## KEY ECONOMIC INDICATORS

Apart from weak demand, increasing cotton prices due to global production shortfall and speculations has been delaying recovery of the ailing RMG sector. The prices of cotton per kg increased by $ 0.32 (38.10%) in the global market which has pushed local spinners to the point of just break even. In addition, high bargaining from buyers' end is likely to make it tough for producers to pass on the increased cost to other parties. The forex reserve reached another milestone as it surpassed the $44 billion mark thanks to the upward trend of remittances and lower import payments. The country now has the capacity to meet the import cost of almost nine months. The exchange rate remained same as the central bank kept buying greenbacks from the market. Oil prices crept up again this week amid production cuts and increased demand.

| | This Week | Last Week | Weekly Change | YTD Change |
|---|---|---|---|---|
| **Foreign Exchange Reserve** (USD bn) | 44.03 | 43.52 | 1.17% | 1.98% |
| **Call Money Rate** (Weighted Average) | 1.51% | 1.60% | -9 bps | -61 bps |
| **Exchange Rate** (BDT-USD) | 84.80 | 84.80 | 0.00% | 0.00% |
| **Oil Price** (USD per barrel of WTI) | 63.53 | 60.53 | 4.96% | 31.26% |
| | | **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% |

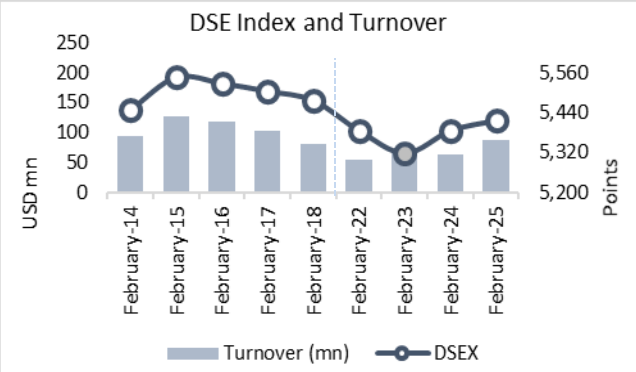
*Source: Bangladesh Bank and Investing.com*

## 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. In addition, banks and NBFIs have been permitted to declare a maximum of 15% cash dividend depending on the strength of their capital base. |
| **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, consumer confidence is likely to strengthen as the percentage of vaccinated population continues to increase. |
| **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. |

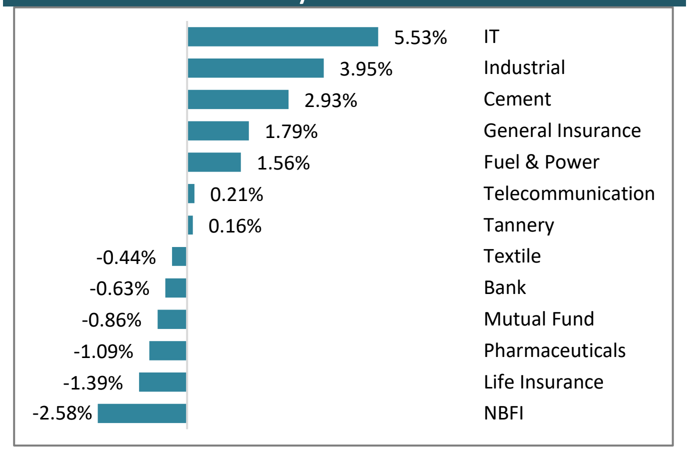
## CAPITAL MARKET UPDATE

The premier bourse continued a downward trend this week as it lost another 60 points (-1.09%) due to price correction of some over-hyped securities and lack of optimistic events to instigate confidence. Bearish investors liquidated their positions in shares which gained significantly over the last rally. Many investors have also been following a “go slow” strategy ahead of dividend declaration of companies’ whose financial year end in December. The market made an attempt to bounce back into the green zone with low turnover in the last two trading days of the week as investors took some positions in shares that faced heavy price correction in the last few weeks. Also, BSEC’s announcement of its plan to form a market stabilization fund with the unsettled dividends worth BDT 215 bn that would be pumped in to the stock market to improve liquidity allowed the market to break its losing streak. Meanwhile, the net profit of 185 out of the 331 listed companies showed a 26% increase YoY for the Oct-Dec 20 quarter. This suggests that the business confidence has improved and is on the right track and the country’s vaccination drive is likely to help boost this further. The IT sector generated the highest return thanks to market debutant EGEN as its price soared 147% in just 4 trading days. On the other hand, the NBFI sector was the biggest loser as investors were unhappy that the central bank capped the sector’s dividend disbursement rate to 15% which forced some of the NBFIs to revise their proposed dividends.

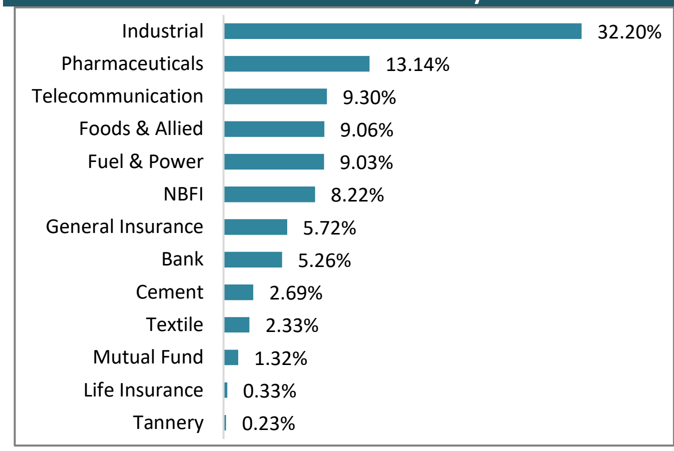



| Market Statistics | | | | |
|---|---|---|---|---|
| | This Week | Last Week | Weekly Change | YTD Change |
| DSEX | 5,416 | 5,476 | -1.09% | 0.27% |
| DS30 | 2,066 | 2,106 | -1.89% | 5.19% |
| Market Cap ($ mn) | 54,968 | 54,816 | 0.28% | 4.18% |
| Total Turnover ($ mn) | 275 | 522 | -47.38% | -67.81% |
| Avg. Daily Turn. ($ mn) | 69 | 104 | -34.22% | -59.76% |
| S&P 500 | 3,811 | 3,907 | -2.45% | 1.47% |
| DJIA | 30,932 | 30,243 | 2.28% | 1.06% |
| FTSE 100 | 6,483 | 6,624 | -2.12% | 0.35% |
| NIKKEI 225 | 28,966 | 30,234 | -4.19% | 5.55% |

### Weekly Sector Return




### Sector Contribution to Total Weekly Turnover




## NOTABLE EARNINGS ANNOUNCEMENTS DURING THE WEEK

Out of the 2 earnings that were declared during the week, one posted positive earnings growth while other posted negative. AMANFEED recorded positive earnings growth as its topline improved by 17.30%. The feed industry has been booming as the demand for poultry continues to soar. However, AMANFEED’s increase in revenue was eroded by financial expenses which increased by 75.24%. EGEN posted negative earnings growth despite an increase in revenue as the company undertook projects with lower margin to increase its market share.

| TICKER | COMPANY NAME | SECTOR | EPS 2020 (Oct-Dec) | EPS 2019 (Oct-Dec) | CHANGE |
|---|---|---|---|---|---|
| AMANFEED | Aman Feed Limited | Miscellaneous | 0.77 | 0.75 | 2.67% |
| EGEN | eGeneration Limited | IT Sector | 0.45 | 0.53 | -15.09% |

Source: DSEX, Investing.com, LR Global Research

## 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 NBFI 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 | 0 |
| Cement | 872 | 958 | 582 | 250 | 2,662 | 803 | 173 | 930 | 778 |
| Ceramic | 230 | 59 | 261 | 287 | 837 | 167 | -278 | 142 | 355 |
| Food & Allied | 2,294 | 1,683 | 3,219 | 3,156 | 10,352 | 3,020 | 2,501 | 2,960 | 200 |
| Fuel & Power | 9,076 | 11,399 | 10,862 | 8,961 | 40,298 | 7,336 | 5,683 | 9,997 | 9,130 |
| Industrial | 4,733 | 4,834 | 3,870 | 3,165 | 16,602 | 2,929 | -665 | 3,439 | 5,895 |
| NBFI | 1,775 | -393 | -783 | 1,216 | 1,814 | 1,517 | 1,355 | 1,864 | 1,241 |
| Pharmaceuticals | 6,344 | 6,951 | 7,617 | 7,387 | 28,298 | 6,778 | 4,870 | 8,869 | 8,323 |
| Telecommunication | 8,926 | 9,553 | 7,269 | 8,766 | 34,514 | 10,694 | 7,265 | 8,898 | 10,330 |
| Textile | 1,465 | -5,890 | 1,183 | 1,271 | -1,971 | 417 | -3,951 | 484 | 894 |
| Tannery | 270 | 101 | 371 | 144 | 886 | -27 | -869 | -455 | 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 | -4.6% | -0.4% | 93.8% | -72.4% | -13.6% | -7.9% | -81.9% | 59.7% | - |
| Ceramic | -20.3% | -71.3% | -22.7% | -35.6% | -34.5% | -27.5% | -567.8% | -45.7% | 23.7% |
| Food & Allied | -25.0% | -74.1% | 25.3% | 25.6% | -18.8% | 31.6% | 48.6% | -8.0% | -47.2% |
| Fuel & Power | 22.5% | 9.4% | -1.1% | -7.3% | 4.7% | -19.2% | -50.1% | -8.0% | 6.4% |
| Industrial | -2.3% | -65.2% | -12.0% | -30.8% | -40.0% | -38.1% | -113.8% | -11.1% | 108.1% |
| NBFI | -32.7% | -118.7% | -142.2% | -75.6% | -84.3% | -14.5% | 444.8% | 338.0% | - |
| Pharmaceuticals | 7.7% | 6.0% | 25.6% | 20.7% | 14.9% | 6.8% | -29.9% | 16.4% | 27.1% |
| Telecommunication | 39.6% | -11.6% | -18.3% | -3.3% | -1.8% | 19.8% | -24.0% | 22.4% | 17.8% |
| Textile | -9.4% | -481.5% | -39.8% | -20.8% | -129.3% | -71.5% | 32.9% | -59.1% | -28.9% |
| Tannery | -34.1% | -63.8% | -38.8% | -55.0% | -45.2% | -109.9% | -962.9% | -222.6% | -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 226 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 2.90% this week in Bangladesh: COVID-19 Update**

The weekly new COVID-19 cases increased by 1.78% as the total tests conducted decreased by -1.47% compared to the previous week. During the week, 2,807 new positive cases and 58 more deaths were reported in Bangladesh, taking the total number of cases to 545,831 as of 25th February, according to official tallies. The positivity rate increased to 2.90% while the death rate is hovering around the same region. Bangladesh received its 2nd consignment of “Covidshield” from Serum Institute of India but only 2mn doses arrived instead of the 5 mn doses as per the contract. Globally, the total number of cases has crossed 114 mn and the death count is also about to reach 2.52 mn.

**BB sets limit on NBFIs dividend disbursement**

The central bank published a circular this week to set an upper limit on dividends declared by NBFIs. As a result, no NBFI can disburse more than a 15% cash dividend. This decision was taken to protect the NBFIs from the adverse impact of COVID-19 which is expected to be more visible in the coming fiscal year. IDLC will now have to revise its 35% cash dividend for 2020.

**Nine banks and five NBFIs inks deal with BB related to tech upgradation fund**

Export-oriented industries can now take loans to upgrade the technology they currently use from the fund formed by BB with banks and NBFIs. The interest rate on the loans will range between 5-6% with a 1-year grace period. The fund will operate like a refinancing scheme where banks will first give out the loans before being reimbursed by BB.