

Bangladesh market snapshot

	Last closing
DSEX Index	3,967.31
% change	0.01%
DS30 Index	1,331.75
% change	-0.04%
DSES Index	919.79
% change	0.05%
Turnover (BDT mn)	511.02
Turnover (USD mn)	6.08
% change	-14.03%
Market Capitalization (BDT bn)	3,106
Market Capitalization (USD bn)	36.98
% change	0.04%

Source: Dhaka Stock Exchange

International market snapshot

	Last closing
Dow Jones Industrial Average	25,605.54
% change	+1.90%
Nikkei 225	22,305.48
% change	-0.75%
FTSE 100	6,105.18
% change	+0.47%

Source: Bloomberg

Exchange rate

Currency	BDT
USD	84.95
EUR	96.61
GBP	108.30
INR	1.12

Source: Bangladesh Bank

Money market

Date	Call Money Rate Range (%)	Weighted Average (%)
10-Jun-2020	4.00-5.50	5.00
09-Jun-2020	4.00-5.50	4.98

Source: Bangladesh Bank

Commodities

	Price	% Change
Brent Crude (Oil), USD/bbl	38.73	+0.47%
Gold Spot, USD/t oz	1,730.75	+0.18%
Cotton, USD/lb	59.03	-0.77%

Source: Bloomberg

Economy

Tk 568,000 crore budget unveiled; 8.2pc GDP growth target set

Finance Minister on Thursday placed Tk 568,000 crore national budget for 2020-21 fiscal with an ambitious target of 8.2 percent GDP growth amid the economic fallout due to the coronavirus pandemic. The size of the total budget for 2020-21 fiscal year has been estimated at Tk 5,68,000 crore, which is 17.9 percent of country's GDP. Dubbing the budget as "economic transition and pathway to progress", the finance minister said the total allocation for operating and other expenditures has been projected at Tk 3,62,855 crore and the allocation for the annual development programme (ADP) has been estimated at Tk 2,05,145 crore. Health, agriculture and employment creation have been given priority while allocating resources for the ADP.

<https://www.thedailystar.net/tk-568000-crore-budget-2020-21-unveiled-8.2pc-gdp-growth-target-set-1912729>

Remittance crosses \$17b for first time, govt continues 2% incentives

For the first time, the country's remittance inflow crossed \$17 billion mark in a fiscal year despite a recent fall for the Covid-19 pandemic. From July 1 last year to June 10 this year, expatriate Bangladeshis sent \$17.06 billion, thanks to the government's budget declaration of 2 percent incentive on inward remittance for the current fiscal year. The government allocated Tk3,060 crore remittance incentive for the current fiscal year. The incentive has acted as the key driver to increase remittance. In 2018-19 fiscal year, the country received \$16.41 billion remittances and the figure was \$14.98 billion in 2017-18.

<https://www.tbsnews.net/economy/remittance-crosses-17b-first-time-govt-continues-2-incentives-fy21-92197>

Govt proposes to double source tax to 0.5pc for export items

The government has proposed to double the source tax to 0.5 per cent from existing 0.25 per cent for all export oriented sectors including the readymade garment (RMG) industry for the upcoming fiscal year of 2020-21.

<https://thefinancialexpress.com.bd/economy/govt-proposes-to-double-source-tax-to-05pc-for-export-items-1591878343>

BD economy suffering triple blow due to COVID-19: IMF

Bangladesh's economic impact due to COVID-19 pandemic has been felt in three main avenues- a drop in domestic economic activity after announcement of shutdown, a decline in exports of ready-made garments and a fall in inward remittances. Ragnar Gudmundsson, resident representative of the International Monetary Fund (IMF) for Bangladesh, came up with the statement in an interview with IMF Country Focus recently on different challenges faced by the country.

<https://thefinancialexpress.com.bd/economy/bd-economy-suffering->

[triple-blow-due-to-covid-19-imf-1592050905](#)

Govt provides opportunity to whiten black money

Finance Minister has proposed a money legalising opportunity showing undeclared cash, bank deposits, savings certificates, shares, bonds or any other securities without facing any question. The opportunity could be availed by paying taxes at a rate of 10 per cent on the value of said declaration from July 1, 2020 to June 30, 2021.

<https://thefinancialexpress.com.bd/economy/govt-provides-opportunity-to-whiten-black-money-1591874894>

Tax exemption offered for investment in 7 tech-based sectors

The government has sought to extend tax holiday benefits to seven new sectors from the next fiscal year to encourage expansion of manufacturing activities. The tax breaks will be offered to investors who will set up plants to make electrical transformers, artificial fibre or manmade fibre, automobile parts and components, and to manufacture automation and robotics items. Establishment of industries for artificial intelligence, nanotechnology-based products manufacturing, aircraft maintenance services and manufacturing of parts will also come under the tax exemption benefit. Income, profits and gains from industries to be set up between the first day of July 2019 and the 30th day of June 2024 shall be exempted from tax payable for the period at specified rates.

<https://www.thedailystar.net/business/news/tax-exemption-offered-investment-7-tech-based-sectors-1913041>

Punishment for false declaration in import, export toughened

The National Board of Revenue has increased penalty on exporters and importers for making false declaration to customs authorities regarding value and quantity of import-export goods and other cases. The revenue board also made mandatory submission of bill of entry to customs house within five working days after arrival of imported goods at ports. Traders would be liable to a penalty of up to four times the amount of the tax evaded through false declaration. The errant traders have to pay at least twice the amount of the tax evaded through false declaration.

<https://www.newagebd.net/article/108334/punishment-for-false-declaration-in-import-export-toughened>

Tax-free income limit raised

Finance Minister is planning to increase the threshold of tax-free income for individuals to Tk 300,000 in the national budget for fiscal 2020-21. The proposal outlined in the Tk 5.68 trillion budget tabled on Thursday aims to raise the ceiling by Tk 50,000 per annum owing the slump in personal income brought about by the coronavirus epidemic. The government had previously raised the ceiling to Tk 250,000 from Tk 220,000 in fiscal 2015-16.

<https://thefinancialexpress.com.bd/economy/tax-free-income-limit-raised-1591871379>

Bank and NBFI**Government rides on banks to source deficit financing**

With the banking sector already under pressure of implementing stimulus packages, the high bank borrowing target in the proposed budget for FY2020-21 will multiply the financing burden on it, depriving the private sector of funds. The government set the bank borrowing target at Tk84,000 crore in the budget proposal placed on Thursday, which makes up for 44.72 percent of the total deficit financing. Rest of the funds will come from sales of savings instruments and foreign financing.

<https://www.tbsnews.net/economy/budget/government-rides-banks-source-deficit-financing-92173>

Injecting black money in banks may backfire

Allowing black money in bank deposits and other instruments may cost Bangladesh more than the benefits it is hoping for. Bangladeshi banks may face questions from counterpart foreign banks in trade transactions and be subjected to higher risk charges and premiums. Banks should not risk their credibility by providing safe haven for tax dodgers and money launderers. The move can increase Bangladesh's country risk rating, which will tarnish its image, push up the costs for foreign trade and discourage foreign investments.

<https://www.tbsnews.net/economy/injecting-black-money-banks-may-backfire-92845>

Bangladesh Bank relaxes policy for exporters

The Bangladesh Bank has eased the import payment procedure for exporters operating outside the specialised zones if payments from buyers are deferred. The exporters would be allowed to pay back-to-back letters of credit after receiving payments against export.

<https://www.newagebd.net/article/108266/bangladesh-bank-relaxes-policy-for-exporters>

MFS should be mandatory for social safety net handouts

Nagad yesterday urged the government to make it mandatory to use the mobile financial services platform to disburse funds for the social safety net programmes. The MFS arm of the postal department made the call after Finance Minister AHM Mustafa Kamal on Thursday proposed raising the allocation for social security by 16.74 per cent to Tk 95,574 crore for fiscal 2020-21. The new allocation is 16.83 per cent of the total budget and 3.01 per cent of the total gross domestic product.

<https://www.thedailystar.net/business/news/mfs-should-be-mandatory-social-safety-net-handouts-1914097>

Textile**Garment accessory makers demand equal facilities proposed for RMG sector**

Garment accessories makers have urged the government to provide them with equal budgetary facilities as proposed for the readymade garment (RMG) sector. Accessories and packaging industry contribute 15

to 18 per cent of the country's RMG export. But there is no announcement of cash incentive in the proposed budget or no assurance for the backward linkage industry of RMG. The BGAPMEA also urged the government to fix source tax to 0.25 per cent from the proposed 0.5 per cent.

<https://thefinancialexpress.com.bd/economy/garment-accessory-makers-demand-equal-facilities-proposed-for-rmg-sector-1591974176>

Additional 1.0pc export incentive for RMG to continue

Finance Minister AHM Mustafa Kamal has proposed to continue with the additional export incentive of 1.0 per cent in the next fiscal year in addition to other existing incentives. The government has kept on providing all kinds of benefits, including cash incentives, to the readymade garments (RMG) industry as it is the principal export sector of the country. An additional 1.0 per cent export incentive is being provided to all categories of RMG exports from FY2019-20.

<https://thefinancialexpress.com.bd/economy/additional-10pc-export-incentive-for-rmg-to-continue-1591875033>

Transportation

Car imports go up to duck higher tariff

Car sales declined because of coronavirus-induced closure of business. The import of cars, however, started to peak before the announcement of the budget amid fear that they would face more losses if the tariff rate was increased in the new budget. The bill of entry, filed till 5pm on June 10, would allow the importers to unload the car or any other consignment as per duties of 2019-20 financial year. In case of submission of bill of entry after that, the consignment of goods will have to be unloaded as per the tariff rate fixed for the new fiscal year 2020-21.

<https://www.tbsnews.net/economy/budget/car-imports-spike-ahead-budget-avoid-higher-tariff-92641>

Telecommunication

Mobile operators caught in the cross-fire over SD hike rollout

Mobile operators are in the most bewildering situation: they are caught in the middle of a misunderstanding in the interpretation of the law by the revenue authority and the telecom regulator. Following the announcement of the 5-percentage point hike in supplementary duty for all mobile services in the finance bill for fiscal 2020-21, they complied with the order within hours by raising the rate at the users' end. Then on Friday, they have been blasted with an angry email from the Bangladesh Telecommunication Regulatory Commission (BTRC), which warned of dire consequences if the new supplementary duty of 15 per cent is implemented before July 1. But, the finance bill dictates that the new rates should be in force from the next day. All sorts of no-objection certificates (NOCs) and tariff approvals will be suspended if the carriers increase the duty, according to the email sent by a senior assistant director of the BTRC's systems and services division.

<https://www.thedailystar.net/business/news/mobile-operators-caught-the-cross-fire-over-sd-hike-rollout-1914121>

Tobacco

Tobacco products to become costlier in FY 2020-21

Cigarettes will be costlier due to increase in price and supplementary duty on tobacco consumption. The price and duty were increased to reduce the consumption of tobacco products and maximise revenue collection from this sector.

<https://www.thedailystar.net/tobacco-products-become-costlier-in-budget-fy-2020-21-1912713>

Capital Market

IPO subscription of Express Ins begins today

The IPO (initial public offering) subscription of Express Insurance begins today (Sunday) and will end on June 18. The officials of Dhaka Stock Exchange (DSE) have confirmed this timeframe of completing the company's IPO subscription which earlier was postponed due to public holidays amid lockdown. As per the approval, the insurer will offload more than 26.07 million ordinary shares at an offer price of Tk 10 each under the fixed price method.

<https://today.thefinancialexpress.com.bd/stock-corporate/ipo-subscription-of-express-ins-begins-today-1592063852>

Govt allows untaxed money in stock market

The stock market anticipates a major boost as the government allowed untaxed money to invest in the capital market. People who will avail the facility to invest in securities such as stocks, mutual funds and bonds will have to pay only 10 per cent tax within 30 days of their investments without any penalty. With a view to providing impetus to the stock market, individual taxpayers can invest money in the capital market between 1st July 2020 and 30th June 2021 and show it in their tax returns on paying tax at a rate of 10 per cent on the value of the investment subject to satisfying certain conditions including a lock-in period of three years, and no other authority including the income tax authority will raise any question in this regard.

<https://thefinancialexpress.com.bd/stock/govt-allows-untaxed-money-in-stock-market-1591874148>

Finance minister for strong bond market

Finance Minister AHM Mustafa Kamal has proposed to introduce the provision of TDS (tax deducted at source) at the time of payment of interest and discount on bonds to make the bond market attractive to the investors. The problem of balance sheet mismatch in the financial institutions arising out of short-term liability against long-term assets will be mitigated by this. Therefore, he proposed to introduce the provision of TDS at the time of payment of interest and discount on bonds.

<https://thefinancialexpress.com.bd/stock/finance-minister-for-strong-bond-market-1591873796>

Stock

City Bank employees get 10% pay cut

The City Bank Limited has slashed the salaries of its employees by 10 percent to offset the losses caused by the novel coronavirus outbreak. These pay cuts will be effective from June 1 this year and last till December 31, 2021. Additionally, officials of the bank will not get annual increments or performance bonuses next year. The salaries of employees earning more than Tk30,000 per month have been reduced. Of the 6,000 employees of the bank, 5,000 have had their salaries reduced.

<https://www.tbsnews.net/economy/banking/city-bank-employees-get-10-pay-cut-92356>

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Expected absolute returns are calculated as the percentage of difference between our target price and latest close price. Stock recommendations are based on absolute upside (downside) and have a 12-month horizon. Please note that future price fluctuations could lead to a temporary mismatch between upside/downside for a stock and our recommendation.

Recommendation Type	Holding period (if not otherwise mentioned)	Absolute Return Potential
Buy	12 Months	More than +15%
Neutral/ Hold	12 Months	Between +15 % and -5 %
Underweight	12 Months	Less than -5 %

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