

**KEY ECONOMIC INDICATORS**

The government has decided to allow export-oriented factories to re-open from first August amid the strict lockdown in order to protect them from losing international market share. This move was much needed considering the latest data from World Trade Statistical Review 2021 that revealed that Bangladesh lost its second position to Vietnam and became the third largest clothing exporter in the world in 2020 due to the closure of garment factories for an extended duration last year. Moreover, keeping apparel factories shut during the peak season of June-August would become a missed opportunity for the sector to recuperate from losses it has incurred due to the pandemic. Meanwhile, BB has published its latest monetary policy aligned with ongoing expansionary mode to support recovery, keeping the Repo and Reverse Repo rate same while reducing call money rate to 2.25%. Oil price went up as crude inventory declined more than analysts' expectations.

	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>	73.95	66.35	11.45%	52.11%
	FY 2020-21	FY 2019-20	% Change	
<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

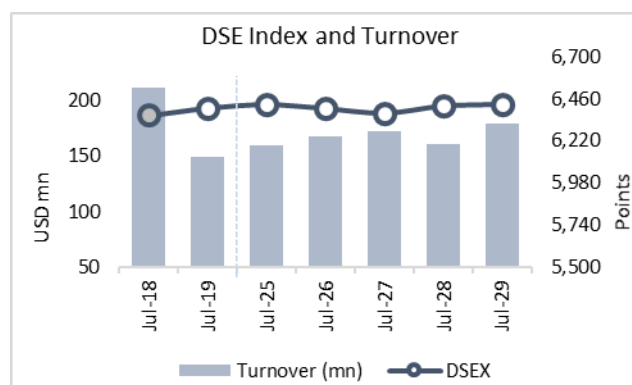
\*All data except oil has been kept unchanged from last week as BB has not provided updated data.

**ECONOMIC RISKS**

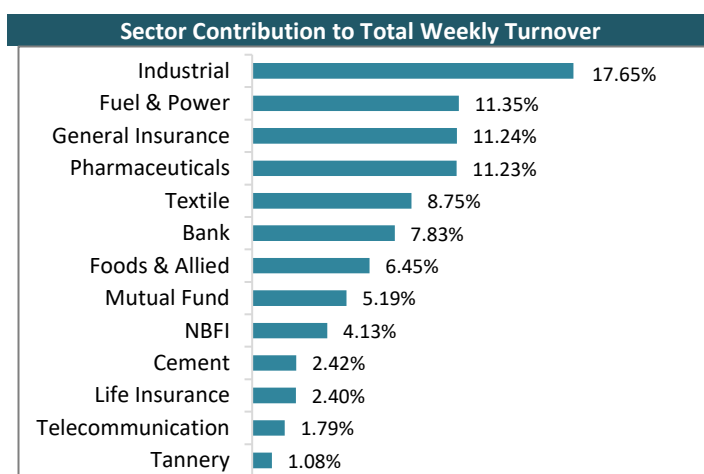
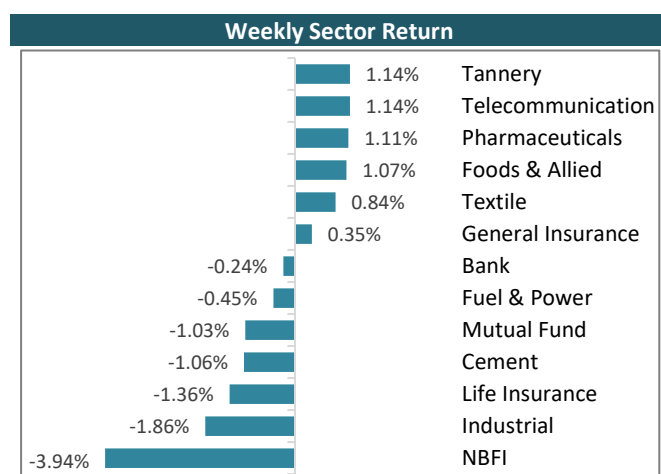
Risk factor	Risk Level	Impact
<b>Subdued tax revenue collection</b>	High	Tax collection registered a negative growth of -2.63% in FY20 for the first time since the country's independence due to the effects of the virus. However, revenue collection has increased by 12.87% in the Jul-Apr period of FY21 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-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.
<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 was initially helping RMG exports recover, which was further fortified by mass vaccination at major export destinations, the resurgence of local delta variant 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 DSEX added 20 points (0.32%) during the first week of the 14-day strict lockdown, riding on investors' confidence and expectation of an extension of the current expansionary monetary policy to help the economy rebound. Although the week ended in positive, the key index lost a total of 45 points on the second and third trading day of the week after a record surge in coronavirus deaths and a letter sent by BB to banks on Sunday, asking their authorities to ensure that stimulus loans were used in the targeted sectors and not directed to unproductive sectors like the stock market. Subsequently, the market returned to the green zone on the last two trading days of the week as investors were optimistic regarding the announcement of the monetary policy which they hoped would continue to take an expansionary stance to help the economy bounce back from the effects of the pandemic. Overall average daily turnover dropped by 6.74% during the week. Despite virus worries, investors are hoping that economic recovery is on the horizon as the pace of mass vaccinations moves up a notch as the age limit to qualify for a vaccine was brought down to 25 years and above while excess liquidity in the banking system heralds private sector growth and injection of additional funds in the market. Meanwhile, BSEC's roadshow in the US commenced last week in its bid to portray the strength and opportunities to invest in Bangladesh to foreign investors and NRBs. The regulator also asked DSE to scrutinize 21 brokerages in its effort to bring discipline to the market. Several listed companies also published quarterly performances and declared dividends during the week and the market responded accordingly.



Market Statistics				
	This Week	Last Week	Weekly Change	YTD Change
DSEX	6,425	6,405	0.32%	18.94%
DS30	2,328	2,322	0.24%	18.53%
Market Cap (\$ mn)	63,019	63,111	-0.15%	19.23%
Total Turnover (\$ mn)	841	361	133.15%	-1.73%
Avg. Daily Turn. (\$ mn)	168	180	-6.74%	-1.73%
S&P 500	4,395	4,412	-0.37%	17.02%
DJIA	34,936	35,062	-0.36%	14.15%
FTSE 100	7,032	7,028	0.07%	8.85%
NIKKEI 225	27,284	27,548	-0.96%	-0.59%


**NOTABLE QUARTERLY EARNINGS ANNOUNCEMENTS DURING THE WEEK**

BATBC saw topline growth in net sales of 43% as regular lockdowns had no material impact on tobacco consumption, and operating profit grew by 42%, resulting in a 60% increase in EPS. On the other hand, despite a rise in top-line revenue of 8%, UNILEVERCL's earnings decreased by 26% due to a substantial increase in other operating expenses. HEIDELBCEM's Q2 EPS has shifted from negative to positive as cement consumption has remained consistent despite intermittent country-wide lockdowns.

TICKER	COMPANY NAME	SECTOR	EPS 2021 (Jan-Mar)	EPS 2020 (Jan-Mar)	CHANGE
BATBC	British American Tobacco Bangladesh Company Limited	Food & Allied	8.79	5.49	60.11%
UNILEVERCL	Unilever Consumer Care Limited	Food & Allied	8.39	11.4	-26.40%
HEIDELBCEM	Heidelberg Cement Bangladesh Ltd.	Cement	3.56	-3.31	N/A

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 a decline 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	Apr-Jun
Bank	13,988	21,244	13,891	22,880	18,311	13,382	20,078	19,241	18,323	15,351
Cement	872	958	582	250	814	194	944	1,558	2,712	1,316
Ceramic	230	59	261	287	167	-278	142	355	249	223
Food & Allied	2,428	1,817	3,474	3,619	3,200	2,638	4,255	1,283	2,892	1,683
Fuel & Power	9,076	11,399	10,862	8,961	7,336	5,705	9,939	9,512	9,489	-
Industrial	4,581	4,635	3,730	2,958	2,897	-562	3,441	5,779	7,239	288
NBFi	1,711	-623	-840	585	1,926	1,524	2,290	2,638	1,798	1,120
Pharmaceuticals	6,208	6,822	7,360	6,923	6,596	4,446	8,735	8,659	8,730	1,234
Telecommunication	8,926	9,553	7,269	8,766	10,694	7,265	8,898	10,330	8,912	8,507
Textile	1,491	-5,898	1,217	1,252	425	-3,934	444	853	518	-
Tannery	270	101	371	144	-27	-869	-455	-36	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	Apr-Jun
Bank	20.2%	20.4%	-0.3%	-14.1%	30.9%	-37.0%	44.5%	-15.9%	4.9%	74.6%
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%	218.2%
Food & Allied	-24.0%	-74.1%	75.2%	92.7%	31.8%	45.2%	22.5%	-64.5%	-9.3%	-45.8%
Fuel & Power	22.5%	9.4%	-1.1%	-7.3%	-19.2%	-50.0%	-8.5%	6.1%	29.4%	-
Industrial	-2.2%	-65.4%	-13.0%	-33.0%	-36.8%	-112.1%	-7.8%	95.4%	154.3%	265.8%
NBFi	-27.5%	-129.5%	-156.4%	-84.5%	12.6%	344.7%	372.8%	350.9%	-6.7%	71.4%
Pharmaceuticals	7.9%	4.8%	10.7%	2.5%	6.3%	-34.8%	18.7%	25.1%	33.0%	6.9%
Telecommunication	39.6%	-11.6%	-18.3%	-3.3%	19.8%	-24.0%	22.4%	17.8%	-16.7%	17.1%
Textile	-12.2%	-461.4%	-41.1%	-26.1%	-71.5%	33.3%	-63.5%	-31.9%	6.0%	-
Tannery	-34.1%	-63.8%	-38.8%	-55.0%	-109.9%	-962.7%	-222.6%	-125.2%	273.6%	-

Note: Sector represents more than 70% of the companies (according to large market capital), Source: DSEX, LR Global Research  
 \* Jan-Mar'21 & Apr-Jun'21 earnings growth have been calculated based on the earnings of 209 and 36 companies, respectively, that have been declared so far out of the 261 tracked.

MAJOR EVENTS DURING THE WEEK

**COVID-19 positivity rate soars to 29.7% this week in Bangladesh: COVID-19 Update**

The weekly new COVID-19 cases increased by 65.10% while the total tests conducted also increased by 59.91% compared to the previous week. During the week, 96,140 new positive cases and 1,639 more deaths were reported in Bangladesh, taking the total number of cases to 1,249,484 as of 1st August, according to official tallies. The positivity rate increased to 29.7%. Meanwhile, total 0.78 mn doses of the AstraZeneca vaccine arrived as Covax facility from Japan and the government is going to start AstraZeneca's second dose shots soon. In addition, in order to boost the country's vaccine rate, government has decided to reduce the age limit to 25 and above. Globally, the total number of cases has crossed 197 mn and the death count has also crossed 4.2 mn.

**BB asks banks to prioritize new clients from large industries to distribute stimulus**

From now on, new clients from large service and industrial units will be prioritized when distributing loans from the stimulus package dedicated to this area. BB declared BDT 400 bn as stimulus package for industrial and service sectors in April last year, to protect them from business slowdown amid Covid pandemic. Up until June, around 3,275 units of service and industrial sectors received loans from this package. Firms that could not secure loans last time, are to get priority this year. Clients who still did not receive their full amount entitled, will also get priority.

**Taxpayers can submit tax returns through mobile phone for the current FY**

NBR has decided to bring in a new online system from 1st September so that taxpayers can submit their income tax returns from mobile phones. For this fiscal year, taxpayers can use the website of the NBR or their respective mobile phone sets to submit tax returns. NBR has already conducted a survey regarding the acceptance of this initiative to taxpayers and it was successful.