

KEY ECONOMIC INDICATORS

The apparel exporters received a fresh blow as freight costs increased by more than 50% due to suspensions and restrictions on international routes. Moreover, local RMG companies are facing a cash crunch due to deferred payments and deep discounts even though 90% orders have been restored. Despite the availability of the COVID-19 vaccine at major export destinations, its slow rollout is now delaying demand rebound and prolonging economic recovery. Meanwhile, the central bank is likely to extend its expansionary monetary policy in the second half of this FY as the pandemic-induced economic slowdown has continued to prevail. Poverty level has been on the rise as an estimated 42% of the population now live below the poverty line, as per SANEM. Oil prices dipped a little due to increase in OPEC's oil production in January, as the cartel eases output cuts.

	This Week	Last Week	Weekly Change	YTD Change
Foreign Exchange Reserve (USD bn)	42.83	42.52	0.74%	-0.79%
Call Money Rate (Weighted Average)	1.66%	1.52%	14 bps	-46 bps
Exchange Rate (BDT-USD)	84.80	84.80	0.00%	0.00%
Oil Price (USD per barrel of WTI)	52.34	53.19	-1.60%	8.14%
		FY 2020-21	FY 2019-20	% Change
Export (USD mn) (Jul-Dec)		19,230	19,302	-0.37%
Remittances (USD mn) (Jul-Dec)		12,945	9,408	37.59%
Import (USD mn) (Jul-Dec)		27,269	29,249	-6.67%
Current Account Balance (USD mn) (Jul-Nov)		4,322	(1,667)	N/A
Credit to the Private Sector (USD mn) (Nov)		134,588	124,188	8.37%
Point-to-point Inflation (Dec)		5.29%	5.75%	-46 bps
Tax Revenue (NBR) (USD mn) (Jul-Nov)		10,270	9,953	3.19%

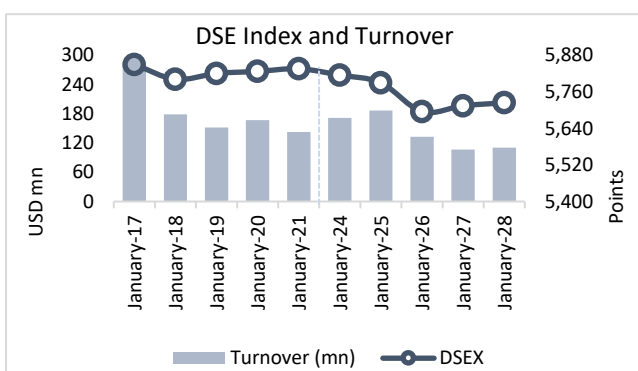
Source: Bangladesh Bank and Investing.com

ECONOMIC RISKS

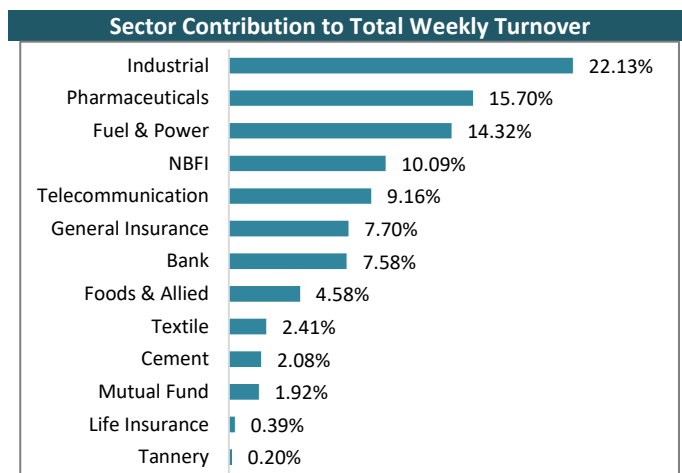
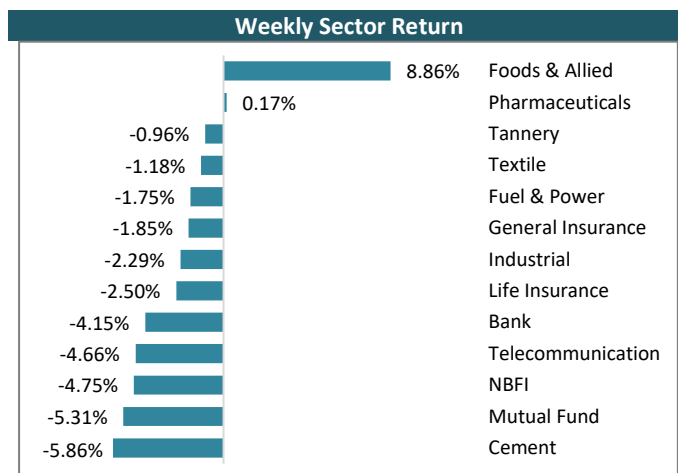
Risk factor	Risk Level	Impact
Subdued tax revenue collection	High	Tax collection registered a negative growth of -2.63% in FY20 for the first time since the country's independence due to the effects of the virus. However, revenue collection has increased by 3.19% in the Jul-Nov period of FY21 as businesses 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 was recently extended till December by the central bank. Once this moratorium period ends, 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.
Remittance shock	Medium	Inward remittances made an exceptional recovery in the Jul-Dec period amid the pandemic with a 37.59% 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 as well as the 2% cash incentive. A total of 209,245 migrant workers have returned to Bangladesh between 1 st April to 18 th October, with the highest number of returnees coming from petrostates such as the UAE (56,046) and Saudi Arabia (54,408). However, in recent times, workers have gradually started to return to their workplaces.
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. Vaccine approvals at major export destinations may mean that the RMG sector may not have to endure weak demand for long. However, 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 a declining trend during the week as it lost 112 points (-1.92%) as risk averse investors engaged in profit booking amid slower-than-expected rollout of vaccines globally and disappointment over earnings declarations of some listed companies. With this, the premier bourse shed a total of 185 points in two consecutive weeks. The foods & allied sector registered the highest gain of 8.86% as BATBC's market capitalization increased by 12.95% in a week while the pharmaceutical sector gained by a mere 0.17%. Other than these two sectors, all other sectors declined in value during the week. The industrial sector once again topped the turnover chart as investors anticipate economic recovery through the disbursement of stimulus packages aimed at cushioning the economy from a hard crash. Overall turnover declined by -23.11% during the week compared to the previous week. During the week, the securities regulator announced its intention of attracting more investment from foreigners and NRBs by launching derivatives, green bonds, Sukuks and exchange traded funds (ETFs) to reduce the dependency on equity and make the country's capital market more vibrant. The regulator is set to host capital road shows in Dubai in February to showcase investment prospects in Bangladesh.



Market Statistics				
	This Week	Last Week	Weekly Change	YTD Change
DSEX	5,724	5,836	-1.92%	5.97%
DS30	2,191	2,208	-0.78%	11.57%
Market Cap (\$ mn)	56,976	57,950	-1.68%	7.98%
Total Turnover (\$ mn)	708	921	-23.11%	-17.07%
Avg. Daily Turn. (\$ mn)	142	184	-23.11%	-17.07%
S&P 500	3,714	3,841	-3.31%	-1.11%
DJIA	29,983	30,997	-3.27%	-2.04%
FTSE 100	6,407	6,695	-4.30%	-0.82%
NIKKEI 225	27,663	28,631	-3.38%	0.80%



NOTABLE EARNINGS ANNOUNCEMENTS DURING THE WEEK

Out of the total 63 earnings that were declared during the week, 54% of the companies posted a positive growth while 46% of the companies posted a negative growth. BEXIMCO's earnings skyrocketed in Q2 as the company improved its topline by 77.75% with the help of revenue from the sales of PPEs and masks in the US. BXPHERMA saw its earnings grow steadily as it benefited from the sales of Remdevisir. PREMIERCEM bounced back this quarter thanks to government projects after being hit hard by the pandemic. GP posted positive earnings with the help of lower tax expenses despite taking a dent in its revenue.

TICKER	COMPANY NAME	SECTOR	EPS 2020 (Oct-Dec)	EPS 2019 (Oct-Dec)	CHANGE
BEXIMCO	Bangladesh Export Import Company Ltd.	Miscellaneous	1.78	0.23	673.9%
BXPHERMA	Beximco Pharmaceuticals Ltd.	Pharmaceuticals & Chemicals	2.54	1.89	34.4%
PREMIERCEM	Premier Cement Mills Limited	Cement	1.7	0.75	126.7%

TICKER	COMPANY NAME	SECTOR	EPS 2020 (Jan-Dec)	EPS 2019 (Jan-Dec)	CHANGE	Dividend (2020)
GP	Grameenphone Ltd.	Telecommunication	27.54	25.56	7.75%	275% cash

Source: DSEX, Investing.com, LR Global Research

QUARTERLY EARNINGS UPDATE

During the Oct-Dec'20 quarter, based on the data of 55 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 subsided. The cement sector recorded the second highest earnings growth during the quarter followed by telecommunication, and pharmaceutical. 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 NBFIs 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	18,370	0
Cement	872	958	582	250	2,662	803	173	930	488
Ceramic	230	59	261	287	837	167	-278	142	0
Food & Allied	2,294	1,683	3,219	3,156	10,352	3,020	2,501	2,960	234
Fuel & Power	9,057	11,367	10,850	8,938	40,212	7,324	5,679	9,652	2,313
Industrial	4,601	4,776	3,762	3,069	16,208	2,849	-793	3,210	2,643
NBFI	1,775	-393	-783	1,216	1,814	1,517	1,355	1,864	0
Pharmaceuticals	6,344	6,951	7,617	7,387	28,298	6,778	4,870	8,823	2,541
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	427	-3,353	412	159
Tannery	270	101	371	144	886	-27	-869	-455	18

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%	70.0%
Ceramic	-20.3%	-71.3%	-22.7%	-35.6%	-34.5%	-27.5%	-567.8%	-45.7%	-
Food & Allied	-25.0%	-74.1%	25.3%	25.6%	-18.8%	31.6%	48.6%	-8.0%	-14.1%
Fuel & Power	22.5%	9.3%	-1.2%	-7.3%	4.7%	-19.1%	-50.0%	-8.0%	-11.4%
Industrial	-2.5%	-64.2%	-11.0%	-31.2%	-39.4%	-38.1%	-116.5%	-5.6%	90.3%
NBFI	-32.7%	-118.7%	-142.2%	-75.6%	-84.3%	-14.5%	675.8%	351.6%	-
Pharmaceuticals	7.7%	6.0%	25.6%	20.7%	14.9%	6.8%	-27.8%	18.8%	15.2%
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%	-70.9%	43.7%	-60.7%	7.3%
Tannery	-34.1%	-63.8%	-38.8%	-55.0%	-45.2%	-109.9%	-962.9%	-222.6%	-61.7%

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 222 and 55 companies, respectively, that have been declared so far out of the 251 tracked.

MAJOR EVENTS DURING THE WEEK

COVID-19 infection rate drops to 3.50% this week in Bangladesh: COVID-19 Update

The weekly new COVID-19 cases decreased by 19.21% as the total tests conducted increased by 0.75% compared to the previous week. During the week 3,444 new positive cases and 108 more deaths were reported in Bangladesh, taking the total number of cases to 535,139 as of 30th January, according to official tallies. The positivity rate declined to 3.50% while the death rate is hovering around the same region. The first lot of 5 mn vaccine doses out of 30mn arrived in Dhaka on 25th last week from India. SII will send 5.0 million doses each month and the next lot is expected to arrive in February. Globally, the total number of cases has crossed 103 mn and the death count is also about to reach 2.22 mn.

BB in a strange situation with excess liquidity

The central bank is facing an unusual situation of liquidity glut from stimulus packages which are yet to be disbursed fully as private sector credit growth remains slow due to the uncertainty. Idle money at banks increased by 95% YOY this December, pushing interest rates further down. Low imports have also led to an injection of the BDT as BB had to purchase more US dollars from banks. The central bank plans to maintain expansionary monetary policy in an attempt to revive the economy.

Garment manufacturers suffer due to delayed payments from international retailers

Local garment suppliers are struggling to pay wages due to poor cash flow. After aggressive negotiations with buyers last year, manufacturers were forced to give hefty discounts which affected their profitability. But now they are facing a new challenge as the payments are being delayed and banks are reluctant to extend financing.