

**KEY ECONOMIC INDICATORS**

The high infection rate in the country has been adversely affecting economic activities as most local sectors have been experiencing a slump in demand. Moreover, RMG producers are now apprehensive that the 2-week strict lockdown after the Eid festival will hamper shipment schedules and cause a loss in work orders if factories cannot remain open during that time. Meanwhile the government has announced five more incentive packages, totaling BDT 32 bn, for low-income people to help them cope with the lockdown. Coupled with that, the previous package's allotment for CMSMEs is in its second phase with its annual target fixed at BDT 200 bn. The fall in deposits rates from 4.36% to 4.14% in May could not improve declining private-sector credit growth as the lending rate did not change simultaneously and instead just widened the spread further. Oil price declined amid uncertainty over OPEC+ deal to boost supply and diminishing fuel demand caused by the Delta variant.

	This Week	Last Week	Weekly Change	YTD Change
<b>Foreign Exchange Reserve (USD bn)</b>	45.39	45.12	0.60%	5.13%
<b>Call Money Rate (Weighted Average)</b>	2.33%	2.49%	-16 bps	21 bps
<b>Exchange Rate (BDT-USD)</b>	84.80	84.80	0.00%	0.00%
<b>Oil Price (USD per barrel of WTI)</b>	71.81	72.94	-1.55%	48.37%
		<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%

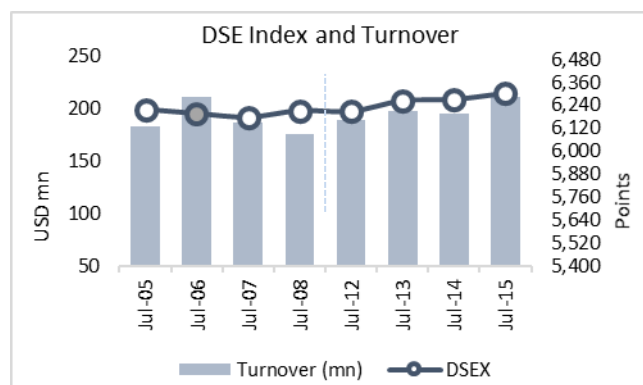
Source: Bangladesh Bank and Investing.com

**ECONOMIC RISKS**

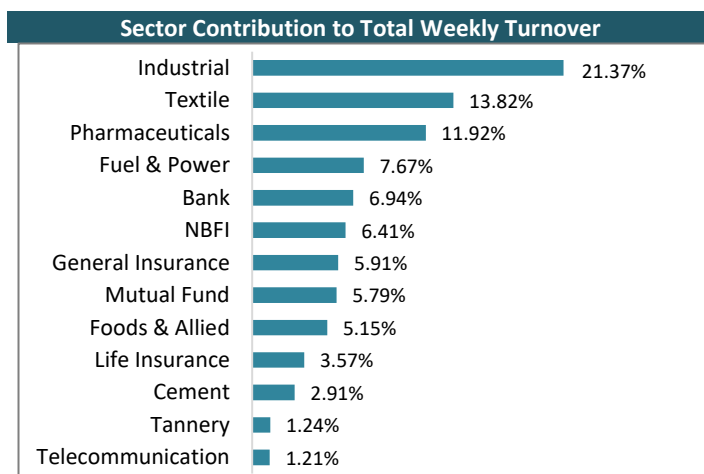
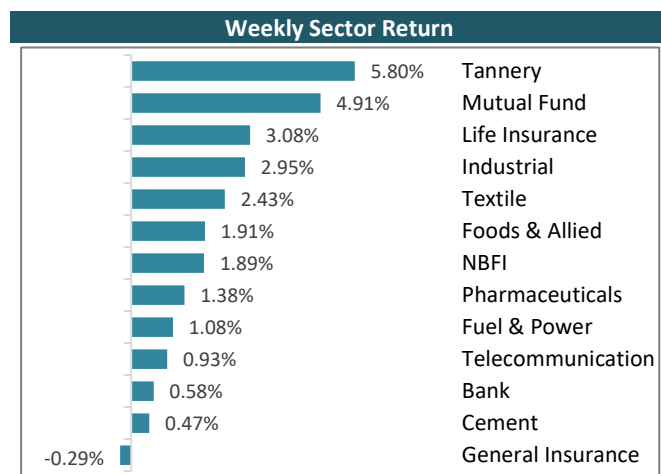
Risk factor	Risk Level	Impact
<b>Subdued tax revenue collection</b>	High	Tax collection registered a negative growth of -2.63% in FY20 for the first time since the country's independence due to the effects of the virus. However, revenue collection has increased by 5.16% in the Jul-Feb period of FY21 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 key index of the premier bourse jumped 95 points (1.52%) during the week, amidst the second week of the shutdown, due to the decision to temporarily ease restrictions, increase in vaccine supply and announcement of the stimulus package for low-income people. Several companies spurred the investors with their quarterly earnings while impending arrival of 3.5mn Moderna and 2mn Sinopharm vaccines are expected to curb the virus spread, which increased the confidence of investors. Hence after a slight slump in the opening day of the week, the market during the remaining trading days of the week and reached a 42-month-high on Thursday. Market liquidity also shot up by 4.61%, banking on buying pressure of shares especially those of industrial, textile and pharmaceutical companies. Eyeing the Eid-ul-Adha's sacrificial animals and the decision of \$71 mn loan to be disbursed to tannery owners, the sector generated the highest return of 5.8% despite the turnover being low. On the other hand, the general insurance sector which was surging abnormally for weeks, was the only sector to see a correction of -0.29% in a bullish market while life insurance returned 3.08%, owing to the 373.8% gain of Sonali Life Insurance. LRBDL and NRBCBANK were added to the DSEX and as part of rebalancing the DS30 every six months, IFIC, PADMAOIL and NATLIFEINS were excluded while ROBI, NBL and DELTALIFE were added to the blue-chip index. During the week, BSEC has approved two SME firms' proposal for raising capital worth \$1.18 mn each.



Market Statistics				
	This Week	Last Week	Weekly Change	YTD Change
DSEX	6,307	6,213	1.52%	16.76%
DS30	2,275	2,248	1.19%	15.83%
Market Cap (\$ mn)	61,942	60,988	1.56%	17.19%
Total Turnover (\$ mn)	791	756	4.61%	-7.55%
Avg. Daily Turn. (\$ mn)	198	189	4.61%	15.56%
S&P 500	4,374	4,370	0.11%	16.46%
DJIA	34,933	34,870	0.18%	14.14%
FTSE 100	7,022	7,122	-1.40%	8.70%
NIKKEI 225	28,279	27,940	1.21%	3.04%


**NOTABLE QUARTERLY EARNINGS ANNOUNCEMENTS DURING THE WEEK**

SINGERBD's EPS surged by 250% as the company has managed to increase the turnover for Q2, 2021 by offering various discounts and meeting refrigeration-related needs for consumers from all walks of life. On the other hand, managing raw material from own source in India coupled with efficient distribution channel, and launching new product helped LHBL experience a record EPS growth of 248%. GP's earnings grew by 17.1% as both revenue from mobile communication and customer equipment increased during the period.

TICKER	COMPANY NAME	SECTOR	EPS 2021 (Jan-Mar)	EPS 2020 (Jan-Mar)	CHANGE
SINGERBD	Singer Bangladesh Limited	Industrial	2.89	0.82	252.44%
LHBL	LafargeHolcim Bangladesh Limited	Cement	0.96	0.28	242.86%
GP	Grameenphone Ltd.	Telecommunication	6.3	5.38	17.10%

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	9,146
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%	-6.5%
Cement	-4.6%	-0.4%	93.8%	-72.4%	-6.7%	-79.8%	62.2%	-	233.3%
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%	-9.6%
Fuel & Power	22.5%	9.4%	-1.1%	-7.3%	-19.2%	-50.0%	-8.5%	6.4%	24.7%
Industrial	-2.2%	-65.2%	-12.2%	-30.8%	-38.1%	-113.9%	-11.2%	95.4%	111.8%
NBFi	-34.7%	-111.6%	-141.0%	-80.1%	16.5%	810.3%	405.8%	-	-10.1%
Pharmaceuticals	8.0%	4.7%	10.7%	2.5%	6.2%	-34.8%	18.6%	25.1%	32.3%
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%	9.0%
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 204 companies, respectively, that have been declared so far out of the 261 tracked.

MAJOR EVENTS DURING THE WEEK

**COVID-19 positivity rate settles at 29.2% this week in Bangladesh: COVID-19 Update**

The weekly new COVID-19 cases increased by 12.02% while the total tests conducted increased by 19.78% compared to the previous week. During the week, 83,096 new positive cases and 1,480 more deaths were reported in Bangladesh, making it the deadliest week since inception. The total number of cases stood 1,092,411 as of 18th July, according to official tallies. The positivity rate came down to 29.2%, a 2% decrease from the previous week. Bangladesh, during the following week, expects arrival of 3.5 mn Moderna and 2 mn Sinopharm vaccines, the first consignment of the deal with China that was signed for 15 mn doses of the vaccine at \$10 per shot. Globally, the total number of cases has crossed 190 mn and the death count has also crossed 4.08 mn.

**Inclusion of foreign-owned companies in BDT 400 bn stimulus package**

Foreign-owned companies who are operating in Bangladesh, have been included in the second phase of BDT 400 bn stimulus package. Previously the package was designated for large industries and service sector business entities. The implementation process has already been initiated with a view to restore the pandemic hit economy. According to BB, around 98% of the first phase stimulus package was implemented till June 30.

**'Fast-track' mega projects to experience more intense supervision**

IMED under the planning ministry will conduct intense supervision for the ongoing eight 'fast-track' mega projects and increase on-field monitoring from now on due to major implementation delay. They are also willing to monitor top priority projects once in four months, which was once a year previously. Most of the projects have been revised multiple times before as more time and costs were expected in order to complete them.