

KEY ECONOMIC INDICATORS

The government has announced that it will formulate a ‘pandemic-centric’ BDT 6.03 tn national budget for FY22, with a proposed expansionary fiscal policy and an extension of the 24 stimulus packages by another BDT 1.24 tn. The World Bank will provide BDT 250 mn as budget support to help the economy rebound. Remittances continued its robust growth as around USD 1.15 bn arrived within 15 days of April due to the COVID-19 second wave and upcoming Eid festival. Meanwhile, buyers continue to remain unaccountable for their continuous cancelled orders and delayed payments which has magnified the frustration among apparel exporters. Inflation rose to 5.47% in March from 5.32% in February as prices of both food and non-food items went up drastically. Oil prices declined -3.28% during the week in reaction to the mismatch in supply and demand and a surge in COVID-19 virus cases.

	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)	61.43	63.51	-3.28%	26.92%
		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

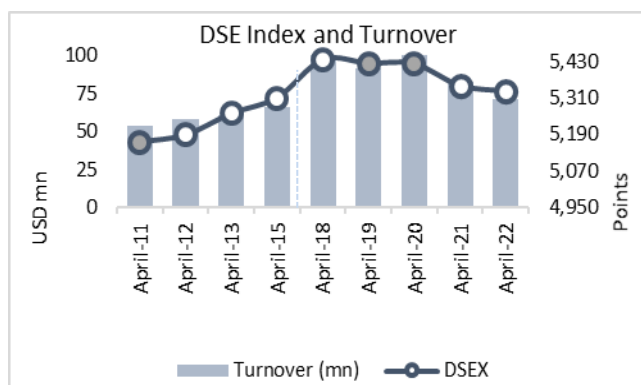
*All data except oil has been kept unchanged from last week as BB has not provided updated data.

ECONOMIC RISKS

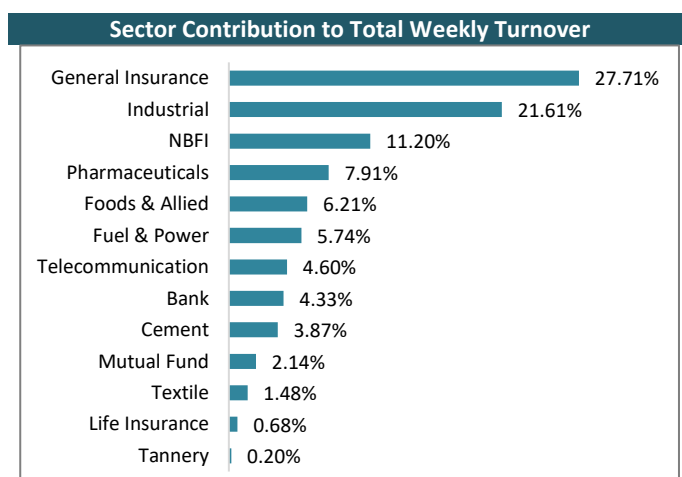
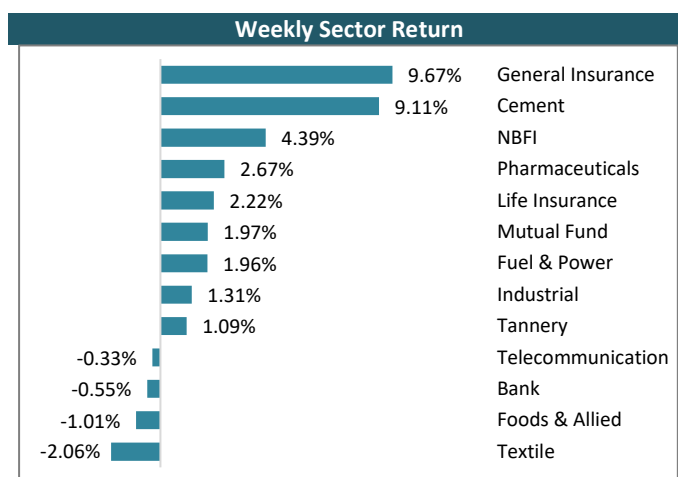
Risk factor	Risk Level	Impact
Subdued tax revenue collection	High	Tax collection registered a negative growth of -2.63% in FY20 for the first time since the country's independence due to the effects of the virus. However, revenue collection has increased by 5.16% in the Jul-Feb period of FY21 as businesses 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 broad index gained 125 points (2.35%) during the week due to lucrative stock prices and slight relaxation among investors regarding concerns about the countrywide lockdown. During the week, an increasing number of investors resumed their trading activities as they regained some confidence as the market continued to remain open despite the lockdown. The indices ended up higher at the end of all five trading sessions. Average daily turnover shot up by 68.77% percent on a week-on-week basis. The general insurance generated the highest turnover of 27.71% as well as recorded the highest sector return of 9.67% during the week. Meanwhile, the securities regulator approved the demand of Bangladesh Association of Publicly Listed Companies (BAPLC) to extend the deadline to submit financial statements till 25th May as they have been facing various challenges to submit their disclosure on time due to various restrictions during the lockdown. In addition, listed companies are reportedly also stumbling in their implementation of IPO funded projects as their businesses are grappling amid the pandemic. As a result, BSEC has allowed some of these companies to keep their IPO funds in FDRs for the time being.



Market Statistics				
	This Week	Last Week	Weekly Change	YTD Change
DSEX	5,435	5,310	2.35%	0.61%
DS30	2,088	2,027	3.00%	6.29%
Market Cap (\$ mn)	55,129	54,474	1.20%	4.48%
Total Turnover (\$ mn)	501	238	110.97%	-41.28%
Avg. Daily Turn. (\$ mn)	100	59	68.77%	-41.28%
S&P 500	4,180	4,185	-0.13%	11.29%
DJIA	34,043	34,201	-0.46%	11.23%
FTSE 100	6,939	7,020	-1.15%	7.40%
NIKKEI 225	29,021	29,683	-2.23%	5.74%


NOTABLE QUARTERLY EARNINGS ANNOUNCEMENTS DURING THE WEEK

SINGERBD experienced a record growth of 52.10% in its EPS in the Jan-Mar period driven by a higher revenue growth of 23% on the back of higher demand for consumer durable goods and the discounts and cash-back offers. On the other hand, GP registered a negative growth of -16.67%. Although revenue from customer equipment increased by 46.30%, revenue from mobile communications reduced 3.85%, leading to an overall -3.75% decline in gross revenue. Despite having negative growth of 11.8% of EPS, NITOLINS has managed to declare 10% cash dividend to their shareholders.

TICKER	COMPANY NAME	SECTOR	EPS 2021 (Jan-Mar)	EPS 2020 (Jan-Mar)	CHANGE
SINGERBD	Singer Bangladesh Limited	Engineering	1.81	1.19	52.10%
GP	Grameenphone Ltd	Telecommunication	6.6	7.92	-16.67%

TICKER	COMPANY NAME	SECTOR	EPS 2020	EPS 2019	CHANGE	Dividend
NITOLINS	Nitol Insurance Co. Ltd	Insurance	2.84	3.22	-11.80%	Cash 10%

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	20,078	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	9,130
Industrial	4,733	4,834	3,870	3,165	16,602	2,929	-665	3,439	5,967
NBFI	1,716	-243	-743	981	1,712	2,000	1,728	2,272	1,927
Pharmaceuticals	6,343	6,954	7,617	7,389	28,303	6,778	4,583	8,876	8,352
Telecommunication	8,926	9,553	7,269	8,766	34,514	10,694	7,265	8,898	10,330
Textile	1,405	-5,923	1,156	1,195	-2,168	393	-3,914	447	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%	44.5%	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	-34.7%	-111.6%	-141.0%	-80.1%	-85.1%	16.5%	810.3%	405.8%	61.7%
Pharmaceuticals	7.7%	6.0%	25.6%	20.7%	14.9%	6.9%	-34.1%	16.5%	13.1%
Telecommunication	39.6%	-11.6%	-18.3%	-3.3%	-1.8%	19.8%	-24.0%	22.4%	17.8%
Textile	-12.4%	-484.2%	-41.0%	-25.3%	-132.3%	-72.0%	33.9%	-61.4%	-29.6%
Tannery	-34.1%	-63.8%	-38.8%	-55.0%	-45.2%	-109.9%	-962.9%	-222.6%	-52.0%

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 infection rate ebbed away by 15.8% this week in Bangladesh: COVID-19 Update

The fatality rate of COVID-19 in Bangladesh increased by 7.56% this week. During the week, 27,148 new positive cases and the highest weekly death of 669 were reported in Bangladesh, taking the total number of cases to 742,400 as of 24th April, according to official tallies. The positivity rate currently stands at 15.7%, down from the 22.5% last week. The pace of rising transmission has slightly slowed down and the government has extended the countrywide lockdown for another week. Globally, the total number of cases has crossed 146 mn and the death count has crossed 3.1 mn.

Deferral of repayments extended till June 30 for NBFI borrowers

Borrowers negatively impacted due to COVID-19 pandemic will be considered for a relaxed repayment facility based on bank-client relation. NBFIs are restricted from imposing any kind of penal interest, extra fee, commission, or charge within this timeframe. According to the circular, relaxation in the classification of loans and leases of financial institutions is already under process.

BDT 100 bn fund to be distributed among micro and marginal entrepreneurs by BB

As previous incentive package did not work out as expected, government is planning to disburse another BDT 100 bn among micro entrepreneurs. The fund is to be disbursed through microfinance institutions at an 8% interest. Borrowers will bear half of the interest and the remaining half is to be subsidized by the government. According to the respective authority, as soon as the Finance Division provides a positive feedback regarding the draft policy, a circular will be published by BB regarding the creation of the fund.