

**KEY ECONOMIC INDICATORS**

Trade deficit widened by 35% in October compared to the previous month due to surge in imports and sluggish remittance growth, which in turn has continued to exert pressure on the country's forex reserve. Thus, the central bank has sold over \$2.17 bn since August 18<sup>th</sup> to stabilize the overheating forex market. Industrial credit growth rose 12.38% during the July-September period YoY as the economy is recovering as virus cases have reduced significantly. The government's bank borrowing in the first 5 months of the FY increased and reached BDT 163.87 bn as net sales of NSCs declined by 57% in the first 4 months due to interest rate cut of up to 2% of almost all NSC schemes. The government's dependency on the banking sector may last longer due to the obligation of paying some major bills. Oil price rose sharply as concerns regarding the Omicron's impact on the global economic growth and fuel demand eased.

	This Week	Last Week	Weekly Change	YTD Change
<b>Foreign Exchange Reserve (USD bn)</b>	44.83	44.94	-0.25%	3.84%
<b>Call Money Rate (Weighted Average)</b>	3.20%	4.09%	89 bps	108 bps
<b>Exchange Rate (BDT-USD)</b>	85.80	85.80	0.00%	1.18%
<b>Oil Price (USD per barrel of WTI)</b>	71.67	66.26	8.16%	48.08%
		<b>FY 2021-22</b>	<b>FY 2020-21</b>	<b>% Change</b>
<b>Export (USD mn) (Jul-Nov)</b>		19,791	15,924	24.29%
<b>Remittances (USD mn) (Jul-Nov)</b>		8,609	10,894	-20.98%
<b>Import (USD mn) (Jul-Oct.)</b>		25,831	17,062	51.39%
<b>Current Account Balance (USD mn) (July-Sept)</b>		-2,314	3,228	NA
<b>Credit to the Private Sector (USD mn) (October)</b>		142,137	129,874	9.44%
<b>Point-to-point Inflation (October)</b>		5.70%	6.02%	32 bps
<b>Tax Revenue (NBR) (USD mn) (Jul-Oct)</b>		9,262	7,940	16.64%

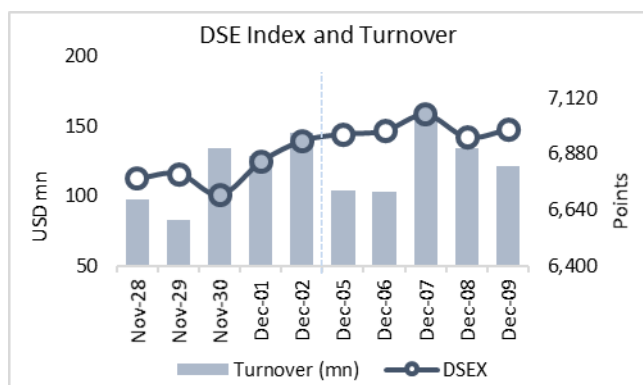
Source: Bangladesh Bank and Investing.com

**ECONOMIC RISKS**

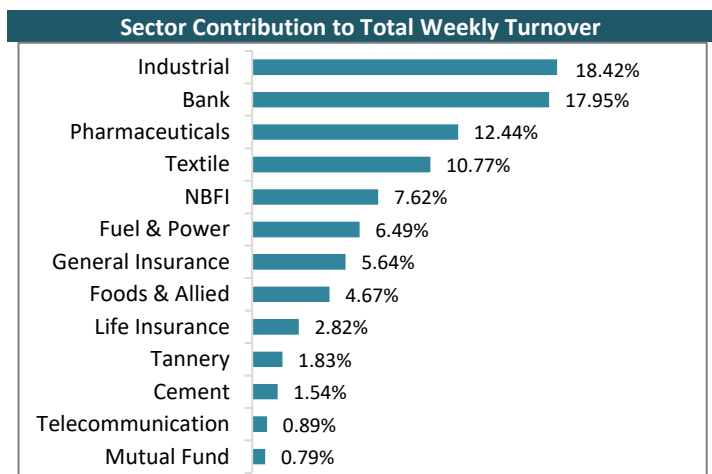
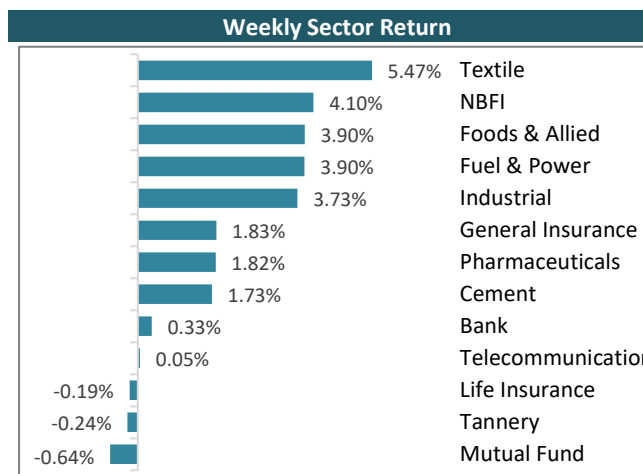
Risk factor	Risk Level	Impact
<b>Soaring default loan in financial sector</b>	High	The banking sector has been burdened with a high NPL ratio of 7.66% and a CAR of 11.63% that is the lowest in South Asia. Although banks are sitting with excess liquidity, their implementation of the stimulus package remains slow. The banking sector was granted loan moratorium for Jan 2020-Dec 2021 with several extensions. The moratorium facility is set to end in December but the health of the banking sector is already deteriorating due to increasing provisioning shortfall, growing non-performing loans and capital erosion. Going forward, a sharp rise in default loans is being anticipated which is likely to undermine the sector further in the long term.
<b>Subdued tax revenue collection</b>	Medium	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 16.64% in the Jul-Oct period of FY22 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.
<b>Remittance shock</b>	Medium	Inward remittances made an exceptional recovery in the Jul-Jun period amid the pandemic. 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. However, remittance growth has slipped into the negative growth zone again in FY22 due to sluggish manpower export and resurfacing of informal channels of money transfer.
<b>Demand contraction</b>	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 strengthening as the percentage of vaccinated population continues to increase while economic activities are rebounding as lockdown restrictions have been relaxed.
<b>Export slump</b>	Medium	It has been projected that global merchandise trade might plummet by ~13% due to the pandemic. However, revival of demand at major export destinations has been playing a major role in helping exports make a turnaround, although rising cost burden due to inflationary pressure is a growing concern. 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).
<b>Volatile capital market</b>	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 premier bourse DSEX gained marginally by 49 points (0.70%) during the week due to the indecisive meeting held between the regulators, and initiatives get profitable state-owned companies and top 100 companies of the country to become listed. The decision to hold a meeting between the finance ministry, central bank, BSEC, and NBR over the disputed issues of the two regulators made investors optimistic and helped the market to gain 113 points in the first three trading sessions of the week. However, the market slipped back to the red zone in the fourth trading session and lost 97 points as the meeting between the regulators and finance ministry yielded no specific outcome and investors moved to book their gains. The market still manage to clock in a weekly gain for the second consecutive week as the investors took long positions in the stocks suffered from sharp correction in the previous weeks. Average daily market turnover improved by 5.34% compared to the previous week. The textile sector posted the highest return as RMG exports registered a 22.97% growth during July-November period of the current fiscal year. During the week, the BSEC allowed a bank to issue BDT 50 mn perpetual bonds to strengthen its tier-1 capital, DSE formed a committee to scrutinize the reliability of the MoU signing of BDFINANCE with foreign company, the securities regulator issued a directive to 27 companies to comply with the minimum 30% joint shareholding by sponsor-directors.



Market Statistics				
	This Week	Last Week	Weekly Change	YTD Change
DSEX	6,985	6,936	0.70%	29.30%
DS30	2,632	2,636	-0.14%	34.02%
Market Cap (\$ mn)	64,941	64,434	0.79%	24.31%
Total Turnover (\$ mn)	619	587	5.34%	-26.82%
Avg. Daily Turn. (\$ mn)	124	117	5.34%	-26.82%
S&P 500	4,712	4,538	3.82%	25.45%
DJIA	35,972	34,580	4.03%	17.53%
FTSE 100	7,292	7,122	2.38%	12.87%
NIKKEI 225	28,438	28,030	1.46%	3.62%



**NOTABLE QUARTERLY EARNINGS ANNOUNCEMENTS DURING THE WEEK**

MONOSPOOL registered a 163.64% surge in EPS YoY due to the 8.21% top line growth along with controlled cost of raw material expenses. PHOENIXFIN reported a 58.33% decline YoY basis in EPS for Q3 as its interest income plunged by 7.96% while interest expense paid against deposits and borrowings dropped significantly.

TICKER	COMPANY NAME	SECTOR	EPS 2021 (Jul-Sep)	EPS 2020 (Jul-Sep)	CHANGE
MONOSPOOL	Bangladesh Monospool Paper Manufacturing Co. Limited	Paper & Printing	0.29	0.11	163.64%
PHOENIXFIN	Phoenix Finance and Investments Ltd	Financial Institutions	0.1	0.24	-58.33%

Source: DSEX, Investing.com, LR Global Research

**QUARTERLY EARNINGS UPDATE**

During the Jul-Sep'21 quarter, the textile sector experienced the highest growth of 148.8%, based on the earnings disclosed so far, owing to surplus orders from the foreign buyers of RMG after the locked downs ended in the western countries. The industrial sector also experienced a strong growth of 118.1% due to higher turnover and budgetary benefits contributed to the bottom-line growth of this sector. The tannery sector showed strong recovery in this quarter as it was able to minimize losses after the locked downs demand for tannery goods picks up. However, the cement sector suffered a loss due to a decline in turnover of this sector during the lockdown coupled with higher raw material costs. The pharmaceutical sectors were afloat during the pre and post pandemic as the demand for medical instruments and medicines remained strong. But the food & allied sector posted degrowth in all of the quarters of FY2021 due to disruptions caused by pandemic. Telecommunication and NBFIs registered for negative growth in the Q1 & Q3 of FY 2021 due to slowing number of subscribers and lower interest rate spread. In the Jul-Sep'20 quarter, a good number of NBFIs logged in higher earnings due to lower provisioning on total outstanding loans. At this time, it is slightly concerning that the banking and NBFIs sectors may face financial difficulties after adjusting loan moratorium facilities.

Sector	2019				2020				2021		
	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep
Bank	13,988	21,244	13,891	22,880	18,311	13,382	20,078	19,241	19,627	23,799	22,301
Cement	872	958	582	250	814	194	944	1,558	2,712	1,849	113
Ceramic	230	59	261	287	167	-278	142	355	249	260	190
Food & Allied	2,428	1,817	3,474	3,619	3,200	2,638	4,255	1,283	2,907	1,890	3,567
Fuel & Power	9,076	11,399	10,631	9,112	7,445	5,697	9,947	9,550	9,517	8,479	7,289
Industrial	4,711	4,805	3,836	3,104	2,925	-670	3,447	5,775	7,263	6,534	6,906
NBFI	1,853	-704	-690	868	1,484	1,218	1,600	2,558	1,481	1,380	2,171
Pharmaceuticals	6,210	6,820	7,362	6,926	6,598	4,443	8,736	8,659	8,741	9,110	10,316
Telecommunication	8,926	9,553	7,269	8,766	10,694	7,265	8,898	10,330	8,912	8,507	8,561
Textile	1,516	-5,637	1,219	1,247	521	-3,759	540	955	586	634	1,349
Tannery	270	101	371	144	-27	-869	-455	-36	45	164	109

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	Jul-Sep
Bank	20.2%	20.4%	-0.3%	-14.1%	30.9%	-37.0%	44.5%	-15.9%	7.2%	77.8%	11.1%
Cement	-4.6%	-0.4%	93.8%	-72.4%	-6.7%	-79.8%	62.2%	523.3%	233.3%	853.1%	-61.2%
Ceramic	-20.3%	-71.3%	-22.7%	-35.6%	-27.5%	-567.8%	-45.7%	23.7%	49.3%	193.7%	46.6%
Food & Allied	-24.0%	-74.1%	75.2%	92.7%	31.8%	45.2%	22.5%	-64.5%	-9.2%	-28.4%	-20.6%
Fuel & Power	22.5%	9.4%	-3.2%	-5.7%	-18.0%	-50.0%	-6.4%	4.8%	27.8%	142.3%	-7.4%
Industrial	-2.3%	-65.3%	-12.7%	-31.9%	-37.9%	-113.9%	-10.2%	86.1%	148.3%	1242.1%	119.4%
NBFI	-21.2%	-138.7%	-144.2%	-81.6%	-19.9%	273.0%	331.9%	194.5%	-0.2%	10.9%	3.7%
Pharmaceuticals	7.9%	4.7%	10.7%	2.5%	6.2%	-34.8%	18.7%	25.0%	32.5%	105.0%	19.3%
Telecommunication	39.6%	-11.6%	-18.3%	-3.3%	19.8%	-24.0%	22.4%	17.8%	-16.7%	17.1%	-3.8%
Textile	-11.1%	-428.5%	-41.1%	-27.4%	-65.6%	33.3%	-55.7%	-23.4%	12.4%	116.9%	140.1%
Tannery	-34.1%	-63.8%	-38.8%	-55.0%	-109.9%	-962.7%	-222.6%	-125.2%	270.0%	118.9%	124.0%

Note: Sector represents more than 70% of the companies (according to large market capital),

Source: DSEX, LR Global Research

\* Apr-Jun'21 & Jul-Sep'21 earnings growth have been calculated based on the earnings of 217 and 196 companies, respectively, that have been declared so far out of the 260 tracked.

**MAJOR EVENTS DURING THE WEEK**
**COVID-19 positivity rate remains same as last week to 1.3% in Bangladesh: COVID-19 Update**

The weekly new COVID-19 cases increased by 4.98% while the total tests conducted increased by 4.52% compared to the previous week. During the week, 1,750 new positive cases and 27 more deaths were reported in Bangladesh while positivity rate remained the same as last week at 1.3%, taking the total number of cases to 1,578,996 as of 11<sup>th</sup> December, according to official tallies. Meanwhile, Bangladesh recorded its first Omicron cases as two female cricketers who returned home from Zimbabwe tested positive with the South African variant. Another consignment of 2.5 mn doses of AstraZeneca vaccine arrived in Bangladesh, totaling 15 mn doses so far from the agreement between Serum and Bangladesh. Globally, the total number of cases has crossed 269 mn and the death count has also crossed 5.32 mn.

**BPC reduces jet fuel and furnace oil price by BDT 2 per liter**

Bangladesh Petroleum Corporation has decided to reduce jet fuel and furnace oil prices by BDT 2 per liter while Jet A-1 fuel price has been decreased from BDT 77 to BDT 75 per liter and furnace oil price decreased from BDT 62 to BDT 60. At present, the annual demand of Jet A-1 fuel used in the Aviation sector is around 0.35 mn ton while furnace oil demand to generate power used in large and captive power plants is around 0.36 mn ton.

**BB suddenly collects BDT 65 bn from banks even after its decision to pause mopping up excess liquidity**

Bangladesh Bank has collected around BDT 65 bn from banks instead of the BDT 25 bn it was supposed to collect through Treasury bills in order to meet its sudden shortage of funds. The auction was held even though the central bank decided a few days to pause mopping up excess liquidity from the banking system due to the cash shortage in the sector.