 5.4% (Bangladesh Bank, 2021). The overall inflation remained at controllable level due to increased food crop production and lower international commodity prices.

Exhibit 2: Inflation

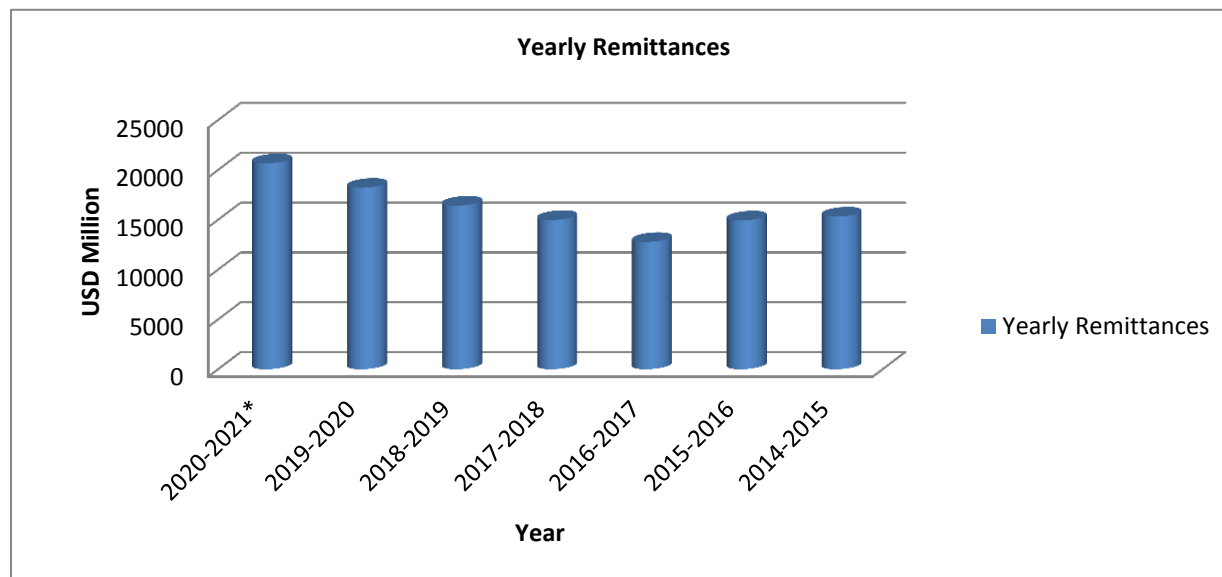


¹ Authors Calculation based on NBR data

² Agriculture declined from 3.92% to 3.11% and Service declined from 12.67% to 6.48%

1.3 Remittance Flow and Surplus in BOP Increased Foreign Exchange Reserve

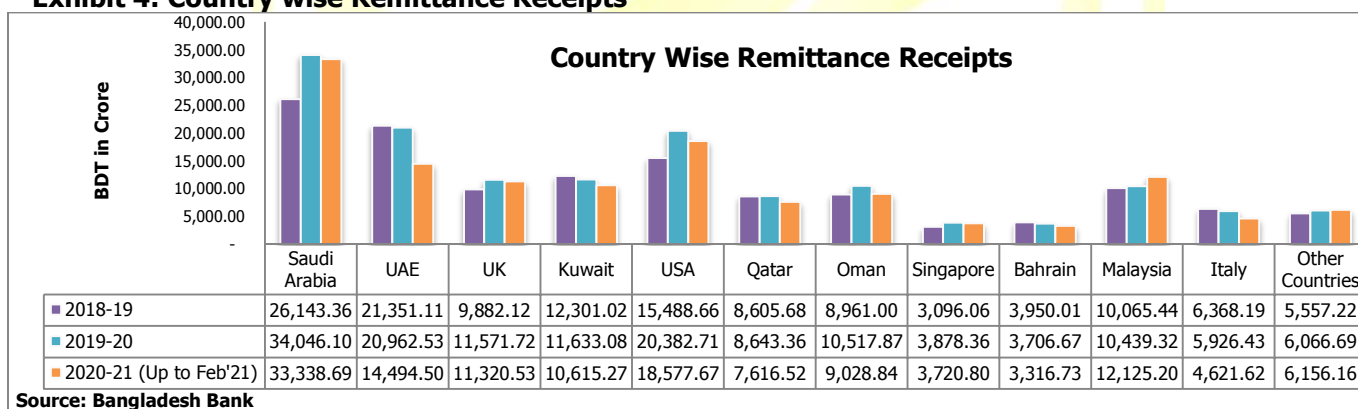
Exhibit 3: Remittance Flow



Source: (Bangladesh Bank, 2021)

Remittance from Bangladeshi nationals working abroad plays a crucial part in reinforcing the current account balance. With increased uncertainty all over the world due to COVID 19 the expatriates started to increase the flow of remittance. In addition, due to the travel restriction during the pandemic which shrank informal channels total receipts of workers' remittances during July-February of FY21 increased by BDT 35,637.61 crore or 33.66% and stood at BDT 141,520.18 crore against BDT 105,882.58 crore during July-February of FY20 (Bangladesh Bank, 2021). Government's decision to retain 2% subsidy on remittance, improvement of proper remittance inflow channel and distinctive strong strategy helped to expand remittance inflows further.

Exhibit 4: Country wise Remittance Receipts



Source: Bangladesh Bank

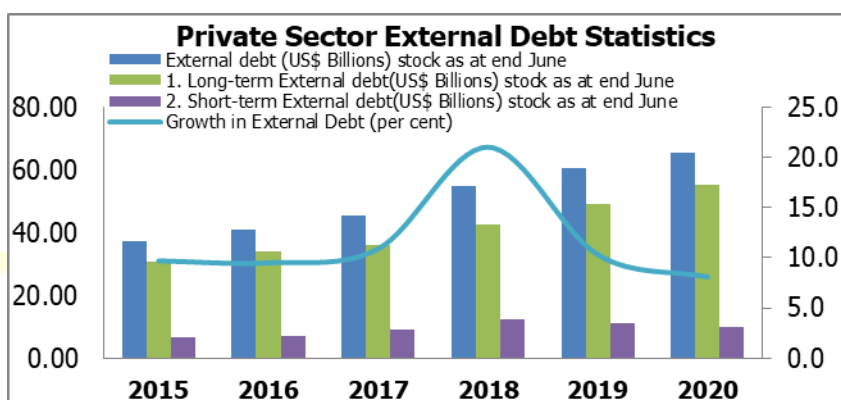
Up to February of FY2021, the highest amount (23.56 percent) of remittances came from Saudi Arabia followed by United States of America (13.13 percent), the United Arab Emirates (UAE) (10.84 percent), United Kingdom (8.00 percent), Kuwait (7.50 percent), Oman (6.38 percent) and Malaysia (8.57 %). All other countries contributed to 4.35 % of total remittance over the same period (Bangladesh Bank, 2021).

Remittance flow had positive impact on the balance of payment with reduced import payments which had resulting impact on the foreign exchange reserve of Bangladesh. In the first six months of FY2021 overall balance of payments registered a surplus of about USD 6.2 billion maintaining a stable exchange rate.

1.4 Private Sector External Debt Statistics:

Total outstanding official external debt as of 30 June 2020 stood at USD 44202.2 million (13.4 % of GDP in FY20) against USD 38475.5 million as of 30 June 2019 (12.7 % of GDP in FY19). Repayment of official external debt and services amounted to USD 1726.2 million (excluding repurchases from the IMF) in FY20 which was USD 132.4 million or 8.3 % higher than the repayment of USD 1593.8 million

Exhibit 5: Private Sector External Debt Statistics



in FY19. Out of the total repayments, principal repayments amounted to USD 1269.5 million while interest repayments stood at USD 456.7 million in FY20, against USD 1202.3 million and USD 391.5 million respectively in FY19. The debt service payment as percentage of exports stood at 5.3 % in FY20 which was 4.0 % in FY19 (Bangladesh Bank, 2021).

1.5 Impact of COVID-19 on Unemployment

Exhibit 6: Unemployment Rate

Unemployment Rate		
March 2020	April to July 2020	September 2020
2.10%	22.40%	3.80%

Source: (Asian Development Bank, 2021)

ADB estimates that with worldwide rollout of vaccines and more economies opening up export will pick up pace which will strengthen employment, however experts in the labour sector of Bangladesh believes that COVID 19 had a profound impact on the employment trend of Bangladesh considering reduced GDP a table is drawn indicating an estimation of job lost from overall economy due to COVID 19. In addition, the CPD predicts that the highest job loss in 2021 will be in SME and informal sector. A study of Bangladesh Institute of Labour Studies (BILS) (Islam, 2020) suggests a similar finding. As per the study, the urban employed workers' economy comprises 49% and rural economy comprises 51%. These sectors were segregated in three categories based on the level of risks and severity of impact:

- High risk and severity impact sectors include as manufacturing, construction, transport, wholesale and retail trade, food and accommodation services and personal services³.
- Medium high risk and severity of impact sectors include finance, domestic service, retail estate and education.

³ self- employed workers and small enterprises accounts for 70% employment in retail trade, 60% in accommodation and food services sector. Source: Post Covid-19 Jobs & Skills in Bangladesh (Aspire to Innovate (a2i), 2020)

- Low risk and severity of impact sectors include agriculture, health, information and communication.

Exhibit 7: A Projection of Job Loss

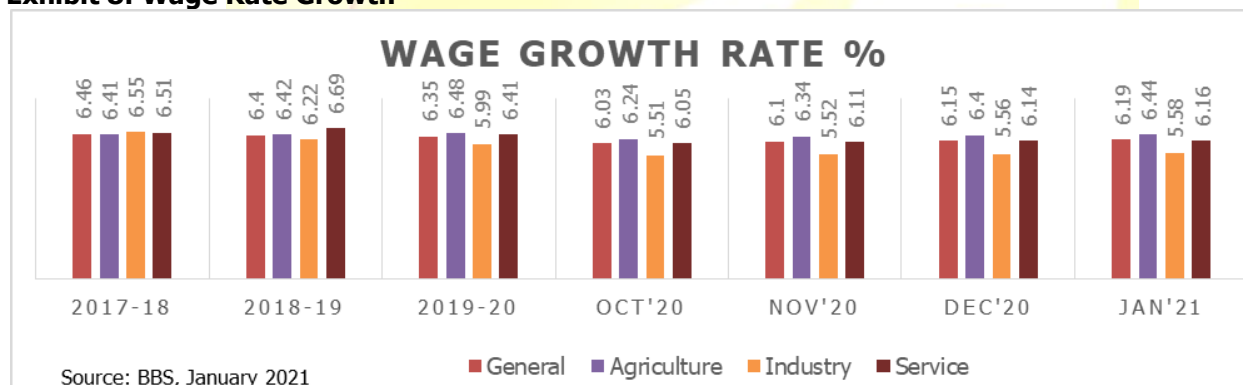
Industry	2016-17 (Actual-LFS)	Projection for 2019-20 without COVID (GDP growth 8.2%)	Projection for 2019-20 with COVID (GDP growth 5.2%)	Job Loss (million)	Job Loss as % of without COVID projection
	(1)	(2)	(3)	(4) = (2) - (3)	(4) as % of (2)
Agriculture	24.7	22.55	22.55	0	
Manufacturing	8.8	10.31	9.74	0.57	5.55
Construction	3.4	3.91	3.70	0.21	5.37
Services	23.9	27.22	25.99	1.23	5.52
Total	60.8	63.99	61.98	2.91	3.14

*LFS-Labour Force Survey; Source: (Islam & Rahman, 2020)

1.6 Wage Rate and Impact of COVID 19 on Worker's Income

During this time the businesses faced loss of income and sales declined which forced them to take radical steps like to lay off workers or cut down wages. SMEs lost revenue by 66% (BIDS, 2020). Thus, the wages of workers had been observed to be affected negatively which was around 37% of the overall wages⁴ (World Bank, 2020). Wage Rate Index helps to measure the movement of wages of low paid workers (skilled & unskilled) in sectors like agriculture, industry and service. The point to point yearly growth rate in figure below, suggest that wage growth rate had declined in FY2020 after the COVID-19 lock down for all the sectors except agriculture due to the fall in demand for workers whereas, the monthly growth rate has been showing a positive growth every month. It is noticeable that the wage rate in industry sector had low growth rate compared to other industries.

Exhibit 8: Wage Rate Growth



According to CPD overall head count poverty rate has increased from 20% in FY 2017 to 33% in FY 2020. The organization has also performed a survey on workers in 2020 which indicated the following results.

- 63% of the surveyed workers was unable to pay house rent.
- 39% had unpaid utility bills
- 36% had unpaid school fees
- 57% was unable to send money back to village.

⁴ Salaried workers' income declined by 49%

In addition, a study by Bangladesh Institute of Labor Studies discovered that 47% of urban slum residents and 32% of total residents reported having reduced food intake; furthermore 67% of urban slum dwellers and 32% of rural residents have used a part of their savings to meet the needs of the family.

1.7 Government Incentives

To tackle the strike of the global pandemic government provided stimulus fund for different sectors. This was allocated for different sectors and some of the fund still remains for allocation.

Exhibit 9: Liquidity Support

Name of the Package	Allocation		Disbursement	
	In crore BDT	As share of GDP	Share of funds disbursed (in %)	Number of recipients
Special fund for salary support to export oriented manufacturing industry workers	5,000	0.178	100	3,500,00 persons
Providing working capital facilities for the affected large industries and service sector organizations	40,000	1.426	71	2,549 entities
Providing working capital facilities to small (including cottage industries) and medium enterprises	20,000	0.713	32	41,069 persons (94% male; 6% female)
To increase the facilities of Export Development Fund introduced by Bangladesh Bank	12,750	0.454	81	2,379 entities
Pre-shipment Credit Refinance Scheme	5,000	0.178	1	N/A
Agricultural Refinancing Scheme	5,000	0.178	45	89,934 persons
Refinancing scheme for low income farmers and small traders	3,000	0.107	22	1,00,227 persons (6% male; 94% female)
Creation of jobs through loans (through Village Savings Bank, Employment Bank, Expatriates' Welfare Bank and Palli Karma Sahayak Foundation)	3,200	0.114	31	N/A
Government subsidy for interest waiver of deferred bank loans for the month of April-May/2020	2,000	0.071	N/A	N/A
Credit guarantee scheme for small and medium enterprises sector	2,000	0.071	N/A	N/A

Exhibit 10: Fiscal Stimulus

Name of the Package	Allocation		Disbursement	
	In crore BDT	As share of GDP	Share of funds disbursed (in %)	Number of recipients
Special honorarium to doctors, nurses and health workers	100	0.004	N/A	N/A

Health insurance and life insurance	750	0.027	2	42 Persons (41 male; 1 female)
Distribution of free food items	2,500	2.060	0.089	2,34,00,000 households
Distribution of rice at the rate of BDT 10 per kilogram	770	0.635	0.027	N/A
Distribution of cash among the targeted population	1,258	0.045	70	34,97353 households
Increase the coverage of the allowance programs	815	0.0029	3	156,218 persons
Construction of houses for homeless people	2,130	0.0076	N/A	9,039 households
Procurement of Boro Paddy/Rice (Additional 0.2 million metric tonnes)	860	0.031	N/A	N/A
Support for farm mechanization	3,220	0.115	5	N/A
Agricultural subsidies	9,500	0.339	76	N/A
Social safety net programme for unemployed and poor workers of export-oriented ready-made garments, leather and footwear sectors	1,500	0.053	N/A	N/A

Source: Government of Bangladesh (MoF, 2020); (Centre for Policy Dialogue, 2021)

A large share of worker population could not be benefitted from it for instance small scale and self-employed entrepreneurs. However, there are many reasons for which it can be claimed that the support is not adequate.

- The stimulus package reached only 8% of the total employed population (Moazzem, 2021)
- Fund for workers' salaries for export oriented factories only cover 65% of gross wages (BGMEA, 2021)
- Cash transfer did not reach many poor families for instance there are many informal sector workers or entrepreneurs who are not listed or registered with any NGO, association or samity which left them out during the transfer of fund
- Moreover, there are women workers in informal sector who are likely to be deprived to a great extent
- Cash transfer received by urban poor is 25% and rural poor is 18% (Moazzem, 2021)

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Banking Sector

The impose of interest rate cap, same time spreading of the COVID-19 pandemic rigorously undermined the performance of the sector with no room for coping up the revised interest rates. Started with BDT 1,034 billion, the year 2020 ended up with record high excess liquidity of BDT 2,047 billion emphasizes the need for credit growth.

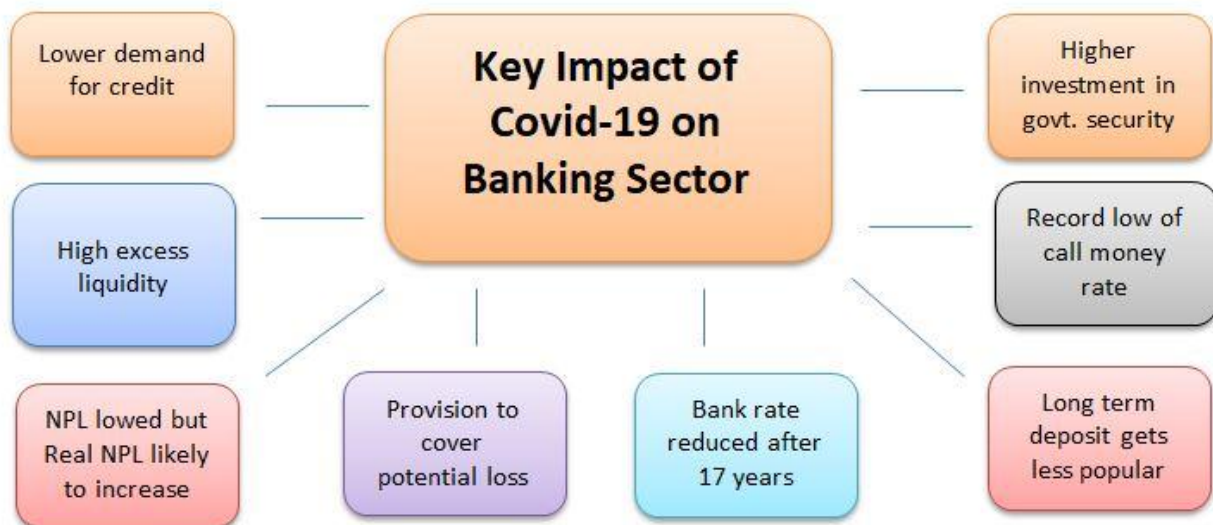


Section II Banking Sector

It is exceedingly difficult to differentiate the impact on banking industry of maximum interest cap on lending & deposit rates and COVID-19 as both have started almost in the same time. Therefore, we have considered impact of both while analyzing banking sector.

2.1 Key Impact of COVID-19 on Banking Sector

Exhibit 11: Key Impact of COVID-19



Lower demand for credit: Demand for credit has declined in FY2020 (January to December) and banks were also cautious about new loan disbursements due to the uncertainty in the economy. In that period (Jan-Dec 2020) the overall banking industry experienced a modest credit growth as the private sector credit growth, credit to government sector and public sector credit growth exhibited lower growth

rate as compared to earlier year's corresponding period. Lower investment appetite among the investors due to economic uncertainty amidst COVID-19 pandemic eventually lower down the private sector credit growth to 8.36% in FY2020 compared to 9.85% in previous year. Moreover, government sector credit growth also reduced to 21.92% in FY2020 which was 59.78% in previous year (Bangladesh Bank Quarterly Report).

High excess liquidity: The banking sector is infiltrated with all-time high excess liquidity of BDT 2,047 billion as on December 2020 due to low credit growth. The year was started with excess liquidity of 1,034 billion but at the end of the year the excess liquidity became almost double.⁵

NPL lowed but Real NPL likely to increase: Bangladesh Bank's directive on the loan classification has created a breathing space for the borrowers and this also has facilitated the banks to have slightly lower NPL in FY2020 as opposed to FY2019, however, real scenario of NPL is yet to perceive which would take place as soon as the relaxation on classification is over. In December 2020, the average NPL in the banking sector was 7.66% which was 9.30% a year ago. On the other hand, private commercial banks' average NPL was 4.66% at the end of the year 2020 as opposed to 5.80% in earlier year's same period.

Provision to cover potential loss: Determining the appropriate provision required for the loans and advances during the pandemic situation has become a real challenge for banks. Under the moratorium facility there are many loans with overdue but still holding "unclassified status" and provision has been maintaining as per the requirement of the unclassified loan. Considering the loophole Bangladesh Bank has issued directive to keep additional 1.00% general provision against loans, which have enjoyed deferral/ time extension facilities. However, sufficiency of provisioning is yet to observe in the coming months.

Bank rate reduced after 17 years: Bank rate slashed from 5% (remained the same in last 17 years) to 4% in the yearly monetary policy framed for the current fiscal year.

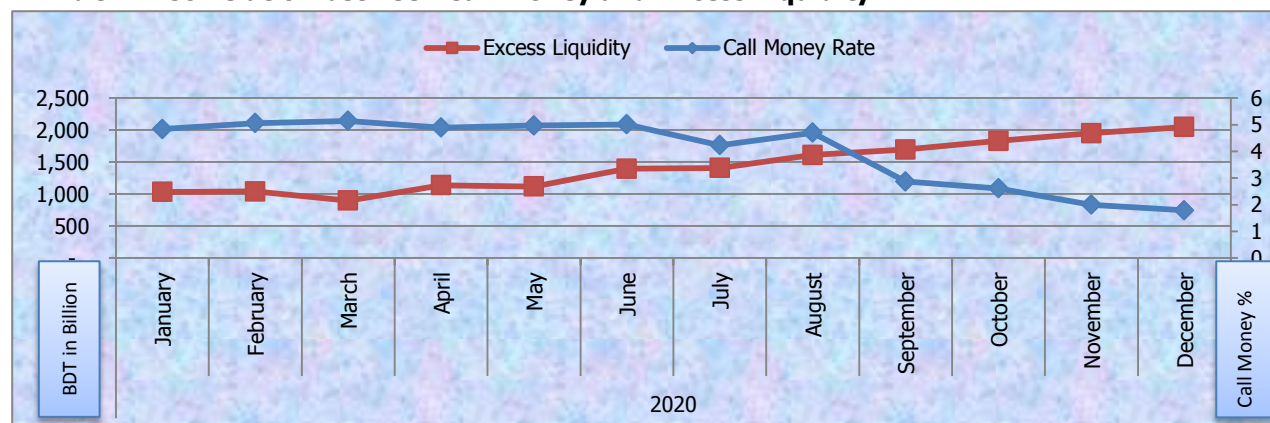
Long term deposit gets less popular: Based on the study on ten PCBs, it has been found that the long term deposit has become less popular and dependency on fixed deposit, considered as high cost funding, has notably reduced from 60.98% to 56.48% in FY2020 as opposed to FY2019 respectively.

Record low of call money rate: Call money rate remained record low recently due to high liquidity position of the banking sector. The call money rate started to fall from September 2020, when the rate fell by 183 basis point as opposed to August 2020. In February 2021, the call money rate remained record low of 1.67% which was significantly high in last year same period (5.06%).

Higher investment in govt. security: Bank investment on government securities has enlarged and considered as safe investment in the pandemic period. To mitigate the adverse effect of interest rate cap and utilize the excess liquidity, banks has diversified the income stream and continuously increasing its investment mostly on government securities which exposes lower risk to the investors. Based on the study on ten PCBs, it has been found that bank investment on government securities has increased to 88.48% in FY2020 from 87.95% a year ago.

⁵ <https://www.thedailystar.net/business/news/bb-quagmire-excess-liquidity-balloons-2031993>

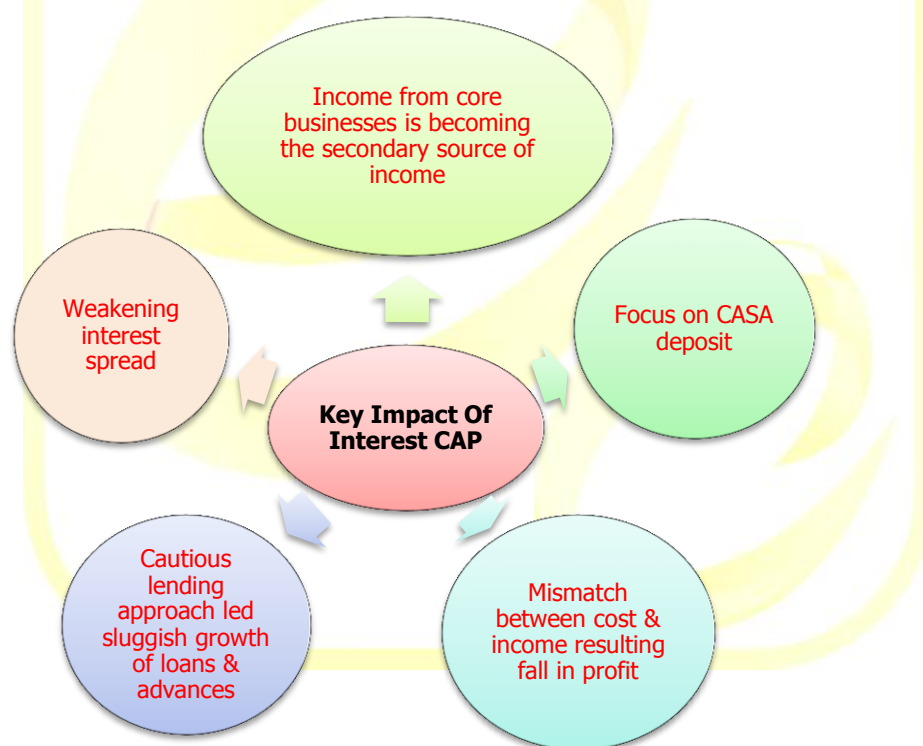
Exhibit 12: Correlation between Call Money and Excess Liquidity



The above graph shows correlation between call money and excess liquidity. The liquidity position of the banks increased over the year 2020 and from July 2020 there was consistent increase in liquidity. In relation to that the call money rate remained stable till June 2020 and from August 2020 there was sharp decline of call money rate as oppose to sharp increase in banks' excess liquidity.

2.2 Key Impact of Interest Cap

Exhibit 13: Key Impact of Interest Cap



Income from core businesses is becoming the secondary source of income: Bangladesh Bank has imposed interest rate cap for the banks operating in Bangladesh. The maximum lending rate is 9% and maximum deposit rate is 6% applied from 1st April 2020. Coincidentally the COVID-19 pandemic deepened in the same time affecting the performance of the sector with no room for coping up the

revised interest rates. Therefore, income from core business, net interest income, is becoming the secondary source of income for some banks with having negative growth in net interest income (based on the study on ten PCBs).

Cautious lending approach led sluggish growth of loans & advances: Banks are cautious in new lending since there is no risk premium available due to the lending rate cap.

Mismatch between cost & income resulting fall in profit: Implementation of new interest cap has also crafted a mismatch between cost & income of the banks since it has many long term deposit scheme with high interest rate and also majority of the costs related to the operation are fixed in nature i.e. salary, rent etc.

Weakening interest spread: The interest spread remained below 3% most of the months after implementation of the new interest rate cap. The spread dropped more than 100 basis point in the first month of the implementation of the interest cap as opposed to immediate prior month (March 2020: 4.07% and April 2020: 2.92%). In particular, deposit rate declined by only 14 basis point against the lending rate which fell by 129 basis point in April 2020. In most cases, banks have many long term schemes with relatively high yield and interest rate on that kind of deposits do not change in short notice as a result the sector sees sudden fall in terms of interest spread.

Focus on CASA deposit: Low cost funding has become the key to revive the situation; banks are more focused on Current Account Saving Account (CASA) deposit to reduce the cost of deposit as CASA carries relatively low or even nil interest. Based on the study on ten PCBs, funding through CASA has jumped to 35.17% in FY2020 as compared to 30.64% a year back exhibits notable growth in this type of low/no cost funding.

2.3 Key Findings from the Study:

- Banks are very cautious about new lending or increasing existing finance facilities due to the pandemic situation as well as interest rate cap.
- The banking sector has record excess liquidity and call money rate has fallen significantly for this excess liquidity
- As a tool for reducing the cost of fund, banks emphasis on low cost fund like CASA and discourage long term fixed deposit.
- Investment in government securities has been increasing since the sector is exposed to low credit growth and few options for alternative investment
- Net interest income has fallen due to implementation of interest rate cap as well as low credit growth

2.4 Key Recommendations:

- Emphasis on lending good borrower with decent track record of repayment should be in place for strengthening the asset quality
- Excess provision against the loans and advances could be helpful to absorb higher NPL in future months/year
- Bank should consider different strategies to reduce the "cost to income ratio". Process automation, convergences between product & services, searching for alternative source of income could be helpful

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Construction Industry

"Infrastructure development will play a crucial role in the recovery of COVID 19 economy. Economic drivers such as domestic consumption, exports are likely to remain weak for extended time period. As a result, infrastructure development will become a key driver in boosting the economy and create employment." (ADB)

Section III Construction Industry

3.1 Construction Sector at a Glance

Exhibit 14: Snapshot

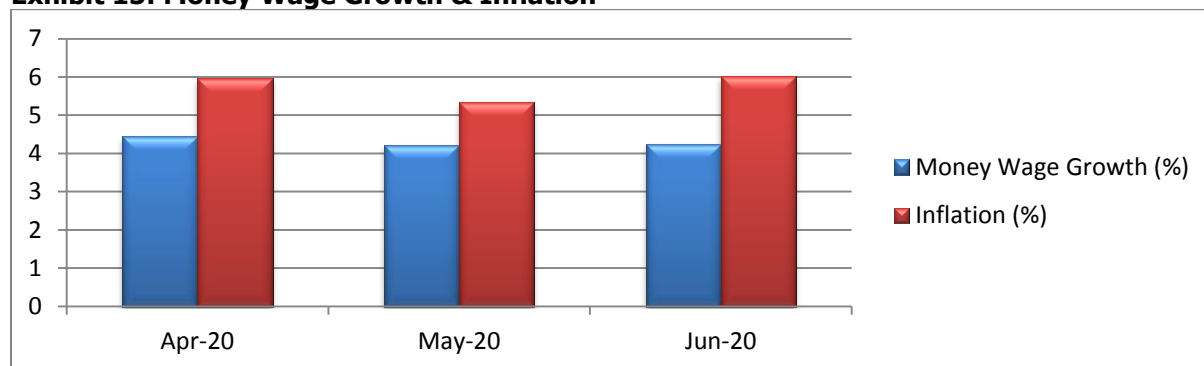
Sl.	Area	Details
1.	Real GDP Growth in 2020*	9.06% (1.19% decline from 2019)
2.	Average Real GDP Growth of Past Five Years	9.23%
3.	Construction Sector Share of GDP (Base year FY 06)	7.89
4.	Nominal GDP in 2020	BDT 2,242 billion
5.	Bank Advance Outstanding as on 31 December 2020	BDT 927 billion
6.	ADP Budget Allocation in Infrastructure Sector for FY 2020	BDT 800.53 billion
7.	Estimated Worker Working in the Sector**	3.40 million
8.	Estimated Job loss in the Sector Due to COVID 19 Impact***	0.21 million
9.	Foreign Support in Infrastructure Sector for COVID 19	ADB loan to GOB USD 50 million
10.	Key Issue Impacting the Sector	Significant increase in cost of cement (17.50%) and rod (22.41%)

* Provisional, Base year FY 06 ** BILS (2020) *** Islam and Rahman 2020

3.2 Labor Impact

- Bangladesh Institute of labor studies considers construction sector as high risk and severity impact sector.
- In first three months of economy shutdown Money Wage Growth Rate was lower than Inflation indicating that real wage of construction workers have decreased. (BILS Study 2020)

Exhibit 15: Money Wage Growth & Inflation



During the shutdown in the last quarter of FY 2020 the severity of the impact on labor force of construction industry was high while during recovery after the end of shutdown the impact is expected to be high medium. As the table below shows 0.21 million is likely to lose their job due to COVID 19 impact⁶.

Exhibit 16: Job Loss Analysis

Sector	2016-2017 (Actual LFS)	Projection for 2019-20 without COVID (GDP Growth 8.2%)	Projection 2019-20 (with COVID affected GDP growth 5.2%)	Job Loss (Million)	Job Loss as a Percentage (%) without COVID projection
Construction	3.4	3.91	3.7	0.21	5.37

3.3 Key Foreign Assistance





Exhibit 17: Foreign Assistance



Area	Details
Name of Organization	Asian Development Bank
Name of the Project	Strengthening Bangladesh Infrastructure Finance Fund Limited Project
Type of Fund	Infrastructure finance and investment funds
Modality of Assistance	Loan & Technical Assistance
Borrower	Government of Bangladesh
Financing Amount	USD 50 million
Cumulative Disbursement	USD 650,000 (Till August 2020)
Loan Tenor	25 years (including 5 year grace period)
Relending	<ul style="list-style-type: none"> The loan proceeds will be relented by the government to BIFFL through a subsidiary loan agreement in compliance with the loan agreement between ADB and the government.
Onlending	<ul style="list-style-type: none"> BIFFL will onlend the loan proceeds through sub loans to qualified enterprises carrying out eligible subprojects. The sub loans will be commercially priced and reflect BIFFL's cost of funds and subproject-specific risks.

⁶ The Impact of COVID- induced Economic Crisis on Employment and Labor Market in Bangladesh. Rezwanul Islam and Rushdan I Rahman

3.4 Key Impact on Construction Sector

Exhibit 18: Impact on Construction Sector

	Area	Impact Details
	Manpower	<ul style="list-style-type: none"> • Overall, the labor cost has remained same. • No construction firm faced work delays due to COVID 19 outbreak in its labor force. • Most SME construction and some corporate firms faced difficulty paying full salary to its permanent employees. • There was labor shortage in May and June of 2020 but after that things regularized.
	Construction Equipment	<ul style="list-style-type: none"> • Cost of Construction Equipment has increased internationally. • The rental cost of construction equipment has remained same over past one year.
	Raw Materials	<ul style="list-style-type: none"> • Cost of MS Rod per MT increased from BDT 55,000-58,000 to 70,000 to 71,000. • Cost of per 50 kg Cement increased from BDT 370 to 400 to BDT 440 to 470. • Cost of bricks remained consistent • Cost of stone increased by at least BDT 30 per sft. • Other raw material cost increased by 10 to 12%.
	Financing	<ul style="list-style-type: none"> • Only large corporate with very good bank transaction history could secure stimulus package. • All firms faced delay in receiving bills from respective authorities which made funding its existing projects difficult. • SME firms are facing difficulty in securing or enhancing credit lines from bank.

	<p>Business Expansion</p>	<ul style="list-style-type: none"> • Only large corporate are finding it easy to secure new work orders. • Medium companies have found difficult to bid for new work orders due to price of raw material escalation and payment delays. • Some SMEs does not have any ongoing projects.
	<p>Net Impact</p>	<ul style="list-style-type: none"> • Overall profitability of almost all companies have adversely suffered due to raw material price escalation. • Delay in work completion resulted in increased cost of performance guarantee which decreased profitability.

Impact on Mega Projects

As the construction works came to a halt during the pandemic it also affected the mega projects like Padma Bridge, Dohazari-Cox's Bazar railway line, Rooppur nuclear power plant, Matarbari coal-fired power plant, projects at Payra port, Metro Rail, etc. increasing the expenditure. After the pandemic many foreign engineers and workers involved were not available for a long time which also slowed down the work process. The project completion period had been extended up to 2024. The ADP budget in the current fiscal year had been revised and allocation on fast track projects had been increased and budget for 8 mega projects revised from BDT 36,060 crore to BDT 29,606 crore for FY2020-21 (Saif, 2021).

3.5 Common Problems Faced by Construction Firms

Work was halted during the general holiday declared in March 2020 which caused delay in projects.

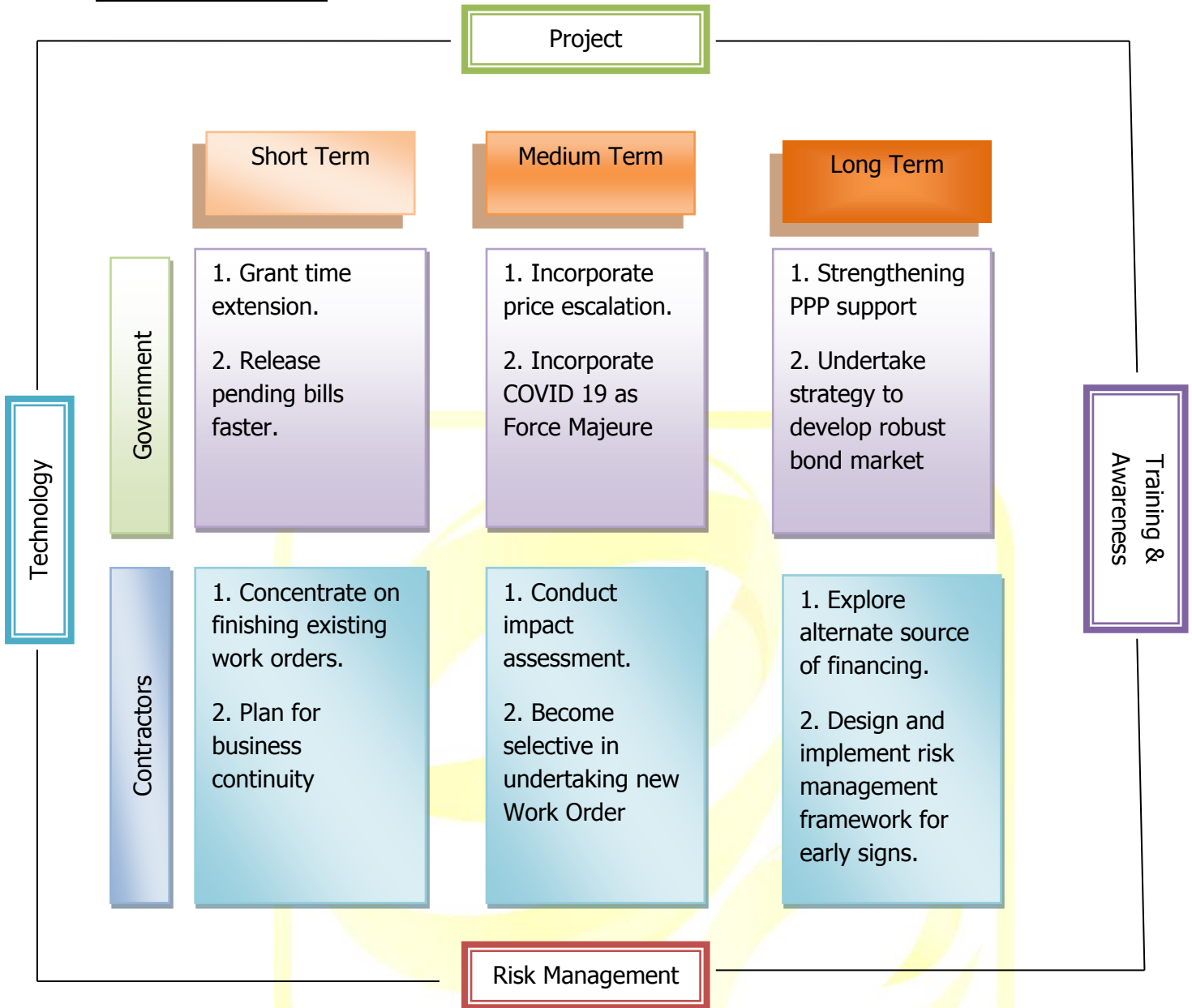
Labor costs have remained consistent post COVID 19 era but most SME firms had to opt for pay cut.

SME contractors have suffered significantly and have faced difficulty securing new line of credit or the stimulus package offered by GOB.

Bills from respective Government Agencies remains pending for extended period of time which makes it difficult for the contractors to manage their operating costs.

Cost of raw material specially cement and rod has significantly increased and since there is no room for negotiation in the work order, the bottom line of the contractors is seriously being hampered.

3.6 Recommendation



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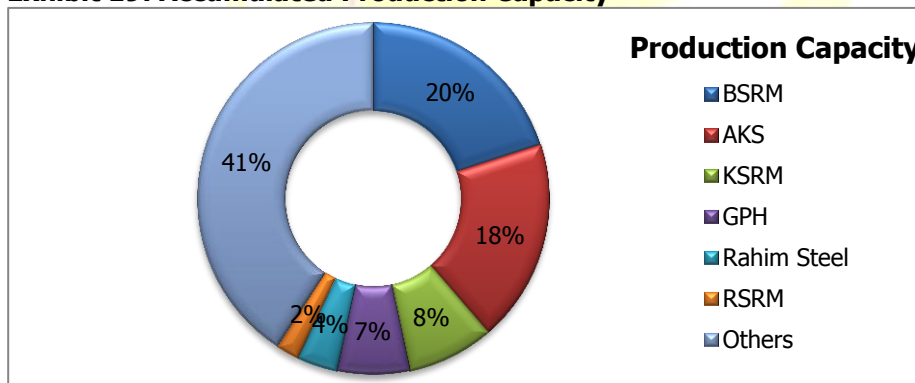
Steel Sector

The industry has a total market size of 7.50 million MT which was 2.50 million MT 10 years ago, growing at double digits and employing nearly 1 million people directly (0.20 million) & indirectly (0.80 million) across the country with government mega projects being the major demand driver

Section IV Steel Sector

There are around 400 companies in the industry of which only 45 steel mills are members of Bangladesh Steel Manufacturers Association (BSMA), accounting for 80% of total steel production, Bangladesh's combined annual installed capacity of producing steel in is 9 million MT.

Exhibit 19: Accumulated Production Capacity



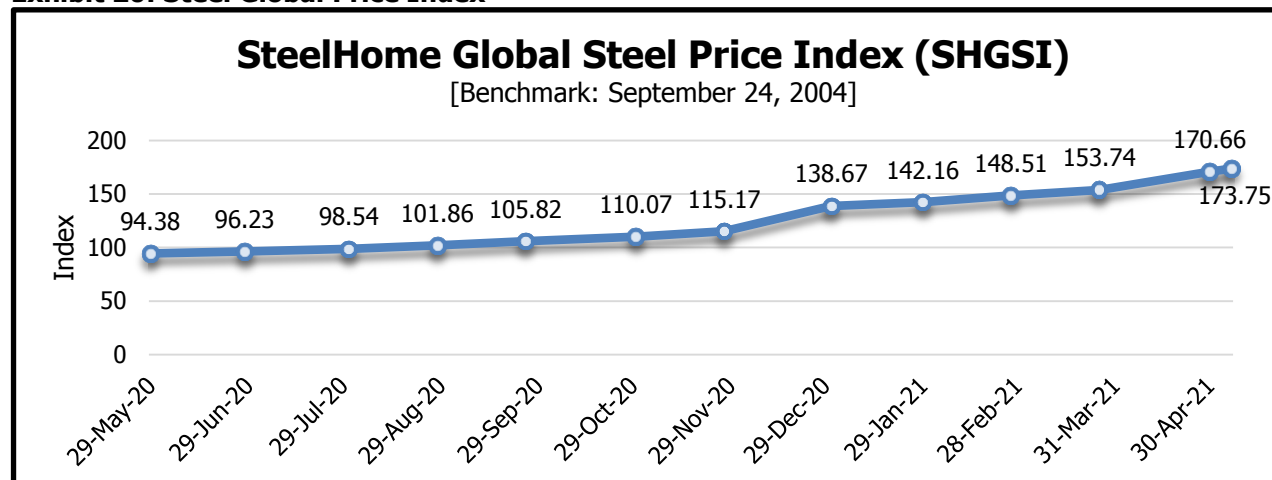
Source: NewVision

4.1 Impact of COVID on Supply Chain & Raw Material

The coronavirus pandemic disrupted market for steel scrap materials. According to market insiders, raw materials like steel scrap are mostly imported from China, India, Singapore and Taiwan, along with the USA, Canada, Brazil, and Australia. However, they also added that imports were significantly lower, as tenders for shipbreaking were not carried out during the nationwide shutdown, thereby eliminating one of the primary sources for scrap metals. This in turn brought up a supply side shock as demand for materials far exceeded the supply, resulting in an upsurge in the price for scrap items. Therefore, market price for scrap sharply rose from USD 300 in FY2020 to approximately USD 500 in FY2021, forcing the

local businesses to switch their procurement to local sources from Chattogram and Jessore, among other regions within Bangladesh. However, procuring steel scrap locally generates a risk in product quality, as a higher proportion of materials imported from abroad are of high quality along with being semi-finished, thereby making it convenient for the steel manufacturing businesses to produce finished goods. Exhibit 21 illustrates the drop in raw materials imported, with around BDT 4,997.00 million imported in FY2020 compared to around BDT 5,246.30 million, a 4.75% drop from the previous financial year.

Exhibit 20: Steel Global Price Index

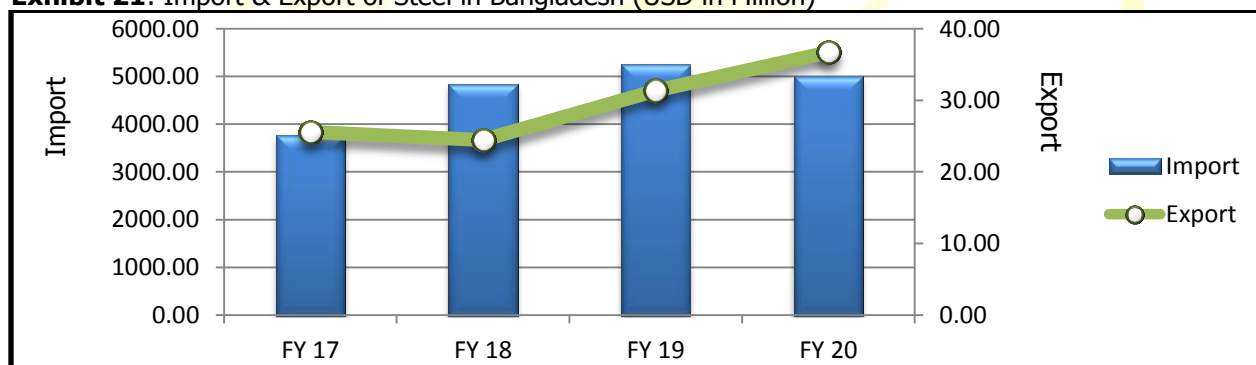


Source: Shanghai SteelHome Global

4.2 Impact of COVID on Import & Export

The graph below reflects the Import and export position of the country.

Exhibit 21: Import & Export of Steel in Bangladesh (USD in Million)



Source: National Board of Revenue (NBR)

Bangladesh has grown self-sufficient when it comes to meeting national demand of steel, as such companies continue to expand, increasing the production capacity to cater to international demand. **Export reached USD 68.08 million (July 2020 to January 2021) increasing by 82.91% amidst COVID Pandemic.** Bangladesh has exported USD 10 million to China (July 2020 to January 2021) along with other export destinations such as United Arab Emirates, India, Malaysia, Japan, Thailand, Pakistan and Myanmar.

4.3 Impact of COVID on Funding & Expansion

After the outbreak of COVID, stimulus package of BDT 30,000 crore was announced by GoB, of which BSRM received permission for BDT 17.50 crore and GPH Ispat for BDT 15 crore. However, BSMA

recommended the industry to receive BDT 300 crore to help factories continue their business and pay wages. Furthermore, the steel industry grew by 19.98% in Sep-Dec 2020 (Bangladesh Bank Quarterly Report, 2021). In Bangladesh, housing and construction sector accounts for more than 50% of overall all steel consumption (Steel Fact, BSMA 2021), encouraging further expansion into the industry.

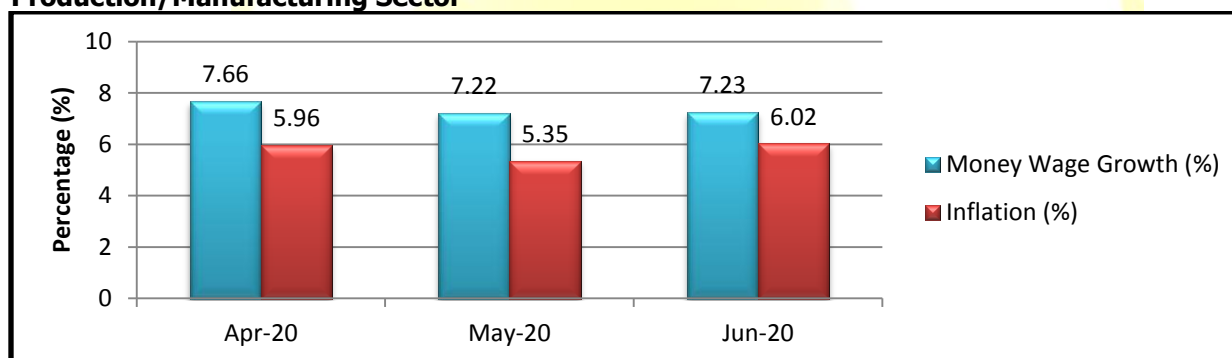
Exhibit 22: Expansion Plan

Company Name	Installed Capacity (FY 2019)	Installed Capacity (FY 2020)	Proposed Expansion Plan	Expansion Completion Year
BSRM Steel Limited	435,676 MT	435,676 MT	Increase capacity by 500,000 MT per year costing BDT 700 crore	2023
GPH Ispat Ltd	360,000 MT	360,000 MT	Increase capacity of 840,000 MT MS Billet & 640,000 MT MS Rod	Awaiting Trail Production

Source: Annual Report

4.4 Impact of COVID on Inflation & Wage Rate

Exhibit 23: Inflation and Money Wage Growth Rate Comparison in Production/Manufacturing Sector



Source: Bangladesh Bureau of Statistics. Consumer Price Index (CPI), Inflation Rate and Wage Rate Index (WRI) in Bangladesh

The nationwide shutdown impacted the sectors within the economy, with the manufacturing & construction sectors being one of those severely affected. The impact on the sector remained high even after the shutdown was lifted, it has been predicted that **the job losses in the construction sectors amounted to 0.21 million for FY2020**. Additionally, after communicating with company insiders, the number of job losses was minimal, with no cutbacks in the employees' salary and wages.

4.5 Key Findings

Pre-pandemic period, the production cost of 60 grade MS rod stood at BDT 58,000 per ton whereas the pandemic caused the prices to escalate to around BDT 71,000 per ton.

Net loss of BDT 3,000 crore (March-April 2020) was incurred as salaries and other expenditures scaled higher amidst low sales volume due to nationwide lockdown.

A portion of indirect labour (0.57 million) faced unemployment due to temporary loss of work.

Price of scrap and raw materials raised by USD 100-120 per ton in the international market due to disruption in the global supply chain (95% imported from China)

High import prices forced companies to shift their procurement of raw materials and scrap towards local sources.

Steel continued to be imported to ensure quality, despite the significant increase in prices

Sales drop 60% during lockdown between April-May 2020, with Government procurement aiding around 40-60% of total demand

Steel manufacturers sold its product at BDT 50,000-52,000 per tonne (March-October 2020)

According to industry insiders, the market is still 30-35% lower than that of normal time

4.6 Challenges Faced by the Industry that Require Immediate Attention

- I. Refund of Advance tax is being held up where according to BSMA BDT 2,000-3,000 crore is still yet to be cleared which has been pending for last 5-7 years, creating a shortage of working capital.
- II. According to the Managing Director of Bangladesh Steel Re-Rolling Mills Ltd (BSRM), the sector is paying around 60-70% taxes which is quite high.
- III. Release pending government bills faster.

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In FY2019-2020, 1,773 MW of additional capacity was installed, bringing overall generation capacity to 20,383 MW (without captive and renewable energy) and a 7.50% average increase in generation capacity

Power Sector

Section V: Power Sector

5.1 Present Installed Generation Capacity

Exhibit 24: Installed Generation Capacity

Source	No of Power Plant	Installed Generation Capacity (MW)	Percentage of Total
Public Sector (BPDB, APSCCL, EGCB etc)	55	10,090	46%
Joint Venture (BCPCL)	1	1,244	6%
Private Sector (IPPs, SIPPs etc)	91	9,473	43%
Power Import (Bheramara and Tripura)	-	1,160	5%
Total	147	21,967*	100%

*Excluding Captive Power & Off Grid Renewable Energy; Annual Report 2020, Power Division

5.2 Comparative Snapshot of Power Sector

Exhibit 25: Snapshot of Power Sector

Area	Unit	2019	2020	Growth (%)
Total Capacity (including captive and renewable energy)	MW	22,051	23,548	6.79
Power Plants	Each	134	138	2.99
Highest Generation	MW	12,893	12,738	-1.20
Transmission Line	Circuit K.M.	11,650	12,283	5.43
Grid Substation	MVA	41,195	45,194	9.71
Benefited population	%	94%	97%	3.00
Per Capita Generation	kWh	510	512	0.39
Subscribers	In million	34.30	37.30	8.75
ADP allotment	In million	267,700	260,320	-2.76
System Loss	%	11.96	11.23	-0.73

(Source: BPDB) as on 05 April, 2021

Amidst the pandemic, the power sector witnessed progress in power generation capacity in the fiscal year 2019-20. In FY2019-2020, 1,773 MW of additional capacity was installed, bringing overall generation capacity to 20,383 MW (without captive and renewable energy) and a 7.50% average increase in generation capacity. Among these new additions, Bangladesh Power Development Board installed 1,033 MW (including contracted power from IPPs), Electricity Generation Company of Bangladesh Limited

installed 118 MW, while Bangladesh-China Power Company (Pvt.) Limited installed 622 MW (JV of NWPGL & CMC China).

The highest peak generation was 12,738 MW and the total energy generated 71,419 GWh which was 1.20% lower and 1.26% higher than the previous year respectively. In February 2020, the retail tariff was raised by 5.3% to BDT 7.13 per kilowatt hour, marking the first time the retail tariff has been raised since 2017. For the first time since 2015, the wholesale tariff was raised to BDT 5.17, a rise of 8.4%.

Exhibit 26: Capacity Utilization

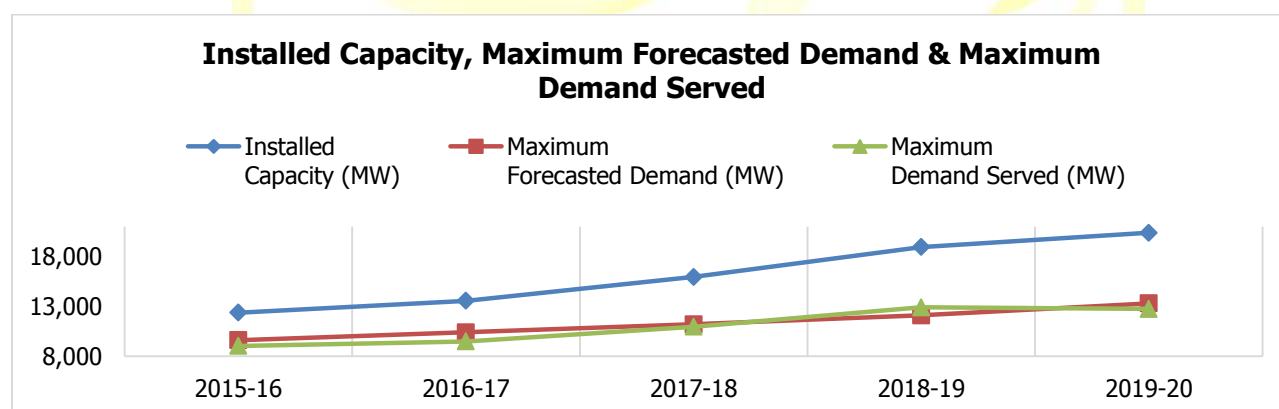
Year	Installed Capacity (MW)	Maximum Generation (MW)	% Change over the preceding year
2015-16	12,365	9,036	-
2016-17	13,555	9,479	4.90%
2017-18	15,953	10,958	15.60%
2018-19	18,961	12,893	17.66%
2019-20	20,383	12,738	-1.20%

5.3 Economic Impact Of COVID-19 on Power Sector in Bangladesh

As a result of the pandemic, there was a major drop in power demand and sales. The domestic and industrial sectors of the country account for the majority of the country's power consumption demand. The industrial sector's main growth factors are RMG manufacturing, construction and infrastructure production, and the pharmaceutical sector. Although, RMG manufacturing and the pharmaceutical sector was operational almost the whole period, construction sector saw reduced activities on various projects. Due to the COVID-19 pandemic and the resulting general holidays lasting more than two months, the share of domestic users rose in 2020, whereas that of industrial and commercial spaces decreased. In FY2019-20, 57.02% of the country's total power was consumed by domestic sector while industrial sector consumed 27.58% in contrast to the 53.31% by domestic sector and 29.55% by industrial sector in FY2018-19.

Electricity purchase from India has lowered in quantity however the price for per unit electricity has risen in FY2020 compared to FY2019 for BPDB. The electricity from India was bought at BDT 6.01/unit in FY2020 in contrast to BDT 5.46/unit in previous year. Bangladesh would have electricity capacity to produce 58% more power than it needs in 2029-30 if plans to construct more coal- and LNG-fired power plants are carried out. Due to the pandemic, the economy will slow down for the next few years which would reduce power demand growth. This may result in lower power demand by 2029-30 than previously expected, worsening Bangladesh's overcapacity situation.

Exhibit 27: Installed Capacity, Maximum Forecasted Demand & Maximum Demand Served (Source: BPDB Annual Report 2020)



5.4 Key Findings

This study aims to find out the adverse effects of the pandemic on power sector of Bangladesh. Some of the key findings of the study has been summarized below -

- Lower demand of electricity in April – May 2020 which improved from June – December period to similar power generation as on 2019.
- Lower revenue generation of most power plant companies in FY2019-20 compared to previous year.
- Power plants employs skilled manpower which are not easily replaceable and does not require too many labors as the plants are machineries based, as a result no loss of employment or any wage cut has been found according to survey.
- The maximum generation of the country has been on the rise in the past 5 years except in 2020 where the maximum generation was lower than the previous year.
- Number of power plant increased to 138 by June 2020 and 147 by April, 2021.
- Total capacity including captive and renewable energy increased to 23,548 MW in 2020 compared to 22,051 MW in 2019.
- 43 power generation projects of capacity 15,294 MW were under construction as of June 2020.
- The per capita generation and consumption of electricity has been on the rise in the last 5 year period.
- With decreased generation in 2020, the fuel consumption of power plants has also decreased while dependency on coal has increased in 2020.
- The GDP from power, gas and water supply sector grew by around 6.16 % in FY20, far below from 9.58 % in FY19 according to Bangladesh Bank’s annual report.
- The pandemic has had impacts both on the current operational power plants as well as prospective future plants as follows.

Exhibit 28: Ongoing & Upcoming Power Plants

Ongoing Power Plants	Power Plants Under Construction
<ul style="list-style-type: none">• Reduced revenue.• Reduced profitability margins.• Expected delay in major maintenance.• Expected increase of cost in conducting major maintenance work.	<ul style="list-style-type: none">• Expecting delay in meeting commercial operation date (COD).• Expected increase of total project cost.• Fear of being fined for not meeting the expected COD

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Pharma Sector

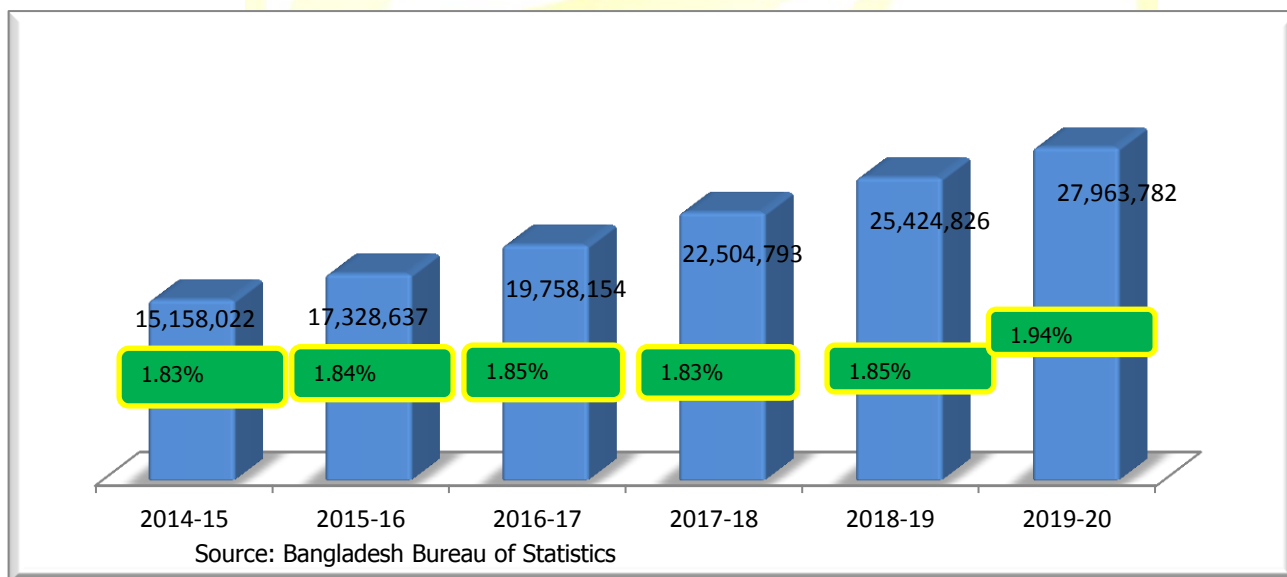
Present market size is BDT 253.00 billion enabling the market to meet 98% of local demand with 15% CAGR (Compound Annual Growth Rate) last couple of years, , hoping to become a BDT 600.00 billion market by 2025.



Section VI: Pharma Sector

Despite the pandemic, pharmaceutical companies were heavily trying to keep their regular operation up and running to supply essential drugs to the markets both at home and abroad. However, the pharma industry initially also suffered to some extent during the first strike of the pandemic in the second quarter of 2020 mainly due to **shortage** of raw materials/Active Pharmaceuticals ingredients (API) and **declined** prescribed medicine sales resulting from **decreasing** number of outpatient in hospitals and closure of private chambers which eventually dipped the pharmaceuticals companies' growth rate.

Exhibit 29: Pharmaceutical Industry's Contribution as % of GDP (BDT in Million)



6.1 Performance of Companies During COVID Pandemic

The companies listed in the DSE (Dhaka Stock Exchange) and CSE (Chittagong Stock Exchange) dipped by 31% during the second quarter of 2020 as opposed the corresponding period of previous year. However, the growth trajectory regained its growth momentum in the last two quarters of 2020 by achieving a growth of 4.38% (Q3, 2020) and 7.86% (Q4, 2020). Due to pharma products essential trait,

the demand for the pharma products is high globally/locally which helped the pharma players respond to about-turn the industry's decline growth phenomena it faced in the first quarter of 2020. Finally, the pharmaceutical industry of the country sealed a progressive 15.00% growth in 2020 as opposed to a growth of 24.00% in 2019. Finally, the pharmaceutical industry of the country sealed a progressive 11.36% growth in 2020 as opposed to a growth of 7.26% in 2019. On top of that, the sector is expected to grow at 15% year-on-year to reach USD 5.11 billion by 2023⁷.

Exhibit 30: Market Share of Top Companies

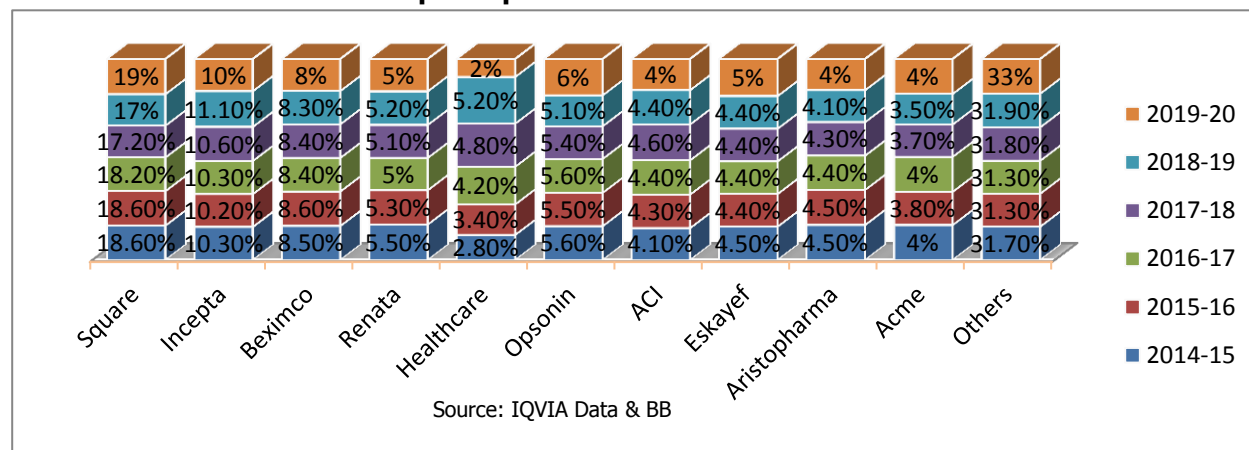


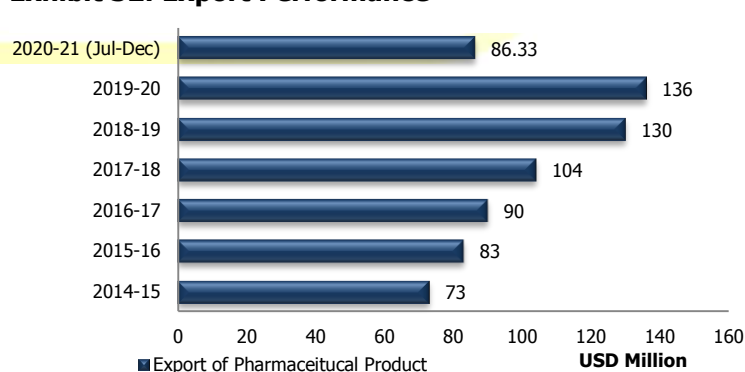
Exhibit 31: Public Limited Pharmaceuticals Companies' Quarterly Revenue (BDT in Million)

Company Name	Second Quarter Ended (Oct-Dec)			First Quarter Ended (July-Sep)		
	2020	2019	Growth	2020	2019	Growth
ACME	5,022.12	4,663.28	7.70%	4,975.64	4,463.50	11.47%
Advent Pharma Ltd.	125.91	159.46	-21.04%	129.53	172.46	-24.90%
Beacon Pharmaceuticals Ltd	2,183.58	1,487.82	46.76%	1,547.04	1,335.47	15.84%
Beximco Pharmaceuticals Limited	7,474.26	6,192.19	20.70%	6,925.93	6,303.34	9.88%
Central Pharmaceuticals Limited	61.05	53.08	15.02%	60.07	59.08	1.67%
Renata Limited	7.02	6.07	15.72%	7.17	6.29	13.96%
The IBN SINA Pharmaceutical Industry Ltd	1,880.85	1,534.03	22.61%	1,726.65	1,534.63	12.51%
Indo-Bangla Pharmaceuticals Limited	208.84	228.10	-8.44%	210.45	214.68	-1.97%
Orion Pharma Ltd	687.37	684.90	0.36%	606.35	591.62	2.49%
Pharma Aids	67.54	74.35	-9.16%	64.56	71.87	-10.17%
Silco Pharmaceuticals Limited	121.30	113.90	6.50%	240.00	233.31	2.87%
Silva Pharmaceuticals Limited	190.91	202.24	-5.60%	227.52	203.35	11.89%
Square Pharmaceuticals Ltd.	12,366.06	11,129.20	11.11%	12,575.58	11,293.58	11.35%
Average Growth Rate			7.86%			4.38%

6.2 Export Performance During COVID Pandemic

The export of pharmaceutical products did not drop amidst the COVID-19 pandemic. As per the Export Promotion Bureau (EPB) data statistics, it is evident that Pharmaceutical export soared 4.49 per cent year-on-year to USD 136 million in fiscal 2019-20, a 4.62% rise from USD 130 million in 2018-2019. In line with this, the pharma products accelerated its medicine

Exhibit 32: Export Performance



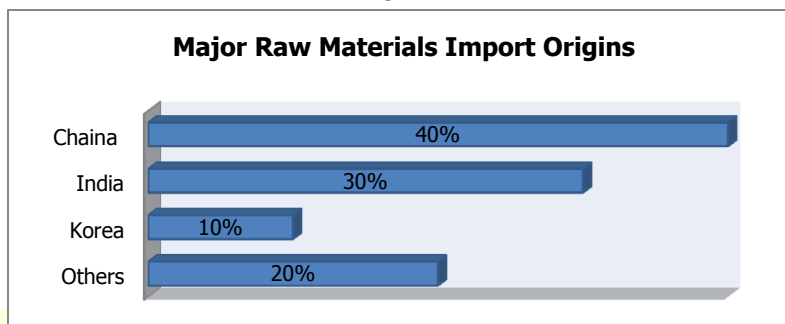
⁷ The Financial Express: Pharma Industry Growth

export in the last six months of 2020 with an annualized growth rate of 36.66% in comparison to the growth in 2019-2020 exhibiting its praiseworthy product quality and policy support initiative to overcome the hurdles it faced in the pandemic. Presently Bangladesh exports its product to 144 countries.

6.3 Impact on Raw Materials During COVID Pandemic

Active Pharmaceutical Ingredients (APIs), which are the raw materials for the pharmaceutical sector, are highly import-dependent. Bangladesh imports about 95% of all APIs worth BDT 5,000 crore annually from abroad, the largest quantity from China, followed by South Korea and India. Although the COVID-19 outbreak has thus far not had a large impact on the

Exhibit 33: Raw Material Import Countries



local pharmaceutical sector, the spread of the pandemic is expected to lead to a shortage of APIs in the near-term. The ban on API exports from India is a harbinger of hard times for the import-dependent industry. Bangladesh still lag behind to produce API (presently manufacture BDT 1,950 crore) of required level, 10-15 % of local demand is met from local production.

According, to industry insiders, the drug manufacturers usually keep a stock for four to five months and they waited till API reached regular price since retail price of medicine are highly regulated and can't be changed. To aid the situation, GoB has taken steps to build API Park at Munshiganj in May 2008 on 200 acres of land at Baushia, Gazaria, Munshigonj. After revising two times, the estimated cost of the project is BDT 2,130 million with 42 plots expected to create employment of 25,000 individuals with hoping to implement this project by 2025.

6.4 Recommendations

1. Active Pharmaceutical Ingredients (APIs), which are the raw materials for the pharmaceutical sector, are highly import-dependent. The pharma manufacturers' import about 85-90% of all APIs. To complete the API park construction immediately might fulfill the APIs demand locally by 50-60%.
2. Under the TRIPs agreement, Bangladesh has the permission to reverse engineer the original patented medicine to produce generic version of that particular drugs without taking prior approval from innovator. Also, Bangladesh has the opportunity to export to any country if the medicine is not under patent in that particular country. But if Bangladesh graduates from the group of the least developed countries (LDCs) in the projected year of 2024-2026 into a developing country then the Trade-Related Aspects of Intellectual Property Rights (TRIPS) on pharmaceuticals products will also come under a question. So, to keep the country's pharma market's phenomenal journey, the country comprehensively needs to retain the Trade Related Aspects of Intellectual Property (TRIPS) agreement which will enable the pharma companies to produce generic drugs under this trade agreement.
3. As per the World Health Organization (WHO) around 70% percent world population needs to be vaccinated to tackle the COVID-19 pandemic permanently from the world in near future. In line with this, Bangladesh needs at least 250 million doses to obtain herd immunity. Due to massive shortage of vaccine worldwide at present, Bangladeshi local companies need to produce this life-saving vaccine with short possible time.

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Export order of USD 3.18 million had been cancelled which had a profound impact on the export performance, leading to the closure of more than 300 factories.

RMG Sector

Section VII: RMG Sector

7.1 Outlook After COVID-19

Exhibit 34: Snapshot

Particulars	FY2020
GDP Contribution (%)	11.20
Total Import (USD in Million)	12,160.33
Total Export (USD in Million)	27,949.19
Job Loss during COVID-19	2.28 million**
Registered Garments & Textile Factories	6,502
Factories Closed	300***
Orders Cancelled (USD in billion)	3.18** (March-June)
Export Share in the Country (%)	80%
Export Share in the World (%)	6.50

Source: (BGMEA, 2021);** (USAID, Bangladesh, 2021); (USDA, 2021); *** (The Daily Star, 2021)

Covid-19
Impact

- Fall in consumption of raw materials by 4.16%
- Import increased in FY2020 but declined later
- Fluctuation in price of raw materials
- Export declining during pandemic which started increasing after 1st wave.
- Laid off or retrenchment of workforce increasing lower income group
- Work order cancelled with closing of factories.

Bangladesh is the second-largest RMG exporter (6.80% in the world RMG export (Statista, 2021) after China and it contributes more than 80% of the country's total exports it is bound to be affected by the adverse impact or disruption on the export market. Around 4,621 Bangladesh Garment Manufacturers and Exporter's Association (BGMEA) members employ 4.5 million workers at their garment factories, of which 80% are women (BGMEA, 2021). However, with the outbreak of COVID Pandemic and order cancellation, decreasing revenue and increasing costs rendered almost 300 factories to shut down (The Daily Star, 2021).

7.2 Impact of COVID on Export

More than BDT 3.18 billion orders were cancelled with many deferred shipments the country has seen overall decline in export earnings as seen in the table below, leading to total exports being USD 33,674.09 million in FY 2020 down from USD 40,535.04 million in FY 2019 (BGMEA, 2021).

Exhibit 35: Monthly Export to the World (USD Million)

Month	Woven	Knit	Total	% Increase
Jan	1,625.00	1,414.22	3,039.22	3.54
Feb	1,505.58	1,278.70	2,784.28	(8.39)
Mar	1,200.37	1,055.83	2,256.20	(18.97)
Apr	194.55	180.12	374.67	(83.39)
May	622.16	608.38	1,230.54	228.43
Jun	1,075.31	1,164.95	2,240.26	82.06
Jul	1,494.66	1,750.28	3,244.94	44.85
Aug	1,103.52	1,364.50	2,468.02	(23.94)
Sep	1,064.54	1,348.88	2,413.42	(2.21)
Oct	985.50	1,338.22	2,323.72	(3.72)
Nov	1,110.12	1,334.47	2,444.59	5.20
Dec	1,261.05	1,389.82	2,650.87	8.44

Source: (BGMEA, 2021)

7.3 Impact of COVID on Raw Material & Supply Chain

Bangladesh is reliant on imports for the raw materials of RMG manufacturing and is mostly dependent on raw cotton imports. The dependency on China for raw cotton is 50% and machinery & spare parts is 40% (Copenhagen Business School, 2020). Apart from China, raw cotton is also being imported from USA, Australia, CIS, India, Pakistan, Central America, and East and West Africa with some countries gaining more momentum than others due to price advantages.

Exhibit 36: Raw Materials (Million Bales)

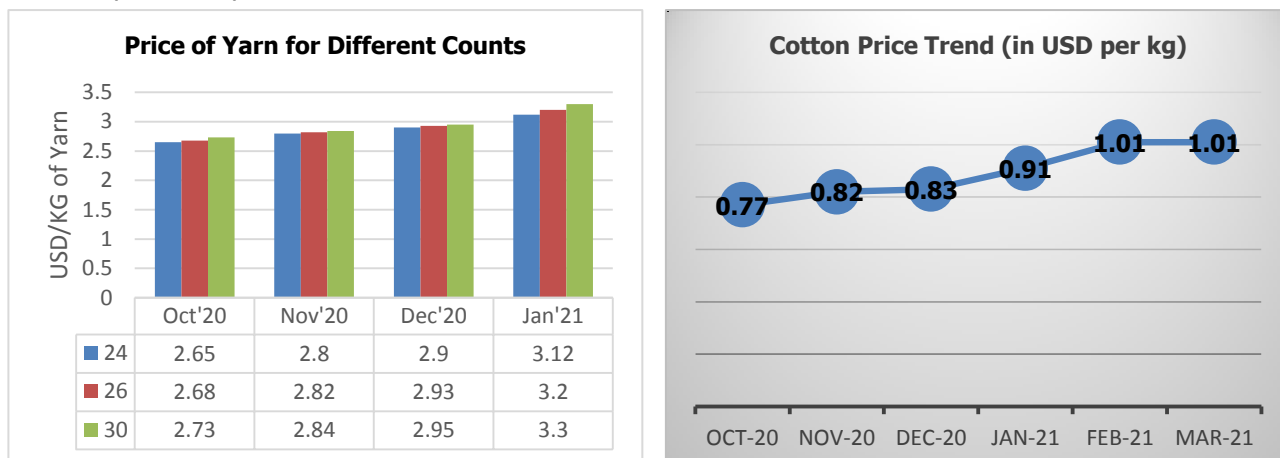
Particular	2021 (projected)	2020	2019
Consumption	7.10	6.91	7.21
Production	7.21	0.14	0.13
Import	-	7.52	7.00

Source: (USDA, 2021), (BTMA, 2021); (one bale equals 480 pounds)

In the beginning of pandemic in 2020 the price of cotton did not increase and had less variation as there had been lower demand for the raw cotton (BTMA, 2021). The price started increasing later in the year as the demand for raw cotton started piling up and production in sourcing countries like Pakistan, Greece, declined. Spinning mills and the garments sector consume 40% of the imported raw cotton and 80% of imported yarn and fabrics which is required in order to meet export demand (BGMEA, 2021).

Exhibit 37: International Price movement of Cotton and Yarn

Source: (BTMA, 2021)



As the COVID-19 pandemic reshapes trade and supply chains, the logistics sector can play an important role to support the recovery in Bangladesh and drive improvements in its competitiveness. Currently, Bangladesh lags its competitors in terms of logistics performance, which constrains its exports.

Exhibit 38: Supply Chain Disruptions

Higher cost of reducing risks	<ul style="list-style-type: none"> Order cancellations, buyers demands for lower prices, deferred shipments Highly likelihood for poor management even in the pandemic situation
Delay of Shipments	<ul style="list-style-type: none"> 93% of Bangladesh suppliers faced a delay in the shipments of the raw materials during this pandemic
Vulnerability of electronic processing	<ul style="list-style-type: none"> Impeded the facilitation of cargo movement at ports and border stations
Blockade of road transport	<ul style="list-style-type: none"> During the pandemic road transportation cost further increases leading to high logistic cost
Congestion and delays	<ul style="list-style-type: none"> Average dwell times are 4 days for an export container and 11 days During pandemic time, it increased collectively
Lead time	<ul style="list-style-type: none"> Struggling for longer lead times due to disruption in shipment and transport systems throughout the world

7.4 Impact of COVID on Workforce

In reaction to the COVID-19 pandemic, the Bangladesh Rural Advancement Committee performed a national survey (between 31 March to 5 April 2020) among 2675 respondents from low-income workers and found that 14% of the respondents had no food reserves at home, whereas 29% only had enough food for 1–3 days (BRAC, 2020). With such deficiencies, and in the lockdown conditions, starvation is a potential outcome of COVID-19 for the vulnerable and those in the low-income group of workers.

In Bangladesh, approximately 60% of suppliers closed for a period over 3 weeks when the nationwide lockdown was announced which prompted **job loss of 11 million of both of temporary and**

permanent workers, had been estimated during April-May, 2020 (Islam & Rahman, 2020). Due to factory closures, order cancellations along with the failure of buyers to pay for cancelled shipments affected 1 million garment workers.

In April, 2020 workers are prohibited to do their jobs as a part of safety measures and they received only 60% of their wages which brought a cumulatively severe impact upon the RMG sector workers. In the year of 2020 the workers have to agonize 35% pay cut during the first wave of COVID-19 (Bangladesh Session for Workers Solidarity , 2021), furthermore overtime pay has also been restricted due to low work orders in hand. It is claimed by the trade union that 10% of RMG factories did not pay their wages in April 2020 while as much as 50% of the factories did not pay Eid bonus as reported by the industrial police (Centre for Policy Dialogue, 2021)

7.5 Impact of COVID on Funding

The Government has been vigilant since the start of the global Covid-19 crisis and has declared ranges of economic responses to support emergency healthcare services, to protect jobs, and to achieve smooth economic recovery.

Exhibit 39: Stimulus Package for export-oriented Industry

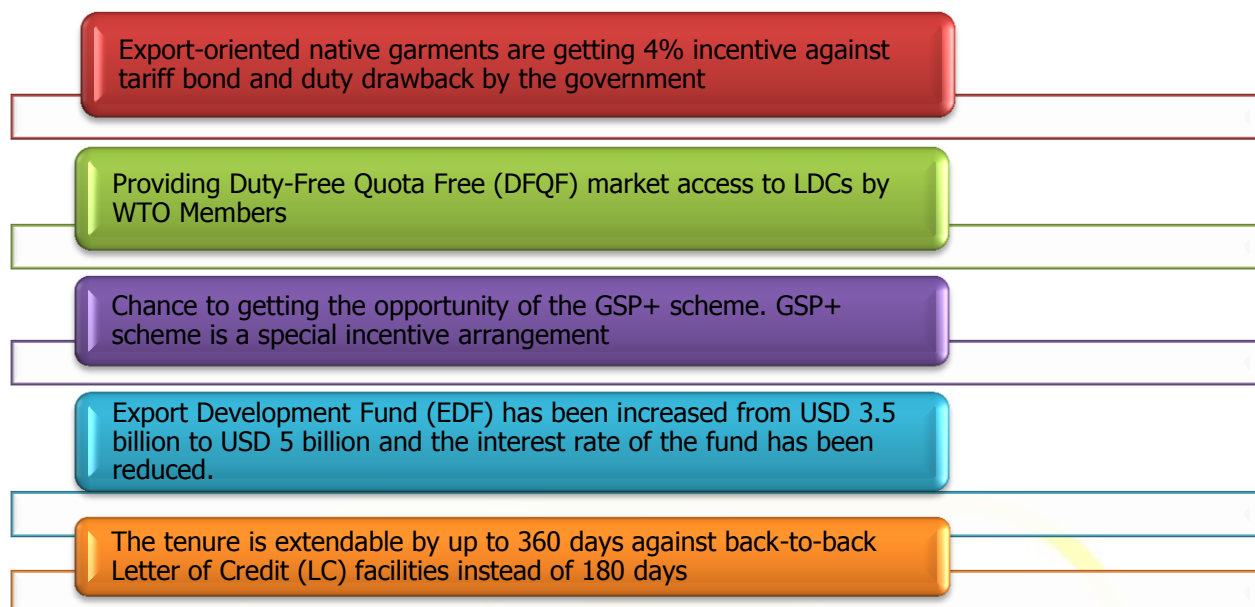
- The package allocates USD 595 million for RMG and other export-oriented industries which could only be used for paying salaries and allowances to workers and employees.
- The size of the Export Development Fund has been increased from USD 3.5 billion to USD 5.0 billion which provides short-term facilities for importing raw materials for export-oriented industries.
- Out of Export Development Fund package, the central bank will institute a USD 600 million Pre-Shipment Credit Refinance Scheme for RMG and other export-oriented industries.

A recent survey by Bangladesh Bank on 59 Banks of the country revealed that RMG & textile (89.83%) as the second highest credit-deserving sector as this sector had been affected majorly by the export decline and order cancellation (Bangladesh Bank, 2021). Currently RMG & textile industry produces 34.82% & 14.07%, of total industrial output respectively (Financial Stability Department, Bangladesh Bank, 2021). The credit share of RMG & textile sector is 11.05% & 7.28% respectively. It is assumed that if the economy is highly exposed to the COVID-19 shocks then the banking sector will face the resulting impact which poses a concern for financial stability. However, this industry is mainly a workers driven industry bearing a huge load of wages of the workers and other overheads. The wage support loans are programmed to be repaid from January in FY2021 which impose a magnitude of financial bearing on factories.

7.6 Key Support Provided to the RMG Industry

Bangladesh is a developing country that has getting benefit from various developed and developing countries for duty-free market access as a least developed country (LDC). This facility is enhanced and privileged by the membership of the World Trade Organization (WTO). With these opportunities, the Bangladesh RMG sector is getting developed day by day.

Exhibit 40: Support Provided to the RMG Industry to Sustain in the Pandemic



7.7 Key Findings of the Study & Recommendations⁸

- During the pandemic the businesses had faced decline in demand which had an impact on the revenue earnings and it declined on average by 15%.
- Almost all the factories had to reduce production due to lower demand. Experts revealed that on average only 60% of production capacity had been utilized.
- As there had been lower orders, orders on hold and supply chain disruption due to borders being closed during the pandemic, it had an impact on the lead time and it increased the holding cost more than 40%.
- The price fluctuation in the international market for raw materials reduced profits for the businesses.
- More than 40% retrenchment of workers for some businesses of whom mostly had been hired later.
- Stimulus had fulfilled the partial requirements of the companies and it was not sufficient for most of them.

⁸ Based on a series of desktop study, experts' interviews and analyzing public limited companies' financial performances

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As per the report from Tour Operators Association of Bangladesh (TOAB) the gross loss amount due to COVID-19 is BDT 5,700 crore. The market size of the domestic tourism segment was around BDT 6,000 crore in 2019 and it declined to BDT 1,500 crore in 2020.

Tourism Sector

Section VIII: Tourism Sector

Exhibit 41: The Amount of Losses in BD Tourism Sector

Amount of Losses	BDT in Crore
Inbound Tour Operation loss	186.25
Outbound Tour Operation loss	339.98
Domestic Tour Operation Loss	93.34
Air Ticket Loss	305.33
Unemployment Rental Expenses	16.95
Staff Salary & others miscellaneous	80.27
Accommodation Industry gross loss	487.00

Source: Ministry of Civil Aviation and Tourism; (mocat.gov.bd, 2020)

The tourism sector of Bangladesh has been negatively impacted by the COVID-19 outbreak since the beginning of March, 2020. The number of patients in Bangladesh with COVID-19 has continually increased since the beginning of April, 2020. From the mid-March, local governments of Bangladesh initiated strict embargos on visiting tourist spots. Hotel and motel owners were asked to discourage tourists from residing in their establishments. Therefore, travel- and tourism-related activities stagnated. Moreover, a multitude of domestic and international flights were canceled, worsening the current economic situation. To prevent the spread of COVID-19, all on-arrival visas for tourists from all countries were suspended.

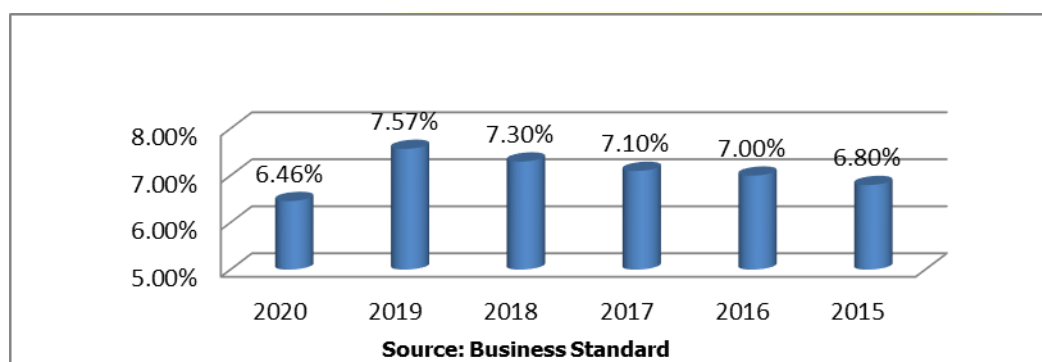
8.1 Impact on Travel Agents During COVID Pandemic

The spokespersons of different air travel and tour agencies have revealed that the covid-19 pandemic has added to the worsening scenario of the overall business. Since the first wave of the pandemic several restrictions were imposed by different countries for travelling abroad. There are around 10,000 travel agents where only 900 agents are the member of International Air Transport Association (IATA). All the members have paid the membership fees but some agents struggled to pay on due time. There were about 350,000 ticket wise segments before the pandemic and 170,000 segments after the pandemic

where only 20,000 segments are active currently. Moreover, there are very limited businesses in B2C hence companies are emphasis on B2B business.

In inbound tourism business, Sundarban trip is the most profitable stream where companies are experience very little business after the pandemic and no foreign tourist was coming by. Despite the pandemic most of the companies are retaining their employees. Moreover, most outbound and inbound traffic from Bangladesh is labor force working in different countries has to halt their movement. Hence, revenue generation of travel agents dropped below 50% of their pre COVID revenue. Some of the companies are struggling to sustain in the market, failing to refund the ticket price for flight cancelation, getting threat for legal sue by customers. However, some companies received stimulus fund declared by the government for recovering the loss incurred during the pandemic. Moreover, currently the agencies are generating higher margin from ticket selling as airlines companies are giving more incentive for selling ticket.

Exhibit 42: Contribution of Hotel & Restaurant Sector on GDP



8.2 Impact on Employment During COVID Pandemic

Pacific Asia Travel Association’s (PATA) Bangladesh Chapter has estimated that more than 0.30 million people working in the travel and tourism sector are at risk of losing employment.

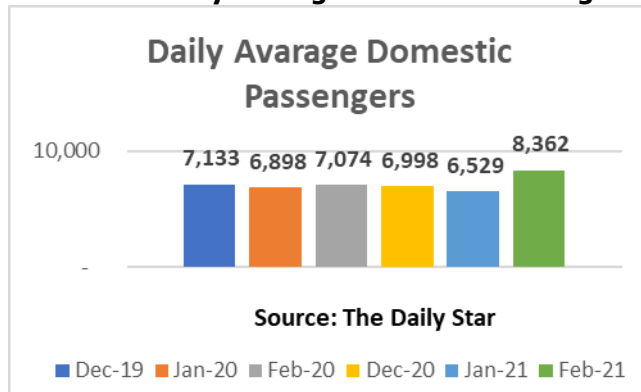
In the year of 2013, The World Travel & Tourism Council (WTTC) predicted that by 2023, travel and tourism will directly generate 1,785,000 jobs and support an overall total of 3,891,000 jobs, or 4.2% of the country’s total employment. This would represent an annual growth rate in direct jobs of 2.9% (World Travel and Tourism Council). However due to the adverse impact of the COVID-19 pandemic this prediction might be changed and could witness of adverse impact in tourism sector. Due to the Covid-19 outbreak; many foreign tourists cancelled their hotel bookings, resulting in significant financial losses for the industry, particularly in Dhaka, Cox’s Bazar, Sylhet, and Chattogram. As per the industry insiders, most of the employees of hotel industry are being paid less than anticipated and to some extent hold their jobs without being paid any service charges. Biman Bangladesh Airlines have also implemented some initiatives to ensure their survival such as 10% reduction of basic salaries for employees, the suspension of overtime pay, and the reduction of all extra allowances.

8.3 Impact of COVID-19 on Bangladesh Aviation Industry

According to IATA’s Value of Aviation Report for Bangladesh, the sector is expected to support USD 2.10 billion of GDP and 140,000 jobs in 2038. (IATA). The aviation industry, most severely affected by the Covid-19 pandemic, saw a dramatic recovery in the domestic market as passenger volume crossed that in

the pre-pandemic period in February, 2021 amid rising travels to tourist destinations across the country. But, the resurgence of the virus from mid-March, 2021 weighed on the air travel recovery progress as the dangerous turn of infections compelled the government to suspend domestic flight operations for seven days from 5 April, 2021 due to the lockdown. The number of total domestic air travellers was 234,142 in February this year, which was 6% higher than in December 2019 (tbsnews, 2021). The local aviation industry was in a good shape towards recovery as the number of air travellers reached the pre-pandemic level, air operators were expanding routes and flight frequency to meet the rising demand.

Exhibit 43: Daily Average Domestic Passengers

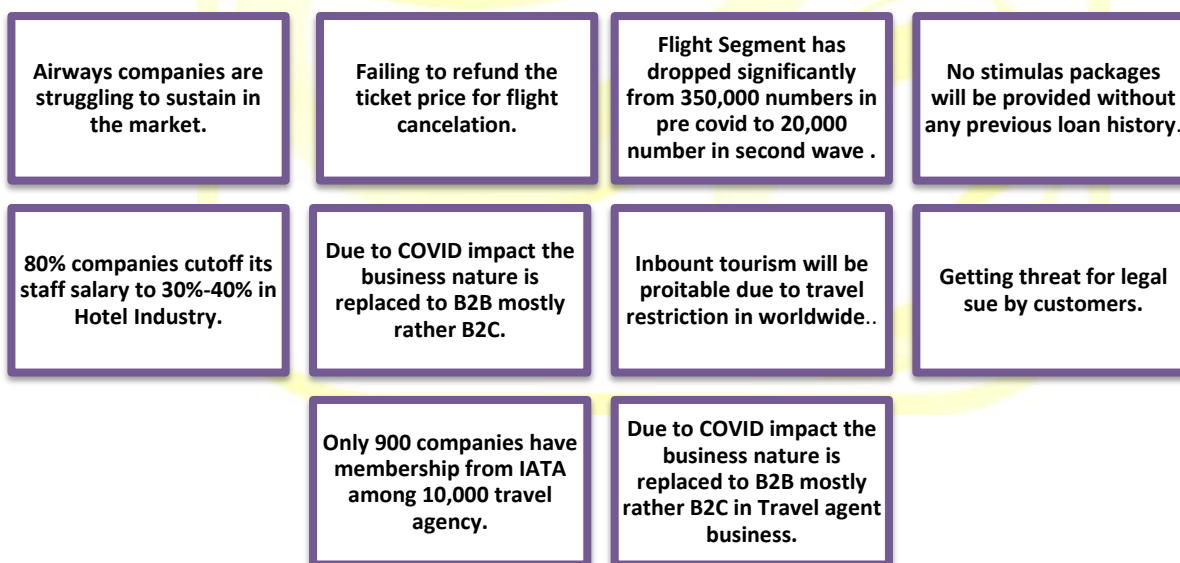


The IATA projected that global air transport revenue would be abridged by 11% in 2020, which means a loss of USD 163 billion (IATA, 2020). More than two million flights have been canceled until 30 June, 2020. Global travel restrictions have a direct impact on the airline industry and created extreme pressure on financial conditions identified that Biman Bangladesh Airlines, the national flagship airline carrier of Bangladesh, experienced a loss of USD 30 million from January to March 2020.

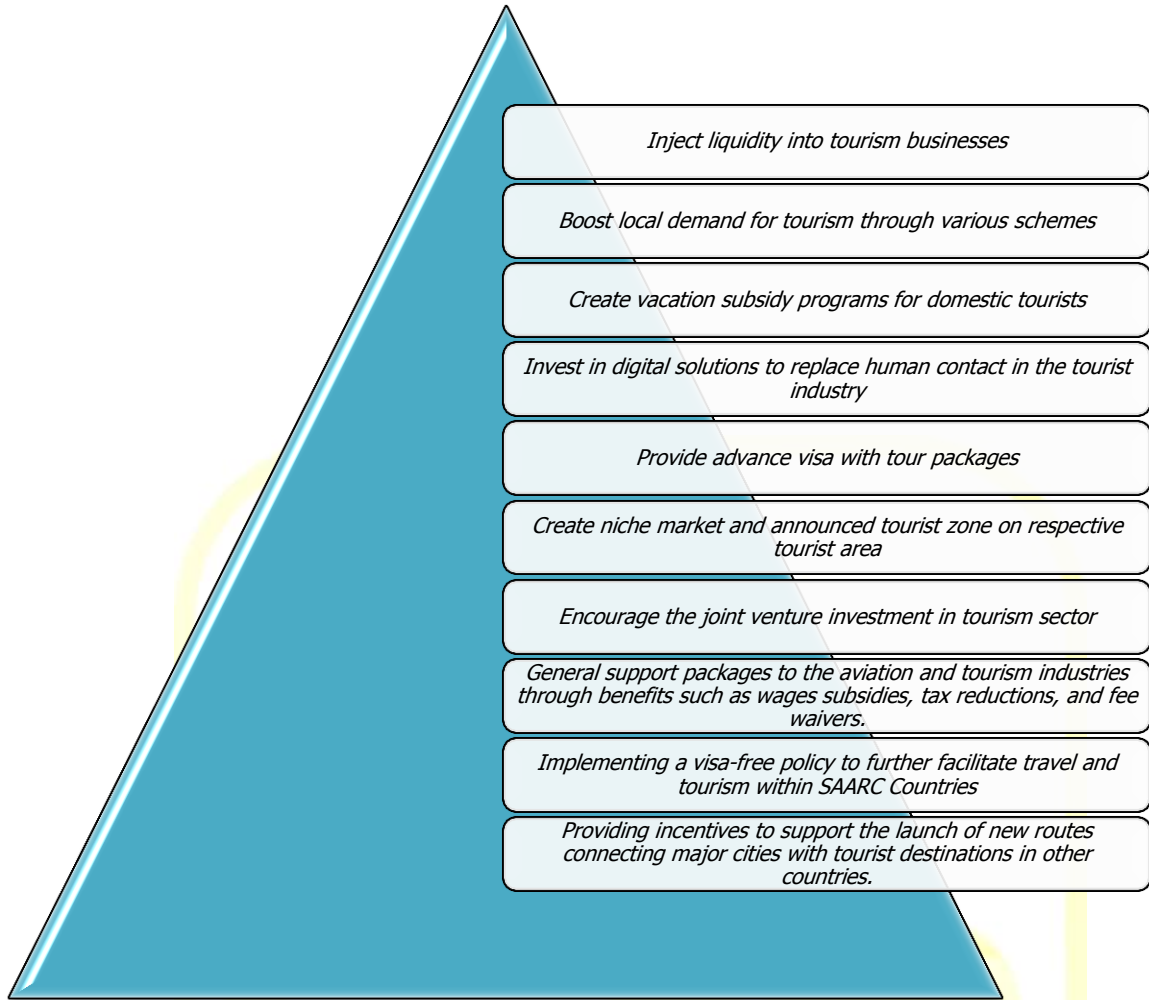
8.4 Govt. Stimulus Package, Subsidy for Tourism Sector

The government has designated BDT 300 billion (approx. USD 3.50 billion) solely for banks to provide working capital loan facilities to affected industries such as tourism and an additional BDT 200 billion (approx. USD 2.40 billion) to bridge financing of the working capital of small and medium sized industries (IPE Global, 2020).

Exhibit 44: Key Findings



8.5 Key Recommendation for Tourism Sector:



Most forecasts suggest it will take three to seven years for tourism to recover to pre-COVID-19 levels, with some (e.g. IATA) suggesting that post-crisis growth will even accelerate, resulting in tourism overtaking the pre-crisis trajectory within 10 years. Hence, it is an opportunity for emerging economies like Bangladesh to tap into the new trends by not relying only on organic growth but focusing on those demand-led market segments in which it can add value and differentiate itself from comparable destinations.

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Work Order of USD 316 million (Up to April, 2020) cancelled due to COVID 19. Most of the tannery and leather products manufacturer had to close their business operation to prevent COVID 19

Leather Sector

Section IX: Leather Sector

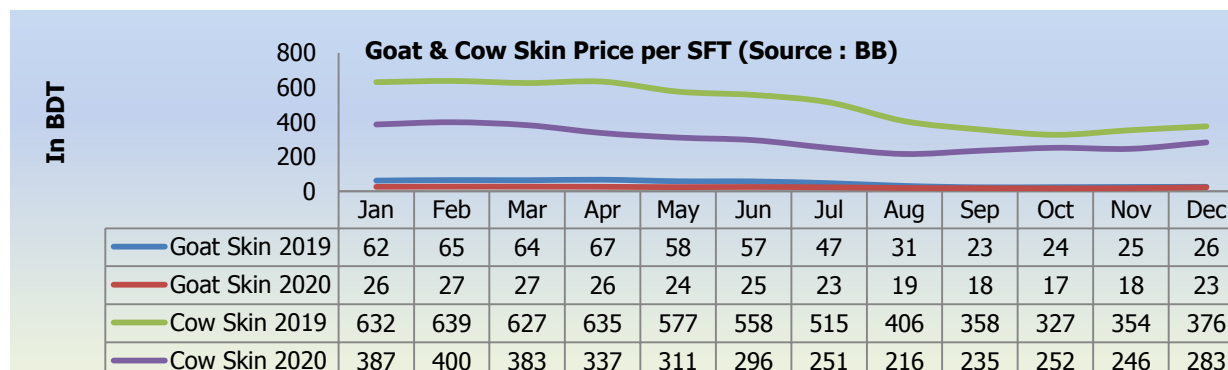
Exhibit 45: Snapshot

No of Firm	<ul style="list-style-type: none"> 240 Tanneries 2,500 Footwear Manufacturer 3,500 MSMEs 	FDI	<ul style="list-style-type: none"> USD 30.15 million in FY2020
No. of Workforce	<ul style="list-style-type: none"> Direct Employees 200,000 Indirect Employees 850,000 	Loan Exposure	<ul style="list-style-type: none"> Total Loan- BDT 40.00 billion (rawhides industry) Total Default Loan- BDT 32.50 billion (rawhides industry)
Export Performance	<ul style="list-style-type: none"> USD 798 million in FY2020 USD 1,019.78 million in FY2019 		
Domestic Market	BDT 170,000 million in FY2019	Domestic Export Ratio	: 30: 70
Yearly Production	350 million SFT.	Major Business Location	Savar, Gazipur, Kishorganj
GDP Contribution	<ul style="list-style-type: none"> 0.24% in FY2020 0.34% in FY2019 	Work Order Cancelled Due to COVID 19	USD 316 million (Up to April, 2020)
Major Export Destination	Germany, Japan, USA, Poland, Spain, Netherlands	Average Wage Rate	<ul style="list-style-type: none"> Permanent Workers - BDT 11,000 per month Temporary Workers- BDT 200-250 per day (during Covid-19)

9.1 Impact of COVID 19 on Production and Raw Materials

During the lockdown situation, most of the tannery and leather products manufacturer had to close their business operation due to prevent COVID 19 as a result some work order has deferred during that period

Exhibit 46: Raw Skin Price

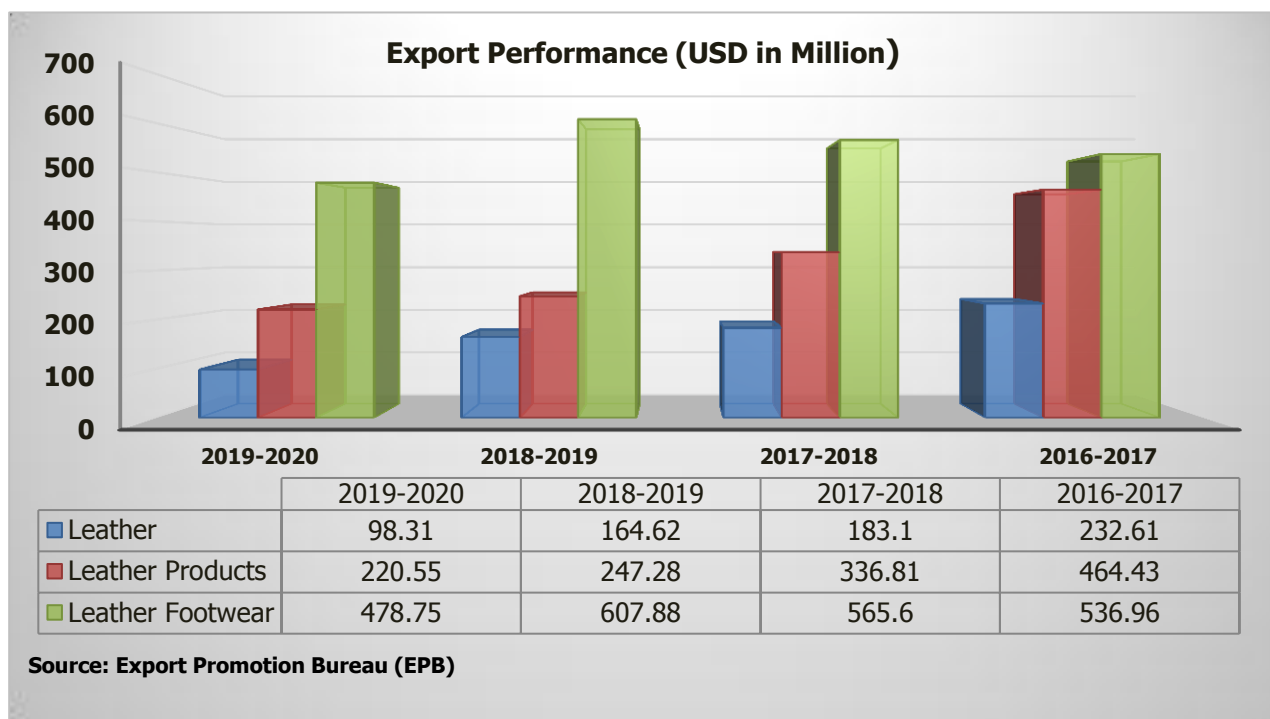


which ultimately hit the overall export decline. This resulted in disinterest among tannery owners to purchase raw hides ultimately causing the price of raw materials to fall.

9.2 Impact on Export

Before Pandemic the leather sector have been struggling as the graph below shows the export performance of the sector have followed a downward trend.

Exhibit 47: Export Performance



The owners of different leather and leather footwear companies have revealed that the COVID-19 pandemic has added to the worsening scenario of the overall business. In line with this, the production of most companies had halted in the first month following the nationwide shutdown and after a month most of the companies recovered slightly by May 2020. On the other hand, some tannery owners admit that the adverse impact of COVID-19 on the overall business, they are thinking that COVID-19 is not the true enemy of the tanning industry, but the compliance issues.

9.3 Government Support and Loan Performance

To tackle the strike of the global pandemic government-provided stimulus fund of a total of BDT 1,000 billion which is 3.3% of the total GDP. Among the package Special fund for salary support to export-oriented manufacturing industry workers was BDT 5,000 crore, Providing working capital facilities for the affected large industries and service sector organizations BDT 40,000 crore, Social safety net program for unemployed and poor workers of export-oriented ready-made garments, leather and footwear sectors of BDT 1,500 crore is mentionable. Among the industrial package, the Leather sector received 30% according to the research of SANEM (unb.com.bd, 2021). As per the FE-35 circular of Bangladesh Bank, the leather sector has obtained below mentioned subsidy from export:

- The government is giving a 15% subsidy to the leather goods for the total export earnings.

- The industry which is situated in Savar and outside Savar and has its ETP processing unit and those manufacturing the finished leather industry are getting a 10% subsidy from the government.
- The industry which has made synthetic and fabric-based footwear and bags is getting a 15% subsidy from the government.

The corporate tax rate for leather sector is ranged from 20 - 32.5%, source tax on export earnings is 0.50 %, source tax on export subsidy 10 %, customs duty (CD) and value-added tax (VAT) on import of chemicals is 5.0 % and 15 per cent respectively, Non bonded tanners 7.5 % respectively to facilitate the non-bonded tanners as per national budget of FY2020-21 (NBR, 2020-21).

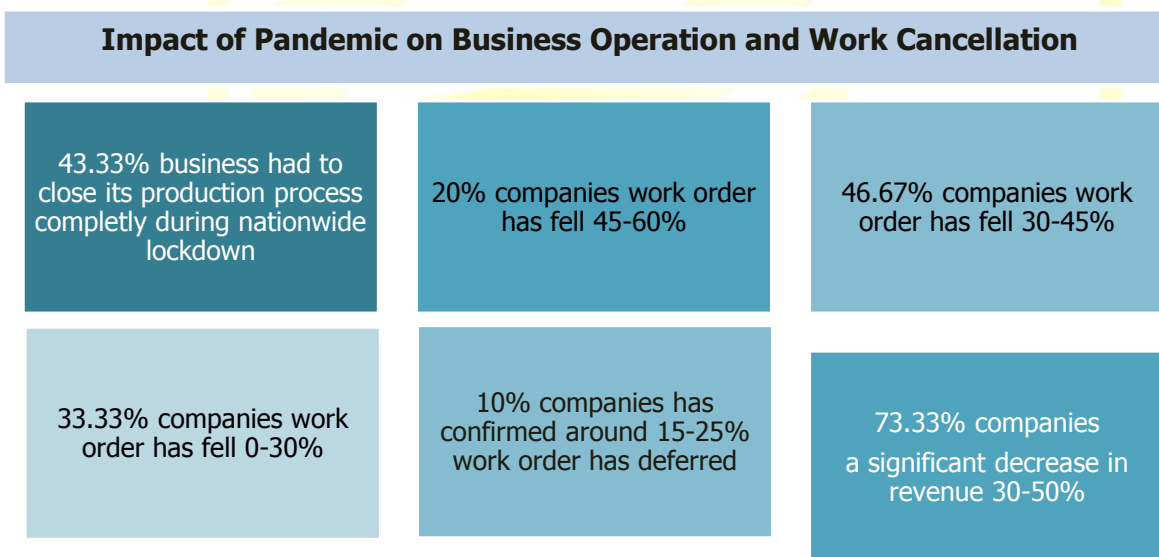
To support tannery owners, the central bank has decided to reschedule their existing default loans. Bangladesh Bank (BB) has allowed those in the business of raw hides, to reschedule existing loans to 6 years and term loans to a maximum of 8 years, with one year's grace period.

9.4 Key Findings

This assessment seeks to examine the impact of the COVID-19 pandemic on revenue, work order cancellation, production, expenses, loan performance, employment, other challenges, and the requirement to overcome the adverse impact of this pandemic. ECRL analyzed the financial performance from an internal database and designed a survey questionnaire where both quantitative and qualitative methods for data collection have been used.

The total sample size was thirty. Among the total sample size, 3 were public listed companies involved in manufacturing footwear, 12 private limited companies involved in processing crust and finished leather, and the rest are involved in manufacturing leather goods and footwear.

Exhibit 48: Impact of Pandemic on Business Operation and Work Cancellation

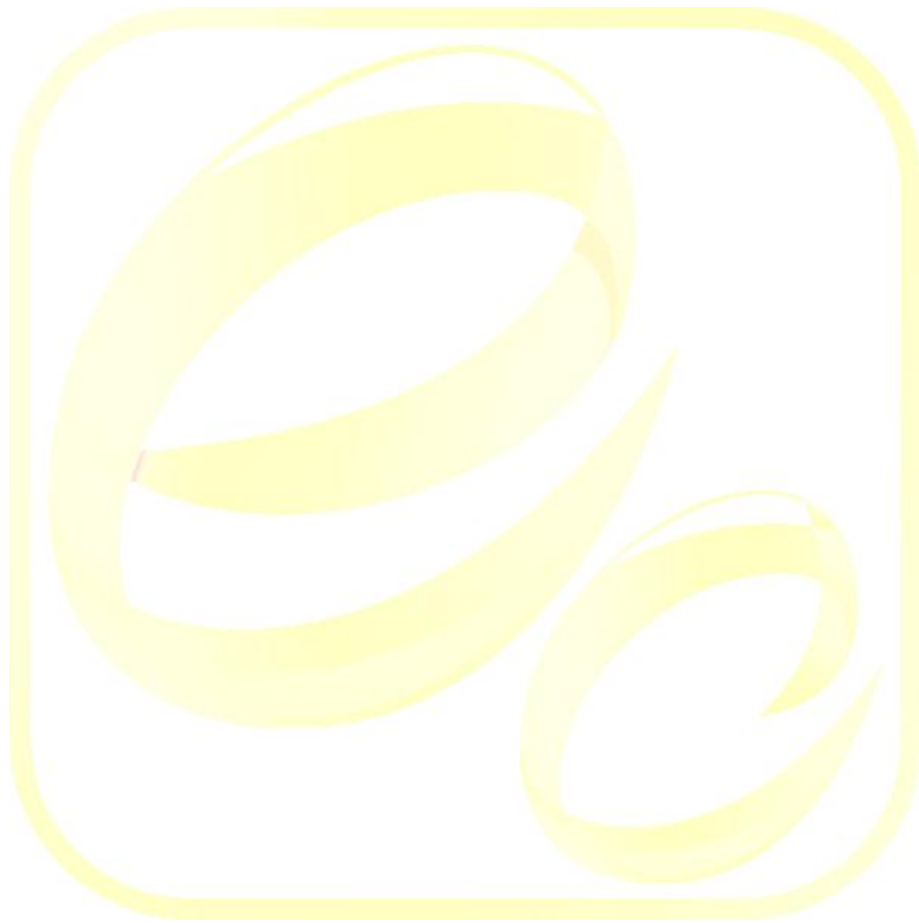


Step Taken to Tackle Immediate Challenge

- 22% companies layoff its employee
- 80% companies cut off its workers salary ranging 10-20%
- 70% companies reduce its marketing expenses to 35-50%
- 30% companies reduce its total production

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The total investment in poultry sector is BDT 350 billion and employment creation of 2.5 million and indirect employment of 6.0 million.

Poultry Sector

Section X: Poultry Sector

Exhibit 49: Snapshot

Sl.	Area	Details
1	No. of GP Farms in Operation	16 (8 Companies)
2	No. of Listed Breeder Farms ⁹	206 (large & small)
3	Production of Broiler DOC	Weekly production is approximately One crore seventy thousand (at present)
4	No. of Commercial Farms	65-70 thousand
5	Production of Commercial Layer Eggs	Daily egg production is approximately 3.30 crore
6	Per Capita Broiler Meat Consumption is	Yearly 6.3 Kg
7	Share of Broiler Meat out of Total Meat Consumption	Around 40%
8	In 2020 Per Capita Poultry Meat Consumption is expected to be reached*	Around 7 Kg
9	In 2020 the Expected Contribution of Poultry Meat could Increase to*	2 million MT (annual)
10	Contribution of poultry sector to national GDP in 2020	1.43%

Source: WPSA

*Provisional data

10.1 Impact on GDP

Overall that Animal Farming of Bangladesh which also includes poultry sector has been adversely impacted as shown in the table below (Bangladesh Bank Quarterly 2020).

Exhibit 50: GDP scenario

Details	FY17	FY18	FY 19	FY20*
Animal Farmings Growth Rate of GDP (Base year FY 06) (%)	3.3	3.4	3.54	3.04
Animal Farmings Nominal GDP in BDT Billions	360	396	432	467

*FY20 data is provisional

⁹ Listed on Bangladesh Poultry Industries Central Council (BPICC)

10.2 Impact of First Three Months of Pandemic

Exhibit 51: Average Retail Prices (Open Market) in Dhaka City during the Month of June'2020

Item with specification	Unit	2019-20	April'20	May'20	June'20
Egg (Hen), Farm	4 pcs	35.27	33.00	30.00	32.20
Egg (Duck)	4 pcs	60.00	60.00	60.00	60.00
Poultry	KG	120	90	120	110

Source: Bangladesh Bureau of Statistics (BBS)

Since the beginning of the pandemic, farm eggs had been selling at up to BDT 4-5.5 each at farm level in Bangladesh, against production costs of at least BDT 6 as per the statement of the few small poultry farmers. This is also mentionable that the average price of a farm egg was BDT 7-8 before the pandemic.

10.3 Significant Increase in Price of Feed

One of the major impact of COVID 19 on poultry sector was increase in the price of feed. Due to international supply chain disruption the raw materials required to manufacture feed had increased which resulted in increase in the price of feed. Most poultry farmers who were interviewed expressed the same opinion which corroborates with a recent study done by IDLC Finance Limited.

Exhibit 52: Changes in the Price of Poultry Feed

Details	Before Pandemic (Per MT in BDT)	Post Pandemic (Per MT in BDT)	% changes in price
Hatchery Feed (Gold)	73,910.00	74,910.00	1.35%
Broiler Starter (Gold)	42,700.00	43,700.00	2.34%
House Feed	26,000.00	27,000.00	3.85%
Layer Starter	37,600.00	39,100.00	3.99%
Sonali Starter (Gold)	38,500.00	39,600.00	2.86%
Sonali Grower (Gold)	37,900.00	39,400.00	3.96%

Source: IDLC monthly review

10.4 Key Foreign Assistance

Exhibit 53: Foreign Assistance

Area	Details
Name of Organization	World Bank
Type of Fund	Livestock and Dairy Development Project
Borrower	Government of Bangladesh
Fund Size Allocated	BDT 8,460.00 million
Beneficiary	<ul style="list-style-type: none"> Dairy farmers: 420,000 Poultry farmers: 200,000 Fish farmers: 76,000

10.5 Key Findings

- Low market demand and shortage of transportation are the two major supply chain shocks that have a major impact on the poultry industry. Both revenue and consumption/expenditure of the rural poultry farmers has reduced as a result of these two factors.
- Though the prices of broiler chicken, day old chicks and eggs have significantly fallen but sales volume of those products in the poultry industry has fallen at a faster rate than the price as the consumers are restricted to go outside of the home during the lockdown period in 2020.
- Prices of poultry feed raw materials were raised abnormally due to disruptions in import during the pandemic situation as logistical blockage took place. The raw materials needed for the manufacturing were stuck at port as the only poultry research and training centre in the country was closed due to outbreak of COVID-19. As a result, production of poultry feed had also significantly decreased thus affected the prices of feed.
- Poultry hatcheries have faced lower demand as the poultry farm owners had stopped buying and misinformation regarding poultry and egg continues to spread the virus has created a general mass panic. With the striking slump in demand for poultry meat and eggs, hatcheries were being forced to either sell hatched eggs at throwaway prices or dumps chicks.
- Prices of broiler chicken dropped from BDT 115/kg to BDT 65-70/kg while that farm eggs dropped to BDT 4.5-5 from BDT 7.5-8 at the time of lockdown period in 2020 whereas the production cost of eggs and broiler meet was BDT 6/pcs and BDT 95-100/kg respectively at the farm level incurred a huge loss.
- SME poultry farms have found it difficult to secure loan from stimulus package

Prices of fish have dropped by an average of 19 percent nationally. Higher transportation costs due to lockdown creating supply chain disruption.

Fishing & Fisheries

Section XI: Fishing & Fisheries Sector

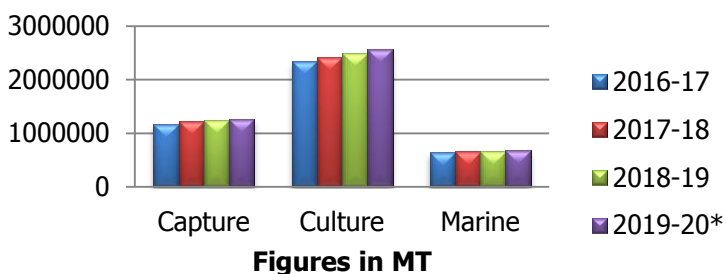
Exhibit 54: Snapshot

Sl.	Area	Details
1	Real GDP Growth in 2020*	6.10% (0.11% from previous year)
2	Average Real GDP Growth of Past Five Years	6.26%
3	Nominal GDP in 2020	BDT 825 billion
4	Contribution to National GDP	3.52% in 2019
5	Average Growth in Fisheries	5.01%
6	Average Aquaculture Growth	8.59%

* Fishing Sector Provisional, Base year FY 06

Exhibit 55: Annual Fish Production

Annual Fish Production

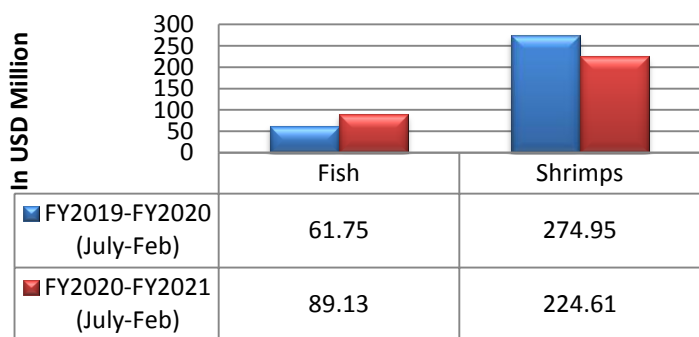


11.1 Highlights of Impact of COVID 19

- Prices of fish have dropped by an average of 19 percent nationally.
- The fish market intermediaries have witnessed a severe reduction in the wage rate.
- Higher transportation costs due to lockdown acted as key catalyst for supply chain disruption.
- Hatchery owners faced a liquidity crisis due to lack of sales.
- Increased price of raw material of feed affected the profitability of the feed millers and disrupted the overall fish production.

Exhibit 56: Export Earnings

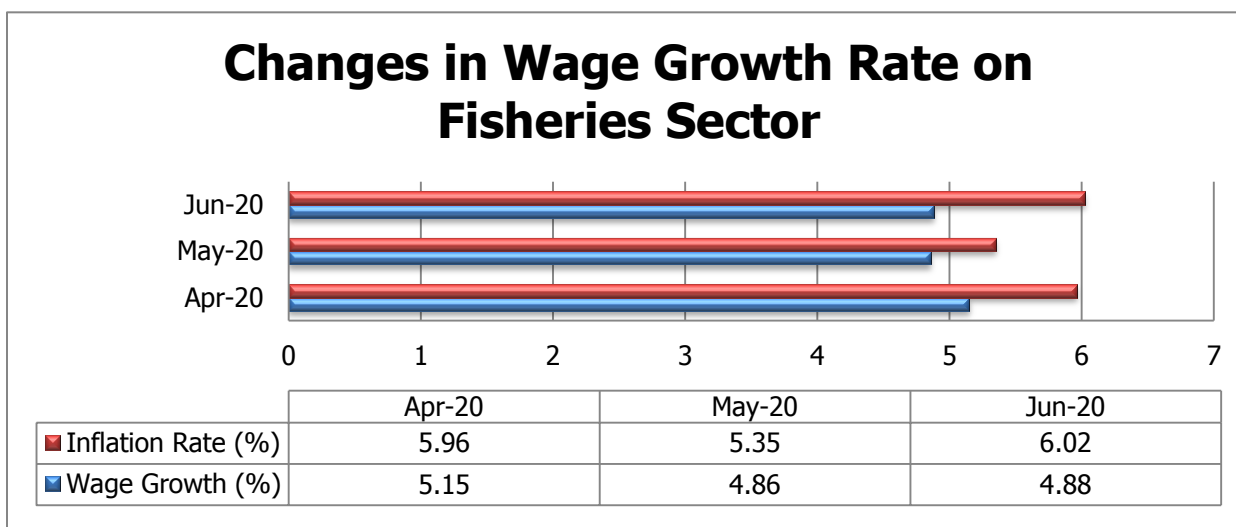
Export Earnings



11.2 Impact of COVID 19 on Wage Growth Rate

During the lockdown period, with the increased logistical cost and drop in the customer buying power, the fish market intermediaries have witnessed a severe reduction in the wage rate. The underlying reason for this drop is the decrease in the number of customers in the market compared to pre-Covid-19 situation; market intermediaries have recorded a 35 % decline in customer footfall. This can be attributed not only to fewer customers venturing into markets but also to restricted operating hours, which has limited sales to only a few hours a day. The impact of this has permeated through to the laborers and workers employed in these outlets with their take-home income now reduced to a fraction of what it used to be before COVID-19. The below figure shows the wage growth rate and inflation rate on a particular period on the fishery sector¹⁰.

Exhibit 57: Changes in Wage Growth Rate on Fisheries Sector



11.3 Impact on Fishing Communities

Exhibit 58: Impact on Fish Community



¹⁰ Bangladesh Institute of Labor Studies-BILS; The Impact of COVID-19 on Employment in Bangladesh: Pathway to an Inclusive and Sustainable Recovery

11.4 Government Support & Loan

The COVID-19 pandemic is likely to lead to a series of adverse conditions, including a reduction in food production in the future. In this context, a re-financing scheme of BDT 50 billion has been formulated for the current capital-based agriculture sector (Horticulture, Fish Farming, Poultry, Dairy and Livestock Sector) to ensure adequate funding. Under this refinance scheme bank has disbursed agricultural loan to the borrower level at 4.0 % interest rate. On the other hand, participating financial institutions (PFI) has refinanced from Bangladesh Bank at 1.0 % interest rate. Fisheries sector has also get an advantage from this scheme and loan exposure on this sector is stated in the below figure.

Exhibit 59: Loan Exposure in Fisheries Sector (Figures in Billion)

Sector: Fisheries	FY18	FY19	FY20	Q1FY21*	Q2FY21*
Disbursement (Target)	23.1	25.0	24.5	-	-
Actual disbursement	24.6	26.8	26.1	5.0	7.8

Source: ACD, BB.

11.5 Key Findings

- The volume of sales and prices of fish have fallen significantly. Fish farmers have been suffering huge losses due to multiple factors such as shortage of transportation, demand from consumers, etc. This pandemic situation also closes the restaurants and community programs for a certain period which also significantly reduces the demand for domestic fish consumption.
- All the stakeholders in the fisheries sector have suffered from severe problems for transporting the finished products, raw materials, feed and other necessary required materials which has ultimately hampered the business. The average number of trucks carrying fish has also dropped. The fish farmers faced reduced demand from Dhaka forced to look to sell their products at low prices.
- The price of farm gate fish and shrimp was in a decreasing trend heavily due to the COVID-19 lockdown during March, April and June 2020. Nationwide lockdown and unavailability of foreign and local buyers led to market instability and price reduction.
- The production cost of fish feeds have increased significantly. Raw materials such as fish feed and medicine have also become more expensive due to their scarcity in the market.
- Farmers and entrepreneurs had faced problems due to not getting technical service duly from the experts due to nationwide lockdown which has hampered the total production.
- Shrimp is one of the important resources for earning foreign exchange. Almost all export and import-based business has slow down globally and a nationwide lockdown situation imposed the processors in shutdown mode and that resulted in an oversupply of shrimps with low demand. Similarly, processing and exporting of some exportable freshwater fish items also hampered due to the pandemic situation.

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