

KEY ECONOMIC INDICATORS

The World Bank, in its latest report, pointed out that Bangladesh’s financial stability risks have intensified during the pandemic. External risks also remain as the global economy’s recovery continues to be uncertain due to which revival of demand in the RMG sector and remittances face some risk, threatening economic rebound. Bangladesh’s recovery is expected to remain contingent on the country’s vaccination drive, intensity of restrictions on mobility and the speed of the global economy’s recovery. The country has received \$ 500 mn funding from the World Bank to procure vaccines and increase storage space to inoculate 31% of its population in its bid to curb the transmission of the virus. Apart from this, the ongoing lockdown amid surging infection rate and death toll has also placed some uncertainty regarding its impact on the country’s recovery. Oil increased as some key economic data in the US such as retail sales, housing starts and jobless claims showed improvement.

	This Week	Last Week	Weekly Change	YTD Change
Foreign Exchange Reserve (USD bn)	43.61	43.44	0.39%	1.01%
Call Money Rate (Weighted Average)	1.72%	1.83%	-11 bps	-40 bps
Exchange Rate (BDT-USD)	84.80	84.80	0.00%	0.00%
Oil Price (USD per barrel of WTI)	63.51	59.60	6.56%	31.22%
		FY 2020-21	FY 2019-20	% Change
Export (USD mn) (Jul-Mar)		28,938	28,974	-0.12%
Remittances (USD mn) (Jul-Mar)		18,604	13,775	35.06%
Import (USD mn) (Jul-Feb)		40,069	39,308	1.94%
Current Account Balance (USD mn) (Jul-Feb)		1,557	-2,108	N/A
Credit to the Private Sector (USD mn) (Feb)		136,025	124,868	8.94%
Point-to-point Inflation (Feb)		5.32%	5.46%	-14 bps
Tax Revenue (NBR) (USD mn) (Jul-Feb)		18,054	17,168	5.16%

Source: Bangladesh Bank and Investing.com

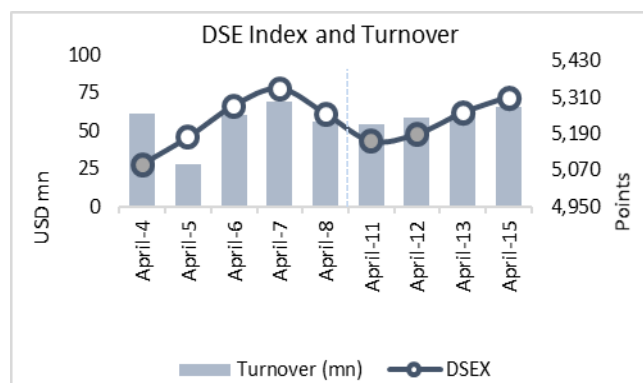
*All data except oil has been kept unchanged from last week as BB has not provided updated data.

ECONOMIC RISKS

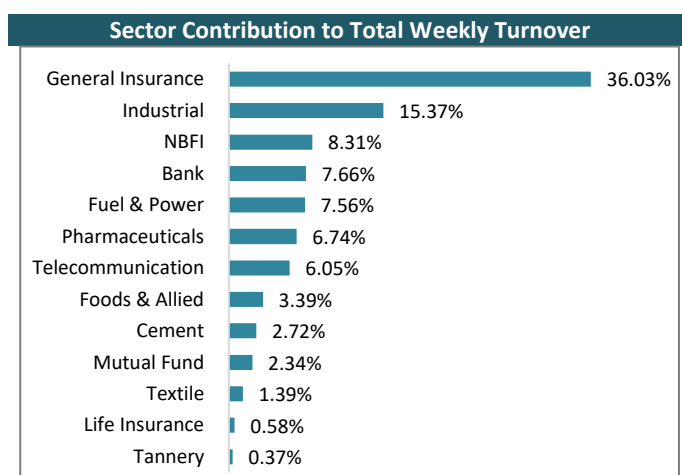
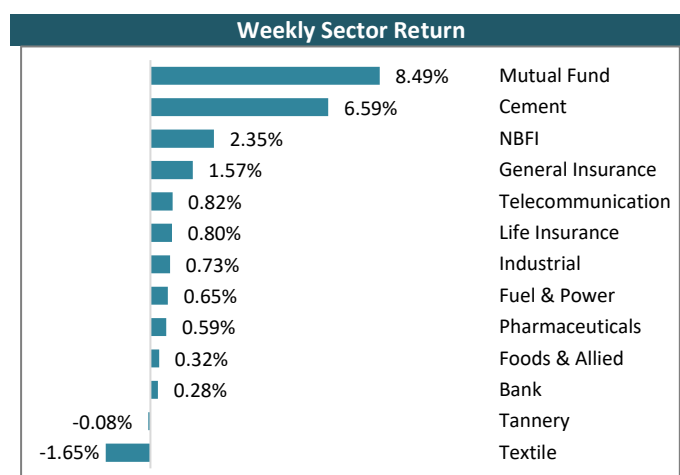
Risk factor	Risk Level	Impact
Subdued tax revenue collection	High	Tax collection registered a negative growth of -2.63% in FY20 for the first time since the country’s independence due to the effects of the virus. However, revenue collection has increased by 5.16% in the Jul-Feb period of FY21 as businesses and economic activities are slowly reviving. But actual tax collection continues to remain below the target. According to ADB’s forecast, Bangladesh may incur a tax revenue loss equivalent to 2% of GDP due to the pandemic.
Soaring default loan in financial sector	High	The banking sector has been burdened with a high NPL ratio of 7.66% and a CAR of 11.63% that is the lowest in South Asia. Although banks are sitting with excess liquidity, their implementation of the stimulus package remains slow. The loan moratorium period ran between Jan-Dec 2020. Going forward, a sharp rise in default loans is being anticipated which is likely to undermine the sector further in the long term. The central bank has instructed banks to keep 1% extra provision against all loans that enjoyed deferral or time extension facilities. In addition, banks and NBFIs have been permitted to declare dividends depending on the strength of their capital base.
Remittance shock	Medium	Inward remittances made an exceptional recovery in the Jul-Mar period amid the pandemic with a 35.06% jump YoY. This increase has defied World Bank’s projection of a -22% decline for 2020. The reason behind this increase can be attributed to the usage of formal channels amid the pandemic, the attractive 2% cash incentive and near-zero interest rates abroad. The current level of remittance inflow may sustain due to these factors coupled with gradual manpower export, though the growth rate is unlikely to be as high as 2020.
Demand contraction	Medium	Economic activities have been gradually picking up on the backdrop of the pandemic as both businesses and individuals are learning to live with the virus after the lockdown ended in May. This has allowed demand in the economy to slowly recover. While consumer confidence is likely to strengthen as the percentage of vaccinated population continues to increase, the recent spike in virus cases and new lockdown is concerning.
Export slump	Medium	It has been projected that global merchandise trade might plummet by ~13% due to the pandemic. While reinstatement of cancelled orders initially helped RMG exports rebound, the impact of the second wave has dragged RMG export growth to the negative zone once again. Although vaccine rollout at major export destinations have commenced, the resurgence of virus cases is likely to delay recovery. Moreover, unless export diversification is implemented and global economic activities pick up, Bangladesh will continue to be subjected to the concentrated risks of the RMG sector (that accounts for ~80% of export earnings).
Volatile capital market	Medium	The securities regulator has been engaged in taking various initiatives to reform the market. It has also taken up a strong stance against any non-compliance to rein in market manipulation. This has forged a positive sentiment in the market and pushed up market liquidity significantly in recent times. Going forward, the performance of the market will depend on whether the regulators continue to focus on taking steps that are in the best interest of investors and how the recent spike in virus cases play out.

CAPITAL MARKET UPDATE

The market gained a marginal 55 points (1.05%) during the week amid the country-wide lockdown as investors engaged in a buying spree despite the surging death toll and infection rate in the country. The week began with the broad index shedding 90 points (-1.71%) as investors continued to remain in panic mode as the government's decision to impose a stricter lockdown from 14th April to put a leash on the rapid spread of the virus in the country and the lifting of the floor price of selective stocks made investors more anxious. It was initially decided that the market would remain shut during the 7-day strict lockdown period in line with banks. However, the decision was later reversed as it was decided that banks would remain open during the lockdown. Meanwhile, the regulator also lowered the circuit breaker of the 66 companies whose floor price was lifted to 2% from the existing 10%. This slightly eased the tension of investors and encouraged them to take fresh positions in stocks due to their lucrative prices after such significant market correction in the previous few weeks. The general insurance sector accounted for more than a third of the total turnover in the market while the mutual funds sector generated the highest return of 8.49% during the week. Overall average daily turnover increased slightly by 8.58%.



	Market Statistics			
	This Week	Last Week	Weekly Change	YTD Change
DSEX	5,310	5,255	1.05%	-1.70%
DS30	2,027	1,990	1.83%	3.20%
Market Cap (\$ mn)	54,474	54,060	0.77%	3.24%
Total Turnover (\$ mn)	238	274	-13.14%	-72.17%
Avg. Daily Turn. (\$ mn)	59	55	8.58%	-65.21%
S&P 500	4,185	4,129	1.37%	11.43%
DJIA	34,201	33,801	1.18%	11.74%
FTSE 100	7,020	6,916	1.50%	8.65%
NIKKEI 225	29,683	29,768	-0.28%	8.16%


NOTABLE QUARTERLY EARNINGS ANNOUNCEMENTS DURING THE WEEK

Out of 8 earnings declared, 5 companies posted positive growth in earnings while 3 other posted negative growth in earnings. ROBI's EPS jumped by 75% as contribution from data revenue rose, driven by 26% growth of data subscription and current lower tax rate of PBT (currently 30.9%, previous year tax was 77% of PBT). LINDEBD experienced a negative growth in profit and its finance income declined by 74.66% in. EBL experienced 4.67% growth in the earnings which helped the bank declare 17.5% cash dividend while 17.5% bonus shares were declared to strengthen its capital base. BRACBANK's EPS reduced by 10.27% as the net interest income of the bank reduced by 24.53% and operating expense increased by 8.88%.

TICKER	COMPANY NAME	SECTOR	EPS 2021 (Jan-Mar)	EPS 2020 (Jan-Mar)	CHANGE
ROBI	Robi Axiata Limited	Telecommunication	0.07	0.04	75.00%
LINDEBD	Linde Bangladesh Limited	Fuel & Power	18.88	20.36	-7.27%

TICKER	COMPANY NAME	SECTOR	EPS 2020	EPS 2019	CHANGE	Dividend
EBL	Eastern Bank Ltd.	Bank	5.15	4.92	4.67%	Cash 17.5%, stock 17.5%
BRACBANK	BRAC Bank Ltd	Bank	3.33	3.73	-10.72%	Cash 10%, stock 5%

Source: DSEX, Investing.com, LR Global Research

QUARTERLY EARNINGS UPDATE

During the Oct-Dec'20 quarter, the industrial sector bounced back and recorded the highest earnings growth after declining continuously for more than a year, based on the data of 188 companies that have declared their earnings so far. The gradual revival of economic activities has had a large part to play in this as virus cases slowly subsided during that period. The NBFI sector recorded the second highest earnings growth during the quarter followed by bank, pharmaceuticals, and ceramic. Banks and NBFIs continued its profit growth trend from the previous quarter. In the Jul-Sep'20 quarter, a good number of NBFIs logged in higher earnings due to lower provisioning and reduced deposit rates, allowing the sector to register the highest growth in that quarter. Banks too experienced a significant boost in earnings due to similar reasons during that period. At this time, it is slightly concerning that the tannery sector is still continuing to post negative growth in earnings due to the discretionary nature of the products. Earlier in Apr-Jun'20 quarter, only the NBFI and food & allied sector managed to report a positive growth mainly due to a significant boost in ICB's earnings and BATBC's resilient growth in stick sales, respectively.

Sector	2019					2020			
	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Total	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec
Bank	13,988	21,244	13,891	22,880	72,003	18,311	13,382	21,338	9,848
Cement	872	958	582	250	2,662	803	173	930	778
Ceramic	230	59	261	287	837	167	-278	142	355
Food & Allied	2,294	1,683	3,219	3,156	10,352	3,020	2,501	2,960	202
Fuel & Power	9,076	11,399	10,862	8,961	40,298	7,336	5,705	9,939	9,111
Industrial	4,733	4,834	3,870	3,165	16,602	2,929	-665	3,439	5,967
NBFI	1,775	-393	-783	1,216	1,814	1,517	1,355	1,864	1,927
Pharmaceuticals	6,327	6,979	7,617	7,387	28,309	6,778	4,583	8,876	8,325
Telecommunication	8,926	9,553	7,269	8,766	34,514	10,694	7,265	8,898	10,330
Textile	1,465	-5,890	1,183	1,271	-1,971	417	-3,951	484	841
Tannery	270	101	371	144	886	-27	-869	-455	69

QoQ Growth (Sectorwise)	2019				Yearly Growth	2020			
	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec		Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec
Bank	20.2%	20.4%	-0.3%	-14.1%	3.1%	30.9%	-37.0%	53.6%	5.4%
Cement	-4.6%	-0.4%	93.8%	-72.4%	-13.6%	-7.9%	-81.9%	59.7%	-
Ceramic	-20.3%	-71.3%	-22.7%	-35.6%	-34.5%	-27.5%	-567.8%	-45.7%	23.7%
Food & Allied	-25.0%	-74.1%	25.3%	25.6%	-18.8%	31.6%	48.6%	-8.0%	-93.6%
Fuel & Power	22.5%	9.4%	-1.1%	-7.3%	4.7%	-19.2%	-50.0%	-8.5%	1.9%
Industrial	-2.3%	-65.2%	-12.0%	-30.8%	-40.0%	-38.1%	-113.8%	-11.1%	92.5%
NBFI	-32.7%	-118.7%	-142.2%	-75.6%	-84.3%	-14.5%	444.8%	338.0%	61.7%
Pharmaceuticals	7.2%	6.3%	25.6%	20.9%	14.9%	7.1%	-34.3%	16.5%	13.3%
Telecommunication	39.6%	-11.6%	-18.3%	-3.3%	-1.8%	19.8%	-24.0%	22.4%	17.8%
Textile	-9.4%	-481.5%	-39.8%	-20.8%	-129.3%	-71.5%	32.9%	-59.1%	-29.6%
Tannery	-34.1%	-63.8%	-38.8%	-55.0%	-45.2%	-109.9%	-962.9%	-222.6%	-52.2%

Note: Sector represents more than 70% of the companies (according to large market capital),

Source: DSEX, LR Global Research

*Jul-Sep'20 & Oct-Dec'20 earnings growth have been calculated based on the earnings of 228 and 188 companies, respectively, that have been declared so far out of the 251 tracked.

MAJOR EVENTS DURING THE WEEK

COVID-19 Death rate increases to 1.44% this week in Bangladesh: COVID-19 Update

The fatality rate of COVID-19 in Bangladesh has increased to 1.44% this week. During the week, 36,315 new positive cases and the highest weekly death of 622 were reported in Bangladesh, taking the total number of cases to 718,950 as of 17th April, according to official tallies. The positivity rate currently stands at 20.5%, slightly down from 22.0% of last week. The pace of rising transmission is alarming and the government is mulling to extend the nationwide lockdown for another week. Globally, the total number of cases has crossed 141 mn and the death count has also crossed 3.0 mn.

Country enters a stricter phase of lockdown from 14th April

Starting from 14th April at 6am, all the semi-government, autonomous, financial, and private offices will stay closed during the 7-day lockdown to flatten the virus curve. Public transports, markets, shopping centers will also remain shut. Banks will be kept open till 2:30 with a transaction period of 10am to 1pm while the stock market will continue to operate from 10am to 12:30pm.

BB extends deadline for disbursing a BDT 200 bn stimulus package for CMSME till June

As of 31st March, local banks were able to disburse 72.31% of the stimulus package. Banks' reluctance to disburse loans to the SME sector made the central bank declare another extension by 3 months till June. Interest rate for the loan is 9%; out of which 4% will be carried out by borrowers and 5% by the government. The deadline of restructuring and rescheduling facilities for tanneries has also been extended by BB.