

KEY ECONOMIC INDICATORS

With a view to diversify the country's export basket, the government is planning to implement a project worth USD 100 mn in collaboration with the World Bank. Export policies also look favorable as tech-aided handicraft exports are to enjoy 10% cash incentives from now on. Private sector credit growth continued to remain sluggish and fell to 8.29% in April 2021, on a YoY basis, mainly due to the second wave of the pandemic. In addition, data from the Consumers Association of Bangladesh showed that the cost of living in Bangladesh went up by 6.88% in 2020, fueled by costs of staples, as prices of products and services soared by 6.31% during the period. ADB's plan to provide a policy-based loan of USD 250 mn to Bangladesh to improve the social safety-net programs can help ease this to some extent. Hyped demand and inflation talk pushed the oil price upward, while US fuel usage remained tepid and Covid infections in the U.K. hit a four-month high.

	This Week	Last Week	Weekly Change	YTD Change
Foreign Exchange Reserve (USD bn)	45.46	45.25	0.46%	5.30%
Call Money Rate (Weighted Average)	2.29%	2.27%	2 bps	17 bps
Exchange Rate (BDT-USD)	84.80	84.80	0.00%	0.00%
Oil Price (USD per barrel of WTI)	71.04	70.29	1.07%	46.78%
		FY 2020-21	FY 2019-20	% Change
Export (USD mn) (Jul-May)		35,181	30,959	13.64%
Remittances (USD mn) (Jul-May)		22,837	16,372	39.48%
Import (USD mn) (Jul-Apr)		52,490	46,443	13.02%
Current Account Balance (USD mn) (Jul-Apr)		-47	-3,772	N/A
Credit to the Private Sector (BDT bn) (Apr)		137,303	126,788	8.29%
Point-to-point Inflation (May)		5.26%	5.35%	-26 bps
Tax Revenue (NBR) (USD mn) (Jul-Apr)		23,300	20,644	12.87%

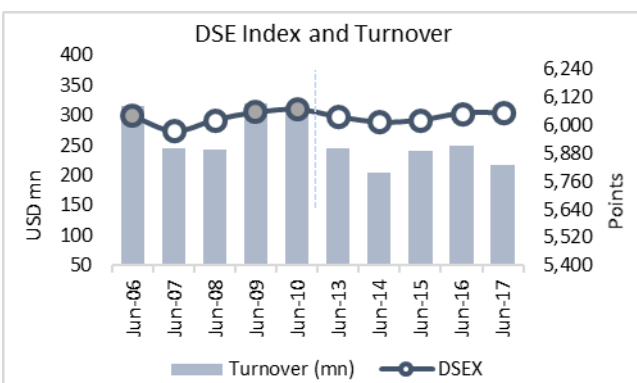
Source: Bangladesh Bank and Investing.com

ECONOMIC RISKS

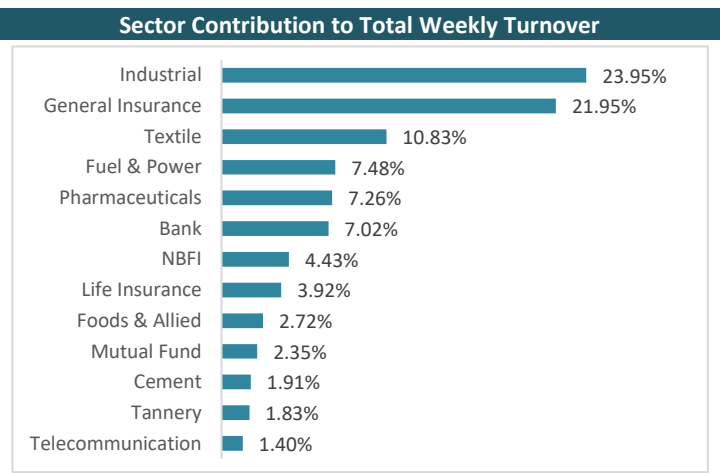
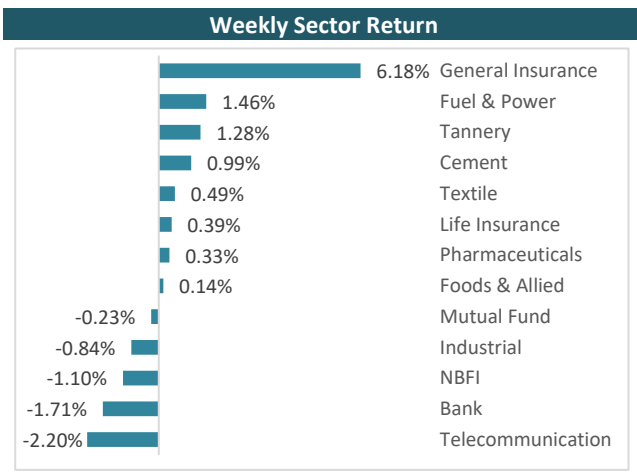
Risk factor	Risk Level	Impact
Subdued tax revenue collection	High	Tax collection registered a negative growth of -2.63% in FY20 for the first time since the country's independence due to the effects of the virus. However, revenue collection has increased by 5.16% in the Jul-Feb period of FY21 as businesses 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-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.
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 broad index of the premier bourse lost 14 points (-0.23%) during the week after 9 weeks of successive gain as investors turn to realizing profits before any anticipated market correction due to rising infection rate. Rising number of local COVID cases, infection rate and death toll due to the Indian variant has been negatively impacting the market. The index fell due to strong selling pressure from the first two sessions of the week but managed to return to green in the following three sessions. Despite being heavily traded, the textile sector climbed by a whopping 10.32% compared to the minimal 0.49% rise in the previous week due to expectation of recovery at major RMG export destinations. On the other hand, the banking, NBFI and telecommunications sector continued a downward trend of -1.70%, -1.09% and -2.20% respectively, as the proposed budget did not favor these sectors much. Hence, average daily turnover deteriorated by -19.61% compared to the previous week. Despite a bearish week, the market is expected to bounce back due to strong macro economy, low-interest rates, and increased confidence in the market regulator. During the week, BSEC has decided to lift the floor price of all listed companies that was imposed during the previous year's lockdown. The opening price of listed securities will now be the average of the closing price of the immediately preceding five trading sessions and this step is believed to improve liquidity and price discovery.



Market Statistics				
	This Week	Last Week	Weekly Change	YTD Change
DSEX	6,053	6,067	-0.23%	12.05%
DS30	2,197	2,205	-0.36%	11.87%
Market Cap (\$ mn)	59,922	60,134	-0.35%	13.36%
Total Turnover (\$ mn)	1,156	1,437	-19.61%	35.07%
Avg. Daily Turn. (\$ mn)	231	287	-19.61%	35.07%
S&P 500	4,166	4,247	-1.91%	10.93%
DJIA	33,290	34,480	-3.45%	8.77%
FTSE 100	7,017	7,134	-1.63%	8.62%
NIKKEI 225	28,964	28,949	0.05%	5.54%



NOTABLE QUARTERLY EARNINGS ANNOUNCEMENTS DURING THE WEEK

The EPS of BSRMSTEEL surged by 152.05% as the constructions and development projects have been picking up. The 32% higher turnover coupled with 44% decreased selling and distribution costs and 35% lower finance costs compared to the same quarter in previous year have contributed to the 85% growth of operating earnings of BSRMSTEEL. On the other hand, TAMIJTEX posted 172.73% higher EPS due to higher turnover and lower financial costs.

TICKER	COMPANY NAME	SECTOR	EPS 2021 (Jan-Mar)	EPS 2020 (Jan-Mar)	CHANGE
BSRMSTEEL	Bangladesh Steel Re-Rolling Mills Limited	Engineering	3.68	1.46	152.05%
TAMIJTEX	Tamijuddin Textile Mills Limited	Textile	0.3	0.11	172.73%

TICKER	COMPANY NAME	SECTOR	EPS 2020	EPS 2019	CHANGE	Dividend
TRUSTBANK	Trust Bank Limited	Bank	2.8	3.17	-11.67%	10% cash, 10% stock

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 219.1% 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. 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. Earlier in Apr-Jun'20 quarter, only the NBFi 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				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	16,998	16,725
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	2,893
Fuel & Power	9,076	11,399	10,862	8,961	7,336	5,705	9,939	9,130	9,086
Industrial	4,736	4,823	3,873	3,169	2,931	-670	3,441	5,763	6,074
NBFi	1,716	-243	-743	981	2,000	1,728	2,272	2,553	1,732
Pharmaceuticals	6,210	6,820	7,362	6,926	6,598	4,443	8,735	8,659	8,501
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%	-15.5%	8.0%
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%	-9.1%
Fuel & Power	22.5%	9.4%	-1.1%	-7.3%	-19.2%	-50.0%	-8.5%	6.4%	31.9%
Industrial	-2.2%	-65.2%	-12.2%	-30.8%	-38.1%	-113.9%	-11.2%	96.3%	219.1%
NBFi	-34.7%	-111.6%	-141.0%	-80.1%	16.5%	810.3%	405.8%	-	-7.6%
Pharmaceuticals	8.0%	4.7%	10.7%	2.5%	6.2%	-34.8%	18.6%	25.1%	32.5%
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%	-962.9%	-222.6%	-	-

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 215 and 195 companies, respectively, that have been declared so far out of the 261 tracked.

MAJOR EVENTS DURING THE WEEK

COVID-19 positivity rate increases to 15.8% this week in Bangladesh: COVID-19 Update

The weekly new COVID-19 cases increased by 55.16% while the total tests conducted increased by 22.14% compared to the previous week. During the week, 23,541 new positive cases and 395 more deaths were reported in Bangladesh, taking the total number of cases to 848,027 as of 20th June, according to official tallies while the positivity rate increased to 15.8%. According to a survey conducted by icddr'b, at least 68% of Covid patients in the capital who were infected between last week of May and first week of June had the deadly Delta or Indian Variant. Globally, the total number of cases has crossed 178 mn and the death count has also crossed 3.86 mn.

Only 31.38% allocation spent by Health division under ADP in 11 months

According to Implementation Monitoring and Evaluation Division of the planning ministry, the Health Service Division spent only 31.38% of its allocated revised ADP in 11 months, due to the pandemic and failure to procure vaccines under the World Bank-funded projects. To utilize 100% of annual budget, both the Health Service Division and Medical Education & Family Welfare Division will have to spend BDT 89.42 bn this month.

Surging bad loans creating provision shortfall for banks

In Q1 of 2021, provisional base of banks in Bangladesh worsened drastically as bad loans surged, showing a true picture of health of the banking industry. BB data showed that the shortfall went up more than 42 times to BDT 52.28 bn in March, if compared to BDT 1.23 bn 3 months ago. A strong provisional base last year could have avoided this widening shortfall, according to experts.