

KEY ECONOMIC INDICATORS

Exports continued its downward trend in February as it dipped by -3.92%. This distressed situation is expected to reverse in the June-July period when increased orders may flow in for fall season. However, export earnings currently stand at \$25.86 bn, eliminating the chance of attaining the target of \$41 bn for the FY. Remittance inflow grew by 33.51% during the July-Feb period although the growth rate has been steadily declining since October as the effects of the pandemic are slowly easing. Foreign reserve declined by -2.93% during the week which suggests import payments are picking up. Private sector credit growth remained sluggish at 8.32% in Jan, a slight decline from 8.37% in Dec, as investors are taking a careful approach with regards to fresh investments. Oil prices increased this week as OPEC decided not to change the production for April.

	This Week	Last Week	Weekly Change	YTD Change
Foreign Exchange Reserve (USD bn)	42.74	44.03	-2.93%	-1.00%
Call Money Rate (Weighted Average)	1.79%	1.51%	28 bps	-33 bps
Exchange Rate (BDT-USD)	84.80	84.80	0.00%	0.00%
Oil Price (USD per barrel of WTI)	66.09	63.53	4.03%	36.55%
	FY 2020-21	FY 2019-20	% Change	
Export (USD mn) (Jul-Feb)		25,862	26,242	-1.45%
Remittances (USD mn) (Jul-Feb)		16,687	12,499	33.51%
Import (USD mn) (Jul-Dec)		27,269	29,249	-6.77%
Current Account Balance (USD mn) (Jul-Dec)		4,322	(1,667)	N/A
Credit to the Private Sector (USD mn) (Jan)		134,466	124,112	8.32%
Point-to-point Inflation (Jan)		5.02%	5.57%	-55 bps
Tax Revenue (NBR) (USD mn) (Jul-Dec)		13,023	12,528	3.95%

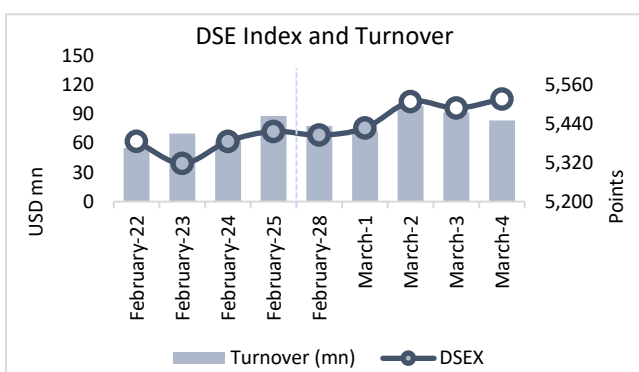
Source: Bangladesh Bank and Investing.com

ECONOMIC RISKS

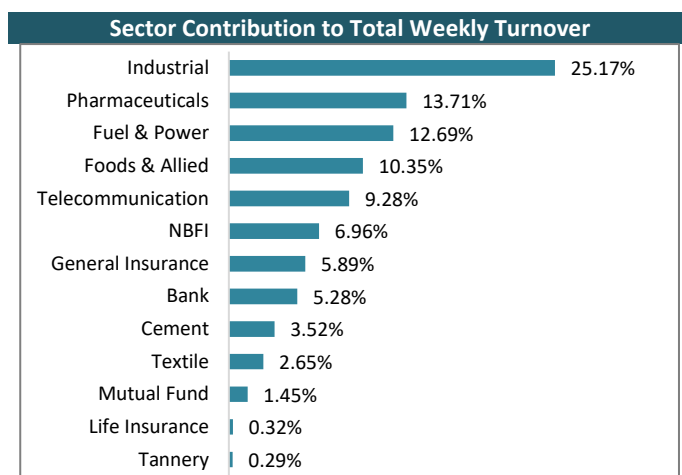
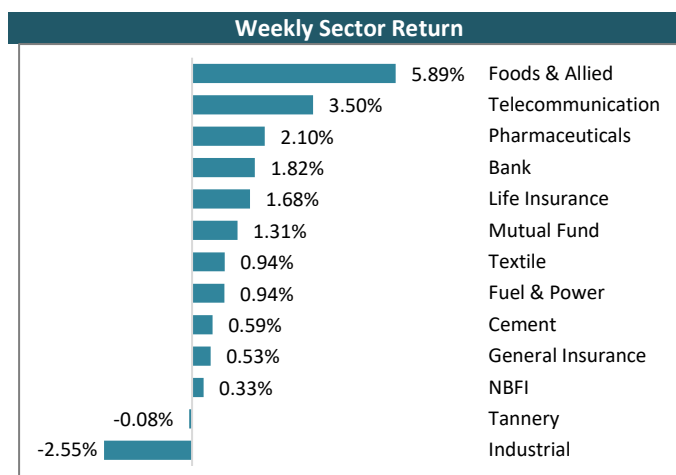
Risk factor	Risk Level	Impact
Subdued tax revenue collection	High	Tax collection registered a negative growth of -2.63% in FY20 for the first time since the country's independence due to the effects of the virus. However, revenue collection has increased by 3.95% in the Jul-Dec period of FY21 as businesses 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-Feb period amid the pandemic with a 33.51% 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 DSEX reversed its 6-week long bearish trend and went up by 99 points (1.84%) during the week as a growing number of investors took positions in stocks which significantly eroded in value in the preceding few weeks. A good number of stocks were pushed towards the floor price in recent weeks and bargain seekers used this opportunity to take fresh positions in these stocks. The food & allied sector posted the highest return during the week, followed by telecommunication and pharmaceutical, while the turnover board was dominated by the industrial sector whose issues saw the highest price correction. Average daily turnover increased by 23.19% compared to the previous week, suggesting improved market participation from investors. Meanwhile, the capital market regulator restructured the board of 6 non-performing companies in its effort to protect the interest of general shareholders. BSEC’s continuous regulatory alongside the initiative to digitize the BO account opening process attracted investors to open 0.03 mn BO accounts in February, taking the total number active BO accounts to 2.66 mn as of 28th February.



Market Statistics				
	This Week	Last Week	Weekly Change	YTD Change
DSEX	5,516	5,416	1.84%	2.11%
DS30	2,113	2,066	2.27%	7.57%
Market Cap (\$ mn)	55,691	54,968	1.31%	5.55%
Total Turnover (\$ mn)	423	275	53.98%	-50.43%
Avg. Daily Turn. (\$ mn)	85	69	23.19%	-50.43%
S&P 500	3,842	3,811	0.81%	2.29%
DJIA	31,496	30,932	1.82%	2.91%
FTSE 100	6,631	6,483	2.27%	2.63%
NIKKEI 225	28,864	28,966	-0.35%	5.17%



NOTABLE EARNINGS ANNOUNCEMENTS DURING THE WEEK

Out of the 4 earnings that were declared during the week, 3 companies posted negative earnings growth while the remaining posted positive growth. LHBL posted an earnings growth of 35.33% despite witnessing a fall in revenue by 9.00%. However, the company managed to shrug off the effects of lower sales by enhancing its efficiency and cutting down costs. UNILEVERCL disappointed investors as its profits tumbled by 46.30%. The topline of the company declined during the period due to supply chain disruption during the pandemic as the factory in India that supplied raw materials to the company remained shut.

TICKER	COMPANY NAME	SECTOR	EPS 2020 (Jan-Dec)	EPS 2019 (Jan-Dec)	CHANGE	Dividend (2020)
LHBL	Lafarge Holcim Bangladesh Limited	Cement	2.03	1.5	35.33%	10% Cash
UNILEVERCL	Unilever Consumer Care Limited	Food & Allied	43.94	81.83	-46.30%	440% Cash

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	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	202
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 167 companies, respectively, that have been declared so far out of the 251 tracked.

MAJOR EVENTS DURING THE WEEK

COVID-19 infection rate increases to 3.80% this week in Bangladesh: COVID-19 Update

The weekly new COVID-19 cases increased by 38.69% as the total tests conducted increased by 4.66% compared to the previous week. During the week, 3,893 new positive cases and 51 more deaths were reported in Bangladesh, taking the total number of cases to 549,724 as of 4th March, according to official tallies. The positivity rate increased to 3.80% while the death rate is hovering around the same region. The recovery rate on the other hand has improved and crossed the 90% mark. Bangladesh mass vaccination drive is continuing to take place as the elderly and front-line workers get preference for the jab. Globally, the total number of cases has crossed 116 mn and the death count is also about to reach 2.59 mn.

BB commands NBFIs to ensure proper utilization of loans

The central bank published a circular this week and asked NBFIs to track loans regularly in a bid to make sure loans from one sector are not being used in another. Furthermore, loans being made in installments should be checked before the succeeding installment is disbursed after certifying that the previous instalment was used fully and in the right sector.

BTRC revises T&C of the auction procedure for Radio Frequency Auction

The telecom regulator under the revised T&C will not allow a mobile operator to participate in the auction for 2100MHz band if it does not participate in the auction for 1800MHz band. This change was made as the demand for the spectrum exceeded the available supply. The auction for 1800MHz and 2100MHz will now be conducted in five and three blocks respectively.