

Routine budget sans direction to plug the loopholes

The National Budget of Tk5.23-trillion for the FY2019-20 was unveiled in the parliament eyeing on 8.2% growth of GDP with expectation to contain inflation at 5.5%. The Finance Minister (FM) has expected to achieve 8.13% growth of GDP in the outgoing fiscal year as against the projection of 7.8%. The proposed budget is 18.22% higher than the revised budget of the outgoing fiscal year. Analyzing the budget, it is evident that the Minister has followed the drift of the previous budgets.

Budget Highlights (Taka in Bn)				
	Budget FY2019-20	Revised Budget FY2018-19	Changes	
Tax Revenue	3,401.00	2,896.00	17.4%	
Non-Tax Revenue	377.10	270.13	39.6%	Cosmetics, Telecom
Foreign Grants	41.68	37.87	10.1%	Services, Ceramics,
Total Income	3,819.78	3,204.00	19.2%	Cigarettes, Plastic
Development Expenditure	2,116.83	1,734.49	22.0%	Products, Aluminium
Non-Development Expenditure	3,115.07	2,690.92	15.8%	Products, Cooking
Total Expenditure	5,231.90	4,425.41	18.2%	Oils, Medicines,
Budget Deficit	1,412.12	1,221.42	15.6%	Smart Phones etc.
Deficit % of GDP	5.0%	4.8%	4.2%	

Source: Finance Division

Expenditures for the new fiscal year would be financed mostly by tax revenue at 65% followed by domestic loans (14.8%), foreign loans (12.2%), non-tax revenue (7.2%) and foreign grants (0.8%). The target for the National Board of Revenue (NBR) is set at 16.3% higher than the revised budget of the current year, though the revenue wing is hobbling to achieve the revised one. NBR is to collect Tk3.25 trillion in tax revenue, which would mainly come from VAT (38%) and income tax (35%). The Development Expenditure is proposed at Tk2.12-trillion, up by 22.04% from the revised budget of the current year. Transport & Communication receive the highest chunk of ADP followed by Education & Technology, Rural Development, and Energy & Power. The overall budget deficit is estimated at Tk1.45-trillion, 27.8% of the total budget and 5% of GDP, as against Tk1.25-trillion deficit in the outgoing revised budget. Emphasis has been put on tax collection by broadening the base against increasing the rate and certain measures aiming protection to a number of domestic industries though there are few harsh tax proposals aimed at some items, including telecom equipment, tobacco, medicines and ceramics. Unfortunately, no clear-cut action plan to restore discipline in the ailing banking sector has been envisaged. However, there are some debatable incentives for the stock market. The FM raised the tax-free dividend income ceiling to Tk50,000 from Tk25,000 but a 15% tax on stock dividend has been proposed. Moreover, an additional 15% tax is proposed to discourage companies from declaring stock dividend if retained earnings and reserve of the company exceeds 50% of its paid-up capital. The proposed budget also recommended the removal of double taxation on dividend from listed companies. The FM proposed to bring non-resident companies under the income tax provision made last year for the resident companies to avoid multilayer taxation on dividend income. Economists and experts, however, expressed concerns about the execution of the budget since it overlooked key challenges of the economy including lackluster revenue collection, fragile banking sector and the growing imbalance in Balance of Payment (BoP). Experts also feared that high borrowing target from banks would choke private investment as the government raised bank borrowing target by 53.31% from the revised budget amid the ongoing liquidity crunch. Moreover, experts strongly denounced the proposed budgetary provision to legalize undisclosed black money as the proposed budget allowed investment in Economic Zones (EZs) and high-tech parks and purchase of apartments, without any question on the sources in exchange of 10% tax on the investment.

Supplementary Budget for outgoing year placed

The Finance Minister placed the Supplementary Budget for the outgoing FY2018-19 in the House on June 13 along with the National Budget for the next fiscal year. The total allocation for 62 ministries and division has been reduced to Tk4.42-trillion for the outgoing fiscal year from the Tk4.64-trillion original allocation. The allocation for 37 ministries and divisions is increased by Tk151.66b in the Supplementary Budget and allocation for 25 ministries and divisions has been reduced by Tk373.48b. Consequently, the revised budget outlay for the outgoing fiscal year fell by 4.74% or Tk220.32b. Accordingly, the tax revenue target is revised downward at Tk2.89-trillion from Tk3.06-trillion. The Annual Development Program (ADP) is reduced by Tk60b from the original allocation.

Supplementary Budget Highlights (Taka in Bn)			
	Revised Budget FY2018-19	Budget FY2018-19	Change
Tax Revenue	2,896.00	3,059.28	-5.34%
Non-Tax Revenue	270.13	333.52	-19.01%
Foreign Grants	37.87	40.51	-6.52%
Total Income	3,204.00	3,433.31	-6.68%
Development Expenditure	1,734.49	1,796.69	-3.46%
Non-Development Expenditure	2,690.92	2,849.04	-5.55%
Total Expenditure	4,425.41	4,645.73	-4.74%
Budget Deficit	1,221.42	1,212.42	0.74%
Deficit % of GDP	4.8%	4.70%	2.13%

Source: Finance Division

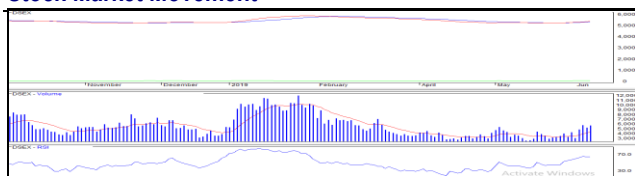
NPLs soar to Tk1.11-trillion

Non-Performing Loans (NPLs) in the banking sector swelled to Tk1,108.74b at the end of March 2019, setting a new record in the history of the sector. The figure was Tk939.11b at the end of 2018. According to Bangladesh Bank (BB), the amount of NPLs soared by Tk169.62b or 18% in the first quarter (January-March) of 2019 as against the previous quarter. The statistics of BB revealed that the chunk of NPLs amplified to 11.87% of the total loans in the sector at the end of March while the ratio was 10.30% at the end of 2018. Among the banks, the eight State-owned Banks (SoBs) hold more than 52% of the total NPLs. At the end of March, the eight SoBs had NPLs of Tk586.68b, up by 9.69% from the previous quarter whereas forty Private Commercial Banks (PCBs) had defaulted loans of Tk499.50b, up by 31% from the previous quarter. Bankers opined that the talks about generous policy towards defaulters encouraged many regular borrowers to discontinue installment payments in the quarter. Later, BB eventually unveiled the relaxed policy though the High Court, later, stayed the implementation of the policy until June 23 of 2019.

New capital adequacy rule for market intermediaries

The Bangladesh Securities & Exchange Commission (BSEC) issued a risk-based capital adequacy rules for the capital market intermediaries, aiming to ensure persistence of safe and efficient operation and to resist against any seen and unforeseen losses. According to the rule, all registered entities must ensure capital adequacy and maintain the minimum required capital on continuous basis within three years from the effective date of the rules. The minimum required capital for stock brokerage, merchant banks, asset management companies, fund management companies and credit rating companies are set at Tk150m, Tk350m, Tk100m, Tk50m and Tk50m respectively. The entities would require additional capital over the base requirement stated above for each added area of operation. The appropriate capital adequacy ratio for each entity is 120% i.e. its total capital requirement must be, at all times, minimum 1.20 times of its total risk requirement and its core capital must be, at all times, greater than its operational risk requirement, following a set out formula.

Stock Market Movement



Global Markets

	This Week	Last Week	+/- %
S&P 500	2,886.98	2,873.34	0.47
FTSE 100	7,345.78	7,331.94	0.19
Nikkei 225	21,116.89	20,884.71	1.11
SENSEX	39,452.07	39,615.90	-0.41
KSE 100	35,572.95	35,505.29	0.19

DSE Indicators

	This Week	Last Week	+/- %
DSE Broad Index	5,474.31	5,377.75	1.80
Total Turnover, Tk	24,633,906,442.00	18,414,700,526.00	33.77
Market Capital, Tk	3,434,313,759,911	3,354,149,512,662	2.39
No of Issue Gain	260	200	
No of Issue Loss	70	113	
No of Unchanged Issues	23	40	

Top Gainers

Weighted avg. Closing Price (Tk)

Company	Last Week	This Week	Change %	Turnover (Tk)
Global Insurance Co.	21.40	28.10	31.31	318,165,000
Peoples Insurance	19.60	24.20	23.47	104,064,000
Bangladesh Gen. Ins	20.60	24.90	20.87	45,274,000
Safko Spinnings Mills	16.20	19.50	20.37	88,547,000
Sonali Aansh	405.50	487.40	20.20	54,823,000
City General Ins	17.60	20.90	18.75	242,718,000
SEML FBLSL GF	10.00	11.80	18.00	219,000
Northern General Ins	20.30	23.90	17.73	47,284,000
Federal Insurance	12.80	15.00	17.19	199,543,000
Bangladesh Lamps	189.90	221.60	16.69	47,830,000

Top Losers

Weighted avg. Closing Price (Tk)

Company	Last Week	This Week	Change %	Turnover (Tk)
Mercantile Bank Ltd.	18.00	15.50	-13.89	73,043,000
AIBL 1st Islamic MF	8.20	7.10	-13.41	1,912,000
Standard Bank Ltd.	11.50	10.20	-11.30	16,614,000
Imam Buton Industries	29.50	26.80	-9.15	3,134,000
NCC Bank.	15.80	14.50	-8.23	31,105,000
Mutual Trust Bank Ltd.	34.90	32.50	-6.88	34,388,000
MBL 1st Mutual Fund	7.40	6.90	-6.76	9,995,000
Khulna Printing	15.60	14.60	-6.41	7,898,000
Emerald Oil Industries	17.90	16.80	-6.15	3,178,000
Aramit Cement	20.40	19.20	-5.88	1,455,000

Sectoral Index & Turnover

Sectoral Index

Turnover (Tk.M)

Sector	Sectoral Index			Turnover (Tk.M)		
	This Week	Last Week	Change %	This Week	Last Week	Change %
Bank	427.46	433.55	-1.40	2,087.98	2,866.26	-27.15
Cement	280.74	276.65	1.48	238.77	170.24	40.25
Ceramic	675.20	671.94	0.49	339.47	442.84	-23.34
Engineering	2,644.23	2,571.13	2.84	2,984.46	1,941.56	53.71
Food & Al.	4,677.17	4,438.84	5.37	935.12	743.13	25.84
Fuel & Pow.	4,299.30	4,186.12	2.70	2,399.37	1,604.90	49.50
Insurance	1,678.89	1,592.90	5.40	3,906.35	2,771.98	40.92
IT	362.26	342.78	5.68	548.37	244.28	124.48
Jute	2,129.78	2,083.80	2.21	62.95	25.08	150.98
Misc.	1,279.27	1,230.54	3.96	1,413.32	906.42	55.92
Mutual Fund	431.49	440.20	-1.98	126.40	89.33	41.50
NBFI	1,212.71	1,191.64	1.77	1,220.18	1,119.95	8.95
Paper	9,191.08	9,005.85	2.06	66.24	35.92	84.42
Pharma	1,182.88	1,151.65	2.71	2,447.80	1,744.99	40.28
Service	1,153.56	1,098.80	4.98	490.95	63.44	673.91
Tannery	861.61	850.53	1.30	533.08	469.26	13.60
Telecom	3,367.59	3,311.01	1.71	435.53	404.97	7.55
Textile	1,552.82	1,492.61	4.03	2,684.08	1,519.65	76.63
Travel & Leis	480.89	466.69	3.04	110.77	50.21	120.63

Technical Talk

Dhaka bourse prolonged the gaining streak for the third consecutive week ended on Thursday as investors showed interest in large-cap shares amid high expectation from the National Budget for FY2019-20. Investors showed more interest in insurance, food, engineering, power, pharma, telecoms and non-bank financial institutions. Among the major gainers, IT sector increased by 5.68% over the week followed by Insurance 2.77%, Pharmaceuticals 1.63% and Financial Institutions 1.55%. However, Telecommunications sector increased by 2.71% and Fuel & Power by 1.11%.

DSE Broad Index (DSEX) reached 5,474.31 points increased by 96.56 points or 1.80% from the previous week. Total turnover reached at Tk24633.91m which was 33.77% higher than the previous week. Market capitalization increased by 2.39% and stood at Tk3434.31b (\$40.67b) at the weekend against Tk3354.15b. DSE 30 increased by 29.70 points or 1.57% and closed at 1,918.73 points against 1,889.04 points. Last week's weighted average Market PE was 14.25 which was 13.96 previous week.

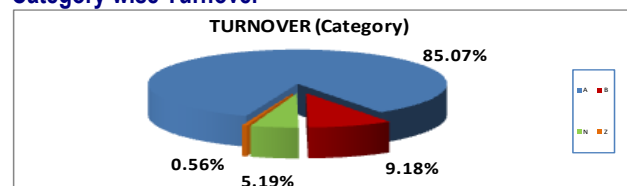
Top Turnover Companies

Company	Volume	Value (Tk)	% of total
United Power Generation	2,670,575	967,658,000	3.93
BBS Cables Limited	6,587,066	662,496,000	2.69
JMI Syringes & Medical	1,523,239	622,990,000	2.53
National Life Insurance	2,276,282	551,127,000	2.24
Eastern Housing Limited	8,396,407	458,800,000	1.86
Khulna Power Company	7,687,803	453,908,000	1.84

Top 10 Market Capital

Company	Volume	Value (Tk)	% of total
GP	487,998	ICB	84,977
BATBC	252,180	BRAC Bank	79,429
Square Pharma	203,485	Berger Paint	69,627
United Power	173,190	Olympic Ind.	47,346
RENATA	95,942	Marico	47,263

Category wise Turnover



Commodity Price

	This Week	Last Week	Change %
Gold (USD/t oz.)	1,339.20	1,337.60	0.12
Silver (USD/t oz.)	14.87	14.87	0.02
Brent Crude Oil (USD/bbl.)	61.31	61.67	-0.58

Exchange Rate

	This Week		Last Week		Change %	
	TT	BC	TT	BC	TT	BC
USD	84.45	84.50	84.45	84.50	0.00	0.00
EUR	95.15	95.21	96.20	96.26	-1.09	-1.09
GBP	106.63	106.69	107.85	107.91	-1.13	-1.13
AUD	58.34	58.38	59.41	59.45	-1.80	-1.80
JPY	0.79	0.79	0.79	0.79	-0.33	-0.34
CAD	63.29	63.32	63.98	64.02	-1.09	-1.09
SAR	22.63	22.64	22.63	22.65	-0.01	-0.01

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)
Coppertech Industries	Mar 31 - Apr 09, 2019	10	200
Sea Pearl Beach Resort	Apr 23 - May 06, 2019	10	150