

**KEY ECONOMIC INDICATORS**

Future exports to Europe may suffer as the EU expressed its concerns regarding the roadmap prepared by Bangladesh for primary school enrollment and child labor. This roadmap answers EU's 9-point action plan and will decide whether Bangladesh will continue to enjoy duty-free access to EU after the expiry of the existing EBA initiative in 2023. Meanwhile, export policy support has been extended till 30<sup>th</sup> June this year which will give exporters more time to bring in export earnings and pay their import bills. Despite increased remittances, concerns are being raised as remittance inflow declined 7.17% from top countries in Q4 of 2020. This may suggest expatriates have lost jobs in these top countries which in turn may affect future inflows. Oil prices tumbled this week due to fear of poor oil demand as vaccine hiccups are being seen in many European countries.

	This Week	Last Week	Weekly Change	YTD Change
<b>Foreign Exchange Reserve (USD bn)</b>	43.09	42.98	0.27%	-0.19%
<b>Call Money Rate (Weighted Average)</b>	1.74%	1.82%	-8 bps	-30 bps
<b>Exchange Rate (BDT-USD)</b>	84.80	84.80	0.00%	0.00%
<b>Oil Price (USD per barrel of WTI)</b>	61.42	65.61	-6.39%	26.90%
	<b>FY 2020-21</b>	<b>FY 2019-20</b>	<b>% Change</b>	
<b>Export (USD mn) (Jul-Feb)</b>		25,862	26,242	-1.45%
<b>Remittances (USD mn) (Jul-Feb)</b>		16,687	12,499	33.51%
<b>Import (USD mn) (Jul-Jan)</b>		34,505	34,584	-0.23%
<b>Current Account Balance (USD mn) (Jul-Jan)</b>		2,235	(1,809)	N/A
<b>Credit to the Private Sector (USD mn) (Jan)</b>		134,466	124,112	8.32%
<b>Point-to-point Inflation (Feb)</b>		5.32%	5.46%	14 bps
<b>Tax Revenue (NBR) (USD mn) (Jul-Jan)</b>		15,585	14,927	4.41%

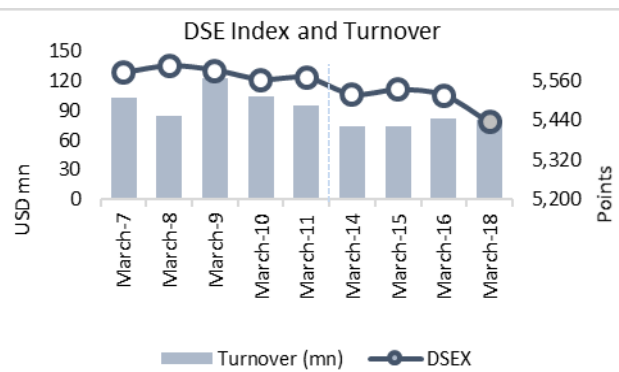
Source: Bangladesh Bank and Investing.com

**ECONOMIC RISKS**

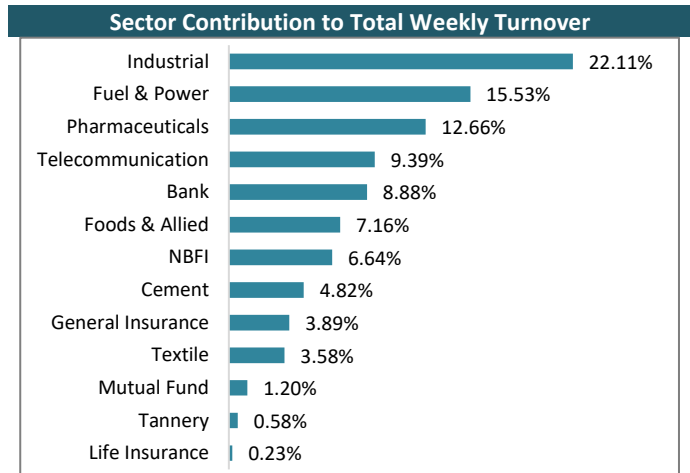
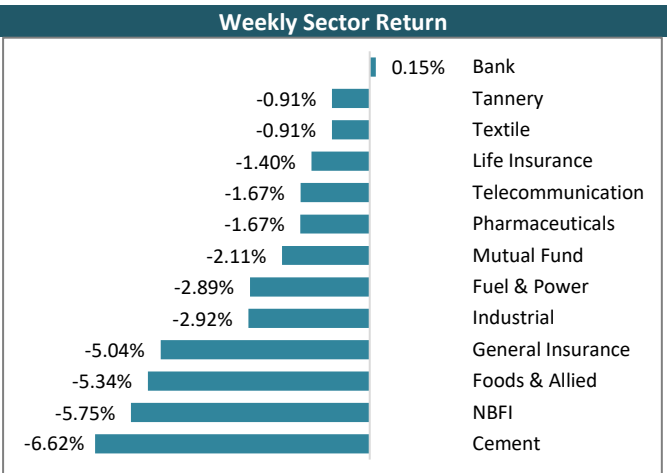
Risk factor	Risk Level	Impact
<b>Subdued tax revenue collection</b>	High	Tax collection registered a negative growth of -2.63% in FY20 for the first time since the country's independence due to the effects of the virus. However, revenue collection has increased by 4.41% in the Jul-Jan period of FY21 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-Feb period amid the pandemic with a 33.51% 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. However, while consumer confidence is likely to strengthen as the percentage of vaccinated population continues to increase, the recent spike in virus cases 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, it may take a while for demand recovery to take place. 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>	Medium	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 lost 134 points (-2.41%) during the week as the sudden spike in both virus infection and fatality rate drove investors into panic mode and exerted sell pressure in the market. Daily virus cases in Bangladesh have been showing an uptrend since the beginning of the month with infection rate hovering around 10% in recent times after remaining below 5% in the previous 2 months despite the country's ongoing vaccination drive. Investors' fear intensified further on the last trading week as the DGHS recommended a full lockdown to bring the situation under control. Globally, virus cases has have been increasing steeply as well as new variants of the virus expedited the transmission rate. Only the banking sector registered a slight gain of 0.15% during the week as the central bank raised the maximum dividend declaration limit to 35% from its earlier 30% after consulting with relevant stakeholders. Apart from this, all the remaining sectors eroded in value due to concerns over the virus. Market participation also declined significantly by -24.15% as a large number of investors remained in the sidelines. The market remained in the red zone in three out of the four trading days of the week.



Market Statistics				
	This Week	Last Week	Weekly Change	YTD Change
DSEX	5,435	5,569	-2.41%	0.60%
DS30	2,074	2,155	-3.75%	5.60%
Market Cap (\$ mn)	55,574	56,840	-2.23%	5.32%
Total Turnover (\$ mn)	309	510	-39.32%	-63.78%
Avg. Daily Turn. (\$ mn)	77	102	-24.15%	-54.72%
S&P 500	3,913	3,943	-0.77%	4.18%
DJIA	32,628	32,779	-0.46%	6.60%
FTSE 100	6,709	6,761	-0.78%	3.84%
NIKKEI 225	29,792	29,718	0.25%	8.56%



**NOTABLE EARNINGS ANNOUNCEMENTS DURING THE WEEK**

Out of the 2 earnings that were declared during the week, 1 company posted positive earnings growth and one company posted no changes in earnings. AGRANINIS posted positive earnings growth of 36.51% after showing poor performance in the initial quarters. Investors were satisfied with the 5% cash and 5% dividend declared by the company. They issued bonus shares to improve their paid-up capital as per the requirement of IDRA. MERCANBANK declared 10% cash and 5% bonus dividend despite showing no earnings growth for the latest financial year. Declaration of stock dividend will allow the bank to strengthen its Tier-I capital base as per Basel III for the coming year.

TICKER	COMPANY NAME	SECTOR	EPS 2020 (Jan-Dec)	EPS 2019 (Jan-Dec)	CHANGE	Dividend (2020)
AGRANINS	Agrani Insurance Co. Ltd.	Insurance	1.72	1.26	36.51%	5% C & 5% B
MERCANBANK	Mercantile Bank Ltd.	Bank	2.26	2.26	0.00%	10% C & 5% B

Source: DSEX, Investing.com, LR Global Research

QUARTERLY EARNINGS UPDATE

During the Oct-Dec'20 quarter, based on the data of 170 companies that have declared their earnings so far, the industrial sector bounced back and recorded the 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 subside. The pharmaceuticals sector recorded the second highest earnings growth during the quarter followed by ceramic, telecommunication, and fuel & power. 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 NBF 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			
	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Total	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec
Bank	13,988	21,244	13,891	22,880	72,003	18,311	13,382	20,078	-
Cement	872	958	582	250	2,662	803	173	930	778
Ceramic	230	59	261	287	837	167	-278	142	355
Food & Allied	2,294	1,683	3,219	3,156	10,352	3,020	2,501	2,960	201
Fuel & Power	9,076	11,399	10,862	8,961	40,298	7,336	5,683	9,997	9,111
Industrial	4,733	4,834	3,870	3,165	16,602	2,929	-665	3,439	5,895
NBFI	1,775	-393	-783	1,216	1,814	1,517	1,355	1,864	-
Pharmaceuticals	6,344	6,951	7,617	7,387	28,298	6,778	4,870	8,869	8,323
Telecommunication	8,926	9,553	7,269	8,766	34,514	10,694	7,265	8,898	10,330
Textile	1,465	-5,890	1,183	1,271	-1,971	417	-3,951	484	856
Tannery	270	101	371	144	886	-27	-869	-455	69

QoQ Growth (Sectorwise)	2019				Yearly Growth	2020			
	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec		Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec
Bank	20.2%	20.4%	-0.3%	-14.1%	3.1%	30.9%	-37.0%	44.5%	-
Cement	-4.6%	-0.4%	93.8%	-72.4%	-13.6%	-7.9%	-81.9%	59.7%	-
Ceramic	-20.3%	-71.3%	-22.7%	-35.6%	-34.5%	-27.5%	-567.8%	-45.7%	23.7%
Food & Allied	-25.0%	-74.1%	25.3%	25.6%	-18.8%	31.6%	48.6%	-8.0%	-47.2%
Fuel & Power	22.5%	9.4%	-1.1%	-7.3%	4.7%	-19.2%	-50.1%	-8.0%	6.4%
Industrial	-2.3%	-65.2%	-12.0%	-30.8%	-40.0%	-38.1%	-113.8%	-11.1%	108.1%
NBFI	-32.7%	-118.7%	-142.2%	-75.6%	-84.3%	-14.5%	444.8%	338.0%	-
Pharmaceuticals	7.7%	6.0%	25.6%	20.7%	14.9%	6.8%	-29.9%	16.4%	27.1%
Telecommunication	39.6%	-11.6%	-18.3%	-3.3%	-1.8%	19.8%	-24.0%	22.4%	17.8%
Textile	-9.4%	-481.5%	-39.8%	-20.8%	-129.3%	-71.5%	32.9%	-59.1%	-28.9%
Tannery	-34.1%	-63.8%	-38.8%	-55.0%	-45.2%	-109.9%	-962.9%	-222.6%	-27.9%

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

Source: DSEX, LR Global Research

\*Jul-Sep'20 & Oct-Dec'20 earnings growth have been calculated based on the earnings of 226 and 172 companies, respectively, that have been declared so far out of the 251 tracked.

MAJOR EVENTS DURING THE WEEK

**COVID-19 infection rate increases to 8.93% this week in Bangladesh: COVID-19 Update**

The weekly new COVID-19 cases increased by 91.49% as the total tests conducted increased by 20.16% compared to the previous week. During the week, 12,470 new positive cases and 151 more deaths were reported in Bangladesh, taking the total number of cases to 564,620 as of 18<sup>th</sup> March, according to official tallies. The positivity rate increased to 8.93% while the death rate is hovering around the same region. Bangladesh is currently experiencing worrying spike of positive cases as the UK and South African variant of the virus were recently detected in the country which experts believe has led to this sudden increase. Globally, the total number of cases has crossed 123 mn and the death count is also about to reach 2.71 mn.

**BB increases dividend payment limit for banks**

The central bank has set the maximum dividend disbursement limit for banks to 35% up by 5% from the previous ceiling that was imposed. Furthermore, the regulators are planning to increase NBFIs payout limit which currently restricts them at 15% cash. Circulars may be issued soon to clarify this matter.

**BSEC in pursuit to ease NRB investment**

The securities regulator is currently working with BB in its bid to reduce the complexities and ease the process regarding investments of non-resident Bangladeshis (NRBs) in the capital market. Recently, the cost of Non-Resident Investors Taka Accounts was been reduced for investors and many digital booths have been introduced to facilitate BO account opening.