

KEY ECONOMIC INDICATORS

Exports exhibited a positive growth of 4.32% in August as the orders that were cancelled or put on hold during the pandemic are slowly being reinstated. The gradual recovery of fresh orders has also been offering some hope that this positive trend will continue. In the first month of FY21, tax revenue fell by -4.4% YoY and -22.07% from the previous month, with VAT revenue taking the biggest hit (-39.56%) amid sluggish consumption activities. Moreover, high excess liquidity in the banking sector caused call money rate to drop by 147 basis points this week. Crude oil price also declined by 3.17% on the back of higher stockpiles than expectation amid investor's concerns about demand recovery in the peak season.

	This Week	Last Week	Weekly Change	YTD Change
Foreign Exchange Reserve (USD bn)	38.39	39.29	-2.30%	17.19%
Call Money Rate (Weighted Average)	2.56%	4.03%	-147 bps	-239 bps
Exchange Rate (BDT-USD)	84.80	84.80	0.00%	-0.12%
Oil Price (USD per barrel of WTI)	37.33	41.37	-9.77%	-38.86%
		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%

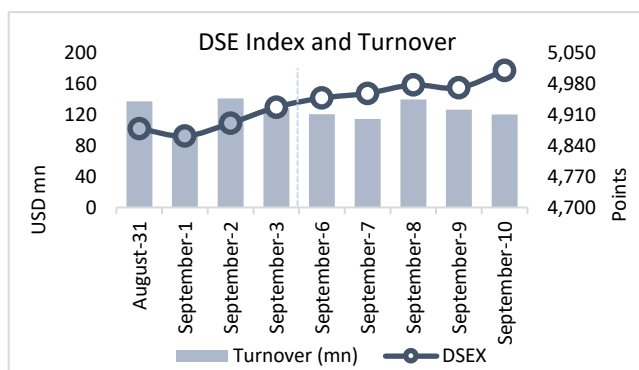
Source: Bangladesh Bank and Investing.com

ECONOMIC RISKS

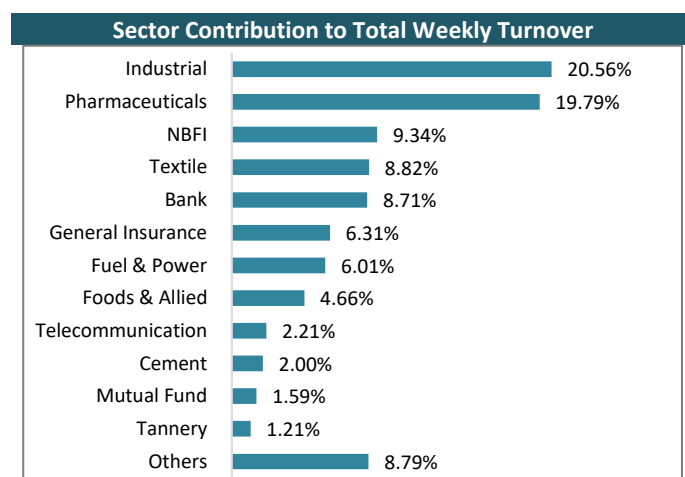
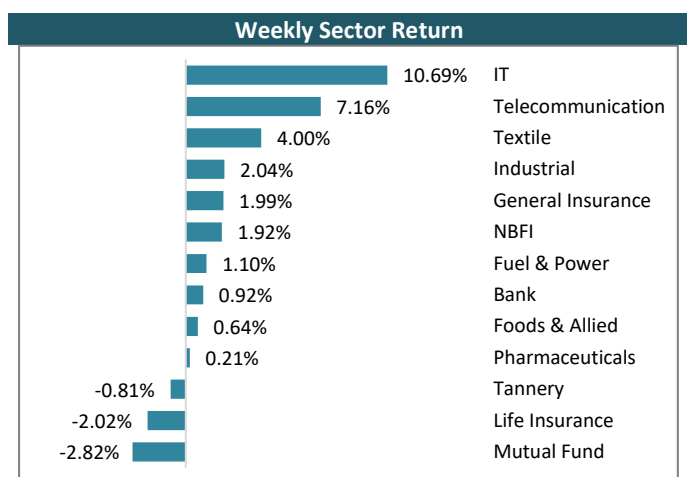
Risk factor	Risk Level	Impact
Demand contraction	High	High uncertainty and virus fears have resulted in subdued demand, which in turn have led to large scale job losses and more demand contraction as discretionary spending takes a hit. According to ILO's projections, around 200 mn full-time workers' 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 prime index gained 83 points (1.69%) this week and crossed the 5,000-points mark and reached a one-year high as low interest rates, undervalued stocks, and BSEC’s continuous regulatory moves have made the stock market a more attractive investment option. While some selling pressure still persisted in the market, investor participation continued to remain high with stocks from the industrial, pharmaceutical and NBFi sectors dominating the turnover chart. Meanwhile, the securities regulator took more initiatives during the week such as its decision to hold virtual public hearings on different securities issues and exemption of some clauses of Public Issue Rules for Robi’s IPO. Several IPOs are also soon to make a debut in the market. Additionally, investors’ confidence also strengthened as more signs of gradual economic recovery are becoming visible.



Market Statistics				
	This Week	Last Week	Weekly Change	YTD Change
DSEX	5,011	4,928	1.69%	12.53%
DS30	1,740	1,715	1.45%	15.88%
Market Cap (\$ mn)	44,608	43,860	1.71%	11.44%
Total Turnover (\$ mn)	623	499	24.89%	215.38%
Avg. Daily Turn. (\$ mn)	125	125	-0.08%	215.38%
S&P 500	3,341	3,427	-2.51%	2.55%
DJIA	27,666	28,133	-1.66%	-4.17%
FTSE 100	6,032	5,799	4.02%	-20.68%
NIKKEI 225	23,406	23,205	0.87%	0.87%



NOTABLE EARNINGS ANNOUNCEMENTS DURING THE WEEK

Out of the total 5 earnings that were declared during the week, two companies posted positive growth while rest three were negative. ACTIVEFINE's net earnings slumped by 78.2% as the company's topline revenue declined by 50.8% in the Jan-Mar'20 quarter. AFCAGRO also saw a 78.7% decline in net earnings due to a 52.6% decline in topline revenue as well as an increase in administrative and finance expenses.

TICKER	COMPANY NAME	SECTOR	EPS 2020 (Apr-Jun)	EPS 2019 (Apr-Jun)	CHANGE
JANATAINS	Janata Insurance Company Ltd.	General Insurance	0.30	0.23	30.4%

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ACTIVEFINE	Active Fine Chemicals Ltd.	Pharmaceuticals	0.19	0.87	-78.2%
AFCAGRO	AFC Agro Biotech Ltd.	Pharmaceuticals	0.20	0.94	-78.7%

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	2,667	2,668	8,361	2,538
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	2,815	2,617	1,730	4,043	11,204	2,198	-369	-409	873	2,294	2,107
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%	27.7%	28.7%	-12.7%	39.4%
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	-35.1%	1.9%	-47.5%	24.1%	-16.7%	-21.9%	-114.1%	-123.7%	-78.4%	-79.5%	-4.2%
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 slowing down for straight six-weeks: COVID-19 Update

The infection rate of COVID-19 in Bangladesh has been decreasing in the last six-weeks. This week the infection rate stands at 12.8% and the total cases as a percentage of total population tested stands at 19.59%. During the week, 12,479 new positive cases and 255 more deaths have been reported in Bangladesh, taking the total number of cases to 336,044 as of 12th September, according to official tallies. Globally, the total number of cases is about to reach 29 mn and the death count has crossed 0.92 mn. Experts have been warning that the severity of the virus may accelerate in the upcoming winter.

Government seeks 46.88% investment-GDP ratio by 2041

A target of 46.88% gross investment-GDP ratio by 2041, 15.13% higher than the current, has been set by the government as part of Bangladesh's 'Perspective Plan FY2021-2041' development strategy. In order to achieve this, the private sector investment to GDP will need to be brought up to 36.36% of GDP in FY41 from the present ratio of 23.63%. In the same way, public sector investment will need to be raised to 10.52% from the current 8.12%.

Japan offers subsidy to companies relocating to Bangladesh

In Japan's efforts to diversify its supply chain from China, it is now offering subsidies to Japanese companies that move their production base to Bangladesh or India under its Supply Chain Resilience Initiative (SCRI) program. Japan is also currently considering the construction of an automobile factory in Bangladesh.