

Budget FY2021-22: Big Target, Tricky Route

The budget for FY2021-22 has been placed in the parliament, the second one being authored during the pandemic. The Gross Domestic Product (GDP) growth target is set at 7.2% despite a slower pace of economic growth. However, the GDP growth rate of the outgoing fiscal year has been revised down to 6.1% from the original estimate of 8.2% owing to downfall in major economic indicators as a result of long and continued worldwide lockdowns to contain the COVID-19 pandemic. The Finance Minister (FM) also expected to contain inflation at 5.3% in the coming FY2021-22.

Budget Highlights (Figures in Tk Bn)			
Particulars	FY2021-22	FY2020-21 (Revised)	Change
NBR Tax	3,300	3,010	9.63%
Non-NBR Tax	160	150	6.67%
Non Tax Receipt	430	355	21.02%
Total Tax Revenue	3,890	3,515	10.66%
Non-Development Expenditure	3,288	3,025	8.69%
Development Expenditure	2,371	2,080	13.97%
Other Expenditure	378	284	32.92%
Total Expenditure	6,037	5,390	12.00%
Budget Deficit	(2,147)	(1,875)	14.53%
% of GDP	6.2%	6.1%	1.6%

Source: MoF

The size of total expenditure is proposed at Tk6.03-trillion, up by 12% from the revised budget of the current fiscal year. The allocation for operating and other expenditure is proposed at Tk3.78-trillion, while the remaining Tk2.25-trillion is allocated for the Annual Development Program (ADP). The 50th budget is set to be the biggest deficit budget in the history of the country. The overall budget deficit is estimated at Tk2.14-trillion, 6.2% of GDP, as against Tk1.87-trillion deficit in the outgoing revised budget. Regarding filling the deficit, the FM said Tk1.13-trillion in loans would be taken from the domestic sector and remaining amount would be financed from foreign sources. Among domestic sectors, the target for loans from the banking system is Tk764.52b, Tk320b from savings certificates, and Tk50.01b from other sectors. The government is seeking to mobilize revenues to finance 64.45% of the proposed expenditures, setting a revenue target of Tk3.89-trillion, about an 11% increase over the current fiscal year. As far as allocations for sectors like health, education and agriculture are concerned, there has not been any notable change or enhancement in the budget. The ministries concerned, percentage-wise, have got allocations almost identical to the previous years. There were high expectations that the allocation for the health sector in the proposed budget would be more than usual. Even though the allocation for the health sector has gone up by Tk30b, the overall allocation for the sector is still less than 1 percent of the GDP, in keeping with the trends in recent years. In FY2021-22 budget, corporate tax rates has been cut by 2.5 percentage points to 22.5% for the listed companies and 30% for the non-listed ones. The FM has recommended exemption from 5% capital tax applicable for transfer of assets to trust of Islamic Sukuk bonds. Tax-free limit for individual taxpayers remained unchanged at Tk0.3m. Tax-free threshold Tk0.35m for women and senior citizens, Tk0.45m for physically challenged people, and Tk4,75,000 for gazetted war-wounded freedom fighters also remain unchanged. There is no special facility to legalize black money in the next financial year. The facility is due to expire on 30 June 2021.

Supplementary Budget for FY2020-21 placed

The Finance Minister placed the Supplementary Budget for the concluding FY2020-21 in the parliament on June 03 along with the National Budget for FY2021-22. As per the supplementary budget, the minister reduced the original targets of revenue and expenditure by 7.0% and 5.11% respectively as the revenue collection and expenditure allocation in the outgoing fiscal (up to March 2021) were 58.78% and 39.72% respectively of the original annual targets. Consequently, the minister revised the total tax revenue target downward to Tk3.52-trillion from Tk3.78-trillion. The total allocation for ministries and divisions has also been reduced to Tk5.39-trillion for the outgoing fiscal from Tk5.68-trillion as per the original allocation. The Finance Minister also slashed the Annual Development Program (ADP) to Tk1.98-trillion from the original allocation to Tk2.05-trillion.

Supplementary Budget Highlights (Figures in Tk Bn)				
	Budget FY2020-21	Revised Budget FY2020-21	Change (%)	Actual (Up to March)
NBR Tax	3,300	3,010	-8.79%	1,809
Non-NBR Tax	150	150	0.00%	46
Non Tax Receipt	330	355	7.67%	367
Total Tax Revenue	3,780	3,515	-7.00%	2,222
Non-Development Expenditure	3,117	3,025	-2.93%	1,586
Development Expenditure	2,150	2,080	-3.26%	581
Other Expenditure	413	284	-31.15%	89
Total Expenditure	5,680	5,390	-5.11%	2,256
Budget Deficit	(1,900)	(1,875)	-1.34%	(34)
% of GDP	6%	6.1%	1.7%	0.10%
External Source	800	724	-9.52%	85
Domestic Source	1,100	1,151	4.61%	-86

Private sector credit growth further drops in April

Although banks are offering historically low interest on lending, private sector credit growth nosedived to 8.30% in April 2021, against the backdrop of the dawdling economic activities due to the prolonged lockdown amid the second wave of Covid-19 pandemic. Businesses hardly went for any expansion during the period and also government borrowing too dropped because of the slow implementation of development projects; which contributed to the declining trend of the credit growth rate. Credit disbursement to the private sector, however, rebounded in February when the rate stood at 8.93% from 8.32% in January but it could not keep the pace and started to decline further to 8.79% in March, as per the recent statistics of Bangladesh Bank (BB). The single digit credit growth rate remained far below the monetary target of 14.8% set for the FY2020-21.

Remittances hit US\$22.84b in 11 months

The inflow of remittances, one of the key economic indicators jumped to US\$22.84b during the July-May period of FY2020-21 from US\$16.37b in the same period of the previous fiscal year, riding on regulatory incentives amidst the Covid-19 pandemic. Remittance inflows hit a record high of US\$2.17b in May, 2021 which was the highest since September of this fiscal year. It was US\$1.50b in May 2020. Different reform measures, including the easing of the remittance transfer process, 2% cash incentive, global lock-down and restrictions on movement slapped by different countries compelled the migrants to send their hard-earned earnings through legal channels. Remittance receipt was US\$18.21b in FY2019-20, as reported by Bangladesh Bank (BB). With the surge in remittance, foreign exchange reserve reached to US\$45.05b on May 31, 2021.

Stock Market Movement



Global Markets

		This Week	Last Week	+/- %
S&P 500	↑	4,229.89	4,204.11	0.61
FTSE 100	↑	7,069.04	7,022.61	0.66
Nikkei 225	↓	28,941.52	29,149.41	-0.71
SENSEX	↑	52,100.05	51,422.88	1.32
KSE 100	↑	48,211.70	47,126.29	2.30

DSE Indicators

		This Week	Last Week	+/- %
DSE Broad Index	↑	6,053.43	5,985.82	1.13
Total Turnover, Tk	↑	102,586,569,509	76,837,873,115	33.51
Market Capital, Tk	↑	4,490,570,288,451	4,429,089,751,500	1.39
No of Issue Gain		192	237	
No of Issue Loss		130	92	
No of Unchanged Issues		49	41	

Top Gainers

Company	Last Week	This Week	Change %	Turnover (Tk)
Global Insurance	52.30	73.00	39.58	1,019,836,000
Dutch-Bangla Bank	63.00	86.60	37.46	1,970,093,000
Kattali Textile	17.50	22.70	29.71	966,018,000
Federal Insurance	33.60	42.40	26.19	827,284,000
Far East Knitting	11.10	13.90	25.23	194,647,000
Pragati Insurance	85.80	105.80	23.31	1,009,113,000
Green Delta Ins.	89.50	110.20	23.13	1,658,675,000
Phoenix Insurance	60.60	74.60	23.10	650,165,000
Rupali Insurance	40.90	50.30	22.98	878,821,000
Pragati Life Ins.	97.10	119.00	22.55	791,490,000

Top Losers

Company	Last Week	This Week	Change %	Turnover (Tk)
First Finance	7.70	6.50	-15.58	14,319,000
Union Capital	8.20	7.00	-14.63	40,499,000
Dhaka Bank	16.70	14.40	-13.77	358,938,000
Imam Button Industries	26.10	22.60	-13.41	3,691,000
AIBL 1st Islamic MF	10.70	9.40	-12.15	108,035,000
MBL 1st Mutual Fund	9.90	8.70	-12.12	147,421,000
Taufika Foods and Agro	29.40	26.60	-9.52	276,471,000
Social Islami Bank	15.00	13.60	-9.33	91,988,000
Oimex Electrode	22.50	20.60	-8.44	16,895,000
Prime Bank	26.10	24.00	-8.05	1,056,654,000

Sectoral Index & Turnover

Sector	Sectoral Index			Turnover (Tk.M)		
	This Week	Last Week	Change %	This Week	Last Week	Change %
Bank	473.39	471.85	0.33	17,861.16	14,428.77	23.79
Cement	361.05	343.05	5.25	3,772.23	1,571.69	140.01
Ceramic	643.47	642.07	0.22	495.88	325.28	52.45
Engineering	7,396.52	7,198.17	2.76	7,060.79	3,577.48	97.37
Food & Al.	4,951.09	5,020.59	-1.38	2,242.03	2,380.35	-5.81
Fuel & Pow.	3,910.37	3,916.97	-0.17	3,384.43	3,566.38	-5.10
Insurance	3,089.51	2,797.08	10.46	28,019.65	17,423.54	60.81
IT	463.19	476.56	-2.80	1,670.33	2,104.46	-20.63
Jute	1,141.45	1,159.88	-1.59	43.24	45.58	-5.13
Misc.	2,113.23	2,076.57	1.77	7,801.71	7,457.11	4.62
Mutual Fund	565.07	558.09	1.25	2,888.81	1,908.70	51.35
NBFI	1,236.85	1,189.76	3.96	6,470.09	4,418.43	46.43
Paper	6,272.03	6,275.05	-0.05	86.31	103.59	-16.68
Pharma	1,374.03	1,365.45	0.63	5,068.03	3,408.57	48.68
Service	1,253.94	1,236.06	1.45	1,129.26	1,673.57	-32.52
Tannery	633.35	613.57	3.22	520.57	346.74	50.13
Telecom	4,936.41	4,906.76	0.60	2,044.95	2,297.47	-10.99
Textile	1,256.15	1,196.49	4.99	7,934.86	6,237.06	27.22
Travel & Leis	497.15	502.55	-1.08	53.61	45.65	17.43

Technical Talk

The Dhaka stocks closed the week in green trajectory for the eight straight weeks as investors put fresh funds on stocks amid high expectations. The core index gained in four days in the five trading day week. In FY2021-22 budget, corporate tax rate was reduced by 2.5%-points to 22.5% for the listed companies and 30% for the non-listed ones, triggering positive sentiment in the market. Among the major sectors, Insurance increased by 10.46% over the week followed by Cement 5.25%, Textile 4.99%, Pharma 0.63%, and Telecom 0.60%.

DSE Broad Index (DSEX) stood at 6,053.43 points after increasing by 67.61 points or 1.13% from the previous week. Total turnover reached at Tk102586.57m, which was 33.51% higher than the previous week. Market capitalization increased by 1.39% and stood at Tk4490.57b (\$52.89b) at the weekend against Tk4429.09b. DSE 30 increased by 13.85 points or 0.63% and closed at 2,203.59 points against 2,189.74 points. Last week's weighted average Market PE was 18.48 which was 18.24 previous week.

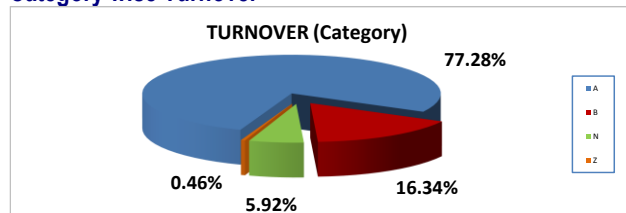
Top Turnover Companies

Company	Volume	Value (Tk)	% of total
Beximco	59,893,517	5,255,778,000	5.12
Pioneer Insurance	16,554,555	2,440,908,000	2.38
IFAD Autos	42,226,295	2,331,249,000	2.27
LankaBangla Finance	56,886,487	2,030,633,000	1.98
Dutch-Bangla Bank	25,063,536	1,970,093,000	1.92
Northern Islami Ins.	29,273,366	1,953,406,000	1.90

Top 10 Market Capital

Company	Volume	Value (Tk)	% of total
GP	475,981	United Power	147,243
Walton Hi-Tech	403,501	RENATA	112,792
BATBC	293,814	Berger Paint	84,032
ROBI	244,088	ICB	83,268
Square Pharma	179,232	Beximco Ltd.	77,028

Category wise Turnover



Commodity Price

	This Week	Last Week	Change %
Gold (USD/t oz)	1,894.10	1,906.30	-0.64
Silver (USD/t oz)	27.92	28.07	-0.53
Brent Crude Oil (USD/bbl.)	71.64	69.04	3.77

Exchange Rate

	This Week		Last Week		Change %	
	TT	BC	TT	BC	TT	BC
USD	84.90	84.95	84.90	84.95	0.00	0.00
EUR	105.71	105.77	105.58	105.64	0.12	0.12
GBP	123.32	123.39	122.81	122.88	0.42	0.42
AUD	66.10	66.14	66.02	66.06	0.12	0.12
JPY	0.78	0.78	0.79	0.79	-1.27	-1.27
CAD	70.88	70.92	70.38	70.42	0.71	0.71
SAR	22.75	22.76	22.75	22.76	0.00	0.00

Based on Standard Chartered selling rates to public in Taka. Notes: USD-US Dollar, GBP-Great Britain Pound, AUD-Australian Dollar, JPY- Japanese Yen, CAD-Canadian Dollar, SAR-Saudi Riyal.

Last Public Offerings

Company	Subscription Period	Offer Price	IPO (M.Tk)
Sonali Life Ins. Co. Ltd.	May 30-Jun 03,2021	10	190