

Following is a summary of important business news published in the leading daily newspapers of Bangladesh. For the complete news, please follow the online link given below each news. Please note that the news summary doesn't reflect the opinion of BRAC EPL Stock Brokerage Limited.

Mobile operators caught in the cross-fire over Supplementary Duty (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% is implemented before July 1. But, the finance bill dictates that the new rates should be in force from the next day.

■ Apart from the latest hike in the supplementary duty, there is a 15% value-added tax and 1% surcharge on mobile phone bills from before, which make the total tax for mobile phone use 33.25% now. Market insiders said the total revenue in the industry currently stands at about BDT 250 billion and the government eyeing an additional BDT 10 billion to BDT 12 billion by increasing the supplementary duty. As of March, there are 165.3 million active mobile connections in the country, of which 95.2 million are being used for internet services as well, according to data from the BTRC.

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

Walton's generosity towards its retail investors amid hard times

■ Walton Hi-tech Industries usually offers several types of discounts on its products round the year. But this time, the high-flying company has come up with a discount on its share price, in a move not seen by the country's bourse before. The local electronics giant has already discovered its cut-off price for each share at BDT 315 through bidding of eligible investors as it plans to go public.

■ General investors usually buy shares at 10% lower than the cut-off price in the initial public offering (IPO), according to the listing regulations. As a result, Walton's share price would stand at BDT 283 for the general shareholders. The chief financial officer of Walton said that they are giving the general shareholders an additional 10% discount. This means, each share would cost BDT 252 for the retail investors.

■ To implement the discount, Walton will have to offload another 0.17 million shares. In total, the company would make 1.55 million shares available for general investors as it looks to raise BDT 393 million from the public. Another 1.38 million shares will be offloaded to the eligible investors for BDT 607 million. After listing with the bourse, sponsors' shareholding would be 99.03%, while the rest 0.97% would be off-loaded.

<https://www.thedailystar.net/business/news/waltons-generosity-towards-its-retail-investors-amid-hard-times-1914093>

Bangladesh economy suffering triple blow due to COVID-19: International Monetary Fund (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. The 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.

■ The IMF official acknowledged that the economy of Bangladesh had been growing close to 7% a year on average over the past decade before the coronavirus outbreak. IMF projects 2% growth for 2020—a drop of 6% from 2019. The crisis-related borrowings will raise the public debt-to-GDP ratio to about 41% of GDP over the coming years, from 36% at the end of 2019, the resident representative of IMF said. Talking about the outlook for the future, he said that IMF is still expecting a pick-up in activity toward the end of 2020 and in 2021, with growth climbing back to around 6%.

<https://thefinancialexpress.com.bd/economy/bangladesh/bd-economy-suffering-triple-blow-due-to-covid-19-imf-1592050905>

Budget ignores pandemic impacts: Centre For Policy Dialogue (CPD)

■ The Centre For Policy Dialogue (CPD), in its budget reaction on Friday, said the proposed budget for the fiscal year 2020-21 (FY21) has largely ignored the impacts of the Covid-19 pandemic. CPD said the Covid-19 induced health, economic, humanitarian and social crises are unprecedented and the budget for the FY21 needed to be more innovative in addressing the multidimensional crisis. However, CPD said the Covid-19 situation is an evolving one; there are significant uncertainties regarding its duration and extent of impact. The think tank said during a crisis like the Covid-19 pandemic the main objective should be supporting the poor and affected people, instead of being too much

concerned with the GDP (Gross Domestic Product) growth.

■ The GDP target has been set at 8.2% for FY21 in the proposed budget while the GDP growth in the revised budget for the outgoing FY20 reset at 5.2%. Earlier, CPD estimated that the GDP growth rate would be not more than 2.5% in FY20. Private investment has been estimated to be 25.3% of GDP in FY2021, which, according to CPD, is a whopping 12.6 percentage point increase from the government's previous estimation for FY20. CPD said the dynamic of the remittance-inflow rise during the pandemic might soon change due to job losses in the host countries. It fears there will be lower remittance from GCC (Gulf Cooperation Council) countries due to Covid-19, oil price slump, various restrictive measures and stringent health-related conditions in host countries.

<https://thefinancialexpress.com.bd/economy/budget-ignores-pandemic-impacts-cpd-1591951662>
<https://www.thedailystar.net/frontpage/news/economic-targets-not-realistic-cpd-1913493>

Heavy bank borrowing to be counter-productive: Centre for Policy Dialogue (CPD)

■ The government's designs to fund a large chunk of next fiscal year's budget by borrowing heavily from the banking sector will leave the pandemic-stricken economy in a tight spot, said the Centre for Policy Dialogue yesterday. The exercise will crowd out the private sector from funding, which can be counterproductive for a recovering economy.

■ Finance Minister in his budget speech said the government would borrow a record BDT 849.8 billion from banks, which is about 45% of the total deficit financing for the next fiscal year. Besides, the stimulus packages worth more than BDT 1000 billion will have to be implemented largely by banks. If the government borrows heavily from them, banks will face a difficult situation in implementing the packages, an executive director of the CPD said. Also, the government has estimated that the private investment to GDP ratio would double to 25.3% in the upcoming fiscal year - a farcical projection, by all accounts. A staggering BDT 8.02 trillion will be required to achieve that projection.

<https://www.thedailystar.net/frontpage/news/heavy-bank-borrowing-be-counter-productive-1913489>

Mobile Use Tax Hike: Users hurt, telcos irked

■ Telecom companies and other stakeholders of the industry yesterday slammed the spike in supplementary duty on mobile data usage, calls and any service that requires a SIM card. The finance minister in Thursday's speech announced 15% supplementary duty, a significant rise from last fiscal year's 10%. The decision came into effect yesterday. Even Telecom Minister Mustafa Jabbar said the decision would thwart the process of "digitalization" of services.

■ Industry insiders said the government was hoping to earn over BDT 10 billion in addition to the previous revenue from the sector. But the goal might not be achieved, because people are likely to limit their usage to avoid paying the extra. Top executives of different operators also said people would rather curb usage than spend more. People would use apps to make calls more often and save their spending on voice calls, they added.

■ As of March, there are 165.3 million active mobile connections in the country. Of them, 95.2 million are connected to the internet, according to Bangladesh Telecommunication Regulatory Commission. Annual revenue from the market currently stands at around BDT 250 billion.

<https://www.thedailystar.net/frontpage/news/mobile-use-tax-hike-users-hurt-telcos-irked-1913481>

Newly Printed Money: There'll be crisis if not used properly

■ A good number of central banks across the globe have started printing money to get a turnaround from the ongoing financial recession. The Bangladesh Bank (BB) has taken the same measure to revive the economy as it has already decided to inject about BDT 500 billion in the form of different refinance schemes. Besides, Finance Minister AHM Mustafa Kamal yesterday has set a borrowing target of BDT 849.80 billion from the banking sources.

■ The government traditionally borrows a major portion of its target from banks. But it would be tricky for banks to provide this service as they are now going through a cash crunch of their own due to the economic fallout stemming from the ongoing pandemic. This means, the government will have to knock at the doors of the central bank. The Bangladesh Bank will have to oblige, but by printing money -- a move that can go on to pose stability risks. In fact, the government is already heavily relying on the central bank's monetization power. Between July last year and May this year, the government took out a record BDT 64,2.96 crore from the banking sources and 49.56% of the funds were footed by the BB.

■ Printing money is not a matter of concern at this moment given the current economic state of affairs, said an executive director of the Policy Research Institute. There is no risk of inflationary pressure right now as the aggregate demand has slumped. But the printed money, generally known as reserve money or base money, must be used for productive purposes or else it would give rise to stagflation -- a scenario of high inflation and low GDP growth.

<https://www.thedailystar.net/frontpage/news/printing-moneythere-will-be-crisis-if-not-used-properly-1913105>

Poor power demand, poor allocation

■ In the wake of a demand crunch for electricity and gas due to the pandemic, the government has cut the spending on power and energy for fiscal 2020-21 as it has allocated BDT 26,7.58 billion for these sectors -- 4.6% down year on year. Finance Minister in his budget speech yesterday said BDT 248.53 billion would be allocated for the power sector while the energy sector would receive BDT 19.05 billion.

■ The country currently has a power generation capacity of 24,000 megawatts, which is enough to bring the entire population under electricity coverage. But the government cannot utilise its generation capacity to the fullest due to the weak transmission and distribution systems. Currently, about 96% of the population have access to electricity, up from 47% a decade ago.

■ The government should prioritize on expenditure, cut subsidies, focus on transmission and distribution network, and provide some immediate benefit to the economy through a cut in the fuel prices, said a former lead economist at the World Bank in Dhaka. It would help the government get rid of the capacity charges, what he sees no reason to continue as the country had an excess power generation in FY 2018-19 by using only 43% of its capacity. Even before the pandemic, the government used to pay BDT 90 billion as capacity charges to the rental power plants that remained idle due to the low demand of electricity, causing a hike of electricity price for consumers, said Ohio-based Institute for Energy Economics and Financial Analysis in a study recently.

<https://www.thedailystar.net/backpage/news/poor-demand-poor-allocation-1913057>

Stock investors with nothing to cheer for

■ The proposed budget has brought no cheers for stock investors, who have been battered by a prolonged slump in indices, but promised measures to develop the country's bond market. Though the government wants to allow investment of black money in the stock market, investors say such a move barely yielded good return in the past. Adding to their woes, Finance Minister proposed to reduce the corporate tax gap between listed and non-listed companies which analysts think would discourage non-listed firms to go public. Corporate tax for non-listed companies might be brought down by 2.5 percentage points to 32.5%, but the rate would remain unchanged for listed companies at 25%.

<https://www.thedailystar.net/backpage/news/stock-investors-nothing-cheer-1913061>

Thumbs-up for black money

■ Year after year, opportunities given by the government to whiten black money have failed to attract significant declaration, so the new budget proposes a fresh, lucrative offer -- invest and nobody, not even the income tax authority, will be able to question its source. For the last five years, black money-holders have been able to whiten their assets by investing in residential buildings and other similar properties. As per the existing law, people with vast amounts of undisclosed wealth could only take advantage of this opportunity if the money was not from an illegitimate source or derived from criminal activities. An addition was made in the outgoing fiscal year, stating that black money-holders investing in economic zones and hi-tech parks will not face any question about the sources of their income if they invest in the sectors. For fiscal 2020-21, this amnesty has been widened to cover just about any kind of untaxed income.

■ Between July 1, 2020 and June 30, 2021 individual taxpayers will be allowed to declare any type of undisclosed property by paying a certain amount of tax for per square foot of the asset. They will be able to declare undisclosed cash, bank deposits, savings certificates, shares, bonds or any other securities by paying a 10% tax. And they can invest money in the capital market by paying tax at a rate of 10% on the value of the investment.

<https://www.thedailystar.net/frontpage/news/big-thumbs-black-money-1913093>

<https://today.thefinancialexpress.com.bd/public/last-page/budget-offers-scope-to-whiten-black-money-1591897647>

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, bankers and analysts have said. Bangladeshi banks may face questions from counterpart foreign banks in trade transactions and be subjected to higher risk charges and premiums, they said, suggesting that 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.

■ A former senior economist of the World Bank Group, said the facility could have been extended directly to the Covid-19 affected industries, instead of channeling the money to the banks. Banks are required by anti-money laundering law to strictly follow KYC (Know Your Customer) procedures while opening accounts and monitor every big transaction. But

the proposed budget says banks will not ask about the source of money being deposited, which is a violation of globally accepted norms to check illegal flow of money.

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

Doubling private investment pipe dream: Economists

■ The government's goal of doubling private investment as percentage of gross domestic product or GDP, in fiscal year 2020-21 is unrealistic, economists said. The government seeks to raise the private investment to GDP ratio to 25.3% from the outgoing fiscal's 2.7% trajectory.

■ Economists said the new private investment target in the next fiscal is like daydreaming when the global economy is set to dive into the deepest recession after the World War-II. The government in its new target said the overall investment is expected to rise at 33.5% of the country's total GDP in FY2021 from that of 20.8% in FY2020. The public investment-GDP ratio in the next fiscal has been set at 8.1% of FY2020.

<https://today.thefinancialexpress.com.bd/first-page/doubling-pvt-investment-pipe-dream-economists-1592068582>

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. As per the approval, the insurer will offload more than 26.07 million ordinary shares at an offer price of BDT 10 each under the fixed price method. The company will invest the IPO fund in fixed deposit receipt (FDR) and treasury bond worth BDT 205.79 million, investment in capital market worth BDT 40 million and bearing the IPO expenses of BDT 15 million.

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

Post Covid-19 labor market: Bangladesh eyes Africa

■ The authorities have been exploring labor markets in African countries as overseas jobs may decline in the traditional Middle Eastern and Southeast Asian countries due to coronavirus pandemic. The foreign minister said that farming sector is going to be very important in the aftermath of the coronavirus pandemic. He specifically mentioned the names of Tanzania, Sudan, Uganda and The Gambia where huge opportunities lie for investment in the agriculture sector. The World Bank has projected remittance decline by 22% this year compared to USD 18 billion received from about 10 million Bangladesh migrants last year.

<https://www.thedailystar.net/frontpage/news/post-covid-19-labour-market-bangladesh-eyes-africa-1914029>

Proposed budget lacks tools to tackle pandemic fallout: South Asian Network on Economic Modeling (SANEM)

■ The proposed national budget is not framed in response to the COVID-19 outbreak in the country, said the South Asian Network on Economic Modeling. The targets for GDP growth, revenue collection and private sector investment are unrealistic and not achievable as those were set without taking the reality into consideration, SANEM said at a virtual press conference on the proposed budget.

■ Political will has been reflected in the budget but the question remains whether it will be translated into action, SANEM executive director said. The budget proposed to increase allocation in health, social protection, agriculture and education but it is not enough to meet the challenges of the crisis induced by the outbreak.

<https://www.newagebd.net/article/108335/proposed-budget-lacks-tools-to-tackle-pandemic-fallout-sanem>
<https://today.thefinancialexpress.com.bd/first-page/economists-question-logic-behind-growth-projection-1592068379>

Pandemic to make budget implementation difficult: Institute of Chartered Accountants of Bangladesh (ICAB)

■ The implementation of the proposed budget would be difficult given the adverse impacts of the pandemic on export and import, private sector investment and consumer demand, said the chartered accountants. They said that considering the current pandemic situation in the country, the proposed budget was admirable but questions could be raised about the supply of funds needed to implement the budget.

■ ICAB president said that the proposed budget set the target of gross domestic product at 8.2 which might appear to be encouraging, but would be very difficult to implement considering the COVID-19 situation. It is feared that the private sector would be deprived of bank funds due to the government's dependency on the banking sector for funds. The government set the target of borrowing at a whopping BDT 850 billion from the banking channel for the next fiscal year.

which can rise even further as was seen to happen in the current fiscal year, he said. However, if the government utilizes the funds in the development sectors, they would return to the private sector through circulation of funds.

■ It would be challenging to meet the revenue collection target set at BDT 3.78 trillion in the proposed budget due to the negative impacts of the coronavirus. The government announced a budget equivalent to 17.9% of the gross domestic product or BDT 5.68 trillion during the pandemic crisis. A former ICAB president said that the global pandemic would reduce import and export, demand at the consumer end and business activities which would eventually affect government revenues.

<https://www.newagebd.net/article/108336/pandemic-to-make-budget-implementation-difficult-icab>
<https://today.thefinancialexpress.com.bd/last-page/govts-bank-borrowing-to-deprive-pvt-sector-1592068978>
<https://www.thedailystar.net/business/news/budget-ambitious-doable-icab-1914085>

Government defends lower health budget

■ A top bureaucrat has defended the lower budgetary allocation for the health sector, saying it lacks capacity to spend money. Responding to a question, the finance secretary said they had focused on enhancing the spending capacity of the sector, strained under the weight of coronavirus pandemic. Referring to the spending capacity of the healthcare sector over the last five years, he said it could utilize budgetary allocation not more than BDT 15 billion a year.

■ The Finance Minister proposed an allocation of BDT 292.47 billion for financial year of 2020-2021. Considering the poor spending capacity, the finance division secretary said they set aside another BDT 100 billion as a lump sum amount for meeting the emergency needs in the fight against the lethal virus that has so far claimed around 1,100 lives while infecting over 81,000 people in the densely-populated country. If we add this sum to the allocation, the amount will be over 7.0% of the total budget, he added.

<https://today.thefinancialexpress.com.bd/trade-market/govt-defends-lower-health-budget-1592064485>

Inadequate measures for exporters

■ The stimulus packages and measures announced by the government are inadequate to revive exports from the fallouts of the ongoing coronavirus pandemic, according to industry leaders. Considering how the Covid-19 outbreak has negatively impacted Bangladesh's garment industry, the country's main export sector, Finance Minister proposed the continuation of the 1% additional cash incentive scheme for the upcoming fiscal year. The government has been providing a 1% additional cash subsidy on apparel exports since the beginning of the outgoing fiscal year. This means garment exporters have enjoyed a 5% cash incentive on all non-traditional export markets as well.

■ The finance minister also proposed increasing tax deductions at source from 0.25% to 0.50%. The reduced 12% and 10% corporate tax rates for non-green and green garment factories respectively should remain the same for the next two years. In total, the government allocated BDT 68.25 billion as export incentives for 37 different sectors in the outgoing fiscal year while it was BDT 40 billion in fiscal 2018-19.

<https://www.thedailystar.net/backpage/news/measures-inadequate-1913065>

Mega projects may see slow progress

■ Mega projects, including the fast-track ones, are likely to see slow progress during the upcoming fiscal year (FY), 2020-21, as the new budget has proposed lower allocation than the ongoing fiscal for their implementing ministries and agencies. Mega projects like Padma Bridge, metro rails, power plants, Padma Rail-link, Payra Seaport, Matarbari-Moheskhali power plant, and Moheskhali LNG terminal etc have made good progress until the corona pandemic hit the country.

■ Except two ministries, the budget for FY 2020-21 has proposed reduced allocations, ranging from BDT 1.5 billion to BDT 12 billion, for these ministries than FY 20. The ministries include road transport and bridges, shipping, railways, and power, energy and mineral resources. Two ministries - civil aviation and tourism, and shipping - have been proposed BDT 2.60 billion and BDT 1.5 billion higher allotments. However, experts have considered the lower allocation realistic and logical when uncertainty looms large over implementing these projects by setting yearly targets amid the pandemic situation in the country.

<https://today.thefinancialexpress.com.bd/public/last-page/mega-projects-may-see-slow-progress-1591984132>

World Stock and Commodities*

Index Name	Close Value	Value Change YTD	% Change YTD
Crude Oil (WTI)*	\$36.26	(\$25.37)	-41.17%
Crude Oil (Brent)*	\$38.73	(\$29.71)	-43.41%
Gold Spot*	\$1,730.75	\$209.28	13.76%
DSEX	3,967.31	(485.62)	-10.91%
S&P 500	3,041.31	(189.47)	-5.86%
FTSE 100	6,105.18	(1,481.87)	-19.53%
BSE SENSEX	33,780.89	(7,861.25)	-18.88%
KSE-100	34,637.61	(6,097.47)	-14.97%
CSEALL	4,914.83	(1,214.38)	-19.81%

Exchange Rates

USD 1 = BDT 84.92*

GBP 1 = BDT 106.50*

EUR 1 = BDT 95.60*

INR 1 = BDT 1.12*

*Currencies are taken from XE Currency Converter and Commodities are taken from Bloomberg.

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