

**KEY ECONOMIC INDICATORS**

Bangladesh Bank has sold over \$ 2.17 bn since August 18th and \$ 143 mn in the first 9 days of the current month to stabilize the overheating forex market. Downtrend in remittances and surging import payment pressure are mainly responsible for the increased demand for the greenbacks. The central bank may continue to sell dollars in the coming days based on the market's requirement. Imports continued to soar in November both in terms of quantity and value due to the reviving economy and global inflationary pressures. LC settlements grew by 5.16% in November compared to the previous month. Soaring inflation, currency depreciation and liquidity crunch in the banking sector may become a major challenge to the rebounding economy in the coming months. Economists are stressing the need to address these issues immediately to avoid negative impact on the ongoing economic revival. Oil price fell as growing infection rate due to Omicron signaled uncertainty regarding fuel demand.

	This Week	Last Week	Weekly Change	YTD Change
<b>Foreign Exchange Reserve (USD bn)</b>	45.26	45.01	0.55%	4.83%
<b>Call Money Rate (Weighted Average)</b>	2.53%	2.54%	-0.01%	0.41%
<b>Exchange Rate (BDT-USD)</b>	85.80	85.80	0.00%	1.18%
<b>Oil Price (USD per barrel of WTI)</b>	70.86	71.67	-1.13%	46.40%
		<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-Oct)</b>		-4,769	3,636	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%

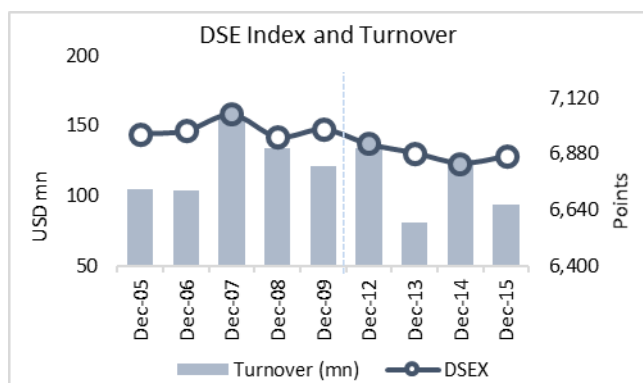
Source: Bangladesh Bank and Investing.com

**ECONOMIC RISKS**

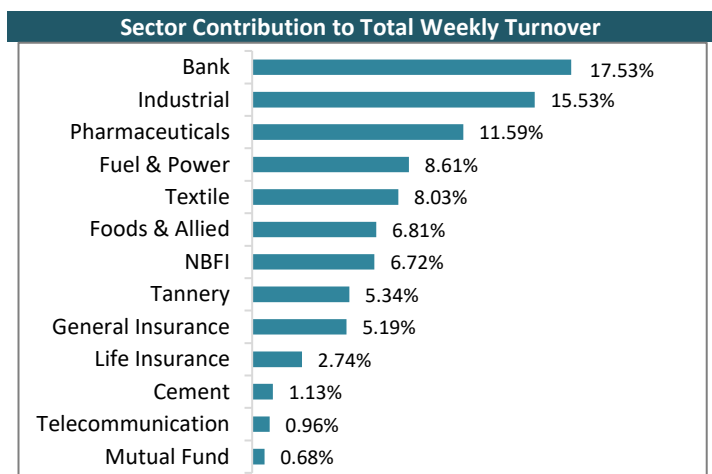
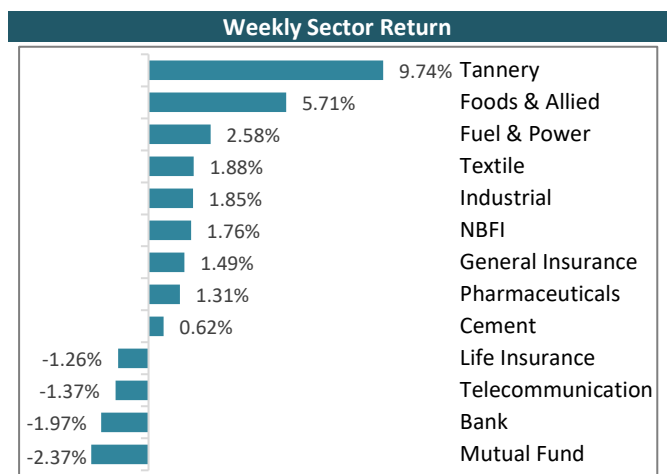
Risk factor	Risk Level	Impact
<b>Soaring default loan in financial sector</b>	High	The banking sector has been burdened with a high NPL ratio of 7.66% and a CAR of 11.63% that is the lowest in South Asia. Although banks are sitting with excess liquidity, their implementation of the stimulus package remains 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 lost 117 points (-1.67%) during the week as investors moved to book gains due to virus worries and ongoing tussle between Bangladesh Bank and BSEC. The market returned to the red zone in the first trading session of the week as news emerged that the first case of Omicron has been detected in the country. The bearish trend continued in the second and third trading session as banks had only utilized 56% of the aggregate capital market special funds even though it has already been 20 months since the funds' introduction. In addition, uncertainties due to the ongoing dispute between BSEC and the central bank further intensified due to BSEC's move to make perpetual bond interest payments to investors mandatory while this is optional under central bank rules. The market returned to the green zone in the last trading day of the week as bargain prices of stocks attracted investors. Investors showed the most interest in banking sector stocks as the central bank allowed banks to consider unrealized interest income as profit if 25% of the loan is paid. Although this will create scope for banks to declare high dividend, it will also increase risk if borrowers fail to repay the remaining amount of the loans. Average daily turnover declined -12.10% compared to the previous week. During the week, BSEC asked 64 firms to comply with the minimum BDT 30 crore paid-up capitalization requirement and asked the DSE and CSE to become listed in the stock market as per requirement of the demutualization scheme. The securities regulator also held a productive discussion with the IMF regarding the capital market and introduction of different financial instruments to increase capital flow.



	Market Statistics			
	This Week	Last Week	Weekly Change	YTD Change
DSEX	6,868	6,985	-1.67%	27.14%
DS30	2,586	2,632	-1.74%	31.70%
Market Cap (\$ mn)	64,288	64,941	-1.00%	23.06%
Total Turnover (\$ mn)	435	619	-29.68%	-48.54%
Avg. Daily Turn. (\$ mn)	109	124	-12.10%	-35.67%
S&P 500	4,621	4,712	-1.94%	23.02%
DJIA	35,367	35,972	-1.68%	15.55%
FTSE 100	7,270	7,292	-0.30%	12.53%
NIKKEI 225	28,546	28,438	0.38%	4.01%


**NOTABLE QUARTERLY EARNINGS ANNOUNCEMENTS DURING THE WEEK**

BEACONPHAR registered a triple-digit growth in EPS YoY for Q1 of 2021 due to a surge in the top-line growth driven by Covid-19 & cancer treatment-related medications. The EPS of BEACHHATCH increased by 28.57% due to improved performance of its commercial fish farming business and cost optimization.

TICKER	COMPANY NAME	SECTOR	EPS 2021 (Jul-Sep)	EPS 2020 (Jul-Sep)	CHANGE
BEACHHATCH	Beach Hatchery Ltd.	Food & Allied	-0.05	-0.07	NA
BEACONPHAR	Beacon Pharmaceuticals Limited	Pharmaceuticals & Chemicals	1.52	0.25	508.00%

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 declines to 1.2% in Bangladesh: COVID-19 Update**

The weekly new COVID-19 cases increased by 7.20% while the total tests conducted increased by 10.33% compared to the previous week. During the week, 1,876 new positive cases and 25 more deaths were reported in Bangladesh while positivity rate to 1.2%, taking the total number of cases to 1,580,872 as of 18th December, according to official tallies. Meanwhile, Bangladesh is set to start its Covid booster shots from Sunday in which health workers and people aged over 60 will get priority. Japan will deliver 0.70 mn doses of AstraZeneca vaccine to Bangladesh on 21st December under the COVAX facility. Currently, Bangladeshi pharmaceutical company Incepta is working on making a needle-free, nasal Covid vaccine with British biomedical firm ViraCorp under a pre-clinical trial now and is expected to be in the market within the next year. Globally, the total number of cases has crossed 275 mn and the death count has crossed 5.37 mn.

**ADB increases 2022 forecast for Bangladesh as exports & imports rapidly rebound**

The Asian Development Bank has increased its 2022 predictions for Bangladesh as the spike in demand in the global apparel market helped exports and imports increase more than its previous forecasts. Even though the trade deficit has grown due to the surge in imports, private investment coupled with capital machinery imports and garment's raw material import is expected to support growth.

**Bangladesh to negotiate trade agreement with India next year**

The feasibility study for the Comprehensive Economic Partnership Agreement (CEPA) with India is almost complete and Bangladesh is set to begin its negotiations for signing in 2022. The trade agreement will cover issues related to trade, tariff, procurement, investment, among other issues.