

KEY ECONOMIC INDICATORS

In the first 9 days of May alone, an estimated USD 919 mn worth of remittances flowed into the country before the Eid festival. If compared to the USD 344 mn received in the first week of May last year and the ~USD 2 bn received last month, this inflow is significant. BGMEA is demanding an extension of the repayment period of borrowed money from the stimulus package to 3 years from the present 2 years, as the sector is yet to recover from the virus effects. As of May 11, ahead of Eid, 99% of garment factories are said to have paid festival allowances while 97.54% factories paid salaries to their workers. Imports from member countries of Asian Clearing Union increased by more than 23% in the March-April period of this calendar year. Custom houses were kept open on a limited scale from May 11 - 15, excluding Eid day, to facilitate smooth export- import related services. Oil prices were volatile throughout the week due to the Colonial Pipeline saga and the worsening COVID situation in India.

	This Week	Last Week	Weekly Change	YTD Change
Foreign Exchange Reserve (USD bn)	43.58	44.83	-2.78%	0.94%
Call Money Rate (Weighted Average)	2.13%	2.06%	7 bps	1 bps
Exchange Rate (BDT-USD)	84.80	84.80	0.00%	0.00%
Oil Price (USD per barrel of WTI)	63.82	64.71	-1.38%	31.86%
	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

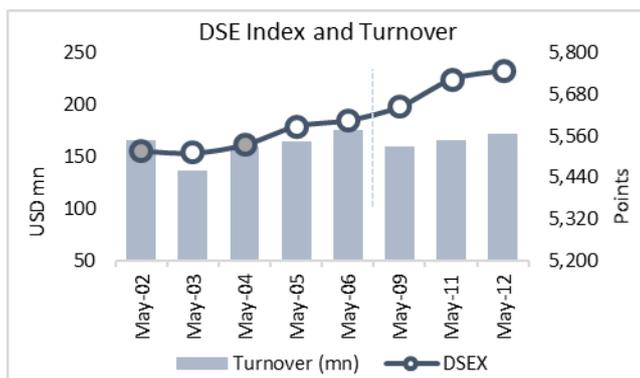
*All data except oil has been kept unchanged from last week as BB has not provided updated data.

ECONOMIC RISKS

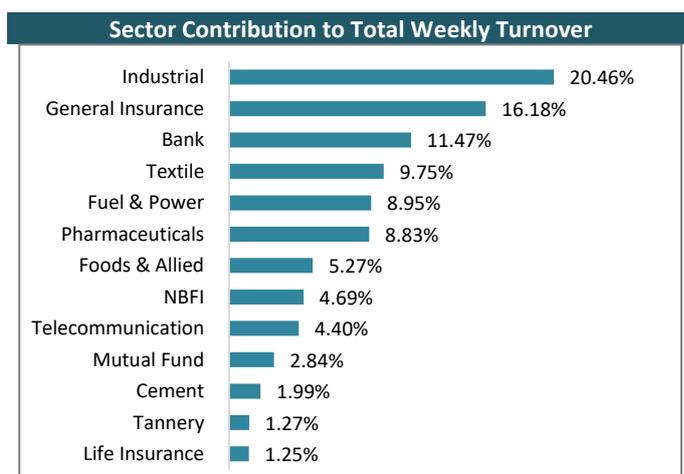
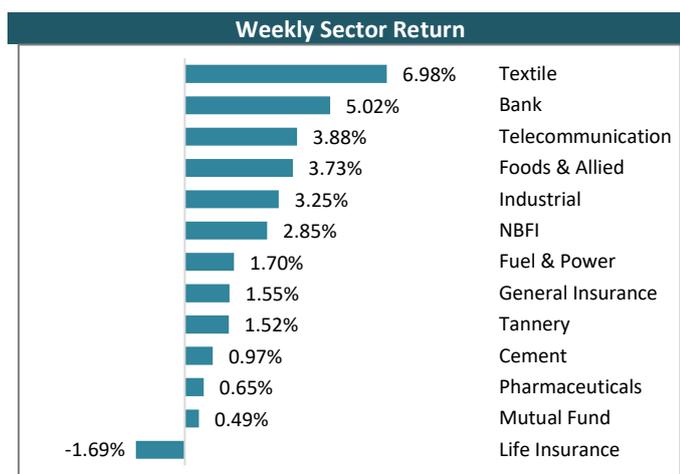
Risk factor	Risk Level	Impact
Subdued tax revenue collection	High	Tax collection registered a negative growth of -2.63% in FY20 for the first time since the country's independence due to the effects of the virus. However, revenue collection has increased by 5.16% in the Jul-Feb period of FY21 as businesses 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 market advanced by 144 points (2.58%) and touched a 3-month high as favourable earnings declarations and some reduction in economic uncertainties kept investors upbeat. The textile sector generated the highest return of 6.98% as investors were lured by their attractive prices. The banking sector yielded the second highest return of 5.02% as the handsome dividend yields and improved earnings of listed banks coupled with their cheap prices propelled investors to buy banking stocks heavily ahead of the Eid holidays. Other than this, the further decline in deposit rates, gradual fall in daily virus cases and improvements in the country's key macroeconomic indicators such as exports, remittances and forex also added to investors' confidence, allowing the index to cross the 5,700 points mark. Hence, the market remained in the green zone in all 3 trading days of the week while average daily turnover rose by 3.04% from the previous week. ICB is currently trying to arrange foreign funds via bond issuance to invest in the stock market for which both local and foreign companies have expressed an interest to work as an arranger. While the securities regulator has given its green light to ICB regarding this matter, the central bank is yet to respond.



Market Statistics				
	This Week	Last Week	Weekly Change	YTD Change
DSEX	5,750	5,606	2.58%	6.45%
DS30	2,187	2,137	2.32%	11.35%
Market Cap (\$ mn)	57,674	56,228	2.57%	9.31%
Total Turnover (\$ mn)	495	801	-38.17%	-41.98%
Avg. Daily Turn. (\$ mn)	165	160	3.04%	-3.30%
S&P 500	4,174	4,233	-1.39%	11.12%
DJIA	34,382	34,778	-1.14%	12.34%
FTSE 100	7,044	7,130	-1.21%	9.03%
NIKKEI 225	28,084	29,358	-4.34%	2.33%


NOTABLE QUARTERLY EARNINGS ANNOUNCEMENTS DURING THE WEEK

PREMIERCER's profit improved significantly by 766.67% in the Jan-Mar quarter due to increased demand of cement as development activities throughout the country picked up during the period. SOUTHEASTB's earnings reduced by 16.98% due to a significant drop in Net Interest Income/Investment by 42.85% as a result of the lending rate ceiling imposed by BB.

TICKER	COMPANY NAME	SECTOR	EPS 2021 (Jan-Mar)	EPS 2020 (Jan-Mar)	CHANGE
UNITEDFIN	United Finance Limited	Financial Institutions	0.12	0.16	-25.00%
PREMIERCER	Premier Cement Mills Limited	Cement	1.56	0.18	766.67%

TICKER	COMPANY NAME	SECTOR	EPS 2020	EPS 2019	CHANGE	Dividend
SOUTHEASTB	Southeast Bank Ltd.	Bank	1.76	2.12	-16.98%	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 NBFIs 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 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				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	13,506
Cement	872	958	582	250	803	173	930	1,558	1,677
Ceramic	230	59	261	287	167	-278	142	355	220
Food & Allied	2,428	1,817	3,474	3,619	3,200	2,638	3,101	272	360
Fuel & Power	9,076	11,399	10,862	8,961	7,336	5,705	9,939	9,130	7,982
Industrial	4,733	4,834	3,870	3,165	2,929	-665	3,439	5,829	2,293
NBFI	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	7,923
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	878
Tannery	270	101	371	144	-27	-869	-455	69	86

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%	11.0%
Cement	-4.6%	-0.4%	93.8%	-72.4%	-7.9%	-81.9%	59.7%	-	182.7%
Ceramic	-20.3%	-71.3%	-22.7%	-35.6%	-27.5%	-567.8%	-45.7%	23.7%	54.4%
Food & Allied	-24.0%	-74.1%	75.2%	92.7%	31.8%	45.2%	-10.7%	-67.8%	4.6%
Fuel & Power	22.5%	9.4%	-1.1%	-7.3%	-19.2%	-50.0%	-8.5%	6.4%	32.8%
Industrial	-2.3%	-65.2%	-12.0%	-30.8%	-38.1%	-113.8%	-11.1%	96.7%	-
NBFI	-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%	19.7%
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 197 and 116 companies, respectively, that have been declared so far out of the 261 tracked.

MAJOR EVENTS DURING THE WEEK
COVID-19 positivity rate declines by 8.7% this week in Bangladesh: COVID-19 Update

The weekly new COVID-19 cases decreased by 33.56% while the total tests conducted decreased by 31.63% compared to the previous week. During the week, 7,669 new positive cases and 246 more deaths were reported in Bangladesh, taking the total number of cases to 779,796 as of 16th May, according to official tallies, while the positivity rate declined to 8.7%. A total of 0.5 mn doses of China's Sinopharm COVID-19 vaccine have been handed over to Bangladesh this week. The WHO has given a green light to this vaccine for emergency use. The countrywide lockdown has also been extended till May 23 to prevent further transmission of the virus. Globally, the total number of cases has crossed 162 mn and the death count has also crossed 3.36 mn.

Health sector budget allocation to increase by one-third

A proposal given by the Planning Commission (PC) on the BDT 2.25 tn worth of Annual Development Program for the upcoming FY22 will include BDT 173.06 bn funds for the health sectors' development. For the first time, the government is going to increase allocation in the health sector by one-third as the COVID fallout has been worsening. A total of 1,515 development projects have been included in the upcoming ADP.

Govt borrowing from banking sector slumps by BDT 136,270 mn in July-April

Heavy sales of national savings certificates and low spending on the implementation of Annual Development Program amid COVID outbreak were the prime reasons behind the BDT 136,270 mn drop of government borrowing from the banking sector in the July-April period. The government's borrowing target from the banking sector to manage deficit financing for FY21 was previously set at BDT 849,800 mn.