

KEY ECONOMIC INDICATORS

Apparel sector buyers are currently offering prices that are still 10-15% below pre-pandemic level to exporters even though work orders are being booked at full capacity. Factory owners are predicting that another season may be required for the sector to achieve full recovery. In order to be able to enjoy duty-free trade facilities in the markets of nearly one-third of the global economies after LDC graduation in 2026, Bangladesh intends to send a formal proposal to join RCEP, the world's largest trading bloc. The BDT depreciated against the USD by BDT 0.30 to BDT 0.40 over the past week due to the recent increase in import expenditure and decline in remittance inflow. Private sector credit growth marginally increased from 8.35% in June to 8.38% in July as demand for funds increased due to relaxation of lockdown restrictions. Rising demand and falling product inventories due to Hurricane Ida have pushed oil price upwards.

	This Week	Last Week	Weekly Change	YTD Change
Foreign Exchange Reserve (USD bn)	46.59	48.09	-3.11%	7.92%
Call Money Rate (Weighted Average)	1.73%	1.89%	16bps	39bps
Exchange Rate (BDT-USD)	85.20	85.20	0.00%	0.47%
Oil Price (USD per barrel of WTI)	69.72	69.29	0.62%	44.05%
		FY 2020-21	FY 2019-20	% Change
Export (USD mn) (Jul-Jun)		38,758	33,674	15.10%
Remittances (USD mn) (Jul-Aug)		24,778	18,205	36.10%
Import (USD mn) (Jul-Jun)		65,595	54,785	19.73%
Current Account Balance (USD mn) (Jul-Jun)		-3,808	-4,724	N/A
Credit to the Private Sector (USD mn) (Jul)		139,320	128,787	8.18%
Point-to-point Inflation (July)		5.36%	6.02%	66 bps
Tax Revenue (NBR) (USD mn) (Jul-Jun)		30,503	25,635	18.99%

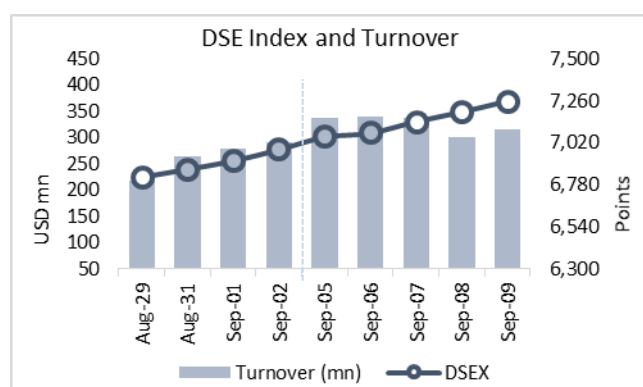
Source: Bangladesh Bank and Investing.com

ECONOMIC RISKS

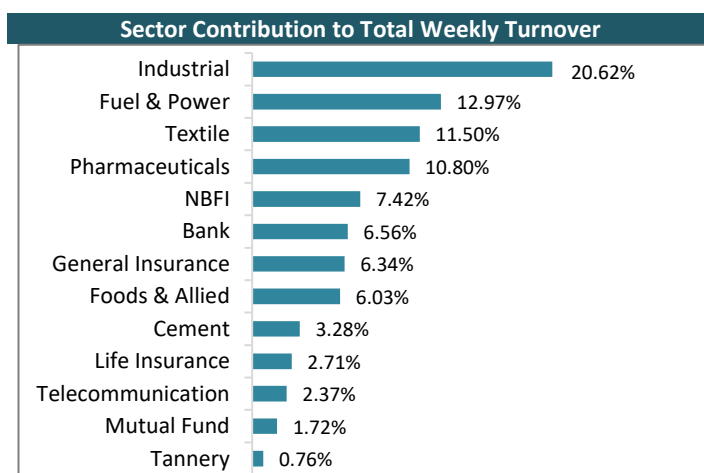
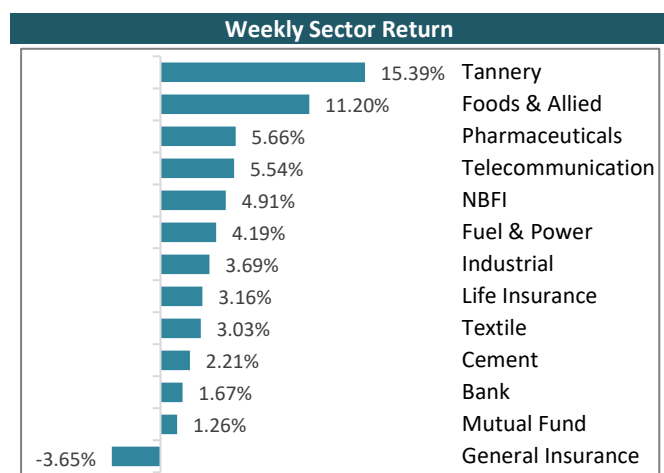
Risk factor	Risk Level	Impact
Soaring default loan in financial sector	High	The banking sector has been burdened with a high NPL ratio of 7.66% and a CAR of 11.63% that is the lowest in South Asia. Although banks are sitting with excess liquidity, their implementation of the stimulus package remains 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 18.99% in the Jul-Jun period of FY21 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 with a 36% jump YoY. This increase has defied World Bank's projection of a -22% decline for 2020. 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. The current level of remittance inflow may sustain due to these factors coupled with gradual manpower export, though the growth rate is unlikely to be as high as 2020.
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. While reinstatement of cancelled orders was initially helping RMG exports recover, which was further fortified by mass vaccination at major export destinations, the resurgence of local delta variant virus cases is likely to delay recovery. 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 bourse soared by 278 points (3.98%) during the week and closed at another record high of 7,259 points riding on investors' confidence, increased investor participation and continuous regulatory reforms undertaken by the securities regulator. The market crossed the 7,000 points mark in the first trading session of the week by adding 72 (1.03%) more points and continued to rally till the end of the week. Investors have also been injecting funds in blue chip and large cap scrips due to their encouraging earnings declarations, which has significantly been contributing towards the recent bull run in the market. In addition, low infection rate and death rate coupled with a slight increase in demand for loans in the private sector in recent times has also kept investors optimistic about economic recovery and encouraged them to keep injecting fresh funds in the capital market. Unlike the previous week, the market remained unaffected when the central bank held another auction to absorb excess liquidity from the banking system as investor's confidence remained strong. Hence, overall market liquidity improved by 24.32% compared to the previous week. During the week, tannery sector registered the highest gain of 15.39% due to prospects of higher demand due to resumption of business activities and decision to reopen educational institutions. During the week, BSEC decided that it will investigate AMCs that have licenses but are not in operation so as to suspend their IPO and QIO quota facilities. The regulator also asked DSE to probe whether any market intermediaries have lent money to their clients for buying stocks with a PE of over 40 times and issued directives barring the companies from declaring dividends from capital reserve, revaluation reserve, and any unrealized gains.



Market Statistics				
	This Week	Last Week	Weekly Change	YTD Change
DSEX	7,259	6,981	3.98%	34.37%
DS30	2,647	2,497	6.02%	34.79%
Market Cap (\$ mn)	69,141	66,476	4.01%	30.81%
Total Turnover (\$ mn)	1,638	1,054	55.40%	91.45%
Avg. Daily Turn. (\$ mn)	328	263	24.32%	91.45%
S&P 500	4,459	4,539	-1.78%	18.70%
DJIA	34,607	35,418	-2.29%	13.07%
FTSE 100	7,029	7,138	-1.53%	8.80%
NIKKEI 225	30,382	29,128	4.30%	10.70%


NOTABLE QUARTERLY EARNINGS ANNOUNCEMENTS DURING THE WEEK

EASTLAND's EPS decreased by 2.33% as reinsurance costs increased by 27.64% coupled with a decrease net premium of 5.99% while gross premium improved by 22.93%. SBACBANK's annual EPS decreased by 1.42% for the year end of 2020 despite lower provisioning for loans and net interest income decreased significantly by 56% due to the lending rate cap. The bank declared 4% cash and 4% stock dividend for the year ended 2020.

TICKER	COMPANY NAME	SECTOR	EPS 2021 (Apr-Jun)	EPS 2020 (Apr-Jun)	CHANGE
EASTLAND	Eastland Insurance Company Ltd.	Insurance	0.42	0.43	-2.33%

TICKER	COMPANY NAME	SECTOR	EPS 2020	EPS 2019	CHANGE	Dividend
SBACBANK	South Bangla Agriculture & Commerce Bank Limited	Bank	1.39	1.41	-1.42%	4% c & 4% s

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 NBF sector recorded the second highest earnings growth during the quarter followed by bank, pharmaceuticals, and ceramic. Banks and NBFs continued its profit growth trend from the previous quarter. In the Jul-Sep'20 quarter, a good number of NBFs 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	-
Industrial	4,581	4,635	3,730	2,958	2,897	-562	3,441	5,779	7,269	1,034
NBFI	1,769	-562	-780	647	1,955	1,571	2,386	2,720	1,805	1,335
Pharmaceuticals	6,210	6,820	7,362	6,926	6,598	4,443	8,736	8,659	8,731	1,234
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	-
Tannery	270	101	371	144	-27	-869	-455	-36	46	16

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%	-
NBFI	-22.3%	-130.7%	-149.9%	-85.4%	10.5%	379.4%	406.0%	320.2%	-5.7%	186.9%
Pharmaceuticals	7.9%	4.7%	10.7%	2.5%	6.2%	-34.8%	18.7%	25.0%	32.9%	6.9%
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%	273.6%	102.1%

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 219 and 51 companies, respectively, that have been declared so far out of the 260 tracked.

MAJOR EVENTS DURING THE WEEK

COVID-19 positivity rate declines to 11.4% this week in Bangladesh: COVID-19 Update

The weekly new COVID-19 cases decreased by 26.39% while the total tests conducted also decreased by 7.38% compared to the previous week. During the week, 16,516 new positive cases and 387 more deaths were reported in Bangladesh, taking the total number of cases to 1,528,542 as of 11th September, according to official tallies. The positivity rate dropped to 9.0%. As a part of nationwide inoculation program, the government has initiated the second dose of the Covid walk-in vaccination campaign, which will continue till 12th September. Meanwhile, hospitalization has dropped in Covid dedicated hospitals as 79% general beds are now vacant. Globally, the total number of cases has crossed 225 mn and the death count has also crossed 4.64 mn.

Government takes measures to automate taxpaying services

The government has taken an initiative to automate and digitalize income tax, VAT and Customs Departments under NBR. In order to facilitate revenue collection during the pandemic, a document E-payment services will be initiated through the establishment of necessary interface with the central bank which will allow taxpayers to make online payment of taxes via their own bank accounts.

Central bank simplifies CMSME loan disbursement

To tackle impact of the pandemic, government has already declared a BDT 200 mn financial assistance package for CMSMEs and now to facilitate disbursement, the annual CMSME loan disbursement target of banks will be set on the basis of previous year's net disbursement as per the new central bank guidelines. In addition, the cottage, micro and small scale industries needs to be allocated at least 70% of the total target while the remaining 30% needs to be allocated to medium scale industries, and 8% of the total loan has to be disbursed to women entrepreneurs.