
IDLCSL Macro Update

Energy Repricing 2026: Fiscal Trade-offs and Demand Impact

Report Prepared by:

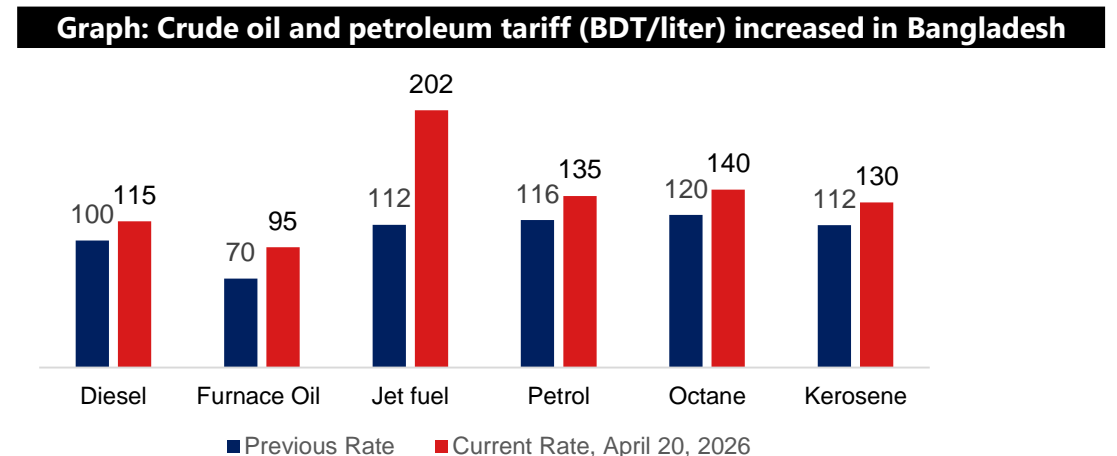
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Petroleum observed a c16% price hike on average

- Total energy sources of Bangladesh can be broadly categorized into domestic (52.8%) and imported (47.2%) energy. Domestic sources, primarily natural gas and biomass, account for 52.8% of total energy supply, while imported sources, including LNG, coal, and refined petroleum products, make up the remaining 47.2%.
- From a consumption perspective, the energy mix is further classified into commercial energy (77% of total) and primary energy or biomass (23%). Petroleum alone contributes c15% to the country's commercial energy requirement, with diesel being the most used (65.5% of petroleum consumption), followed by furnace oil (10.1%), jet fuel (9.8%), petrol (7.3%), octane (6.6%), and kerosene (0.8%).
- Fuel price adjustments have been significant, with diesel and kerosene prices increasing by c15%, petrol and octane by c17%, while jet fuel saw the sharpest rise at c80%, followed by a c35% increase in furnace oil, resulting in an overall c24% hike in crude oil and refined petroleum product prices on a weighted average basis.

Category	Source of Energy	% of Total Energy Supply
Domestic	Natural Gas	26.7%
	Biomass	23.0%
	Renewable Energy	2.0%
	Coal	1.0%
	Total	52.8%
Imported	Coal	19.1%
	Petroleum Products	11.4%
	LNG	10.8%
	Electricity	3.3%
	LPG	2.6%
	Total	47.2%



Source: Energy and Mineral Resource Division

The increase in fuel price may increase both food and non-food inflation

Global indicators already point to rising input costs, with crude oil averaging USD 96/bbl during March–April, while wheat prices have increased by c8% since the onset of the conflict in late February. At the domestic level, supply-side stress has already begun to surface, with fuel supply declining in early April amid import uncertainties and rising global prices, before being subsequently increased by 17.5% for diesel, 25.9% for octane, and 20.6% for petrol to stabilize the market.

Recent domestic price data for April (MoM vs March) also reflects emerging cost pressures, with increases observed across key categories, including soybean and palm oil (+4%), garlic (+23%), broiler chicken (+15%), and MS rod (+5–6%), indicating early pass-through of higher input and energy costs into retail and construction segments.

- The inflationary impact is likely to materialize through two key channels. First, higher fuel prices, including diesel (+15%), will directly raise transportation and logistics costs, exerting upward pressure on food inflation. This effect is further compounded by the agricultural sector, where c60% of arable land is irrigated using diesel-run pumps, with irrigation alone accounting for c13% of total fuel consumption, implying that agricultural prices are likely to rise unless offset by government subsidies.
- Second, elevated energy costs will increase production expenses across industries, particularly in manufacturing and services, feeding into non-food inflation. With Bangladesh's energy mix increasingly dependent on imports, including LNG meeting c30% of gas demand, and the currency remaining structurally vulnerable, the latest fuel price adjustment is likely to reinforce cost-push inflation and weigh on real demand in the near term.

Source: Trading Corporation Bangladesh, Bangladesh Petroleum Corporation, Government Gazette, National dailies, IDLCSL Research

Aggregate demand may decelerate, especially for discretionary products

In a scenario, when both food and non-food inflation may go up, we think that the buyers are likely to prioritize consumer staple products (food, medication) and adjust with their discretionary expenses. As a result, the sectors depending on discretionary expenditure are likely to face headwinds ahead. This impact on demand maybe notable for sectors such as:

- Consumer durables- Singer, Walton etc.
- Constructions - All cement, steel, ceramic, and other construction sector related companies
- Automobiles - IFAD Autos, Runner Automobiles etc.

Energy subsidy burden may further fuel inflation and tighten liquidity

- To cushion the impact of rising global energy prices, the government has significantly expanded its subsidy allocation. Of the newly approved support, BDT 17,000 crore has been allocated for LNG imports and BDT 7,000 crore for fuel imports, primarily to offset higher diesel import costs incurred by BPC. This brings the total LNG subsidy to BDT 23,000 crore, up from the earlier BDT 6,000 crore allocation for FY26.
- The increase is largely driven by elevated spot LNG prices amid supply disruptions, alongside a sharp rise in global refined fuel prices following the recent geopolitical escalation. As a result, Bangladesh's energy and fertilizer import bill for March–June is projected to rise to USD 5.62bn from USD 3.01bn, implying an additional foreign exchange requirement of USD 2.61bn, according to Finance Ministry impact analysis. Reflecting these pressures, the total energy and fertilizer subsidy requirement is likely to reach around BDT 97,542 crore, significantly above the initial BDT 59,000 crore budget, based on current impact estimates and assuming the conflict persists through FY26.
- Financing this elevated subsidy burden is likely to exert pressure on fiscal and monetary conditions. In the absence of sufficient external financing, the government may resort to increased borrowing or monetary expansion to bridge the gap. Such liquidity injection could have a twofold macroeconomic impact.
 - First, it may fuel demand-pull inflation, compounding existing cost-push pressures from higher energy prices.
 - Second, the resulting liquidity and inflationary risks may necessitate a tighter monetary stance, leading to a higher policy rate environment. Elevated interest rates would, in turn, increase borrowing costs for businesses, potentially dampening private sector credit growth and slowing investment activity in the near term.

Source: Finance Ministry impact analysis, National dailies, IDLCSL Research

Import-led energy exposure expected to drive sustained pressure

Bangladesh's heightened reliance on imported energy is expected to exert significant pressure on external balances. The country meets c95% of its petroleum demand and c30% of its gas consumption through imports, making it highly vulnerable to global price shocks.

- Even before the recent Middle East escalation, petroleum import spending increased significantly, with total outlay on crude oil, petroleum, oil and lubricants (POL) reaching USD 5.50bn in 8M FY26 from USD 3.62bn in 8M FY25, reflecting a 52% YoY growth. The rise appears to be driven by higher procurement volumes during the period, likely aimed at building inventories and ensuring supply amid evolving global uncertainties, rather than price effects. Given that the geopolitical shock emerged only towards the end of the period, the 8M figures do not fully capture its impact, implying further upside risk to energy import costs in the coming months.
- Fertilizer import costs rose 60.2% YoY to USD 3.17bn during 8M FY26. The increase appears to be driven by front-loaded procurement during July–January, when global prices were relatively lower, with DAP declining from USD 730/tonne in Nov 25 to USD 608/tonne in Dec 25. This suggests that a portion of current inventory has been secured at favorable prices, which may help contain near-term domestic cost pressures; however, as global prices have since rebounded, the benefit is likely to be temporary and may translate into higher import costs and subsidy requirements going forward.

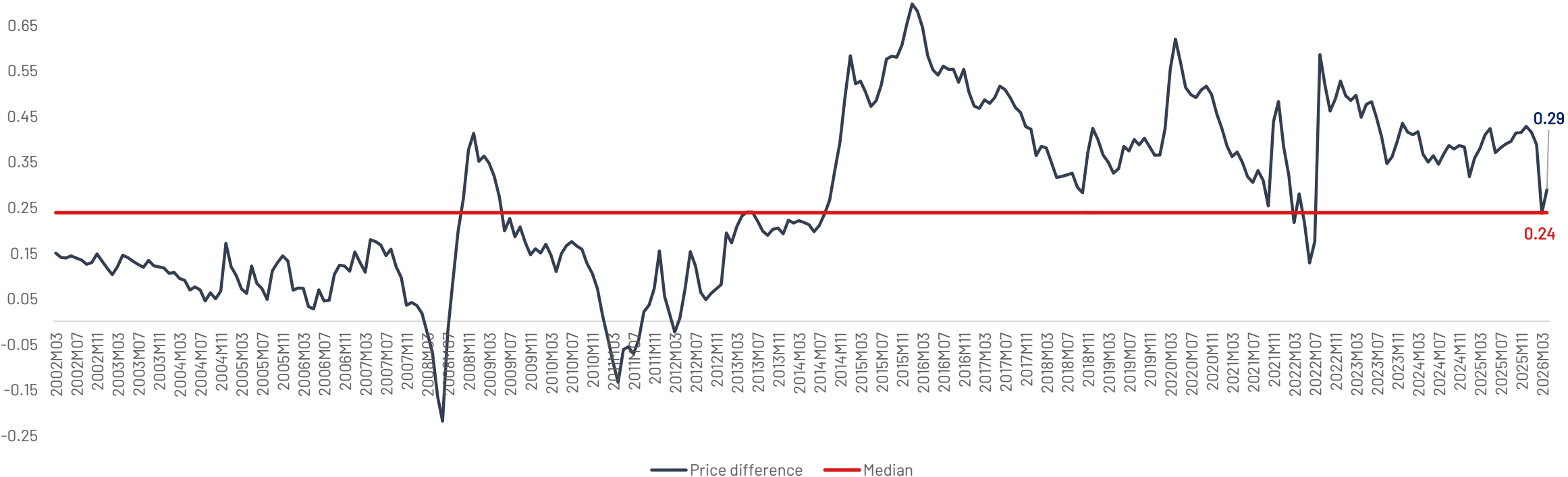
Mounting import pressures likely to weaken external position

- While strong remittance inflows have helped narrow the current account deficit to USD 1bn in 8M FY26 from USD 1.5bn in 8M FY25, underlying pressures remain. Import bills are set to rise further post-war, while higher input and transportation costs are likely to weaken export competitiveness, constraining earnings growth. Together, mounting import costs and softer exports are expected to exert pressure on the external balance, potentially eroding foreign exchange reserves, which stood at USD 30.4bn as of 16 April (BPM6). As these pressures persist, the recent improvement in the current account appears temporary, with the external position likely to weaken, potentially leading to a reserve drawdown of USD 3–4bn in the coming months, based on the estimated additional subsidy requirement.
- As a result, the near-term BoP impact may appear contained; however, this masks underlying vulnerabilities. A significant portion of rising imports is being financed through external borrowing, providing temporary support to the financial account but creating future repayment obligations. In contrast to prior cycles, the current surge in energy and fertilizer import costs is unlikely to ease through demand compression alone. Persistent import dependence, combined with weak export performance, is expected to exert sustained pressure on the balance of payments and the exchange rate, particularly if global energy prices remain elevated.

Diesel pricing gap highlights divergence from global oil benchmark

Graph: Historical price difference between Bangladesh diesel tariff and Dubai crude oil spot (USD per Liter)

Positive price difference means premium over Dubai crude oil price and negative price difference means discount to Dubai crude oil price. Recent adjustments have reduced the pricing gap, but domestic diesel prices remain below global benchmarks, suggesting ongoing fiscal pressure from subsidies.



Source: World Bank, IMF, Bangladesh Bank, Bangladesh Petroleum Corporation
 Note: BDT price of petroleum has been converted to USD taking the yearly average for that year.

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Outperform	N/A	N/A
Market Perform	N/A	N/A
Underperform	N/A	N/A
Total	N/A	N/A

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Tanay Kumar Roy assumed the role of Head of Equity Research of IDLC Securities Limited in January 2022. He has more than 11 years of experience in Equity Research and Investment. Tanay joined IDLC Securities Limited in October 2016 as a Research Analyst. Prior to joining the team, he was a Senior Research Associate in LankaBangla Securities Limited. Before starting his career as a sell-side analyst, he gathered experience as a buy-side analyst in LR Global BAMCO. Tanay graduated from Institute of Business Administration (IBA), University of Dhaka and completed MBA from the same institute. He is a CFA charter holder.



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