

**KEY ECONOMIC INDICATORS**

The country's RMG suppliers have been receiving 20% fewer orders amid a plunge in retail sales due to renewed lockdowns and restrictions at major export destinations. A large number of buyers have been asking for as much as 180 days of deferred payment, and in some cases even more. Although inflation came down slightly in February, the central bank is apprehensive that inflation is still in a risky position due to the rising prices in the global commodity market and excess liquidity in the economy. Moreover, while private sector credit growth went up slightly to 8.93% in February, the growing uncertainty in the economy due to the resurgence of the virus is likely to have a negative impact on credit growth in March. Oil prices increased during the week due to higher output expectation after the OPEC+ decided to raise output from May onwards.

	This Week	Last Week	Weekly Change	YTD Change
<b>Foreign Exchange Reserve (USD bn)</b>	43.44	43.37	0.16%	0.61%
<b>Call Money Rate (Weighted Average)</b>	1.83%	1.88%	-5 bps	-29 bps
<b>Exchange Rate (BDT-USD)</b>	84.80	84.80	0.00%	0.00%
<b>Oil Price (USD per barrel of WTI)</b>	61.45	58.56	4.94%	26.96%
	<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-Feb)</b>		40,069	39,308	1.94%
<b>Current Account Balance (USD mn) (Jul-Feb)</b>		1,557	-2,108	N/A
<b>Credit to the Private Sector (USD mn) (Feb)</b>		136,024	124,870	8.93%
<b>Point-to-point Inflation (Feb)</b>		5.32%	5.46%	-14 bps
<b>Tax Revenue (NBR) (USD mn) (Jul-Feb)</b>		18,054	17,168	5.16%

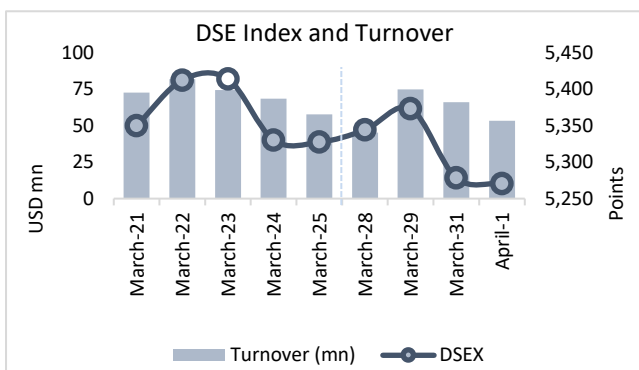
Source: Bangladesh Bank and Investing.com

**ECONOMIC RISKS**

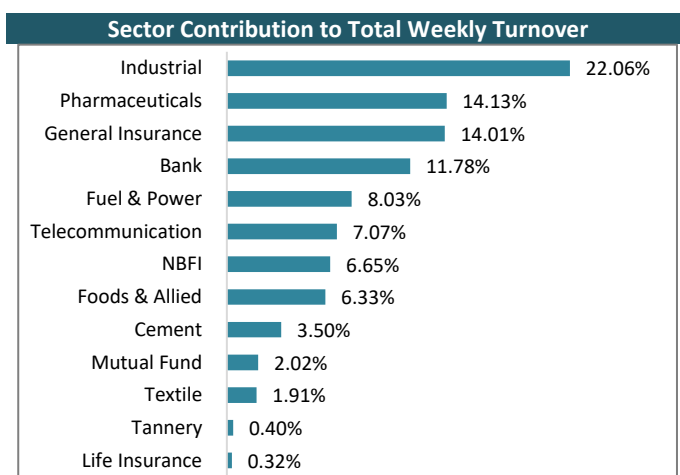
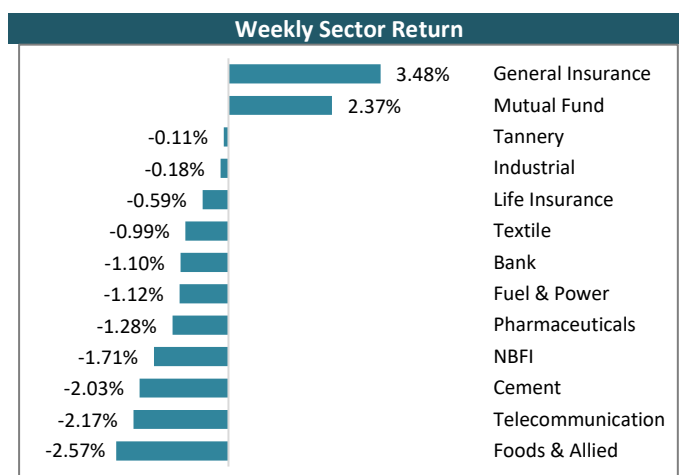
Risk factor	Risk Level	Impact
<b>Subdued tax revenue collection</b>	High	Tax collection registered a negative growth of -2.63% in FY20 for the first time since the country's independence due to the effects of the virus. However, revenue collection has increased by 5.16% in the Jul-Feb period of FY21 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-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, 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>	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 market lost 57 points (-1.06%) during the week as the surge in virus infections and deaths in the country showed no signs of backing down. On the first 2 trading days of the week, the panic in the market was slightly offset by lucrative stock prices which made some investors take fresh positions in selective stocks. In addition, the securities regulator’s decision to defer the implementation of the margin loan interest cap of 12% to June 30th, 2022 and the World Bank’s upward revision of Bangladesh’s GDP growth forecast to 3.6% from the earlier 1.6% also had a temporary positive impact in the market. But this did not last long and the market slipped back into the red zone in the remaining 2 trading days of the week as local virus cases continued to spike at an alarming rate. Only the general insurance and mutual funds sector managed to register a slight positive gain. Average daily turnover declined by -15.71% compared to the previous week.



Market Statistics				
	This Week	Last Week	Weekly Change	YTD Change
DSEX	5,271	5,327	-1.06%	-2.43%
DS30	1,983	2,021	-1.86%	0.98%
Market Cap (\$ mn)	53,994	54,549	-1.02%	2.33%
Total Turnover (\$ mn)	239	354	-32.57%	-72.03%
Avg. Daily Turn. (\$ mn)	60	71	-15.71%	-65.04%
S&P 500	4,020	3,975	1.14%	7.02%
DJIA	33,153	33,073	0.24%	8.32%
FTSE 100	6,737	6,741	-0.05%	4.28%
NIKKEI 225	29,854	29,177	2.32%	8.78%



**NOTABLE QUARTERLY EARNINGS ANNOUNCEMENTS DURING THE WEEK**

Out of the 4 earnings that were declared during the week, 2 companies posted positive earnings growth and 2 companies posted negative growth in earnings. PRIMEBANK’s earnings grew by 37.6% because of lower provisioning of the loans. However, ACTIVEFINE’s earnings decreased by 20% due to a 12.19% decline in top-line revenue and 7% increase in operating expenses.

TICKER	COMPANY NAME	SECTOR	EPS 2020 (Oct-Dec)	EPS 2019 (Oct-Dec)	CHANGE
PRIMEBANK	Prime Bank Ltd.	Bank	1.61	1.17	37.6%
ACTIVEFINE	Active Fine Chemicals Limited	Pharmaceuticals	0.12	0.15	-20.0%

Source: DSEX, Investing.com, LR Global Research

QUARTERLY EARNINGS UPDATE

During the Oct-Dec'20 quarter, based on the data of 177 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 NBFIs recorded the second highest earnings growth during the quarter followed by bank, pharmaceuticals, and ceramic. Bank 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 NBFIs 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	21,338	4,479
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
NBFIs	1,775	-393	-783	1,216	1,814	1,517	1,355	1,864	1,737
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	894
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%	53.6%	40.9%
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%
NBFIs	-32.7%	-118.7%	-142.2%	-75.6%	-84.3%	-14.5%	444.8%	338.0%	54.0%
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%	-29.7%
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 227 and 179 companies, respectively, that have been declared so far out of the 251 tracked.

MAJOR EVENTS DURING THE WEEK

**COVID-19 infection rate surged to 20.6% this week in Bangladesh: COVID-19 Update**

The weekly new COVID-19 cases increased by 66.54% while the total tests conducted increased by only 4.40% compared to the previous week. During the week, 38,471 new positive cases and 344 more deaths were reported in Bangladesh, taking the total number of cases to 637,364 as 3<sup>rd</sup> April, according to official tallies. The positivity rate surged to 20.6% while the death rate has also increased sharply. The pace of rising transmission is alarming and the government has already imposed a lockdown for one week with some other strict measures to curb the infection. Globally, the total number of cases has crossed 131 mn and the death count has also crossed 2.86 mn.

**BB extends export development fund to \$ 5.5 bn**

The central bank has taken a decision to raise the country's export development fund to \$ 5.5 bn as businesses are grappling amid the surging local virus cases. The purpose of this raise is to provide some support to exporters for recovery as most of the funds have been used up due to significant demand.

**World Bank revises GDP growth forecast to 3.6%**

The World Bank has revised its GDP growth forecast for Bangladesh for FY21 to 3.6% from its earlier 1.6% in January. This growth is expected to be driven by a rise in private consumption, remittance inflow, recovery of exports, and higher public capital expenditure. The country's fiscal deficit is expected to be 6% in FY21.