STOCKS			COMMODITIES			ASIAN MARKETS				CURRENCIES				STANDARD CHARTERED BANK
DSEX	CSCX		Gold	Oil		MUMBAI	TOKYO	SINGAPORE	SHANGHAI		USD	EUR	GBP	CNY
▲ 0.33%	▲ 0.34%		▲ $1,779.56 (per ounce)	▲ $68.70 (per barrel)		▲ 0.06%	▲ 0.21%	▲ 0.06%	▲ 0.52%	BUY TK	83.95	100.74	116.17	12.75
5,479.61	9,560.05					49,765.94	29,053.97	3,221.58	3,474.90	SELL TK	84.95	104.54	119.97	13.40

Star BUSINESS

DHAKA FRIDAY APRIL 30, 2021, *BAISHAKH 17, 1428 BS* ● starbusiness@thedailystar.net

Focus on health and social protection, not GDP growth

CPD says in budget proposal

STAR BUSINESS REPORT

The upcoming budget should focus on health, social protection and job creation to shield the people from the impacts of the second wave of the coronavirus, instead of putting too much attention on economic growth, the Centre for Policy Dialogue (CPD) said yesterday.

The think-tank also reiterated the need for an expansionary macroeconomic stance in the budget for 2021-22, accommodating the required additional public spending.

"The budget will have to allocate resources in a way that would address the needs of both the immediate and the recovery phase."

In the immediate term, the government will need to focus on health risk mitigation and ensuring food security through expanded safety nets.

"In the recovery phase, which should be pursued parallelly, the budget will have to make allocations and undertake measures given the demands of entrepreneurs, enterprises, businesses and commerce."

The CPD made the calls in its budget proposals, which were presented during a virtual media briefing.

The budget for FY22 is being prepared in the backdrop of a number of disquieting developments in the economy: weak performance of the FY21 budget implementation; the persistence of adverse impacts of the first wave of Covid-19; continuing stagnation in private investment; the second wave; and failure of the external sector to pick-up.

"The FY22 budget will need to address these and the medium-term fiscal reform issues to make a recovery sustainable," the CPD said.

It recommended increasing the allocations for health and social security on a priority basis.

Some 2 to 3 per cent of the gross domestic product (GDP) should be allocated for the health sector and 4 to 6 per cent for the social security sector to help the country fight the pandemic, it suggested.

"Because of the coronavirus, the poverty rate has increased when the tax collection was not satisfactory," said Prof Mustafizur Rahman, a distinguished fellow of the CPD.

"The government has to collect more taxes from the high-income group and disburse it as cash assistance among the poor now."

The cash assistance should be given at least two to four times a year for a longer period as it seems that the coronavirus would stay for a few more years, he said.

"In order to increase the financial assistance, the government can raise the maximum income tax rate to 30 per cent from the existing 25 per cent," Prof Rahman said.

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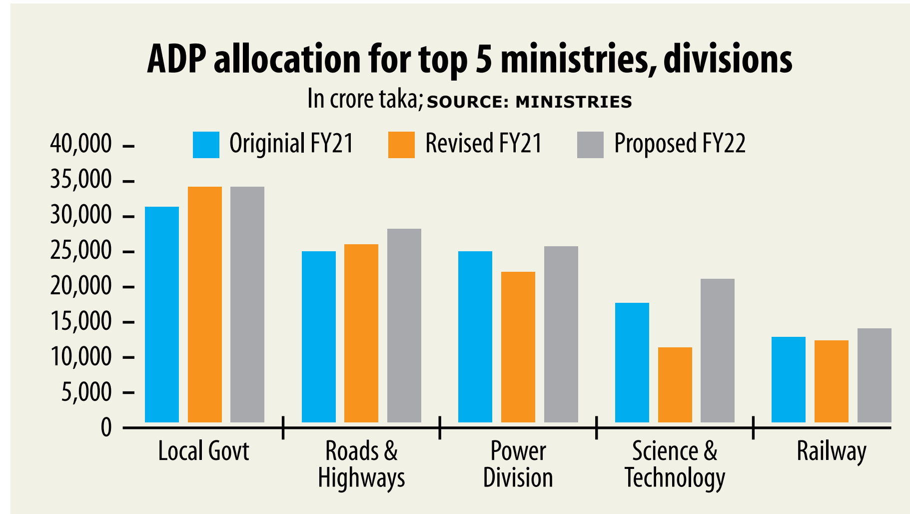
CPD SAYS...

BUDGET PROPOSALS FOR FY2021-22

- Focus on health, social protection and employment, not GDP growth
- Pursue expansionary macroeconomic stance
- Pay special attention to speedy disbursement of foreign assistance
- Set realistic revenue collection target
- Reinstate highest income tax rate of **30**%
- Curb tax evasion
- Initiate wealth and property tax

Govt plans ambitious aid use target

Aims to spend $10.35b in FY22



REJAUL KARIM BYRON *and* DWAIPAYAN BARUA

The government plans to set an ambitious target of using foreign aid worth Tk 88,024 crore for development projects in the next fiscal year as external assistance has piled up.

The amount is equivalent to $10.35 billion and up 39.72 per cent from the annual development programme (ADP) in the outgoing fiscal year.

Development partners have also indicated that they would inject more funds to help Bangladesh recover from the pandemic-induced slowdown quickly.

The total size of the ADP may be fixed at Tk 225,124 crore in the next fiscal year of 2021-22, up from the revised ADP of Tk 197,643 crore.

An official of the planning ministry said they were already informed about the ceiling of the allocation by the finance ministry. Based on the ceiling, the planning ministry was formulating the next ADP.

The next ADP would be finalised by the first week of May, and it would be placed before the National Economic Council for approval.

An official at the finance ministry said the government was looking to increase the allocation of foreign aid in the upcoming ADP as the country was sitting on a huge amount of unused foreign aid.

He said the government could use as much foreign aid as possible as borrowing costs were very low.

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PM readies Tk 880cr cash assistance for the poor

STAR BUSINESS DESK

The prime minister's cash assistance for the poor and jobless people hit by the second wave of Covid-19 will begin to roll in on May 2.

Under the programme, Tk 880 crore will be distributed among 35 lakh families.

Prime Minister Sheikh Hasina will inaugurate the programme, according to a statement from the finance ministry.

Each family will get Tk 2,500 and the fund will be directly transferred to the receiver's mobile banking account or bank account through the electronic money transfer system.

Last year, an initiative was taken to give Tk 2,500 each to 50 lakh families. However, 15 lakh families were later excluded due to various irregularities. The latest assistance will be given to those who got it last year.

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Pay salary, Eid bonus by May 10

Govt asks garment factory owners

STAR BUSINESS REPORT

Garment workers will have to be paid salaries and festival allowances by May 10 so that they can enjoy the Eid-ul-Fitr festival with near and dear ones, said Monnujan Sufian, state minister for labour and employment, yesterday.

The minister shared the decision at a news briefing after a tripartite meeting of union leaders, government high-ups and factory owners at Srama Bhaban in Dhaka.

Sufian also instructed factory owners to stagger holidays zone-wise so that there was no crisis of transportation and workers can travel to their village homes maintaining social distancing.

The decision comes amid health experts warning that any major relaxation of ongoing restrictions on movement may aggravate the transmission of the coronavirus, especially at this time when India's health system has broken down due to the spread of a new variant of the virus.

At the briefing, the state minister also said if all the workers were allowed to go on leave for holidays in one go, it would be difficult to contain the spread of Covid-19.

Citing previous instances, she said it was observed that when the over 5 million industrial workers were allowed to go on holiday all in one go, it became difficult for them to avail transportation.

Many workers experienced severe difficulties going to their village homes, she said.

There are some industry-dense zones such as Dhaka, Gazipur, Narayanganj and Narsingdi.

Some 60 per cent of the country's garment factories are located in Dhaka, Gazipur, Savar, Ashulia, Maona and Tongi zones. The remaining 40 per cent are in Narayanganj, Narsingdi and Chattogram.

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Shoppers and shopkeepers try their best to maintain health regulations while getting on with their day at Fortune Shopping Mall in Malibagh of the capital on Wednesday. The government allowed markets to remain open from 10:00am to 8:00pm every day, hoping to enable some sales for clothes traders ahead of Eid-ul-Fitr amidst the economic slump induced by the pandemic. SK ENAMUL HUQ

OPEN-ENDED MUTUAL FUNDS

An alternative to low-yield bank deposits

AHSAN HABIB

With the interest rate on deposits falling steadily, keeping money in the banks seems to provide negative returns.

So instead, if you are looking to invest in securities that offer higher gains, open-ended mutual funds could be a good alternative despite certain risks.

Mutual funds pool money from investors to channel it into securities such as stocks, bonds, and other assets.

Depending on the profits earned, investors are then paid their shares as dividends.

As of March 2021, 29 asset management companies in the country are managing a total of Tk 13,420 crore under 101 mutual fund schemes.

Some 64 of these schemes are open-ended mutual funds that have a combined asset value of Tk 10,380 crore.

In 2018 and 2019, all open-ended funds generated an average excess return of 7.5 per cent and 9.6 per cent respectively over stock market movement.

Some fund managers have provided dividend yields of more than 8 per cent year-after-year while others paid 12 to 15 per cent cash dividends even amid the ongoing Covid-19 crisis in 2020.

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Insurance stocks a double-edged sword for investors

ANALYSIS

AHSAN HABIB

Stocks of almost all non-life insurance companies have more than doubled over the past year while the benchmark index of the Dhaka Stock Exchange (DSE) rose 38 per cent.

At least two insurance companies saw their stock prices grow over five times the original value while it was three to four times for 17 others, shows the DSE data.

However, this rise in value is not supported by an increase in earnings.

For example, Provati Insurance surged eight times from its original value but declared only 17 per cent stock dividend for 2020. The company's earnings per share rose 85 per cent to Tk 1.26 in the first quarter of 2021.

The same scenario prevailed for almost all other non-life insurers.

"The insurance stocks are rising abnormally but I don't find any valid reason for such a rise," said stock market analyst Prof Abu Ahmed.

Even though banks provide higher dividends than the insurance sector, their stock price hovers at around face value while insurance stocks are jumping.

"This is insane. The investors who bought these stocks will have to face the reality though when the gamblers complete their sell-offs," he said, adding that a stock cannot be overvalued for long without maintaining the fundamentals.

Bangladesh's stock market is gambler-driven, so investors are rushing towards such stocks.

The alarming thing is that people are taking margin loans to invest in these stocks.

"Most of our investors' behaviour contradicts what we read in textbooks," said Ahmed, also a former chairman of the economics department at the University of Dhaka.

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