

KEY ECONOMIC INDICATORS

Bangladesh's apparel exports earned \$1.94 billion more than Vietnam in the first seven months of 2021, which may be an indication that Bangladesh may soon regain its position as the second largest garment exporting country by the end of this year. The government has signed a Trade and Investment Framework Arrangement (TIFA) with Australia with a view to liberalize trade and increase investment between the two countries. Budget deficit reached a record BDT 1.87 trillion in FY21 as stimulus packages and emergency health payouts pushed up public spending while revenue collection shrunk due to the pandemic. Meanwhile, Bangladesh Bank has formed a new BDT 30 bn stimulus fund for farmers on easy terms at 4% interest in order to help farmers recover from the effects of the pandemic. Oil price went up due to unexpected supply shortages from the 3-week old Hurricane Ida in spite of having a risk off sentiment across markets.

	This Week	Last Week	Weekly Change	YTD Change
Foreign Exchange Reserve (USD bn)	46.61	46.59	0.03%	7.96%
Call Money Rate (Weighted Average)	1.65%	1.73%	8 bps	47 bps
Exchange Rate (BDT-USD)	85.20	85.20	0.00%	0.47%
Oil Price (USD per barrel of WTI)	71.97	69.72	3.23%	48.70%
		FY 2021-22	FY 2020-21	% Change
Export (USD mn) (Jul-August)		6,857	6,878	-0.31%
Remittances (USD mn) (Jul-August)		3,682	4,562	-19.30%
Import (USD mn) (July)		5,141	4,228	21.60%
Current Account Balance (USD mn) (July)		336	2,135	-84.26%
Credit to the Private Sector (USD mn) (July)		139,320	128,787	8.18%
Point-to-point Inflation (July)		5.36%	6.02%	66 bps
Tax Revenue (NBR) (USD mn) (July)		1,802	1,732	4.06%

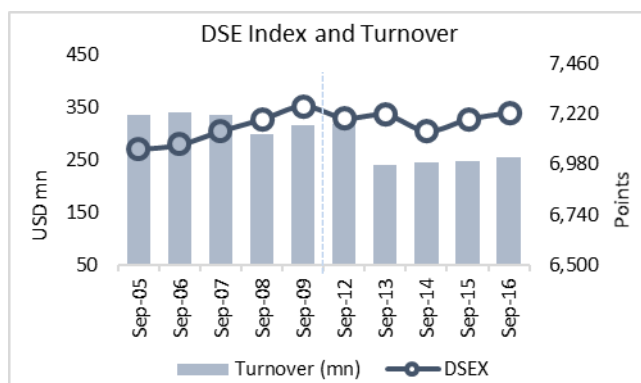
Source: Bangladesh Bank and Investing.com

ECONOMIC RISKS

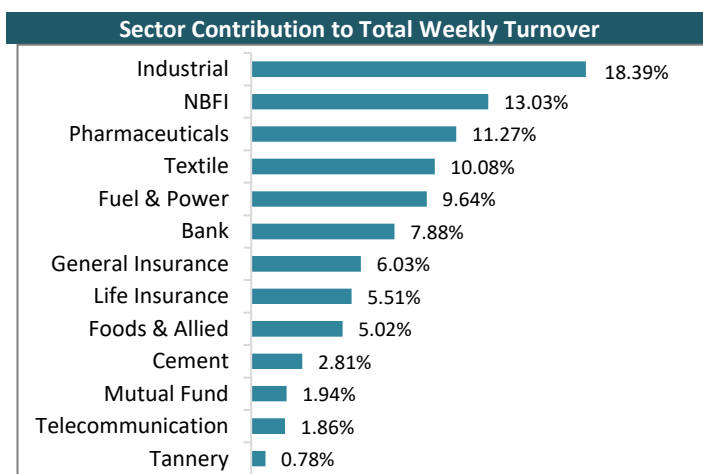
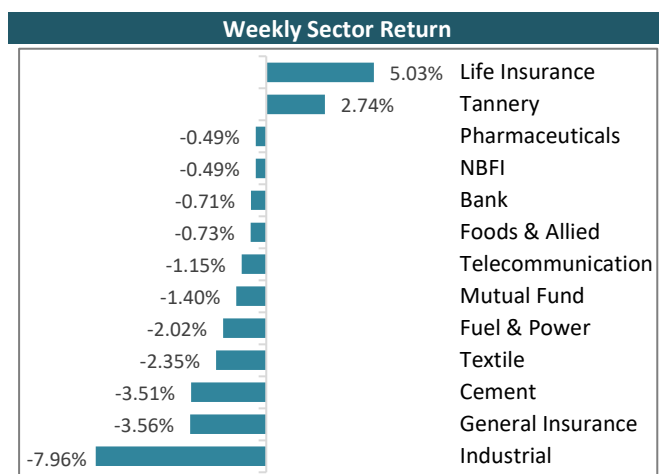
Risk factor	Risk Level	Impact
Soaring default loan in financial sector	High	The banking sector has been burdened with a high NPL ratio of 7.66% and a CAR of 11.63% that is the lowest in South Asia. Although banks are sitting with excess liquidity, their implementation of the stimulus package remains 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 index lost a marginal 30 points (-0.42%) during the week as cautious investors booked profits, particularly in large cap stocks, due to the disagreement between the central bank and securities regulator. Bangladesh Bank and BSEC have recently been in disagreement over regulations in recent times which has caused some uncertainty among investors regarding whether the bullish trend in the market would sustain, snapping the 12-week long winning streak. The central bank has made a strong stance against transferring unclaimed dividends from NBFIs and banks to the capital market stabilization fund and the regulation regarding the disbursement of dividends based on current year's profit even if they have cumulative losses as they are in conflict with the Bank Company Act. In addition, BSEC's directive to Walton, ICB and Berger Paints to offload minimum 10% of their paid-up capital within a year's time made also investors nervous that increased supply of shares could lead to a big decline in the share price of these companies. Hence, average daily turnover declined by -19.91% compared to the previous week. During the week, BSEC sent a letter to DSE to investigate the abnormal price hike of four companies and closed some social media groups that have been spreading rumors regarding capital market and decided to sit with BTRC and digital security agency of Bangladesh computer council regarding this.



	Market Statistics			
	This Week	Last Week	Weekly Change	YTD Change
DSEX	7,228	7,259	-0.42%	33.81%
DS30	2,675	2,647	1.04%	36.18%
Market Cap (\$ mn)	67,427	69,141	-2.48%	28.17%
Total Turnover (\$ mn)	1,305	1,630	-19.91%	53.32%
Avg. Daily Turn. (\$ mn)	261	326	-19.91%	53.32%
S&P 500	4,433	4,539	-2.34%	18.02%
DJIA	34,583	35,418	-2.36%	12.99%
FTSE 100	6,964	7,138	-2.45%	7.79%
NIKKEI 225	30,500	29,128	4.71%	11.13%


NOTABLE QUARTERLY EARNINGS ANNOUNCEMENTS DURING THE WEEK

DHAKAINS's EPS surged by 112.77% for the Q2 of 2021 compared to the Q2 of 2020 despite the lower net premium income of 12.36% on YoY but the significant growth of 136.96% of investment and other income contributed to this bottom-line earnings growth. EHL registered 27.56% EPS growth for the year ended June 2021 as relaxation of lockdown has helped improve installments collection in the real estate industry. Alongside this, the government's approval to use untaxed income to purchase land and apartments has also helped the sector rebound.

TICKER	COMPANY NAME	SECTOR	EPS 2021 (Apr-Jun)	EPS 2020 (Apr-Jun)	CHANGE
DHAKAINS	Dhaka Insurance Limited	Insurance	1	0.47	112.77%

TICKER	COMPANY NAME	SECTOR	EPS 2021	EPS 2020	CHANGE	Dividend
EHL	Eastern Housing Limited	Industrial	3.98	3.12	27.56%	15% 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 NBFIs 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	-
Industrial	4,581	4,635	3,730	2,958	2,897	-562	3,441	5,779	7,269	1,127
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	45	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%	-	-
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%	270.0%	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 220 and 52 companies, respectively, that have been declared so far out of the 260 tracked.

MAJOR EVENTS DURING THE WEEK

COVID-19 positivity rate declines to 6.7% this week in Bangladesh: COVID-19 Update

The weekly new COVID-19 cases decreased by 22.75% while the total tests conducted increased by 4.69% compared to the previous week. During the week, 12,758 new positive cases and 302 more deaths were reported in Bangladesh, taking the total number of cases to 1,541,300 as of 18th September, according to official tallies. The positivity rate dropped to 6.7%. Around 0.27 mn doses of AstraZeneca vaccine arrived this week from Bulgaria. The government has already vaccinated 23 mn people and an additional 0.10 bn people will be vaccinated by December. For this, 0.24 bn doses of Covid vaccines will be purchased by March-April of 2022. Meanwhile, schools have reopened after a 542 days closure due to the virus. Globally, the total number of cases have crossed 229 mn and death count has also crossed 4.70 mn.

New industrial policy being developed to increase GDP contribution

The government is working towards formulating the National Industrial Policy 2021 with an aim to increase the industrial sector's contribution to the GDP from 35% to 40%. Emphasis will be given on five issues in the new industrial policy. Increasing government cooperation in private enterprise expansion, ensuring industrial efficiency & productivity and creating an environment to attract foreign investment will also be prioritized in the new policy.

BB tightens rule on rescheduling facilities by NBFI

Bangladesh Bank has instructed NBFIs to allow loan rescheduling for only a maximum of three times in its bid to bring credit discipline in the sector and protect depositors' money. Borrowers who fail to repay after these facilities will be considered as willful defaulters. A borrower will get maximum of nine years for clearing their term loans and leases and maximum of two years for clearing short term loans or leases via the rescheduling facility.