

**KEY ECONOMIC INDICATORS**

Bangladesh's competitive edge as a low-cost manufacturer in the global apparel market has been becoming increasingly harder to sustain as the recent increase in fuel, commodity prices and transportation costs may increase production costs by 5%. In addition, the hike in tariff and yarn prices has left little scope to make profit as the cost of doing business has been getting out of control. Rising prices of global commodities have resulted in a 47.59% increase in import costs in the Q1 of the current FY, which in turn has caused the country's trade deficit to triple YOY. The recent downward trend in inward remittances has been exerting downward pressure on the current account balance, which in turn has been exerting pressure on the country's forex reserve. On the last working day of the previous week, reserves declined by \$1.6 bn and fell below the \$45 bn mark. Oil price fell due to the possibility of oil release from the US reserve and OPEC'S projection of lower demand in the 4th quarter.

	This Week	Last Week	Weekly Change	YTD Change
<b>Foreign Exchange Reserve (USD bn)</b>	45.07	46.48	-3.04%	4.38%
<b>Call Money Rate (Weighted Average)</b>	2.45%	2.32%	13 bps	33 bps
<b>Exchange Rate (BDT-USD)</b>	85.75	85.70	0.06%	1.12%
<b>Oil Price (USD per barrel of WTI)</b>	80.79	81.27	-0.59%	66.92%
		<b>FY 2021-22</b>	<b>FY 2020-21</b>	<b>% Change</b>
<b>Export (USD mn) (Jul-Oct.)</b>		15,749	12,845	22.62%
<b>Remittances (USD mn) (Jul-Oct.)</b>		7,055	8,815	-19.97%
<b>Import (USD mn) (Jul-Sept.)</b>		18,720	12,687	47.56%
<b>Current Account Balance (USD mn) (July-Sept)</b>		-2,314	3,228	-171.69%
<b>Credit to the Private Sector (USD mn) (September)</b>		141,192	129,806	8.77%
<b>Point-to-point Inflation (September)</b>		5.59%	6.02%	43 bps
<b>Tax Revenue (NBR) (USD mn) (Jul-Sept)</b>		6,805	5,830	16.72%

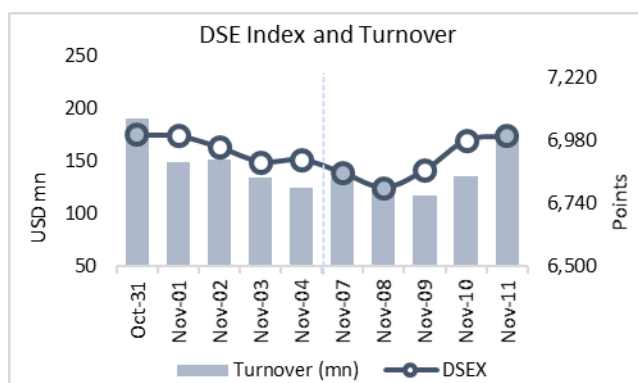
Source: Bangladesh Bank and Investing.com

**ECONOMIC RISKS**

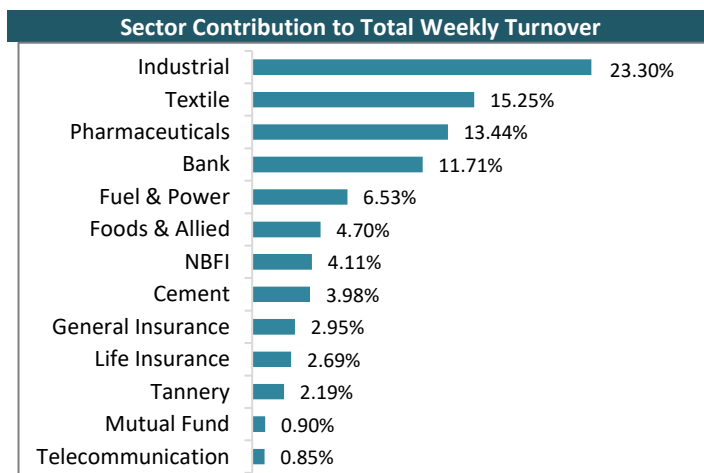
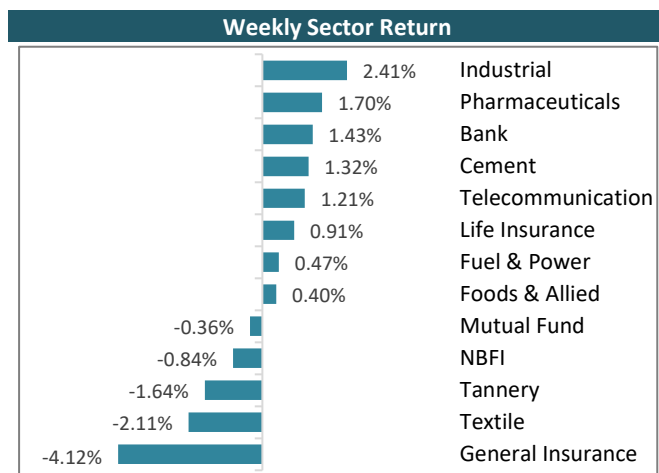
Risk factor	Risk Level	Impact
<b>Soaring default loan in financial sector</b>	High	The banking sector has been burdened with a high NPL ratio of 7.66% and a CAR of 11.63% that is the lowest in South Asia. Although banks are sitting with excess liquidity, their implementation of the stimulus package remains 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>Subdued tax revenue collection</b>	Medium	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 14.55% in the Jul-Aug period of FY22 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>Remittance shock</b>	Medium	Inward remittances made an exceptional recovery in the Jul-Jun period amid the pandemic. 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. However, remittance growth has slipped into the negative growth zone again in FY22 due to sluggish manpower export and resurfacing of informal channels of money transfer.
<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. This has allowed demand in the economy to slowly recover. Consumer confidence is likely to strengthen as the percentage of vaccinated population continues to increase and economic activities rebound as lockdown restrictions have been relaxed.
<b>Export slump</b>	Medium	It has been projected that global merchandise trade might plummet by ~13% due to the pandemic. However, revival of demand at major export destinations has been playing a major role in helping exports make a turnaround. 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>	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 prime index added 89 points (1.29%) during the week and rebounded strongly breaking the four-week losing streak driven by institutional investors' participation, Sonali Bank's fund injection, and retail investors' optimism. The central bank's recent issuance of a directive guiding banks and NBFIs not to follow the rules that contrast with the corporate governance code of 2018 dragged the market down by 107 points in the first two trading sessions of the week. Sonali Bank provided ICB with BDT 5 bn to inject in the market which helped the market recover and add 196 more points in the last three trading sessions of the week. The market was able to recover mainly with the support of large cap blue chip stocks which helped investors regain their confidence. On the other hand, average daily turnover declined by 8.27% as a good number of investors have become cautious due to the decline in real earnings of businesses due to increasing inflationary pressure in the economy coupled with continuous depreciation of the BDT against the USD has been increasing the production for companies. The industrial sector was the most densely traded sector accounting for 23.3% of total turnover and also generated the highest return of 2.41% due to encouraging earnings declarations by most of the companies in the sector driven by lower corporate tax and advance import tax deductions.



Market Statistics				
	This Week	Last Week	Weekly Change	YTD Change
DSEX	6,996	6,907	1.29%	29.50%
DS30	2,681	2,601	3.06%	36.51%
Market Cap (\$ mn)	64,894	65,868	-1.48%	24.15%
Total Turnover (\$ mn)	688	750	-8.27%	-18.69%
Avg. Daily Turn. (\$ mn)	138	150	-8.27%	-18.69%
S&P 500	4,683	4,605	1.68%	24.67%
DJIA	36,100	35,820	0.78%	17.95%
FTSE 100	7,348	7,238	1.52%	13.74%
NIKKEI 225	29,610	28,893	2.48%	7.89%



**NOTABLE QUARTERLY EARNINGS ANNOUNCEMENTS DURING THE WEEK**

Despite generating marginally decreased turnover, INDEXAGRO's operating efficiency caused minimizing the operating costs & consecutively increased the PAT, but the higher restated number of shares adjustment reduced the EPS by 16.39% for Q1 of 2021. On the other hand, MICEMENT's EPS grew by 5.88% due to higher revenue and lower operating expenses for the Q1 of 2021 YoY basis.

TICKER	COMPANY NAME	SECTOR	EPS 2021 (Jul-Sep)	EPS 2020 (Jul-Sep)	CHANGE
INDEXAGRO	Index Agro Industries Limited	Industrial	1.53	1.83	-16.39%
MICEMENT	M.I. Cement Factory Limited	Cement	0.54	0.51	5.88%

Source: DSEX, Investing.com, LR Global Research

QUARTERLY EARNINGS UPDATE

During the Jan-Mar'21 quarter, the cement sector experienced the highest growth of 233.3%, based on the earnings disclosed so far, owing to a revival in demand in the sector. The industrial sector also experienced a significant growth of 207.4% due to growth in demand where BEXIMCO played a significant role. 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. However, the telecommunication sector suffered a loss due to a decline in total active subscriber during the lockdown. 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.

Sector	2019				2020				2021		
	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep
Bank	13,988	21,244	13,891	22,880	18,311	13,382	20,078	19,241	19,627	23,799	22,301
Cement	872	958	582	250	814	194	944	1,558	2,712	1,849	-28
Ceramic	230	59	261	287	167	-278	142	355	249	252	197
Food & Allied	2,428	1,817	3,474	3,619	3,200	2,638	4,255	1,283	2,907	1,913	3,100
Fuel & Power	9,076	11,399	10,862	8,961	7,336	5,705	9,939	9,512	9,489	7,746	643
Industrial	4,711	4,805	3,836	3,104	2,925	-670	3,447	5,775	7,263	6,441	870
NBFi	1,835	-708	-692	868	1,984	1,549	1,989	2,891	1,836	1,754	1,982
Pharmaceuticals	6,210	6,820	7,362	6,926	6,598	4,443	8,736	8,659	8,741	8,903	1,243
Telecommunication	8,926	9,553	7,269	8,766	10,694	7,265	8,898	10,330	8,912	8,507	8,561
Textile	1,516	-5,637	1,219	1,247	521	-3,759	540	955	586	769	33
Tannery	270	101	371	144	-27	-869	-455	-36	45	163	80

QoQ Growth (Sectorwise)	2019				2020				2021		
	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep
Bank	20.2%	20.4%	-0.3%	-14.1%	30.9%	-37.0%	44.5%	-15.9%	7.2%	77.8%	11.1%
Cement	-4.6%	-0.4%	93.8%	-72.4%	-6.7%	-79.8%	62.2%	523.3%	233.3%	-	58.7%
Ceramic	-20.3%	-71.3%	-22.7%	-35.6%	-27.5%	-567.8%	-45.7%	23.7%	49.3%	185.6%	58.6%
Food & Allied	-24.0%	-74.1%	75.2%	92.7%	31.8%	45.2%	22.5%	-64.5%	-9.2%	-27.3%	-22.3%
Fuel & Power	22.5%	9.4%	-1.1%	-7.3%	-19.2%	-50.0%	-8.5%	6.1%	29.4%	62.3%	-3.0%
Industrial	-2.3%	-65.3%	-12.7%	-31.9%	-37.9%	-113.9%	-10.2%	86.1%	148.3%	-	-39.2%
NBFi	-21.7%	-138.9%	-145.7%	-81.3%	8.1%	318.8%	387.4%	232.9%	-7.5%	11.4%	-8.9%
Pharmaceuticals	7.9%	4.7%	10.7%	2.5%	6.2%	-34.8%	18.7%	25.0%	32.5%	92.5%	18.3%
Telecommunication	39.6%	-11.6%	-18.3%	-3.3%	19.8%	-24.0%	22.4%	17.8%	-16.7%	17.1%	-3.8%
Textile	-11.1%	-428.5%	-41.1%	-27.4%	-65.6%	33.3%	-55.7%	-23.4%	12.4%	121.0%	141.4%
Tannery	-34.1%	-63.8%	-38.8%	-55.0%	-109.9%	-962.7%	-222.6%	-125.2%	270.0%	118.7%	118.1%

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

Source: DSEX, LR Global Research

\* Apr-Jun'21 & Jul-Sep'21 earnings growth have been calculated based on the earnings of 197 and 72 companies, respectively, that have been declared so far out of the 260 tracked.

MAJOR EVENTS DURING THE WEEK

**COVID-19 positivity rate remained same as last week to 1.2% in Bangladesh: COVID-19 Update**

The weekly new COVID-19 cases decreased by 4.25% while the total tests conducted also decreased by 6.22% compared to the previous week. During the week, 1,443 new positive cases and 27 more deaths were reported in Bangladesh while positivity rate remained the same as the previous week at 1.2%, taking the total number of cases to 1,572,278 as of 13th November, according to official tallies. Meanwhile, world's first antiviral Covid drug named Molvir has been introduced by Square Pharmaceuticals Ltd in Bangladesh. Besides, the U.S will send another 14 mn Pfizer vaccine doses for Bangladesh, which will help meet the target of vaccinating 80% of the country's population. Globally, the total number of cases has crossed 254 mn and the death count has also crossed 5.10 mn.

**Transportation strike due to fuel price hike lifted as government assures demand fulfilment**

To keep pace with rising global fuel price, government raised diesel and kerosene prices by BDT 15 per liter. This decision disrupted the country's supply chain as leaders of the country's transport sector began a strike on 5th November demanding revised fares. The transport strike was halted as all of their 3 point demands were assured to be met. As a result the backlogs in the country's supply chain network returned to its routine cycle after the 88 hours strike.

**Six-member committee formed to review existing commodity pricing formula**

In order to assess existing basic commodity pricing formula, a six-member committee has been formed by the commerce ministry. The government has been using the current formula in fixing basic commodity prices since 2011. The target of this assessment is to reduce basic commodity prices like edible oil, sugar etc. There is scope in multiple areas like refining loss, processing & import cost, tariff etc, which can help in the reduction of commodity prices.