

KEY ECONOMIC INDICATORS

The US dollar has appreciated to BDT 90.10 in the open market for the first time in its history while the interbank dollar exchange rate now stands at BDT 85.70, which is creating uncertainty among businesses regarding import prices. The BGMEA is seeking 4% cash incentive for RMG products made with imported raw materials, 10% cash incentive on non-cotton exports and reduction in the value addition condition from the existing 30% to 20%, to help apparel exporters recover from the impacts of the virus. Bangladesh's FDI increased by USD 2.51 bn in FY2021, much lower compared to peer countries due to the country's red tape and strict regulations. The country clocked in USD 6.64 billion in exports in FY2021 from its export processing zones. Bangladesh is currently developing a 9th EPZ with diversified products in Chattogram in order to attract more FDI. Oil price dropped as U.S oil stocks increased by 4.3 mn barrels over the last week.

	This Week	Last Week	Weekly Change	YTD Change
Foreign Exchange Reserve (USD bn)	46.55	46.19	0.76%	7.82%
Call Money Rate (Weighted Average)	2.33%	2.26%	7 bps	21 bps
Exchange Rate (BDT-USD)	85.65	85.65	0.00%	1.00%
Oil Price (USD per barrel of WTI)	83.57	83.76	-0.23%	72.67%
		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 (September)		5.59%	6.02%	43 bps
Tax Revenue (NBR) (USD mn) (Jul-Sept)		6,813	5,837	16.72%

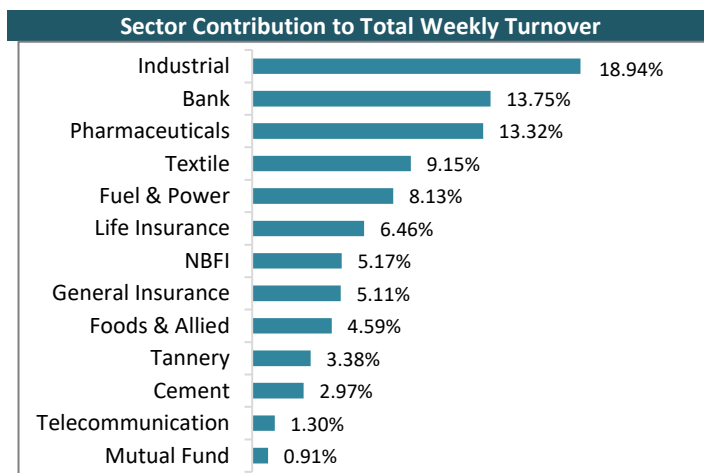
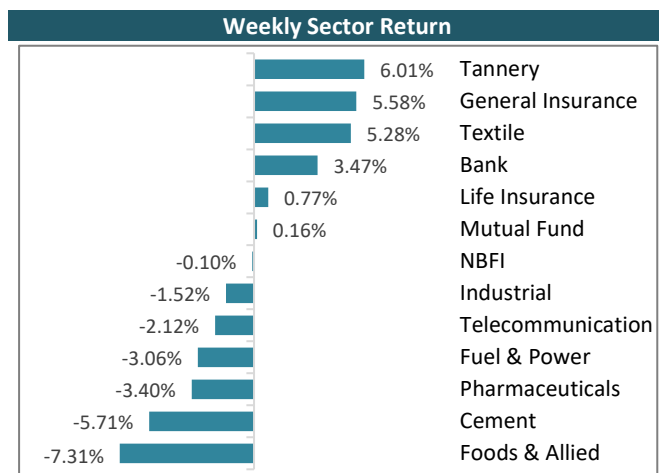
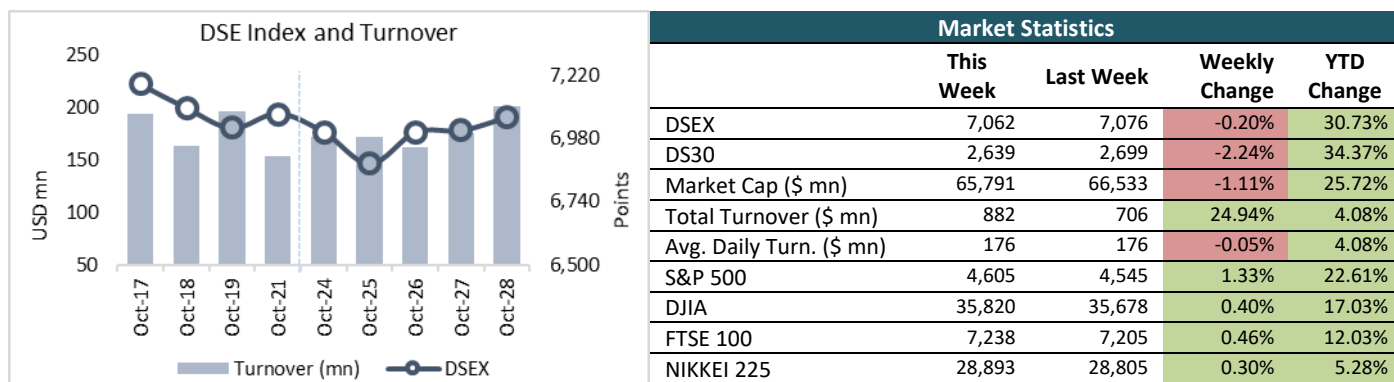
Source: Bangladesh Bank and Investing.com

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 fell marginally by 14 points (0.20%) during the week as pessimistic investors exerted selling as large cap stocks' earnings declarations fell short of investors' expectations and made the market volatile. Out of the five trading sessions, the market lost around 191 points for the first two sessions as the decline in the price of large cap stocks dragged the market down as some of their earnings declarations failed to satisfy investors. The index rebounded strongly from the third trading sessions and increased by 177 points in the remaining three sessions of the week as stocks were available at bargain prices, but could not fully offset the points lost in the first two trading days. Institutional investors and ICB had significant contribution in helping market liquidity remain similar to the previous week. The overall recent volatility in the market made some investors remain in the sidelines as they adopted a wait and watch approach. Overall market turnover declined by 0.05% compared to the previous week. The tannery sector posted the highest return followed by general insurance due to their recent quarterly earnings declarations. Stocks from the banking sector were heavily traded as most listed banks posted a positive growth in earnings during the Jan-Sep quarter. During the week, BSEC decided to suspend the IPO quota facilities for 15 merchant banks and 8 asset management companies that have been dodging licensing conditions which is likely to strengthen investors' confidence further.


NOTABLE QUARTERLY EARNINGS ANNOUNCEMENTS DURING THE WEEK

BATBC posted 15.18% higher revenue for the Q3 of 2021 mainly driven by volume growth of cigarettes which pushed up the bottom-line earnings by 8.35% YoY. On the other hand, despite posting slightly higher turnover during the quarter, BATASHOE's increased efficiency in managing costs helped the company incur lower losses compared to the same quarter of previous FY.

TICKER	COMPANY NAME	SECTOR	EPS 2021 (Jul-Sep)	EPS 2020 (Jul-Sep)	CHANGE
BATBC	British American Tobacco Bangladesh Company Limited	Food & Allied	5.45	5.03	8.35%
BATASHOE	Bata Shoe Company (Bangladesh) Limited	Tannery	-8.36	-37.56	N/A

TICKER	COMPANY NAME	SECTOR	EPS 2021	EPS 2020	CHANGE	Dividend
BXPHARMA	Beximco Pharmaceuticals Ltd.	Pharmaceuticals	11.49	7.88	45.81%	35% 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	Jul-Sep
Bank	13,988	21,244	13,891	22,880	18,311	13,382	20,078	19,241	19,627	23,799	18,122
Cement	872	958	582	250	814	194	944	1,558	2,712	1,696	-108
Ceramic	230	59	261	287	167	-278	142	355	249	249	197
Food & Allied	2,428	1,817	3,474	3,619	3,200	2,638	4,255	1,283	2,907	1,408	3,106
Fuel & Power	9,076	11,399	10,862	8,961	7,336	5,705	9,939	9,512	9,489	8,221	0
Industrial	4,581	4,635	3,730	2,958	2,897	-562	3,441	5,779	7,269	5,920	140
NBFi	1,835	-555	-650	634	1,968	1,574	2,514	2,737	1,901	1,471	1,246
Pharmaceuticals	6,210	6,820	7,362	6,926	6,598	4,443	8,736	8,659	8,741	8,573	1,100
Telecommunication	8,926	9,553	7,269	8,766	10,694	7,265	8,898	10,330	8,912	8,507	8,561
Textile	1,482	-5,894	1,199	1,221	474	-3,796	497	906	541	1,061	0
Tannery	270	101	371	144	-27	-869	-455	-36	45	158	195

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%	14.4%
Cement	-4.6%	-0.4%	93.8%	-72.4%	-6.7%	-79.8%	62.2%	523.3%	233.3%	-	24.5%
Ceramic	-20.3%	-71.3%	-22.7%	-35.6%	-27.5%	-567.8%	-45.7%	23.7%	49.3%	257.2%	58.6%
Food & Allied	-24.0%	-74.1%	75.2%	92.7%	31.8%	45.2%	22.5%	-64.5%	-9.2%	-40.1%	-22.6%
Fuel & Power	22.5%	9.4%	-1.1%	-7.3%	-19.2%	-50.0%	-8.5%	6.1%	29.4%	90.3%	-
Industrial	-2.2%	-65.4%	-13.0%	-33.0%	-36.8%	-112.1%	-7.8%	95.4%	150.9%	-	-70.2%
NBFi	-21.7%	-129.9%	-143.3%	-86.4%	9.7%	383.7%	486.9%	331.6%	-3.4%	175.8%	-13.7%
Pharmaceuticals	7.9%	4.7%	10.7%	2.5%	6.2%	-34.8%	18.7%	25.0%	32.5%	42.0%	16.0%
Telecommunication	39.6%	-11.6%	-18.3%	-3.3%	19.8%	-24.0%	22.4%	17.8%	-16.7%	17.1%	-3.8%
Textile	-11.4%	-455.9%	-41.3%	-27.1%	-68.2%	35.6%	-58.5%	-25.8%	14.1%	202.6%	-
Tannery	-34.1%	-63.8%	-38.8%	-55.0%	-109.9%	-962.7%	-222.6%	-125.2%	270.0%	120.4%	180.4%

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 126 and 39 companies, respectively, that have been declared so far out of the 260 tracked.

MAJOR EVENTS DURING THE WEEK
COVID-19 positivity rate declines to 1.5% this week in Bangladesh: COVID-19 Update

The weekly new COVID-19 cases decreased by 14.80% while the total tests conducted increased by 1.69% compared to the previous week. During the week, 1,911 new positive cases and 48 more deaths were reported in Bangladesh and positivity rate dropped to 1.5%, taking the total number of cases to 1,569,328 as of 30th October, according to official tallies. Meanwhile, over 5.4 mn people got their second dose vaccine under the mass vaccination program on Thursday. To mark the PM's birthday, over 7.8 mn people received their first dose of Covid vaccine under this program on 28th and 29th September. Vaccination for school going students aged 12-17 will commence from 1st November at 12 centers in the capital. Globally, the total number of cases has crossed 247 mn and the death count has also crossed 5.01 mn.

CMSMEs to receive another USD 150 mn support from ADB

The Asian Development Bank has provided another support amounting to USD 150 mn to the country's CMSMEs to help them recover from the impacts of the virus. The fund will be provided under the 'Supporting Small Scale Employment Creation Programme'. The government will use commercial banks and FIs in order to lend money among ailing industries. Previously, the ADB approved a USD 250 mn policy based loan for CMSMEs amid the pandemic.

Updated provision for global business practices included as new tax law

In order to formulate a simple and flexible tax law as well as to increase tax potentiality, the NBR has proposed a changed in the structure of the provisions for global business practices. The new provisions of the draft includes domestic transfer pricing, amortization of pre-commencement expenditures of a business, Earning Stripping Rules provision with de-minimis threshold. This new Income Tax Law - 2022 will replace the Income Tax Ordinance - 1984.