

KEY ECONOMIC INDICATORS

Bangladesh now stands as the 3rd largest RMG exporter to the US as RMG exports to the US grew by 27% in the Jan-Oct period of 2021 YOY mainly due to production disruption in competitor countries China, Vietnam and Indonesia that diverted an increased volume of work orders to Bangladesh. More than 250,000 workers were sent abroad in the first 4 months of the current FY and a total of 800,000 workers are expected to leave the country for jobs overseas this FY as Malaysia is set to resume intake of Bangladeshi workers soon after a 4-year pause due to fraud allegations. The government is planning to set its budget size at BDT 6.85 billion for FY2023 with a deficit of 5.5%. Given that the economy has been recovering from the shock of the virus, a tax revenue growth of over 12% and a GDP growth of 7.5% is being targeted. Oil price increased as concern over Omicron's severity eased.

	This Week	Last Week	Weekly Change	YTD Change
Foreign Exchange Reserve (USD bn)	46.38	45.26	2.47%	7.42%
Call Money Rate (Weighted Average)	2.07%	2.53%	46 bps	5 bps
Exchange Rate (BDT-USD)	85.30	85.80	-0.58%	0.59%
Oil Price (USD per barrel of WTI)	73.79	70.86	4.13%	52.46%
		FY 2021-22	FY 2020-21	% Change
Export (USD mn) (Jul-Nov)		19,791	15,924	24.29%
Remittances (USD mn) (Jul-Nov)		8,609	10,894	-20.98%
Import (USD mn) (Jul-Oct.)		25,831	17,062	51.39%
Current Account Balance (USD mn) (July-Oct)		-4,769	3,636	NA
Credit to the Private Sector (USD mn) (October)		142,137	129,874	9.44%
Point-to-point Inflation (October)		5.70%	6.02%	32 bps
Tax Revenue (NBR) (USD mn) (Jul-Oct)		9,262	7,940	16.64%

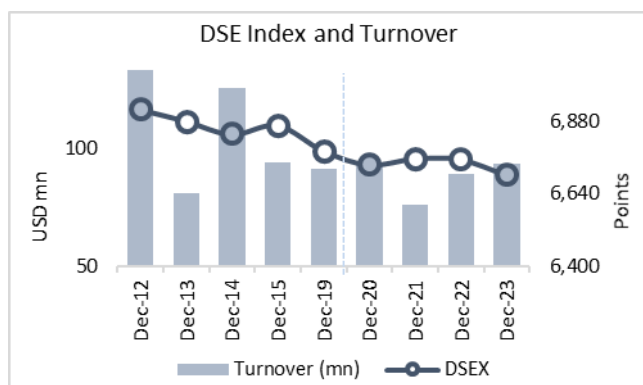
Source: Bangladesh Bank and Investing.com

ECONOMIC RISKS

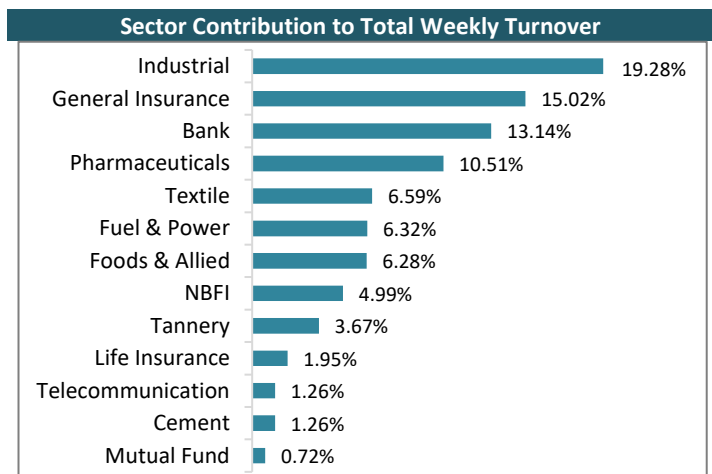
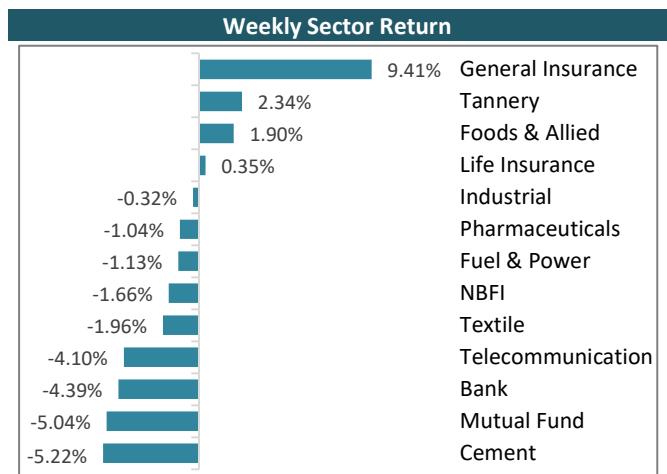
Risk factor	Risk Level	Impact
Soaring default loan in financial sector	High	The banking sector has been burdened with a high NPL ratio of 7.66% and a CAR of 11.63% that is the lowest in South Asia. Although banks are sitting with excess liquidity, their implementation of the stimulus package remains slow. The 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.
Subdued tax revenue collection	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.
Remittance shock	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.
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 strengthening as the percentage of vaccinated population continues to increase while economic activities are rebounding 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. 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).
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 broad index plunged by 166 points (2.41%) due to emergence of the new covid variant, fragile confidence of investors caused by continuous disagreements between BB and BSEC, and investors' interest in small cap companies. The market remained in the red zone for four out of the five trading sessions as investors dumped their positions in the market to protect their investments from further erosion due to its bearish trend. The market was in the green zone in only the third trading session and marginally added around 20 points as the investors rushed to sell large cap stocks which has lost their price for the past few days. Market participation deteriorated by 18.25% during the week as the investors were losing confidence driven by regulatory incongruities. The general insurance sector posted the highest price return of 9.41% as the stock market regulator recently published a directive for the small cap companies to raise their capital to meet the minimum BDT 300mn regulatory requirement and passive participation of institutional investors. Hence investors showed interest in small cap stocks including insurance companies as the investors tried to absorb the benefits. During the week, the finance ministry asked BSEC to take stricter actions against the stock manipulation and remain vigilance so that investors regain their confidence. Moreover, the securities regulator intends to facilitate the IPO process within two weeks if the company's submitted documents meet the regulatory checklists.



	Market Statistics			
	This Week	Last Week	Weekly Change	YTD Change
DSEX	6,703	6,868	-2.41%	24.07%
DS30	2,512	2,586	-2.88%	27.90%
Market Cap (\$ mn)	62,851	64,288	-2.24%	20.31%
Total Turnover (\$ mn)	445	435	2.19%	-47.42%
Avg. Daily Turn. (\$ mn)	89	109	-18.25%	-47.42%
S&P 500	4,726	4,621	2.28%	25.82%
DJIA	35,951	35,367	1.65%	17.46%
FTSE 100	7,372	7,270	1.41%	14.11%
NIKKEI 225	28,783	28,546	0.83%	4.88%



NOTABLE QUARTERLY EARNINGS ANNOUNCEMENTS DURING THE WEEK

Q3 earnings of PREMIERLEA plummeted as the company was supposed to maintain higher loan loss provision against its higher classified loans and other liabilities which dragged down the bottom line earnings of the company. ALIF posted 15.38% growth in its EPS due to its top line growth.

TICKER	COMPANY NAME	SECTOR	EPS 2021 (Jul-Sep)	EPS 2020 (Jul-Sep)	CHANGE
PREMIERLEA	Premier Leasing & Finance Limited.	NBFI	-3.37	0.09	NA
ALIF	Alif Manufacturing Company Ltd.	Textile	0.15	0.13	15.38%

Source: DSEX, Investing.com, LR Global Research

QUARTERLY EARNINGS UPDATE

During the Jul-Sep'21 quarter, the textile sector experienced the highest growth of 140.1%, 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 119.4% 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 lockdown as demand for tannery goods picked 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 sector remained buoyant during the pre and post pandemic period as the demand for medical instruments and medicines remained strong. But the food & allied sector posted a degrowth in all quarters of FY2021 due to disruptions caused by pandemic. The telecommunication and NBFi sector registered a negative growth in the Q1 & Q3 of FY 2021 due slow growth in the 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 NBFi sectors may face financial difficulties after the loan moratorium facility is lifted.

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	Oct-Dec	Total
Bank	13,988	21,244	13,891	22,880	18,311	13,382	20,078	19,241	19,627	23,799	22,301	0	65,727
Cement	872	958	582	250	814	194	944	1,558	2,712	1,849	113	0	4,740
Ceramic	230	59	261	287	167	-278	142	355	249	260	190	0	699
Food & Allied	2,428	1,817	3,474	3,619	3,200	2,638	4,255	1,283	2,907	1,890	3,567	0	8,364
Fuel & Power	9,076	11,399	10,631	9,112	7,445	5,697	9,947	9,550	9,517	8,479	7,289	0	25,202
Industrial	4,711	4,805	3,836	3,104	2,925	-670	3,447	5,775	7,263	6,534	6,906	0	20,670
NBFi	1,853	-704	-690	868	1,484	1,218	1,600	2,558	1,481	1,380	2,171	0	6,136
Pharmaceuticals	6,210	6,820	7,362	6,926	6,598	4,443	8,736	8,659	8,741	9,110	10,316	0	27,963
Telecommunication	8,926	9,553	7,269	8,766	10,694	7,265	8,898	10,330	8,912	8,507	8,561	0	25,980
Textile	1,516	-5,637	1,219	1,247	521	-3,759	540	955	586	634	1,349	0	2,569
Tannery	270	101	371	144	-27	-869	-455	-36	45	164	109	0	319

QoQ Growth (Sectorwise)	2019				2020				2021				Yearly Growth
	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	
Bank	20.2%	20.4%	-0.3%	-14.1%	30.9%	-37.0%	44.5%	-15.9%	7.2%	77.8%	11.1%	-100.0%	-7.4%
Cement	-4.6%	-0.4%	93.8%	-72.4%	-6.7%	-79.8%	62.2%	523.3%	233.3%	853.1%	-61.2%	-100.0%	35.1%
Ceramic	-20.3%	-71.3%	-22.7%	-35.6%	-27.5%	-567.8%	-45.7%	23.7%	49.3%	193.7%	46.6%	-100.0%	81.4%
Food & Allied	-24.0%	-74.1%	75.2%	92.7%	31.8%	45.2%	22.5%	-64.5%	-9.2%	-28.4%	-20.6%	-100.0%	-26.5%
Fuel & Power	22.5%	9.4%	-3.2%	-5.7%	-18.0%	-50.0%	-6.4%	4.8%	27.8%	142.3%	-7.4%	-100.0%	-22.4%
Industrial	-2.3%	-65.3%	-12.7%	-31.9%	-37.9%	-113.9%	-10.2%	86.1%	148.3%	1242.1%	119.4%	-100.0%	80.1%
NBFi	-21.2%	-138.7%	-144.2%	-81.6%	-19.9%	273.0%	331.9%	194.5%	-0.2%	10.9%	3.7%	-100.0%	-27.1%
Pharmaceuticals	7.9%	4.7%	10.7%	2.5%	6.2%	-34.8%	18.7%	25.0%	32.5%	105.0%	19.3%	-100.0%	-1.7%
Telecommunication	39.6%	-11.6%	-18.3%	-3.3%	19.8%	-24.0%	22.4%	17.8%	-16.7%	17.1%	-3.8%	-100.0%	-30.1%
Textile	-11.1%	-428.5%	-41.1%	-27.4%	-65.6%	33.3%	-55.7%	-23.4%	12.4%	116.9%	140.1%	-100.0%	-247.5%
Tannery	-34.1%	-63.8%	-38.8%	-55.0%	-109.9%	-962.7%	-222.6%	-125.2%	270.0%	118.9%	124.0%	-100.0%	-123.0%

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 227 and 217 companies, respectively, that have been declared so far out of the 260 tracked.

MAJOR EVENTS DURING THE WEEK

COVID-19 positivity rate increases this week to 1.7% in Bangladesh: COVID-19 Update

The weekly new COVID-19 cases increased by 12.63% while the total tests conducted decreased by 15.29% compared to the previous week. During the week, 2,113 new positive cases and 9 more deaths were reported in Bangladesh while positivity rate increased this week to 1.7%, taking the total number of cases to 1,582,985 as of 25th December, according to official tallies. Meanwhile, the health minister has declared that the registration for booster doses will start at the end of December after updating registration process in the 'Surokkha' app. Bangladesh's government has already begun administering booster doses to health workers on a trial basis. Disagreement over price and quantity is creating uncertainty regarding Sinopharm's local production in Bangladesh even after four months of signing a tripartite MoU among the government, Incepta Pharmaceuticals Ltd and Sinopharm. Globally, the total number of cases has crossed 279 mn and the death count has also crossed 5.41 mn.

BB to roll out a BDT 5 bn stimulus package for pandemic hit urban people

The central bank will bring urban people who lost their jobs and returned to their villages due to the pandemic under a BDT 5 bn stimulus package. 8 sectors have been selected for the fund, including local businesses with small capital and vehicle and equipment purchase in various sectors. The loan recipients will be able to avail the loan at 6% interest rate.

Switzerland to invest BDT 11 bn in Bangladesh to help facilitate Bangladesh's LDC graduation

Switzerland will invest BDT 11 bn in Bangladesh over the next four years under its Swiss Cooperation Programme 2022-2025 that was officially launched in 22nd December. The main objective is to help facilitate Bangladesh's LDC graduation alongside promote a resilient and prosperous society. The investment is also coherent with Agenda 2030 and Bangladesh's development priorities.