

KEY ECONOMIC INDICATORS

Even though exports registered a 31% growth YOY in November as demand for apparel products have strongly bounced back, soaring prices of yarn are continuing to erode profit margins of RMG manufacturers while the emergence of the new coronavirus variant Omicron also stands as a threat as it continues to spread rapidly. Inflation touched a 12-month high of 5.70% in October, driven by non-food inflation amid escalating global commodity prices. Import payments have jumped by more than 50% in the first 4 months of the current fiscal year as a result of the surging freight cost and global fuel & commodity prices. Inward remittances plunged sharply by 25.25% YoY at the end of November due to shrinkage of manpower export and rise in the usage of informal channels to remit funds. Oil price fell as the new covid variant is creating uncertainty for the market amid OPEC's decision on keeping its output unchanged.

| | This Week | Last Week | Weekly Change | YTD Change |
|--|-----------|-------------------|-------------------|-----------------|
| Foreign Exchange Reserve (USD bn) | 44.83 | 44.94 | -0.25% | 3.84% |
| Call Money Rate (Weighted Average) | 3.20% | 4.09% | 89 bps | 108 bps |
| Exchange Rate (BDT-USD) | 85.80 | 85.80 | 0.00% | 1.18% |
| Oil Price (USD per barrel of WTI) | 66.26 | 68.15 | -2.77% | 36.90% |
| | | FY 2021-22 | FY 2020-21 | % Change |
| Export (USD mn) (Jul-Nov) | | 19,791 | 15,924 | 24.29% |
| Remittances (USD mn) (Jul-Nov) | | 8,609 | 10,894 | -20.98% |
| Import (USD mn) (Jul-Oct.) | | 25,831 | 17,062 | 51.39% |
| Current Account Balance (USD mn) (July-Sept) | | -2,314 | 3,228 | NA |
| Credit to the Private Sector (USD mn) (October) | | 142,137 | 129,874 | 9.44% |
| Point-to-point Inflation (October) | | 5.70% | 6.02% | 32 bps |
| Tax Revenue (NBR) (USD mn) (Jul-Oct) | | 9,262 | 7,940 | 16.64% |

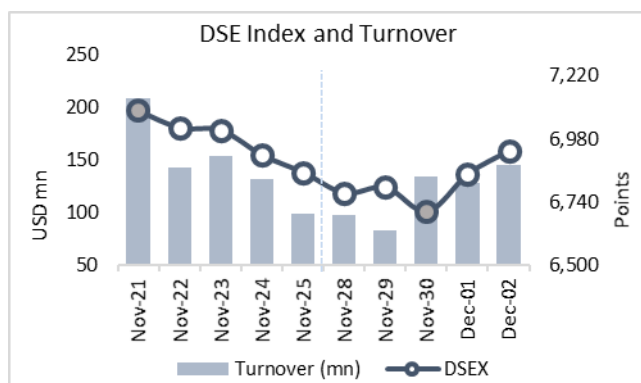
Source: Bangladesh Bank and Investing.com

ECONOMIC RISKS

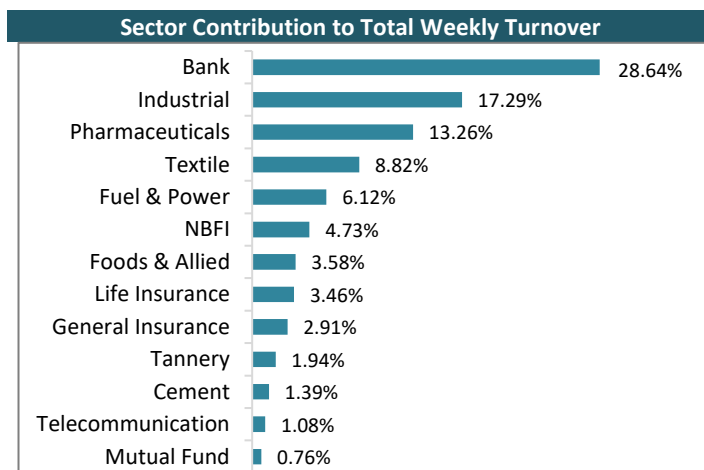
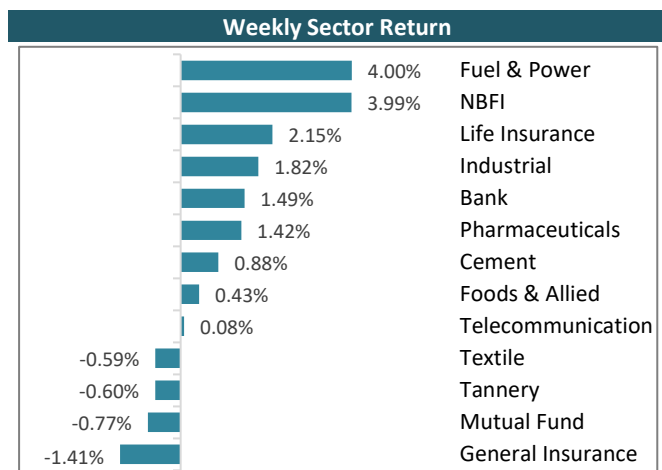
| Risk factor | Risk Level | Impact |
|---|------------|---|
| Soaring default loan in financial sector | High | The banking sector has been burdened with a high NPL ratio of 7.66% and a CAR of 11.63% that is the lowest in South Asia. Although banks are sitting with excess liquidity, their implementation 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. |
| Subdued tax revenue collection | 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. |
| Remittance shock | 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. |
| 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. 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. |
| Export slump | 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). |
| 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 premier bourse returned to the green zone and added 84 points (1.23%) during the week due to positive expectations regarding the upcoming finance ministry's meeting with BSEC and BB, growing demand for credit, and the central bank's decision to halt absorption of surplus liquidity from banks. The market bled in the first trading session of the week as resurgence of the new virus variant Omicron spread panic among investors and exerted selling pressure in the market. The market returned to the green zone in the second session as investors mostly focused on the bargain prices of banking sector shares. However, the market shed 92 points again in the following session as investors remained wary ahead of the meeting between BSEC and the central bank. Although, the regulators were unable to reach an agreement at their meeting, investors' expectation that BSEC's meeting with the central bank would help resolve their contradictory stance regarding some policies and the subsequent BSEC meeting with the Prime Minister helped regain investors' confidence and the market returned to the green zone. In addition, observing the volatility of the market and disagreements between the regulators, the finance ministry came forward and set a meeting to be held the following week with BSEC and BB to discuss their issues which also helped bring some stability to the market and offset some of the losses. On top of that, the improving condition of private sector credit growth coupled with the central bank's decision not to mop up excess liquidity from the banking sector due to the cash shortage at banks also impacted the market positively. The banking sector topped the turnover chart and grabbed 28.64% of the total trading volume while average daily turnover declined by 20.08%. During the week, the fuel and power sector registered the highest gain of 4% as the sector was given preference by potential investors in the Bangladesh International Investment Summit.



| Market Statistics | | | | |
|--------------------------|-----------|-----------|---------------|------------|
| | This Week | Last Week | Weekly Change | YTD Change |
| DSEX | 6,936 | 6,852 | 1.23% | 28.40% |
| DS30 | 2,636 | 2,603 | 1.27% | 34.22% |
| Market Cap (\$ mn) | 64,434 | 63,648 | 1.23% | 23.34% |
| Total Turnover (\$ mn) | 587 | 735 | -20.08% | -30.52% |
| Avg. Daily Turn. (\$ mn) | 117 | 147 | -20.08% | -30.52% |
| S&P 500 | 4,538 | 4,701 | -3.47% | 20.83% |
| DJIA | 34,580 | 35,805 | -3.42% | 12.98% |
| FTSE 100 | 7,122 | 7,286 | -2.25% | 10.24% |
| NIKKEI 225 | 28,030 | 29,499 | -4.98% | 2.13% |


NOTABLE QUARTERLY EARNINGS ANNOUNCEMENTS DURING THE WEEK

ARAMITCEM registered a 48.48% decline in EPS YoY due to an unprecedented surge in its cost of raw materials and overall operating expenses. BANGAS reported 150% growth in EPS as its expenses saw an upward trend amid the pandemic.

| TICKER | COMPANY NAME | SECTOR | EPS 2021 (Jul-Sep) | EPS 2020 (Jul-Sep) | CHANGE |
|-----------|-----------------------|---------------|--------------------|--------------------|---------|
| ARAMITCEM | Aramit Cement Limited | Cement | -1.96 | -1.32 | -48.48% |
| BANGAS | Bangas Ltd. | Food & Allied | 0.06 | -0.12 | 150.00% |

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 NBFi 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 | 113 |
| 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 | 10,631 | 9,112 | 7,445 | 5,697 | 9,947 | 9,550 | 9,517 | 8,479 | 7,289 |
| Industrial | 4,711 | 4,805 | 3,836 | 3,104 | 2,925 | -670 | 3,447 | 5,775 | 7,263 | 6,534 | 6,906 |
| NBFI | 1,853 | -704 | -690 | 868 | 1,484 | 1,218 | 1,600 | 2,558 | 1,481 | 1,380 | 2,171 |
| Pharmaceuticals | 6,210 | 6,820 | 7,362 | 6,926 | 6,598 | 4,443 | 8,736 | 8,659 | 8,741 | 9,110 | 10,316 |
| 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% | 853.1% | -61.2% |
| 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% | -28.4% | -20.6% |
| Fuel & Power | 22.5% | 9.4% | -3.2% | -5.7% | -18.0% | -50.0% | -6.4% | 4.8% | 27.8% | 142.3% | -7.4% |
| Industrial | -2.3% | -65.3% | -12.7% | -31.9% | -37.9% | -113.9% | -10.2% | 86.1% | 148.3% | 1242.1% | 119.4% |
| NBFI | -21.2% | -138.7% | -144.2% | -81.6% | -19.9% | 273.0% | 331.9% | 194.5% | -0.2% | 10.9% | 3.7% |
| Pharmaceuticals | 7.9% | 4.7% | 10.7% | 2.5% | 6.2% | -34.8% | 18.7% | 25.0% | 32.5% | 105.0% | 19.3% |
| 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% | 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 217 and 196 companies, respectively, that have been declared so far out of the 260 tracked.

MAJOR EVENTS DURING THE WEEK

Positivity rate remains same as last week at 1.3% in Bangladesh: COVID-19 Update

The weekly new COVID-19 cases decreased by 1.36% while the total tests conducted increased by 3.70% compared to the previous week. During the week, 1,667 new positive cases and 20 more deaths were reported in Bangladesh while positivity rate remained same as last week at 1.3%, taking the total number of cases to 1,577,070 as of 4th December, according to official tallies. Meanwhile, in order to reduce the outbreak of Omicron, the government has decided that all the returnees from 7 African countries have to go through a 14-day institutional quarantine. In addition, another 4.5 mn AstraZeneca doses has been received by Bangladesh from the Serum Institute of India. Globally, the total number of cases has crossed 265 mn and the death count has also crossed 5.31 mn.

NBFIs demand postponement of BB's new guidelines related to restoring credit discipline

The Bangladesh Leasing and Finance Companies Association (BLFCA) is urging the central bank governor to defer new guidelines to December 2023. The new guidelines do not allow NBFIs to overstate their income without cash realization from rescheduled loans and require maintenance of proper provisioning against rescheduled loans. According to NBFIs, if the central bank does not defer these new guidelines, it would impact recovery of the sector while the central bank has stated that there is no relationship between the pandemic and the guidelines.

BB's migration to new software temporarily disrupts export-import activities

The central bank's server has been down for 4 days since last week due to the bank's migration to a new software. Consequently, export-import-related activities were disrupted and bill of entries dropped to almost half in that period. This might give a negative impression to international trading partners, especially, when the traders were not even informed beforehand regarding the maintenance issue.