

**KEY ECONOMIC INDICATORS**

The recent spike in local delta variant-related Covid cases has severely impacted local business activities and domestic consumption throughout the country. However, so far, the RMG sector is expected to be less affected by this as Western countries have managed to bring this risk under control. Export earnings' target has been set at USD 51 bn for FY22, a projection of 12.37% growth YoY, after taking the pandemic and supply chain issues, recent export performance, and the policy support provided by the government into consideration. A rise in import payments is set to push the country's trade deficit past USD 20 bn for FY21, as the deficit amount already stands at USD 19.84 bn as of July-May for the same FY. Growing uncertainty due to the second wave of the Covid pandemic pushed down private sector credit growth to 7.55% in May 2021 from 8.29% a month ago. Oil price declined after consecutive weeks of gain due to major disagreements among OPEC+ members.

	This Week	Last Week	Weekly Change	YTD Change
<b>Foreign Exchange Reserve (USD bn)</b>	45.12	46.39	-2.75%	4.50%
<b>Call Money Rate (Weighted Average)</b>	2.49%	2.23%	26 bps	37 bps
<b>Exchange Rate (BDT-USD)</b>	84.80	84.81	0.00%	0.00%
<b>Oil Price (USD per barrel of WTI)</b>	72.94	75.23	-3.04%	50.70%
		<b>FY 2020-21</b>	<b>FY 2019-20</b>	<b>% Change</b>
<b>Export (USD mn) (Jul-June)</b>		38,758	33,674	15.10%
<b>Remittances (USD mn) (Jul-June)</b>		24,778	18,205	36.10%
<b>Import (USD mn) (Jul-May)</b>		58,626	49,977	17.31%
<b>Current Account Balance (USD mn) (Jul-May)</b>		-1,848	-4,434	N/A
<b>Credit to the Private Sector (USD mn) (May)</b>		138,184	128,485	7.55%
<b>Point-to-point Inflation (May)</b>		5.26%	5.35%	-0.26bps
<b>Tax Revenue (NBR) (USD mn) (Jul-Apr)</b>		23,300	20,644	12.87%

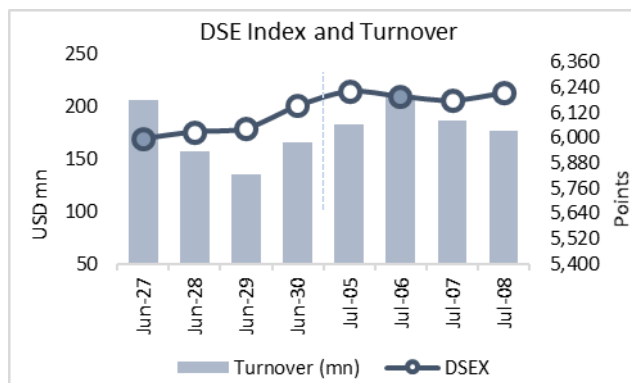
Source: Bangladesh Bank and Investing.com

**ECONOMIC RISKS**

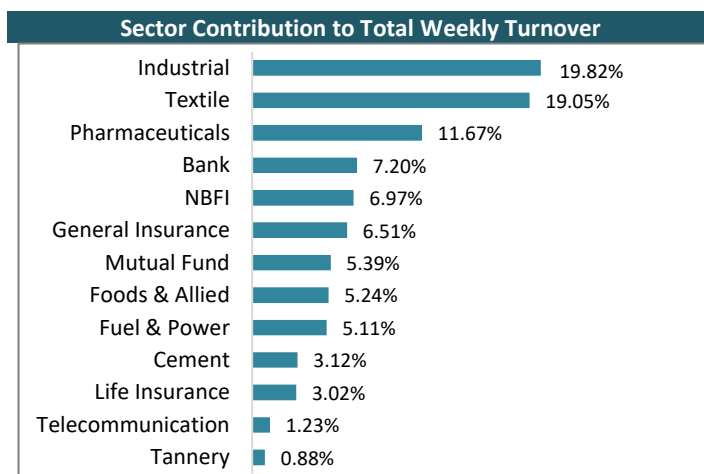
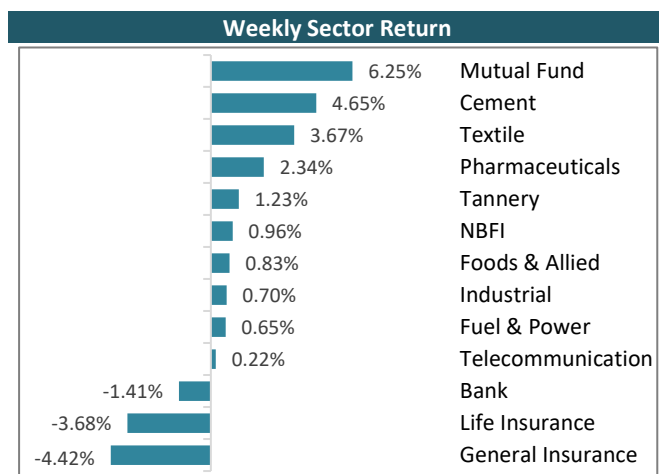
Risk factor	Risk Level	Impact
<b>Subdued tax revenue collection</b>	High	Tax collection registered a negative growth of -2.63% in FY20 for the first time since the country's independence due to the effects of the virus. However, revenue collection has increased by 5.16% in the Jul-Feb period of FY21 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.
<b>Soaring default loan in financial sector</b>	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 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 dividends depending on the strength of their capital base.
<b>Remittance shock</b>	Medium	Inward remittances made an exceptional recovery in the Jul-Mar period amid the pandemic with a 39% 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.
<b>Demand contraction</b>	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. While consumer confidence is likely to strengthen as the percentage of vaccinated population continues to increase, the recent spike in virus cases and new lockdown is concerning.
<b>Export slump</b>	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, the resurgence of virus cases is likely to delay recovery. 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).
<b>Volatile capital market</b>	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 core index of the Dhaka Stock Exchange climbed 62 points (1.01%) during the week despite the strict shutdown owing to investors' confidence in the market, particularly in the cement, textile and pharmaceutical sectors. After remaining closed on Sunday, the market reached a three-and-a-half-year high on the first trading day of the week, followed by two successive sessions of dip due to profit booking. Investors mostly kept themselves busy with textile companies for yet another week, eyeing a silver lining in the gradual recovery of the global apparel market, which allowed the sector to register a return of 3.67% and generate 19.05% of the total weekly turnover. After weeks of surging without any fundamental cause, the life and general insurance companies saw a substantial correction of -3.68% and -4.42% respectively, as cautious traders deemed it to be the perfect time to realize some profits. Overall market liquidity improved by 13.97% compared to the previous week. In its efforts to stabilize the market and investors' confidence, the BSEC formed a three-member committee to investigate unusual trading volume of Delta Life Insurance Company Limited. The regulator also instructed all listed companies to transfer required amounts to the Capital Market Stabilization Fund and submit the dividend distribution compliance report and detailed information about the entitled security holders to the ICB within July 30. BSEC also appointed a new managing director and chief regulatory officer for the DSE during the week.



	Market Statistics			
	This Week	Last Week	Weekly Change	YTD Change
DSEX	6,213	6,150	1.01%	15.01%
DS30	2,248	2,208	1.80%	14.47%
Market Cap (\$ mn)	60,988	60,646	0.56%	15.38%
Total Turnover (\$ mn)	756	663	13.97%	-11.63%
Avg. Daily Turn. (\$ mn)	189	166	13.97%	10.46%
S&P 500	4,370	4,298	1.68%	16.33%
DJIA	34,870	34,503	1.07%	13.93%
FTSE 100	7,122	7,037	1.20%	10.24%
NIKKEI 225	27,940	28,792	-2.96%	1.81%


**NOTABLE QUARTERLY EARNINGS ANNOUNCEMENTS DURING THE WEEK**

Despite the -10.62% decline in operating profit, ORIONPHARM posted a 55.07% NPAT growth as their financial expenses reduced by 53.86% and non-operating income increased by 49 times YoY. Despite improved commission and other operating income & lower provision, both investment income and net interest income pushed NBL's EPS downward by 56.67%.

TICKER	COMPANY NAME	SECTOR	EPS 2021 (Jan-Mar)	EPS 2020 (Jan-Mar)	CHANGE
ORIONPHARM	Orion Pharma Ltd.	Pharmaceuticals	0.95	0.61	55.74%
NBL	National Bank Ltd.	Bank	0.13	0.3	-56.67%

TICKER	COMPANY NAME	SECTOR	EPS 2020	EPS 2019	CHANGE	Dividend
PURABIGEN	Purabi Gen. Insurance Company Ltd.	Insurance	1.16	1.01	14.85%	5% c & 5% s

Source: DSEX, Investing.com, LR Global Research

QUARTERLY EARNINGS UPDATE

During the Jan-Mar'21 quarter, the cement sector experienced the highest growth of 233.3%, based on the earnings disclosed so far, owing to a revival in demand in the sector. The industrial sector also experienced a significant growth of 211.0% due to growth in demand where BEXIMCO played a significant role. The tannery sector managed to make a turnaround this quarter as it was able to recover some losses after remaining in the negative growth territory in the prior quarters. However, Telecommunication industry suffered a loss due to degrowth in total active subscriber during the lockdown. In the previous quarter (Oct-Dec'20), the industrial sector bounced back and recorded the second 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 during that period. The NBFi sector recorded the second highest earnings growth during the quarter followed by bank, pharmaceuticals, and ceramic. Banks and NBFis continued its profit growth trend from the previous quarter. 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.

Sector	2019				2020				2021
	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar
Bank	13,988	21,244	13,891	22,880	18,311	13,382	20,078	19,241	17,124
Cement	872	958	582	250	814	194	944	1,558	2,712
Ceramic	230	59	261	287	167	-278	142	355	249
Food & Allied	2,428	1,817	3,474	3,619	3,200	2,638	4,255	1,283	2,892
Fuel & Power	9,076	11,399	10,862	8,961	7,336	5,705	9,939	9,130	9,119
Industrial	4,736	4,823	3,873	3,169	2,931	-670	3,441	5,779	6,208
NBFi	1,716	-243	-743	981	2,000	1,728	2,272	2,638	1,798
Pharmaceuticals	6,210	6,820	7,362	6,926	6,598	4,443	8,735	8,659	8,730
Telecommunication	8,926	9,553	7,269	8,766	10,694	7,265	8,898	10,330	8,912
Textile	1,516	-5,641	1,238	1,278	475	-3,934	444	853	518
Tannery	270	101	371	144	-27	-869	-455	-37	46

QoQ Growth (Sectorwise)	2019				2020				2021
	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar
Bank	20.2%	20.4%	-0.3%	-14.1%	30.9%	-37.0%	44.5%	-15.9%	4.4%
Cement	-4.6%	-0.4%	93.8%	-72.4%	-6.7%	-79.8%	62.2%	-	-
Ceramic	-20.3%	-71.3%	-22.7%	-35.6%	-27.5%	-567.8%	-45.7%	23.7%	49.3%
Food & Allied	-24.0%	-74.1%	75.2%	92.7%	31.8%	45.2%	22.5%	-64.5%	-9.3%
Fuel & Power	22.5%	9.4%	-1.1%	-7.3%	-19.2%	-50.0%	-8.5%	6.4%	30.0%
Industrial	-2.2%	-65.2%	-12.2%	-30.8%	-38.1%	-113.9%	-11.2%	95.4%	-
NBFi	-34.7%	-111.6%	-141.0%	-80.1%	16.5%	810.3%	405.8%	-	-6.7%
Pharmaceuticals	8.0%	4.7%	10.7%	2.5%	6.2%	-34.8%	18.6%	25.1%	32.9%
Telecommunication	39.6%	-11.6%	-18.3%	-3.3%	19.8%	-24.0%	22.4%	17.8%	-16.7%
Textile	-12.5%	-433.4%	-41.0%	-26.4%	-68.6%	30.3%	-64.1%	-31.9%	6.0%
Tannery	-34.1%	-63.8%	-38.8%	-55.0%	-109.9%	-962.7%	-222.6%	-125.4%	-

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

Source: DSEX, LR Global Research

\* Oct-Dec'20 & Jan-Mar'21 earnings growth have been calculated based on the earnings of 219 and 203 companies, respectively, that have been declared so far out of the 261 tracked.

MAJOR EVENTS DURING THE WEEK

**COVID-19 positivity rate increase to 31.2% this week in Bangladesh: COVID-19 Update**

The weekly new COVID-19 cases increased by 39.42% while the total tests conducted increased by 12.39% compared to the previous week. During the week, 74,059 new positive cases and 1,277 more deaths were reported in Bangladesh, taking the total number of cases to 1,009,315 as of 11th July, according to official tallies. The positivity rate increased to 31.2%. According to specialized AFP data, Bangladesh has become one of the top 5 countries which have witnessed a surge in Covid cases for the last several weeks. However, Bangladesh is going to receive 3.5 mn vaccine from Japan, EU and USA under the COVAX facility this month. Globally, the total number of cases has crossed 185 mn and the death count has also crossed 4 mn.

**A BDT 200 bn special loan facility offered by BB to CMSMEs sector**

To encourage CMSMEs sector amid the Covid pandemic, BB has offered a BDT 200 bn special loan facility. Within this, cottage, micro and small entrepreneurs can enjoy term loan facilities or working capital loan facilities, including interest or profit subsidy for one year. However, medium enterprises will get working capital facilities as well as the benefit of interest subsidy for one year.

**BB extended loan repayment time for NBFi clients till August**

NBFis' customers will not be considered as defaulters if they can repay a minimum of 50% of their loan installments due in June, within 31st August. The intention behind this facility is to lessen the pandemic's impact on trade and finance.