

KEY ECONOMIC INDICATORS

Exports registered its highest ever single month earnings of USD 4.16 bn in September and a YoY growth of 37.99% amid rebounding demand on the back of recovering Western economies. However, spiraling global cotton prices have hit a decade high, posing a risk of pushing up locally produced yarns by 15%. Other the other hand, remittance growth fell to a 16-month low of 19.75% year-on-year in September due to lower manpower export and resurfacing usage of informal channels to transfer money. Moreover, the Bangladeshi Taka has continued to depreciate and stood at BDT 85.50 per USD as of October 4th compared to BDT 84.80 on August 2nd despite the central bank's attempt to keep the taka steady due to shortage of dollars from increasing imports, increasing global commodity prices and recent decline in remittances. Oil price went up due to expectations over increased demand from Europe for power generation, heating in winter and undersupply of natural gas.

	This Week	Last Week	Weekly Change	YTD Change
Foreign Exchange Reserve (USD bn)	46.13	46.21	-0.19%	6.84%
Call Money Rate (Weighted Average)	2.06%	2.09%	3 bps	6 bps
Exchange Rate (BDT-USD)	85.50	85.48	0.03%	0.83%
Oil Price (USD per barrel of WTI)	79.35	75.88	4.57%	63.95%
		FY 2021-22	FY 2020-21	% Change
Export (USD mn) (Jul-Sept.)		11,022	9,897	11.37%
Remittances (USD mn) (Jul-Sept.)		5,408	6,713	-19.44%
Import (USD mn) (Jul-Aug)		11,724	8,034	45.93%
Current Account Balance (USD mn) (July-Aug)		-1,243	3,228	-138.51%
Credit to the Private Sector (USD mn) (August)		139,695	128,335	8.85%
Point-to-point Inflation (August)		5.54%	6.02%	48 bps
Tax Revenue (NBR) (USD mn) (Jul-Aug)		4,041	3,528	14.55%

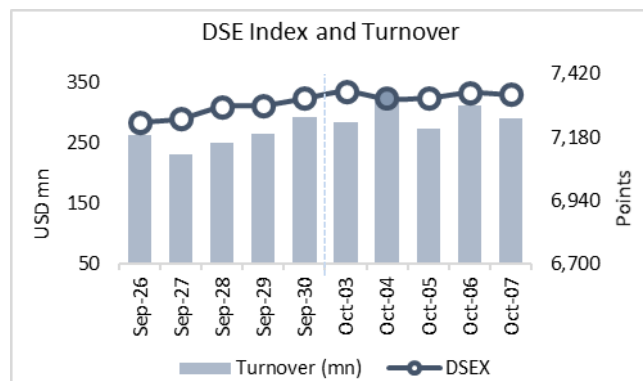
Source: Bangladesh Bank and Investing.com

ECONOMIC RISKS

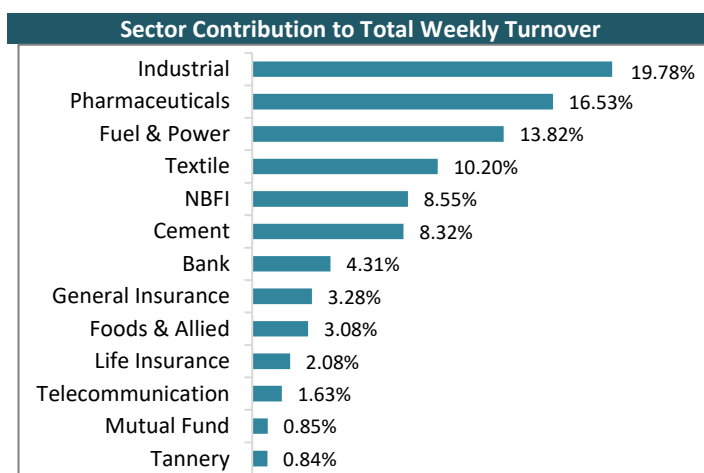
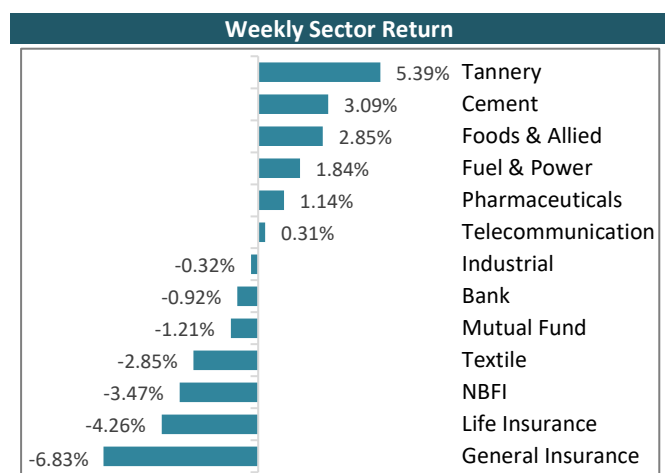
Risk factor	Risk Level	Impact
Soaring default loan in financial sector	High	The banking sector has been burdened with a high NPL ratio of 7.66% and a CAR of 11.63% that is the lowest in South Asia. Although banks are sitting with excess liquidity, their implementation of the stimulus package remains 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 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.
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 likely to strengthen as the percentage of vaccinated population continues to increase and economic activities rebound 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. 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 prime index DSEX added 14 points (0.19%) during the week, extending a gaining streak for three consecutive weeks due to strong economic recovery and higher institutional investors' participation in selective large cap stocks. Out of the five trading sessions of the week, the index remained in the red zone in the 2nd and 5th trading sessions due to profit booking and portfolio rebalancing by investors. Macro-economic developments such as an increase in private sector credit growth and expansion of industrial sector supported by higher import payments for capital machinery have sent a positive signal to investors. In addition, exports are also undergoing remarkable recovery which has also been playing a part in enticing investors to inject fresh funds in the market. Hence, market liquidity increased by 14.17% compared to the previous week. The tannery sector posted the highest return of 5.39% followed by the cement sector (3.09%) as companies from these sectors recently published encouraging earnings. During the week, BSEC decided to file a case against a company for attempting to manipulate its share price.



Market Statistics				
	This Week	Last Week	Weekly Change	YTD Change
DSEX	7,343	7,329	0.19%	35.93%
DS30	2,767	2,711	2.10%	40.91%
Market Cap (\$ mn)	68,085	68,017	0.10%	29.87%
Total Turnover (\$ mn)	1,488	1,304	14.17%	75.41%
Avg. Daily Turn. (\$ mn)	298	261	14.17%	75.41%
S&P 500	4,391	4,357	0.79%	16.91%
DJIA	34,747	34,327	1.22%	13.53%
FTSE 100	7,096	7,027	0.97%	9.83%
NIKKEI 225	28,049	28,771	-2.51%	2.20%


NOTABLE QUARTERLY EARNINGS ANNOUNCEMENTS DURING THE WEEK

Despite posting a 23% decline in net interest income for Q2, 2021, GSPFINANCE registered a 34.14% net profit after tax as the company cut salaries and allowances and investment income increased significantly. APEXTANRY posted higher bottom line earnings as the sales volume of the company improved and marketing & selling expenses reduced significantly.

TICKER	COMPANY NAME	SECTOR	EPS 2021 (Apr-Jun)	EPS 2020 (Apr-Jun)	CHANGE
GSPFINANCE	GSP Finance Company (Bangladesh) Limited	NBFI	0.5	0.37	35.14%

TICKER	COMPANY NAME	SECTOR	EPS 2021	EPS 2020	CHANGE	Dividend
APEXTANRY	Apex Tannery Limited	Tannery	0.34	-1.19	NA	10% Cash

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
Bank	13,988	21,244	13,891	22,880	18,311	13,382	20,078	19,241	19,627	23,251
Cement	872	958	582	250	814	194	944	1,558	2,712	1,316
Ceramic	230	59	261	287	167	-278	142	355	249	223
Food & Allied	2,428	1,817	3,474	3,619	3,200	2,638	4,255	1,283	2,907	1,683
Fuel & Power	9,076	11,399	10,862	8,961	7,336	5,705	9,939	9,512	9,489	1,153
Industrial	4,581	4,635	3,730	2,958	2,897	-562	3,441	5,779	7,269	1,127
NBFi	1,835	-708	-692	868	1,984	1,549	1,989	2,891	1,848	1,404
Pharmaceuticals	6,210	6,820	7,362	6,926	6,598	4,443	8,736	8,659	8,731	1,381
Telecommunication	8,926	9,553	7,269	8,766	10,694	7,265	8,898	10,330	8,912	8,507
Textile	1,482	-5,913	1,201	1,222	464	-3,853	472	884	541	0
Tannery	270	101	371	144	-27	-869	-455	-36	45	68

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
Bank	20.2%	20.4%	-0.3%	-14.1%	30.9%	-37.0%	44.5%	-15.9%	7.2%	75.8%
Cement	-4.6%	-0.4%	93.8%	-72.4%	-6.7%	-79.8%	62.2%	523.3%	233.3%	-
Ceramic	-20.3%	-71.3%	-22.7%	-35.6%	-27.5%	-567.8%	-45.7%	23.7%	49.3%	218.2%
Food & Allied	-24.0%	-74.1%	75.2%	92.7%	31.8%	45.2%	22.5%	-64.5%	-9.2%	-45.8%
Fuel & Power	22.5%	9.4%	-1.1%	-7.3%	-19.2%	-50.0%	-8.5%	6.1%	29.4%	-
Industrial	-2.2%	-65.4%	-13.0%	-33.0%	-36.8%	-112.1%	-7.8%	95.4%	150.9%	414.0%
NBFi	-21.7%	-138.9%	-145.7%	-81.3%	8.1%	318.8%	387.4%	232.9%	-4.0%	200.0%
Pharmaceuticals	7.9%	4.7%	10.7%	2.5%	6.2%	-34.8%	18.7%	25.0%	32.9%	13.7%
Telecommunication	39.6%	-11.6%	-18.3%	-3.3%	19.8%	-24.0%	22.4%	17.8%	-16.7%	17.1%
Textile	-11.4%	-462.0%	-41.4%	-26.7%	-68.7%	34.8%	-60.7%	-27.6%	14.1%	-
Tannery	-34.1%	-63.8%	-38.8%	-55.0%	-109.9%	-962.7%	-222.6%	-125.2%	270.0%	109.2%

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

Source: DSEX, LR Global Research

* Jan-Mar'21 & Apr-Jun'21 earnings growth have been calculated based on the earnings of 221 and 56 companies, respectively, that have been declared so far out of the 260 tracked.

MAJOR EVENTS DURING THE WEEK
COVID-19 positivity rate declines to 1.0% this week in Bangladesh: COVID-19 Update

The weekly new COVID-19 cases decreased by 76.85% while the total tests conducted also decreased by 10.05% compared to the previous week. During the week, 1,615 new positive cases and 119 more deaths were reported in Bangladesh and positivity rate dropped to 1.0%, taking the total number of cases to 1,561,878 as of 9th October, according to official tallies. The Serum Institute of India has sent 1 million doses of the AstraZeneca coronavirus vaccine to Bangladesh after a nearly 7-month break, reducing uncertainty over vaccine supply. This development is likely to help Bangladesh achieve its plan to immunize 80% of its population by March 2022. However, according to Health Service Authority, Bangladesh is not considering a booster dose of Covid-19 as the entire targeted population is not vaccinated yet. Globally, the total number of cases has crossed 238 mn and the death count has also crossed 4.9 mn.

BB to continue draining excess liquidity from money market

The central bank has decided to continue draining excess liquidity from the money market by holding more auctions in October as the amount of excess liquidity in the banking system continues to remain high compared to the required amount. To this end, Bangladesh Bank has scheduled 3 days for auctions that are to be held on 7th, 14th and 28th October consecutively.

5.6% annual productivity growth target set by government

The government has set a target growth rate of 5.6% for annual average productivity for its National Productivity Master Plan that is set to run from 2021 to 2030. The plan has been formulated with an aim to help implement the Eighth Five-Year Plan, achieve the Sustainable Development Goals and enhance the country's productivity, quality and competitiveness.