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## IDLCSL Flash Note

# Electricity Tariff Hike June 2026: Subsidy rationalization at the cost of inflationary pressure

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# Background & Regulatory Action

Bangladesh Energy Regulatory Commission raised electricity tariffs effective from the June billing cycle, increasing the weighted average retail tariff by 16.68% to BDT 10.63/kWh and the bulk tariff by 19.85% to BDT 8.39/kWh. Transmission charges were also raised by 23.96%.

- The hike is aimed at reducing the government’s mounting power subsidy burden. Under the previous tariff structure, power subsidies were expected to reach around BDT 560bn in FY27-28. The latest adjustment is expected to reduce the requirement by around BDT 142bn to nearly BDT 410bn.
- While the hike improves fiscal discipline and cost recovery in the power sector, it is likely to raise household electricity bills, increase industrial production costs and add inflationary pressure. Electricity-intensive sectors such as textiles, spinning, steel, cement and ceramics are expected to face the highest earnings pressure, while pharmaceuticals and stronger consumer staple companies may be relatively more resilient due to better margins and pricing power.

<b>+16.68%</b> <b>Retail Tariff Hike</b> BDT 9.11 → BDT 10.63/kWh	<b>+19.85%</b> <b>Wholesale Hike</b> BDT 7.00 → BDT 8.39/kWh	<b>BDT 142 billion</b> <b>Subsidy Reduction</b> FY2026-27	<b>49.8 million</b> <b>Consumers Affected</b> 100% coverage
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Tariff Category	Old Rate (BDT/kWh)	New Rate (BDT/kWh)	Change	% Change
Retail (Weighted Avg.)	9.11	10.63	+1.52	16.68%
Bulk / Wholesale (Weighted Avg.)	7.00	8.39	+1.39	19.85%
Transmission (Wheeling)	0.3135	0.3886	+0.0751	23.96%

Table: Summary of tariff revisions across categories

# Residential Consumer Slabs

All 49.8 million consumers are covered by the hike. There are no exemptions, including for the 16.2 million lifeline consumers (electricity usage up to 50 units/month). The highest percentage increase falls on households consuming 300–400 units per month. The increase in electricity tariffs is expected to add cost-push inflationary pressure, as higher utility expenses raise household expenditures.

Residential Consumption Slab (Units/Month)	Old Rate (BDT/kWh)	New Rate (BDT/kWh)	% Hike
Up to 50 (Lifeline)	4.63	5.32	14.9%
Up to 75	5.26	6.18	17.5%
76 – 200	7.20	8.50	18.1%
201 – 300	7.59	9.10	19.9%
300 – 400 (Highest Hike)	8.02	9.62	20.0%
401-600	12.67	15.01	18.5%
600 and above	14.61	17.35	18.8%

Table: Residential Tariff Slabs Old vs. New Rates

# Industrial & Commercial Tariffs

All industrial categories (small, medium-voltage, and high-voltage), as well as commercial establishments, educational institutions, hospitals, and offices, face tariff hikes in the range of 14-19%.

- Educational institutions, hospitals and offices experienced the highest tariff increase (+19.9%), followed by battery charging stations (+18.1%). Meanwhile, commercial consumers and small, medium and high-voltage industries faced tariff hikes ranging from 14-15%, while irrigation users saw an increase of 15%.
- The tariff adjustment is expected to raise operating costs for businesses across sectors, which may ultimately be passed on to consumers through higher prices, adding to inflationary pressure in the economy.

Consumer Category	Old Rate (BDT/kWh)	New Rate (BDT/kWh)	% Hike
Commercial (General)	13.46-16.00	15.36-18.40	14-15%
Small Industry	11.05	12.73	15.2%
Medium Voltage Industry	10.94 - 14.24	12.52 - 16.36	14-15%
High Voltage Industry	10.62 - 13.84	12.12 - 15.91	14-15%
Offices / Hospitals / Education	7.55	9.05	19.9%
Battery Charging Stations	9.62	11.36	18.1%
Irrigation	5.25	6.04	15%

Table: Industrial & Commercial Tariff Revisions

Source: Bangladesh Energy Regulatory Commission, National Dallies

# Economic Implications

## Inflationary Pressure

- The electricity price hike is likely to add cost-push inflationary pressure, as higher power costs feed into production, logistics, services and household expenditure.
- Businesses are likely to pass on a portion of these higher operating costs to consumers through price increases, creating upward pressure on the overall price level.
- For households, the hike directly raises monthly utility bills, reducing disposable income and potentially weakening discretionary spending. The impact is particularly important as the economy continues to face elevated interest rates, wage pressures, gas shortages and global trade uncertainty.

## Business Cost Pressures

- The tariff adjustment raises operating costs across both manufacturing and service sectors, with industrial and commercial consumers facing tariff hikes ranging from 14.0% to 19.9%. Energy-intensive industries such as textiles, steel, cement and ceramics are expected to face the greatest earnings pressure, while service-oriented sectors will also experience higher operating expenses. Companies with limited pricing power may face margin compression, whereas those able to pass on costs are likely to transfer part of the burden to consumers.

## Fiscal Impact

- The tariff revision is positive from a fiscal standpoint as it is expected to reduce the projected power subsidy requirement by around BDT 142bn, lowering FY27 subsidy needs from BDT 560bn to approximately BDT 418bn.
- However, while the measure supports fiscal consolidation and cost recovery in the power sector, it effectively shifts a portion of the burden from the public balance sheet to households and businesses.

Source: IDLCSL Research

# Capital Market Implications

The tariff revision may have broad implications for listed equities. Sectors with heavy energy dependency are at elevated earnings risk, while select segments may benefit from improved cost recovery.

Sector	Impact Level	Key Implication
Textiles & Spinning	VERY HIGH	Energy accounts for a significant portion of the production costs; tariff hike could increase overall production costs by c10%, pressuring margins and export competitiveness.
Steel, Cement, Ceramics	VERY HIGH	High electricity intensity and limited pricing flexibility may lead to margin compression and earnings pressure.
Consumer Discretionary	HIGH	Higher input and distribution costs, coupled with weaker household purchasing power, may weigh on demand and profitability.
Banking Sector	MODERATE	Higher inflation may delay monetary easing and keep borrowing costs elevated, potentially weighing on private sector credit growth and loan demand.
Consumer Staples	LOW - MODERATE	Cost pressures may be partially offset through pricing power, though margin pressure is likely in the near term.
Pharmaceuticals	LOW - MODERATE	Strong pricing power and relatively higher margins should help absorb increased utility costs.
Power Generation & Distribution	NEUTRAL	Higher bulk tariffs likely to improve cost recovery and lower subsidy dependence, but the earnings impact on power companies is expected to be limited given existing PPA structures.
Power Transmission	POSITIVE	Higher wheeling charges are expected to improve profitability and strengthen cost recovery for transmission operators.

Table: Sectoral Impact Assessment on Listed Companies

Source: IDLCSL Research

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### Rating

Buy	An upside of 15% or more within a trading range of 180 days
Sell	A downside of 10% or more within a trading range of 180 days.
Hold	An upside or downside of less than the above within a trading range of 180 days.

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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.



## Md Fahad Been Ayub - Business Analyst

Md. Fahad Been Ayub is a Business Analyst at IDLC Securities Limited, starting his tenure in July 2023 as a Senior Executive Officer. Before joining IDLC Securities Limited, Fahad worked as an Engineer in the Technology division at SSD-TECH. Fahad holds a Bachelor's degree in Computer Science and Engineering from Chittagong University of Engineering & Technology (CUET). To complement his technical background, he pursued an MBA with a major in Finance from the Institute of Business Administration (IBA), University of Dhaka, equipping him with a robust understanding of financial strategies and business management.



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Mohammad Tashnim is a Research Associate at IDLC Securities Limited. He has started his journey as a Management Trainee of IDLC in May 2024. Prior to joining in IDLC, Tashnim had worked in investment banking and in Finance & Accounts department of two other organizations. Tashnim has completed his MBA with Major in Finance from Institute of Business Administration, University of Dhaka in 2024 & completed his BBA from Bangladesh University of Professionals in 2019. Tashnim has completed CIMA Level 1 and a Post Graduate Diploma in Islamic Finance Practices.



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