

KEY ECONOMIC INDICATORS

Bangladesh's RMG exports to the US reportedly increased by 26.81% in the Jan-June period due to diversion of orders from China and rebound in US consumer spending fueled by fast rollout of vaccines that has paved the way for the economy to initiate recovery. However, partial closure of a Chinese port that is used to import raw materials and machines may stand to create some supply chain disruption. Overall inflation rate in July dropped by 28 bps to 5.36% compared to the previous month mainly due to a 45 bps decline in food inflation. Tax revenue collection logged in a 21% growth in FY21 due to greater mobilization of corporate and withholding tax. Meanwhile, in order to prevent further damage to the economy due to restrictions in mobility imposed by the lockdown, the government decided to ease virus related curbs on condition that health guidelines are followed. Oil prices increased slightly as the Senate passed the crucial \$1 trillion infrastructure spending bill.

	This Week	Last Week	Weekly Change	YTD Change
Foreign Exchange Reserve (USD bn)	45.99	45.90	0.21%	6.53%
Call Money Rate (Weighted Average)	2.17%	2.23%	6 bps	5 bps
Exchange Rate (BDT-USD)	84.83	84.81	0.02%	0.04%
Oil Price (USD per barrel of WTI)	68.44	68.28	0.23%	41.40%
		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%	38 bps
Tax Revenue (NBR) (USD mn) (Jul-Jun)		30,642	25,752	18.99%

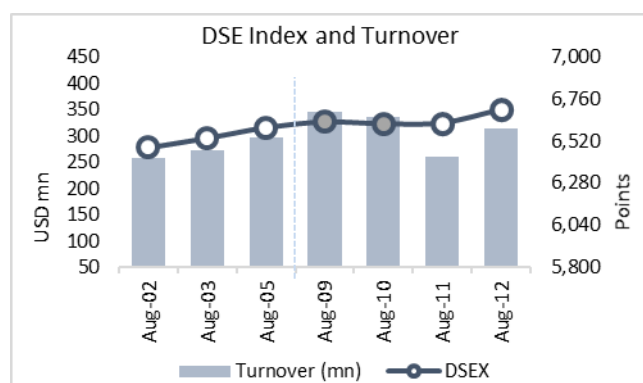
Source: Bangladesh Bank and Investing.com

ECONOMIC RISKS

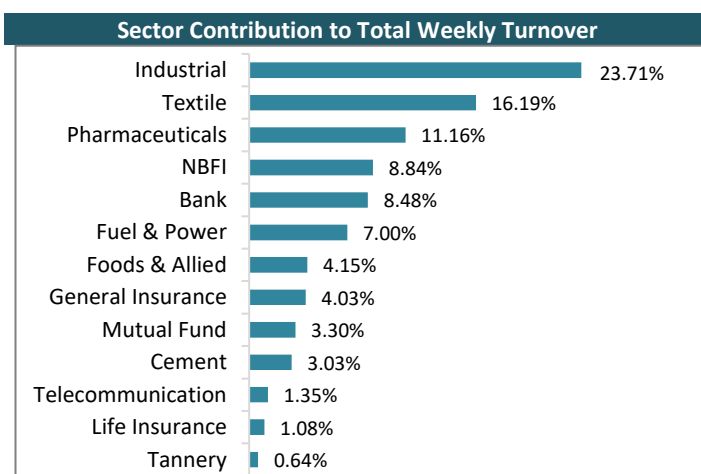
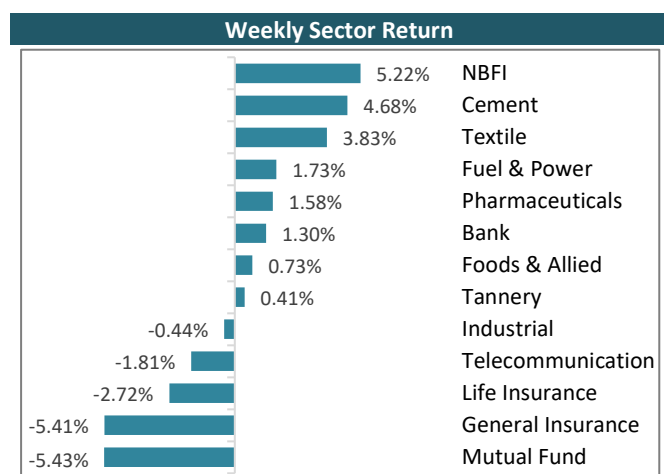
Risk factor	Risk Level	Impact
Subdued tax revenue collection	High	Tax collection registered a negative growth of -2.63% in FY20 for the first time since the country's independence due to the effects of the virus. However, revenue collection has increased by 18.99% in the Jul-Jun period of FY21 as businesses 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 index gained 103 points (1.57%) during the week and as the decision to ease the countrywide lockdown and fresh injection of funds in the market by optimistic investors took the market to new highs. Although BB's decision to mop up excess liquidity from the economy and strict monitoring of banks' investment in capital market left investors in qualms at the beginning of the week, the decision to ease the lockdown from 11th August and resumption of almost full-fledged economic activities restored investors' confidence. Hopeful investors took positions in the market to participate in the market rally resulting in all indices and market capitalization to reach record highs. Average daily turnover increased by 13.92% as institutional investors participated in the buying spree and BSEC extended the existing credit facility for margin loans till the index goes up to the 8,000 points mark. During the week, the industrial, textiles, and pharmaceuticals sectors were the most densely traded sectors and NBFI, textiles and cement sectors were the top gainers as the news of exporting drugs to new country, increase in RMG exports to the US alongside positive earnings declarations by industrial companies contributed to these gains and turnover. During the week, BSEC formed a committee to investigate the unusual price surge of nine listed companies without any PSI and also approved an insurance company to raise funds through IPO issuance.



Market Statistics				
	This Week	Last Week	Weekly Change	YTD Change
DSEX	6,699	6,596	1.57%	24.02%
DS30	2,428	2,386	1.75%	23.61%
Market Cap (\$ mn)	64,607	64,189	0.65%	22.23%
Total Turnover (\$ mn)	1,256	827	51.90%	46.87%
Avg. Daily Turn. (\$ mn)	314	276	13.92%	83.58%
S&P 500	4,468	4,437	0.71%	18.95%
DJIA	35,516	35,209	0.87%	16.04%
FTSE 100	7,219	7,123	1.34%	11.74%
NIKKEI 225	27,977	27,820	0.56%	1.94%


NOTABLE QUARTERLY EARNINGS ANNOUNCEMENTS DURING THE WEEK

BERGERPBL's EPS surged by 594% as the company reported a historical record high quarterly sales growth of 153% supported by strong demand for its products, coupled with 617% incremental operating income, higher investment income, and lower tax rate. Similarly, WALTONHIL gained 124% bottom line growth for the year ended June 2021 and distributed the earnings with shareholders by declaring a 250% cash dividend.

TICKER	COMPANY NAME	SECTOR	EPS 2021 (Jan-Mar)	EPS 2020 (Jan-Mar)	CHANGE
BERGERPBL	Berger Paints Bangladesh Ltd.	Industrial	16.09	2.32	593.53%
SBACBANK	South Bangla Agriculture & Commerce Bank Limited	Bank	0.18	0.16	12.50%

TICKER	COMPANY NAME	SECTOR	EPS 2020	EPS 2019	CHANGE	Dividend
WALTONHIL	Walton Hi-Tech Industries Ltd.	Industrial	54.21	24.21	123.92%	250% cash

Source: DSEX, Investing.com, LR Global Research

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 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.

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 22.9% this week in Bangladesh: COVID-19 Update

The weekly new COVID-19 cases decreased by 26.72% while the total tests conducted also decreased by 10.28% compared to the previous week. During the week, 68,822 new positive cases and 1,577 more deaths were reported in Bangladesh, taking the total number of cases to 1,418,902 as of 15th August, according to official tallies. The positivity rate increased to 22.9%. Government has decided to lift most of the Covid restrictions from August 11th. However, as the number of people signing up for Covid vaccine every day is going up, Bangladesh is now faced with more than 15 mn doses of vaccine shortage. Globally, the total number of cases has crossed 207 mn and the death count has also crossed 4.36 mn.

Floor on deposit rates - cannot go lower than inflation: BB

Most banks are currently offering low interest rates for deposits compared to the inflation rate, which is a spillover effect due to excess liquidity and lending rate cap. In order to keep depositors' purchasing power intact and to influence depositors' investment in productive sectors, BB has set a floor on deposit rates. From now on, interest rates on term deposits cannot be lower than inflation rate.

BB mops up total BDT 86.75 bn from banks in two auctions

With an aim to control price pressure and to ensure money market stability, BB has drained BDT 60.70 bn excess liquidity from banks on second auction day, totaling BDT 86.75 bn through two auctions so far. During the pandemic last year, reduced rates of CRR, repo, reverse repo, ADR and lower demand for credit from private sector had doubled surplus liquidity in the banking sector taking it to BDT 2.39 tn this June, from BDT 1.39 tn in the same period last year.