

KEY ECONOMIC INDICATORS

BB is going to provide a USD 200 mn loan from its forex reserve to Sri Lanka through a currency swap deal, which is going to be a first in the country's history. The deal was made under special consideration even though Sri Lanka is at risk of default as Bangladesh's reserves are currently in good standing. Foreign aid increased by 40.42% in July-April, FY21 due to inflow of funds for project assistance and grants. However, disbursement remained same as FY20. Overall import declined by more than 10% in April due to the second wave. Import of industrial goods like mild steel products and mobile phone are expected to receive advance tax waiver in the FY22 budget in order to streamline the overall import process. Net borrowing from NSCs is also likely to increase by over 50% to fund the 6.2% expected deficit. Oil price showed an uptrend as strong US economic data and expectations of a rebound in global demand surpassed concerns about more supply from Iran once sanctions are lifted.

	This Week	Last Week	Weekly Change	YTD Change
Foreign Exchange Reserve (USD bn)	44.90	43.58	3.02%	0.94%
Call Money Rate (Weighted Average)	2.15%	2.13%	2 bps	3 bps
Exchange Rate (BDT-USD)	84.80	84.80	0.00%	0.00%
Oil Price (USD per barrel of WTI)	66.85	61.94	7.93%	38.12%
		FY 2020-21	FY 2019-20	% Change
Export (USD mn) (Jul-Apr)		32,073	29,494	8.74%
Remittances (USD mn) (Jul-Apr)		20,666	14,868	39.00%
Import (USD mn) (Jul-Feb)		40,069	39,308	1.94%
Current Account Balance (USD mn) (Jul-Feb)		1,557	-2,108	N/A
Credit to the Private Sector (BDT bn) (Mar)		11,604	10,666	8.79%
Point-to-point Inflation (Mar)		5.47%	5.48%	-5 bps
Tax Revenue (NBR) (USD mn) (Jul-Feb)		18,055	17,168	5.16%

Source: Bangladesh Bank and Investing.com

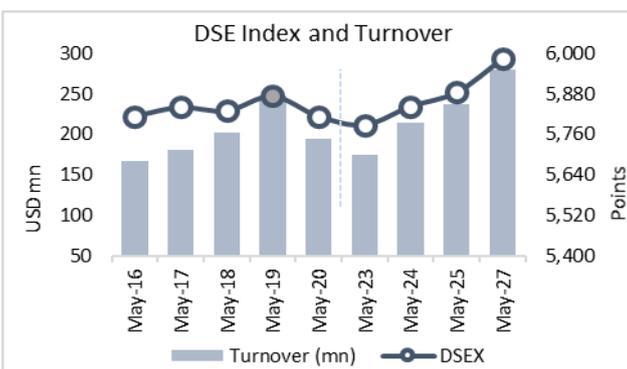
*All data except oil has been kept unchanged from last week as BB has not provided updated data.

ECONOMIC RISKS

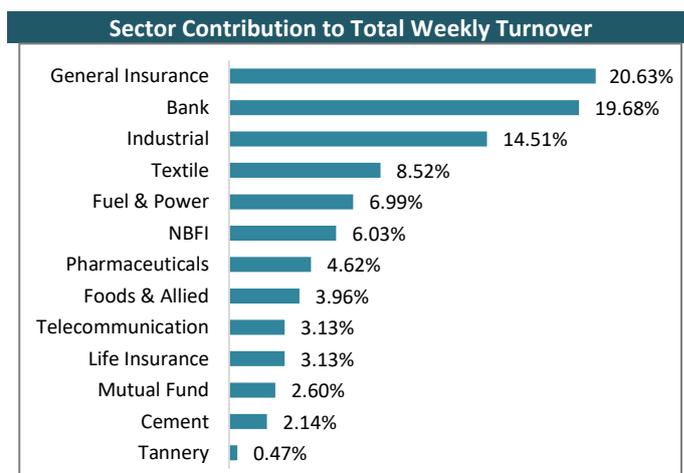
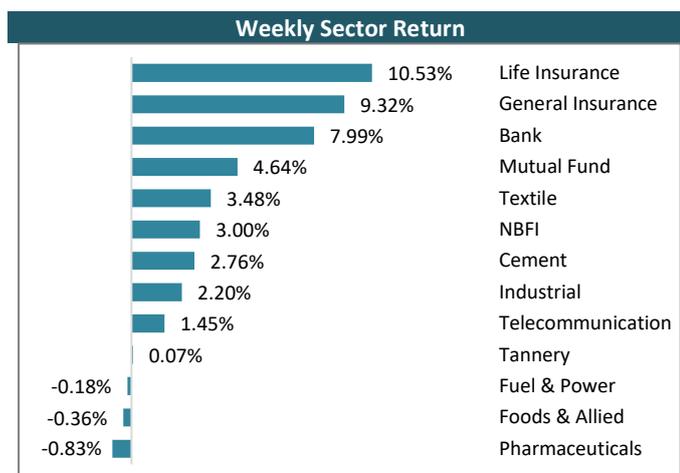
Risk factor	Risk Level	Impact
Subdued tax revenue collection	High	Tax collection registered a negative growth of -2.63% in FY20 for the first time since the country's independence due to the effects of the virus. However, revenue collection has increased by 5.16% in the Jul-Feb period of FY21 as businesses 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 DSEX surged by 173 points (2.97%) and hit a 39-month high as investors continued to remain upbeat about the upcoming budget and took positions in financial and insurance stocks. This is the 7th consecutive week that the market has been in an uptrend and is nearing the 6,000-points mark while market capitalization crossed a historical high of BDT 5.03 trillion as the market continued to remain open and function smoothly during the lockdown while the prior market correction made stocks prices lucrative to investors. The recent encouraging growth in the earnings of a good number of listed companies also sent a positive signal to the market. The life insurance and general insurance sectors registered the highest return of 10.53% and 9.32% during the week, followed by the banking sector (7.99%). The BSEC’s decision to initiate an investigation against rumor mongers in social media, extension of trading hour by 30 minutes, and issuance of a new directive that aims to restrict the issuance of bonus shares helped provide a further boost to confidence in the market. Hence, overall average daily market turnover increased by 14.01% compared to the previous week while the market remained in the green zone in 3 out of the 4 trading days of the week.



Market Statistics				
	This Week	Last Week	Weekly Change	YTD Change
DSEX	5,986	5,813	2.97%	10.81%
DS30	2,190	2,178	0.52%	11.50%
Market Cap (\$ mn)	59,181	57,951	2.12%	12.16%
Total Turnover (\$ mn)	905	992	-8.79%	5.92%
Avg. Daily Turn. (\$ mn)	226	198	14.01%	32.40%
S&P 500	4,204	4,156	1.16%	11.93%
DJIA	34,529	34,208	0.94%	12.82%
FTSE 100	7,023	7,018	0.06%	8.70%
NIKKEI 225	29,149	28,318	2.94%	6.21%


NOTABLE QUARTERLY EARNINGS ANNOUNCEMENTS DURING THE WEEK

The EPS of BATBC increased by 27.5% as the revenues from domestic sale, export of leaf, and export of finished goods have soared up 12.7%, 18.15%, and 38.75% respectively as sales volume received a boost. Cost optimization has also contributed to this earnings growth. ACI’s EPS returned to positive territory due to higher growth in sales, efficiency in controlling operating expenses & working capital management and lower interest expenses for interest ceiling by BB.

TICKER	COMPANY NAME	SECTOR	EPS 2021 (Jan-Mar)	EPS 2020 (Jan-Mar)	CHANGE
BATBC	British American Tobacco Bangladesh Company Limited	Food & Allied	21.51	16.87	27.50%
ACI	ACI Limited	Pharmaceuticals & Chemicals	0.35	-4.81	N/A

TICKER	COMPANY NAME	SECTOR	EPS 2020	EPS 2019	CHANGE	Dividend
KARNAPHULI	Karnaphuli Insurance Company Ltd.	Insurance	1.6	1.1	45.45%	10% cash

Source: DSEX, Investing.com, LR Global Research

QUARTERLY EARNINGS UPDATE

During the Jan-Mar'21 quarter, the cement sector experienced a significant growth of 182.7%, based on the earnings disclosed so far, owing to a revival in demand in the sector. 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 NBF sector recorded the second highest earnings growth during the quarter followed by bank, pharmaceuticals, and ceramic. Banks and NBFs continued its profit growth trend from the previous quarter. In the Jul-Sep'20 quarter, a good number of NBFs 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				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	16,705	14,711
Cement	872	958	582	250	803	173	930	1,558	2,102
Ceramic	230	59	261	287	167	-278	142	355	242
Food & Allied	2,428	1,817	3,474	3,619	3,200	2,638	3,101	2,437	4,046
Fuel & Power	9,076	11,399	10,862	8,961	7,336	5,705	9,939	9,130	8,817
Industrial	4,736	4,823	3,873	3,169	2,931	-670	3,441	5,836	2,756
NBF	1,716	-243	-743	981	2,000	1,728	2,272	2,132	1,612
Pharmaceuticals	6,210	6,820	7,362	6,926	6,598	4,446	8,735	8,659	8,498
Telecommunication	8,926	9,553	7,269	8,766	10,694	7,265	8,898	10,330	8,912
Textile	1,474	-5,658	1,223	1,268	457	-3,852	473	885	1,264
Tannery	270	101	371	144	-27	-869	-455	69	95

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%	-10.6%	9.9%
Cement	-4.6%	-0.4%	93.8%	-72.4%	-7.9%	-81.9%	59.7%	-	-
Ceramic	-20.3%	-71.3%	-22.7%	-35.6%	-27.5%	-567.8%	-45.7%	23.7%	49.7%
Food & Allied	-24.0%	-74.1%	75.2%	92.7%	31.8%	45.2%	-10.7%	-32.7%	27.2%
Fuel & Power	22.5%	9.4%	-1.1%	-7.3%	-19.2%	-50.0%	-8.5%	6.4%	31.7%
Industrial	-2.2%	-65.2%	-12.2%	-30.8%	-38.1%	-113.9%	-11.2%	96.3%	-
NBF	-34.7%	-111.6%	-141.0%	-80.1%	16.5%	810.3%	405.8%	103.9%	-11.5%
Pharmaceuticals	8.0%	4.7%	10.7%	2.5%	6.2%	-34.8%	18.6%	25.1%	34.4%
Telecommunication	39.6%	-11.6%	-18.3%	-3.3%	19.8%	-24.0%	22.4%	17.8%	-16.7%
Textile	-13.4%	-440.5%	-40.7%	-25.5%	-69.0%	31.9%	-61.4%	-28.7%	-
Tannery	-34.1%	-63.8%	-38.8%	-55.0%	-109.9%	-962.9%	-222.6%	-27.5%	-

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 209 and 164 companies, respectively, that have been declared so far out of the 261 tracked.

MAJOR EVENTS DURING THE WEEK

COVID-19 positivity rate increases to 8.8% this week in Bangladesh: COVID-19 Update

The weekly new COVID-19 cases increased by 21.82% while the total tests conducted increased by 6.33% compared to the previous week. During the week, 9,660 new positive cases and 201 more deaths were reported in Bangladesh, taking the total number of cases to 797,386 as of 30th May, according to official tallies. The positivity rate increased to 8.8%. Pfizer COVID-19 vaccine received authorization by the DGHS for emergency purpose in Bangladesh. Globally, the total number of cases has crossed 170 mn and the death count has also crossed 3.53 mn.

Govt. is likely to restructure AIT in the upcoming budget to promote local industries

To promote local industries and to protect entrepreneurs of high value crops, NBR is going to cut Advance Income Tax (AIT) in the upcoming budget of FY22. A 5% AIT will be imposed on imported fruits and vegetables in order to protect farmers who produce high-value crops. However, AIT rate will be increased to 20% from existing 5% on luxury items - like wine and perfume. NBR will also reduce AIT on imports of raw materials which will help industries like cement and mattress.

Banks' disbursement of stimulus to CMSME sector finally picks up

Till March 2021, 72.3% of the BDT 200,000 mn allocated for the CMSME sector had been disbursed to 91,427 firms. Slow disbursement of the stimulus funds has pushed the central bank and finance ministry to create pressure on bank and non-bank financial institutions, who did not meet their disbursement targets yet. Though disbursement deadline had been extended several times, the latest deadline of disbursement is June 30.