

KEY ECONOMIC INDICATORS

Bangladesh's apparel exports to the UK is at risk of losing duty-free access after its graduation to a developing country under the new post-Brexit GSP facility. As per the new GSP scheme, apparel and clothing imports exceeding 47% will be subject to regular tariffs. Low business confidence due to the pandemic has meant that imports are yet to pick up even though economic activities are rebounding. Despite a 15.5% increase in LC opening, LC settlements have declined by 12.39% YoY in FY21. The government is planning to offer local companies, NGOs and SMEs, with outbound investments opportunities as well as become enlisted in foreign stock markets. However, total outbound investment in a year cannot exceed 5% of BB's forex reserve of that particular FY. Oil price dropped due to weakened demand anticipated by crude market, as numerous nations are responding towards rising infection rate of the Delta variant.

	This Week	Last Week	Weekly Change	YTD Change
Foreign Exchange Reserve (USD bn)	46.60	45.99	1.32%	7.94%
Call Money Rate (Weighted Average)	1.60%	2.17%	57 bps	52 bps
Exchange Rate (BDT-USD)	84.95	84.83	0.14%	0.18%
Oil Price (USD per barrel of WTI)	62.14	68.44	-9.21%	28.39%
		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%

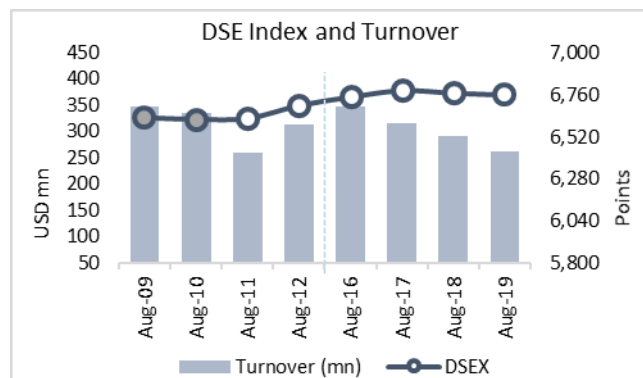
Source: Bangladesh Bank and Investing.com

ECONOMIC RISKS

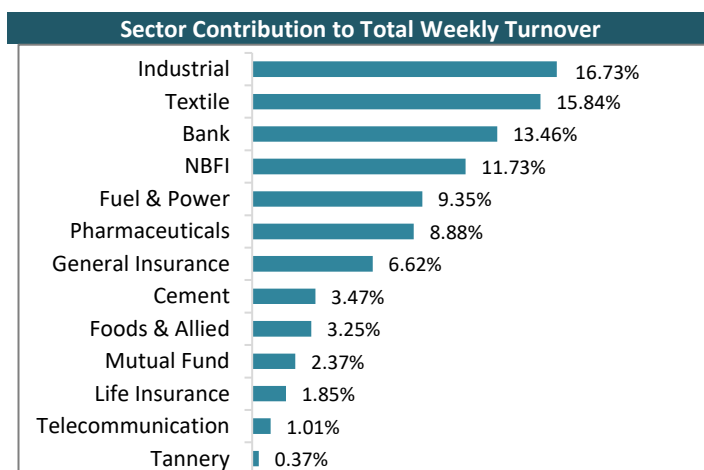
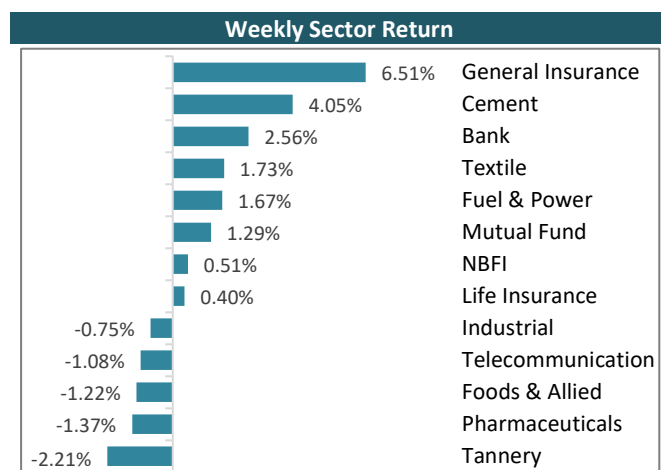
Risk factor	Risk Level	Impact
Subdued tax revenue collection	High	Tax collection registered a negative growth of -2.63% in FY20 for the first time since the country's independence due to the effects of the virus. However, revenue collection has increased by 18.99% in the Jul-Jun period of FY21 as businesses 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. This has allowed demand in the economy to slowly recover. Consumer confidence is likely to strengthen as the percentage of vaccinated population continues to increase and economic activities rebound as lockdown restrictions have been relaxed.
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 inched up by 61 points (0.91%) during the week as investors continue to ride the current bullish rally with the hope of earning capital gains while reported local infection rate is slowly subsiding. Investors have been regaining confidence as economic activities are being restored as most lockdown restrictions have been lifted while both the new virus cases and deaths have been on the decline. Moreover, the steady inflow of vaccine shipments has also been strengthening the prospects of economic recovery. Some investors have been eyeing financial stocks due to the higher positive earnings in the recent published quarters, resulting in the general insurance sector registering the highest gain (6.51%) and banking sector recording the third highest gain (2.56%). However, prices of some scrips have been undergoing correction due to investors' profit booking tendency and BB's cautious move to mop up excess liquidity and monitor banks' investment in the capital market. Hence, overall average daily turnover decreased by 3.21% compared to the previous week. During the week, the securities regulator decided to initiate a move to restore a previous rule where it is mandatory for those companies that have more than BDT 500 mn in paid-up capital to become listed in its bid to bring quality companies to the capital market.



Market Statistics				
	This Week	Last Week	Weekly Change	YTD Change
DSEX	6,761	6,699	0.91%	25.15%
DS30	2,424	2,428	-0.17%	23.40%
Market Cap (\$ mn)	64,826	64,607	0.34%	22.64%
Total Turnover (\$ mn)	1,216	1,256	-3.21%	42.15%
Avg. Daily Turn. (\$ mn)	304	314	-3.21%	77.68%
S&P 500	4,442	4,468	-0.59%	18.25%
DJIA	35,119	35,516	-1.12%	14.74%
FTSE 100	7,088	7,219	-1.81%	9.71%
NIKKEI 225	27,013	27,977	-3.45%	-1.57%


NOTABLE QUARTERLY EARNINGS ANNOUNCEMENTS DURING THE WEEK

LANKABAFIN's EPS surged by 2900% for the Q2 of 2021 compared to the same quarter in the previous year due to higher consolidated investment income coupled with higher income from CDBL, fee and credit cards. Similarly, BNICL experienced a 442% growth in EPS for Q2, 2021 as net premium income increased by 442% due to higher gross income and re-insurance income.

TICKER	COMPANY NAME	SECTOR	EPS 2021 (Apr-Jun)	EPS 2020 (Apr-Jun)	CHANGE
LANKABAFIN	LankaBangla Finance Ltd.	NBFI	0.3	0.01	2900.00%
BNICL	Bangladesh National Insurance Company Limited	Insurance	1.03	0.19	442.11%

TICKER	COMPANY NAME	SECTOR	EPS 2020	EPS 2019	CHANGE	Dividend
GSPFINANCE	GSP Finance Company (Bangladesh) Limited	Insurance	1.55	1.32	17.42%	5.5% c & 5.5% s

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	19,627	22,805
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	1,034
NBFi	1,760	-565	-782	609	1,969	1,589	2,360	2,707	1,798	1,345
Pharmaceuticals	6,210	6,820	7,362	6,926	6,598	4,443	8,736	8,659	8,731	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%	7.2%	74.8%
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%	-
NBFi	-27.2%	-126.1%	-150.3%	-84.4%	11.9%	381.3%	401.9%	344.4%	-6.7%	98.0%
Pharmaceuticals	7.9%	4.7%	10.7%	2.5%	6.2%	-34.8%	18.7%	25.0%	32.9%	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 212 and 46 companies, respectively, that have been declared so far out of the 261 tracked.

MAJOR EVENTS DURING THE WEEK
COVID-19 positivity rate soared to 18.6% this week in Bangladesh: COVID-19 Update

The weekly new COVID-19 cases decreased by 34.65% while the total tests conducted also decreased by 19.26% compared to the previous week. During the week, 44,976 new positive cases and 1,155 more deaths were reported in Bangladesh, taking the total number of cases to 1,457,194 as of 22nd August, according to official tallies. The positivity rate increased to 18.6%. Meanwhile, Bangladesh has received 21.78 mn AstraZeneca doses under the Covax facility with the Japanese government. Another batch of 0.63 mn AstraZeneca vaccines will be delivered by Japan on August 28th, to fulfil the commitment over 3.0 mn doses to Bangladesh. Globally, the total number of cases has crossed 211 mn and the death count has also crossed 4.42 mn.

Banks' leverage ratio raised by BB to enhance capacity

The central bank has raised banks' lending limit in proportion to their Tier 1 capital or core capital, with a view to enhance banks' capacity to reinforce the country's economic recovery amid pandemic. Banks have to increase capital or off-balance sheet obligations must be reduced, which in turn will increase their lending capacity. BB directed banks to initiate preparations in 2022 to increase their leverage ratio by 0.25% per year from 2023 to 2026 with a target to reach 4%.

Govt. to borrow BDT 73 bn to meet recurrent spending in August

The government is set to borrow BDT 73 bn from the financial market in order to meet its frequent spending via purchase of treasury bills and bonds. As a part of the borrowing, BB has already collected BDT 15 bn from the auction of 10-year treasury bond. The remaining scheduled auction will be held on August 24th to collect BDT 14 bn through 15-year & 20-year treasury bond, on August 18th to collect BDT 22 bn through 91-day & 180-day t-bills and on August 26th to collect an additional BDT 22 bn from the market through 91-day & 364-day t-bills.