

**KEY ECONOMIC INDICATORS**

Bangladesh's current double-digit export growth may not sustain due to mounting import costs amid the gas and electricity crisis in China, as the country imports 60% of its export-related raw materials from China. The ongoing shipping vessel shortages, spike in fuel prices and freight charges may push up production costs further by 5% which in turn may erode bottom line. In order to cope with this, RMG manufacturers are considering demanding a minimum price ceiling for their five most exported products. The interbank lending rate reached 3.14% this week from 2.27% a week ago as banks' demand for money from the money market reached its peak amid declining deposit growth and increasing demand for credit in the recovering economy. Oil price dived down as people are expecting a slow economic recovery amid Covid resurgence in Europe while major economies declared the forthcoming release of their reserves in order to cool prices.

	This Week	Last Week	Weekly Change	YTD Change
<b>Foreign Exchange Reserve (USD bn)</b>	44.95	45.07	-0.25%	4.13%
<b>Call Money Rate (Weighted Average)</b>	4.42%	2.45%	197 bps	230 bps
<b>Exchange Rate (BDT-USD)</b>	85.80	85.75	0.06%	1.18%
<b>Oil Price (USD per barrel of WTI)</b>	75.94	80.79	-6.00%	56.90%
		<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%

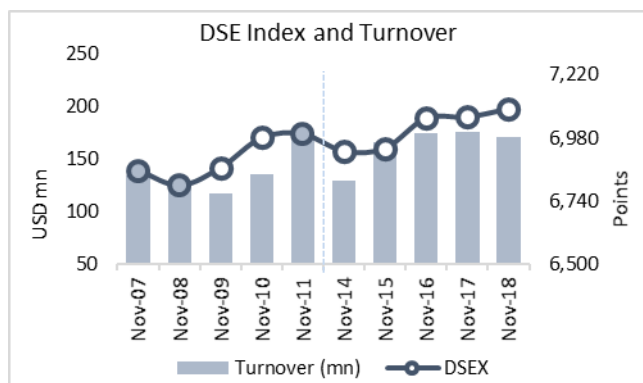
Source: Bangladesh Bank and Investing.com

**ECONOMIC RISKS**

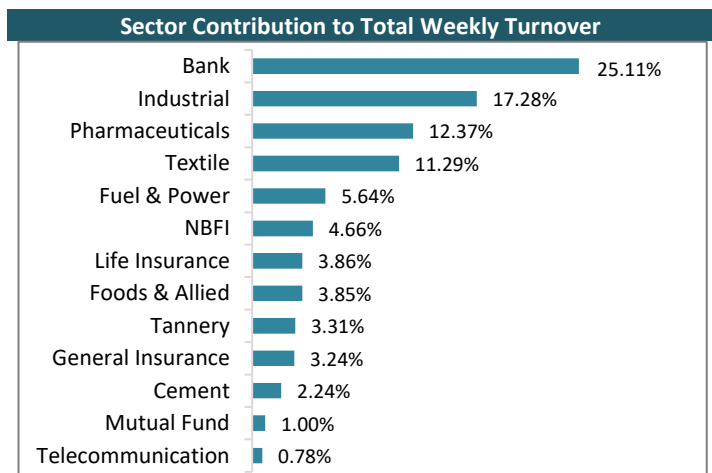
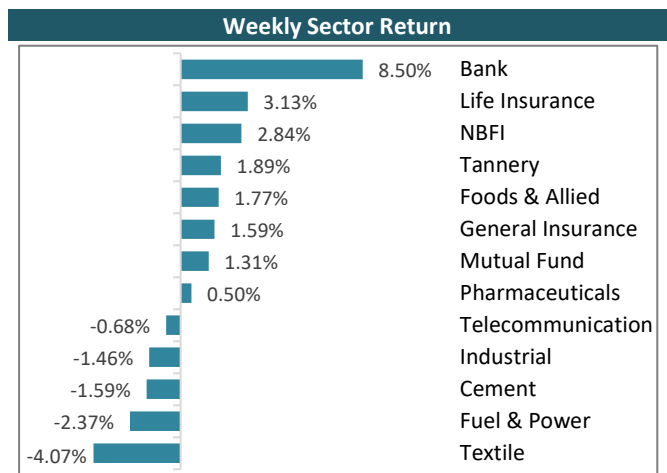
Risk factor	Risk Level	Impact
<b>Soaring default loan in financial sector</b>	High	The banking sector has been burdened with a high NPL ratio of 7.66% and a CAR of 11.63% that is the lowest in South Asia. Although banks are sitting with excess liquidity, their implementation of the stimulus package remains 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 16.72% in the Jul-Sep 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 strengthening as the percentage of vaccinated population continues to increase while economic activities are rebounding 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, although rising cost burden due to inflationary pressure is a growing concern. 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 premier bourse added 96 points (1.37%) during the week due to the decision to scrap the index-based margin loan, fund injection from the capital market stabilization fund (CMSF), and investors' heavyweight participation in banking sector stocks. The market shed 66 points in the first trading session as investors preferred to book profits from the previous three-day rally. Meanwhile, BSEC issued a directive scrapping the index-based margin loan and instead decided to allow brokers to extend credit facilities at 1:0.8 to for stocks with PE up to 40 to boost liquidity in the market which helped the index return to the green zone. On top of that, the securities regulator allowed the CMSF to provide ICB with BDT 100 crore to support the market. Hence, even though Bangladesh Bank sent show-cause notice to Sonali Bank due to its overexposure in the market, the index remained in the green zone by adding 162 points in the last four trading sessions. The banking sector generated the highest turnover, accounting for 25.11% of the total weekly turnover also enjoyed the highest gain of 8.5% as the buoyant investors showed strong buying spree of banking shares ahead of their year-end declaration. During the week, BSEC decided to extend the time frame for offloading shares of ICB, Berger-paints, and Walton to keep the market stable and the regulatory body also approved an IPO along with two open end mutual funds.



Market Statistics				
	This Week	Last Week	Weekly Change	YTD Change
DSEX	7,092	6,996	1.37%	31.28%
DS30	2,695	2,681	0.52%	37.22%
Market Cap (\$ mn)	65,432	64,894	0.83%	25.18%
Total Turnover (\$ mn)	815	688	18.55%	-3.61%
Avg. Daily Turn. (\$ mn)	163	138	18.55%	-3.61%
S&P 500	4,698	4,683	0.32%	25.08%
DJIA	35,602	36,100	-1.38%	16.32%
FTSE 100	7,224	7,348	-1.69%	11.81%
NIKKEI 225	29,746	29,610	0.46%	8.39%


**NOTABLE QUARTERLY EARNINGS ANNOUNCEMENTS DURING THE WEEK**

BXPHARMA registered a 36.10% growth in EPS YoY for Q1, 2021 due to its 22.28% topline growth which was driven by the overall increase in demand of pharmaceutical products during the pandemic alongside a boost in its revenue from sale of COVID vaccines. State owned power transmission company POWERGRID recorded a 7.55% growth in revenue due to the monopoly nature of its business which pushed its EPS growth up by 45.60% YoY.

TICKER	COMPANY NAME	SECTOR	EPS 2021 (Jul-Sep)	EPS 2020 (Jul-Sep)	CHANGE
POWERGRID	Power Grid Company of Bangladesh Ltd.	Fuel & Power	1.82	1.25	45.60%
BXPHARMA	Beximco Pharmaceuticals Ltd.	Pharmaceuticals & Chemicals	3.28	2.41	36.10%

Source: DSEX, Investing.com, LR Global Research

**QUARTERLY EARNINGS UPDATE**

During the Jul-Sep'21 quarter, the textile sector experienced the highest growth of 148.8%, based on the earnings disclosed so far, owing to surplus orders from the foreign buyers after the lockdown ended in Western countries. The industrial sector also experienced a strong growth of 118.1% due to higher turnover and corporate tax cut which contributed to the bottom-line growth of this sector. The tannery sector showed strong recovery this quarter as it was able to start bouncing back from its losses after the lockdown as demand for tannery goods began picking up. However, the cement sector suffered a loss due to a decline in turnover of this sector during the lockdown coupled with higher raw material costs. The pharmaceutical sector performed well during the pandemic as the demand for its products remained strong. But the food & allied sector posted decline in all quarters of FY2021 due to the disruptions caused by the pandemic. Telecommunication and NBFIs registered a negative growth in the Q1 & Q3 of FY 2021 due the slowdown in the growth of subscribers and lower interest rate spread. In the Jul-Sep'20 quarter, a good number of NBFIs logged in higher earnings due to lower provisioning on total outstanding loans. At this time, it is slightly concerning that the bank and NBF sectors may face financial difficulties after the loan moratorium facility is lifted.

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	179
Ceramic	230	59	261	287	167	-278	142	355	249	252	190
Food & Allied	2,428	1,817	3,474	3,619	3,200	2,638	4,255	1,283	2,907	1,890	3,567
Fuel & Power	9,076	11,399	10,862	8,961	7,336	5,705	9,939	9,512	9,489	8,471	7,242
Industrial	4,711	4,805	3,836	3,104	2,925	-670	3,447	5,775	7,263	6,473	6,888
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	8,982	10,220
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	1,295
Tannery	270	101	371	144	-27	-869	-455	-36	45	164	109

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%	-	-46.5%
Ceramic	-20.3%	-71.3%	-22.7%	-35.6%	-27.5%	-567.8%	-45.7%	23.7%	49.3%	185.6%	46.6%
Food & Allied	-24.0%	-74.1%	75.2%	92.7%	31.8%	45.2%	22.5%	-64.5%	-9.2%	-28.2%	-20.6%
Fuel & Power	22.5%	9.4%	-1.1%	-7.3%	-19.2%	-50.0%	-8.5%	6.1%	29.4%	141.6%	-7.9%
Industrial	-2.3%	-65.3%	-12.7%	-31.9%	-37.9%	-113.9%	-10.2%	86.1%	148.3%	-	118.1%
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%	116.5%	18.4%
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%	148.9%
Tannery	-34.1%	-63.8%	-38.8%	-55.0%	-109.9%	-962.7%	-222.6%	-125.2%	270.0%	118.9%	123.9%

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 206 and 184 companies, respectively, that have been declared so far out of the 260 tracked.

**MAJOR EVENTS DURING THE WEEK**
**COVID-19 positivity rate remains same as last week at 1.2% in Bangladesh: COVID-19 Update**

The weekly new COVID-19 cases increased by 11.64% while the total tests conducted also increased by 10.59% compared to the previous week. During the week, 1,611 new positive cases and 28 more deaths were reported in Bangladesh while positivity rate remained same as last week at 1.2%, taking the total number of cases to 1,573,889 as of 20th November, according to official tallies. Meanwhile, Bangladesh has recorded no deaths in a single day after 20 months on 20th November. Besides, the government will vaccinate its people with 60 mn more Covid vaccine doses with an aim to fully inoculate around 75 mn people within January 2022. Globally, the total number of cases has crossed 257 mn and the death count has also crossed 5.16 mn.

**Government asked banks and FIs to lower NPLs and speed up stimulus disbursement**

The Financial Institutions Division of the Finance Ministry asked state-owned banks & non-bank financial institutions to accelerate the disbursement of the stimulus package, especially towards the SME sector in order to facilitate a balanced and V-shaped economic turnaround. Moreover, they have also been instructed to lower their stressed assets, as NPLs comprise more than 20% of the asset portfolio of state-owned banks.

**Tax abuse by multinationals and wealthy individuals – Bangladesh losing BDT 12.35 bn every year**

Bangladesh has ranked third-highest in South Asia in terms of tax revenue loss as it incurred a massive BDT 12.35 bn loss due to corporate tax abuse and cross-border tax evasion. Multinationals and wealthy investors often elude taxes, which could have otherwise potentially contributed an equivalent of 14.52% of the country's overall public health expenditure.