

KEY ECONOMIC INDICATORS

As the RMG sector continues to battles its way for survival amid sluggish exports, the government has decided to extend the moratorium facility for 6 months for stimulus package RMG loans. This decision comes at a very crucial time as orders are yet to bounce back completely. However, of late owners have been receiving queries from buyers regarding new work orders as the Western countries have initiated their COVID-19 jobs. In addition, the government's net bank borrowing decreased to BDT 5.95 bn during July-Dec '21 period compared to BDT 449.5 bn a year back. This shows the lack of implementation of development projects and spending, which is essential for the revival of the economy alongside private sector growth. Oil prices maintained its bullish momentum banking on robust demand from Asia and supply disruptions in the US due to storms.

	This Week	Last Week	Weekly Change	YTD Change
Foreign Exchange Reserve (USD bn)	43.52	43.21	0.72%	0.80%
Call Money Rate (Weighted Average)	1.60%	1.78%	-18 bps	-52 bps
Exchange Rate (BDT-USD)	84.80	84.80	0.00%	0.00%
Oil Price (USD per barrel of WTI)	60.53	58.33	3.77%	25.06%
	FY 2020-21	FY 2019-20	% Change	
Export (USD mn) (Jul-Jan)		22,670	22,919	-1.09%
Remittances (USD mn) (Jul-Jan)		14,907	11,046	34.95%
Import (USD mn) (Jul-Dec)		27,269	29,249	-6.67%
Current Account Balance (USD mn) (Jul-Dec)		4,322	(1,667)	N/A
Credit to the Private Sector (USD mn) (Dec)		134,587	124,192	8.37%
Point-to-point Inflation (Jan)		5.02%	5.57%	-55 bps
Tax Revenue (NBR) (USD mn) (Jul-Dec)		13,023	12,528	3.95%

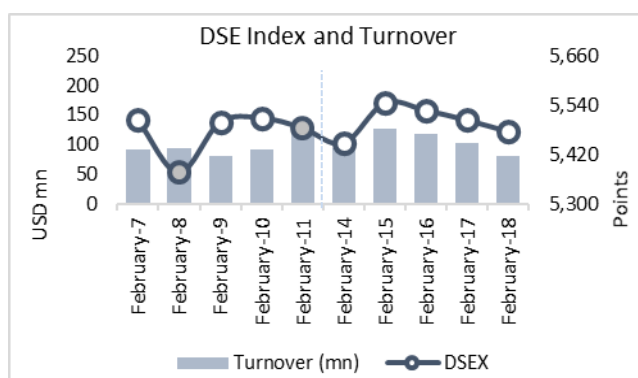
Source: Bangladesh Bank and Investing.com

ECONOMIC RISKS

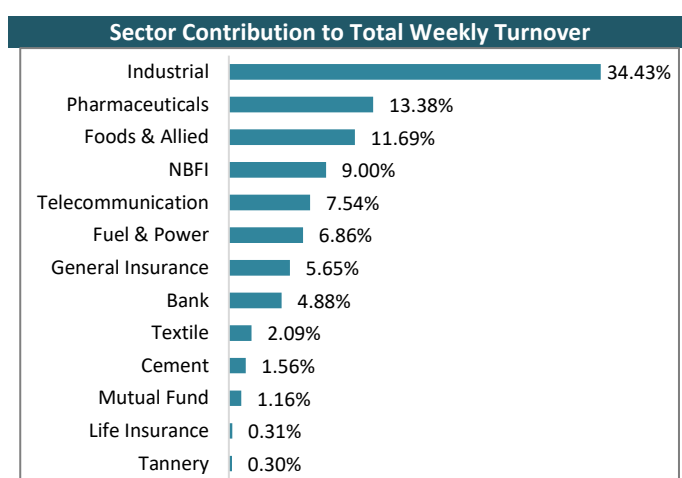
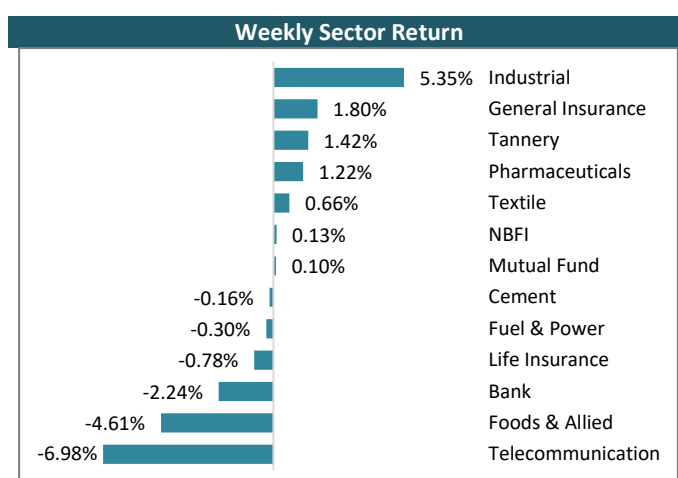
Risk factor	Risk Level	Impact
Subdued tax revenue collection	High	Tax collection registered a negative growth of -2.63% in FY20 for the first time since the country's independence due to the effects of the virus. However, revenue collection has increased by 3.95% in the Jul-Dec period of FY21 as businesses 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 8.88% 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 and has permitted dividend declaration based on their capital base with a maximum of 30% dividend declaration, including 15% cash.
Remittance shock	Medium	Inward remittances made an exceptional recovery in the Jul-Jan period amid the pandemic with a 34.95% 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 after the lockdown ended in May. This has allowed demand in the economy to slowly recover. However, while risks related to the second wave of the virus remains, positive developments with regards to the vaccine might strengthen consumer confidence.
Export slump	Medium	It has been projected that global merchandise trade might plummet by ~13% due to the pandemic. While reinstatement of cancelled orders initially helped RMG exports rebound, the impact of the second wave has dragged RMG export growth to the negative zone once again. Although vaccine rollout at major export destinations have commenced, it may take a while for demand recovery to take place. 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.

CAPITAL MARKET UPDATE

The market continued its declining trend during the week as it shed 9 points (-0.16%) as shaky investors continued panic selling in all major sectors due to the persistent volatility in the market. BATBC's stock price experienced a major correction as it fell by BDT 108 (-6.35%) during the week after BSEC's notice which stated that considering the stock dividend, the adjusted/reference price after the record date will be the new revised floor-price. This decision was taken to avoid inflating the market capital of companies without any fundamental backing. As a result, food & allied sector lost -4.61% during the week. The telecommunication sector was the biggest loser as investors were unhappy with ROBI's declaration of 'no dividend'. GP also faced price a correction of BDT 17.10 (-4.60%) after its record date on 17th February. The industrial sector generated the highest return of 5.35%. Overall market turnover increased by 8.60% compared to the previous week but still remains relatively dull. At this time, BB's initiative to create a special fund to support the capital market is moving at a slow pace as latest data shows only 25 out of 41 banks have invested only BDT 10.33 bn (38.65%) out of the pledged amount of BDT 26.73 bn. On the other hand, there are currently 15 IPOs in the pipeline that are waiting for approval which can help increase market supply in the coming days.



	Market Statistics			
	This Week	Last Week	Weekly Change	YTD Change
DSEX	5,476	5,485	-0.16%	1.37%
DS30	2,106	2,111	-0.24%	7.21%
Market Cap (\$ mn)	54,816	55,293	-0.86%	3.89%
Total Turnover (\$ mn)	522	481	8.60%	-38.83%
Avg. Daily Turn. (\$ mn)	104	96	8.60%	-38.83%
S&P 500	3,907	3,935	-0.71%	4.01%
DJIA	30,243	31,458	-3.87%	-1.19%
FTSE 100	6,624	6,590	0.52%	2.53%
NIKKEI 225	30,234	29,520	2.42%	10.17%


NOTABLE EARNINGS ANNOUNCEMENTS DURING THE WEEK

All of the 6 earnings that were declared during the week posted positive earnings growth. IDLC's earnings jumped up by 49.5% as the operating income increased by 18.69%. The increase in operating income was mainly contributed by fixed income securities, brokerage income, loan processing fee and revenue from written-off accounts. IDLC also declared 35% cash dividend after a very good year. BDFINANCE did not disappoint investors either as the NBFI posted positive earnings and dividends. ROBI's share price dropped after the company declared no dividend despite positive earnings growth.

TICKER	COMPANY NAME	SECTOR	EPS 2020 (Jan-Dec)	EPS 2019 (July-Jun)	CHANGE	Dividend (2020)
IDLC	IDLC Finance Ltd.	Financial Institutions	6.74	4.51	49.5%	35% Cash
BDFINANCE	Bangladesh Finance and Investment Co. Ltd	Financial Institutions	1.8	1.12	60.7%	6%C & 6%B
ROBI	Robi Axiata Limited	Telecommunication	0.33	0.04	725.0%	No Dividend

QUARTERLY EARNINGS UPDATE

During the Oct-Dec'20 quarter, based on the data of 166 companies that have declared their earnings so far, the industrial sector bounced back and recorded the 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 subside. The pharmaceuticals sector recorded the second highest earnings growth during the quarter followed by ceramic, telecommunication, and fuel & power. 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. Earlier in Apr-Jun'20 quarter, only the NBF and food & allied sector managed to report a positive growth mainly due to a significant boost in ICB's earnings and BATBC's resilient growth in stick sales, respectively.

Sector	2019					2020			
	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Total	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec
Bank	13,988	21,244	13,891	22,880	72,003	18,311	13,382	22,361	-
Cement	321	481	343	-39	1,107	237	40	419	778
Ceramic	230	59	261	287	837	167	-278	142	355
Food & Allied	228	-61	556	378	1,101	-19	-464	243	200
Fuel & Power	8,777	11,084	10,558	8,561	38,981	7,014	5,606	9,641	9,111
Industrial	4,149	4,514	3,469	2,707	14,840	2,682	-388	3,265	5,768
NBFI	1,716	-243	-743	981	1,712	2,000	1,728	2,272	-
Pharmaceuticals	5,893	6,549	7,066	6,512	26,020	6,410	4,560	8,520	8,296
Telecommunication	8,926	9,553	7,269	8,766	34,514	10,694	7,265	8,898	10,330
Textile	1,405	-5,923	1,156	1,195	-2,168	393	-3,914	447	841
Tannery	116	33	158	96	403	-55	-134	59	69

QoQ Growth (Sectorwise)	2019				Yearly Growth	2020			
	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%	3.1%	30.9%	-37.0%	61.0%	-
Cement	-16.3%	12.9%	59.8%	-129.1%	-4.4%	-26.1%	-91.7%	21.9%	-
Ceramic	-20.3%	-71.3%	-22.7%	-35.6%	-34.5%	-27.5%	-567.8%	-45.7%	23.7%
Food & Allied	-25.2%	-74.1%	7.9%	3.9%	-59.5%	-108.2%	-661.2%	-56.2%	-47.2%
Fuel & Power	23.1%	8.8%	-2.0%	-8.0%	4.2%	-20.1%	-49.4%	-8.7%	6.4%
Industrial	-1.8%	-61.8%	-9.1%	-32.2%	-37.8%	-35.4%	-108.6%	-5.9%	113.1%
NBFI	-33.4%	-111.4%	-141.3%	-80.1%	-85.1%	16.5%	810.3%	405.8%	-
Pharmaceuticals	6.0%	8.9%	11.5%	2.1%	7.1%	8.8%	-30.4%	20.6%	27.4%
Telecommunication	39.6%	-11.6%	-18.3%	-3.3%	-1.8%	19.8%	-24.0%	22.4%	17.8%
Textile	-12.4%	-484.2%	-41.0%	-25.3%	-132.3%	-72.0%	33.9%	-61.4%	-29.6%
Tannery	188.2%	-67.6%	7.3%	-16.5%	-0.4%	-147.5%	-504.5%	-62.6%	-27.9%

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

Source: DSEX, LR Global Research

*Jul-Sep'20 & Oct-Dec'20 earnings growth have been calculated based on the earnings of 224 and 166 companies, respectively, that have been declared so far out of the 251 tracked.

MAJOR EVENTS DURING THE WEEK

COVID-19 infection rate increases slightly to 2.80% this week in Bangladesh: COVID-19 Update

The weekly new COVID-19 cases increased by 10.50% as the total tests conducted decreased by -0.19% compared to the previous week. During the week, 2,758 new positive cases and 76 more deaths were reported in Bangladesh, taking the total number of cases to 543,351 as of 20th February, according to official tallies. The positivity rate increased to 2.80% while the death rate is hovering around the same region. Bangladesh has performed better compared to neighboring countries in terms of vaccinating its population. As of 21st February, 1% of the population is already immunized. Globally, the total number of cases has crossed 111 mn and the death count is also about to reach 2.46 mn.

BB forms a committee and instructs NBIs to take strict measures against scams amid rising NPLs

The central bank in a meeting has asked NBFI to improve their internal control and compliance as many of them are not being able to repay depositors money despite funds becoming matured. The meeting was called after two state banks failed to collect BDT 6,330 mn they deposited with six NBFI. BB has also formed a committee to probe irregularities in NBFI.

UK to provide 3 years grace period of GSP after Bangladesh graduates from LDC

Bangladesh will get GSP facilities to UK till 2029 if it graduates to a developing nation in 2026. Bangladesh currently exports goods worth around GBP 2.8 bn to UK and gets 99% duty free access. Furthermore, 15 UK companies are interested in investing due to the improving business environment in Bangladesh.