

KEY ECONOMIC INDICATORS

Local industries are expected to face intense pressure from spiraling prices of raw materials globally as the domestic economy is already showing signs of strain with rising prices of cement, steel and consumer goods and falling sales. The government plans to formulate strategies to bring stability in the domestic market and ministries have been asked to ensure smooth supply of essentials and implement strict monitoring in this regard. Exports of leather products grew 21% in the Q1 of the current FY and exceeded pre-pandemic level due to increased demand as Western economies have reopened after prolonged lockdowns. Bangladesh's manpower export increased by 46% over the last 9 months compared to the number that was exported in the entire calendar year of 2020. Oil price increased and settled at a 3-year high due to a forecast on supply deficit in the next few months as reduced Covid restrictions worldwide spurs demand.

	This Week	Last Week	Weekly Change	YTD Change
Foreign Exchange Reserve (USD bn)	46.09	46.13	-0.08%	6.75%
Call Money Rate (Weighted Average)	2.23%	2.06%	17bps	11bps
Exchange Rate (BDT-USD)	85.65	85.50	0.18%	1.00%
Oil Price (USD per barrel of WTI)	82.28	79.35	3.69%	70.00%
		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%

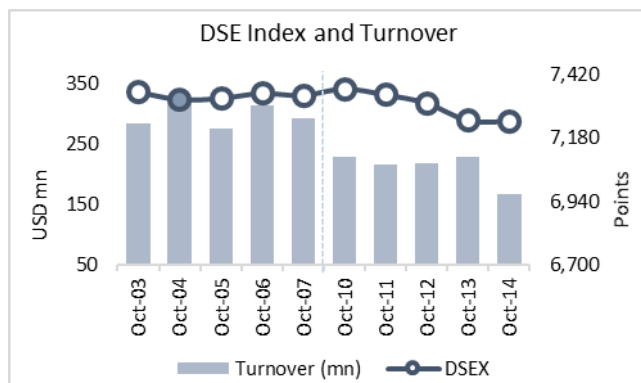
Source: Bangladesh Bank and Investing.com

ECONOMIC RISKS

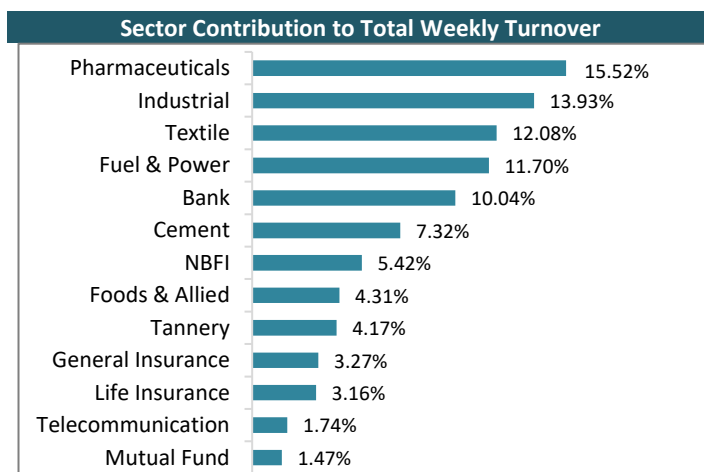
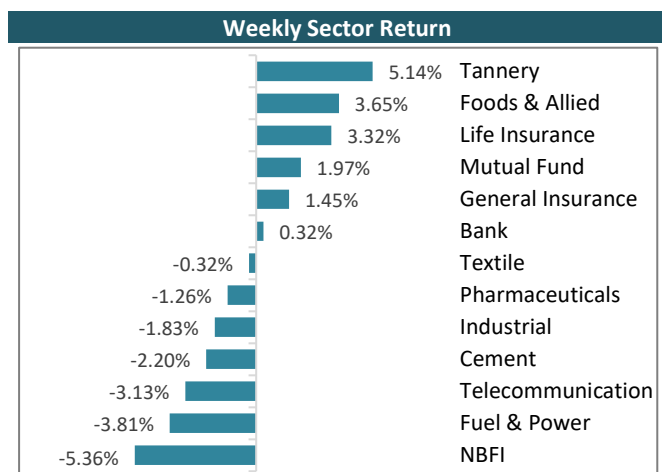
Risk factor	Risk Level	Impact
Soaring default loan in financial sector	High	The banking sector has been burdened with a high NPL ratio of 7.66% and a CAR of 11.63% that is the lowest in South Asia. Although banks are sitting with excess liquidity, their implementation of the stimulus package remains 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 DSE lost 100 points (1.36%) during the week as risk averse investors engaged in profit booking and portfolio restructuring activities. While the week started out with 25 points being added to the index in the first trading session, the market slipped into the red zone for the remaining four trading sessions due to investors profit booking tendency, which exerted continuous selling pressure in the market. Cautious investors opted for profit booking as they sought to book gains from stocks that reached a peak and subsequently refrained from reinvesting their funds and observed the market from the sidelines. On the other hand, listed companies have been publishing their earnings and dividends based on which investors restructured their portfolios. However, the encouraging earnings and dividend declarations were not reflected in the stock prices. The recent bearish trend in the market have made investors cautious, which prevented them from putting fresh bets on stocks, leading to a 29.03% decline in investors' participation compared to the previous week. During the week, the DSE resumed trading of government treasury bonds after 16 years.



Market Statistics				
	This Week	Last Week	Weekly Change	YTD Change
DSEX	7,243	7,343	-1.36%	34.08%
DS30	2,719	2,767	-1.74%	38.45%
Market Cap (\$ mn)	67,731	68,204	-0.69%	29.42%
Total Turnover (\$ mn)	1,058	1,491	-29.03%	24.92%
Avg. Daily Turn. (\$ mn)	212	298	-29.03%	24.92%
S&P 500	4,471	4,391	1.82%	19.04%
DJIA	35,295	34,747	1.58%	15.32%
FTSE 100	7,234	7,096	1.95%	11.97%
NIKKEI 225	29,069	28,049	3.64%	5.92%


NOTABLE QUARTERLY EARNINGS ANNOUNCEMENTS DURING THE WEEK

LHBL's Jul-Sep 2021 EPS went up by 44.64% due to a 37% net sales growth YoY basis, optimization of production costs & digital services, efficiency improvement and highly successful new product launch. FEKDIL's bottom line posted a 146.88% growth YoY as its other income and profit from associates' company improved significantly.

TICKER	COMPANY NAME	SECTOR	EPS 2021 (Jul-Sep)	EPS 2020 (Jul-Sep)	CHANGE
LHBL	Lafarge Holcim Bangladesh Limited	Cement	0.81	0.56	44.64%

TICKER	COMPANY NAME	SECTOR	EPS 2021	EPS 2020	CHANGE	Dividend
FEKDIL	Far East Knitting & Dyeing Industries Limited	Textile	0.79	0.32	146.88%	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	1,178
NBFi	1,835	-708	-692	868	1,984	1,549	1,989	2,891	1,901	1,471
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	339
Tannery	270	101	371	144	-27	-869	-455	-36	45	158

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%	886.2%
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%	788.5%
Industrial	-2.2%	-65.4%	-13.0%	-33.0%	-36.8%	-112.1%	-7.8%	95.4%	150.9%	415.2%
NBFi	-21.7%	-138.9%	-145.7%	-81.3%	8.1%	318.8%	387.4%	232.9%	-3.4%	175.8%
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%	276.6%
Tannery	-34.1%	-63.8%	-38.8%	-55.0%	-109.9%	-962.7%	-222.6%	-125.2%	270.0%	120.4%

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 222 and 65 companies, respectively, that have been declared so far out of the 260 tracked.

MAJOR EVENTS DURING THE WEEK

COVID-19 positivity rate declines to 2.3% this week in Bangladesh: COVID-19 Update

The weekly new COVID-19 cases decreased by 27.26% while the total tests conducted also decreased by 8.58% compared to the previous week. During the week, 3,296 new positive cases and 78 more deaths were reported in Bangladesh and positivity rate dropped to 2.3%, taking the total number of cases to 1,565,174 as of 16th October, according to official tallies. Meanwhile, Bangladesh has reported 6 more deaths due to Covid in the last 24 hours till 8am 16th Oct, which is the lowest daily fatality in the last 7-months. Students aged 12-17 inside Dhaka Metropolitan area can from now on register for vaccines. However, bottling of Covid vaccines will be delayed at least by 3-months as equipment procurement, LC opening and installing a steel-made structure will delay the process. Japan will provide more vaccines in November under the COVAX facility. Globally, the total number of cases has crossed 241 mn and the death count has also crossed 4.9 mn.

Bangladesh to get USD 2.8 bn loan for 6 projects from Jica

Bangladesh is hoping to obtain a USD 2.8 bn loan from Jica as part of its 42nd ODA package in order to utilize the funds in 5 infrastructure projects. In 2020, Bangladesh signed an agreement on getting a USD 3.15 bn loan under the 41st loan package. However, the 42nd loan package agreement will be in 3-phases. In the first phase, a USD 1.05 bn deal will be signed in October for Matarbari and Dhaka MRT projects.

Asian companies looking to invest USD 1 bn in Bangladesh

A total of USD 1 bn FDI from mostly Asian countries are in the offing in the country's export processing zone thanks to the US-China trade war and rising labor costs in China. Even though local private investment has stayed still due to Covid crisis, Asian companies are considering investing in Bangladesh's export processing zones. Maximum investment proposals are for manufacturing non-apparel products as per BEPZA's target to come out from the country's single sector dependency.