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Bangladesh PM unveils Tk 72,750cr stimulus packages

Ahammad Foyez | Updated at 12:42am on April 06, 2020



Sheikh Hasina

The government on Sunday announced four fresh stimulus packages worth Tk 67,750 crore to enhance its effort to overcome the economic losses due to the coronavirus situation.

Prime minister Sheikh Hasina announced the packages at a press conference at her official residence Ganabhaban 12 days after she came up with the first stimulus packages of Tk 5,000 crore for the export-oriented sectors.

The overall size of the stimulus packages now stood at Tk 72,750 crore, nearly 2.52 per cent of the country's gross domestic product, said Hasina, adding that both local and export-oriented products deserved supports amid domestic and global economic crisis caused by COVID-19 that prompted a countrywide shutdown since March 26.

Of the fresh packages, Tk 30,000 crore announced for big industries and the service sector will be distributed by commercial banks as working capital loan at 9 per cent interest rate with the government providing 4.5 per cent in subsidy.

Under the second package worth Tk 20,000 crore, small and medium enterprises, including cottage industries, would also get working capital loan at 9 per cent interest rate with the government giving 5 per cent subsidy.

Besides, a Tk 12,750 crore package was earmarked under the Bangladesh Bank's Export Development Fund to facilitate raw materials imports under back-to-back Letter of Credit at 2 per cent from 2.73 per cent interest rate.

An amount of Tk 5,000 crore was made to facilitate the 'Pre-shipment Credit Refinance Scheme' at 7 per cent interest rate.

Hasina noted that due to the global pandemic, measures to curb its spread had already started to leave a negative impact on the global economy.

She iterated that the huge pressure on the health services alongside unprecedented lockdown and stagnant communication led to an emergency situation. Not only supply but also consumption and investment in demand too witnessed a downward spiral.

'The International Monetary Fund has already declared that a global economic recession has begun while the stock markets across the globe have witnessed a fall of 28-34 per cent over the last few weeks,' she said.

Citing an estimation of the Organisation for Economic Cooperation and Development, she said, 'Global growth could come down to 1.5 per cent if the recession persists for long while a huge workforce across the globe is feared to lose their work.'

Hasina hoped that the country's economy would rebound if the stimulus packages could be implemented quickly.

She warned that misappropriation and mismanagement of the fund would not be tolerated.

The prime minister said that the government simultaneously took four programmes under the work plan to be implemented in phases under categories such as immediate, short and long — increasing public expenditure, formulating a stimulus package, widening social safety net coverage and increasing monetary supply.

Sheikh Hasina elaborated the four programmes taken to cope with the possible economic impact of the coronavirus outbreak on the country. Generating employment will be given priority in public expenditure while foreign tours and lavish expenditures will be discouraged. Since the debt to GDP ratio of Bangladesh is much less (3 per cent), so the higher public expenditure would not create any pressure on the macroeconomy of the country, she said.

Some low interest credit facilities will be launched through the banking system mainly to rejuvenate the economic activities, keeping the job of the workers and employees as well as the competitive edge of the entrepreneurs intact, Hasina said.

She said that the coverage of the existing social safety net would be further widened to fulfil the basic needs of people living below the poverty line such as day labourers and people engaged in non-formal works.

Notable programmes include distributing food materials free of cost, selling rice at Tk 10 per kg, distributing cash among targeted communities, widening the coverage of the old-age allowance, widow allowance and allowance for the women oppressed by husbands to cent per cent at 100 most poverty-prone upazilas of the country, Hasina explained.

Other operations include speedy implementation of the programme to build houses for the homeless marking the birth centenary celebration of the country's founding president Sheikh Mujibur Rahman.

The prime minister said that steps would be taken to overcome the adverse impact on the economy.

The Bangladesh Bank already reduced the Cash Reserve Ratio and repurchase agreement or REPO rate to boost the monetary supply which will continue in the future as per the necessity, she said.

She said that if the recession persisted for long, it was also apprehended that the world might face a great economic recession for the first time after the World War II.

Time has not yet come to specifically mention what would be the overall impact of the novel coronavirus situation on the country's economy, she added.

She also listed some of the impacts of the COVID-19 on Bangladesh economy.

The import cost and export earnings in this fiscal year have witnessed a 5 per cent fall compared to the same period of FY 2019, and this fall could further stretch at the end of FY 2020, she said.

There is a possibility of not getting private investment at a desired level due to the delay in implementation of the ongoing mega projects, establishment of the economic zones and also delay in implementation of the decision to reduce the bank interest rates, she said.

The novel coronavirus will have a negative impact on the service sector, especially hotel-restaurants, transport and the aviation sectors. Like other countries of the world, it will also have an adverse impact on the capital market, said the prime minister.

Due to the decline in global demand, the world fuel oil price has been reduced by over 50 per cent for which the inward remittance flow is also being affected, she said.

The Asian Development Bank in its estimation has said the economic loss of Bangladesh could extend up to \$3.2 billion due to the coronavirus impact, but under the present circumstances, it is assumed that the extent of loss could be much more.

The purchasing capacity of the low-income people could be reduced as well as there could be disruption in the supply chain due to the long general holidays affecting the production of the SMEs and hindrance in the transport services.

The overall revenue collection in the current fiscal year is less compared to the budgetary target, and this could further increase the budget deficit at the end of the current fiscal year.

The driving forces for attaining over seven per cent growth on an average for three years and lastly 8.15 per cent growth in last fiscal year were strong domestic demand and supporting revenue and monetary policy.

'As a result, the GDP growth could decline due to the negative trend of the macroeconomic indicators,' Hasina said.

After the prime minister announced the packages, finance minister AHM Mustafa Kamal, finance ministry senior secretary Abdur Rouf Talukder and Bangladesh Bank governor Fazle Kabir explained the functioning process of the packages.

Abdur Rouf Talukder said that they made the groundwork for preparing this stimulus package integrating the fiscal and monetary policy as directed by the prime minister to face this unprecedented situation.

About the announced Tk 30,000 crore

credit facility, he said normally a recipient repaid his or her loan taken as working capital in four to six months.

If the banks could manage this fund efficiently and the loan recipients repaid their loans in due time, then it would be possible to lend up-to Tk 60,000 crore in two phases in a year from the announced Tk 30,000 crore credit facility, he said.

He observed that it would be possible to give loan facility of over Tk 1,35,000 crore from the stimulus package.



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