

KEY ECONOMIC INDICATORS

Income tax receipts grew 13% in September while overall tax revenue collection increased by 16.72% in Q1 of the current fiscal year mainly due to higher import volume and costs amid an overall economic rebound. The growth in income tax receipts is a signal that individuals' income hurt by the pandemic are recovering, which in turn is likely to positively impact demand. The US Dollar has appreciated by BDT 0.85 over the last two and half months despite the central bank's injection of USD 1.19 billion in the market due to the recent spike in imports which in turn has increased the demand for dollars. Inflation increased by 5 bps in September as prices of daily essentials have been on the rise due to pent up demand and some supply chain disruptions amid rising income and recovering economy. Oil price peaked as the market focused on the 3-year low in inventories at the US storage hub.

	This Week	Last Week	Weekly Change	YTD Change
Foreign Exchange Reserve (USD bn)	46.19	46.09	0.24%	7.00%
Call Money Rate (Weighted Average)	2.26%	2.23%	3bps	14bps
Exchange Rate (BDT-USD)	85.65	85.65	0.00%	1.00%
Oil Price (USD per barrel of WTI)	83.76	82.28	1.80%	73.06%
		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%

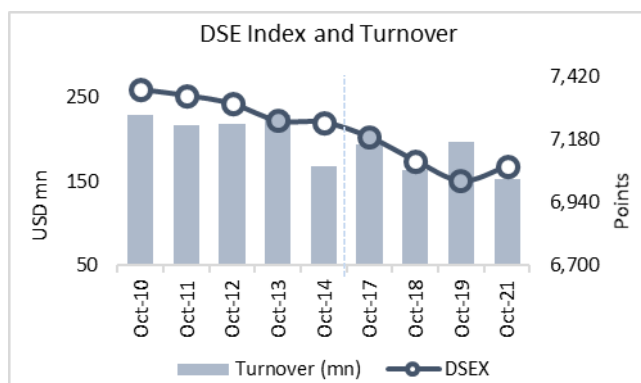
Source: Bangladesh Bank and Investing.com

ECONOMIC RISKS

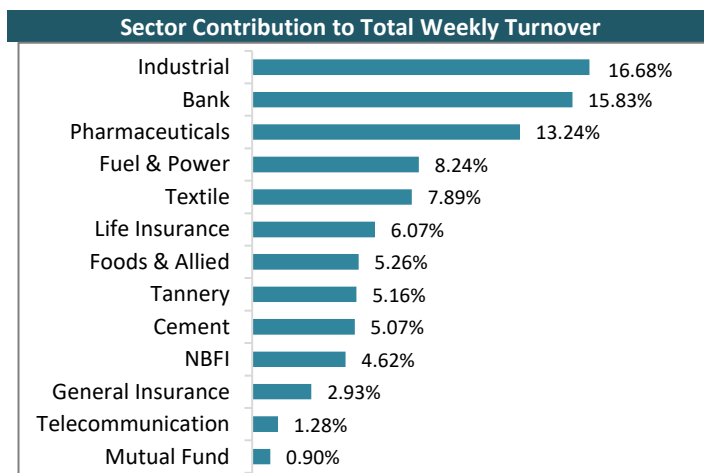
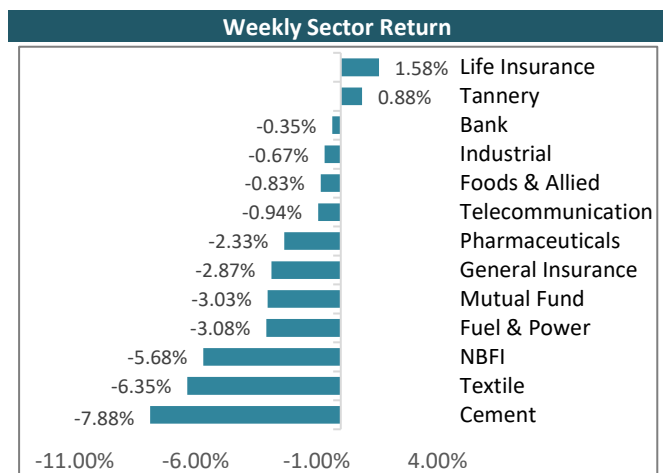
Risk factor	Risk Level	Impact
Soaring default loan in financial sector	High	The banking sector has been burdened with a high NPL ratio of 7.66% and a CAR of 11.63% that is the lowest in South Asia. Although banks are sitting with excess liquidity, their implementation of the stimulus package remains 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 broad index DSEX lost 167 points (2.31%) during the week due to high selling pressure by pessimistic investors amid rising inflation, draining liquidity in the money market and the recent dispute between the two regulatory bodies. The index remained in the red zone for the first three sessions, losing 223 points, as rising inflation triggered by surging prices of global commodities has been posing a threat to the earnings of listed companies. The appreciation of the BDT against the USD, coupled with the central bank's recent measures to drain excess liquidity from the banking system and tightened supervision of banks' investment in the capital market has left investors in qualms that the market could face lower liquidity supply from banks. Hence, investors have been maintaining caution and booking profits. In the meantime, BSEC's proposal for a revolving fund to keep the market stable and the decision to allow brokers and merchant bankers to issue bonds in the market to boost liquidity helped the index rebound by 55 points in the final trading session of the week - but this gain was not enough to offset the points lost in the first three sessions. During the week, several listed companies published their earnings for the third quarter of current fiscal year, but they fell short of investors' expectations. Overall market liquidity declined by 16.64% compared to the previous week.



Market Statistics				
	This Week	Last Week	Weekly Change	YTD Change
DSEX	7,076	7,243	-2.31%	30.99%
DS30	2,699	2,719	-0.73%	37.44%
Market Cap (\$ mn)	66,533	67,731	-1.77%	27.13%
Total Turnover (\$ mn)	706	1,058	-33.32%	-16.70%
Avg. Daily Turn. (\$ mn)	176	212	-16.64%	4.13%
S&P 500	4,545	4,471	1.64%	21.00%
DJIA	35,678	35,295	1.08%	16.57%
FTSE 100	7,205	7,234	-0.41%	11.52%
NIKKEI 225	28,805	29,069	-0.91%	4.96%



NOTABLE QUARTERLY EARNINGS ANNOUNCEMENTS DURING THE WEEK

Despite posting higher revenues due to acquisition of a higher number of subscribers and providing high speed internet connectivity, GP's bottom line earnings registered a decline of 3.79%. HEIDELBCEM's EPS decreased by 297.92% due to higher raw material prices and intense competition in the cement industry. On the other hand, MJLBD posted 36.41% EPS compared to the previous fiscal year and declared 55% cash dividend for the year end of June 2021.

TICKER	COMPANY NAME	SECTOR	EPS 2021 (Jul-Sep)	EPS 2020 (Jul-Sep)	CHANGE
GP	Grameenphone Ltd.	Telecommunication	6.34	6.59	-3.79%
HEIDELBCEM	Heidelberg Cement Bangladesh Ltd.	Cement	-1.91	-0.48	-297.92%

TICKER	COMPANY NAME	SECTOR	EPS 2021	EPS 2020	CHANGE	Dividend
MJLBD	MJL Bangladesh Limited	Fuel & Power	7.53	5.52	36.41%	55% 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	3,382
Industrial	4,581	4,635	3,730	2,958	2,897	-562	3,441	5,779	7,269	1,230
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	8,741	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%	50.0%
Industrial	-2.2%	-65.4%	-13.0%	-33.0%	-36.8%	-112.1%	-7.8%	95.4%	150.9%	518.8%
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%	10.3%	2.5%	6.2%	-34.8%	18.7%	25.0%	32.5%	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 223 and 70 companies, respectively, that have been declared so far out of the 260 tracked.

MAJOR EVENTS DURING THE WEEK
COVID-19 positivity rate declines to 1.8% this week in Bangladesh: COVID-19 Update

The weekly new COVID-19 cases decreased by 31.95% while the total tests conducted also decreased by 12.51% compared to the previous week. During the week, 2,243 new positive cases and 62 more deaths were reported in Bangladesh and positivity rate dropped to 1.8%, taking the total number of cases to 1,567,417 as of 23rd October, according to official tallies. Meanwhile, the government has declared that they will start student vaccination as soon as the ICT ministry gets the list of 12-17 year old school students from the education ministry. Another consignment of 5.5 mn doses of Sinopharm vaccine has arrived in Bangladesh from China. Besides, Bangladesh might start producing vaccines within next 6-months, using a US-based company formula. Globally, the total number of cases has crossed 244 mn and the death count has also crossed 4.96 mn.

USD 300 mn loan signed to enhance technical skills of youth

In order to provide financial support to enhance the technical skills of around 0.1 mn youths and women in Bangladesh, the World Bank signed a deal with ERD to provide a loan of USD 300 mn in a project named – Accelerating and Strengthening Skills for Economic Transformation (ASSET). With an interest rate of 1.25% and service charge of 0.75%, the loan needs to be repaid within 30 years, including a five-year grace period.

'DigiTax' – an online tax return platform launched by NBR

An online tax return platform has been launched by NBR so that taxpayers can submit their returns and pay taxes while staying at home. This user friendly and comfortable online platform is expected to increase the number of taxpayers as well as reduce difficulty for those who do not know how to calculate income tax properly. This platform includes an automated calculating system and users can also use this software in Bangla.