

KEY ECONOMIC INDICATORS

ADB has forecasted a quick economic recovery for Bangladesh in FY21 with a projected GDP growth of 6.8%, supported by strong manufacturing activities, export and remittance. Exports have been exhibiting a positive growth as the orders that were cancelled or put on hold during the pandemic are slowly being reinstated and fresh orders are coming in. Remittance inflow has continued to surge, with a 72.65% growth in the first 10 days of September. Call money market remained cool in this week too due to banks' high excess liquidity which is being further backed by a deposit growth revival (11.43%). Crude oil price also bounced back by 10.13% amid a drawdown in storage and reassurance of OPEC+ to manage the market with more compliance.

	This Week	Last Week	Weekly Change	YTD Change
Foreign Exchange Reserve (USD bn)	38.83	38.39	1.16%	18.55%
Call Money Rate (Weighted Average)	2.63%	2.56%	+7 bps	-232 bps
Exchange Rate (BDT-USD)	84.80	84.80	0.00%	-0.12%
Oil Price (USD per barrel of WTI)	41.11	37.33	10.13%	-32.67%
		FY 2020-21	FY 2019-20	% Change
Export (USD mn) (Jul-Aug)		6,878	6,732	2.2%
Remittances (USD mn) (Jul-Aug)		3,042	4,562	50.0%
Import (USD mn) (Jul)		4,228	5,247	-19.4%
Current Account Balance (USD mn) (Jul)		1,965	(108)	N/A
Credit to the Private Sector (USD mn) (Jul)		129,151	118,274	9.2%
Point-to-point Inflation (Aug)		5.68%	5.49%	+19 bps
Tax Revenue (NBR) (USD mn) (Jul)		1,739	1,820	-4.4%

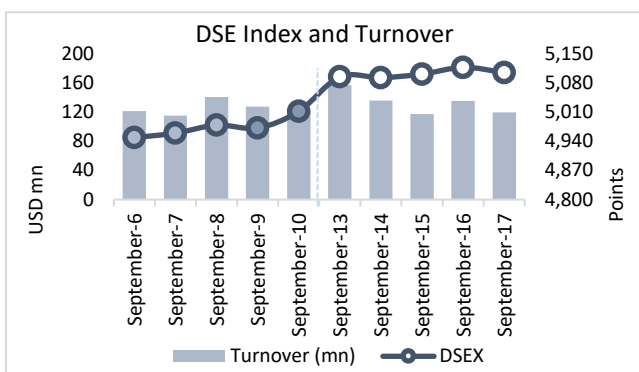
Source: Bangladesh Bank and Investing.com

ECONOMIC RISKS

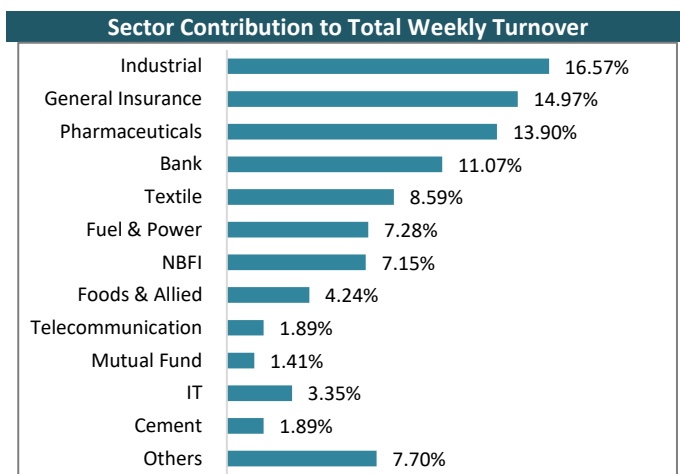
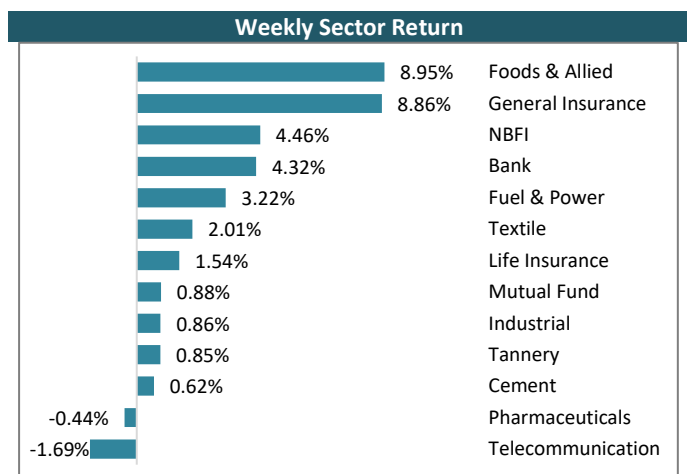
Risk factor	Risk Level	Impact
Demand contraction	High	High uncertainty and virus fears have resulted in subdued demand, which in turn have led to large scale job losses and more demand contraction as discretionary spending takes a hit. According to ILO's projections, around 200 mn full-time workers' jobs may be lost, and Bangladesh will not be immune to this. Although the overall economic outlook continues to remain bleak, economic activities have been gradually picking up in recent times on the backdrop of the pandemic as both businesses and individuals are learning to live with the virus.
Remittance shock	High	Although March, April and May registered double digit negative growth in inward remittance YOY amid the pandemic, June and July registered a positive gain. However, experts have attributed the recent positive gains to migrant workers' preparation to return to their home country. Moreover, as the World Bank expects global remittance to decline by 20% this year, the overall outlook is gloomy. Expatriates are facing mass deportations from Middle East countries in phases and globally ~2 mn Bangladeshi workers are now facing the risk of deportation.
Subdued tax revenue collection	High	Tax collection registered a negative growth of -2.63% for the first time since the country's independence due to the effects of the virus. The overall economic slowdown will continue to affect revenue collection and likely create a deeper budget deficit. According to ADB's forecast, Bangladesh may incur a tax revenue loss equivalent to 2% of GDP, which will likely exert an even greater pressure on the banking sector.
Soaring default loan in financial sector	High	The banking sector has been burdened with high non-performing loans (NPLs) at 9.03%, compounded with weak deposit growth and a CAR of 11.60% that is the lowest in South Asia. Moreover, poorly capitalized banks will have to bend over backwards to implement stimulus packages to provide relief to virus-struck businesses. The swelling damage in the economy may cause a sharp rise in the amassing default loans, undermining the sector further in the long term.
Export slump	Medium	It has been projected global merchandise trade might plummet by ~13% due to the pandemic. Recently some cancelled and suspended orders are starting to pour back in the RMG sector as economies across the globe are reopening. Unless export diversification is implemented and global economic activities pick up, Bangladesh will continue to be subject 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.

CAPITAL MARKET UPDATE

The DSEX index gained 93 points (1.86%) this week as investors continued to maintain a bullish sentiment regarding the market and economic recovery. However, the market experienced some volatility as market participants engaged in some profit-taking. The buoyant market has attracted fresh injection of funds from new investors in recent times as per data from CDBL. Stocks from the industrial, general insurance, and pharmaceutical sectors dominated the turnover chart. BSEC has continued to keep a hawk eye on market irregularities. During the week, the regulator suspended the trading of a Z-category share due to a significant hike in its price in the last few months and froze 10 investment accounts for manipulating the share price of a small-cap company. Also, BSEC's move to ease the IPO approval process can be credited for the speedy IPO approvals in recent times.



Market Statistics				
	This Week	Last Week	Weekly Change	YTD Change
DSEX	5,105	5,011	1.86%	14.63%
DS30	1,762	1,740	1.23%	17.30%
Market Cap (\$ mn)	45,395	44,608	1.77%	13.41%
Total Turnover (\$ mn)	663	623	6.43%	235.66%
Avg. Daily Turn. (\$ mn)	133	125	6.43%	235.66%
S&P 500	3,319	3,341	-0.64%	1.89%
DJIA	27,657	27,666	-0.03%	-4.20%
FTSE 100	6,007	6,032	-0.42%	-21.00%
NIKKEI 225	23,360	23,406	-0.20%	0.67%



NOTABLE EARNINGS ANNOUNCEMENTS DURING THE WEEK

Out of the total 7 earnings that were declared during the week, two companies posted positive growth while earnings of the rest five were negative. BANGAS's net earnings slumped by 71.8% as the company faced a significant drop in top-line revenue. FAREASTFIN's net earnings remained negative for the period of Apr-Jun'20 as the company sunk into a significant negative balance of other operating loss as well as a huge provision against loans and advances during the period.

TICKER	COMPANY NAME	SECTOR	EPS 2020 (Apr-Jun)	EPS 2019 (Apr-Jun)	CHANGE
BANGAS	Bangas Ltd.	Foods & Allied	0.29	1.03	-71.8%

TICKER	COMPANY NAME	SECTOR	EPS 2020 (Jan-Mar)	EPS 2019 (Jan-Mar)	CHANGE
AGRANINS	Agrani Insurance Co. Ltd.	General Insurance	0.14	0.27	-48.1%
FAREASTFIN	Fareast Finance & Investment Ltd.	NBFI	-0.38	-0.52	N/A

Source: DSEX, Investing.com, LR Global Research

QUARTERLY EARNINGS UPDATE

Most of the sectors experienced a double-digit negative earnings growth in the Jan-Mar, 2020 quarter compared to the same period in 2019. The food & allied, banking, and telecom sector reported the highest growth. Food & allied and telecom continued to perform well despite the economic slump as their goods and services fell under essential services and major player BATBC secured a positive earnings growth due to significant rise in stick sales. The banking sector was also able to post positive earnings as banks such as ONEBANKLTD, STANDBANKL, SOUTHEASTB, NBL, and NCCBANK were able to generate top line growth and kept aside lower provisioning for loans and advances. Alongside this, the pharmaceuticals sector reported positive earnings as it received a boost in sales due to the health crisis in the country. On the other hand, the tannery, textile, and industrial sectors were the worst performers mainly due to demand contraction amid the pandemic.

Sector	2018					2019					2020
	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Total	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Total	Jan-Mar
Bank	11,636	17,642	13,939	26,630	69,847	13,988	21,244	13,891	20,560	69,684	18,311
Cement	914	962	300	905	3,081	872	958	582	250	2,662	803
Ceramic	288	207	337	446	1,279	230	59	261	287	837	167
Food & Allied	2,595	2,821	2,090	2,073	9,578	1,820	1,205	2,661	2,663	8,349	2,533
Fuel & Power	7,214	10,255	10,792	9,542	37,802	8,931	11,261	10,654	8,812	39,659	7,198
Industrial	5,076	14,752	4,544	4,717	29,090	4,918	5,590	4,189	3,379	18,075	2,991
NBFI	2,808	2,389	1,751	4,256	11,204	1,717	-454	-841	1,152	1,575	1,987
Pharmaceuticals	4,929	5,375	4,776	4,835	19,915	5,095	5,213	6,260	6,033	22,600	5,460
Telecommunication	6,394	10,804	8,892	9,070	35,160	8,926	9,553	7,269	8,766	34,514	10,694
Textile	1,386	1,370	1,715	1,348	5,819	1,214	-6,079	917	888	-3,061	242
Tannery	411	278	607	321	1,616	269	99	352	144	864	-26

QoQ Growth (Sectorwise)	2018				Yearly Growth	2019				Yearly Growth	2020
	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec		Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec		Jan-Mar
Bank	-2.6%	4.1%	-17.3%	40.0%	7.8%	20.2%	20.4%	-0.3%	-22.8%	-0.2%	30.9%
Cement	-25.8%	36.4%	-29.8%	86.1%	8.1%	-4.6%	-0.4%	93.8%	-72.4%	-13.6%	-7.9%
Ceramic	20.5%	-42.9%	11.3%	36.9%	3.9%	-20.3%	-71.3%	-22.7%	-35.6%	-34.5%	-27.5%
Food & Allied	12.9%	83.9%	10.1%	25.3%	29.7%	-29.9%	-74.1%	27.4%	28.4%	-12.8%	39.1%
Fuel & Power	8.6%	23.7%	29.6%	26.2%	22.7%	23.8%	9.8%	-1.3%	-7.6%	4.9%	-19.4%
Industrial	14.1%	388.4%	19.7%	10.5%	87.3%	-3.1%	-62.1%	-7.8%	-28.4%	-37.9%	-39.2%
NBFI	-24.4%	-3.1%	-45.0%	34.8%	-10.5%	-38.8%	-119.0%	-148.0%	-72.9%	-85.9%	15.7%
Pharmaceuticals	-2.0%	-8.1%	-10.3%	-20.3%	-10.6%	3.4%	-3.0%	31.1%	24.8%	13.5%	7.2%
Telecommunication	-2.5%	36.3%	27.6%	51.8%	28.2%	39.6%	-11.6%	-18.3%	-3.3%	-1.8%	19.8%
Textile	-8.6%	-4.3%	22.2%	-11.6%	-1.0%	-12.5%	-543.7%	-46.6%	-34.1%	-152.6%	-80.1%
Tannery	51.8%	37.5%	16.3%	-4.4%	21.5%	-34.4%	-64.5%	-42.0%	-55.1%	-46.6%	-109.8%

*Note: Sector represents more than 70% of the companies (according to large market capital) Source: DSEX, LR Global Research.

MAJOR EVENTS DURING THE WEEK
COVID-19 infection rate continues to decline: COVID-19 Update

The infection rate of COVID-19 in Bangladesh continued to decrease this week and it is the 7th week of such a consecutive decrease in the infection rate. The weekly growth rate of total positive cases in Bangladesh also fell to 3.5% which is less than half of that of the global rate of 7.1%. However, the fatality rate as a percentage of new infections has now increased to 1.41% compared to 1.32% in the 24th week of the virus outbreak. During the week, 11,328 new positive cases and 211 more deaths have been reported in Bangladesh, taking the total number of cases to 347,372 as of 19th September, according to official tallies. Globally, the total number of cases crossed 30 mn and the death count has crossed 0.96 mn.

ADB projects 6.8% GDP growth for Bangladesh in FY21

According to ADB's latest projection, Bangladesh is expected to grow by 6.8% in FY21 on the back of gradual revival of manufacturing activities, rising exports and remittances and prudent macroeconomic management. However, if the virus takes too long to subside in Bangladesh or its major export destinations then this forecast may not be realized.

Bank deposits rise by 10.49% in FY20

Slow economic recovery, loan growth, soaring remittance inflow & fall in NSC sales allowed deposits to grow by 10.49% in the outgoing fiscal year. However, plummeting loan recovery is still threatening the banking sector. In the April to June quarter, industrial loan recovery declined by 56.88% due to a slump in economic activities during that period.