

KEY ECONOMIC INDICATORS

In the outgoing FY21, Bangladesh has set a revised GDP growth target of 6.1% while the GDP growth for FY20 was 5.2%, which was the highest in Asia. Bangladesh has also set a target of 7.2% GDP growth for FY22. Average inflation target is to be kept at 5.3% in FY22 to prevent the rise in the price level amidst the pandemic. With the expectation of increased aid, the government is going to reduce its bank borrowing target by at least 7% from the revised target of FY21. Apart from prioritizing the healthcare, distribution of stimulus package, agriculture and sector and job creation, continuation of the 1% additional export incentive for RMG sector has also been proposed in the national budget. Meanwhile, according to ILO, Bangladesh's unemployment rate went up by 1.1% in 2020 due to the COVID-19 induced labor market crisis. Oil price picked up as OPEC+ supply discipline and recovering demand countered concerns about a patchy COVID-19 vaccination rollout around the globe.

	This Week	Last Week	Weekly Change	YTD Change
Foreign Exchange Reserve (USD bn)	45.09	44.90	0.42%	4.43%
Call Money Rate (Weighted Average)	2.39%	2.15%	24 bps	27 bps
Exchange Rate (BDT-USD)	84.80	84.80	0.00%	0.00%
Oil Price (USD per barrel of WTI)	68.81	66.85	2.93%	42.17%
		FY 2020-21	FY 2019-20	% Change
Export (USD mn) (Jul-Apr)		32,073	29,494	8.74%
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) (Mar)		11,604	10,666	8.79%
Point-to-point Inflation (Apr)		5.56%	5.96%	4bps
Tax Revenue (NBR) (USD mn) (Jul-Mar)		20,850	19,590	6.43%

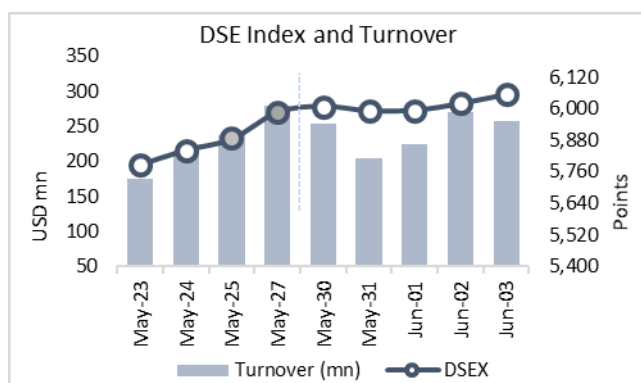
Source: Bangladesh Bank and Investing.com

ECONOMIC RISKS

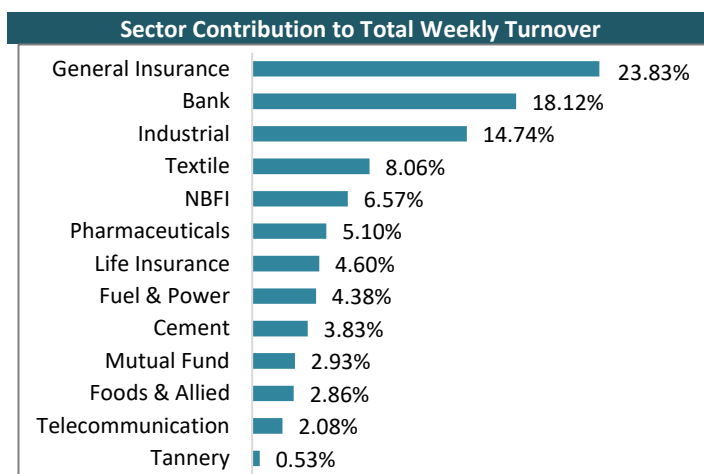
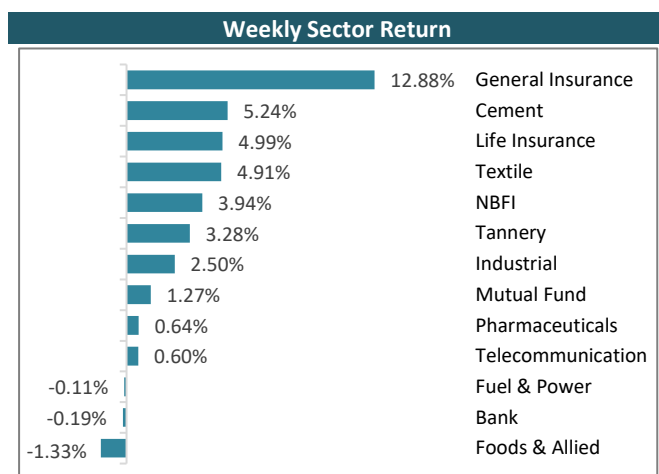
Risk factor	Risk Level	Impact
Subdued tax revenue collection	High	Tax collection registered a negative growth of -2.63% in FY20 for the first time since the country's independence due to the effects of the virus. However, revenue collection has increased by 5.16% in the Jul-Feb period of FY21 as businesses 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 advanced further by 68 points (1.13%) during the week as optimistic investors rushed to increase their positions in the market as the budget announcement date neared. The market has been optimistic for several weeks now in anticipation of a budget that will benefit listed companies as well as accelerate economic recovery. Investors continued to remain highly active in the financial sector during the week. The banking sector was the second most heavily traded (18.12%) but experienced slight correction of -0.19% after gaining continuously for three consecutive weeks, while the general insurance sector continued to remain the topmost traded sector generating 23.83% of the total turnover and returned 12.88%. The proposed corporate tax cut in the upcoming budget and lower return from money market created a positive atmosphere of investment in the capital market. Apart from this, the continuous positive corporate declarations alongside BSEC's initiatives and higher remittance inflows boosted the investors' confidence. Institutional and high net worth investors have been injecting fresh money in the market which helped average daily market turnover improve by 6.81%. During the week, BSEC decided to remove the floor prices for another 30 companies from 6th June as the floor price caused these stocks to remain stagnant for a very long time.



Market Statistics				
	This Week	Last Week	Weekly Change	YTD Change
DSEX	6,053	5,986	1.13%	12.06%
DS30	2,204	2,190	0.63%	12.20%
Market Cap (\$ mn)	59,911	59,181	1.23%	13.55%
Total Turnover (\$ mn)	1,208	905	33.51%	41.41%
Avg. Daily Turn. (\$ mn)	242	226	6.81%	41.41%
S&P 500	4,230	4,204	0.61%	12.61%
DJIA	34,756	34,529	0.66%	13.56%
FTSE 100	7,069	7,023	0.66%	9.42%
NIKKEI 225	28,942	29,149	-0.71%	5.46%


NOTABLE QUARTERLY EARNINGS ANNOUNCEMENTS DURING THE WEEK

The EPS of ALARABANK decreased because of combined effect of a decrease in investment income by BDT 577 mn due to implementation of single digit rates as per BB directives as well as the impact of the prevailing pandemic. BATASHOE's EPS showed a significant deviation as profit after tax was affected by sales discount and increased unavoidable expenses during the second wave.

TICKER	COMPANY NAME	SECTOR	EPS 2021 (Jan-Mar)	EPS 2020 (Jan-Mar)	CHANGE
ALARABANK	Al-Arafah Islami Bank Ltd	Bank	0.26	0.51	-49.02%
BATASHOE	Bata Shoe Company Limited	Tannery Industries	-3.58	2.07	N/A

TICKER	COMPANY NAME	SECTOR	EPS 2020	EPS 2019	CHANGE	Dividend
GLOBALINS	Global Insurance Company Ltd.	Insurance	1.53	0.96	59.38%	10% cash

Source: DSEX, Investing.com, LR Global Research

QUARTERLY EARNINGS UPDATE

During the Jan-Mar'21 quarter, the industrial sector experienced the highest growth of 243.7% due to significant growth in demand where BEXIMCO played a significant role. The cement sector also experienced a significant growth of 233.3%, 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 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	16,705	14,988
Cement	872	958	582	250	814	194	944	1,558	2,712
Ceramic	230	59	261	287	167	-278	142	355	242
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	8,817
Industrial	4,736	4,823	3,873	3,169	2,931	-670	3,441	5,836	3,134
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	4,446	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	1,516	-5,641	1,238	1,278	475	-3,934	444	853	483
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%	-10.6%	7.6%
Cement	-4.6%	-0.4%	93.8%	-72.4%	-6.7%	-79.8%	62.2%	-	-
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%	22.5%	-64.5%	-9.1%
Fuel & Power	22.5%	9.4%	-1.1%	-7.3%	-19.2%	-50.0%	-8.5%	6.4%	31.7%
Industrial	-2.2%	-65.2%	-12.2%	-30.8%	-38.1%	-113.9%	-11.2%	96.3%	-
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%	34.4%
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%	5.8%
Tannery	-34.1%	-63.8%	-38.8%	-55.0%	-109.9%	-962.9%	-222.6%	-125.4%	-

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 214 and 181 companies, respectively, that have been declared so far out of the 261 tracked.

MAJOR EVENTS DURING THE WEEK

COVID-19 positivity rate increases to 10.0% this week in Bangladesh: COVID-19 Update

The weekly new COVID-19 cases increased by 23.48% while the total tests conducted increased by 8.71% compared to the previous week. During the week, 11,928 new positive cases and 252 more deaths were reported in Bangladesh, taking the total number of cases to 809,314 as of 6th June, according to official tallies. The positivity rate increased to 10.0%. The Delta variant, also recognized as Indian variant, which was first detected in Bangladesh on 8th May, has spread to 10 districts within a span of 4 weeks. Globally, the total number of cases has crossed 173 mn and the death count has also crossed 3.72 mn.

Country's unemployment rate increases to 5.3% in 2020

A recent assessment done by ILO showed that Bangladesh's jobless rate rose by 1.1% to 5.3% in 2020 as a result of the global labor market crisis due to the pandemic. In 2019, pre-pandemic year, world jobless rate was 5.4% and it reached 6.5% in 2020. India seems tremendously affected compared with other countries as the rate was much higher at around 7.1% if. A trend showed by WESO disclosed that per week working hours declined by 3.5% to 25.1% in 2020.

50th fiscal plan of Bangladesh unveiled - a BDT 6,037 bn budget

The Finance minister of Bangladesh has declared a BDT 6,037 bn budget, which is the 50th fiscal plan of independent Bangladesh, for the fiscal year starting from the beginning July 1. To keep harmony with the current pace of tax collection, NBR has set a target of BDT 3,300 bn for revenue collection.