

KEY ECONOMIC INDICATORS

Work orders in the apparel sector have now reached 15-20% above pre-pandemic level due to rising demand in the US and EU. Airports are being overwhelmed by a surge in RMG export air shipments by 1.5 times over the last few weeks due to container congestion at shipping ports and up to 400% spike in shipping charges. ADB has lowered its economic growth forecast for Bangladesh for FY21 to 5.6% from 5.8% and also reduced the forecast for FY22 to 6.8% from 7.2% as uncertainties continue to remain due to the virus. On the other hand, the central bank is expecting the economy to recover in the near term due to the reopening of the economy and improvement in the virus situation. However, inflationary pressure is being anticipated as a result of the supply chain disruption and continuous increase in commodity prices in the global market. Oil prices hit a 3-year high this week as global supply disruptions caused energy companies to drag a large amount of oil from their inventories.

	This Week	Last Week	Weekly Change	YTD Change
Foreign Exchange Reserve (USD bn)	46.38	46.61	-0.50%	7.42%
Call Money Rate (Weighted Average)	2.07%	1.65%	42 bps	5 bps
Exchange Rate (BDT-USD)	85.30	85.20	0.12%	0.59%
Oil Price (USD per barrel of WTI)	72.24	72.37	-0.18%	49.26%
		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%

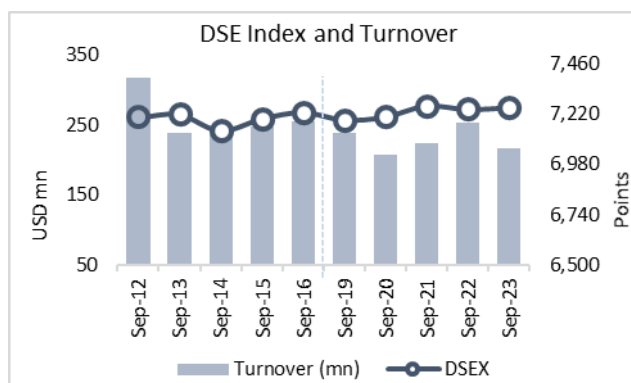
Source: Bangladesh Bank and Investing.com

ECONOMIC RISKS

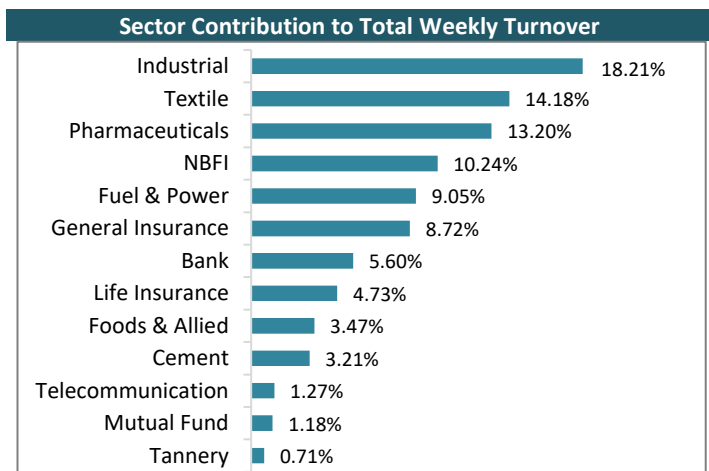
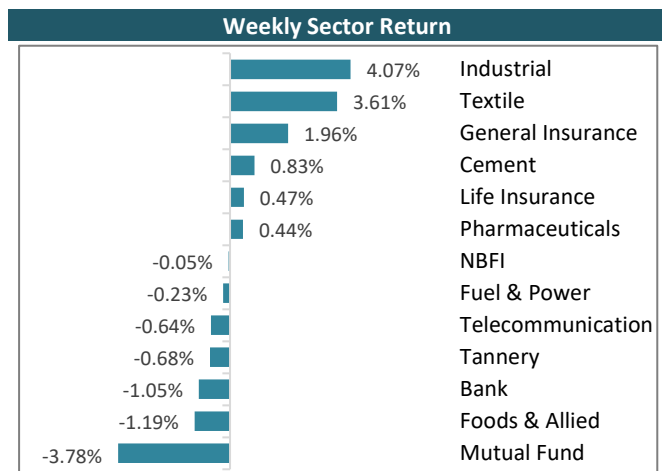
Risk factor	Risk Level	Impact
Soaring default loan in financial sector	High	The banking sector has been burdened with a high NPL ratio of 7.66% and a CAR of 11.63% that is the lowest in South Asia. Although banks are sitting with excess liquidity, their implementation of the stimulus package remains 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 edged up by 22 points (0.31%) during the week and settled at 7,251 points after exhibiting high volatility as investors remained cautious, booked profits and rebalanced portfolios ahead of earnings declarations. The index lost 36.5 points in the first trading session of the week due to selling pressure to book capital gain in major sectors where share prices have already increased significantly. However, the government's decision to cut interest rate on saving certificates encouraged investors to put fresh bets on stocks which helped the market return to the green zone for the next two consecutive trading sessions. The bourse added a marginal 8.8 points in the last trading session of the week riding on the investors' demand for mid-cap manufacturing and services stocks. Market liquidity declined -12.70% due to lower participation of investors as they opted to remain watchful due to contradictory regulatory stances of the central bank and securities regulator. The textile sector posted the second highest return of 3.61% and second highest turnover of 14.18% as the sector is being overwhelmed with the surplus export orders due a rebound in demand at major export destinations. During the week, BSEC warned six brokerage firms for dodging the securities laws and regulations and also decided to investigate a dozen merchant banks for not properly fulfilling their licensing requirements.



Market Statistics				
	This Week	Last Week	Weekly Change	YTD Change
DSEX	7,251	7,228	0.31%	34.22%
DS30	2,674	2,675	-0.04%	36.13%
Market Cap (\$ mn)	67,648	67,348	0.45%	28.74%
Total Turnover (\$ mn)	1,138	1,304	-12.70%	33.84%
Avg. Daily Turn. (\$ mn)	228	261	-12.70%	33.84%
S&P 500	4,455	4,433	0.51%	18.62%
DJIA	34,798	34,585	0.62%	13.69%
FTSE 100	7,051	6,964	1.26%	9.15%
NIKKEI 225	30,249	30,500	-0.82%	10.22%


NOTABLE QUARTERLY EARNINGS ANNOUNCEMENTS DURING THE WEEK

MIDASFIN's net profit rebounded in Q2 from a loss in Q1 as the company supplemented its excess provisioning against classified loans from its balance sheet to income statement in Q1 but managed to recover some classified loan in Q2 which allowed them to reverse provisioning. IBNSINA posted 24.68% bottom-line earnings growth as the company's business performed well which resulted in both revenue and profit growth and declared its highest cash dividend in the past 12 years. IBNSINA will buy land to build a sales depot and has also decided to sell 40% of its investment shares in order to exit its consumer project as it does not seem viable at this time.

TICKER	COMPANY NAME	SECTOR	EPS 2021 (Apr-Jun)	EPS 2020 (Apr-Jun)	CHANGE
MIDASFIN	MIDAS Financing Ltd.	NBFI	1.08	-0.19	N/A

TICKER	COMPANY NAME	SECTOR	EPS 2021	EPS 2020	CHANGE	Dividend
IBNSINA	The IBN SINA Pharmaceutical Industry Ltd.	Pharmaceuticals	15.66	12.56	24.68%	47% 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	-
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 4.9% this week in Bangladesh: COVID-19 Update

The weekly new COVID-19 cases decreased by 28.90% while the total tests conducted also decreased by 3.91% compared to the previous week. During the week, 9,071 new positive cases and 211 more deaths were reported in Bangladesh, taking the total number of cases to 1,551,351 as of 25th September, according to official tallies. The positivity rate dropped to 4.9%. Bangladesh has recorded less than 1,000 single-day cases for the 2nd day in a row, while the daily death number has dropped to around 21 after 5 months. On 28th Sept, a mass vaccination program will be held to vaccinate 8 mn people as part of a special campaign on the PM's birthday. Another consignment of 2.5 mn doses of Pfizer vaccine will arrive in Dhaka on 27th Sept from the US. Globally, the total number of cases has crossed 232 mn and the death count has also crossed 4.76 mn.

Govt slashes savings tools' interest rates

The government has decided to reduce the interest rate of Savings Certificate between 1 to 3 percentage points for investments of BDT 1.5 mn and above to minimize the government's interest burden and discourage well off people from buying savings tools. These reduced rates will be applicable only on fresh investments. However, this decision may hurt savers from low-income and middle-income groups - especially post-retirement, as they have a tendency of keeping all their retirement savings in savings certificate.

Bad loan recovery falls to 5-years low

Recovery of default loans came down to a 5-year low of BDT 69.22 bn in FY21 as borrowers are facing a challenging time to repay their loans due to the economic slowdown during the ongoing pandemic. According to BB, recovered default loan amount was BDT 101.40 bn in FY20. Introduction of loan moratorium by BB in April last year had contributed towards lower recovery of default loans as borrowers were allowed to defer their installments.