

Routine budget in crisis time

A Tk5.68-trillion National Budget for FY2020-21 has been placed in the parliament with an over ambitious target of 8.2% GDP growth, even in the global post-pandemic recovery challenges. However, the GDP growth rate of the outgoing fiscal year has been revised down to 5.2% 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 5.4% in FY2020-21, while the revised target of inflation for FY2019-20 was 5.5%.

Particulars	Budget Highlights (In billion Tk.)		Changes
	FY2020-21	FY2019-20 (Revised)	
NBR Tax Revenue	3,300.0	3,005.0	9.8%
Non-NBR Tax Revenue	150.0	125.7	19.4%
Non-Tax Receipt	330.0	350.0	-5.7%
Total Revenue	3,780.0	3,480.7	
Non-Development Expenditure	3,111.9	2,749.1	13.2%
Development Expenditure	2,150.4	2,023.5	6.3%
Other Expenditure	417.7	243.2	71.7%
Total Expenditure	5,680.0	5,015.8	
Budget Deficit	(1,900.0)	(1,535.1)	23.8%
Deficit % of GDP	6.0	5.5	9.5%

Source: Finance Division

The size of total expenditure is proposed at Tk5.68-trillion, up by 8.56% from the revised budget of the current fiscal year. The allocation for operating and other expenditure is proposed at Tk3.63-trillion, while the remaining Tk2.05-trillion is allocated for the Annual Development Program (ADP). The FM highlighted a slight deviation in the latest budget from the traditional ones in order to combat the pandemic and recover from its damages to the economy. The Budget 2020-21 observed a structural change in terms of the priorities set by government. The Minister has given priorities to four sectors— health, agriculture, social safety net programs and job creation & rural development. The overall budget deficit is estimated at Tk1.90-trillion, 33.4% of the total budget and 6% of GDP, as against Tk1.53-trillion deficit in the outgoing revised budget. The expenditures would be financed by tax revenue at 66.55% as the government set the target of total revenue income in FY2020-21 at Tk3.78-trillion – of which, around 87.3% would be collected by the National Board of Revenue (NBR). Of the total deficit, around 58% will be financed from domestic sources (of which, banking system is to provide 77%) while the remaining 42% will come from external sources. The Finance Minister, in his speech, disclosed four strategies to achieve recovery from economic damages due to COVID-19. The strategies include – discouraging luxury expenditures and prioritizing government spending; creating loan facilities through commercial banks at subsidized interest rate for the affected industries; expanding coverage of the social safety net programs and finally; increasing money supply to the economy through making a delicate balance between increased money supply and possible inflationary pressure. The proposed budget allowed investment of undisclosed money in the stock market to revive liquidity flow in the market. Moreover, the FM proposed to introduce several tax measures for bonds to make bond market lucrative to investors. However, the proposed provision of cutting corporate tax for non-publicly traded company to 32.5% from the existing 35% while keeping the rate for publicly traded company unchanged which will result in reduction of the tax gap between listed and non-listed companies may not be beneficial for the capital market, some experts opined. Some economists lamented that the budget overlooked the reality of the pandemic as the government thinks the pandemic will end this year and hence, the budget emphasized largely on GDP growth, as in the earlier years.

Supplementary Budget for FY2019-20 placed

The Finance Minister placed the Supplementary Budget for the outgoing FY2019-20 in the parliament on June 11 along with the National Budget for FY2020-21. In the supplementary budget, the minister reduced the original targets of revenue and expenditure by 7.87% and 4.13% respectively as the revenue collection and expenditure allocation in the outgoing fiscal (up to February 2020) were 38.32% and 35.84% respectively of the original annual target. Consequently, the minister revised the total tax revenue target downward to Tk3.48-trillion from Tk3.78-trillion. The total allocation for ministries and divisions has also been reduced to Tk5.02-trillion for the outgoing fiscal year from Tk5.23-trillion as per the original allocation. The Finance Minister also reduced the Annual Development Program (ADP) by Tk98.06b from the original allocation to Tk1.93 trillion.

Particulars	Supplementary Budget Highlights (Figures in Tk Bn)		
	Budget FY2019-20	Revised Budget FY2019-20	Actual (Up to March)
NBR Tax	3,256	3,005	1,365
Non-NBR Tax	145	126	49
Non Tax Receipt	377	350	228
Total Tax Revenue	3,778	3,481	1,641
Non-Development Expenditure	3,103	2,953	1,430
Development Expenditure	2,117	2,023	642
Other Expenditure	12	39	51
Total Expenditure	5,232	5,016	2,123
Budget Deficit	(1,454)	(1,535)	(482)
% of GDP	5.0%	5.5%	1.7%
External Source	680	562	(2)
Domestic Source	774	973	483
Total Deficit Financing	1,454	1,535	482

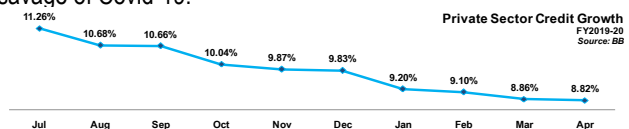
Source: MoF

Inflation eases by 61 basis points in May 2020

The point-to-point inflation dropped to 5.35% in May from 5.96% in the previous month, thanks to a significant fall of food inflation following a demand shock in the pandemic lock-down period. In 2019, the rate of inflation was 5.63% in May and 5.58% in April. According to the latest statistics of Bangladesh Bureau of Statistics (BBS), food inflation plummeted by 82 basis points to 5.09% in May from a month earlier. The nonfood inflation also eased by 29 basis points to 5.75% in the month from 6.04% in the previous month. Both food and non-food inflation in urban and rural areas came down in May from the levels reported in the previous month. Earlier, the government set the target of inflation at 5.5% for the FY2019-20. Economists opined that the supply shock pushed up inflation particularly food prices in April but the demand shock subdued the rise subsequently.

Private credit growth comes down to 8.82% in April 2020

Private sector credit growth dropped further in April on the back of lower credit demand as almost all economic activities came to a halt in the wake of the Coronavirus pandemic related disruptions and shutdown. As per the statistics of the Bangladesh Bank (BB), private sector credit growth slipped to 8.82% (Y-o-Y) in April, while it was 8.86% a month before. Moreover, the credit disbursement growth was lower by 5.98% than the central bank target of 14.8%, set for the second half (H2) of the FY2019-20. Excessive lending to the government throughout the fiscal year together with a marathon shutdown hit hard private sector investments, opined senior economists. However, bankers expected that private investment would get a slight movement after disbursing the government stimulus packages worth Tk1.03-trillion, aimed to rescue various industries from the savage of Covid-19.



Stock Market Movement



Global Markets

		This Week	Last Week	+/- %
S&P 500	↓	3,041.31	3,193.93	-4.78
FTSE 100	↓	6,105.18	6,484.30	-5.85
Nikkei 225	↓	22,305.48	22,863.73	-2.44
SENSEX	↓	33,780.89	34,287.24	-1.48
KSE 100	↑	34,637.61	34,326.95	0.91

DSE Indicators

		This Week	Last Week	+/- %
DSE Broad Index	↑	3,967.31	3,953.39	0.35
Total Turnover, Tk	↓	3,542,853,799.00	6,919,099,087.10	-48.80
Market Capital, Tk	↑	2,523,864,507,767	2,517,128,037,148	0.27
No of Issue Gain		37	26	
No of Issue Loss		24	100	
No of Unchanged Issues		289	232	

Top Gainers

Company	Weighted avg. Closing Price (Tk)			Turnover (Tk)
	Last Week	This Week	Change %	
Central Pharma	12.10	13.50	11.57	132,001,000
Phoenix Fin 1st MF	7.90	8.60	8.86	27,512,000
Beximco Pharma	61.10	66.30	8.51	327,506,000
The ACME Lab	58.00	62.30	7.41	20,036,000
Reckitt Benckiser	3094.50	3320.30	7.30	67,721,000
Power Grid	40.40	42.50	5.20	15,763,000
Republic Insurance	18.60	19.40	4.30	2,031,000
Indo-Bangla Pharma	20.30	21.10	3.94	113,640,000
National Tea	455.30	471.60	3.58	4,194,000
Anlima Yarn Dyeing	30.20	31.20	3.31	14,105,000

Top Losers

Company	Weighted avg. Closing Price (Tk)			Turnover (Tk)
	Last Week	This Week	Change %	
Dulamia Cotton	50.40	48.10	-4.56	21,000
Phoenix Finance	25.00	24.10	-3.60	242,000
Shinepukur Ceramics	8.40	8.10	-3.57	2,167,000
Aramit Cement	12.10	11.70	-3.31	48,000
Meghna Cement Mills	74.90	72.60	-3.07	10,000
Daffodil Computers Ltd.	54.50	53.40	-2.02	5,000
NCC Bank	11.70	11.50	-1.71	20,608,000
Paramount Insurance	39.00	38.40	-1.54	10,377,000
AIBL 1st Islamic MF	7.00	6.90	-1.43	40,000
Reliance Insurance	36.70	36.20	-1.36	1,010,000

Sectoral Index & Turnover

Sector	Sectoral Index			Turnover (Tk.M)		
	This Week	Last Week	Change %	This Week	Last Week	Change %
Bank	308.90	308.60	0.10	279.51	466.38	-40.07
Cement	218.58	218.80	-0.10	17.47	10.79	61.91
Ceramic	498.13	499.24	-0.22	6.40	122.89	-94.79
Engineering	1,675.10	1,675.16	0.00	19.70	62.66	-68.56
Food & Al.	3,015.67	3,013.60	0.07	152.46	57.17	166.69
Fuel & Pow.	3,209.50	3,190.90	0.58	285.26	350.88	-18.70
Insurance	1,300.08	1,299.20	0.07	57.85	84.97	-31.91
IT	303.02	303.96	-0.31	5.64	9.27	-39.18
Jute	951.64	952.20	-0.06	2.07	1.04	98.66
Misc.	1,021.24	1,019.31	0.19	129.74	238.09	-45.51
Mutual Fund	365.85	365.33	0.14	55.79	78.59	-29.01
NBFI	787.74	788.52	-0.10	19.00	25.46	-25.39
Paper	6,412.29	6,412.29	0.00	0.40	13.69	-97.09
Pharma	1,020.94	1,011.21	0.96	1,233.69	2,349.10	-47.48
Service	819.64	819.64	0.00	6.37	4.99	27.73
Tannery	588.39	588.39	0.00	4.79	4.60	4.04
Telecom	2,209.10	2,211.21	-0.10	232.50	477.25	-51.28
Textile	1,018.61	1,018.65	0.00	31.41	60.05	-47.70
Travel & Leis	570.71	570.71	0.00	0.42	0.61	-31.80

Technical Talk

Dhaka stocks closed with marginal gain in the last week ended on Thursday ahead of the National Budget placement in growing tension over coronavirus pandemic. Moreover, imposition of the floor price made the market participations dull and several sectors remain unchanged in weekly market capitalization. Among the major sectors, Pharma increased by 0.96% over the week followed by Fuel & Power 0.58%, Bank 0.10% and Insurance 0.07%.

DSE Broad Index (DSEX) reached 3,967.31 points increased by 13.92 points or 0.35% from the previous week. Total turnover reached at Tk3542.85m which was 48.80% lower than the previous week. Market capitalization increased by 0.27% and stood at Tk2523.86b (\$29.73b) at the weekend against Tk2517.13b. DSE 30 increased by 10.26 points or 0.78% and closed at 1,331.75 points against 1,321.49 points. Last week's weighted average Market PE was 10.51 which was 10.49 previous week.

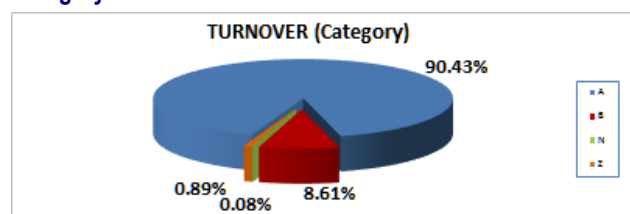
Top Turnover Companies

Company	Volume	Value (Tk)	% of total
Beximco	5,059,886	327,506,000	9.24
Square Pharma	1,192,871	205,774,000	5.81
Grameenphone Ltd.	682,336	163,019,000	4.60
Olympic Industries	907,374	136,290,000	3.85
Central Pharma	10,117,493	132,001,000	3.73
EXIM Bank	14,691,419	129,620,000	3.66

Top 10 Market Capital

	In million		
GP	322,452	Berger Paint	60,690
BATBC	163,368	ICB	52,493
Square Pharma	155,825	Marico	49,219
United Power	116,044	Brac Bank	42,296
RENATA	82,646	LafargeHolcim	41,693

Category wise Turnover



Commodity Price

	This Week	Last Week	Change %
Gold (USD/t oz.)	1,732.00	1,679.50	3.13
Silver (USD/t oz.)	17.87	17.47	2.28
Brent Crude Oil (USD/bbl.)	38.55	42.00	-8.21

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	98.43	98.49	97.75	97.81	0.69	0.69
GBP	110.01	110.08	109.70	109.77	0.28	0.28
AUD	59.22	59.25	59.47	59.51	-0.43	-0.43
JPY	0.80	0.80	0.78	0.78	2.48	2.48
CAD	63.43	63.47	63.56	63.60	-0.20	-0.20
SAR	22.74	22.75	22.74	22.75	0.03	0.03

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)
Express Insurance	June 14-18, 2020	10	260.79