

**KEY ECONOMIC INDICATORS**

Exports showed a stunning growth of 60.37% in October year on year, setting a new single month highest export earnings record. Relocation of work orders due to rising production costs in other countries, settlement of deferred payments, bulk purchases for Christmas, and prices adjusted for increased freight costs and raw materials mainly contributed towards this growth. In addition, industry experts anticipate that the apparel industry can cash in on the recent suspension of duty free access of Ethiopia to the US market. Private sector credit growth marginally improved in September as it increased by 8.77% during the month compared to 8.42% in August as businesses' demand for working capital has been growing due to reopening of the economy and overall improvement in the virus situation in the country. Oil price fell due to unexpected rise in US crude stocks as the world's largest oil consumer's gasoline inventories hit a 4-year low.

	This Week	Last Week	Weekly Change	YTD Change
<b>Foreign Exchange Reserve (USD bn)</b>	46.48	46.55	-0.15%	7.65%
<b>Call Money Rate (Weighted Average)</b>	2.32%	2.33%	1 bps	20 bps
<b>Exchange Rate (BDT-USD)</b>	85.70	85.65	0.06%	1.06%
<b>Oil Price (USD per barrel of WTI)</b>	81.27	83.57	-2.75%	67.91%
		<b>FY 2021-22</b>	<b>FY 2020-21</b>	<b>% Change</b>
<b>Export (USD mn) (Jul-Oct.)</b>		15,749	12,845	22.62%
<b>Remittances (USD mn) (Jul-Oct.)</b>		7,055	8,815	-19.97%
<b>Import (USD mn) (Jul-Sept.)</b>		18,720	12,687	47.56%
<b>Current Account Balance (USD mn) (July-Aug)</b>		-1,243	3,228	-138.51%
<b>Credit to the Private Sector (USD mn) (September)</b>		141,274	129,881	8.77%
<b>Point-to-point Inflation (September)</b>		5.59%	6.02%	43 bps
<b>Tax Revenue (NBR) (USD mn) (Jul-Sept)</b>		6,809	5,833	16.72%

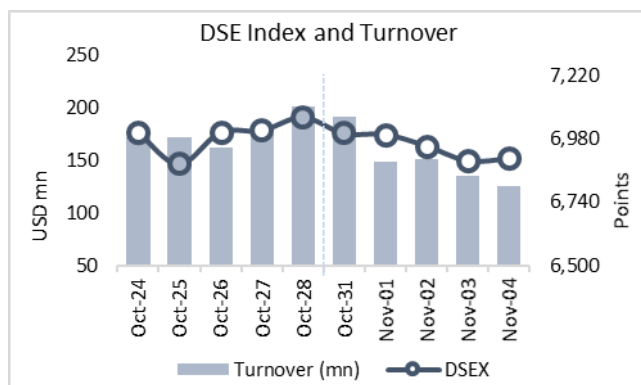
Source: Bangladesh Bank and Investing.com

**ECONOMIC RISKS**

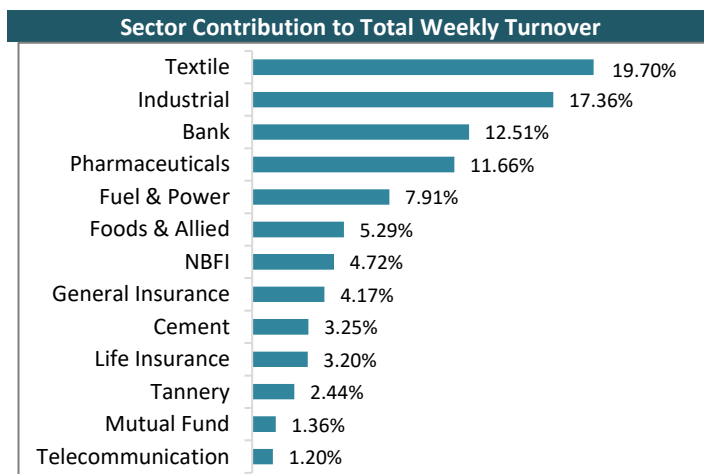
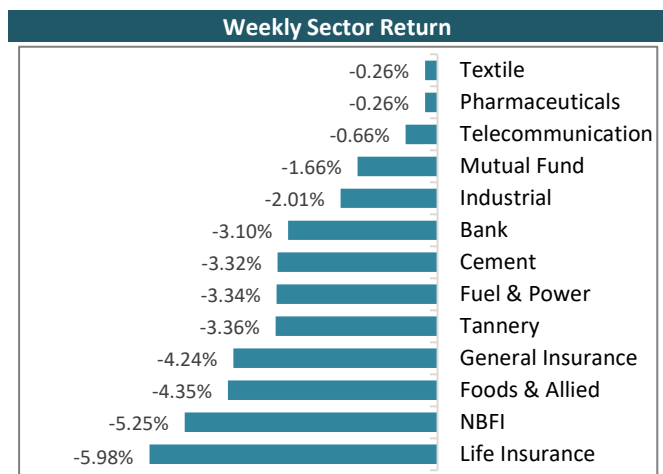
Risk factor	Risk Level	Impact
<b>Soaring default loan in financial sector</b>	High	The banking sector has been burdened with a high NPL ratio of 7.66% and a CAR of 11.63% that is the lowest in South Asia. Although banks are sitting with excess liquidity, their implementation of the stimulus package remains 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.
<b>Subdued tax revenue collection</b>	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.
<b>Remittance shock</b>	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.
<b>Demand contraction</b>	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.
<b>Export slump</b>	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).
<b>Volatile capital market</b>	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 lost 156 points (2.20%) during the week, extending the losing streak for the fourth consecutive week due to persistent profit booking by retail investors, lower participation by institutional investors, and cautionary signs of key macro-economic indicators. Out of the five trading sessions during the week, the market remained in the red zone for four sessions as pessimistic investors kept exerting selling pressure mostly driven by increasing prices of commodities and some corporate declarations that failed to meet the investors' expectations. In addition, remittance growth has been on a declining trend while imports have surged, which in turn has been putting pressure on the country's forex reserves. On top of that, market liquidity declined by 14.83% during the week as top banking officials are expecting a liquidity crunch in the banking system in the next few months due to a surge in US dollar sales by the central bank coupled with rising demand for loans. While the continuous offloading of shares by investors wiped out 164 points during the first four sessions, investors who rebalanced their portfolio following the corporate declarations helped the market add a marginal 8 points on the final trading session, but this was far too low to offset the four-day cumulative losses. The textile sector was the most densely traded accounting for 19.70% of total turnover during the week as investors showed interest due the sector's encouraging corporate declarations.



Market Statistics				
	This Week	Last Week	Weekly Change	YTD Change
DSEX	6,907	7,062	-2.20%	27.85%
DS30	2,601	2,639	-1.43%	32.45%
Market Cap (\$ mn)	64,397	65,791	-2.12%	23.05%
Total Turnover (\$ mn)	751	882	-14.83%	-11.36%
Avg. Daily Turn. (\$ mn)	150	176	-14.83%	-11.36%
S&P 500	4,698	4,605	2.00%	25.07%
DJIA	36,329	35,820	1.42%	18.70%
FTSE 100	7,304	7,238	0.92%	13.06%
NIKKEI 225	29,612	28,893	2.49%	7.90%



NOTABLE QUARTERLY EARNINGS ANNOUNCEMENTS DURING THE WEEK

BERGERPBL's EPS posted decline of 32.89% for the Q2 of 2021 as the company's top line reduced coupled with increased operating expenses compared to the same quarter in the previous year. On the other hand, ROBI's EPS grew by 112.50% due to higher revenue and lower operating expenses for the Q3 of 2021 compared to the same period of the previous year.

TICKER	COMPANY NAME	SECTOR	EPS 2021 (Jul-Sep)	EPS 2020 (Jul-Sep)	CHANGE
BERGERPBL	Berger Paints Bangladesh Ltd.	Industrial	9.57	14.26	-32.89%
ROBI	Robi Axiata Limited	Telecommunication	0.17	0.08	112.50%

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	22,301
Cement	872	958	582	250	814	194	944	1,558	2,712	1,811	-108
Ceramic	230	59	261	287	167	-278	142	355	249	252	197
Food & Allied	2,428	1,817	3,474	3,619	3,200	2,638	4,255	1,283	2,907	1,913	3,100
Fuel & Power	9,076	11,399	10,862	8,961	7,336	5,705	9,939	9,512	9,489	7,746	0
Industrial	4,711	4,805	3,836	3,104	2,925	-670	3,447	5,775	7,263	6,407	597
NBFi	1,835	-708	-692	868	1,984	1,549	1,989	2,891	1,836	1,471	1,982
Pharmaceuticals	6,210	6,820	7,362	6,926	6,598	4,443	8,736	8,659	8,741	8,689	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	1,492	-5,894	1,199	1,221	474	-3,796	497	906	541	719	25
Tannery	270	101	371	144	-27	-869	-455	-36	45	163	80

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%	-	24.5%
Ceramic	-20.3%	-71.3%	-22.7%	-35.6%	-27.5%	-567.8%	-45.7%	23.7%	49.3%	185.6%	58.6%
Food & Allied	-24.0%	-74.1%	75.2%	92.7%	31.8%	45.2%	22.5%	-64.5%	-9.2%	-27.4%	-22.3%
Fuel & Power	22.5%	9.4%	-1.1%	-7.3%	-19.2%	-50.0%	-8.5%	6.1%	29.4%	62.3%	-
Industrial	-2.3%	-65.3%	-12.7%	-31.9%	-37.9%	-113.9%	-10.2%	86.1%	148.3%	-	-47.5%
NBFi	-21.7%	-138.9%	-145.7%	-81.3%	8.1%	318.8%	387.4%	232.9%	-7.5%	175.8%	-8.9%
Pharmaceuticals	7.9%	4.7%	10.7%	2.5%	6.2%	-34.8%	18.7%	25.0%	32.5%	51.9%	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	-10.9%	-455.9%	-41.3%	-27.1%	-68.2%	35.6%	-58.5%	-25.8%	14.1%	119.4%	-
Tannery	-34.1%	-63.8%	-38.8%	-55.0%	-109.9%	-962.7%	-222.6%	-125.2%	270.0%	118.7%	118.1%

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 1.2% this week in Bangladesh: COVID-19 Update**

The weekly new COVID-19 cases decreased by 21.14% while the total tests conducted also decreased by 2.53% compared to the previous week. During the week, 1,507 new positive cases and 29 more deaths were reported in Bangladesh and positivity rate dropped to 1.2%, taking the total number of cases to 1,570,835 as of 6th November, according to official tallies. Meanwhile, in the latest ranking published by Nikkei Covid-19 Recovery Index, Bangladesh beat other South Asian Countries and ranked 14th in Global Covid Recovery. To vaccinate people at all levels, the government has started a special vaccination campaign at 0.013 mn community clinics from 6th to 12th November. Globally, the total number of cases has crossed 250 mn and the death count has also crossed 5.06 mn.

**Rising imports & credit demand may create liquidity crunch in coming days**

Top banking officials have expressed concern that the banking sector may face a liquidity crunch over the next 3 to 6 months due to continuous increase in import financing and loan disbursement amid reviving economic activities. Hence, although excess liquidity reached a historical high of BDT 2,317 bn in June, it came down to BDT 2,196 bn in September as between July to September the settlement of LC jumped by 47% YoY basis while private sector credit growth increased by 35 bps in September compared to previous month.

**GDP size and per capita income up while GDP growth down due to new base year**

The Bangladesh Bureau of Statistics has adopted a new base rate of 2015-16 which has resulted in a downward revision of GDP growth rate of recent years while the country's GDP size for FY2021 now stands 15.7% higher at USD 409 billion due to new sectors inclusion and changing price between two periods. Per capita income went up by around 16% to USD 2,554 from USD 2,227. This revision will help depict a more accurate picture of our economy and facilitate informed policy decisions.