

KEY ECONOMIC INDICATORS

The BGMEA and BKMEA have formed a 15-member committee to set a benchmark price and aggregate manufacturing cost for RMG items in order to ensure ethical prices from global buyers and reduce unhealthy competition among local producers. The government has raised the incentive on remittance exchange rate to 2.5% from the previous 2% in order to boost remittance inflow. Bangladesh's remittance collection target has been set at \$ 26 bn for this FY but so far remittance has declined by 21% YOY in the July-Nov period. Private sector credit growth reached pre-pandemic level and touched 10.11% growth in November. High import of yarn, capital machinery & intermediate goods indicating a strong economic recovery significantly contributed towards this growth. Such rise in credit growth is expected to continue as Bangladesh Bank is focusing on flowing funds to productive sectors. Oil price went up as Omicron fears decline expecting demand recovery worldwide.

	This Week	Last Week	Weekly Change	YTD Change
Foreign Exchange Reserve (USD bn)	46.03	46.38	-0.76%	6.61%
Call Money Rate (Weighted Average)	2.84%	2.07%	77 bps	72 bps
Exchange Rate (BDT-USD)	85.80	85.30	0.59%	1.18%
Oil Price (USD per barrel of WTI)	75.21	73.79	1.92%	55.39%
		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) (November)		143,851	129,874	10.76%
Point-to-point Inflation (November)		5.98%	6.02%	4 bps
Tax Revenue (NBR) (USD mn) (Jul-Oct)		9,262	7,940	16.64%

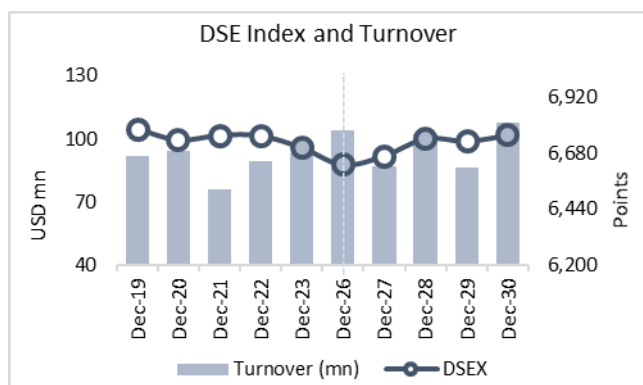
Source: Bangladesh Bank and Investing.com

ECONOMIC RISKS

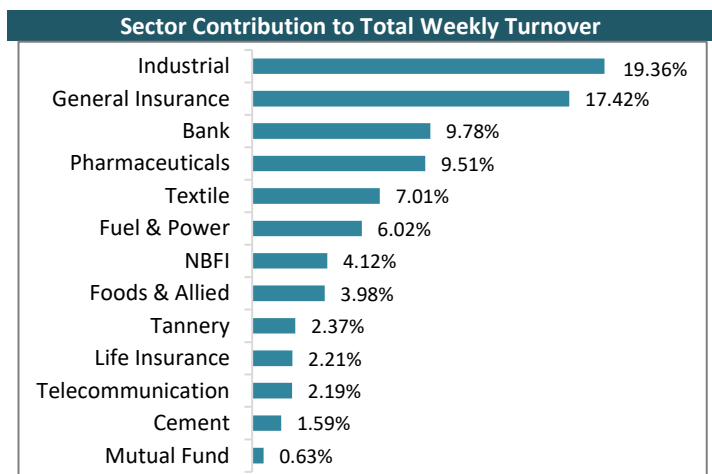
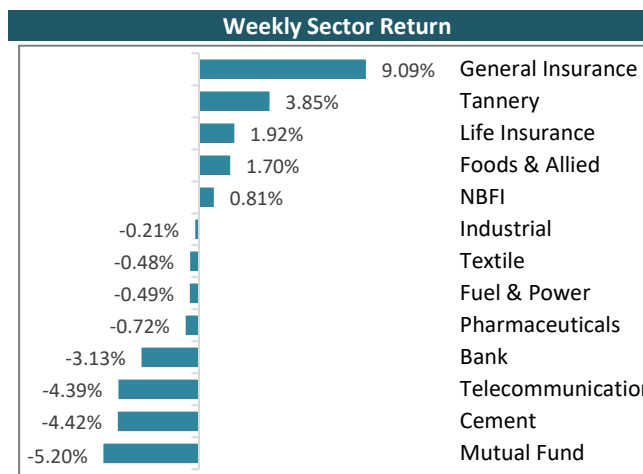
Risk factor	Risk Level	Impact
Soaring default loan in financial sector	High	The banking sector has been burdened with a high NPL ratio of 7.66% and a CAR of 11.63% that is the lowest in South Asia. Although banks are sitting with excess liquidity, their implementation of the stimulus package remains slow. The banking sector was granted loan moratorium from Jan 2020 to 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. However, rising cases of the highly contagious Omicron virus variant is a concern.
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 premier bourse gained 54 points (0.81%) during the week due to some positive development in the BSEC and central bank dispute, relaxation of margin loan requirements, and positive expectations for the new year. The first trading session of the week began with the market losing 73 points as risk averse investors exerted selling pressure due to the recent bearish rally. The market returned to positive in the second and third trading sessions as BSEC facilitated liquidity in the market by easing credit facilities for investors and ICB announced its 10,000 mn Sukuk bond to help support the capital market. This helped add 113 points to the index. Despite BSEC's readiness to withdraw the mandatory interest payment of bonds if needed by the central bank the following day, the two day short-bullish rally snapped as more Omicron cases were reported locally. The market closed the year on a positive note on the last trading day of the year with a marginal 26 points gain. The market yielded a return of 25.08% for 2021. Among major sectors, the general insurance sector yielded the highest weekly return of 9.09% and was the second most densely traded due to the regulatory requirement of raising paid up capital to a minimum of BDT 300 mn. Market participation also increased by 9.07% during the week as institutional investors rebalanced their portfolios. During the week, BSEC approved BDT 7,000 mn bonds for two banks to strengthen their tier-2 capital base.



	Market Statistics			
	This Week	Last Week	Weekly Change	YTD Change
DSEX	6,757	6,703	0.81%	25.08%
DS30	2,533	2,512	0.82%	28.95%
Market Cap (\$ mn)	63,563	63,219	0.54%	20.96%
Total Turnover (\$ mn)	488	447	9.07%	-42.65%
Avg. Daily Turn. (\$ mn)	98	89	9.07%	-42.65%
S&P 500	4,766	4,726	0.85%	26.89%
DJIA	36,338	35,951	1.08%	18.73%
FTSE 100	7,385	7,372	0.17%	14.30%
NIKKEI 225	28,792	28,783	0.03%	4.91%


NOTABLE QUARTERLY EARNINGS ANNOUNCEMENTS DURING THE WEEK

BSC registered a triple digit earnings growth in Q1 of 2021 YoY as the revenue hiked by 104.97% due to the increase in international shipping fares. The earnings of MPETROLEUM for Q1 of 2021 plunged by 7.80% YoY mainly due to the 5.22% decline in the earnings of its petroleum products.

TICKER	COMPANY NAME	SECTOR	EPS 2021 (Jul-Sep)	EPS 2020 (Jul-Sep)	CHANGE
BSC	Bangladesh Shipping Corporation	Miscellaneous	4.34	0.58	648.28%
MPETROLEUM	Meghna Petroleum Limited	Fuel & Power	6.03	6.54	-7.80%

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 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 NBF 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	201
Food & Allied	2,428	1,817	3,474	3,619	3,200	2,638	4,255	1,283	2,907	1,890	3,572
Fuel & Power	9,076	11,399	10,631	9,112	7,445	5,697	9,947	9,550	9,517	10,124	8,508
Industrial	4,711	4,805	3,836	3,104	2,925	-670	3,447	5,775	7,263	6,710	7,308
NBFI	1,853	-704	-690	868	1,484	1,218	1,600	2,558	1,481	1,380	2,186
Pharmaceuticals	6,210	6,820	7,362	6,926	6,598	4,443	8,736	8,659	8,741	9,110	10,682
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	1,397
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%	-	-61.2%
Ceramic	-20.3%	-71.3%	-22.7%	-35.6%	-27.5%	-567.8%	-45.7%	23.7%	49.3%	193.7%	41.6%
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%	96.7%	-7.6%
Industrial	-2.3%	-65.3%	-12.7%	-31.9%	-37.9%	-113.9%	-10.2%	86.1%	148.3%	-	128.3%
NBFI	-21.2%	-138.7%	-144.2%	-81.6%	-19.9%	273.0%	331.9%	194.5%	-0.2%	10.9%	2.9%
Pharmaceuticals	7.9%	4.7%	10.7%	2.5%	6.2%	-34.8%	18.7%	25.0%	32.5%	105.0%	22.3%
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%	131.1%
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 221 and 207 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 2.2% in Bangladesh: COVID-19 Update

The weekly new COVID-19 cases increased by 38.38% while the total tests conducted increased by 2.78% compared to the previous week. During the week, 2,924 new positive cases and 20 more deaths were reported in Bangladesh while positivity rate increased this week to 2.2%, taking the total number of cases to 1,585,909 as of 1st January, according to official tallies. Meanwhile, a 2-month long special campaign has been initiated to bring marginal people under vaccination coverage and ensure vaccines for all. In this campaign, people unable to register for vaccines can be vaccinated by visiting a vaccination center with their NID or birth certificate. Besides, DGHS is going to start a PCR lab from January 3 to conduct covid test of air travelers at Chattogram Shah Amanat International Airport. Globally, the total number of cases has crossed 289 mn and the death count has also crossed 5.45 mn.

Authorities ask BB to transfer foreign reserve from US to avoid future possible US sanctions

In order to avoid future possible US sanctions, a legal notice has been sent to government bodies mentioning that Bangladesh needs to take immediate measures to transfer the country's reserve money to other safe foreign countries other than the US. Bangladesh should keep only the required amount of foreign reserves with the federal bank to maintain regular international trade.

Foreigners allowed to remit 80% of monthly income

Foreigners in Bangladesh are now allowed to remit up to 80% of their monthly income after tax deduction to their home country, which was previously limited at 75%. Residual repatriation will be possible when they permanently leave the country after their job contract expires. Bangladesh Bank has relaxed this rule with an intention to ease foreign exchange rules.