

**KEY ECONOMIC INDICATORS**

The UNGA has approved the resolution that will allow Bangladesh to graduate from its LDC status after completing a 5-year preparatory period instead of the standard 3 years. This will give the country time to prepare for the graduation alongside form strategies for its recovery from the shock of the pandemic. The surge in investment in various sectors has been putting upward pressure on the call money rate and in one week alone, the call money rate has doubled and reached 4.50% for bank-to-bank call money transactions and 5.25% for NBFIs. The NBR has launched an Integrated VAT Automated System which will enable taxpayers to make payment of VAT and submit their VAT returns directly online to the state treasury. This will not only make the payment process more easy and transparent and help prevent fake invoice submission and tax evasion. Oil price fell sharply expecting a worldwide supply surplus as a new variant of coronavirus is posing a threat to the global economy.

	This Week	Last Week	Weekly Change	YTD Change
<b>Foreign Exchange Reserve (USD bn)</b>	44.94	44.95	-0.02%	4.10%
<b>Call Money Rate (Weighted Average)</b>	4.09%	4.42%	33 bps	197 bps
<b>Exchange Rate (BDT-USD)</b>	85.80	85.80	0.00%	1.18%
<b>Oil Price (USD per barrel of WTI)</b>	68.15	75.94	-10.26%	40.81%
		<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	NA
<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%

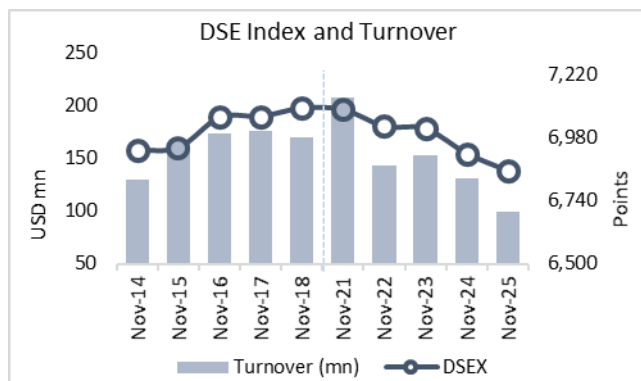
Source: Bangladesh Bank and Investing.com

**ECONOMIC RISKS**

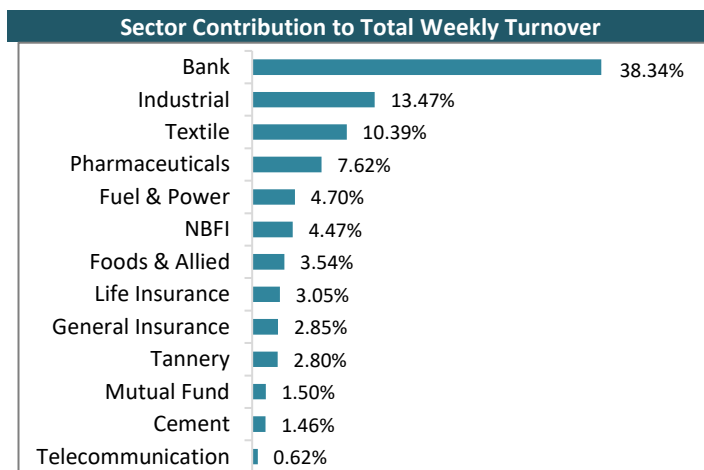
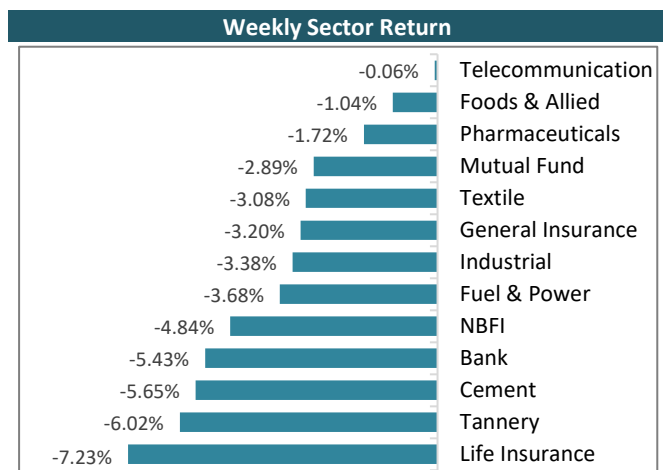
Risk factor	Risk Level	Impact
<b>Soaring default loan in financial sector</b>	High	The banking sector has been burdened with a high NPL ratio of 7.66% and a CAR of 11.63% that is the lowest in South Asia. Although banks are sitting with excess liquidity, their implementation of the stimulus package remains 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 broad index DSEX continued its strong bearish rally during the week and plunged by almost 240 points (3.38%) causing all sectors to generate a negative return. The bearish trend in the market was mainly driven by the panic selling by pessimistic investors due to the liquidity pressure in the money market, deteriorating situation in the banking sector and price correction of large cap stocks after dividend adjustments. The market rally from the previous week failed to sustain this week and started nosediving from the first trading session owing to money market liquidity crisis coupled with rising inflation in the economy. Moreover, the dividend adjustment of large cap stocks after record date, news regarding swelling NPLs in the banking sector, liquidity shortage at banks and widening provisioning shortfall resulted in the banking sector losing 5.43% in value and topping the turnover chart as investors rushed to make an exit from their positions in the sector. Reported delay in IPO fund utilization also discouraged the general investors from injecting the fresh bets in the stock market. Hence, the average daily trading volume of the market reduced significantly by 9.82% compared to the previous week. During the week, the securities regulator gave approval to one IPO and also allowed few banks to issue perpetual and subordinated bonds to fortify their capital base.



Market Statistics				
	This Week	Last Week	Weekly Change	YTD Change
DSEX	6,852	7,092	-3.38%	26.84%
DS30	2,603	2,695	-3.42%	32.53%
Market Cap (\$ mn)	63,685	65,432	-2.67%	21.83%
Total Turnover (\$ mn)	735	815	-9.82%	-13.07%
Avg. Daily Turn. (\$ mn)	147	163	-9.82%	-13.07%
S&P 500	4,701	4,698	0.07%	25.17%
DJIA	35,805	35,602	0.57%	16.99%
FTSE 100	7,286	7,224	0.87%	12.78%
NIKKEI 225	29,499	29,746	-0.83%	7.49%



**NOTABLE QUARTERLY EARNINGS ANNOUNCEMENTS DURING THE WEEK**

State owned financial institution ICB registered a 84.21% hike in EPS YoY for Q1, 2021 due to the surge in capital gain from the capital market investments and decrease in interest payments against deposits and borrowings. Despite posting the 11.23% topline growth, DOMINAGE's EPS plunged by 71.15% YoY due to the abnormal hike in raw material prices.

TICKER	COMPANY NAME	SECTOR	EPS 2021 (Jul-Sep)	EPS 2020 (Jul-Sep)	CHANGE
ICB	Investment Corporation Of Bangladesh	Financial Institutions	0.7	0.38	84.21%
DOMINAGE	Dominage Steel Building Systems Limited.	Engineering	0.15	0.52	-71.15%

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 of RMG after the locked downs ended in the western countries. The industrial sector also experienced a strong growth of 118.1% due to higher turnover and budgetary benefits contributed to the bottom-line growth of this sector. The tannery sector showed strong recovery in this quarter as it was able to minimize losses after the locked downs demand for tannery goods picks 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 sectors were afloat during the pre and post pandemic as the demand for medical instruments and medicines remained strong. But the food & allied sector posted degrowth in all of the quarters of FY2021 due to disruptions caused by pandemic. Telecommunication and NBFIs registered for negative growth in the Q1 & Q3 of FY 2021 due to slowing number 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 banking and NBF sectors may face financial difficulties after adjusting loan moratorium facilities.

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	260	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	6,508	6,899
NBFI	1,835	-708	-692	868	1,984	1,549	1,989	2,891	1,836	1,754	2,547
Pharmaceuticals	6,210	6,820	7,362	6,926	6,598	4,443	8,736	8,659	8,741	9,002	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	634	1,349
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%	193.7%	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%	-	119.5%
NBFI	-21.7%	-138.9%	-145.7%	-81.3%	8.1%	318.8%	387.4%	232.9%	-7.5%	11.4%	2.6%
Pharmaceuticals	7.9%	4.7%	10.7%	2.5%	6.2%	-34.8%	18.7%	25.0%	32.5%	114.9%	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%	116.9%	140.1%
Tannery	-34.1%	-63.8%	-38.8%	-55.0%	-109.9%	-962.7%	-222.6%	-125.2%	270.0%	118.9%	124.0%

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 213 and 190 companies, respectively, that have been declared so far out of the 260 tracked.

MAJOR EVENTS DURING THE WEEK

**COVID-19 positivity rate soared to 1.3% in Bangladesh: COVID-19 Update**

The weekly new COVID-19 cases increased by 4.9% while the total tests conducted decreased by 3.68% compared to the previous week. During the week, 1,690 new positive cases and 27 more deaths were reported in Bangladesh while positivity rate increased to 1.3%, taking the total number of cases to 1,575,579 as of 27<sup>th</sup> November, according to official tallies. Meanwhile, a 3-day Covid vaccination campaign took place in all the wards within two city corporations in Dhaka which began on 23<sup>rd</sup> November. Besides, expecting higher risk due to new variant found in South Africa, Bangladesh is set to suspend any kind of air travel with South Africa and health screening has been made a must for all inbound passengers in all land and airports in Bangladesh. Globally, the total number of cases has crossed 261 mn and the death count has also crossed 5.21 mn.

**Fed to cut off transactions with BB if it fails to rebuild SWIFT network within June next year**

The Fed has cautioned Bangladesh Bank that it will terminate foreign payment transaction facilities with the central bank by June of next year if Bangladesh Bank does not rebuild its SWIFT system. The central bank has been unable to rebuild its SWIFT network even it has been 5 years since the cyber-attack. Manual transactions with the help of a local-based foreign bank have already reduced the transaction days with the Fed as it costs higher for them considering low volume transactions.

**Government contractors demand price revision as construction costs spike**

The price of construction materials have jumped by 25-30% in recent times which has driven up the cost of development projects and may also delay their completion. The LGED Contractors Association in Chattogram has given an ultimatum to the government that they will halt all ongoing government development projects if the prices of construction raw materials are not adjusted.