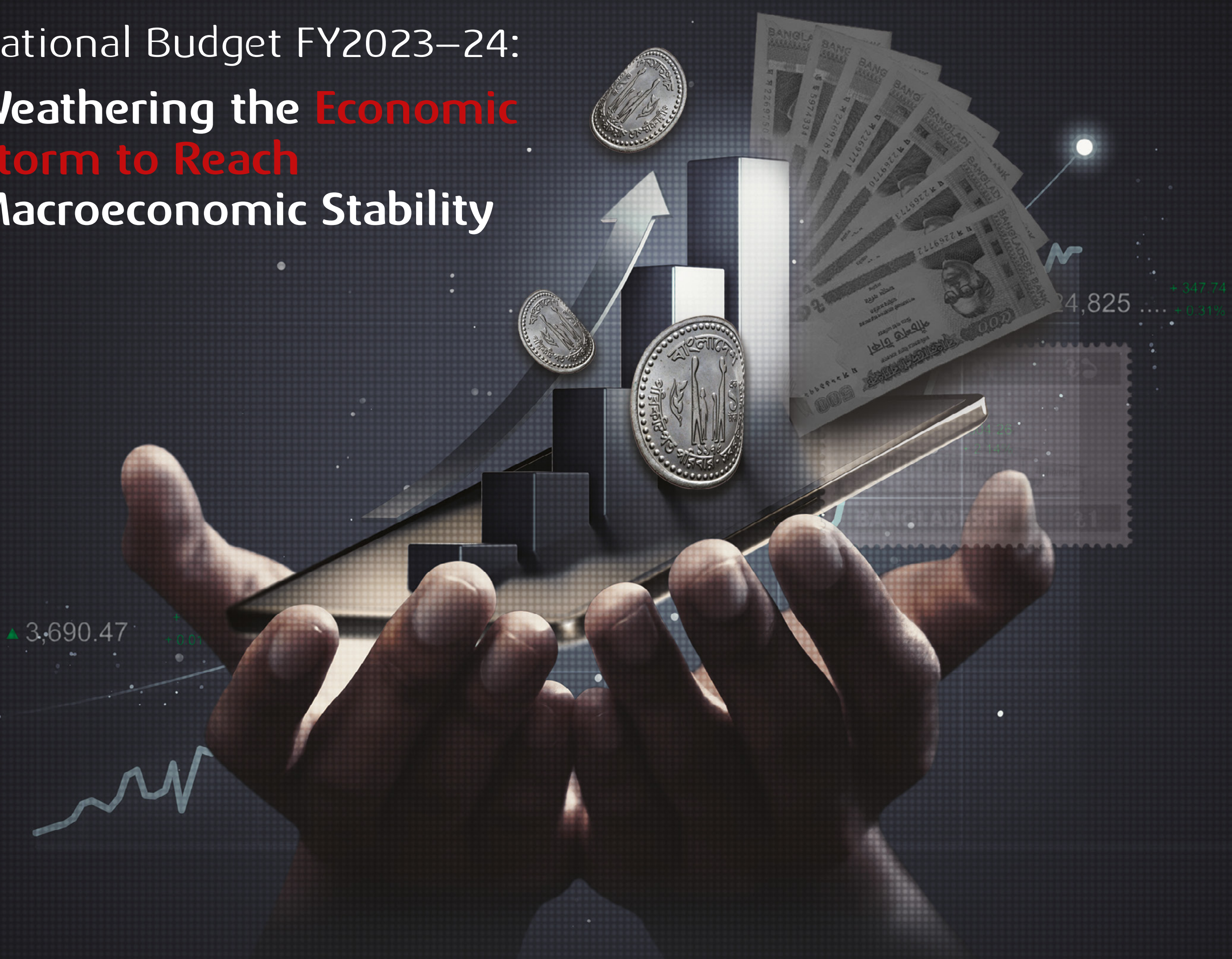
Volume 19 | Issue 07 | July 2023

IDLC MONTHLY BUSINESS REVIEW

National Budget FY2023–24:

Weathering the Economic Storm to Reach Macroeconomic Stability



IDLC Finance Limited

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যাদের চোখে
আকাশ ছোঁয়ার স্বপ্ন,
তাদের হাতেই গড়ছে আজ
নতুন দিনের বাংলাদেশ
বিশ্ব এসএমই দিবসে দেশের সকল
এসএমই উদ্যোক্তাকে জানাই শ্রদ্ধা ও অভিনন্দন
ক্ষুদ্র ও মাঝারী উদ্যোক্তারাই দেশের মূল চালিকাশক্তি। তাই, তাদের এগিয়ে যাবার পথে
আইডিএলসি সবসময় পাশে ছিলো, আছে, থাকবে আজীবন।
কোভিড-পরবর্তী সময়ে বাংলাদেশ ব্যাংকের সহযোগিতায় আইডিএলসি এই উদ্যোক্তাদের
মাঝে স্বল্প হারে ৩ হাজার কোটি টাকার বেশি ঋণ বিতরণ করেছে।
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Design & Printing: nymphea I www.nymphea-bd.com

FROM THE

EDITOR

National Budget FY2023–24: Weathering the Economic Storm to Reach Macroeconomic Stability

Economic strife in recent times has led to a downturn in Bangladesh's GDP growth owing to high inflation, slow growth in the private sector, and minimal growth in remittances. In a bid to reach macroeconomic stability, a national budget of BDT 7,61,785 crore was announced for the fiscal year 2023–24, with the budget comprising 15.2% of the GDP. The GDP growth rate has been targeted to reach 7.5%, while the annual inflation rate is expected to be 6% for FY 2023–24.

Meanwhile, Bangladesh Bank (BB) released a monetary policy statement (MPS) on June 18 with contractionary measures underlining the central bank's objectives in curbing inflation. Many countries adopted a similar approach, with the United States, India, Thailand, and the European Union successfully managing to curtail their inflation significantly through demand reduction strategies.

As pointed out by economists, restoring macroeconomic stability remains pivotal for Bangladesh to bring some much-needed respite to the economy. Effective approaches to achieving the aforementioned target include the coordination of exchange rate, monetary, and fiscal policies to strengthen exports, curb inflationary pressure, increase tax revenues, and reduce fiscal deficits. With timely measures taken by BB to combat inflation through its contractionary monetary policy, economists and business leaders are hoping that both fiscal and monetary authorities work in tandem to reduce inflation significantly in the country. This will pave the way for Bangladesh to reach macroeconomic stability for future economic prosperity and continue the long journey towards a developed country by 2041.

Md. Shah Jalal
Editor
IDLC Monthly Business Review

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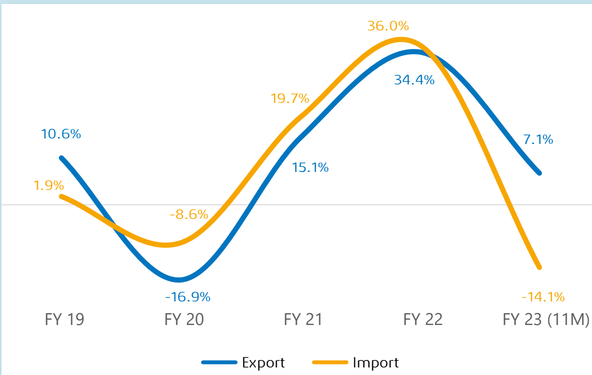
ECONOMY AT A GLANCE

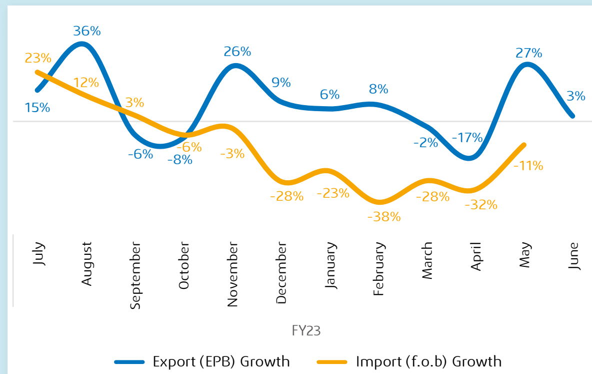
Prepared by IDLCSL Research Team

EXPORT-IMPORT

Growth in Export-Import Trade (Last 5 Years)

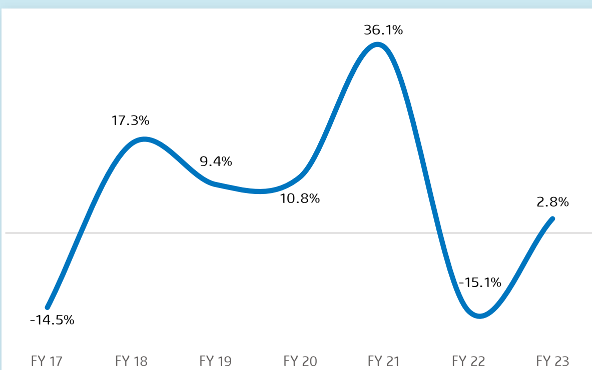


Export and Import Growth (Last 12 Months)

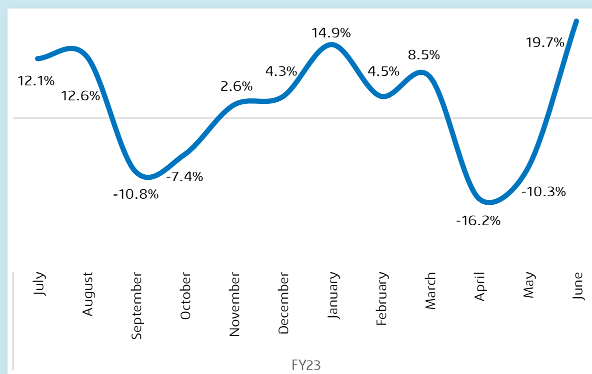


REMITTANCE

Remittance Growth (Last 7 Years)

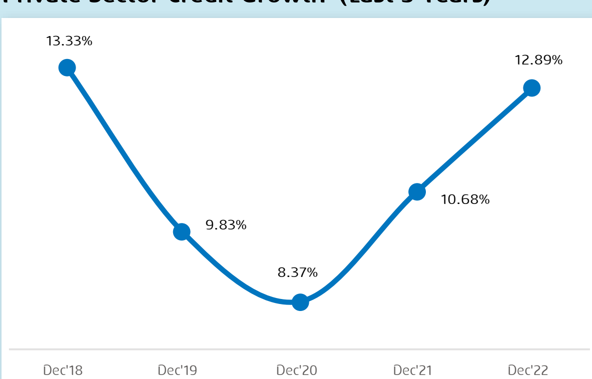


Remittance Growth (Last 12 Months)

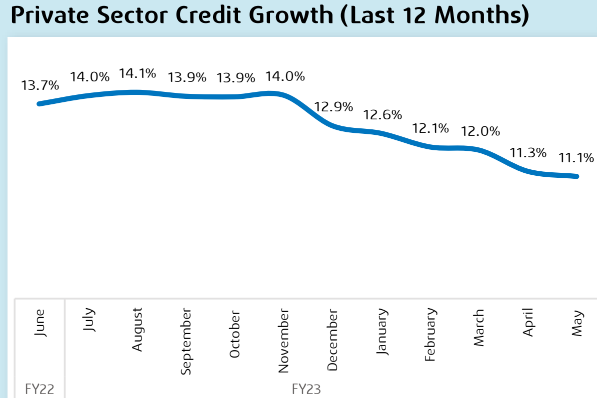


PRIVATE SECTOR CREDIT GROWTH

Private Sector Credit Growth (Last 5 Years)



Private Sector Credit Growth (Last 12 Months)



- **The national budget of BDT 761,785 crore for FY2023–24 was passed in the parliament on June 26, 2023**, with a target GDP growth rate set at 7.50% and annual inflation at around 6%.

- **Foreign exchange reserves surpassed USD 31 billion on June 26, 2023, as three multilateral lender agencies—the Asian Infrastructure Investment Bank,** the International Development Agency, and the Asian Development Bank—provided credits of USD 925 million to Bangladesh.

- The central bank has declared a reference rate of 7.13%. As per a circular published on June 19, 2023, **banks will be able to charge a margin of up to 3% over the reference rate, and NBFIs will be able to charge a margin of up to 5%.**

- **Effective from June 19, 2023, Bangladesh remains one of the 65 countries to avail duty-free access for 98%** of its exports, including readymade garments, to the United Kingdom, subject to the fulfilment of certain requirements.

- To facilitate foreign investors, Bangladesh Bank has allowed them to open temporary foreign currency accounts that can be used to keep foreign currency for a year with **the purpose of making outward payments for capital expenditure or encashment into taka, as per a circular published on June 20, 2023.**

- The remittance inflows through formal channels amounted to around **USD 2.20 billion in June 2023, which is the highest in the last 35 months.**

- **The central bank has raised the repo rate by 50 basis points to 6.50% effective from July 2023,** conforming to the contractionary monetary policy for the first half of FY2023–24.

- As announced on June 18, 2023, by Bangladesh Bank, **a taka-rupee-based debit card will be introduced in September 2023 to eliminate the need for double currency exchanges.**

- **According to a circular published on June 20, 2023, the central bank has revoked the requirement for cash margin to open letters of credit for ten categories of products,** namely industrial and industry-related spare parts, textile raw materials, chemical and ancillary products, plastic and packaging items and raw materials, treatment-related equipment, ancillary and reagents, UPS/IPS pieces of machinery and ancillary products, and security-related products

BOTH BROAD MONEY IN CIRCULATION AND PRIVATE SECTOR CREDIT GROWTH HAVE BEEN REDUCED TO MAKE THE MONETARY POLICY LOOK CONTRACTIONARY. THIS IS CERTAINLY A MOVE IN THE RIGHT DIRECTION, AS MANY OF OUR NEIGHBOURING CENTRAL BANKS LIKE RBI AND BANK OF THAILAND HAVE BEEN PURSUING SUCH CONTRACTIONARY POLICY FOR QUITE SOME TIME, ACHIEVING INFLATION RATES OF 4.3% AND 2.7% RESPECTIVELY.

Dr. Atiur Rahman, Former Governor of Bangladesh Bank, on the Recent Contractionary Monetary Policy Statement to Curb Inflation. (June 19, 2023. The Financial Express.)

There is pressure on the NBR to increase revenue collection due to commitments with the IMF. For this reason, the revenue officials have made enhanced efforts to increase collection in the year's closing. Because of this, the collection may have increased.

Debapriya Bhattacharya, Distinguished Fellow of Centre for Policy Dialogue, on Revenue Soaring Sharply in May 2023. (June 26, 2023. The Business Standard.)

The government will definitely have an opportunity to use money easily if the universal pension scheme is introduced. Because this scheme has the potential to accumulate a lot of money. But that won't happen in a year or two. It will take three to five years for the scheme to take shape. Once this scheme is started, the accumulated money should be invested for the long term. In that case, government bonds can be one of the means of investment.

Ahsan H Mansur, Executive Director of Policy Research Institute, on the Launch of the Universal Pension Scheme in July 2023. (June 12, 2023. The Business Standard.)

Businesses can no longer grow at the cost of the environment. That is why we have the highest number of green factories in the world. Among the 100 top global green factories, Bangladesh has 55.

Faruque Hassan, President of Bangladesh Garment Manufacturers and Exporters Association, on Creating Awareness Regarding Environmental Damage Caused by Businesses. (June 21, 2023. The Business Standard.)

Bangladesh has made remarkable development and economic growth since independence. New frontiers of challenges, like increasing climate change impacts, now call for urgent actions. The World Bank is committed to helping Bangladesh overcome barriers to sustainable and inclusive green growth.

Abdoulaye Seck, Country Director of World Bank for Bangladesh and Bhutan, on Bangladesh Receiving USD 858 Million from the World Bank to Finance Two Projects. (June 08, 2023. The Financial Express.

The reduction of ERQ encashment limit to 50% and increase of interest of EDF to 4.5% are necessary moves to mitigate the foreign exchange challenges. To enhance remittance inflow in the country, Bangladesh Bank needs to be very stringent to discourage the informal channel of inward remittance like Hundi.

Barrister Md Sameer Sattar, President of Dhaka Chamber of Commerce & Industry, on the Unified Exchange Rate to Stabilise the Foreign Exchange Market. (June 19, 2023. The Daily Star.)

It benefits the UK through greater consumer choice and competitive prices. This announcement underscores our commitment to a modern and mutually beneficial partnership with Bangladesh, based on deeper, economic and trade ties and global standards.

Sarah Cooke, British High Commissioner to Bangladesh, on Bangladesh Retaining for Duty-free Access to the United Kingdom Market. (June 19, 2023. The Daily Star.)

Our target is to reduce the gap among dollar rates and reach to a single rate by the third quarter of this year. This is the part of that journey.

Selim RF Hussain, Chairman of Association of Bankers Bangladesh, on Hike in the Dollar Rate for Exporters. (June 26, 2023. The Daily Star.)

Containing inflation will be the first and foremost objective of this monetary-policy statement or MPS. The strategy will be to reduce the aggregate demand in the economy while continuing the supply-side interventions.

Abdur Rouf Talukder, Governor of Bangladesh Bank, on Monetary Policy Statement Targeting Tight Money Supply. (June 19, 2023. The Financial Express.)

Country	Nominal GDP: 2022 (USD in Billion)	Real GDP Growth: 2022 (Yearly % Change)	Inflation Point to Point (%)		Current Account Balance: (% of GDP)	Interest Rates (%), Ten years Treasury Bond	Currency Units (Per USD)
Frontier Market							
Sri Lanka	75.30	-8.66	12.00	June-23	-1.94	14.61	311.67
Vietnam	406.45	8.02	2.00	June-23	-0.88	2.74	23,662.50
Kenya	115.99	5.37	7.90	June-23	-4.72	15.26	141.10
Nigeria	477.38	3.25	22.41	May-23	-0.72	12.82	787.65
Bangladesh	460.20	7.10	9.74	June-23	-4.06	8.60	108.75
Emerging Markets							
Brazil	1,924.13	2.90	3.94	May-23	-2.91	10.66	4.90
Saudi Arabia	1,108.15	8.74	2.80	May-23	13.79	N/A	3.75
India	3,386.40	6.83	4.25	May-23	-2.61	7.11	82.37
Indonesia	1,318.81	5.31	3.52	June-23	1.00	6.33	15,142.30
Malaysia	407.92	8.69	2.80	May-23	2.64	3.98	4.66
Philippines	404.26	7.60	5.40	June-23	-4.41	6.86	55.24
Turkey	905.53	5.57	38.21	June-23	-5.38	16.87	26.11
Thailand	536.16	2.64	0.23	June-23	-3.26	2.48	34.85
China	18,100.04	2.99	0.20	May-23	2.31	2.69	7.20
Russia	2,215.29	-2.05	2.50	May-23	10.27	11.28	90.44
Developed Markets							
France	2,784.02	2.61	4.50	June-23	-1.71	3.18	0.91
Germany	4,075.40	1.78	6.40	June-23	4.20	2.63	0.91
Italy	2,012.01	3.68	6.40	June-23	-0.73	4.36	0.91
Spain	1,400.52	5.48	1.90	June-23	1.06	3.67	0.91
Hong Kong	360.98	-3.51	2.00	May-23	10.73	3.88	7.83
Singapore	466.79	3.65	5.10	May-23	19.33	3.21	1.34
United States	25,464.48	2.07	4.00	May-23	-3.64	3.99	1.00
Denmark	390.68	3.62	2.90	May-23	12.82	2.92	6.76
Netherlands	993.68	4.52	5.70	June-23	5.49	3.00	0.91
Australia	1,701.89	3.66	7.00	March-23	1.20	4.20	1.49
Switzerland	807.23	1.70	2.20	June-23	9.84	1.06	0.88
United Kingdom	3,070.60	4.05	8.70	May-23	-5.55	4.69	0.78

Bangladesh Data: The new GDP size (FY22) and real GDP growth (FY22) are as per new base year. Calculation Method of CA balance (% of GDP) = CA balance of FY22 /GDP of FY22
Interest rate (%) 10 years TB as per June 2023, Inflation as per June 2023 and Currency Unit (per USD) as per 5th July are sourced from Bangladesh Bank

Nominal GDP: Data of all countries apart from Bangladesh is sourced from IMF estimates of 2023 data (April, 2023 Outlook)

Real GDP Growth and Current Account Balance: Data of all countries apart from Bangladesh is sourced from IMF estimates of April, 2023 data (World Economic Outlook, April 2023)

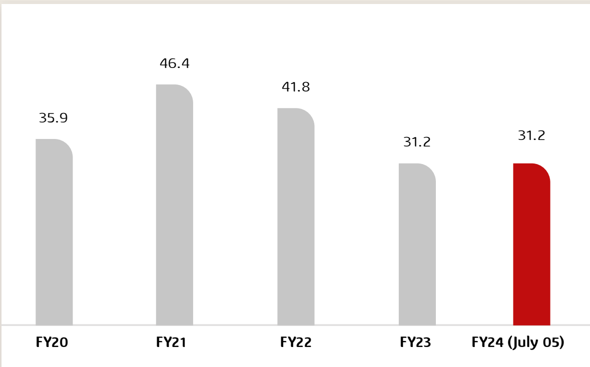
Inflation : Data of all countries apart from Bangladesh is sourced from tradingeconomics.com

Interest rates 10 years TB and Currency Unit : Data of all countries apart from Bangladesh is sourced from Investing.com

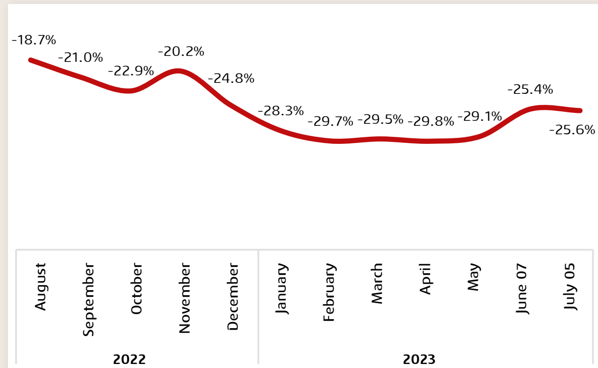
BANKING DATA CORNER

Prepared by IDLCSL Research Team

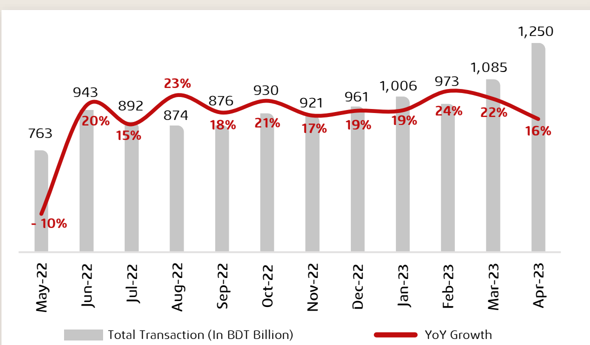
Foreign Exchange Reserve
(In USD Billion and Last 5 Years)



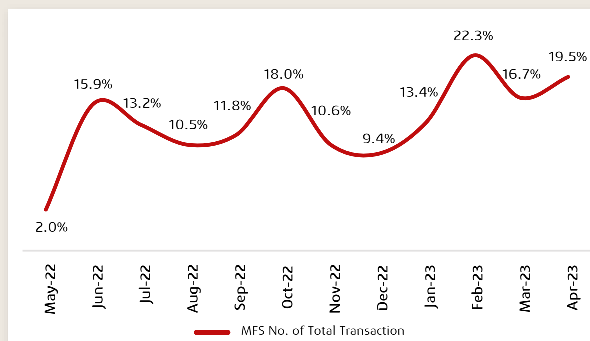
Foreign Exchange Reserve
(Last 12 Months Trend)



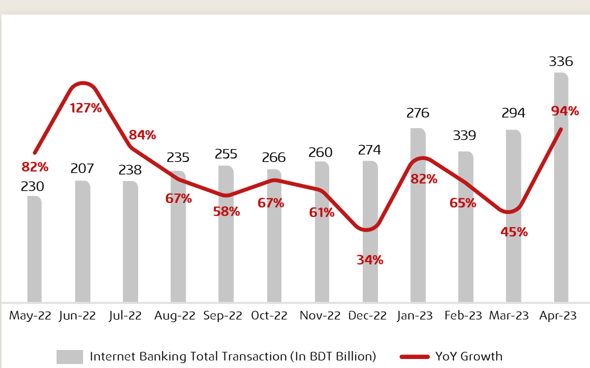
MFS Monthly Transaction
(BDT Billion and YoY Growth)



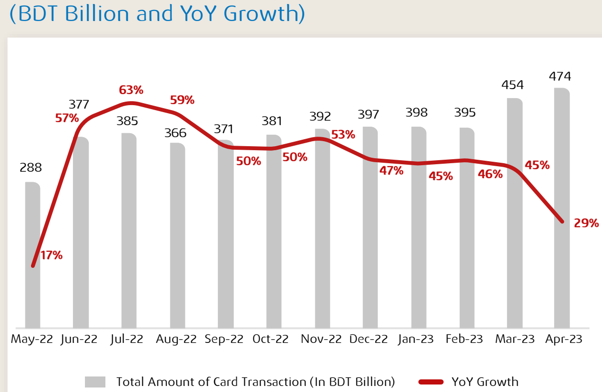
MFS No. of Total Transaction
(YoY Growth)



Total Amount of Internet Banking Transaction
(BDT Billion and YoY Growth)



Total Amount of Card Transaction
(BDT Billion and YoY Growth)



Source: Bangladesh Bank

StufBase

Junaid Tarik Deep
Founder and CEO, StufBase

Interviewed By
Syed Md. Rakeen, Team MBR

One of the top 50 startups at the Bangabandhu Innovation Grant 2023, StufBase, has made its mark as the first digital product e-commerce solution for the creator economy in Bangladesh. StufBase gives the creators a platform to showcase their creations, such as music, videos, artworks, icons, photographs, movies, etc., and earn passive income through their digital contents. Creators can sell their plethora of digital products as many times as they prefer, with the ease of the monetary transaction system providing a convenient mode of receiving proceeds for creative individuals. With partners from Bangladesh and Estonia, the local creative agency Glitch DHK is currently a shareholder in StufBase. Team MBR was in conversation with Mr. Junaid Tarik Deep, Founder and CEO, StufBase, to learn about his vision and inspiration behind StufBase and its operations in Bangladesh.

Syed Md. Rakeen: StufBase is the first e-commerce solution for digital creators in Bangladesh, providing creators with a platform to sell their digital products online and generate a source of passive income. Would you kindly provide an overview of StufBase and give us a tour of its operations?

Junaid Tarik Deep: StufBase serves as a catalyst for the growth of the creator economy in Bangladesh. By providing a specialised marketplace for digital products, the platform encourages the entrepreneurial ventures of digital creators and promotes the digital creator economy scenario in our country. This creates opportunities for creators to expand and thrive in the emerging market of digital content.

Creators benefit from StufBase by gaining a dedicated marketplace to showcase and sell their digital creations. Social media helps creators build an audience, and StufBase helps creators monetize their audience through digital products. By listing their products on the platform, sellers can tap into potential buyers, who are specifically looking for digital assets. These buyers are often seen as coming from creators' already-built follower bases on their social media platforms. StufBase provides a platform that streamlines the selling process, making it easier for creators to monetize their work and generate passive income.

Syed Md. Rakeen: The quality of content on the platform may vary as creative individuals with different levels of expertise can look to

sell their products there. Are there any quality control measures in place to assess the quality of the contents and examine if they meet certain standards of StufBase?

Junaid Tarik Deep: When a seller uploads a product on StufBase, it undergoes an approval process implemented by the platform. The StufBase admin is responsible for reviewing and evaluating the uploaded products according to the established standards set by StufBase. If a product violates these standards, it will be promptly rejected.

To ensure effective communication and transparency, StufBase promptly notifies sellers about the status of their uploaded products via email. Whether the product is approved or rejected, sellers will receive a notification from StufBase, providing them with the necessary feedback regarding the outcome of the approval process. This allows sellers to stay informed about the status of their products and take appropriate actions accordingly.

Syed Md. Rakeen: Content creators who are looking to diversify their revenue streams may use Stufbase to generate a source of passive income, or they may even use the platform as a source of primary income. Would you kindly share with us the revenue-sharing policy between StufBase and the content creators?

Junaid Tarik Deep: StufBase operates on a commission-based model to sustain its services. Initially, when sellers sign up, they are classified as Regular StufBasers, subject to a 20% commission cut on each sale.

However, StufBase encourages sellers to achieve higher sales volumes by offering a tiered system that rewards their successes. After reaching a milestone of sales worth BDT 100,000, sellers are promoted to the Pro StufBaser level, which reduces their commission cut to 15% per sale. As sellers continue to excel and reach a significant milestone of sales worth BDT 500,000, they are further elevated to the Ultra StufBaser level, where the commission cut decreases to 12%.

This tiered system allows sellers to gradually decrease their commission payments as they make more sales, providing them with increased financial incentives and rewards for their exceptional performances. By offering lower commission rates based on sales achievements, StufBase aims to motivate sellers to maximise their earning potential and strive for greater success within the platform.

Syed Md. Rakeen: The perception of the content creators regarding the prices of the contents may vary, as it is highly subjective. Would you please share if there is any standardised pricing policy for different types of content available on StufBase?

Junaid Tarik Deep: At StufBase, we believe in empowering creators to have full control over their individual pricing strategies. We have a flexible approach when it comes to pricing, allowing sellers to set any price point they desire for their products. Moreover, we go beyond conventional pricing models by providing an option for sellers to offer their products for free. We understand that each digital creation is unique, and creators should have the freedom to determine the value of their works based on their own judgements and market dynamics.

With this philosophy in mind, StufBase does not enforce standardised pricing policies across different types of products. Instead, we embrace the diversity of digital content and enable sellers to set prices that align with their objectives and the perceived value of their offerings.

However, if we ever find any absurd pricing for a specific content, we plan to directly communicate with the seller for any further clarification so that we can make sure all contents have a win-win situation for both parties.

Syed Md. Rakeen: On a digital platform, there is always a probability of the upload of stolen contents, theft of contents, copyright infringement, and so on. How does StufBase ensure protection for content creators, and how does the whole due diligence process work before digital contents are uploaded on StufBase?

Junaid Tarik Deep: As mentioned earlier, StufBase follows a rigorous approval process where the admin reviews all the products before they can be listed for sale in the marketplace. However, in the event of any copyright infringement or other issues arising after a product has been uploaded, StufBase provides a flagging system to address such concerns.

The flagging system serves as a warning mechanism for products that may violate the stated terms and conditions of StufBase. If a product receives three flags, StufBase reserves the right to remove the enlisted product from the platform. This action is taken to ensure compliance and maintain the integrity of the marketplace.

In cases where sellers repeatedly violate the terms and conditions, StufBase may take further action by suspending or banning the sellers' accounts. This is done to enforce the platform's policies and ensure a safe and fair environment for all users. By implementing these measures, StufBase aims to protect the rights of creators, uphold copyright regulations, and maintain a high standard of quality within its marketplace. Since the creators submit copies of their NID cards for payment disbursements. Banned users with the same NID cards will not be able to sign up in the future. We are constantly looking for API solutions and AI models that will help us automate this process in the future.

As for buyers, whenever a product is purchased, the buyer is taken to a link on the website from where he or she can download the product along with their licence to use the product. This link is specific to the buyer's IP address, and upon sharing the link with anyone else, the product will not transfer. This was implemented to ensure the seller's copyright.

Syed Md. Rakeen: There is a wide variety of digital assets available on StufBase, including e-books, audio, fonts, videos, presentation templates, graphical arts, and many more. Which type of digital content on StufBase is currently attracting the most buyers and is expected to flourish on the platform?

Junaid Tarik Deep: Among the various features offered by StufBase, the e-ticket feature has gained significant popularity among users. This feature enables buyers to conveniently purchase and access electronic tickets for events, such as concerts, conferences, or workshops, directly through the platform. The e-ticket feature has proven to be highly utilized by users, indicating its usefulness and convenience in facilitating ticketing transactions. Additionally, StufBase has observed a considerable demand for design assets, e-books, and audio products, such as music tracks. In the very near future, as soon as we launch our streamable products, we expect to see a wide range of online courses and masterclasses flourish on our platform.

Syed Md. Rakeen: StufBase won a position in the top 50 startups at the Bangabandhu Innovation Grant 2023. Would you kindly share with us how the journey was and how StufBase is planning to utilise the grant?

Junaid Tarik Deep: This funding presents a great opportunity for StufBase to invest strategically and expand in areas where there may be existing gaps, such as international expansion, community building, quality assurance, marketing, and platform development. By strategically investing the innovation grant in these areas, StufBase can overcome existing limitations, expand its user base, and strengthen its position as a leading e-commerce platform for digital creators.

Syed Md. Rakeen: The business model of StufBase has good potential for scaling. Do you have any plans to take StufBase beyond Bangladesh and make it open for international content creators as well?

Junaid Tarik Deep: StufBase is working towards expanding globally, aiming to yield significant rewards, and fostering a global community of creators and buyers while empowering digital creators to thrive on a worldwide scale. We have already registered our company in Singapore, through which we plan to start our operations digitally in other South-Asian countries. With a user-friendly and inclusive approach, StufBase can become a truly global platform for the exchange of digital products and contribute to bridging the gap in international digital marketplaces.

Indeed, foreign transactions can be a major hurdle for digital creators, with issues such as currency conversion and cross-border payment processing. By going international, StufBase can offer solutions and infrastructure to facilitate seamless transactions for creators and buyers worldwide.

To reach Mr. Junaid Tarik Deep, please email at junaid@stufbase.io

NATIONAL BUDGET FY 2023–24:

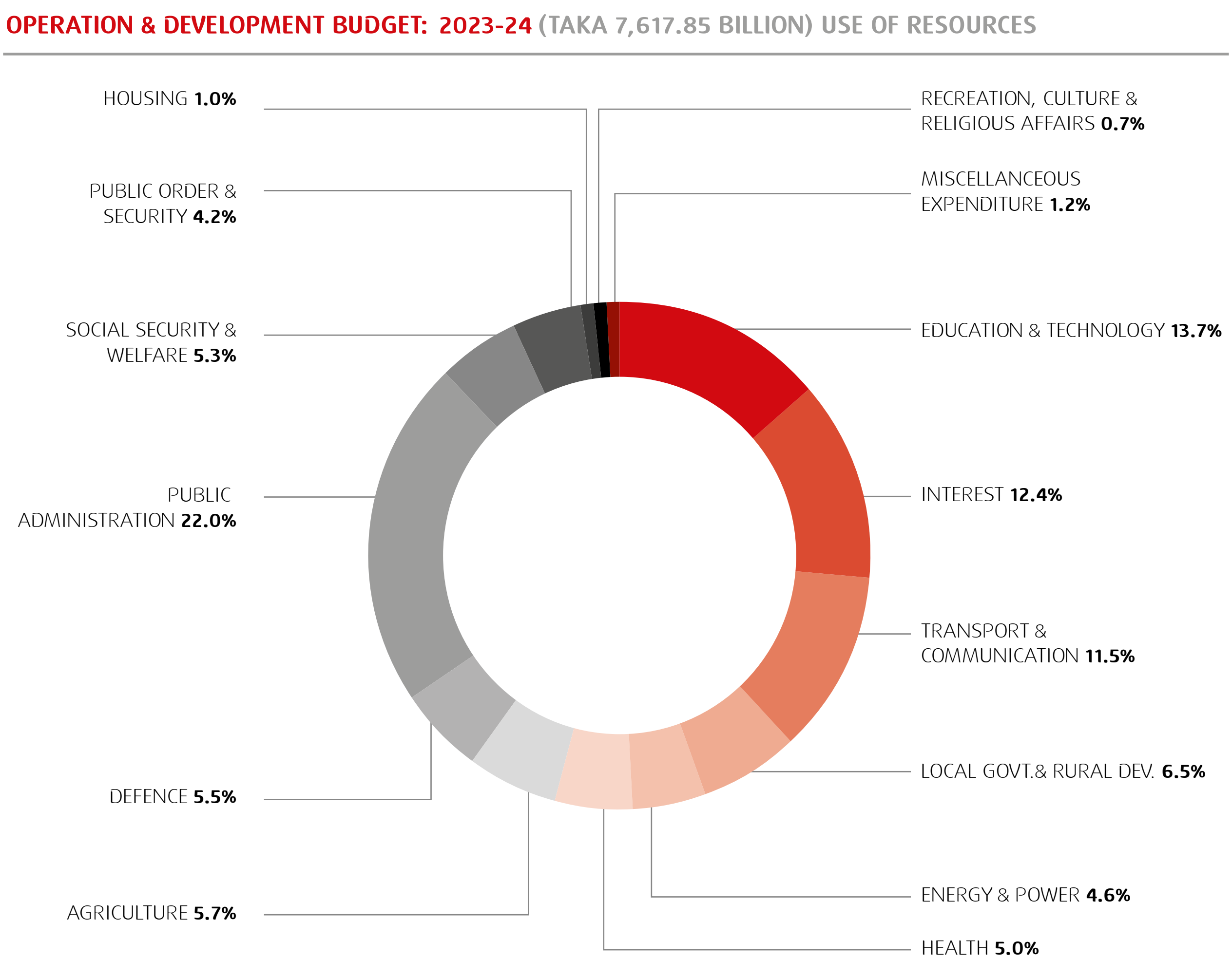
Weathering the Economic Storm to Reach Macroeconomic Stability

Written By
Syed Md. Rakeen

The economic turmoil has disrupted Bangladesh's GDP growth rate in recent years, while inflation levels have spiked to near double-digit figures. In response to reaching stability in the economy, Finance Minister AHM Mustafa Kamal presented a national budget of BDT 7,61,785 crore for FY2023–24, which was eventually passed by the Parliament on June 26, 2023. The budget size accounts for 15.2% of the Gross Domestic Product (GDP), as reported by the finance minister. Additionally, the monetary policy statement (MPS) has been released ahead of schedule this year on June 18, 2023, for the first half (July–December) of FY2023-24, with the Bangladesh Bank maintaining a contractionary monetary policy stance to combat inflation and restore stability in the economy amidst growing economic instability.

The GDP growth rate has been set at 7.5%, while the annual inflation rate target has been kept at around 6%. Here is a breakdown of the percentage allocation of the BDT 7,61,785 crore budget for FY2023–24.

Figure 1: Sector-wise Distribution of Resources (Including Subsidies, Incentives, and Pensions) for FY2023-24



Sector-wise Resource Distribution (Including Subsidies & Incentives and Pension)

Source: Bangladesh Ministry of Finance

Public Expenditure Allocated in FY2023-24 vs. FY2022-23

Table 1: Change in Public Expenditure in FY2023-24 vs. FY2022-23

Total Public Expenditure

Sector	Share in FY24	Share in FY23	Change in FY24B over FY23R		Incremental Share
	%		Crore tk	%	%
Public Services	22.0	18.8	43410.0	34.9	42.9
Education and Technology	13.7	12.9	18967.0	22.3	18.7
Interest	12.4	13.6	4363.0	4.8	4.3
Transport and Communication	11.5	11.0	14683.0	20.1	14.5
LGRD	6.5	7.3	1271.0	2.6	1.3
Agriculture	5.7	8.2	-10599.0	-19.5	-10.5
Defence Services	5.5	5.5	5455.0	15.0	5.4
Social Security and Welfare	5.3	5.9	1268.0	3.2	1.3
Health	5.0	4.5	8303.0	27.9	8.2
Energy and Power	4.6	4.1	7629.0	28.1	7.5
Public Order and Safety	4.2	4.2	4364.0	15.6	4.3
Housing	1.0	1.3	-1269.0	-14.6	-1.3
Industrial and Economic Services	0.7	0.7	1291.0	30.1	1.3
Recreation, Culture and Religious Affairs	0.7	1.2	-2164.0	-28.0	-2.1
Others (Memorandum Item)	1.2	0.7	4305.0	93.2	4.3
Total Expenditure	**100.0**	**100.0**	**101277.0**	**15.3**	**100.0**

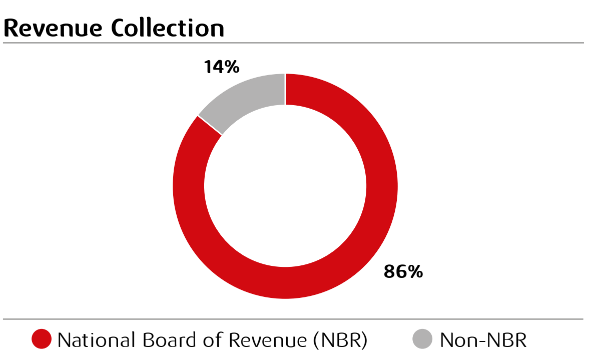
*Public services sector accounts for 42.9% of total incremental allocation.

Source: Centre for Policy Dialogue

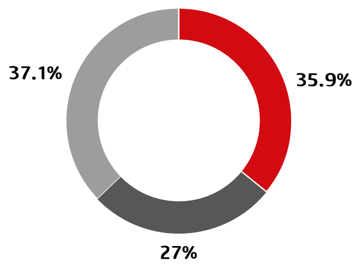
Revenue Collection

The total revenue from the National Board of Revenue (NBR) and non-NBR sources is estimated at BDT 5,00,000 crore. Out of this, BDT 4,30,000 crore will be collected by the National Board of Revenue and BDT 70,000 crore from non-NBR sources. The projected revenue collection for the fiscal year from the NBR includes an estimated amount of BDT 154,000 crore to be collected by the direct-tax wing and BDT 116,000 crore to be collected by the customs wing of the revenue board. The most significant portion of the funds, totalling BDT 159,000 crore, is designated to be mobilised by the value-added tax (VAT) division.

Figure 2: Revenue Collection and NBR Revenue Sources



NBR Revenue Sources



Source: Ministry of Finance

According to current data, Bangladesh has a relatively low tax-to-GDP ratio. To align with the stipulations set forth by the International Monetary Fund (IMF), the National Board of Revenue (NBR) is tasked with increasing the tax-to-GDP ratio by 0.5 during FY2023–24 and FY2024–25 and by 0.7 in fiscal year FY2025-26. The proposed budget includes a significant adjustment to the tax-free threshold for individuals, which has been raised to BDT 3.5 lakh. It is stated that a progressive tax system will be implemented. Under this system, a 5% tax rate will be applicable for the subsequent BDT 1 lakh, followed by a 10% tax rate for the subsequent BDT 3 lakh, a 15% tax rate for the subsequent BDT 4 lakh, a 20% tax rate for the subsequent BDT 5 lakh, and finally a 25% tax rate for the remaining amount.

Development and Social Safety Net Programmes

The focal point of attention once again revolved around the development plans, as a substantial rise of 15% from the revised budget for FY2022-23 resulted in an allocation of BDT 2.78 trillion. There has been a notable decline of 17% in the allocation of funds towards the development budget. Conversely, there has been a corresponding increase of 24% in the distribution of funds towards the non-development budget.

The allocation for social safety nets has increased, rising from BDT 1,17,634 crore in the revised budget for the fiscal year 2023 to BDT 1,26,272 crore in the budget for the fiscal year 2024. The allocation for pension has witnessed a notable increase, rising from BDT 22,010 crore in the revised budget for the fiscal year 2023 to BDT 27,414 crore in the fiscal year 2024. While the social security and welfare budget has experienced a marginal increase in total expenditure, it has also witnessed a reduction in its percentage allocation.

Annual Development Programmes

According to the planning commission, it has been reported that for the upcoming fiscal year 2023–24, a total budget of BDT 263,000 crore has been allocated for the Annual Development Programme (ADP). Notably, approximately BDT 94,000 crore, which accounts for 35.74% of the total budget, will be sourced from foreign entities in the form of project loans. The annual growth rate of the ADP for the fiscal year 2024 exhibits a notable increase of 6.88% compared to the preceding year. The Annual Development Programme for the fiscal year 2023-2024 encompasses a comprehensive range of 1,309 projects. These projects can be categorised into various types, including 1,118 investment projects, 22 survey projects, 80 technical assistance projects, and 89 projects currently implemented by autonomous institutions or corporations.

Healthcare

The proportion of the development budget allocated to the overall health budget has experienced a decline, decreasing from 51% in the fiscal year 2023 to 41% in the fiscal year 2024. The budget allocation for the health sector has experienced a modest increase of 3%, from BDT 36,864 crore in FY2022-23 to BDT 38,050 crore in FY2023-24. The analysis reveals a notable decline in the allocation of funds to the Health sector in the Annual Development Plan (ADP) for the fiscal year 2024. Specifically, the share of the Health sector in the ADP has decreased from 7.8% in the previous fiscal year, ADP FY23, to 6.2% in ADP FY24. This reduction signifies a significant 16% decrease in monetary terms.

Education

The budgetary allocation of 1.76% of the Gross Domestic Product (GDP) for the education ministries in the upcoming fiscal year of 2023–24 represents the lowest percentage observed in the past 15 years. The allocation of funds for the sector falls significantly below the recommended range of 4%-6% of the GDP, as suggested by UNESCO. The education sector has experienced a slight decrease in its share of the total Annual Development Programme (ADP) from 11.8% in FY23 to 11.4% in FY24.

Table 2: Education Sector's Share in Budget

Fiscal year	Education budget in crore taka	Education budget % of gdp	Education sector's share in budget
2016-17	49,010	2.49%	14.38%
2017-18	50,432	2.26%	12.59%
2018-19	53,054	2.09%	11.41%
2019-20	61,118	2.11%	11.68%
2020-21	66,401	2.09%	11.69%
2021-22	69,953	2.01%	11.58%
2022-23	81,449	1.83%	12.01%
2023-24	88,162	1.76%	11.57%

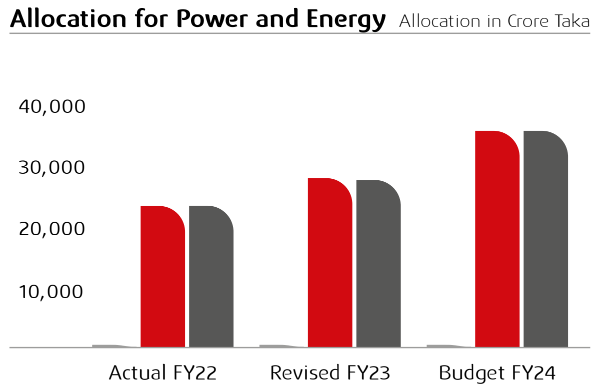
Source: Ministry of Finance

According to data presented by the Centre for Policy Dialogue during its post-budget discussion, it has been observed that Bangladesh's average education expenditure as a percentage of GDP from 2016 to 2022 ranked as the 5th lowest among a group of 41 least developed countries. As per economists, it is projected that the country will not be able to meet the target set in the 8th Five-Year Plan, which aims to allocate 3% of the GDP towards education by the fiscal year 2024-2025.

Power and Energy

The proposed budget for the fiscal year 2023–24 includes an allocation of BDT 34,819 crore to the power and energy sectors. However, it is noteworthy that the government has not specified any fresh strategies or solutions to address the prevailing electricity and energy crises. The suggested allocation, which exhibits a 27% increase compared to the revised budget for the fiscal year 2022–23, primarily aims to ensure energy security. However, it also perpetuates the current scenario, which is characterised by prolonged power outages and a scarcity of gas in the industrial sector.

Figure 3: Power and Energy Allocation in FY2021-22, FY2022-23, and FY2023-24



Source: Centre for Policy Dialogue

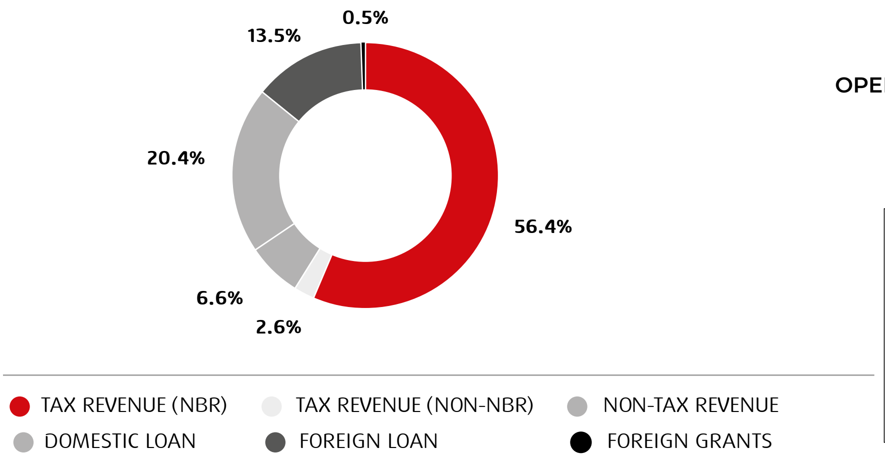
The allocation represents a notable proportion of the overall budget for the fiscal year 2024, amounting to 4.6%. This figure surpasses the corresponding funding in the revised budget for the preceding fiscal year, which stood at 4.1% in fiscal year 2023.

Budget Deficit and Government Borrowings

The projected budget for the fiscal year 2023–24 reveals a significant deficit amounting to BDT 261,785 crore, equivalent to 5.2% of the country's Gross Domestic Product (GDP). According to the available data, it has been determined that a significant portion of the total deficit, specifically BDT 155,395 crore, will be sourced domestically. Additionally, an amount of BDT 102,490 crore will be obtained from external sources. In the current fiscal year, the government has already procured a substantial amount of funds from the central bank. It is projected that this borrowing pattern will persist in the upcoming fiscal year of 2023–2024. The government's intention is to execute various development initiatives in preparation for the forthcoming national election, which is scheduled to occur in the early part of the following year. Figure 4 illustrates the source of funds for implementing the fiscal budget.

Figure 4: Allocation of Fund Sources for Implementing the Fiscal Budget for FY2023–24

Allocation of Fund Sources for Implementing the Fiscal Budget for FY2023–24



OPERATING & DEVELOPMENT BUDGET 2023-24 (TAKA 7,617.85 BILLION) Resources Coming From

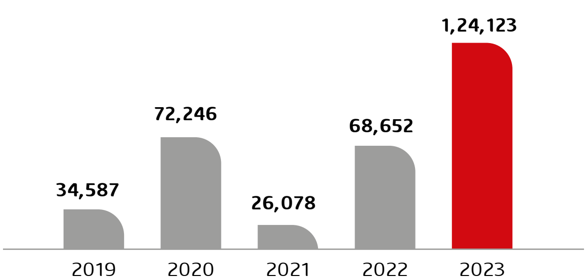
TAX REVENUE (NBR):
Taka 4,300 BILLION (56.4%)

VAT	38.1%
Import Duty	10.7%
Income Tax	35.6%
Supplementary Duty	14.1%
Others	1.4%

Source: Ministry of Finance

Figure 5: Government Borrowings from Banks in the Last Five Fiscal Years

GOVT BANK BORROWING (Figures in Tk cr)



Source: Bangladesh Bank

Contractionary Monetary Policy to Curb Inflation

Bangladesh Bank has announced through its monetary policy statement that it has decided to remove the interest rate cap of 6%–9% and replace it with a market-driven reference rate to be regulated by the average Treasury bill rate. A revised rate formula has been introduced that entails the calculation of the reference rate using the six-month moving average rate of treasury bills. Banks will be subject to a 3% margin, while non-bank financial institutions will have a 5% margin applied to their reference rate. In accordance with its stringent monetary policy approach, the central bank (referred to as BB) has implemented a 50 basis point hike in the policy rate, commonly referred to as the repo rate, resulting in a new rate of 6.50%. Additionally, the reverse repo rate has been raised by 25 basis points, leading to a revised rate of 4.50%. These adjustments took effect on July 01, 2023. In addition, the central bank has implemented measures to restrict the circulation of money in the private sector. As a result, the projected growth rate for private sector credit has been revised downward to 11% for the fiscal year 2024, compared to the previously set target of 14.1% for the fiscal year 2023. With the timely initiative of the Bangladesh Bank in combating inflation through its monetary policy, economists and business leaders are hoping for a synchronized approach from both fiscal and monetary authorities to combat rising inflation.

Restoring Macroeconomic Stability in Bangladesh

Analysis of various nations that have implemented demand reduction strategies by means of interest rate increases has successfully managed to curb inflationary pressures significantly. In Thailand, the rate of inflation experienced a significant reduction of 65%, declining from 7.7% in June 2022 to 2.7% in April 2023. In the United States, the inflation rate experienced a significant decline to 4.9% in April 2023, marking a whopping decrease of 46% from its previous peak of 9.1% observed in June 2022. In the European Union, the inflation rate experienced a notable decrease to 7% in April 2023, exhibiting a decline of 34% from its previous peak of 10.6%

observed in October 2022. In India, the rate of inflation experienced a decline of 40% during the period spanning from April 2022, when it stood at 7.8%, to April 2023, when it registered at 4.7%. In Vietnam, the inflation rate has been effectively managed and constrained within the range of 2%–3%. These cases suggest that Bangladesh's recent rate hike policies are aligned with global practices and are expected to follow suit in Bangladesh.

During the initial period of the fiscal year 2023-2024, the central bank adhered to a stringent monetary policy stance by raising the policy rate to 6.5%, representing a 0.5% increment compared to the prevailing rate. The reverse repo rate underwent an upward adjustment of 0.25%, resulting in its establishment at 4.5%. This will inevitably result in an increase in borrowing costs, thereby discouraging the market from seeking further loans and ultimately constraining CPI inflation.

The key area of focus ultimately lies in reinstating macroeconomic stability. The optimal approach necessitates synchronizing the exchange rate, monetary, and fiscal policies to enhance export performance, mitigate inflationary pressures, augment tax revenues, and curtail budgetary deficits. The most fitting approach to the balance of payments management entails the implementation of a uniform and adaptable exchange rate regime complemented by a reduction in aggregate demand. A dynamic exchange rate regime is expected to enhance the export sector and the inflow of remittances while simultaneously curbing import demand. When coupled with effective demand management, this will contribute to the long-term stabilisation of the balance of payments, surpassing the efficacy of import controls. These measures can help avoid import constraints on private investment and GDP growth. Implementing demand management strategies, such as raising interest rates, increasing taxes, and reducing fiscal deficits, can effectively curb inflationary pressures and prevent excessive fluctuations in the exchange rate.

Dr. Sadiq Ahmed

Vice Chairman, Policy Research Institute of Bangladesh

Interviewed By
Syed Md. Rakeen, Team MBR

Dr. Sadiq Ahmed was educated at Dhaka University, London School of Economics, and Boston University. He joined the World Bank in Washington, D.C., as a Young Professional in 1981. He served in various top positions, including Chief Economist for the South Asia Region, Country Director for the Pakistan and Afghanistan Programme, and Sector Director of Poverty Reduction and Economic Management for the South Asia Region. In 2009, he took early retirement from the World Bank to establish the Policy Research Institute of Bangladesh (PRI) along with two other colleagues, where he serves as the Vice Chairman. Team MBR was in conversation with Dr. Sadiq Ahmed and was fortunate enough to receive his take on the national budget for FY2023–24.

Syed Md. Rakeen: For FY2023–24, the GDP growth target has been set at 7.5%. Do you think that the target economic growth is achievable amidst global economic uncertainty?

Dr. Sadiq Ahmed: Bangladesh has an immense medium- to long-term growth potential, as illustrated by the solid growth performance of the 2009–2019 period. The rapid recovery from COVID-19 is also a testimony to the resilience and underlying strengths of the economy. But over the past 15 months, Bangladesh has been going through a serious macroeconomic crisis that remains to be addressed. In this environment, the GDP growth rate fell to 6% in FY2022–2023, as compared with the target of 7.5%. The rapid decline in imports due to import controls, power sector outages owing to shortages of primary fuel, and the escalating costs of production due to high domestic inflation have all hurt the growth rate. The private investment rate has been falling owing to import controls, a shortage of foreign exchange, and business uncertainty. Non-RMG exports have been falling, declining by 7% in FY2022–2023.

These adverse macroeconomic developments are ongoing, and there are no signs that they will reverse soon. In this situation, the GDP growth outlook for FY2023–2024 remains highly uncertain, and the most likely outcome would be that the ambitious 7.5% GDP growth target set for FY2023–2024 will not be met.

Syed Md. Rakeen: In FY2023–24, the private investment-GDP ratio is predicted to reach 27.4% from 21.8% in FY2022-23, and it will require a massive injection of BDT 404,097 crore in the form of private investment to achieve this projection.

From your perspective, can Bangladesh achieve this massive target of private investment growth given the recently published contractionary monetary policy?

Dr. Sadiq Ahmed: The first point to note is that the actual private sector investment rate was 23.6% of GDP and not 21.8% in FY2022-23. Even so, this target of 27.4% of GDP for the private investment rate in FY2023–2024 is highly unrealistic. It does not appear to have been based on any serious thinking about the current macroeconomic environment or the near-term outlook. Even in the best of times when the macroeconomy was stable and the growth rate was accelerating, the private investment rate never exceeded 25% of GDP (FY2018–2019). It has been fluctuating around 23-24% of GDP over the past four years. So, it is a total mystery where this target came from or what types of assumptions have been made.

Not only has the domestic private investment rate been declining since FY2018–2019, but foreign direct investment (FDI) flows have also been lacklustre in Bangladesh. For example, as compared with a total FDI inflow of USD 837 billion in developing countries in 2021, Bangladesh got a mere USD 3 billion even at a time when the macroeconomy was stable. In comparison, China got USD 181 billion, India received USD 45 billion, Indonesia got USD 20 billion, and Vietnam received USD 16 billion. The main reason for this weak FDI performance is the high cost of doing business in Bangladesh. Global doing business indicators continue to rank Bangladesh's investment climate at the bottom 15% of the countries surveyed and substantially below countries like India, Vietnam, Thailand, and Indonesia. On top of this, while macroeconomic stability used to be a strong point for Bangladesh, the country is now facing serious macroeconomic instability. To attract higher volumes of FDI, Bangladesh will need to stabilise the macroeconomy and also address the constraints that increase the cost of doing business. Importantly, this cost has to be lowered to the extent that FDI firms find Bangladesh a more attractive place to do business than their competitors. So, it will be impossible to achieve a 27.4% GDP private sector investment rate in FY2023–2024.

Syed Md. Rakeen: In recent times, India and Thailand have adopted the same contractionary monetary policy, which has helped curb inflationary pressure. Do you think that such a contractionary monetary policy will be able to restrict the rising inflation in Bangladesh?

Dr. Sadiq Ahmed: Bangladesh can certainly learn from the successful experiences of all the countries, including Thailand and India, that have managed to sharply lower inflation emerging from an adverse global economic environment. In my view, inflation control in Bangladesh will require several policy actions, such as instituting a market-based interest rate policy and using monetary policy to increase interest rates to an extent that private sector credit growth falls meaningfully; reducing the budget deficit to 4% of GDP to lower aggregate demand; avoiding bank borrowing to finance the budget deficit; and reducing import duties to lower the costs of imports.

Syed Md. Rakeen: It is known that Bangladesh currently has one of the lowest tax-to-GDP ratios in the world, and as per the conditions of the International Monetary Fund (IMF), the National Board of Revenue will have to increase the tax-to-GDP ratio by 0.5% in FY2023–24 and FY2024–25 and by 0.7% in FY2025-26. Will it be possible to meet the requirements of the IMF with the announced revenue collection target of the government?

Dr. Sadiq Ahmed: I have not seen the details of the IMF programme or the policy reforms underlying the revenue targets. Setting ad-hoc tax revenue targets without addressing the inefficiencies of the tax system is a risky business because it can cause further damage to the economy through ad-hoc tax interventions. My review of the tax measures in the national budget FY2023–24 suggests that there are some good features, like the reduction of exemptions, but I do not see any institutional reform of the tax system, which is essential to modernising our tax system and securing a higher tax-to-GDP ratio on a sustained basis.

The tax system of Bangladesh needs to be overhauled and reformed systematically, learning from the good practice examples of countries that have instituted a modern tax system. Critical institutional reforms like the separation of tax planning and research from tax collection; establishing an effective system of self-assessment with no interface between taxpayer and tax collector; setting up a digital tax submissions and payments system; providing for rule-based tax laws rather than discretionary application by the DCT; and securing computer-based selective and productive tax audits using professional auditors are all missing in the tax system of Bangladesh. Instead of asking for ad hoc increases in tax revenues, a more productive approach would be to seek major institutional reform of the tax system. Furthermore, asking NBR to reform itself is not very meaningful. Instead, the government should appoint an expert Tax Reform Commission (TRC) that will suggest the modernization of the tax system based on international best practices. India has benefited considerably from these TRCs. Bangladesh can learn from this experience.

Syed Md. Rakeen: Out of the deficit financing target of BDT 261,785 crore in FY2023–24, BDT 132,395 crore will be provided by the banking sector. Is there any possibility of negative consequences arising as a result of this massive borrowing target? What can be done, in your opinion, to reduce this increased reliance on bank borrowing?

Dr. Sadiq Ahmed: Increasing the resort to bank financing of the fiscal deficit is a highly risky proposal, and I strongly advise against it, especially at a time when inflation is rising. A higher fiscal deficit using bank financing is inconsistent with inflation controls and must be avoided. There are two possible ways to finance the fiscal deficit to minimise the adverse effect of deficit-based government spending on inflation. First, all efforts must be made to mobilise budget-support type foreign loans from multilateral institutions like the World Bank and the Asian Development Bank. Second, the government could borrow directly from the private sector. The government used to do this for a long time through the National Savings Certificate Scheme. This became problematic because the government offered excessively generous interest rates that exceeded market rates. Since the reform of these generous rates has faced a political bottleneck, the next option for the government is to sell T-bills directly to the public by developing an effective secondary market. At a 7-8% interest rate on one-year T-bills, they would attract a lot of interest from private savers.

Syed Md. Rakeen: Do you think that the dire need for Social Safety Net Programmes has been addressed enough in the proposed fiscal policy, considering that the share of Social Safety Net Programmes in the total budget and GDP has reduced and the increase in allocation to this segment (7.34%) in monetary terms is even lower than the inflation rate?

Dr. Sadiq Ahmed: Despite the government's official stance to progressively increase public spending on social protection, the level of social protection spending as a share of GDP has been falling over the past several years due to revenue constraints. For example, social protection spending as a share of GDP, excluding spending on civil service pensions, which do not properly qualify as social protection spending for the poor, amounted to a mere 1.0% of GDP in FY2018–2019. It declined further to 0.74% of GDP in FY2022–2023. The prospects for an increase in FY2023–2024 are not bright. The combination of rising inflation and falling spending on social protection is a most unfortunate outcome for the well-being of the poor and vulnerable and must be reversed quickly.

Syed Md. Rakeen: The Gini coefficient, an index to measure the degree of inequality in income and wealth distribution, reached an alarming figure of 0.499 in 2022. Would you kindly share if the

proposed national budget for FY2023–24 can reduce the inequality of wealth distribution?

Dr. Sadiq Ahmed: The growing income inequality in Bangladesh is indeed a matter of great concern. I have written extensively on the subject of lowering income inequality in Bangladesh through the use of redistributive fiscal policy, as has been done successfully by many Western European countries. The basic principle of a redistributive fiscal policy is to generate adequate tax revenues using a progressive personal income tax system and to redistribute a significant portion of these revenues to the poor and vulnerable through spending on health, education, and social protection. The Eighth Five Year Plan of Bangladesh proposed the use of this redistributive fiscal policy, but implementation has lagged behind.

In the first place, Bangladesh still relies very heavily on indirect taxes (VAT, customs duties, supplementary duties, regulatory duties, etc.). The use of a progressive personal income tax system is very limited. For example, personal taxes were a mere 1.3% of GDP in FY2022–2023. Additionally, the tax revenues are so low that they can barely cover the financing needs of fixed government commitments like civil service salaries and pensions, interest costs, national security spending (defence, law, and order), material costs, and transfers to local government. The scope for increasing redistributive spending is very limited and relies mostly on deficit financing. In this fiscal reality, there is very little prospect that the FY2023–24 budget will help reduce income and wealth inequality.

Syed Md. Rakeen: Bangladesh is going through a challenging year, with a key focus now centred around achieving macroeconomic stability. Which issues do you think will turn out to be challenging in the implementation of the FY2023–24 budget? Which initiatives can help weather the economic storm that has been brewing?

Dr. Sadiq Ahmed: From my perspective, I see the national budget for FY2023–2024 facing four key challenges, including restoring macroeconomic stability, the challenges of revenue mobilisation, prudent financing of the budget deficit, and protecting social sector spending. I touched on all four aspects in my responses above. I will now briefly comment on the two highest-priority tasks.

The restoration of macroeconomic stability is absolutely the most urgent task. This will require coordinated use of exchange rates and monetary and fiscal policies to boost exports, reduce inflation, raise taxes, and lower fiscal deficits. A uniform and flexible exchange rate combined with lower aggregate demand is the best and most sustainable way to manage the balance of payments. A flexible exchange rate will boost exports and remittances and reduce import demand, which, combined with demand management, will stabilise the balance of payments much more sustainably than import controls. This will also avoid the import constraint on private investment and GDP growth. Demand management by lowering private spending through an increase in interest rates combined with higher taxes and a lower fiscal deficit will help reduce inflation and prevent the exchange rate from overshooting.

The restoration of macroeconomic stability is critically linked to greater public revenue mobilisation. Revenue mobilisation requires a major overhaul of the tax system, as noted earlier. It also requires reforming the state-owned enterprises (SOEs) and generating an adequate surplus from the huge amount of assets locked into these enterprises. For example, the total assets of non-financial SOEs are conservatively estimated at around 20% of GDP. A 10% rate of return on these assets should yield revenue equal to 2% of GDP. In reality, SOEs, on average, have earned a mere 0.3% of GDP between FY2015–2016 and FY2020–2021. Turning around the performance of the SOEs through corporate governance and pricing reforms could yield an additional 1.7% of GDP as revenues for the government.

Beat the Heat:

The Demand Evolution of Air Conditioners from Luxury to Necessity

Written By
Md. Muntasir Sakib

In numerous countries across the globe, there has been a substantial surge in the demand for air conditioning units. Large numbers of individuals are flocking to sellers in search of respite from prolonged heatwaves, thereby driving this heightened demand. While local brands such as Walton, Vision, and Midea offer relatively more affordable options for consumers, the prices of air conditioners remain beyond the means of the middle class. Nevertheless, despite the financial burden of both the initial purchase and subsequent power bills, people continue to gravitate towards air conditioners as they seek relief from soaring temperatures. Consequently, air conditioning units have evolved from being regarded as luxury items to becoming indispensable for promoting a healthy living environment.

Bangladesh, renowned for its tropical monsoon climate marked by heightened humidity levels and notable temperature fluctuations, has been grappling with a decline in green spaces and surface water bodies within its bustling metropolitan cities. This disheartening environmental situation has given rise to the emergence of considerably hotter regions, emphasising the urgent need for air conditioning systems to ensure optimal comfort and well-being. Notably, during the summer season, Dhaka city experiences an average temperature range of 30°C to 38°C, with a recorded peak of 40.4°C in April 2023. The outdoor conditions during this time have become unbearably harsh, characterised by scorching sunrays and relentless heatwaves sweeping across Bangladesh.

In response to this changing climate scenario, there has been a discernible surge in the purchase of air conditioners as people strive to attain respite and relief amidst these challenging circumstances. This growing demand for air conditioning units is significantly driving the sales and consumption of ACs throughout the country. According to the Harvard School of Engineering and Applied Sciences, alarming projections from researchers indicate that if greenhouse gas emissions continue their upward trajectory, it is estimated that by 2050, at least 70% of the population in various countries will be reliant on air conditioning, with even higher dependency rates anticipated in equatorial nations such as India and Indonesia.

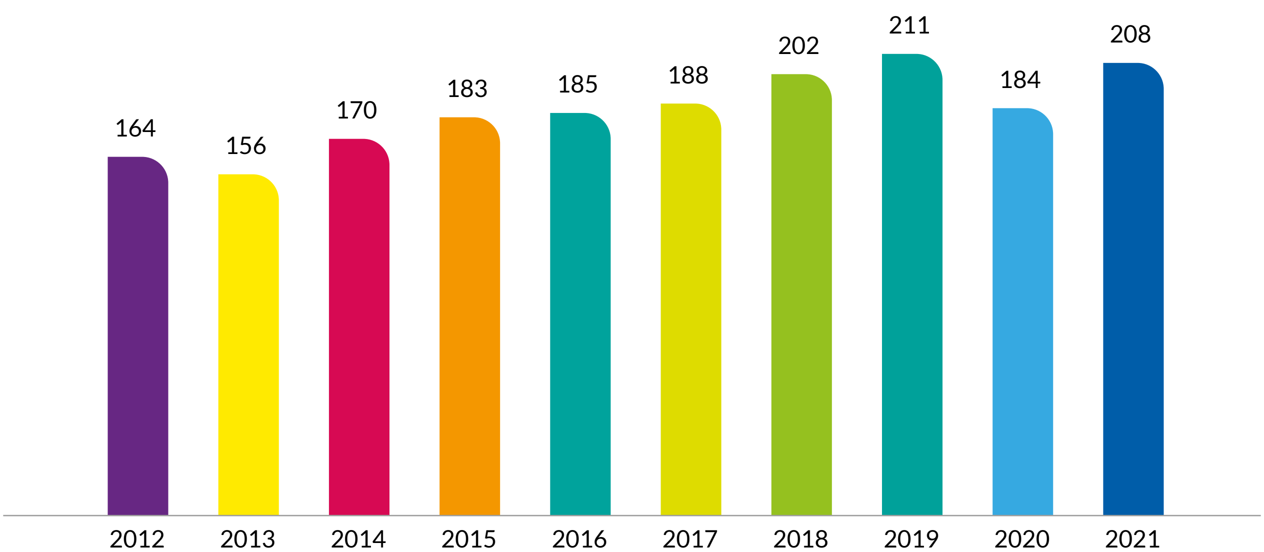
Market Overview

According to Globe Newswire, the revenue size of Bangladesh's air conditioner (AC) market is projected to grow at a CAGR of 15.9% during the forecast period of FY2020–26. According to Statista, the average price of an air conditioner is expected to rise to BDT 52741.93 by the year 2028.

The market has experienced a turnaround, with AC sales expected to increase by at least 30% compared to regular times, as reported by The Daily Star. Bangladesh's hot and humid climate, domestic production, and rising middle class have all contributed to the expansion of the country's air conditioning sector. The air conditioner market in Bangladesh experienced a decline during the COVID-19 era due to a complete statewide lockdown, disruption in the supply chain, financial difficulties, halted manufacturing, and decreased demand for air conditioners. According to the Business Standard, in 2020, sales of air conditioners fell to below 300,000 units compared to 450,000 units sold in 2019. However, as the economy recovered from the effects of COVID-19, the air conditioner market rebounded. According to the Business Inspection, the current size of Bangladesh's AC market is $588 million. According to Research and Markets, the AC market in Bangladesh is projected to expand in the future due to rising urbanisation and an increase in per capita income driven by Vision 2021 and 2041. Air conditioners, like refrigerators, meet approximately 65% of the local demand in Bangladesh, with 35% still being imported. According to the Financial Express, sales of air conditioners rose from 290,000 units in 2016 to 400,000 units in 2022. A report by the Daily Star indicates that industry insiders estimate that at least 500,000 units will be sold this year. Published data further shows that 28% of air conditioners are used in industries, 11% in commercial entities, and 56% in homes, as reported by The Financial Express. Market analysis reveals that 90% of air conditioner sales are generated between the months of April and

May. Mr. Nurul Afser, deputy managing director of Electro Mart Limited, reported in an Asia News Network interview that AC sales had been increasing during the last 10 days of April 2023 as a heatwave swept across the country, including Dhaka. According to Statista, for the past decade, the demand for air conditioners has always been on the rise.

Figure 1: Demand for Air Conditioners in Bangladesh from 2012 to 2021 (In 1000 Units)



Source: Statista

The Evolution of Air Conditioners from Luxury to Necessity

The first air conditioners were bulky and expensive and were primarily used for commercial purposes. Initially, whole rooms would need to be devoted to the air conditioners for the necessary venting and piping. The use of more efficient coolants allowed for the miniaturisation of air conditioning units. In 1931, the first personal air conditioners appeared, serving as the prototype for today's portable AC units. These units sat on a window ledge, much like today's window units. These devices were power-hungry, costlier, and required more maintenance. With technological advancements, air conditioners gradually became compact and affordable, suitable for noncommercial use, with better power efficiency, better controls, and lower maintenance. Air conditioners, which were commonly seen in upper- and upper-middle-class households even in the last decade, are now becoming more common in middle-class households. Rising temperatures and affordable prices are the crucial factors behind the market boom. Air conditioner sales are predicted to rise as the country's residential sector expands and new structures in housing societies are constructed. Many individuals in Bangladesh are flocking to metropolitan areas in quest of improved job prospects, contributing to the country's rapid urbanisation. The need for infrastructure, such as new buildings, rises in conjunction with the population of cities. Air conditioning is increasingly standard in newly built structures because of its association with convenience and modernity. In addition, domestic manufacturing and technological efficiency have led to a decrease in air conditioner prices over time. Air conditioners starting at BDT 43,000 are also available in shops. Mostly, air conditioners at prices ranging from BDT 40,000 to BDT 70,000 are the most popular among household consumers.

The market is also expanding due to factors such as the increasing number of development projects and the proliferation of SMEs across major cities. Bangladesh has made great strides in reducing poverty and expanding its economy in recent years. People's ability to buy appliances like air conditioners increases as their salaries do. Many people are taking advantage of the decreasing cost of air conditioners to upgrade their comfort level. As the economy of Bangladesh improves, more and more people can afford what were once regarded as extravagant items. Consumer tastes are shifting as disposable income rises. Comfort, sleep, and productivity are just some of the advantages of air conditioning that are increasingly recognised. People are becoming more comfortable spending money on themselves as they enter the middle class. The demand for air conditioners is also benefited by the easy availability of EMI facilities via both card and cash down payment, bringing AC within the grasp of middle-class families. There has been a steady rise in the share of Bangladeshi households with electrical service. The government of Bangladesh has been hard at work modernising and expanding the country's electrical grid and generating capacity. More people will be able to afford to keep their homes comfortably cool during the warmer months as the reliability of their electricity supply increases. This has added fuel to the demand for air conditioning. More people can use cooling devices like air conditioners if they have reliable access to electricity.

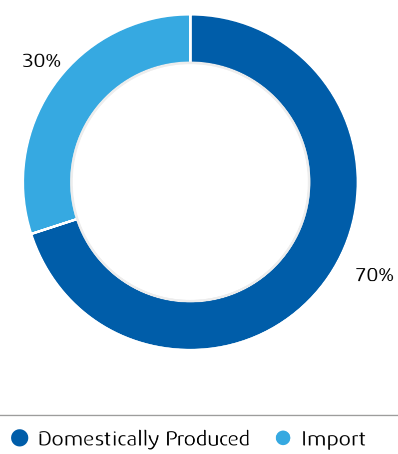
Keeping the office at a pleasant temperature and humidity level is one way to keep employees present and productive. Heat exhaustion and heatstroke, brought on by extreme heat, are potentially fatal conditions. Those with specific medical issues, the elderly, and young children may require constant access to air conditioning. Mr. Tanvir Rahman Sajib, chief executive officer at Walton Air-Conditioner, told The Business Standard (TBS) that they witnessed more than 100% growth this April and more than 400% growth compared to normal time. Furthermore, according to market insiders, the local market is expected to expand by double digits due to a rise in the sales of energy-efficient air conditioning systems and the increased adoption of cutting-edge technology.

On the contrary, the global raw material crisis, low availability of semi-conductors, and dollar crisis have driven air conditioner prices up. After analysing the market, it has been found that air conditioner prices have increased by 15-20% compared to last year's prices. According to a report by the Financial Express in 2023, air conditioner prices for households have shot up, with prices increasing by about 20% compared to last year.

Local Production of Air Conditioners in Bangladesh

As per the Bangladesh Air-conditioning Equipment Importers Association (BAEIA) in 2021, domestically produced air conditioner units occupied about 70% of the market share, while the rest (30%) belonged to foreign brands.

Figure 2: Domestically Produced Air Conditioners vs. Imported Air Conditioners



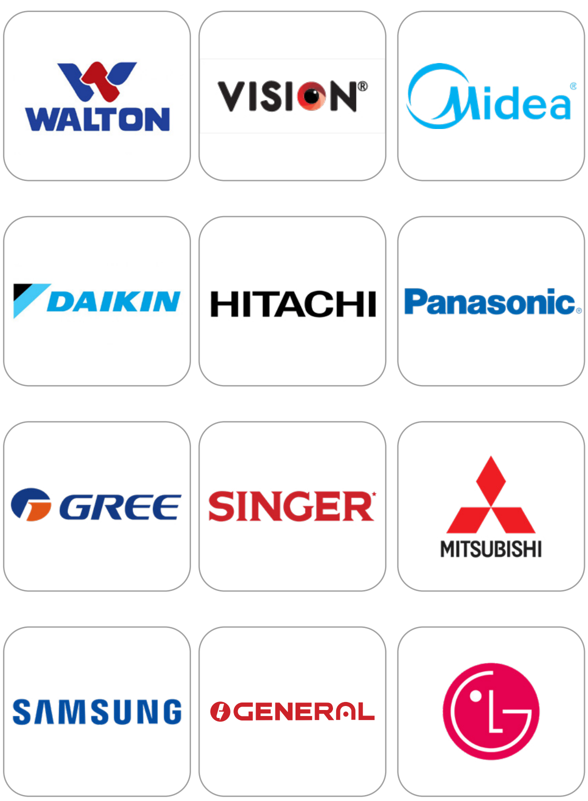
Source: Bangladesh Air-conditioning Equipment Importers Association

As the import duty on raw materials for refrigerators and air conditioners has been waived until 2025, locally manufactured air conditioners are beginning to dominate the market. Also, foreign brands are being motivated to set up local production facilities in Bangladesh. To capitalise on this expanding market, global brands like Samsung and LG have established local assembly and production facilities. Mr. Mesbah Uddin Ahmed, chief marketing officer at Fair Group, implies all the local brands stepped into AC production mainly due to in-house production, according to The Business Standard. The Dhaka

Tribune reported that, since 2010, as part of policy support to boost the business, local refrigerator producers have been exempt from VAT. However, they also reported that, the government imposed a 5% VAT on locally built refrigerators and air conditioners for FY2022-23 in order to make the market more competitive and increase tax collection.

The Daily Star reported that, over the past decade, local and international companies have invested approximately BDT 3000 crore in the establishment of manufacturing facilities, creating approximately 100,000 direct and indirect jobs. Since the need for air conditioning in homes and businesses alike has increased dramatically, brands like General, LG, Samsung, Hitachi, Daikin, and Mitsubishi, as well as locally manufactured brands such as Walton, Vision, and Midea, are growing in popularity in Bangladesh for making energy-efficient and high-quality air conditioners that meet a variety of requirements and budgets. The top local and foreign brands are listed as follows:

Figure 3: A List of Local and Foreign Brands in Bangladesh



Most of the revenue from the air conditioner segment is generated in metropolitan areas, mostly Dhaka and Chittagong. According to market experts, domestically produced AC units from brands like GREE, Walton, Singer, Midea, and Vision currently account for 70%–75% of Bangladesh's market. There are a large variety of options in terms of pricing and functionality for air conditioners from both international and domestic manufacturers. The market for HVAC split systems is the largest, followed by window air conditioners. There has been a rise in demand for inverter air conditioners, which are better for the environment and use less energy.

Overcoming Challenges

The escalating demand and utilisation of air conditioners necessitate careful power planning within a country, owing to the substantial energy consumption associated with these cooling systems. The surge in air conditioner usage places a strain on the power grid, thereby intensifying the overall demand for electricity. However, the ramifications extend beyond mere power dynamics, as the widespread adoption of air conditioning engenders profound environmental consequences.

Air conditioners, being voracious consumers of energy, exert added pressure on power grids, exacerbating the release of greenhouse gases during electricity generation. Furthermore, the production, repair, and disposal of air conditioning units contribute to resource depletion and waste accumulation, exacerbating ecological concerns. Inadequate maintenance practises can also give rise to indoor air pollution, further underscoring the need for conscientious care and upkeep.

To mitigate these detrimental environmental effects, it is imperative to champion cooling technologies that prioritise energy efficiency. By endorsing such innovations, we can foster sustainable practises that minimise the carbon footprint associated with air conditioning. Simultaneously, promoting proper maintenance protocols becomes crucial to preserving air quality and reducing pollutants. Additionally, exploring alternative avenues to curtail the ecological impact of air conditioning usage stands as an essential endeavour in our pursuit of a greener future.

Md. Muhiminul Bari Mehedi

Operative Director, Walton Hi-Tech Industries PLC

Interviewed By
Syed Md. Rakeen, Team MBR

With over 6 years of experience in the air conditioner market, Md. Muhiminul Bari Mehedi is leading the sales of the air conditioner segment at Walton Hi-Tech Industries PLC. He joined the company as an Assistant Director in 2016. He is an alumnus of Islamic University of Technology, where he completed his graduation with a degree in Mechanical Engineering. He played a leading role in developing and launching the first intelligent inverter split-type air conditioner for Walton in 2018. Currently, he is working as the head of sales and coordinator of the air conditioner segment at Walton Hi-Tech Industries PLC. Team MBR was in conversation with Mr. Md. Muhiminul Bari Mehedi and fortunate enough to receive his take on the air conditioner market in Bangladesh.

Syed Md. Rakeen: As reported by The Financial Express, the air conditioner (AC) market in the country is expected to grow at a compound annual growth rate (CAGR) of around 16% during the period 2020–2026. What are the factors, in your opinion, that are driving this phenomenal growth?

Md. Muhiminul Bari Mehedi: The growth of air conditioners in Bangladesh can be attributed to numerous factors. As we know, Bangladesh is a hot and humid country, and temperatures are only expected to go up in the future. This is helping to drive demand for air conditioners, with people looking to seek relief from heat waves. Over the years, there has been a rise in income level of buyers so the people in our country are becoming more affluent with time and are now able to afford air conditioners. Rapid urbanisation has also played a vital role in driving demand for air conditioners. As people are moving to cities, they are seeking air conditioners to cool their homes and offices. Also, air conditioners nowadays have become affordable relative to previous years and it has helped cater to a wider range of buyers. The effect of environment has played a role as well with users becoming more and more aware of energy-efficient models. Manufacturers have responded to this demand by developing new air conditioners that are more efficient and use less power.

Syed Md. Rakeen: Local brands are dominating the country's air conditioner market, holding around 70% to 75% of the domestic market share. Would you kindly share your insights on the competitive advantages local brands currently have against foreign brands?

Md. Muhiminul Bari Mehedi: Bangladeshi brands are becoming increasingly competitive in the air conditioner market space. Local brands are much more affordable than foreign brands, making them lucrative to most consumers in the middle-class segment. They also offer longer warranties than foreign brands which can prove to be crucial in the case of air conditioners. Although foreign brands tend to have a higher brand reputation than local brands, Bangladeshi brands have established a good reputation owing to our high quality of products. Additionally, the after-sales service for local brands is typically better than the after-sales service for foreign brands.

With increasing population, rising incomes and urbanisation, the demand for air conditioners is rising over the year. This has led to increasing opportunities for brands in Bangladesh. Additionally, the air conditioner market is becoming increasingly competitive. This has forced local brands to constantly innovate and improve their products and has also benefited the consumers who can now avail better products at competitive prices.

Syed Md. Rakeen: Most buyers of consumer electronics now perceive air conditioners as necessities, which used to be considered luxury products just a few years ago. What are the drivers of this change in mindset from your perspective?

Md. Muhiminul Bari Mehedi: Well, numerous factors have contributed to the change in mindset about air conditioners.

Air conditioners are known as one of the most energy-consuming home appliances. As energy costs have only increased with time, there has been a rise in energy-saving technologies in the market. This has led to people becoming a bit relaxed about the energy consumption of the air conditioners.

On the other hand, climate change is causing extreme weather conditions to become more frequent and severe. Generally, people in Bangladesh experience hot and humid weather more frequently, which puts their health at risk of heat-related illnesses, especially for adults, young children, and people with chronic health conditions. People have grown aware of such risks and are now opting for air conditioners to protect their health and have some comfort.

In addition to that, ACs nowadays are relatively cheaper than before, making them affordable for a wider class of people. Additionally, customer expectations have played a part as well. Customers nowadays want energy-efficient, convenient, and easy-to-use air conditioners at lower prices. Local brands are now capable of fulfilling the expectations of their customers.

Syed Md. Rakeen: Manufacturers of consumer electronics have introduced various energy-efficient and eco-friendly variants of air conditioners in the market. How are these newer models of air conditioners currently faring in the market?

Md. Muhiminul Bari Mehedi: Energy-efficient and eco-friendly air conditioners are becoming more popular with time. It is because the models are becoming less expensive to operate than traditional air conditioners. Now, less energy is required to cool a room, saving customers from racking up huge energy bills. Also, these air conditioners have a much smaller impact on the environment than traditional air conditioners, with the refrigerants possessing a lower global warming potential.

Additionally, energy-efficient and eco-friendly air conditioners have convenient features; some models possess smart thermostats that help users control the temperature of the air conditioner remotely via smart devices.

Syed Md. Rakeen: Air conditioners come with various functionalities and capacities. Also, there is a wide range of sizes and shapes. Would you kindly share how the customer segments vary in accordance with functionalities, capacities, sizes, and shapes?

Md. Muhiminul Bari Mehedi: The customer segments largely vary according to air conditioner functionalities, capacities, sizes, and shapes. Generally, people who live in small apartments opt for portable air conditioners due to their mobility. Users in large homes are more interested in buying central air conditioners to cool the entire house. Some users with allergies or asthma are interested in buying air conditioners with UV features due to their ability to remove pollutants and allergens from the air. For people who fear racking up electricity bills, energy-efficient features are more preferable compared to other air conditioners. In terms of functionality, there are two types of air conditioners preferred by users these days.

a) Split Air Conditioners: For people who prefer a permanent solution for cooling their houses or businesses, this remains the most popular option. These air conditioners consist of two units: an outdoor unit and an indoor unit. The outdoor unit contains the compressor and condenser, while the indoor unit contains the evaporator. Split air conditioners are more powerful than old-fashioned window air conditioners.

b) Central Air Conditioners: Central air conditioners are the most powerful type of air conditioner and are a good option for people who want to cool their entire houses. Generally, these air conditioners are installed near the attic or crawlspace of a home and cool the entire house.

The preference for capacities depends on the size of the spaces the users want to cool. For example, a small bedroom may require a 12,000 BTU air conditioner, while a large living room may require a 24,000 BTU air conditioner.

Syed Md. Rakeen: Air conditioners are currently being manufactured locally and come with affordable price tags. How do these locally manufactured air conditioners contrast with foreign brands in terms of features and quality?

Md. Muhiminul Bari Mehedi: Locally manufactured air conditioners contrast with foreign brands in terms of features and quality in a few key ways.

a) Features: Nowadays, locally manufactured air conditioners have more lucrative features than foreign brands. For example, Walton air conditioners have introduced Extreme Saver, Supper Saver, UV-Care, and Voice Control technologies that other global brands cannot offer.

b) Quality: The quality of some locally manufactured air conditioners is even better than that of global brands. Some locally manufactured air conditioners are made with high-quality components and offer a good level of performance with after-sales services.

c) Price: Locally manufactured air conditioners are typically much more affordable than foreign brands.

Syed Md. Rakeen: Due to the impact of seasonality, air conditioners often run out of stock during the summer. In your opinion, what are some of the key challenges that air conditioner manufacturers and suppliers face in meeting the demand in Bangladesh?

Md. Muhiminul Bari Mehedi: The demand for air conditioners in Bangladesh is highest during the summer, when temperatures soar. This can lead to shortages of air conditioners and higher prices. Also, most areas in Bangladesh face load shedding due to a heavy demand for electricity, which creates some difficulties when using air conditioners. This can discourage people from buying air conditioners or make them choose alternative solutions for their comfort. Additionally, there is a shortage of skilled technicians in Bangladesh who can install and repair air conditioners. This can lead to problems with air conditioners not being installed properly or not being repaired correctly when they break down.

Syed Md. Rakeen: Rising temperatures and local manufacturing of affordable air conditioners will surely make market demand go up even further. How do you envision the future of the air conditioner market in Bangladesh?

Md. Muhiminul Bari Mehedi: The future of the air conditioner market in Bangladesh is bright. The country's hot and humid climate, coupled with rising temperatures and increasing affluence, is driving the demand for air conditioners. Local manufacturing of affordable air conditioners is expected to play a major role in the growth of the market. As more local companies enter the market, competition will increase and prices will come down. This will make air conditioners more accessible to a wider range of people. As a result of these factors, the air conditioner market in Bangladesh is expected to grow at a compound annual growth rate of 12–15% in the next five years.

Guba Publishing

Raya Rahman

Co-Founder and Publisher, Guba Publishing

Interviewed By
Akhlaqur Rahman Sachee, Team MBR

Guba Publishing is a dual-language children's book publisher that creates valuable stories and learning resources to inspire children to embrace a global mindset. Their books are printed in English, Bangla, or bilingual, and the titles promote imagination, world knowledge, social and emotional awareness, and respect for the planet. Guba Publishing also strives to be a platform for advocating social causes through storytelling for children. Team MBR was in conversation with Ms. Raya Rahman, Co-Founder and Publisher, Guba Publishing, to learn about her vision and inspiration behind Guba Publishing.

Akhlaqur Rahman Sachee: From a very different academic background and career path, you chose to initiate the journey of Guba Publishing back in 2017, which is a publisher of books in Bengali and English for children up to eight years old. What were your motivations to come up with such a unique idea?

Raya Rahman: As a person of Bangladeshi origin raising children in North America, I found myself among the vast numbers of expat or immigrant parents whose kids started losing their native language. At the same time, I witnessed firsthand how great-quality content, both print and digital, enabled young children to rapidly acquire languages. This observation and the urge to connect my kids to their roots were the driving forces behind the creation of a bilingual publishing company I co-founded with a childhood friend, Inshra Sakhawat Russell (a talented content creator herself).

This was my first ever entrepreneurial venture, having previously worked in various business support roles in different organisations. It was not an easy journey and could only be possible with my family's support and my commitment to Guba's mission.

Akhlaqur Rahman Sachee: Guba Publishing currently has operations in the United States and Bangladesh. How is the response of the kids of

non-resident Bangladeshis to the books published by Guba Publishing? Has Guba Publishing made any attempt to promote Bangladeshi traditions and cultures to them through the books?

Raya Rahman: Non-resident Bangladeshi parents are hugely appreciative of our books, flashcards, and posters. We have seen that our bilingual titles are more popular with younger children (under six) because the books, at that age level, are very simple and easy. For older non-resident children, the English versions of our story books are more popular because of language barriers with Bangla.

Guba Publishing just released a wonderful book called "Where are the Chonchols?" which is a search-and-find activity book about a restless Bangladeshi joint family who gets lost in the different festivals of Bangladesh. The book is packed with fun illustrations and interesting cultural information and presents our traditions in a beautiful, child-friendly format. We plan to publish more books of this nature in the future.

Akhlaqur Rahman Sachee: Guba Publishing has recently organised an event under the banner of 'Stories in Park!' in the month of December 2022 in Dhaka, where it unveiled six new books. Would you kindly share with us how successful the event was? And how was the feedback from the attendees?

Raya Rahman: The 'Stories in the Park' event was organised by Guba Publishing in partnership with Let's Read—The Asia Foundation. It was a vibrant and joyous event that featured a wide range of day-long activities centred around young children, including music by Rushnaf Wadud, crafting by Kids Time, play with clay by Claystation, cartoon art by Tanmoy Cartoons, and VR and robotics games by The Tech Academy. The event ended with the screening of a children's film called 'Kathal' by Amit Ashraf.

We had relied on strong word-of-mouth marketing among schools and institutions that serve children, and ultimately that strategy proved to be very successful. The turnout was better than I had anticipated. We had expected around three hundred people, but around eight hundred to a thousand people attended throughout the day-long event. We did not receive formal feedback, but it was evident that attendees of all ages—children, parents, grandparents, and young members of the artistic and book-loving community in Dhaka—thoroughly enjoyed the day!

Akhlaqur Rahman Sachee: The books published by Guba Publishing are now available on your website and at selected retail stores that serve a niche community. Do you have any plans to make the books accessible to a wider range of child readers?

Raya Rahman: Yes, the books are available on our website, at selected retail locations in Bangladesh, and on Amazon for Western markets (The USA, Canada, Australia, The UK, and EU countries). We do not have any specific plans to grow outside of this. For now, I would like to focus on publishing more incredible titles to expand our portfolio of books.

Akhlaqur Rahman Sachee: You are in charge of storytelling in an after-school club named The Growing Up Club. Would you kindly share with us how learning the art of storytelling may help the children develop creative and communication skills?

Raya Rahman: The art of storytelling refers to the ability to gather our thoughts and organise them into a beginning, middle, and end; to understand our audience; and to present our communication in a way that keeps the audience engaged and attentive to our message. These are critical thinking skills that children can apply in different aspects of their lives. Being an effective storyteller is a vital skill to possess for both children and adults.

Akhlaqur Rahman Sachee: Your publishing venture publishes books for children, and you love to teach storytelling to the children. What is the best part of working with children, from your perspective? What are the challenges you commonly face?

Raya Rahman: Children under the age of ten are innocent, curious, and can absorb information like sponges. They are also extremely creative and spontaneous with their creations, without overthinking anything the way adults do. I absolutely love working with children in this age group!

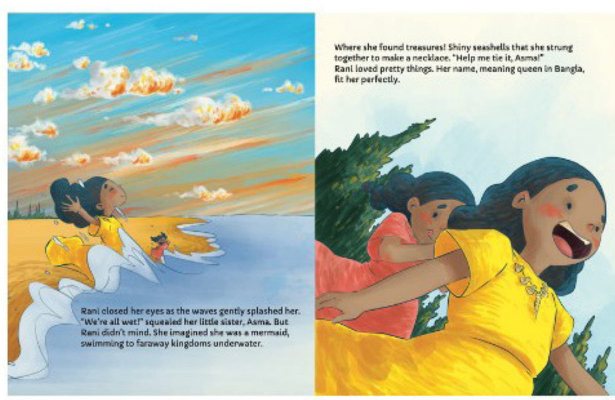
On the other hand, Some children learn at a different pace than others, so it's sometimes a challenge to maintain a standard teaching curriculum.

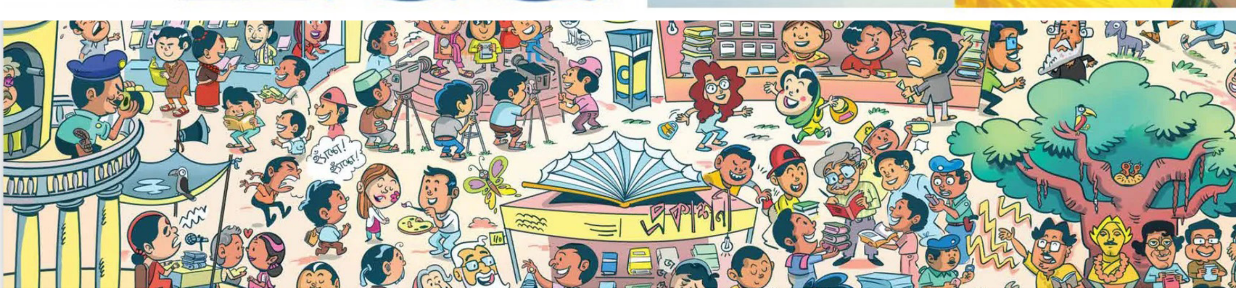
Akhlaqur Rahman Sachee: Do you have any plans for the expansion of your business in terms of product variety or geographical coverage? If positive, what expansion efforts will Guba Publishing experience in the near future?

Raya Rahman: I do not have any expansion plans for the time being.

Akhlaqur Rahman Sachee: There are lots of female entrepreneurs and working women whose professional activities revolve around children. What suggestions do you have for them from your experience to become successful in their positions?

Raya Rahman: Get professional or expert help in the beginning if you can afford it. I learned by making costly mistakes, and sometimes that would demoralise me. Figure out a way to prioritise the right things and weed out anything that's a distraction. Your customers are your most important assets, so definitely prioritise them! Think of the long-term value of your brand, even if it means foregoing short-term financial gains. And most importantly, do not forget to have some fun along the way.





CAPITAL MARKET REVIEW

Performance of Equity Markets of Bangladesh and Peer Countries

Bangladesh equity market closed the month of June in positive territory. During the month, the broad index DSEX increased by 0.1%. Blue chip index DS30 declined by -0.2%, whereas Shariah index DSES remained flat, respectively in the month of June.

Among the regional peers, Sri Lanka reported the highest positive return of 10.4% followed by Vietnam (+4.2%) while Pakistan remained unchanged. MSCI Frontier Markets Index performance was positive by 3.8% in June. Over 5-year horizon, Sri Lanka (+52.4%) booked the most encouraging return.

Table 1: Equity market performance of Bangladesh and peer countries

Indices	Index Points, June 2023	Return*					
		1M	3M	YTD	12M	3Y	5Y
Bangladesh							
DSEX	6,344.1	0.1%	2.2%	2.2%	-0.5%	59.0%	17.4%
DS30	2,192.8	-0.2%	-0.8%	-0.1%	-4.5%	63.5%	11.9%
DSES	1,377.0	0.0%	2.1%	1.3%	-0.7%	48.9%	N/A
Peer Countries							
Pakistan (KSE 100)	41,326.5	0.0%	2.0%	2.2%	-0.5%	20.1%	-1.4%
Sri Lanka (CSE - All Share)	9,443.0	10.4%	6.5%	11.1%	28.6%	83.4%	52.4%
Vietnam (VNI)	1,120.2	4.2%	11.2%	11.2%	-6.5%	35.8%	16.6%
MSCI Frontier Markets Index	**708.5**	**3.8%**	**1.1%**	**5.2%**	**-2.0%**	**10.9%**	**-1.3%**

*All returns are Holding Period Return.

Source: Investing.com, MSCI, DSE

Liquidity Condition in Equity Market of Bangladesh

During June, the total market capitalization decreased by 0.2%. The daily average turnover of June was BDT 8.2 bn (USD 75.2 mn), down by 7.2% from that of the last month. Turnover velocity which represents overall liquidity of the market stood at 22.8% in June compared to 28.6% of last month. In 2022, turnover velocity of Bangladesh equity market was 30.7%, in comparison to 65.3% in 2021.

Table 2: Market capitalization and turnover statistics

Particulars	30-Jun-23	31-May-23	% change
Total market capitalization (USD* mn)	71,212	71,363	-0.2%
Total equity market capitalization (USD mn)	41,544	41,580	-0.1%
Total free float market capitalization (USD mn)	16,240	16,283	-0.3%
Daily Avg. Turnover (USD mn)	75.2	81.1	-7.2%
Turnover Velocity~	22.8%	28.6%	N/A

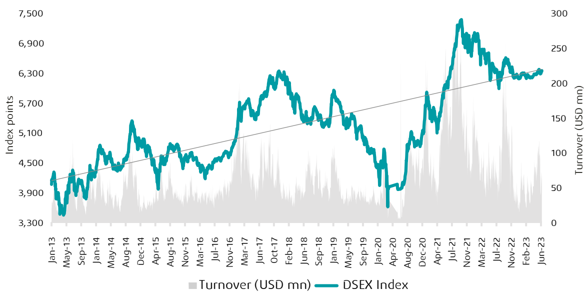
*All USD figures are converted using an exchange rate of 108.42 as of July 02, 2023 as per Bangladesh Bank website.

~Turnover velocity is calculated by dividing monthly total turnover with month-end market capitalization. The figures are annualized.

Historical Index Points and Market Participation Data

Since its inception on February 27, 2013, DSEX yielded a holding period return of 56.4% till June 2023. During this period, daily average turnover of the market amounted to BDT 6.8 bn (USD 63.0 mn) (Figure 1).

Figure 1: DSEX since inception along with market turnover

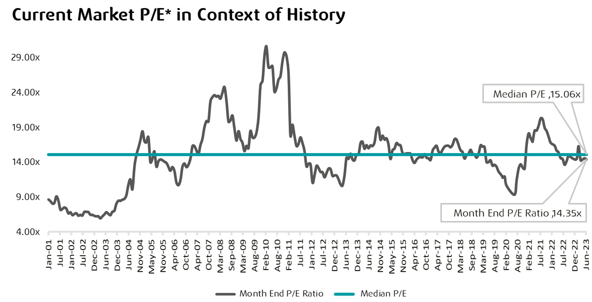


Source: DSE

Market Valuation Level - P/E Ratio

The market P/E declined to 14.35x in June compared to May's 14.52x. It is slightly lower than the 23 years' median market P/E of 15.06x (Figure 2).

Figure 2: Historical market P/E* and it's median



*Price Earnings (P/E) Ratio is calculated by dividing total market capitalization of all profit making listed companies with their total audited annual earnings.

Source: CEIC, DSE

Sector Performance

Large cap sectors posted positive performance in June 2023. Textile posted the highest positive return of 1.8% followed by Fuel & Power (+1.2%), Bank (+0.8%), Engineering (+0.3%), Miscellaneous (+0.3) and Food & Allied (+0.1%) while pharmaceuticals and telecommunication remained flat.

Telecommunication sector has the highest dividend yield of 5.9% among all sectors.

Table 3: Sector performance snapshot

Sector	Market Capitalization (USD mn)		Return*						P/E (x)**	P/BV (x)^	Dividend Yield~
	Total	Free Float	1M	3M	YTD	12M	3Y	5Y			
Pharmaceuticals & Chemicals	6,731	3,624	0.0%	0.4%	-1.6%	0.2%	67.1%	46.7%	17.7	3.2	2.4%
Bank	6,275	3,391	0.8%	7.3%	5.0%	0.6%	61.3%	35.3%	7.6	0.7	4.1%
Telecommunication	5,352	589	0.0%	0.0%	3.0%	0.9%	55.8%	7.6%	16.3	6.0	5.9%
Engineering	4,895	1,074	0.3%	1.0%	1.2%	-3.5%	120.1%	43.8%	63.7	2.5	1.6%
Fuel & Power	4,152	1,200	1.2%	2.3%	2.5%	-0.2%	34.0%	26.9%	13.6	1.4	4.9%
Food & Allied	3,689	1,188	0.1%	2.2%	5.7%	3.4%	85.0%	65.5%	18.2	9.0	3.1%
Miscellaneous	2,086	857	0.3%	2.9%	2.6%	-2.4%	141.2%	104.8%	13.8	2.5	2.2%
NBFI	1,735	618	0.1%	1.5%	1.2%	-3.2%	52.0%	-3.5%	52.0	2.0	1.6%
Textile	1,589	913	1.8%	13.9%	0.1%	-1.2%	62.0%	14.6%	21.5	1.1	2.4%
Cement	1,136	446	-1.5%	12.4%	13.5%	7.7%	82.8%	13.0%	13.3	3.2	4.8%
Non-life Insurance	917	519	-4.0%	11.0%	8.4%	-2.4%	135.1%	172.1%	17.0	1.9	2.9%
Life Insurance	790	468	4.1%	16.7%	19.9%	24.1%	60.2%	67.6%	98.1	8.5	1.6%
Tannery	321	172	2.0%	6.3%	7.5%	1.0%	85.2%	27.5%	33.2	3.1	2.1%
IT	399	249	-2.8%	-1.7%	10.2%	36.7%	130.5%	101.6%	24.3	3.5	1.0%
Ceramics	295	119	0.1%	-0.1%	0.3%	-10.4%	74.4%	21.6%	41.4	2.1	1.7%
Travel & Leisure	466	246	-4.5%	-16.6%	17.4%	70.2%	115.6%	125.2%	14.4	1.8	1.3%
Paper & Printing	390	138	-1.4%	6.4%	8.0%	27.7%	148.1%	-2.5%	26.8	3.0	0.8%
Services & Real Estate	270	140	-3.1%	-2.8%	9.6%	21.4%	132.6%	72.5%	24.0	1.7	3.2%
Jute	34	18	-5.5%	19.1%	2.2%	86.8%	102.8%	89.0%	262.8	11.0	0.0%
Market	**42,207**	**16,240**	**0.1%**	**2.2%**	**2.2%**	**-0.5%**	**59.0%**	**17.4%**	**14.7**	**1.8**	**3.1%**

*All returns are Holding Period Return.
**Price Earnings (P/E) Ratio is calculated by dividing total market capitalization of all profit making listed companies with their annualized earnings.
^P/BV is calculated by dividing total market capitalization of listed companies with their respective total book values, excluding companies with negative book values.
~Dividend yield is calculated by dividing last year's declared cash dividend with market capitalization.

Cap Class Performance

During the month of June, all cap classes showed positive performance except Mid cap class (-0.5%). Micro class reported the highest positive return of 3.5% followed by Large class (+0.3%) and Small class (+0.2%), respectively. Large cap was the highest dividend yielding (3.9%) class.

Table 4: Performance of different market cap classes

Cap Class	Definition based on market capitalization (USD mn)	% of total equity Mcap	Return*						P/E (x)	P/BV (x)	Dividend Yield
			1M	3M	YTD	12M	3Y	5Y			
Large	≥94	76.4%	0.3%	2.2%	3.1%	0.3%	98.6%	62.3%	13.9	1.8	3.9%
Mid	28-93	12.1%	-0.5%	1.9%	2.8%	5.4%	-13.6%	-27.3%	20.6	1.6	2.4%
Small	9-27	8.3%	0.2%	11.0%	5.4%	4.6%	127.7%	79.8%	28.4	1.1	2.7%
Micro	<9	3.1%	3.5%	20.1%	15.7%	18.8%	-73.6%	-82.6%	32.7	1.0	2.1%
Market	**-**	**100.0%**	**0.1%**	**2.2%**	**2.2%**	**-0.5%**	**59.0%**	**17.4%**	**14.7**	**1.8**	**3.1%**

*All returns are Holding Period Return

Performance of 20 Largest Listed Companies in Bangladesh

Among the 20 largest listed companies in terms of market capitalization, UNILEVERCL advanced by 1.3% while BERGERPBL faced correction of 0.3%. All the other stocks of this list remained unchanged.

Majority of these companies yielded outstanding return over longer time horizon (5 years) such as BEACONPHARMA (+1372.0%), BEXIMCO (+422.8%), MARICO (+156.7%), UNILEVERCL (+155.2%), DUTCHBANGL (+99.8%) and BXPHARMA (+80.7%).

Among the scripts, GP, UPGDCL, LHBL, SQURPHARMA, BATBC, MARICO and ISLAMIBANK recorded higher dividend yield compared to that of market.

Table 5: Snapshot of 20 largest companies in terms of market capitalization

DSE Code	Sector	Market Capitalization (USD mn)		Daily Avg. Turnover (USD mn)	Return*						P/E (x)	P/ BV (X)	Dividend Yield
		Total	Free Float		1M	3M	YTD	12M	3Y	5Y			
GP	Telecommunication	3,569	357	0.38	0.0%	0.0%	3.3%	0.7%	39.4%	-4.1%	12.4	13.3	7.7%
WALTONHIL^	Engineering	2,927	29	0.00	0.0%	0.0%	0.0%	-2.9%	N/A	N/A	95.2	4.0	1.4%
BATBC	Food & Allied	2,583	683	0.14	0.0%	0.0%	1.9%	-0.8%	92.7%	58.7%	15.4	8.5	3.9%
SQURPHARMA	Pharmaceuticals & Chemicals	1,715	1,121	0.35	0.0%	0.0%	0.0%	1.4%	40.3%	-2.6%	9.4	2.6	4.8%
ROBI^	Telecommunication	1,449	145	0.01	0.0%	0.0%	2.3%	2.0%	N/A	N/A	93.8	2.6	2.3%
RENATA	Pharmaceuticals & Chemicals	1,379	672	0.82	0.0%	0.0%	0.0%	-2.2%	58.2%	60.7%	39.1	7.6	1.1%
UPGDCL	Fuel & Power	1,250	125	0.01	0.0%	0.0%	0.0%	-6.0%	29.5%	40.3%	12.4	5.1	7.3%
BEXIMCO	Miscellaneous	934	624	0.06	0.0%	0.0%	0.0%	-8.6%	850.5%	422.8%	10.1	1.7	2.6%
BERGERPBL	Miscellaneous	767	38	0.04	-0.3%	3.5%	4.1%	3.4%	45.4%	42.0%	27.6	11.4	2.2%
LHBL	Cement	744	267	1.19	-2.1%	7.3%	9.7%	6.3%	113.3%	42.7%	10.6	5.2	6.9%
MARICO	Pharmaceuticals & Chemicals	704	70	0.07	0.0%	1.2%	1.2%	1.3%	71.1%	156.7%	19.7	41.4	3.1%
ICB	NBFI	684	75	0.00	0.0%	0.0%	0.0%	-9.0%	44.1%	-23.2%	113.3	7.8	0.5%
BXPHARMA	Pharmaceuticals & Chemicals	602	420	0.44	0.0%	0.0%	0.0%	-5.4%	138.4%	80.7%	13.5	2.1	2.4%
BRACBANK	Bank	531	286	0.15	0.0%	1.8%	1.8%	-5.6%	43.8%	-18.6%	10.0	1.5	1.9%
BEACONPHAR	Pharmaceuticals & Chemicals	522	365	0.06	0.0%	-5.2%	-14.3%	-4.5%	309.7%	1372.0%	71.5	19.2	0.7%
ISLAMIBANK	Bank	484	237	0.58	0.0%	2.1%	1.8%	2.1%	108.1%	59.1%	23.3	0.9	3.1%
DUTCHBANGL	Bank	408	53	0.06	0.0%	4.3%	4.3%	-0.2%	51.4%	99.8%	8.8	1.7	2.8%
TITASGAS	Fuel & Power	373	93	0.00	0.0%	0.0%	0.0%	-2.1%	60.0%	35.6%	383.4	0.6	2.4%
UNILEVERCL	Food & Allied	371	52	1.10	1.3%	7.5%	18.2%	18.0%	58.9%	155.2%	50.0	35.7	0.7%
POWERGRID	Fuel & Power	344	86	0.02	0.0%	26.7%	26.7%	18.9%	68.1%	66.7%	(8.4)	0.7	1.9%
Market		**42,207**	**16,240**	**75.22**	**0.1%**	**2.2%**	**2.2%**	**-0.5%**	**59.0%**	**17.4%**	**14.7**	**1.8**	**3.1%**

*All returns are Holding Period Return.

^WALTONHIL got listed on Sep 23, 2020. ROBI got listed on Dec 24, 2020.

Top Performing Mutual Funds

The top ten open end mutual funds based on 5Y year CAGR outperformed the market, during the same period. Among them, Zenith Annual Income Fund (+21.8%) yielded the highest return. On YTD basis, Vanguard AML Growth Fund and Second ICB Unit Fund outperformed compared to market.

Table 6: Top ten open end funds based on 5Y return (CAGR) performance

Name	Asset Management Company	Fund Size (USD mn)	NAV Return		
			YTD 2023	2022	2018-22
Zenith Annual Income Fund	ZENITH	0.9	1.9%	-1.0%	21.8%
Shanta First Income Unit Fund	SHANTA	9.6	N/A	-5.3%	13.5%
Vanguard AML Growth Fund**	VANGUARD	1.3	5.3%	-0.3%	12.1%
CAPM Unit Fund	CAPM	1.2	-0.3%	5.6%	12.0%
Credence First Shariah Unit Fund	CREDENCE	1.1	N/A	3.2%	11.5%
HFAML-ACME Employees' Unit Fund	HFAML	1.8	-5.1%	-0.9%	11.3%
Second ICB Unit Fund	ICB AMCL	2.2	3.0%	-1.6%	9.4%
IDLC Growth Fund	IDLC	5.0	2.1%	-3.8%	9.1%
EDGE Bangladesh Mutual Fund	EDGE	2.5	1.7%	-4.2%	9.0%
Capitec Padma P.F. Shariah Unit Fund	CAPITEC	3.6	N/A	10.2%	8.3%
Market (Broad Index) Return (%)			**2.2%**	**-8.1%**	**-0.1%**

*Based on published NAV and DSEX point of June 26, 2023

All the top ten closed end mutual funds on the basis of 5 years (2018-2022) outperformed the market during the same horizon. Among them 1STPRIMFMF (+8.8%) and CAPMIBBLMF (+8.8%) posted the highest return. On the YTD basis, PF1STMF (+5.8%), ICBSONALI1 (+4.5%) and ICBEPMF1S1 (+4.0%) were the top performers.

Table 7: Top ten close end funds based on 5Y return (CAGR) performance

DSE Code	Fund Manager	Fund Size (USD mn)	Price[1] (BDT)	NAV[1] (BDT)	Price/ NAV	Dividend Yield[2] (%)	NAV Return[3]				Redemption Year[4]
							YTD 2023	2022	2020-22	2018-22	
1STPRIMFMF	271.0	2.5	15.4	13.6	113.7%	7.1%	3.4%	0.5%	23.6%	8.8%	2029
CAPMIBBLMF	764.1	7.0	13.6	11.4	119.0%	5.9%	-2.7%	-0.2%	14.8%	8.8%	2027
CAPMBDBLMF	578.5	5.3	9.9	11.5	85.8%	8.1%	-4.3%	4.6%	17.7%	8.0%	2027
ICBEPMF1S1	722.3	6.7	7.1	9.6	73.7%	7.0%	4.0%	0.8%	25.0%	7.8%	2030
PRIME1ICBA	995.0	9.2	7.7	10.0	77.4%	6.5%	3.0%	-2.3%	20.8%	7.6%	2030
ICB3RDNRB	929.0	8.6	6.5	9.3	70.0%	7.7%	3.7%	-1.1%	22.7%	7.0%	2030
PF1STMF	584.4	5.4	9.9	9.7	101.6%	5.1%	5.8%	-4.1%	21.4%	6.6%	2030
ICBAMCL2ND	518.5	4.8	8.7	10.4	83.9%	6.9%	3.2%	-0.8%	22.2%	6.4%	2029
ICBSONALI1	1,030.0	9.5	7.8	10.3	75.7%	6.4%	4.5%	-1.1%	17.1%	6.1%	2023
ICBAGRANI1	1,062.0	9.8	9.2	10.8	85.0%	9.8%	3.2%	-1.6%	17.2%	5.6%	2027
Market							**2.2%**	**-8.1%**	**12.0%**	**-0.1%**	

1 Price as on July 03, 2023 and index value as on June 26, 2023.

2 On last cash dividend declared.

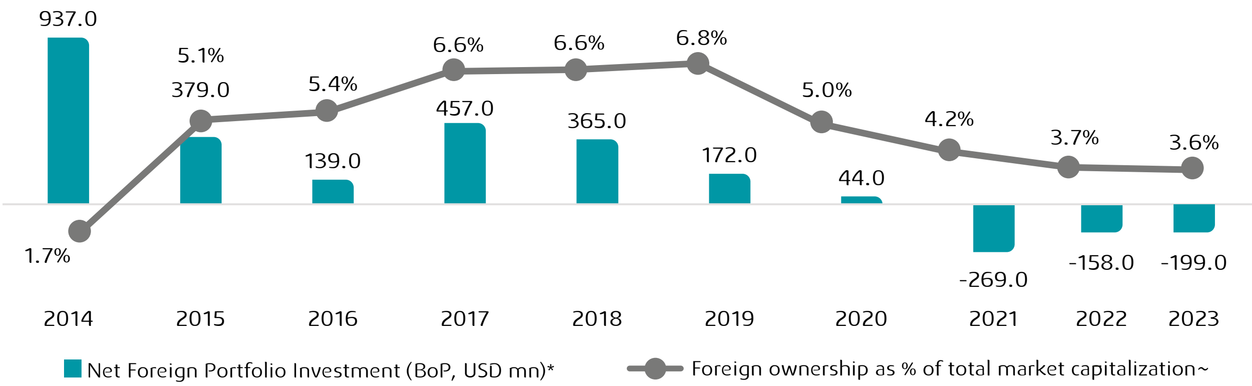
3 CAGR computed for respected periods, except for 2021 and 2022 YTD, adjusted for dividend. YTD returns of funds debuting within the year represent return generated since debut, hence is not directly comparable with return of funds that operated throughout the year.

4 In reference to BSEC Press Release বিএসইবস/মুখপাত্র (৩য় খন্ড)/২০১১/২৫ published on Sep 16, 2018, tenure of existing listed closed end mutual funds can be extended by another tenure equal to maximum 10 years, provided that the full tenure of the subject fund does not exceed 20 years in total. However, the mutual funds those are not willing to extend their tenure will still have the option to convert or wind up as per rules and regulations.

Foreign Participation in Equity Market of Bangladesh

Over last 5 years, Bangladesh equity market has seen a fall of foreign investment. As of May 2023, total foreign ownership stood at 3.6% of the total equity market capitalization, which was only 1.7% in February 2014.

Figure 3: Net foreign portfolio investment and foreign ownership as % of total equity market capitalization



Source: DSE and Bangladesh Bank
Note:
1. % of foreign ownership of equity market capitalization as of December and net portfolio investment as of June of the respective years.
2. 2023 net portfolio investment as of March 2023.

Among all the companies with foreign ownership, BRACBANK had the highest foreign shareholding of 33.4% as of May 2023, followed by BXPHARMA with 29.0%.

Table 8: Top ten companies with highest foreign shareholding as of May 2023

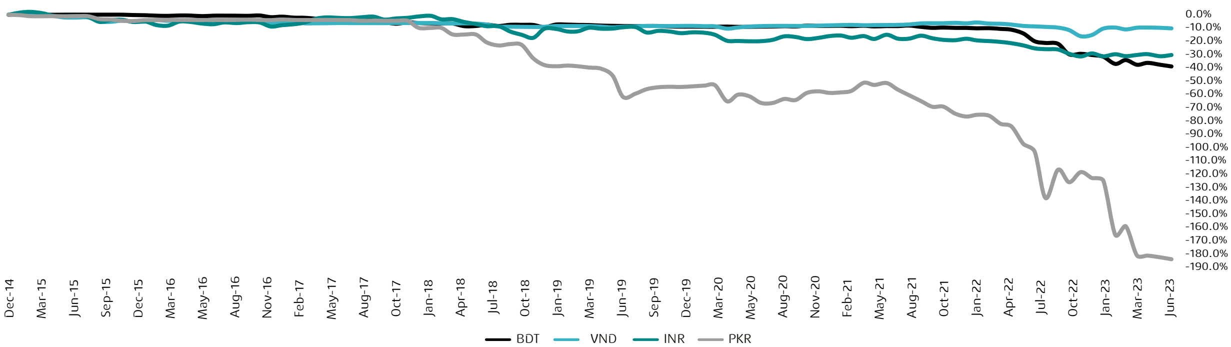
Ticker	Sector	Foreign Shareholding*
BRACBANK	Bank	33.3%
BXPHARMA	Pharmaceuticals & Chemicals	28.9%
NAVANAPHAR	Pharmaceuticals & Chemicals	27.7%
OLYMPIC	Food & Allied	23.5%
RENATA	Pharmaceuticals & Chemicals	22.7%
ISLAMIBANK	Bank	20.2%
DBH	NBFI	18.2%
BSRMLTD	Engineering	17.3%
SQURPHARMA	Pharmaceuticals & Chemicals	13.2%
SHEPHERD	Textile	9.5%

Source: DSE

Performance of BDT and Currencies of Peer Countries against USD

BDT depreciated by 38.8% against US Dollar, other currencies of neighbor countries like Vietnamese Dong (VND), Indian Rupee (INR) and Pakistani Rupee (PKR) lost 10.2%, 30.2% and 183.7%, respectively.

Figure 4: Five year's relative performance of BDT and peer currencies



Source: Investing.com

Major Commodity Price Movement

Among the major commodities, crude oil witnessed correction of 10.1% in May followed by aluminum (-3.2%), wheat (-2.8%) and cotton (-1.2%). Over last 5 years, wheat price hiked the most by 72.0% followed by crude oil (+0.9%), cotton (-0.5%) and aluminum (-1.4%).

Table 8: Major Commodity Price Movement

	Price Change (%)					
	1M	3M	YTD	12M	3Y	5Y
Crude oil (Average)	0.0%	-3.1%	-5.1%	-36.5%	87.9%	3.0%
Wheat (US HRW)	0.0%	-0.6%	-4.8%	-20.0%	85.3%	67.6%
Cotton (A Index)	0.0%	-1.4%	-6.8%	-39.0%	38.7%	-3.7%
Aluminum	0.0%	-1.2%	-5.5%	-11.5%	44.6%	1.4%

*Source: World Bank Pink Sheet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বিশ্বাস ও নির্ভরতায়
হাজারো স্বপ্নপূরণের সহযাত্রী
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