

KEY ECONOMIC INDICATORS

Bangladesh's provisional GDP growth for FY21 has been estimated at 5.47% which is the lowest in the last 30 years as economic activities were hampered due to lockdowns and restrictions amid the pandemic. However, the mass inoculation program by the government coupled with appropriate policy measures are likely to help achieve faster economic recovery. Moreover, although the first 3-weeks of July showed a notable 37% growth in apparel exports, the combined impact of Eid holidays and lockdown reduced overall July's apparel exports by 16% YoY. Remittances also declined by 28% to USD 1.87 bn in July YoY due to fewer number of working days during the month. In addition, higher import-payment pressure and lower receipts from external trade resulted in the widening of trade deficit by 28% to USD 22.80 bn in FY21. Oil price declined during the week over concerns over a reduction in oil demand due to travel restrictions amid the rapid spread of the delta variant.

	This Week	Last Week	Weekly Change	YTD Change
Foreign Exchange Reserve (USD bn)	45.90	45.78	0.25%	6.31%
Call Money Rate (Weighted Average)	2.23%	2.20%	0.03%	11bps
Exchange Rate (BDT-USD)	84.81	84.80	0.01%	0.01%
Oil Price (USD per barrel of WTI)	68.28	73.95	-7.67%	41.07%
		FY 2020-21	FY 2019-20	% Change
Export (USD mn) (Jul-Jun)		38,758	33,674	15.10%
Remittances (USD mn) (Jul-Jun)		24,778	18,205	36.10%
Import (USD mn) (Jul-Jun)		65,595	54,785	19.73%
Current Account Balance (USD mn) (Jul-Jun)		-3,808	-4,724	N/A
Credit to the Private Sector (USD mn) (Jun)		140,175	129,376	8.35%
Point-to-point Inflation (Jun)		5.64%	6.02%	12bps
Tax Revenue (NBR) (USD mn) (Jul-Jun)		30,642	25,752	18.99%

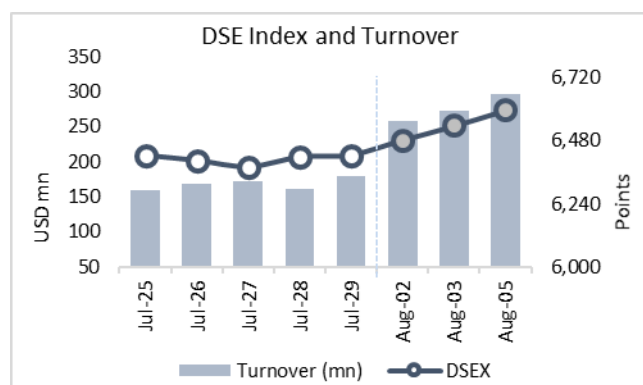
Source: Bangladesh Bank and Investing.com

ECONOMIC RISKS

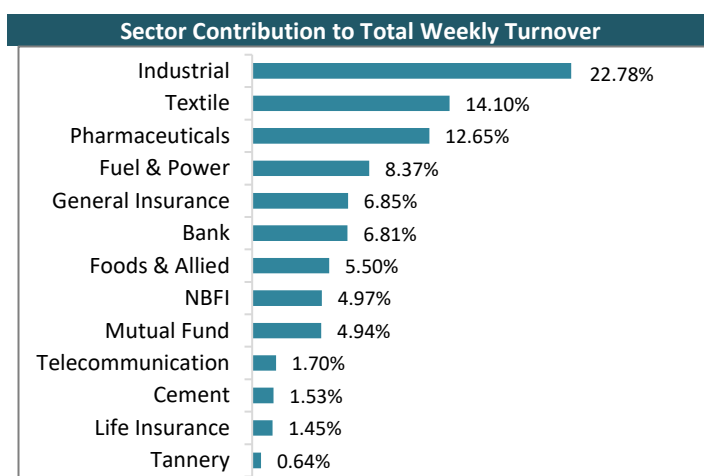
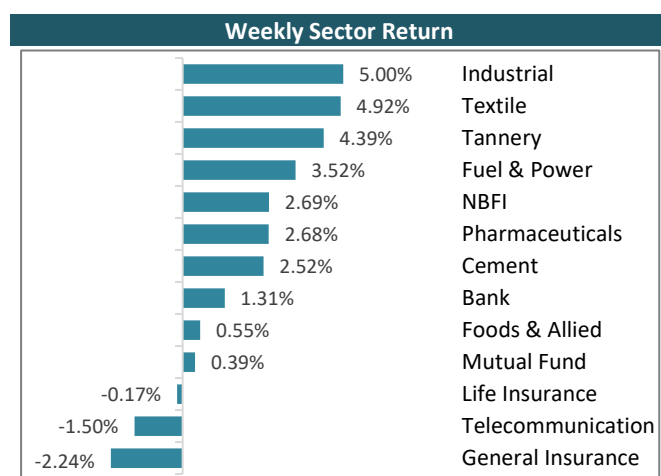
Risk factor	Risk Level	Impact
Subdued tax revenue collection	High	Tax collection registered a negative growth of -2.63% in FY20 for the first time since the country's independence due to the effects of the virus. However, revenue collection has increased by 18.99% in the Jul-Jun period of FY21 as businesses 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-Jun period amid the pandemic with a 36% 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 was initially helping RMG exports recover, which was further fortified by mass vaccination at major export destinations, the resurgence of local delta variant 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	Low	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 DSEX advanced by 171 points (2.66%) during the week as investors welcomed the central bank's decision to continue the expansionary monetary policy and the government's move to re-open export-oriented factories. With rising inflation rate, declining bank deposit rate, fewer investment opportunities and excess liquidity in the financial institutions, both retail and institutional investors were encouraged to park their money in the stock market to reap the benefits of the rally. In addition, the government also decided to re-open export-oriented factories after multiple pleas from manufacturers which gave investors some hope that economic losses would be relatively less severe during the strict lockdown. The market remained closed on August 1st and 4th in line with banks and the index reached a new high on each of the three trading days of the second week of the 14-day lockdown despite announcement of extension of restrictions for five more days. Market capitalization also hit an all-time high while average turnover increased by 64% amidst the buying spree. In the meantime, BSEC is about to set strict eligibility criteria of chartered accountants for auditing financial accounts of listed companies, a welcome move that is expected to curb fraudulent activities and ensure quality reporting, boosting investors' confidence in financial reporting. The regulator, in its bid to diversify the capital market, has also decided to provide 1% quota in companies' IPO for incentivizing institutions which would form an ETF. Listed companies have started the procedure to transfer unpaid or unclaimed dividends and non-refunded IPO subscription funds to the capital market stabilization fund as per BSEC directive.



	Market Statistics			
	This Week	Last Week	Weekly Change	YTD Change
DSEX	6,596	6,425	2.66%	22.10%
DS30	2,386	2,328	2.49%	21.48%
Market Cap (\$ mn)	64,189	63,019	1.86%	21.44%
Total Turnover (\$ mn)	827	841	-1.61%	-3.31%
Avg. Daily Turn. (\$ mn)	276	168	63.99%	61.15%
S&P 500	4,437	4,395	0.94%	18.12%
DJIA	35,209	34,936	0.78%	15.04%
FTSE 100	7,123	7,032	1.29%	10.25%
NIKKEI 225	27,820	27,284	1.97%	1.37%


NOTABLE QUARTERLY EARNINGS ANNOUNCEMENTS DURING THE WEEK

BRACBANK's EPS surged by 357.14% as income from investment, commission & brokerage, and other operating income increased significantly despite maintaining higher provisioning for loans and advances in Q2. Similarly, ABBANK experienced 77.78% growth in the EPS as investment income, income from commission & brokerage, and other operating income resulting in total operating income growth of 22.71%, coupled with lower provisioning for loans and advances.

TICKER	COMPANY NAME	SECTOR	EPS 2021 (Jan-Mar)	EPS 2020 (Jan-Mar)	CHANGE
BRACBANK	BRAC Bank Limited	Bank	0.96	0.21	357.14%
ABBANK	AB Bank Limited	Bank	0.16	0.09	77.78%
PARAMOUNT	Paramount Insurance Company Ltd.	Insurance	1.74	0.37	370.27%

QUARTERLY EARNINGS UPDATE

During the Jan-Mar'21 quarter, the cement sector experienced the highest growth of 233.3%, based on the earnings disclosed so far, owing to a revival in demand in the sector. The industrial sector also experienced a significant growth of 207.4% due to growth in demand where BEXIMCO played a significant role. The tannery sector managed to make a turnaround this quarter as it was able to recover some losses after remaining in the negative growth territory in the prior quarters. However, Telecommunication industry suffered a loss due to a decline in total active subscriber during the lockdown. In the previous quarter (Oct-Dec'20), the industrial sector bounced back and recorded the second highest earnings growth after declining continuously for more than a year. The gradual revival of economic activities has had a large part to play in this as virus cases slowly subsided during that period. The NBF sector recorded the second highest earnings growth during the quarter followed by bank, pharmaceuticals, and ceramic. Banks and NBFs continued its profit growth trend from the previous quarter. In the Jul-Sep'20 quarter, a good number of NBFs 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.

Sector	2019				2020				2021	
	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun
Bank	13,988	21,244	13,891	22,880	18,311	13,382	20,078	19,241	19,556	22,711
Cement	872	958	582	250	814	194	944	1,558	2,712	1,316
Ceramic	230	59	261	287	167	-278	142	355	249	223
Food & Allied	2,428	1,817	3,474	3,619	3,200	2,638	4,255	1,283	2,892	1,683
Fuel & Power	9,076	11,399	10,862	8,961	7,336	5,705	9,939	9,512	9,489	-
Industrial	4,581	4,635	3,730	2,958	2,897	-562	3,441	5,779	7,239	288
NBFI	1,711	-623	-840	585	1,926	1,524	2,290	2,638	1,798	1,191
Pharmaceuticals	6,208	6,822	7,360	6,923	6,596	4,446	8,735	8,659	8,730	1,234
Telecommunication	8,926	9,553	7,269	8,766	10,694	7,265	8,898	10,330	8,912	8,507
Textile	1,491	-5,898	1,217	1,252	425	-3,934	444	853	518	-
Tannery	270	101	371	144	-27	-869	-455	-36	46	-

QoQ Growth (Sectorwise)	2019				2020				2021	
	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun
Bank	20.2%	20.4%	-0.3%	-14.1%	30.9%	-37.0%	44.5%	-15.9%	7.3%	74.9%
Cement	-4.6%	-0.4%	93.8%	-72.4%	-6.7%	-79.8%	62.2%	523.3%	233.3%	-
Ceramic	-20.3%	-71.3%	-22.7%	-35.6%	-27.5%	-567.8%	-45.7%	23.7%	49.3%	218.2%
Food & Allied	-24.0%	-74.1%	75.2%	92.7%	31.8%	45.2%	22.5%	-64.5%	-9.3%	-45.8%
Fuel & Power	22.5%	9.4%	-1.1%	-7.3%	-19.2%	-50.0%	-8.5%	6.1%	29.4%	-
Industrial	-2.2%	-65.4%	-13.0%	-33.0%	-36.8%	-112.1%	-7.8%	95.4%	154.3%	265.8%
NBFI	-27.5%	-129.5%	-156.4%	-84.5%	12.6%	344.7%	372.8%	350.9%	-6.7%	76.7%
Pharmaceuticals	7.9%	4.8%	10.7%	2.5%	6.3%	-34.8%	18.7%	25.1%	33.0%	6.9%
Telecommunication	39.6%	-11.6%	-18.3%	-3.3%	19.8%	-24.0%	22.4%	17.8%	-16.7%	17.1%
Textile	-12.2%	-461.4%	-41.1%	-26.1%	-71.5%	33.3%	-63.5%	-31.9%	6.0%	-
Tannery	-34.1%	-63.8%	-38.8%	-55.0%	-109.9%	-962.7%	-222.6%	-125.2%	273.6%	-

Note: Sector represents more than 70% of the companies (according to large market capital), Source: DSEX, LR Global Research
 * Jan-Mar'21 & Apr-Jun'21 earnings growth have been calculated based on the earnings of 210 and 43 companies, respectively, that have been declared so far out of the 261 tracked.

MAJOR EVENTS DURING THE WEEK

COVID-19 positivity rate soars to 28.1% this week in Bangladesh: COVID-19 Update

The weekly new COVID-19 cases decreased by 2.32% while the total tests conducted also increased by 3.50% compared to the previous week. During the week, 93,912 new positive cases and 1,726 more deaths were reported in Bangladesh, taking the total number of cases to 1,343,396 as of 8th August, according to official tallies. The positivity rate increased to 28.1%. In order to control the spread of delta variant, Bangladesh has started another phase of mass inoculation drive with an intention to inoculate 3.5 mn people in six days. Globally, the total number of cases has crossed 201 mn and the death count has also crossed 4.27 mn.

Stimulus packages loans not to be directed to unproductive sectors: BB

According to BB, a portion of the stimulus package had already been distributed in unproductive sectors which is not the real purpose of incentive packages. Borrowers are also believed to be using incentive money to deal with their other loans. In order to control the situation and make effective use of stimulus money, BB instructed banks not give loans to unproductive sectors anymore. BB also suggested that internal audit department should do regular monitoring and verification to ensure proper use.

Women entrepreneurs' loan interest reduced to 5%

The central bank has set a target to provide 15% of SME loans to women entrepreneurs by 2024. Aligned with this motive as well as with an intention to encourage women entrepreneurs, BB has decided to reduce interest rates from 7% to 5%. In addition, as an incentive to banks and FIs for giving loans to women entrepreneurs, interest rates are being reduced from 3% to 0.5% at an institutional level.