

KEY ECONOMIC INDICATORS

Global credit rating agency S&P has rated Bangladesh's creditworthiness as B in the short term and -BB in the long term with the expectation that real GDP growth will increase by 7% in FY22, higher than the average growth forecasted for peers, while overcoming the risks of the virus. Both local and external demand are also expected to normalize in the second half of the FY. A strong inflow of remittance and recent financial support from the IMF have pushed the forex reserve to another record high of USD 48 bn. Meanwhile, the BGMEA has requested for extension of the stimulus loan repayment time from the existing 18 months to 36 months. Although a good number of work orders have started flowing into the apparel sector, factory owners will face a lot of pressure if they are expected to start repaying loans now. Oil price went up over the expectation that US production in the Gulf of Mexico will shut down as a major hurricane is expected to hit early next week.

	This Week	Last Week	Weekly Change	YTD Change
Foreign Exchange Reserve (USD bn)	48.03	46.60	3.07%	11.25%
Call Money Rate (Weighted Average)	1.65%	1.60%	5 bps	47 bps
Exchange Rate (BDT-USD)	85.20	84.95	0.29%	0.47%
Oil Price (USD per barrel of WTI)	68.74	62.14	10.62%	42.02%
		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 (July)		5.36%	6.02%	66bps
Tax Revenue (NBR) (USD mn) (Jul-Jun)		30,642	25,752	18.99%

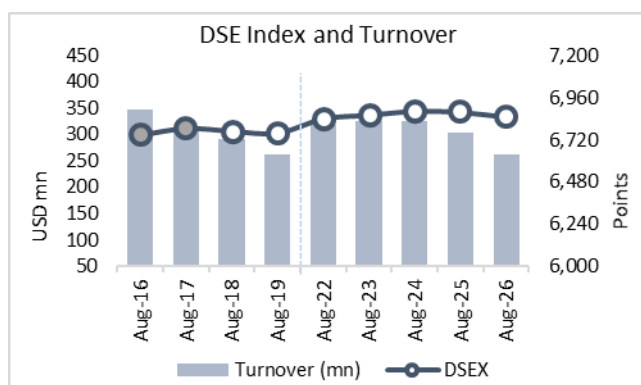
Source: Bangladesh Bank and Investing.com

ECONOMIC RISKS

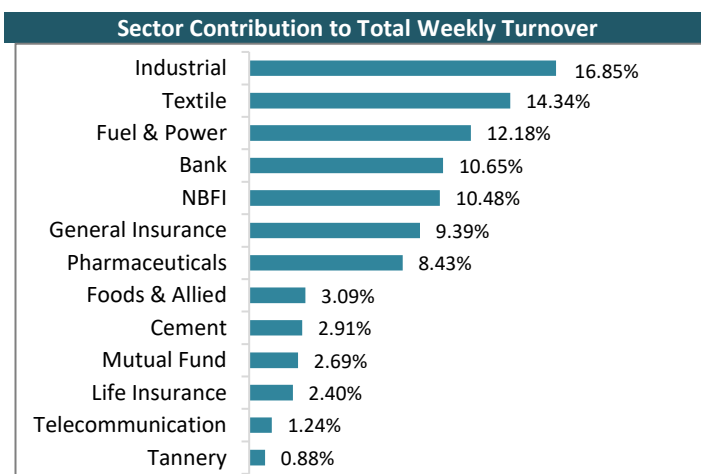
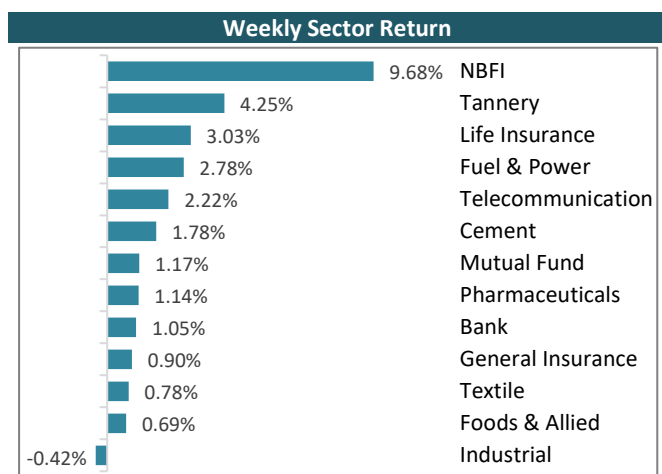
Risk factor	Risk Level	Impact
Subdued tax revenue collection	High	Tax collection registered a negative growth of -2.63% in FY20 for the first time since the country's independence due to the effects of the virus. However, revenue collection has increased by 18.99% in the Jul-Jun period of FY21 as businesses 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 advanced by 91 points (1.34%) during the week as optimistic investors continued to show avid interest in the stock market amid declining virus cases. The market gained 124 points (1.84%) in the first three trading days of the week as bullish investors were hopeful that the index would cross the 7,000-points mark. Virus cases have also been decreasing, which in turn has been boosting investors' confidence. However, the market slipped back into red in the last two trading sessions as risk averse investors engaged in profit booking as Bangladesh Bank announced it would probe the diversion of stimulus package funds by banks and other manufacturing companies to the capital market. During the week, the NBFIs sector registered the highest return of 9.68% as a good number of NBFIs have been posting higher earnings in their recent published quarters. Overall average daily turnover inched up by 1.18% during the week as the continuous surge of the stock prices prompted the investors to keep injecting fresh money in the market. During the week, BSEC gave its approval to issue TREC to 9 additional companies with a view to allow the brokerage industry to expand and become more competitive. Moreover, BSEC gave its green light to the first board of governors for the recently formed BDT 210 bn Capital Market Stabilization Fund (CMSF) that is to be used to protect the interest of general investors and the capital market.



	Market Statistics			
	This Week	Last Week	Weekly Change	YTD Change
DSEX	6,851	6,761	1.34%	26.83%
DS30	2,453	2,424	1.23%	24.92%
Market Cap (\$ mn)	65,744	64,826	1.42%	24.38%
Total Turnover (\$ mn)	1,538	1,216	26.48%	79.79%
Avg. Daily Turn. (\$ mn)	308	304	1.18%	79.79%
S&P 500	4,509	4,442	1.52%	20.06%
DJIA	35,455	35,119	0.96%	15.84%
FTSE 100	7,148	7,088	0.85%	10.64%
NIKKEI 225	27,641	27,013	2.32%	0.72%


NOTABLE QUARTERLY EARNINGS ANNOUNCEMENTS DURING THE WEEK

DHAKABANK's EPS rose by 161% for Q2, 2021 even though its interest income plunged by 12%, as total operating income increased by 33% due to higher investment and commission income. BDAUTOCA registered 20% higher bottom-line earnings in Q3, 2021 as the company was able to reduce its administrative and financial expenses despite a decline in revenue.

TICKER	COMPANY NAME	SECTOR	EPS 2021 (Apr-Jun)	EPS 2020 (Apr-Jun)	CHANGE
DHAKABANK	Dhaka Bank Limited	Bank	0.47	0.18	161.11%
BDAUTOCA	Bangladesh Autocars Ltd.	Industrial	0.06	0.05	20.00%

TICKER	COMPANY NAME	SECTOR	EPS 2020	EPS 2019	CHANGE	Dividend
SEAPEARL	Sea Pearl Beach Resort & Spa Limited	Tourism & Leisure	0.61	-0.09	N/A	1% 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	19,627	23,251
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	2,907	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	7,269	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	1,482	-5,913	1,201	1,222	464	-3,853	472	884	541	-
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%	75.8%
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%	-9.2%	-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%	150.9%	-
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	-11.4%	-462.0%	-41.4%	-26.7%	-68.7%	34.8%	-60.7%	-27.6%	14.1%	-
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 218 and 47 companies, respectively, that have been declared so far out of the 260 tracked.

MAJOR EVENTS DURING THE WEEK

COVID-19 positivity rate declines to 14.5% this week in Bangladesh: COVID-19 Update

The weekly new COVID-19 cases decreased by 27.97% while the total tests conducted also decreased by 7.70% compared to the previous week. During the week, 32,395 new positive cases and 783 more deaths were reported in Bangladesh, taking the total number of cases to 1,489,589 as of 29th August, according to official tallies. The positivity rate also declined to 14.5%. Meanwhile, last shipment of more than 0.63 mn doses of AstraZeneca vaccine arrived in Bangladesh. In addition, 1 mn Pfizer vaccine doses are expected to arrive in Dhaka on 30th August while another 5 mn will arrive in September under the Covax program. Globally, the total number of cases has crossed 216 mn and the death count has also crossed 4.49 mn.

BB extends loan repayment moratorium till 31st December

BB has extended ongoing loan moratorium to 31st December this year in response to a request from businesses as the second wave of Covid is badly impacting the country's trade and commerce. Borrowers will get an additional four months to repay installments of all types of loans. BB has also increased the minimum installment amount to 25% from the previous 20%. If a borrower repays 25% of their installment within 31st December, they will not be considered as defaulter. However, the remaining loan installments needs to be repaid within next year. Govt. to borrow BDT 73 bn to meet recurrent spending in August.

A watchdog for overseeing financial sector in the offing

The government is considering creating a watchdog named Financial Stability Council (FSC) to deal with the systematic problems of non-performing loans with an aim to maintain financial stability, improve the resolution regime for financial institutions and design macro-prudential regulations and instruments. International development partners have long demanded that an FSC be formed as defaulting loans continues to remain a major concern.