

KEY ECONOMIC INDICATORS

Upsurge in Delta variant cases and following lockdown to control the situation are creating economic losses throughout the country. To facilitate the revival of the pandemic-hit economy, Bangladesh Bank has decided to continue its expansionary monetary policy stance for the current fiscal year. Meanwhile, the jump in food inflation and the disrupted supply chain have increased the point-to-point inflation rate in June to 5.64%, highest in the last 8 months. Duty-free access, product diversification and proper incentives pushed Bangladesh's export to SAARC nations upward to USD 1.49 bn in FY 2020-21, and went up by 88% in just the last five years. Lower implementation of ADP and higher sales of NSCs amid the pandemic decreased government's net bank borrowing by 64% to BDT 260.78 bn in FY 2020-21, compared to the last fiscal. Oil price declined due to concerns over the rising number of Delta-Covid cases throughout the world and the gloomy outlook of fuel demand.

	This Week	Last Week	Weekly Change	YTD Change
Foreign Exchange Reserve (USD bn)	45.39	45.12	0.60%	5.13%
Call Money Rate (Weighted Average)	2.33%	2.49%	-16 bps	21 bps
Exchange Rate (BDT-USD)	84.80	84.80	0.00%	0.00%
Oil Price (USD per barrel of WTI)	66.35	71.81	-7.60%	37.09%
		FY 2020-21	FY 2019-20	% Change
Export (USD mn) (Jul-June)		38,758	33,674	15.10%
Remittances (USD mn) (Jul-June)		24,778	18,205	36.10%
Import (USD mn) (Jul-May)		58,626	49,977	17.31%
Current Account Balance (USD mn) (Jul-May)		-1,848	-4,434	N/A
Credit to the Private Sector (USD mn) (May)		138,184	128,485	7.55%
Point-to-point Inflation (May)		5.26%	5.35%	-0.26bps
Tax Revenue (NBR) (USD mn) (Jul-Apr)		23,300	20,644	12.87%

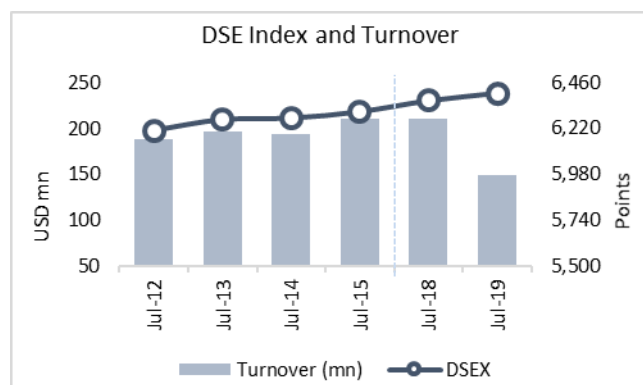
Source: Bangladesh Bank and Investing.com

ECONOMIC RISKS

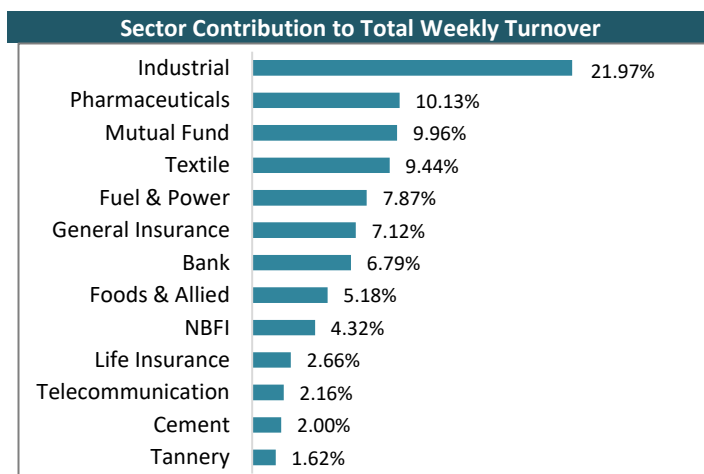
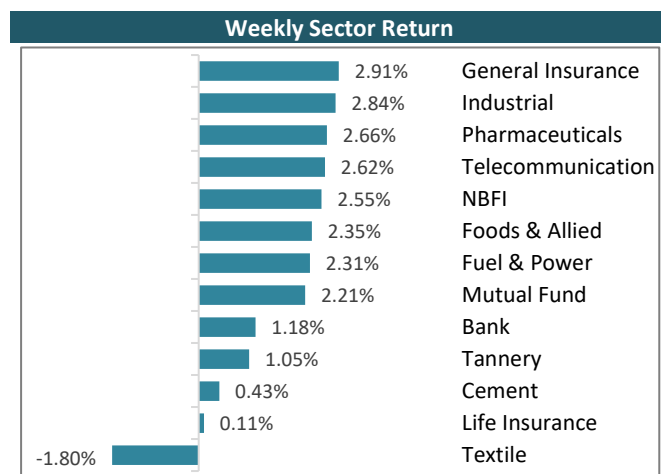
Risk factor	Risk Level	Impact
Subdued tax revenue collection	High	Tax collection registered a negative growth of -2.63% in FY20 for the first time since the country's independence due to the effects of the virus. However, revenue collection has increased by 5.16% in the Jul-Feb period of FY21 as businesses 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.
Soaring default loan in financial sector	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.
Remittance shock	Medium	Inward remittances made an exceptional recovery in the Jul-Jun period amid the pandemic with a 36% 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. 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.
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, 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).
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 and how the recent spike in virus cases play out.

CAPITAL MARKET UPDATE

The key index of the DSE soared by 97 points (1.55%) during the week as investors put buying pressure on stocks ahead of Eid-ul-Azha holidays. Investors were high in confidence amid increased business activities due to the ease of lockdown restrictions, arrival of vaccines from China and the US and the declaration of the latest stimulus package. Despite remaining open for just two sessions before the Eid holidays, the DSEX managed to cross 6400 points on Monday, for the first time since its inception in 2013 and added 1,151 points in the last 15 weeks of Bull Run with just one negative week. The market capitalization also hit an all-time high of \$63 bn, although the average turnover deteriorated by 8.82% compared to the previous week. The textile sector was the only one to see a negative return (-1.80%), as investors were apprehensive about factories remaining closed for two weeks; but the sector is expected to bounce back with satisfactory purchase orders from western countries coupled with international buyers' new-found interest in Bangladesh for home textiles. On the other hand, investors were seen to put fresh bets on the general insurance sector, driving it to generate the highest return for the week, after a few weeks' correction. Meanwhile, DSE generated the highest revenue (\$31 mn) in 10 years for the government as trading volume improved significantly over the concluded FY. As part of its 16-month long campaign titled "The Rising of Bengal Tiger", BSEC managed the US-based 'Bloomberg Media' to promote Bangladesh stock market to foreign investors.



	Market Statistics			
	This Week	Last Week	Weekly Change	YTD Change
DSEX	6,405	6,307	1.55%	18.57%
DS30	2,322	2,275	2.09%	18.25%
Market Cap (\$ mn)	63,111	61,942	1.89%	19.40%
Total Turnover (\$ mn)	361	791	-54.41%	-57.85%
Avg. Daily Turn. (\$ mn)	180	198	-8.82%	5.37%
S&P 500	4,412	4,374	0.86%	17.46%
DJIA	35,062	34,933	0.37%	14.56%
FTSE 100	7,028	7,022	0.07%	8.78%
NIKKEI 225	27,548	28,279	-2.59%	0.38%


NOTABLE QUARTERLY EARNINGS ANNOUNCEMENTS DURING THE WEEK

UTTARABANK's EPS has soared by 320%, riding on its considerable improvement in investment and commission income, despite a decrease in interest income. Similarly, the NCCBANK saw a 151.43% increase in profitability due to escalated income from investments. PRAGATIINS also saw a 79.61% growth in EPS in the second quarter of 2021, thanks to a 52.5% increase in net premium income and a 14.34% growth in gross premium income, amidst the slowly rising insurance density and insurance penetration in our country.

TICKER	COMPANY NAME	SECTOR	EPS 2021 (Jan-Mar)	EPS 2020 (Jan-Mar)	CHANGE
UTTARABANK	Uttara Bank Ltd.	Bank	1.05	0.25	320%
NCCBANK	National Credit and Commerce Bank Ltd.	Bank	0.88	0.35	151.43%
PRAGATIINS	Pragati Insurance Ltd	Insurance	1.85	1.03	79.61%

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 207.4% 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%	4.4%
Cement	-4.6%	-0.4%	93.8%	-72.4%	-6.7%	-79.8%	62.2%	523.3%	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%	-9.3%
Fuel & Power	22.5%	9.4%	-1.1%	-7.3%	-19.2%	-50.0%	-8.5%	6.4%	30.2%
Industrial	-2.2%	-65.2%	-12.2%	-30.8%	-38.1%	-113.9%	-11.2%	95.4%	207.4%
NBFi	-34.7%	-111.6%	-141.0%	-80.1%	16.5%	810.3%	405.8%	350.9%	-6.7%
Pharmaceuticals	8.0%	4.7%	10.7%	2.5%	6.2%	-34.8%	18.6%	25.1%	33.0%
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 204 companies, respectively, that have been declared so far out of the 261 tracked.

MAJOR EVENTS DURING THE WEEK

COVID-19 positivity rate soared to 28.8% this week in Bangladesh: COVID-19 Update

The weekly new COVID-19 cases decreased by 29.92% while the total tests conducted also decreased by 28.95% compared to the previous week amid the Eid holidays. During the week, 58,233 new positive cases and 1,377 more deaths were reported in Bangladesh, taking the total number of cases to 1,153,344, as of 25th July, according to official tallies. The positivity rate increased to 28.8%. Recently, ADB approved a loan package totaling USD 940 mn for Bangladesh to purchase more vaccines against Covid-19. To control infections and deaths, Bangladesh is going through a 2-week long shutdown, which will last until 5th August. Globally, the total number of cases has crossed 193 mn and the death count has also crossed 4.14 mn.

Loan repayment facility for borrowers of NBFi relaxed further by BB

Borrowers of NBFIs are now allowed to pay their remaining June installment with the last installment of their loan. As per the earlier circular published by BB on 5th July, borrowers of NBFi will not be considered as defaulters, if they can repay half of their June installment by 31st August and the remaining half with the next installment. But Bangladesh has further relaxed the facility amid the extended countrywide lockdown due to the resurgence of the delta variant.

More clear conditions for black money investment in the manufacturing sector

The government has clarified that untaxed money can be invested only in a new company in the manufacturing sector, paying 10% tax. Mere paid-up capital, buying land or loan from paid-up capital in forming the new company will not be approved as a visible investment to get this facility. Agreement signing, and opening LC will not be counted as well, if implementation misses the budget deadline of FY22.