



IMPACT OF COVID-19 IN THE GLOBAL SUPPLY CHAIN(GSC)& EMPLOYMENT

Bangladesh and South Asia Context

Bangladesh Employers' Federation
Farooq Ahmed, Secretary-General



CURRENT SITUATION

Globally confirmed cases 1.4 million approx (as of 7 April)

Over 82,000 death cases approx all over the world (203 countries)

South Asia – over 8500 confirmed cases & 302 death approx

Bangladesh: infected 164 , 17 death cases as of now

First reported case on 8 March – just one month from now



IMPACT ON TRADE & EMPLOYMENT – MACRO ECONOMIC INDICATORS

GDP – US\$ 347 bn: GDP growth +8%

Total Trade: Nearly US \$100 bn

Export: US\$ 44 bn, Import: US\$56 bn

Major Export Destination: USA, EU, Canada, Japan, Australia, Asian countries (total 173 countries)

Major Import: China, India, EU, USA, others countries

Major exportable: RMG, Textile, leather goods, frozen food, jute products, other consumer goods, vegetables, agricultural products

Major importable: Cotton, fabrics, chemicals, fuel, machineries

2nd largest RMG exporters (US\$ 35 bn), 4th largest vegetable producers and 5th largest aquaculture products producer in the world

66 million workforce with 87% (57 million) in the informal sector

INFORMALITY WIDELY EXISTS IN THE WHOLE OF SOUTH ASIA



IMPACT ON TRADE & EMPLOYMENT – LABOUR MARKET

2.5 million workers in RMG sector

1.0 million workers in the leather & footwear sector

1.5 million workers in the jute sector

0.5 million workers in frozen food sector

5.5 million workers in other formal sectors (over 30 sector)

57 million workers in the informal sector (agriculture, transport, hotel, services)-
indirectly linked to the supply chain including GSC

1.1 million migrant workers remitting US\$18 bn per annum

0.25 million returned after spread of COVID 19 in EU and other countries



IMPACT ASSESSMENT

Major Macro economic fundamentals:

- a. Trade (Export & Import)
- b. Domestic demand and consumption
- c. Foreign remittance

Bangladesh on TRIANGULAR TRAP



IMPACT ON TRADE

Supply Side Impact: First Dip (Import)

Coronavirus in China: BD affected due to lack of supply of raw materials. 26% (US\$14.56 bn) of BD's import is dependent on China

Supply side impact may be nearly 3 bn US\$ in Jan-March 2020. 3.3% of the intermediate goods and 13.2 % of capital goods import declined during Jan-mid Mar 2020

Demand side impact: Second Dip (Export)

When Coronavirus is contained in China, swept across USA, EU, Japan, Korea other destinations.

Confirmed Order cancellation/withheld: 1115 factories reported 953 million pieces worth US\$ 3.04 bn as of 6 April.

2.19 million workers affected Severely;
impact in hotel, airlines, tourism, etc



IMPACT ON TRADE

Major buyers: H&M, Inditex, C&A, M&S, ZARA, PRIMARK, WALMART, PVH, LI&FUNG (they cover 71.2 % of global apparel) – source 34 bn US \$ from BD

Clark, ALDO, PiCard, Fisher Footwear, Sperry, Mimco, Diche Man and H&M – major brands in Leather & Footwear sector – nearly 1.0 bn US\$ sourcing from BD.

Order until July cancelled/suspended

RMG: 3.04 bn US\$ until 6 April

Some 10-50% order cancelled or withhold until July 2020

Pressurizing for 10-30% discount with credit facilities for 200 days

Frozen Food – US\$ 46.9 million order cancelled

Bangladeshi total industry losing US\$ 100 millions per day

Estimated job loss 5-6 million and

small business loss/self entrepreneur 2.5 million (micro& family level) will be wiped out approximately



IMPACT ON DOMESTIC DEMAND

Country wide HOLIDAY (similar to lockdown) – 26 Mar to 14 April

Everything close except very limited grocery shops, medicine shop, hospitals, emergency healthcare centers.

Limited movement of transport especially truck & lorries

Thousands of flower growers, dairy milk producers, throwing their products

No boarders in hotels (BEF member – 5 boarder out of 140 room)

No restaurant open

Millions of street side shops, malls and super shops closed

Consumer Demand: Bangla New Year –

14 April – total sale of apparel only in local market US\$ 2.75 bn

Muslim Festival Eid – May 2020 – US\$ 4.5 bn



IMPACT ON EMPLOYMENT

2500 medium & large enterprises in RMG sector employing 2.5 million workers directly contributing to the GSC. Estimated that 500 factories will have to be closed rendering approximately 0.5 million workers jobless

Nearly over 150 enterprises in leather, footwear and leather goods sector employing 1.0 million workers linked to GSC majority of them will be affected and 10-15% of the workers will lose their jobs as the company can not sustain

Approximately 1.5 million workers in producing jute, jute textile & jute goods in over 100 enterprises linked to the GSC and most of them will be affected since there is no demand

Nearly over 100 enterprises employing 0.5 million workers in frozen food sector linked to the GSC. They have already incurred loss of 450 million US \$ in last 4 weeks

Over 600,000 IT experts working as free lancers to support the GSC

BD – major manufacturing hub in South Asia and a growing economy



IMPACT ON EMPLOYMENT

Nearly 30,000 medium and large enterprises mainly in formal sector

Over 1.5 million micro, small, family based enterprises mainly operate in the informal sector majority of which indirectly support the formal sector, i.e, GSC

For example: Only one factory in leather footwear sector lost amount of US\$ 50 million in first 4 weeks due to this impact. They have both export and over 300 retail stores in domestic market. They employ over 25,000 workers.



IMPACT ON FOREIGN REMITTANCE

Third Dip: Foreign remittance average 3.5 bn US per month – total US\$18 bn (6% of the GDP)

12% decrease in March 2020.

Over 250,000 migrant workers returned to country in Feb-March

Over 800,000 migrant workers, majority of them are on salary cut in their destination countries

Approximately 30 million people depends on their livelihood on receiving foreign remittance



GREAT DEPRESSION OF 1929 & 2008 GLOBAL FINANCIAL CRISIS VIS-À-VIS COVID – 19

Great Depression of 1929: A severe worldwide economic depression only due to stock market collapse in USA. Reduced Global GDP by 15% and over 20 million people became unemployed and over 9000 banks failed all over the world which took nearly 10 years to overcome.

Global Finance Crisis of 2008

One financial product – high risk mortgage securities only in USA

Impacted total global financial system and cost 1.5 tn US\$ as total bailout to US economy alone. ILO's assessment of 20 million job loss during 2008 financial crisis. Took couple of years to recover.

2008 Financial crisis – “Car crash” – Coronavirus crisis - :Train Wreck”

COVID: 208 countries, 14. 5 million people infected and 82,000 death cases worldwide. ADB's assessment: 2.2% global GDP growth out of initial assessment of 5.5% growth. 25 million job loss estimated by ILO which might be much more. The actual damage assessment can only be calculated once its fully contained. Magnitude is several times higher than any previous global economic crises. UNCTAD assessment 2.5 tn US\$ needed as bailout package to rescue the economies from impact of COVID 19.



ASPIRATION

Lets help each other. Lets not only think about me and my near ones. My little help may save another family. Our little help may save another community. Our national level response may save anther nation. Thus we save this **UNIVERSE & HUMANITY.**

THANK YOU ALL