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IDLC MONTHLY

BUSINESS REVIEW

Mobile Phone Manufacturing Industry: Another 'Made in Bangladesh' Success Story

IDLC Finance Limited

financing happiness

contents

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FROM THE

EDITOR

Mobile Phone Manufacturing Industry: Another 'Made in Bangladesh' Success Story

The invention of the mobile phone and mobile technology was groundbreaking. One gadget with so many capabilities is transforming the world by placing everything in the palm of our hands.

China, Vietnam, and India are the world's leading manufacturers of mobile phones. Bangladesh joined those ranks through the hands of local tech giant Walton Group in 2017. Also, world-renowned companies like Samsung, Nokia, Vivo, and Xiaomi have started assembling and manufacturing operations locally in recent years.

Because of the government's supportive fiscal policy throughout the journey, the mobile phone manufacturing and assembling industry, which began in 2017, is now capable of meeting more than 80% of local market demand. Furthermore, the industry is showing enormous export potential.

Howbeit, the mobile phone manufacturing industry seems to have high growth potential; the industry is facing a branch of challenges, i.e., import dependency for key components of mobile phones, lack of strong R & D facilities, and trading of unofficial handsets, etc. In addition to that, it has been proposed in the budget for the fiscal year 2022–23 to withdraw the existing 5% VAT exemption at the trading stage of mobile phone sets, which will affect the affordability of mobile phones consumers in Bangladesh.

Even after being faced with multiple challenges, it is undeniable that Bangladesh is the 9th largest mobile device market globally. The thriving mobile phone manufacturing industry in Bangladesh has almost all the right things going for it for another "Made in Bangladesh" dream to come true.

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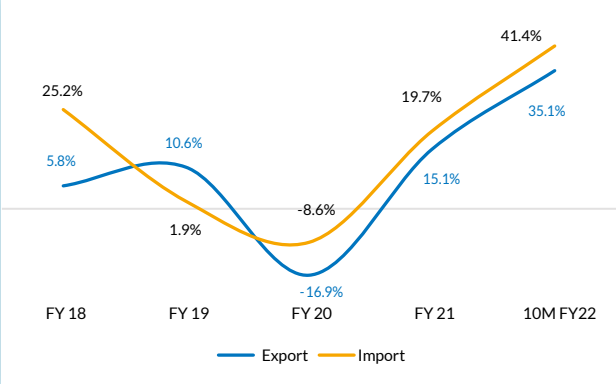
ECONOMY AT A GLANCE

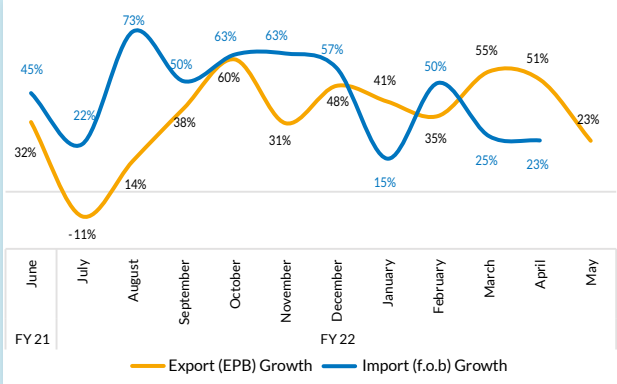
Prepared by IDLCSL Research Team

EXPORT-IMPORT

Growth in Export-Import Trade (Last 5 Years)

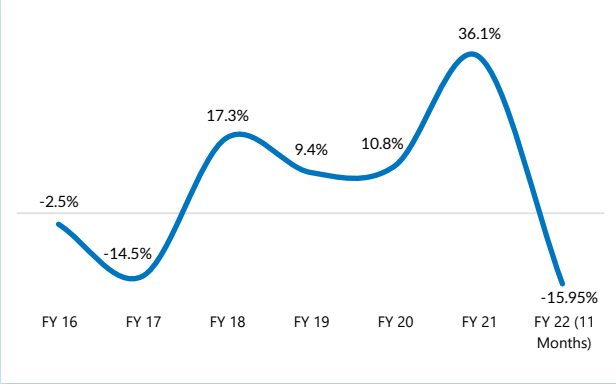


Export & Import Growth (Last 12 Months)

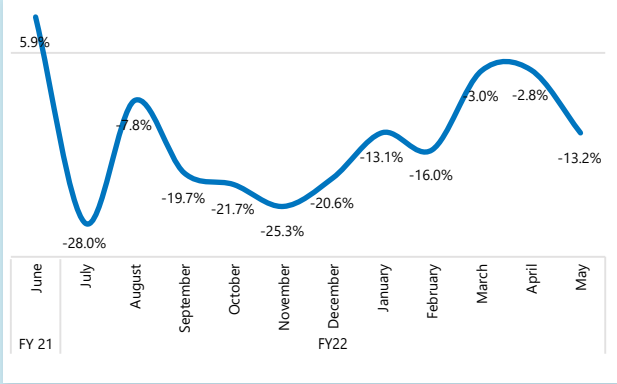


REMITTANCE

Remittance Growth (Last 7 Years)

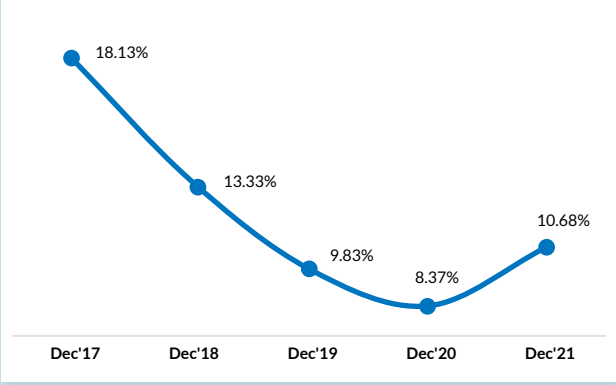


Remittance Growth (Last 12 Months)

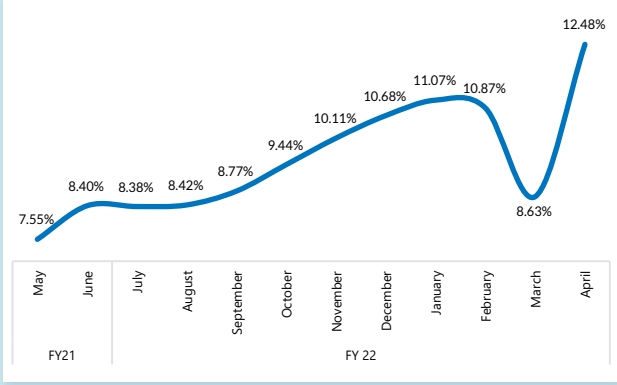


PRIVATE SECTOR CREDIT GROWTH

Private Credit Growth (Last 5 Years)



Private Sector Credit Growth (Last 12 Months)



MONTH IN BRIEF

- **The central bank increased its repo rate from the existing 4.75% to 5.00%** with immediate effect in a bid to keep the country's inflation in check. However, the BB has kept the reverse REPO rate unchanged at which it borrows from banks at 4.0%.

- **Private-sector credit flow increased to 12.48% in April 2022 from 11.29%** following rising demand for loans, particularly for trade financing, to settle import-payment obligations.

- **NBR's revenue earnings increased by 12.62% to BDT 2.04 tln in July-March of FY22**, compared to BDT 1.78 tln in the same period of the previous fiscal year.

- **Corporate tax rates will be slashed by 250 basis points** in the upcoming fiscal year, subject to maintaining cashless transactions.

- Inflation shot up to 6.29 % in April – highest in 18 months – **amid persistently high food prices and non-food price.**

- Transactions through mobile financial services, widely known as MFS, rose 29.13% year-on-year, amounting to **BDT 770.22 bln, this March riding on diversified services by the operators.**

- **The net sales of national savings certificates dropped by 50.29% or BDT 16,698.52 crore year-on-year in July-March of the fiscal year 2021-2022** as the government has tightened the NSC sale rules to contain people's buying spree of the savings instruments.

- **Financial institutions have been included in the Bangladesh Real Time Gross Settlement (BD-RTGS)** system to expedite the fund settlement process.

- **The Bangladesh Bank has extended the repayment time of a loan worth USD 200 mln provided to Sri Lanka** by one more year, considering the dire straits of the country at present. The loans have to be repaid in a "currency swap" system.

THE REMITTANCE INFLOW WILL INCREASE IN THE NEXT MONTH AHEAD EID-UL-AZHA, AS THE EXPATRIATES ARE EXPECTED TO SEND ADDITIONAL MONEY ON THE OCCASION OF THE FESTIVAL.

Md Serajul Islam, executive director and spokesperson of BB on remittance inflow rises ahead of Eid.

There is no denying the fact that Bangladesh is the most transparent apparel industry in the world, as anyone can see its compliance, environment, safety and other related issues in just a few clicks. Bangladesh also offers competitive prices.

Fazlee Shamim Ehsan, Vice President, BKMEA on explaining the reasons behind the export growth.

BB should observe the market trend for a week. If the exchange rates do not work properly, it should reconsider the rates.

Ahsan H Mansur, executive director of the Policy Research Institute of Bangladesh on US dollar crunch in the domestic market.

Bangladesh's economy is pacing ahead faster than other South Asian countries. Now is the time when more investments are needed in the country and MIGA will work on securing loans on easy terms.

World Bank's MIGA, on helping Bangladesh to raise investment in infrastructure.

Prices of many products that have no connections with the global market are increasing too, meaning that domestic demand has played a part in rising inflation.

So, we need to cool off domestic demand. We should not go for a further expansion of monetary policy.

Dr Zahid Hussain, former lead economist at the World Bank's Dhaka office on higher inflation jumps to 6.29% in April.

New investments are coming amid rising demand. Moreover, import financing increased due to high prices in the global commodity market resulting in a surge in credit growth. Banking sector is already feeling liquidity pressure amid rising credit demand but the liquidity position is still well. The credit growth, which is still below the monetary target, will see a jump in the coming months.

Md Arfan Ali, managing director of Bank Asia Ltd. on private sector credit flow up to 12.48%.

We import fruits worth BDT 8,000 crore to BDT 9000 crore annually. We have seasonal fruits like mangoes and jackfruits in abundance in this month of Jyaistha. So, you can suggest imposing high duty on such items to discourage their imports.

Mr. Khandker Anwarul Islam, cabinet secretary on suspension of imports to protect forex reserve.

WORLD ECONOMIC INDICATOR

PREPARED BY IDLCSL RESEARCH TEAM

Country	Nominal GDP: 2021 (USD in billion)	Real GDP Growth: 2021 (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	82.47	3.58	39.10	May-22	-4.28	21.41	355.00
Vietnam	366.20	2.58	2.86	May-22	-0.48	3.22	23,185.00
Kenya	109.80	7.23	7.10	May-22	-5.41	14.00	116.75
Nigeria	441.54	3.65	16.82	April-22	-0.84	11.30	414.00
Bangladesh	465.00	7.25	6.29	April-22	-3.30	8.00	91.95
Emerging Markets							
Brazil	1,608.08	4.62	12.13	April-22	-1.74	12.59	4.78
Saudi Arabia	833.54	3.24	2.30	April-22	6.56	N/A	3.75
India	3,177.92	8.95	7.79	April-22	-1.55	7.51	77.67
Indonesia	1,186.07	3.69	3.55	May-22	0.28	7.06	14,460.00
Malaysia	372.75	3.13	2.30	April-22	3.46	4.24	4.39
Philippines	393.61	5.60	4.90	April-22	-1.76	6.86	52.87
Turkey	806.80	10.99	73.50	May-22	-1.85	22.99	16.56
Thailand	513.17	1.57	7.10	May-22	-2.12	2.85	34.36
China	17,458.04	8.08	2.10	April-22	1.82	2.83	6.65
Russia	1,775.55	4.70	17.80	April-22	6.87	9.07	60.80
Developed Markets							
France	2,935.49	6.98	5.20	May-22	-0.93	1.79	0.93
Germany	4,225.92	2.79	7.90	May-22	7.43	1.26	0.93
Italy	2,101.28	6.64	6.90	May-22	3.29	3.17	0.93
Spain	1,426.22	5.13	8.70	May-22	0.94	2.43	0.93
Hong Kong	368.14	6.42	1.30	April-22	11.20	2.78	7.85
Singapore	396.99	7.61	5.40	April-22	18.12	2.83	1.37
United States	22,997.50	5.68	8.30	April-22	-3.51	2.95	1.00
Denmark	395.71	4.13	6.70	April-22	8.37	N/A	6.93
Netherlands	1,018.68	5.04	9.60	April-22	9.45	1.56	0.93
Australia	1,633.29	4.69	5.10	March-22	3.54	3.48	1.39
Switzerland	812.55	3.72	2.90	May-22	9.30	1.01	0.96
United Kingdom	3,187.63	7.44	9.00	April-22	-2.59	2.15	0.80

"**Bangladesh data:** The new GDP size (FY22 provisional estimate) and real GDP growth (FY22) are as per new base year. Calculation Method of CA Balance (%of GDP): CA balance for 10 month FY2021-22 /Provisional GDP of FY22.
Interest rate (%) 10 years TB as per May 2022, Inflation as per April 2022 and Currency Unit (per USD) as per 7th June are sourced from Bangladesh Bank "

Nominal GDP: Data of all countries apart from Bangladesh is sourced from IMF estimates of 2021 data (April, 2022 Outlook)

Real GDP Growth and Current Account Balance: Data of all countries apart from Bangladesh is sourced from IMF estimates of April, 2022 data (World Economic Outlook, April 2022)

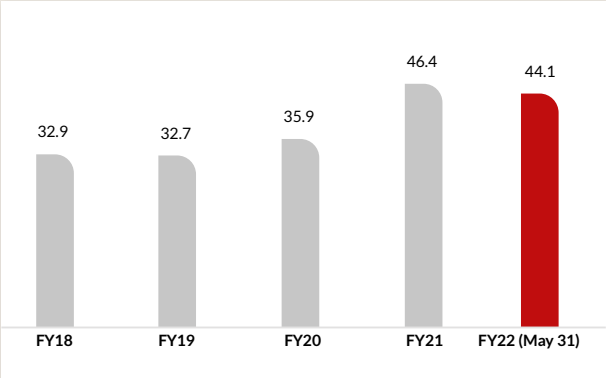
Inflation : Data of all countries apart from Bangladesh is sourced from tradingeconomics.com

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

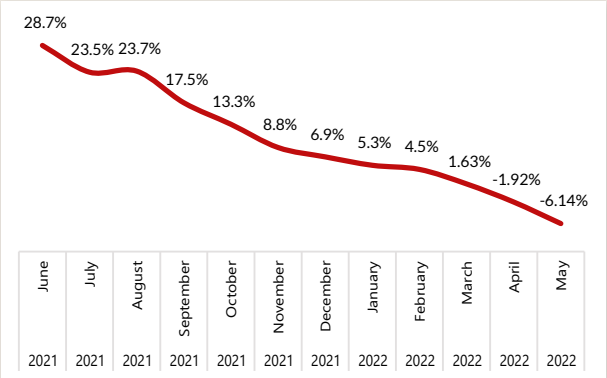
BANKING DATA CORNER

Prepared by IDLCSL Research Team

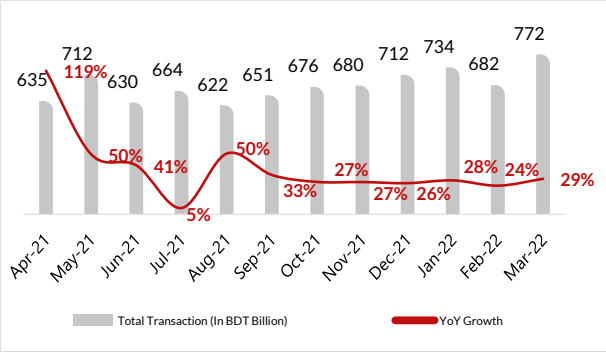
Foreign Exchange Reserve
(In Bln USD, Last 5 Years)



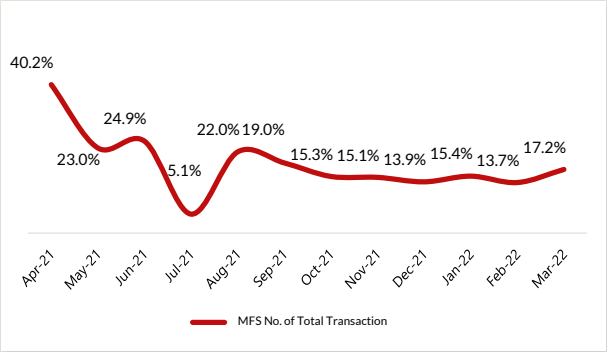
Foreign Exchange Reserve
(YoY Growth)



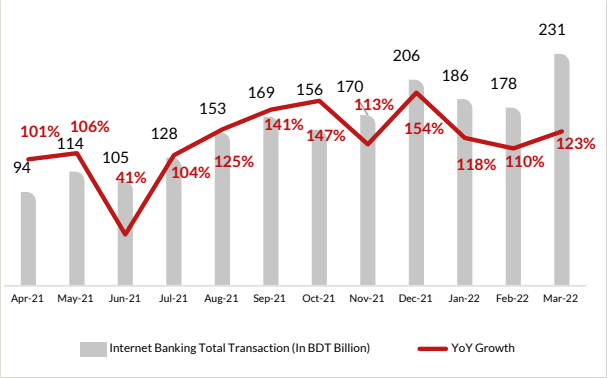
MFS Monthly Transaction
(BDT Billion and YoY Growth)



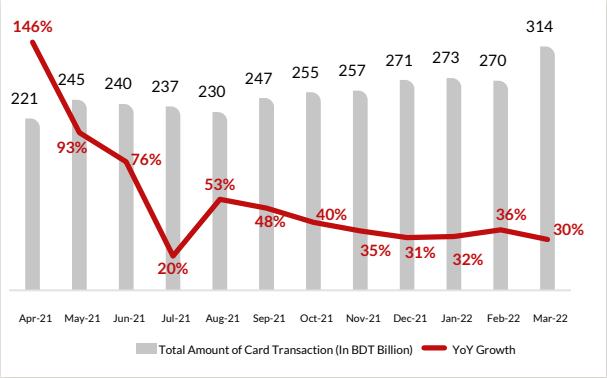
Total Number of MFS Transaction
(YoY Growth)



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



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



Source: Bangladesh Bank

wagely

Team wagely

wagely is Asia's largest and fastest-growing financial wellness platform offering workers visibility into their daily earnings, instant access to earned wages, and the power to plan ahead - proven to decrease employee turnover, enhance retention, and increase business savings. Its mission is to help employees regain control over their income and finances. MBR was in a conversation with Team wagely to learn about their inspirations and vision behind wagely.

Interviewed by
Akhlaqur Rahman Sachee, MBR Team

Akhlaqur Rahman Sachee: wagely, Asia's fastest-growing financial wellness platform, expanded its operations into Bangladesh in 2021. What were the major motivations for the company to choose this particular country?

wagely: Bangladesh is one of the fastest-growing economies globally and is home to around 70 mln workers. With much of this economic growth being contributed by lower and middle-income workers that play a significant role in some of the core industries such as RMG and manufacturing, Bangladesh has a large population that is currently financially underserved.

As managing financial worries is the number one issue in the life of lower and middle-income workers in Asia, most Bangladeshi workers are struggling to cover basic needs with little to no option to build sustainable savings. With limited access to conventional financial services, many are pressured to turn to illegal lenders and loan sharks when in need of emergency cash to cover unexpected expenses. The effects on workers are long-lasting, causing substantial financial stress that leads to a loss in productivity, higher absenteeism, irregular behaviour, and increased turnover that severely impacts business performance. wagely provides a solution that allows Bangladeshi workers to gain financial control, benefiting both the worker and the workplace.

Akhlaqur Rahman Sachee: Earned Wage Access (EWA) is a relatively new concept in Bangladesh. How are the users responding to this idea?

wagely: wagely's holistic financial wellness platform is the first of its kind to pioneer Earned Wage Access (EWA) in Bangladesh. Nevertheless, we have partnered up with some of the largest and most forward-thinking brands in the RMG sector, such as Desh Garments, SQ Group, Ha-Meem Group, and many others. Our partners have seen tremendous adoption rates of upwards of 90 per cent, speaking of a clear need for fair and sustainable financial services for workers.

Akhlaqur Rahman Sachee: How does wagely finance the fund it requires to provide the employees early access to their earned wages? How does it manage the risk of delayed salary disbursement from the employers?

wagely: wagely pays out the accessed salary directly into the salary bank account of the worker. At the end of the pay cycle, the amount accessed will be deducted from the worker's paycheck after they calculated and cleared the rest of the worker's payment.

Akhlaqur Rahman Sachee: In Bangladesh, wagely has already onboarded several RMG enterprises. Kindly share with us your expansion plan in Bangladesh. What are the industries wagely is planning to explore next?

wagely: wagely has partnered with some of the biggest names in the RMG industry of Bangladesh, such as Desh Garments, SQ Group, Ha-Meem Group, International Classic Composite, and many others. While we continue to focus on the RMG sector with its 4.5 million workers, wagely is an industry-agnostic solution. We are planning to expand the service across industries to help the majority of low-income and middle-income workers get access to their salaries on demand.

Akhlaqur Rahman Sachee: The impact of wagely's operations seems to be primarily employee-centric. What are the incentives for employers to collaborate with wagely to provide the EWA solution to their employees?

wagely: wagely is a financial benefit for employees and equally so for employers. An assessment of one of the largest and most reputable companies in the RMG sector that has partnered with us shows conclusively that after the implementation of wagely, turnover declined by an average of 33%. Further, additional data suggests that wagely positively impacts productivity, absenteeism, and recruitment, saving partnering businesses thousands of dollars on a monthly basis.

Akhlaqur Rahman Sachee: The lack of technological and financial literacy among wagely's target group in Bangladesh can be a barrier to its smooth operations. How is the company handling this issue?

wagely: wagely has been specifically designed to serve lower and middle-income workers with low financial and technological literacy. The application that can be accessed barrier-free via smartphone, kiosk, or desktop is easy to use and avoids unnecessary or confusing content.

In addition, wagely provides holistic support for all its partners. We actively assist workers in registering for, withdrawing from, and resolving issues through our permanent presence within the various factories. Not only do we help workers with how to use the wagely App, but we also provide regular financial education and training sessions.

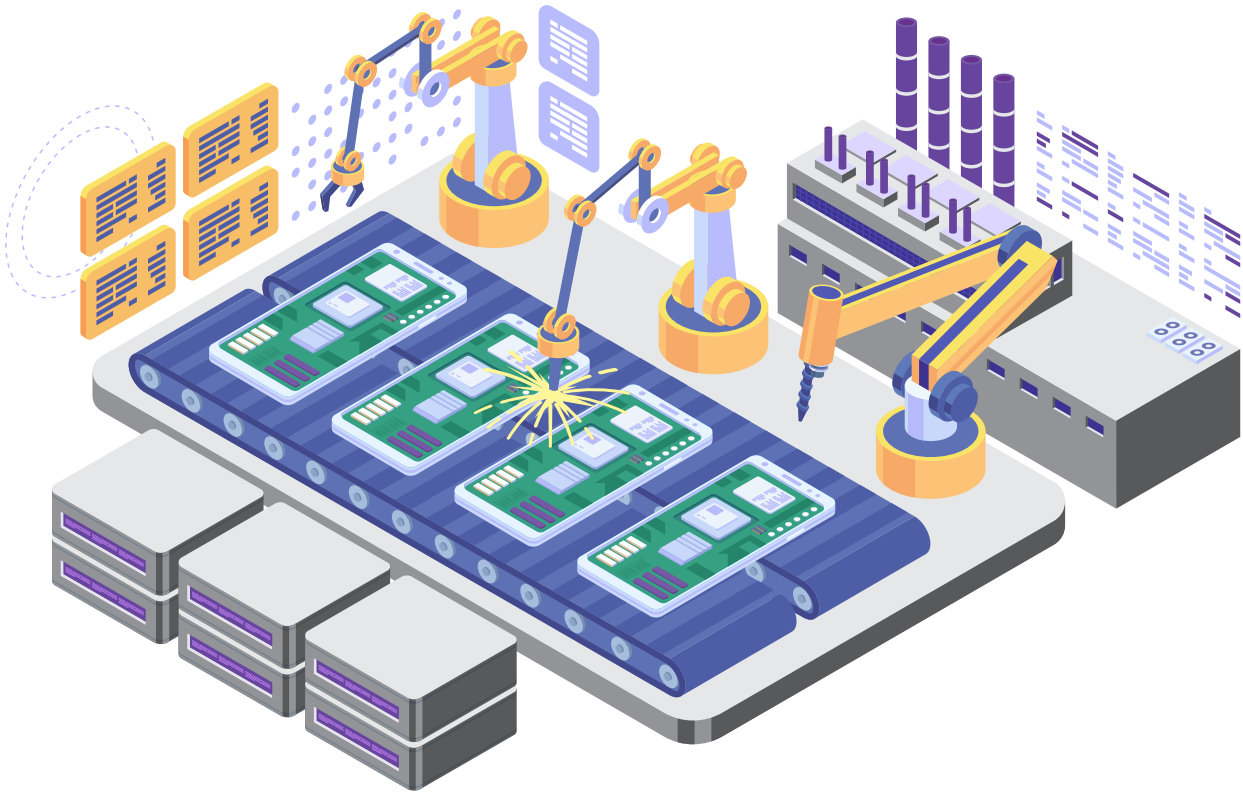
Akhlaqur Rahman Sachee: wagely has recently raised USD 8.30 mln in pre-Series A funding. Undoubtedly, this is a massive accomplishment for any startup company. Would you please kindly share with us what your next move would be to attract more local and foreign investors?

wagely: wagely will continue to create awareness of the importance of employee financial wellbeing to businesses. Furthermore, we aim to provide additional financial services to our users, such as insurance, investing, and savings, that can help with become more financially resilient.

MOBILE PHONE MANUFACTURING INDUSTRY:

ANOTHER 'MADE IN BANGLADESH' SUCCESS STORY

Written by
Akhlaqur Rahman Sachee
Senior Executive Officer
Credit Risk Management
IDLC Finance Limited



The mobile phone is the magic lamp of the 21st century, which has dramatically changed our lifestyle. It has shaped how we do almost everything in our daily life. It has brought the whole world under our fingertips. Not only has it shortened time and distance, but it has also provided numerous innovative solutions such as internet connectivity on the go, mobile financial services, telemedicine, and the list goes on.

Bangladesh, a country in which mobile phone was first introduced in the year 1993, experienced its very first local mobile phone manufacturing plant being established in 2017, just within a time span of 25 years. The industry, which was previously dependent on imports only, is now capable of fulfilling more than 80% of its demand through local assembling, thanks to the changes in the government's fiscal policy in 2017 to reduce the import duty on mobile phone components to 1% for the Complete Knocked Down (CKD) process and 10% for the Semi Knocked Down (SKD) process, which was 37.07% cumulatively before 2017. Bangladesh, having the prospect of achieving a smartphone adoption rate of 62% by the year 2025 as per a report by the GSM Association, surely has all the positive factors present in it for another 'Made in Bangladesh' dream to come true.

Mobile Phone Manufacturing Industry in Global Perspective

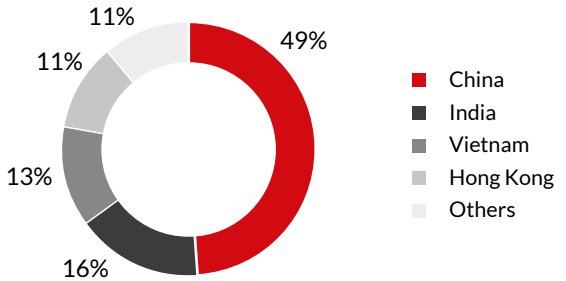
In the global context, the mobile phone manufacturing industry has always been dominated by China and Vietnam. These two countries alone are used to fulfill nearly 85% of the global demand. However, as per The Economic Times, India surpassed Vietnam in 2017 in terms of the number of units produced. The country plans to grab more than 7% of the global export market, which is projected to be valued at USD 369 bln in 2025.

China: China is the largest mobile phone manufacturing country in the world. As per Statista, the country has the capability to produce more than 1.50 bln units of mobile phones per year. The country is currently fulfilling around 49% of global demand. All the three activities of the mobile phone manufacturing industry value chain, R & D, manufacturing of key components and final assembly, are performed here. Some of the most well-known brands in the world, like Huawei, Xiaomi, OnePlus, Oppo, Vivo, Honor, and Realme, are also from this country.

India: India is currently the second-largest mobile phone manufacturing country, having the capacity to produce over 300 mln units per year. More than 250 manufacturing plants are located here. Almost all the globally renowned brands, such as Apple, Samsung, Xiaomi, Oppo, Vivo, etc., have established their manufacturing facilities in the country. However, India's value addition to the manufacturing process is less than 20%. Most of the key components are imported from China, and the final products are assembled in India.

Vietnam: Vietnam held the second position for quite a long time until India took over the position. Like India, where the final assembly of the products takes place, multiple global giants have established their manufacturing plants in Vietnam. The yearly production capacity of Vietnam is around 253 mln units. Samsung alone has launched six manufacturing plants in Vietnam, and 60% of Samsung's global production takes place in Vietnam. However, Samsung plans to shift the majority of its production to India by the year 2024 to ensure better risk distribution.

Figure 1: Global Market Share Occupied by Different Countries



Source: PaidForArticles

Other than the countries mentioned above, Taiwan, Hong Kong, Indonesia, South Korea, Thailand, and some other countries are contributing to fulfilling the global demand for mobile phones.

Top Mobile Phone Vendors Worldwide

Motorola DynaTAC 8000X was the world's very first commercially available mobile phone and was released in the year 1983. In the earlier part of the mobile phone development history, Motorola's major competitors were Nokia and Siemens. However, the modern era in the history of mobile phones began with the introduction of the iPhone in the year 2007 and the introduction of the first-ever commercially available android smartphone, HTC Dream, in the year 2008. Since then, continuous R & D for software and hardware up-gradation has never stopped. Currently, there are hundreds of vendors serving our needs for handheld devices.

Samsung: Samsung, a South Korea-based mobile phone vendor, is in the top position worldwide in terms of the number of units sold. Samsung is well-known for its build quality, user-friendliness, and cost-effectiveness.

Apple: Apple is the biggest tech company in the world, and iPhone is the best smartphone in the premium segment. Continuous innovation has helped this American multinational company grab a large share of the smartphone market.

Xiaomi: Xiaomi is a Chinese multinational tech company. Because of offering one of the best price-to-value ratios in the market, it managed to give tough competition to the big names of the industry soon after launching.

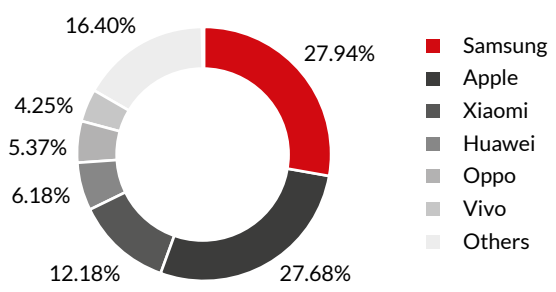
Huawei: Huawei is another Chinese multinational tech giant. They are offering a wide variety of mobile phones in multiple segments at multiple price points, and that has made the brand very dear to smartphone buyers.

Oppo: Oppo is a subsidiary of BBK Electronics, which is a prominent consumer electronics manufacturer based in China. Oppo has already ensured a position in the list of top vendors for design, build quality, and affordability.

Vivo: Vivo is another subsidiary of BBK Electronics. Vivo is more performance-oriented, whereas Oppo focuses on the design and looks. Vivo has recently teamed up with Zeiss to make more changes to the way smartphone cameras work.

Nokia: Nokia is a Finnish mobile phone manufacturer brand which was once the largest mobile phone vendor in the global market. Failure to keep up with consistent innovations from Apple and Samsung, as well as a poor choice of the operating system, led to the company's acquisition by Microsoft in 2014. However, it was bought back by former Nokia executives in 2016, and it is trying to come back to the market by adopting Android as the operating system for its smartphones.

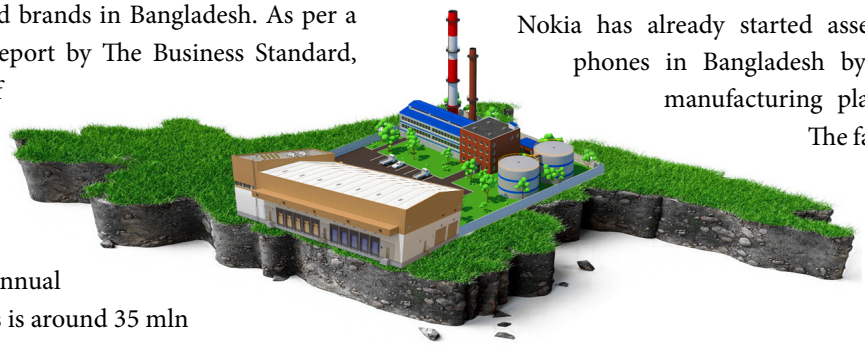
Figure 2: Market Share of Different Vendors Worldwide



Source: StatCounter

Snapshot of the Mobile Phone Manufacturing Industry in Bangladesh

A report published by Nikkei Asia stated that the initiatives of the Bangladesh government in 2017 to patronize local manufacturing of mobile phones by bringing changes to the import duty structure created an effective price gap of 15% to 26% between imported mobile phones and locally assembled mobile phones. In the very same year, Walton started to operate its first manufacturing plant, located at Gazipur. In the later years, Symphony, Samsung, Oppo, Vivo, Nokia, Xiaomi, and some other renowned names established their manufacturing plants here in Bangladesh. As per the Bangladesh Telecommunication Regulatory Commission (BTRC), a total of 14 manufacturing plants are assembling mobile phones for various globally and locally renowned brands in Bangladesh. As per a recently published report by The Business Standard, the market size of mobile phones in Bangladesh is worth BDT 15,000 crore. In terms of quantity, the annual demand for handsets is around 35 mln units.



Manufacturing plant establishment initiatives by some of the local and global brands and their contributions to the industry have been discussed here.

Walton: Walton is the pioneer in the local mobile phone manufacturing industry. The local tech giant's initial investment was more than BDT 1,000 crore to establish their first manufacturing plant at Gazipur in 2017. The factory has the capacity to produce around 7 mln units of handsets every year, of which 1.20 mln units are smartphones. The facility has created employment opportunities for more than 2,000 people.

Symphony: In the year 2018, Symphony started operating its manufacturing plant located at Ashulia, which can produce 5 lakh units of mobile phones monthly. The local brand has already occupied 28% to 30% of the local feature phone market. More than 1,200 people have been employed by their manufacturing facility.

Samsung: Fair Electronics established the very first manufacturing plant assembling mobile phones for a foreign brand. In collaboration with Samsung, they have established a state-of-the-art manufacturing facility at Narsingdi. The factory has created employment opportunities for around 1,250 people, and it is capable of fulfilling almost 100% of the demand for Samsung mobile phones in the local market.

Xiaomi: Xiaomi established a manufacturing plant with a total area of 55,000 square feet at Gazipur in the year 2021. Around 3 mln handsets can be produced in this facility every year, and more than 1,000 people are working here.

Nokia: In collaboration with Union Group, Nokia has already started assembling mobile phones in Bangladesh by establishing a manufacturing plant in Gazipur. The factory is capable of producing around 9,000 handsets per month. More than 200 people are working here to keep the facility running.

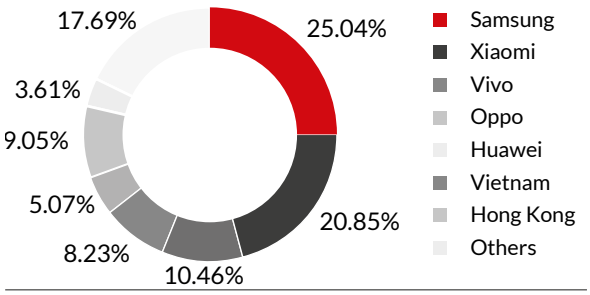
Table 1: List of Companies Manufacturing Mobile Phones for Various Brands

Serial	Manufacturing Company Name	Brand
1	Walton Digi-Tech Industries	Walton
2	Fair Electronics	Samsung
3	Edison Group	Symphony
4	Al-Amin & Brothers	5 Star
5	Carlcare Technology BD	itel and Tecno
6	Anira International	Yunstar
7	Best Taicool Enterprise	Vivo
8	Grameen Distribution	Lava
9	Banglatronics Technology	DTC
10	Benli Electronic Enterprise	Oppo
11	Telephone Shilpa Sangstha	Okay Mobile
12	Mycell Technology	MyCell
13	DBG Technology BD	Xiaomi
14	Vibrant Software (BD)	Nokia

Source: Business Inspection BD

As per a report by The Daily Star, 14 manufacturing facilities in Bangladesh fulfilled around 63% of the total local demand for handsets in 2020–21, which is more than 25 mln units in terms of quantity. They have invested around BDT 5,000 crore in total in the industry, and the industry as a whole has the capacity to produce 40 mln units per year currently, according to The Business Standard. Altogether, more than 15,000 people are employed in the industry, of which 98% are Bangladeshis, other than a few senior officials.

Figure 3: Market Share of Different Vendors in Bangladesh



Source: StatCounter

Prospect of the Mobile Phone Manufacturing Industry in Bangladesh

The mobile phone manufacturing industry has already proven itself as a prospective industry, which has surely a long way to go in the upcoming years. Some key growth aspects of the industry have been enumerated below.

Large Untapped Local Market: A report by Fitch Ratings stated that sales of mobile phones in Bangladesh may grow by more than 7% in the upcoming years. Sales have already grown by 17% in value and 8% in the number of units over the last five years, according to the Bangladesh Mobile Phone Importers Association. These figures clearly indicate that there is still a huge unserved market in Bangladesh and that the mobile manufacturing industry has room to grow.

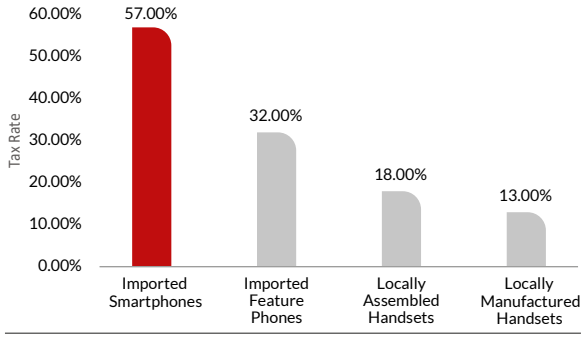
Healthy Ecosystem of the Industry: This goes without any doubt that telecom operators are the major stakeholders in the industry. As per a report published by the GSM Association, connection penetration is 102% in Bangladesh, and subscriber penetration is 54% as of 2020. These figures indicate a better scenario than our neighbouring country, India. The coverage gap stood at only 5% in 2020 because of the continuous coverage expansion effort of the telecom operators. Currently, there are four telecom operators operating in Bangladesh: Grameenphone, Robi, Banglalink, and Teletalk, which are putting forth continuous effort to introduce modern network technologies and reduce the coverage gap to zero.

Key Points

- 14 manufacturing plants have been established in Bangladesh.
- 80% of the demand is being met up locally.
- Market size is valued at BDT 15,000 crore yearly.
- The local industry has the capacity to produce 40 mln units of mobile phones per year

Growth Friendly Tax Policy: To help the industry grow, the government has designed the tax policy in such a way that the local mobile phone manufacturing industry enjoys some competitive advantages over imported smartphones and feature phones. The cumulative tax rates on imported smartphones and imported feature phones are 57% and 32%, respectively. However, the imposed cumulative tax rates on locally assembled handsets and locally manufactured handsets are only 18% and 13%, respectively.

Figure 4: Comparison of Cumulative Tax Rates



Source: The Business Standard

Foreign Direct Investment (FDI): Xiaomi has recently invested around USD 10 mln to set up its manufacturing facility at Gazipur. A good number of hi-tech parks are already under construction, and many more have been proposed. Plants operating in those parks will enjoy various facilities like tax breaks, import duty exemptions, etc. The mobile phone manufacturing industry will directly benefit from these government initiatives as there will be more FDI inflow into the country.

Export Potential: The industry has enormous potential to be one of the major contributors to our export receipts, whereas nearly 85% of the contributions currently come from the Ready-made Garments (RMG) sector. Walton is the first local manufacturer to export smartphones to the USA in March 2020. Symphony shipped 15,000 smartphones to Nepal in October 2021. Export-friendly trade agreements with South Asian and African countries can open new doors for the local mobile phone manufacturing industry, as the industry has the capacity to contribute to our export basket after fulfilling the local demand.

Challenges

Even though the mobile phone manufacturing industry seems to have high growth potential, the industry is facing a set of challenges which may hinder the pace of growth. Some of the major challenges have been discussed in this part.

Affordability: Though local manufacturing facilities have helped cut the costs significantly, enjoying a quality mobile phone is still expensive for the majority of the population. As per the GSM Association, consumer tax as a share of Total Cost of Mobile Ownership (TCMO) in Bangladesh is higher than its regional peers, which is 35% in Bangladesh, whereas it is 25% and 23% in India and Pakistan, respectively.

Proposed VAT Policy: It has been proposed in the budget for the fiscal year 2022–23 to withdraw the existing 5% VAT exemption at the trading stage of mobile phone sets, which will affect the affordability of mobile phone consumers in Bangladesh. The prices of all the mobile components have increased significantly. Because of this proposed VAT policy, retail prices of the handsets will increase further, and this will certainly impact the purchasing behaviour of consumers.

Lower Value Addition: Chipsets, displays, and batteries are the main components required to produce mobile phones. None of them is produced locally, and there are only a few suppliers of these components located in China, South Korea, and Taiwan. As per a report published in The Daily Star, only 15% to 30% value addition happens here in Bangladesh. To exploit the full potential of the growing mobile manufacturing industry, backward integration is required in the industry.

Unofficial Mobile Phones: The government has imposed an import duty of 57% on imported smartphones and 32% on imported feature phones to help the local mobile phone manufacturing industry flourish. Alongside, BTRC has taken punitive actions several times to stop the entry of unofficial phones. However, it has been observed that almost 10% of the mobile phones sold have entered Bangladesh via various illegal channels. This is a threat to the local mobile phone manufacturing industry and the users of the devices.

Even after being faced with multiple challenges, it cannot be denied that Bangladesh, with a population of which 95% has access to telecommunication, has already achieved the objectives of Digital Bangladesh. Through the emergence of high-tech industries like the mobile phone manufacturing industry, the country is sure to make the dreams of Vision 2041 come true.

The writer is working as Senior Executive Officer at IDLC Finance Limited and he can be reached at akhlaqur@idlc.com.

M.A. Hanif

Executive Director
Walton Digi-Tech Industries Ltd.

Interviewed by
Akhlaqur Rahman Sachee, Team MBR

Walton Digi-Tech Industries Limited is a reputed Bangladeshi mobile and computer technology based company that develops, sells, repairs and provides support for mobile, computers and related products and services. Walton Digi-Tech Industries Limited has introduced a variety of desktop computers, laptops and related accessories. The company provides a dynamic range of products depending on user preferences for personal and official use.

Akhlaqur Rahman Sachee: Though locally assembled mobile phones meet up to the major portion of the local demand, Bangladesh still has to depend on imports for most of the mobile phone components. Can we expect backward integration to happen in the local industry in the near future?

M.A. Hanif: China is currently the largest supplier of mobile phone components, and most of our products are being assembled using Chinese components. It cannot be denied that backward integration is needed to enhance our value addition. But, it requires a huge amount of investment, for which we will need to wait for some more time. In addition to that, the production volume matters here as well. Export opportunities will be needed to take advantage of economies of scale. Undoubtedly, government policies will play a crucial role here.

Akhlaqur Rahman Sachee: Bangladesh is widely known as a country with abundant cheap labour. However, the mobile phone manufacturing industry is driven by a skilled workforce. Do you think that the country will be able to ensure a sustainable supply of a skilled workforce for the industry?

M.A. Hanif: The majority of the labour force participants in this industry are Bangladeshi. In the early days, we had to hire industry experts from China for technical support. But, the proportion gradually declined. Currently, more than 90% of the staff are from Bangladesh, except a few specialists. Because of the government's efforts to support vocational education and the opportunities for training and growth that the industry offers, we can be sure that Bangladeshis will one day be in charge of the industry.

Akhlaqur Rahman Sachee: The very first mobile phone manufacturing plant in Bangladesh was established in 2017. In the span of five years, local manufacturers have managed to meet around 80% of the country's demand. What are the factors you think are driving this phenomenal growth?

M.A. Hanif: A combination of factors created a conducive environment for the mobile phone

manufacturing industry to flourish. It is obvious that budgetary initiatives of the government in the year 2017 boosted the growth of the industry significantly. As a result of the government initiatives, we experienced multiple global brands' interest in setting up their manufacturing plants in Bangladesh in later years. The credit goes to the labour force as well. The mobile phone manufacturing industry requires a labour force that is equipped with technical skills, and our labour force was found quite ready to be employed in the industry at that moment of time or to be trained up to make them job-ready.

Akhlaqur Rahman Sachee: Do you think the industry has the potential to be one of the major contributors to our export basket after meeting the local demand? What are your thoughts regarding the current export figures?

M.A. Hanif: It is evident that our current export figures are very small. However, it has the potential to grow. There is still room left in the local market for the industry to explore, and we need to capture the local market first. As we have government policies in our favour and a vast labour force which has been proven to be quite fit for the industry, the production volume can only be expected to grow further in the future. This will surely create more export opportunities after meeting the local demand.

Akhlaqur Rahman Sachee: Our neighbouring country, India, has already taken second place in the list of top mobile phone manufacturing countries. As Bangladesh has similar socioeconomic and demographic trends, can we expect to see our country's name on the list anytime soon?

M.A. Hanif: Though we have socioeconomic and demographic similarities, the size of the Indian local market is eight to ten times bigger than ours. Catering only to the local market may not help us grab a position at the top. So, unless we can scale up our production volume and create export opportunities to get our enhanced production volume absorbed, it will not be easy to reach that level. With the current pace of development, Bangladesh may be ranked among five to ten countries in the near future.

Akhlaqur Rahman Sachee: It is clear that the mobile phone manufacturing industry largely depends on foreign direct investment. What are the challenges local conglomerates are facing to come up?

M.A. Hanif: More than 80% of the local smartphone market is being served by global brands, which encouraged them to set up manufacturing plants in Bangladesh. The smartphones of the local brands are not as popular as their feature phones are. The market share of feature phones will decline even further in the upcoming days. Only the popularization of local branded smartphones through innovations and the creation of export opportunities to export feature phones to lower-income countries will encourage more local conglomerates to come up. If not, global brands will continue to control the market, and foreign direct investment will continue to be important.

Akhlaqur Rahman Sachee: Do you think the policy support is adequate for the industry? What are the areas in which policymakers can work to help the industry flourish even better?

M.A. Hanif: Government policies have gradually become much friendlier for the industry than they were before. To ensure sustainable growth, policies need to be in effect for a reasonable amount of time. Frequent changes in policy make investors confused, and they fail to make long-term growth plans because of frequent changes. Policymakers are expected to stick to newly enacted policies for at least five to ten years in order for investors to make long-term plans. The current duty structure may also be relaxed further to help the industry flourish.

BICYCLE INDUSTRY IN BANGLADESH: PADDLING TOWARDS EXPORT GROWTH

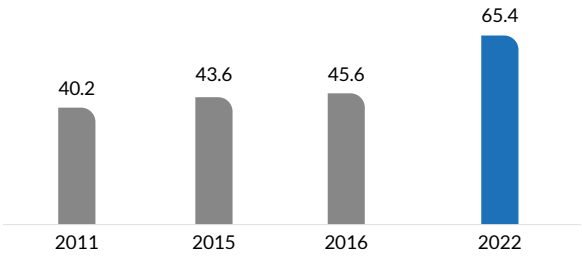
Written by
Akhlaqur Rahman Sachee and Susmita Bhatta

The bicycle industry in Bangladesh was historically local-market oriented because people used to prefer bicycles to avoid traffic situations. However, after meeting the local market demand by producing quality bicycles while maintaining global standards, the industry has started exporting bicycles to other countries as well, and it has successfully positioned its name on the list of top-notch global suppliers. During the global pandemic, Bangladesh has experienced a surge in export orders for bicycles because of the facility they provide to travel around while keeping social distance and reaping the health benefits of physical exercise. As a result, Bangladesh now produces approximately 1.5 mln bicycles each year, and nearly 1 mln of them are exported to global markets. Bicycles, especially electric ones, are expected to be in high demand in the future as the world embraces more environmentally friendly modes of transportation. All these facts and figures indicate that this industry is an emerging export-oriented industry which is experiencing a growth of 5% in export earnings every year.

Global Market Scenario

The bicycle industry has started to experience significant growth since 2011. By 2016, the market had grown to USD 45.6 bln from USD 40.2 bln. This occurred as a result of heavy traffic congestion, growing awareness regarding environmental issues, and the lower repair and maintenance cost of bicycles. In addition to that, the COVID-19 pandemic has triggered a demand for bicycles worldwide because people have started opting for bicycles as a convenient tool for physical exercise for health benefits. As a result, there was significant market expansion in the year 2020. The introduction of home delivery services by different businesses and increased e-commerce initiatives during the COVID-19 period are also the reasons why this sector started to gain remarkable growth.

Figure 1: Global Market Size of the Bicycle Industry (In USD Bln)

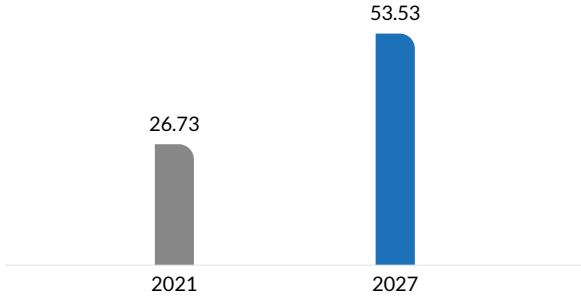


Source: Statista

According to Brandessence Market Research, the global market size was valued at USD 49.74 bln at the peak time of the COVID-19 pandemic. Research says the trend will continue, and the worldwide bicycle market is expected to reach USD 65.4 bln by the end of 2022. Also, it has been predicted that the industry will be valued at USD 70.10 bln by 2027, with a Compound Annual Growth Rate (CAGR) of 6.13 %.

The underlying factors of this optimistic projection are policy support, evolving bicycle fashion trends, and the expanding worldwide urbanization rate.

Figure 2: Size of the Global Market of Electric Bicycles in (In USD Bln)



Source: Statista

Electric bicycles are also becoming more popular as environmental and health concerns develop. The e-bike market is predicted to earn USD 53.53 bln in revenues by 2027, according to Statista, with a CAGR of around 12.27%. This is also one of the reasons why the global bicycle market is expected to grow by 6.13% over the forecast period.

Rise of Bicycle Manufacturing Industry in Bangladesh

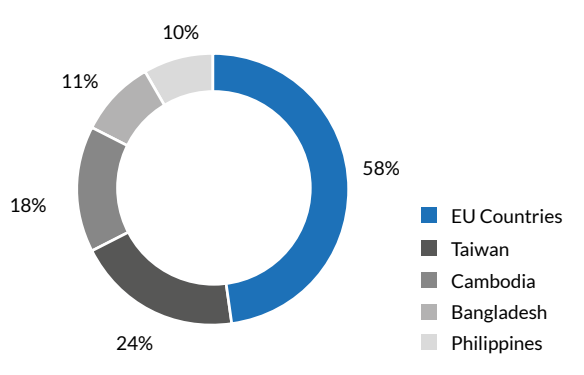
European Union (EU) countries are the most bicycle-friendly, explaining why 18 mln bicycles are sold there each year. 60% of the bicycles are manufactured domestically to meet this massive demand, while the rest are imported from other countries. Bicycles are in high demand in the United Kingdom, Germany, Spain, France, Italy, and the Netherlands, particularly. According to the Confederation of the European Bicycle Industry, during the course of 2020, bicycles worth EUR 18.3 bln or 22 mln units were sold across Europe. This spurred an unprecedented expansion of Europe's bicycle production. Bicycles sold in Europe include road bicycles, hybrid bicycles, all-terrain

bicycles, and electric bicycles. Electric bicycles are fast becoming the consumer's preferred choice for greener e-mobility options. This resulted in a staggering 52% growth in revenues to EUR 10.6 bln in 2020.

Moreover, because of increased government support for bike-sharing infrastructure, Asia-Pacific countries' bicycle markets reached USD 22.83 bln in 2019. The bicycle market in North America was valued at USD 11.9 bln and is predicted to increase at a 6.9% annual rate between 2022 and 2030.

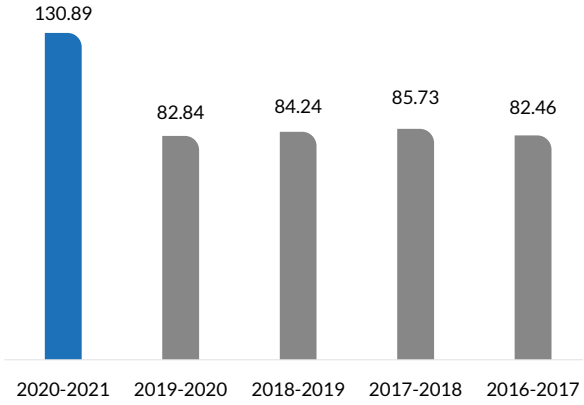
Aside from the countries of Europe, Asia-Pacific, and North America, Bangladesh has quickly established itself in the global bicycle market by exporting bicycles, particularly to Europe, to meet global demand. As indicated in the graphs below, Bangladesh is currently the third-largest non- EU bicycle exporter.

Figure 3: Bicycle exports to the EU in 2020



Source: Eurostat

Figure 4: Export Performance of Bangladesh Bicycle Industry in (In USD Mln)



Source: EPB

Export receipts were USD 82.46 mln in the 2016-17 fiscal year, as demonstrated in the graph above. In the fiscal year 2017-18, the bicycle export industry earned USD 85 mln, representing a 3.97% increase over the previous fiscal year. As a result, bicycle export revenues accounted for 12% of the overall light engineering sector exports in FY 2017-18. There is a downward trend in the bicycle industry's export performance from the fiscal year 2018-2019 to the fiscal year 2019-2020. However, due to COVID-19, a transition happened in the bicycle industry's export performance in the fiscal year 2020–21 because manufacturers exported bicycles valued at approximately USD 130 mln, up to 50% growth from the previous year.

Major Market Players and Top Export Destinations

PRAN-RFL Duranta: Duranta Bike is the sister concern of the RFL group. It is one of the leading bicycle manufacturers and exporters in the country, having launched in 2015 with two plants in the Hobigonj district in the Sylhet division. These two factories are compliant with the world's highest-tech mechanical component testing lab worldwide. One plant manufactures local products, while the other produces for export. More than 6,000 people work in factories that make 65% of the raw materials that are used to make bicycles that are exported.

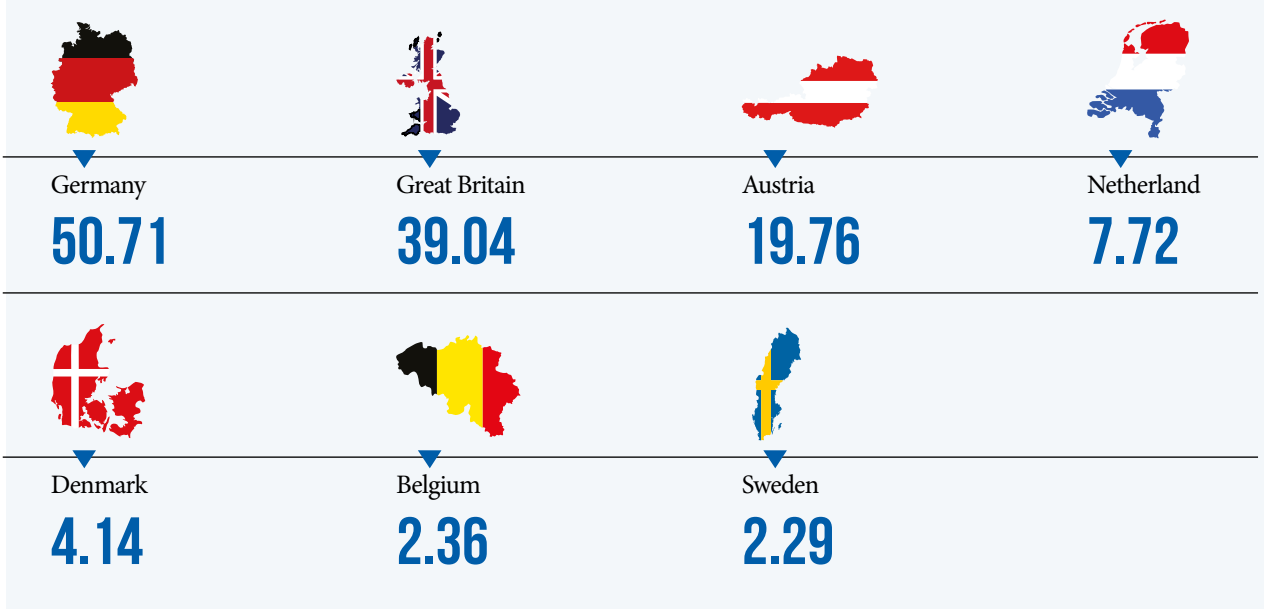
Meghna Group: M & U Cycles Ltd., which manufactures bikes, is a sister business of the Meghna Group. It was started in 1982 in Gazipur, Dhaka. This company was the first to start exporting bicycles from Bangladesh. In their past 38 years of legacy in the bicycle industry, other major exporters entered this industry. However, Meghna Group, being the largest, exported more than 130,000 units of bicycles from January to June of the financial year 2021 while having a production capacity of 900,000 units. Currently, 600 or more people in the M & U Cycles industry operate 9 plants, with 2 dedicated to exports, 2 to meet local demand, and 5 to manufacture bicycle components.

Alita Bangladesh: This company was the first in Bangladesh to manufacture bicycles. It launched the country's first export-oriented bicycle manufacturing factory in 1995, exporting only 1000 bicycles. Exporting became easier after 1997, and the value of exports reached USD 130 mln in FY 2020–21 and USD 140.71 mln in the first ten months of the current fiscal year. Its factory has the potential to create 2.40 lakh bicycles per year. Alita Bangladesh Limited invested USD 4.74 mln in the

Chattogram EPZ area to build its plant. Two more factories were built with an additional investment of USD 5.92 mln.

Top Export Destinations as per Export Value (USD Mln)

Figure 5: Export Performance of Bicycles in EU Market (In USD Mln) during July-April 2021-2022



Source: EPB

Contribution to the Export Basket

Bangladesh's industrial base is highly focused on RMG because more than 80% of exports come from this industry. However, this high concentration on one sector poses significant risks to the economy and the livelihoods of Bangladeshi workers. So, this emerging bicycle sector can mitigate the risks by accelerating the export growth and earnings because this will diversify the industrial production and, thus, the export basket of Bangladesh.

Challenges

Higher import duties are the main challenge in the bicycle industry because of the inability to build a backward linkage industry. As a result, import tariffs on various raw materials range from 10% to 25 per cent, with an average rate of 55% on brakes, gears, and chains. Since about 30–40% of the parts and raw materials like derailleur gears, known as cycle gears, are imported from China, India, Malaysia, Indonesia, and Vietnam, according to the Bangladesh Bicycle Merchant Assembling and Importers Association (BBMAIA) that import duty leads to a higher export price for the consumers.

As a result, several approaches should be taken, taking into account that they still have a long way to go in the domestic market, despite their strong export performance. To accomplish so, it will be necessary to bridge the gap between the domestic and export markets by cutting import tariffs while maintaining minimum quality standards for the domestic market. Moreover, bicycles have become more expensive and less competitive due to port congestion and delays in the supply of imported parts. So, investments in backward linkage industries in the light-engineering sectors are required.

The industry is classified as heavy industry, and so the manufacturing plants for this industry necessitate substantial investment. Furthermore, infrastructure problems and a lack of foreign investment must be addressed to accelerate growth in the industry. As a result, government policy support for this business is required. So, in addition to helping the industry with production and marketing, the right financial incentives must be set up with the help of the industry's stakeholders in order to get a share of the overseas market.

If Bangladeshi manufacturers solve these challenges, their export market will expand beyond a few countries.

Prospects of the Bicycle Industry in Bangladesh

Bangladesh began exporting bicycles to the European market in 1999, and by the following year, the exports had reached a value of around USD 10 mln. Bicycle exports have increased to USD 130 mln after 22 years. After the import duty on raw materials is cut, the country is expected to generate around BDT 1,200–1,500 crore from bicycle exports within a couple of years. Bangladesh has a competitive advantage over other countries in the bicycle manufacturing industry, such as Taiwan, China, and Europe, due to low labour costs. Increased wages in China, the world's largest bicycle sourcing country, have shifted the focus of bicycle manufacturing to Bangladesh. As a result, this is an opportunity for us to explore the worldwide market and respond to its demand by adopting mandatory measures. Also, the government has just decided to grant a 4% financial incentive for the increase of bicycle exports. This assistance can help local manufacturers with the construction of manufacturing plants, reducing the need to import bicycles and other parts, which would promote the sector's growth in the future as demand rises.

Md. Mahmudur Rahman

Chief Operating Officer
RFL Bike

Interviewed by
Susmita Bhatta, Team MBR

Duranta Bike is the sister concern of the RFL group. It is one of the leading bicycle manufacturers and exporters in the country, having launched in 2015 with two plants in the Hobigonj district in the Sylhet division. These two factories are compliant with the world's highest-tech mechanical component testing lab worldwide.

Susmita Bhatta: The bicycle manufacturing industry of Bangladesh is booming in an enormous way. What are the factors you think are contributing to this upsurge?

Md. Mahmudur Rahman: The industry has been gradually expanding since 1982 because of heavy traffic congestion and growing awareness regarding environmental issues. However, the unprecedented COVID-19 impact in Bangladesh caused a spike in the bicycle industry in 2020 as people opted for bicycles for social distance and health benefits. Home delivery services provided by online grocery stores were also a factor in the rise. Due to significant investment and innovation, RFL Bike was one of the dominant players during this growth trajectory.

Susmita Bhatta: How was the industry's response to the shock of the COVID-19 pandemic? Did the pandemic provide any leverage to scale up the sector in the local and global context?

Md. Mahmudur Rahman: Although many businesses were affected by the COVID-19 pandemic, this particular industry benefited from the demand for bicycles, which helped it scale up the sector. Bicycles were important as a way to get around while maintaining social distance and reaping the health advantages of physical activity. As a result, the bicycle industry had to begin exporting in order to meet global demand as well. So, the value of exported bicycles stood at approximately USD 130 mln despite the economic downturn.

Susmita Bhatta: How is the industry being impacted by the rising import duties? Is there any budgetary initiative by the government to support the industry? What are the areas on which policymakers can work?

Md. Mahmudur Rahman: To meet local market demand for bicycles, complete bicycles are being imported from India and China as import duties are comparatively low. To discourage imports and encourage local manufacturing companies, the government should impose a high import duty. However, the government has decided to help the bicycle export industry by giving a 4% cash incentive to the export sector.

Susmita Bhatta: The bicycle industry is one of the emerging export-oriented sectors in Bangladesh. Would you please share with us how the industry is helping to ensure diversification of the export basket?

Md. Mahmudur Rahman: After 23 years of legacy in Bangladesh, the bicycle export business was valued at USD 130 mln, and it is anticipated to grow to USD 53.53 bln by 2027 as a result of the government's recent decision to offer a 4% incentive to the bicycle export sector. So, despite the fact that Bangladesh's export basket now comprises a large share of the RMG industry, the predicted growth in the export sector for the bicycle industry has the potential to diversify the export basket. As a result, Bangladesh's exports can no longer be fully reliant on a single source.

Susmita Bhatta: Even though Bangladesh is the third-largest non-European Union (EU) exporter of bicycles, the local market is still being dominated by India and China. Why is it like that?

Md. Mahmudur Rahman: The reason why the local market is still dominated by India and China is that we don't have a backward linkage industry. So, 30%–40% of the parts and raw materials like derailleur gears, known as cycle gears, are imported from China, India, Malaysia, Indonesia, and Vietnam. Moreover, 70% of bicycles are still imported from there to meet local demand, despite the fact that Bangladesh is the third-largest exporter of bicycles.

Susmita Bhatta: The industry has not attracted much foreign direct investment (FDI) yet. What do you suggest for the industry participants to attract foreign investors?

Md. Mahmudur Rahman: Bangladesh is still dominated by India and China, which explains why just 30% of bicycles are manufactured in this country. Bangladesh still imports 70% of bicycles and 35% of bicycles' spare parts at a high import duty due to a lack of backward linkage, and hence there is a lack of foreign investment lure in this industry. Increased freight costs, a scarcity of containers, and the lack of a deep-sea port in Bangladesh are the other factors that have contributed to this industry's lack of FDI. Therefore, these issues must be addressed in order to attract significant foreign investment. To do that, the government should take steps to provide greater financial incentives so that backward linkage industries can be established and businesses don't have to import bicycles in bulk at a high import duty. Proper government policy support can also help to reduce the adverse effects of other factors on this industry, which will help attract FDI.

Susmita Bhatta: During the global pandemic, the industry experienced robust growth. Will consumer behavior go back to the pre-pandemic trends, or will it affect the pace of the industry's growth?

Mahmudur Rahman: Due to significant traffic congestion after reopening everything, I think consumer behaviour will not return to pre-pandemic levels. Because of Bangladesh's rising inflation, lower purchasing and maintenance costs are also a factor for preferring bicycles. We also know that people are habitual creatures. Many people use bicycles as a useful tool for reaping health benefits during the pandemic. As a result, it's likely that those individuals will continue to use this tool. Finally, because consumers still prefer to order food online, the use of bicycles in the e-commerce sector will expedite rather than slow down the growth of the bicycle industry.

JOINT EVENT ORGANIZED BY STARTUP BANGLADESH LIMITED AND IDLC VENTURE CAPITAL FUND I

On May 31st, 2022, Startup Bangladesh Limited and IDLC Venture Capital Fund I hosted a session on Investment Structures in the context of Bangladesh. The session deep-dived into the investment structures, company incorporation, investment instruments, and investment round planning. The discussion among the following distinguished panelists and founders from different startups made the event successful.

Speakers:

- **Mr. Hasan A. Arif,** Head of Portfolio Investment, Startup Bangladesh Limited
- **Mr. Waseem Alim,** Co-founder & CEO, Chaldal - Portfolio company of Startup Bangladesh Limited and IDLC Finance Limited
- **Mr. Anayet Rashid,** Founder & CEO, Truck Lagbe - Portfolio company of Startup Bangladesh Limited and IDLC Venture Capital Fund I
- **Mr. Jamil M Akbar,** Co-founder & COO, iFarmer - Portfolio company of Startup Bangladesh Limited and IDLC Venture Capital Fund I
- **Ms. Anita Ghazi Rahman,** Founder & Managing Partner, The Legal Circle

Moderator:

- **Mr. Samad Nasrulah Miraly,** Partner, IDLC Venture Capital Fund I

Q&A – speakers:

The event ended with a Q & A session where questions from startup founders were answered by the panel speakers and moderator, along with

Mr. Sami Ahmed, Managing Director, Startup Bangladesh Limited

Mr. Syed Javed Noor, Partner, IDLC Venture Capital Fund I & DMD, IDLC Finance Limited

Mr. Mustafizur Rahman Khan, Partner, IDLC Venture Capital Fund I

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AIRWRK

Rashedul Kabir
Co-Founder & CTO, Airwrk

Sayem Faruk
Co-Founder & CEO, Airwrk
(From Left to Right)

Airwrk is an invite-only, vetted talent marketplace connecting startups with untapped Bangladeshi tech talents for full-time remote jobs. Airwrk offers talents in specialized skills such as JavaScript, Python, Android Development, iOS Development, Automation Testing, Artificial Intelligence, Machine Learning, etc. MBR was in a conversation with Mr. Sayem Faruk, Co-Founder & CEO of Airwrk to learn about their inspirations and vision behind Airwrk.

Interviewed by
Mohammad Jubayer Ahmed, Team MBR

Mohammad Jubayer Ahmed: Airwrk is Bangladesh's first international tech talent marketplace, which offers a diverse range of non-traditional services like connecting top Bangladeshi talents with high-paying, full-time, remote jobs. Could you kindly tell us how you came up with this idea and what was the most motivating factor for you?

Sayem Faruk: It started when the pandemic hit. A few close friends lost their jobs, and I, too, had to let go of 85% of my team at Alpha, my previous company. It was a team that I had built and nurtured over the last 5 years. That is when I came up with the idea that talented Bangladeshis needed a platform where they could demonstrate their abilities not just to the country but to the world. And, that is how Airwrk was born.

Mohammad Jubayer Ahmed: Since Airwrk's mission is to build a community of remote Bangladeshi workers who can demonstrate their capability by developing world-class products from anywhere in the world, to what extent do you believe that this objective has been achieved? What are some of the strategies being implemented to accomplish this?

Sayem Faruk: Since we are in our early stages, I would say we are only 2% there. And, we may never

reach 100% because what we are trying to achieve is so challenging that it is better for my team and me to focus more on improving the journey and not worry about the destination. We have taken a lot of steps to ensure that we maximize our chances of success. For instance, from the get-go, we registered the company in Delaware. This immediately opened up a lot of funding opportunities for us. We have recently onboarded angel investors who are relevant to the SaaS space we are in. And, being a part of the Grameenphone Accelerator, we regularly receive some of the best guidance one can ask for from some of the greatest minds in the local startup ecosystem. We are in the process of setting up a solid team at the moment. Attracting top talents to become a part of this journey would be integral to our success.

Mohammad Jubayer Ahmed: Given that you work with tech-savvy individuals, how difficult was it to integrate them into a single platform? What challenges do you anticipate Airwrk will face in the future, and how do you intend to address them?

Sayem Faruk: Marketplace technology has been in existence for a while now, so building the MVP was not that challenging. In fact, the current version was actually built by me and a junior developer after spending a month learning how to build web apps on a no-code platform. The next product iterations are where the challenges lie. We are building smart-assessment tools that will automatically assess a candidate's skills and abilities to profile them. An AI will then match them against the jobs posted by employers while refining a model that predicts job compatibility and future job success. Ultimately, the biggest challenge will lie in building the ecosystem. We envision Airwrk to become a comprehensive platform that does more than just matchmaking. In the next couple of years, we want the platform to take care of payroll, benefits, taxes, equipment sourcing, office space rental, training, etc., i.e., a one-stop shop for setting up remote teams in South Asia. Building the right partnerships for this ecosystem is going to be extremely critical to our success, but early signs are telling us that it is possible to build this if we simply stick to it.

Mohammad Jubayer Ahmed: Since Bangladesh has recovered to some extent from global pandemic effects, many companies have restarted their traditional hiring practices, offering full-time offline jobs where employees can network easily, which is not possible in remote jobs. Therefore, do you think your idea is feasible and that people will be willing to do remote work for your company in the future? How was the candidates' response in the recruitment stage, and what changes do you observe now?

Sayem Faruk: If anything, COVID-19 has taught us that it is possible to run a company successfully from the comfort of our homes. However, being 100% remote is something that is applicable to very few roles and industries. I personally think a hybrid model works best where, let us say, 3 out of the 5 working days can be remote. The reason behind this is that certain collaborative tasks, like brainstorming, are best done in the presence of peers. At Airwrk, we want to address this reality of working, which is why we have plans to integrate co-working spaces into our marketplace. As teams grow, we want individual talents to be able to meet with their colleagues physically.

Mohammad Jubayer Ahmed: Please tell us about your company's unique service that makes you stand out from the competition.

Sayem Faruk: Firstly, we are giving access to untapped talents who have been left out of the global talent pool. These are talents employers never knew existed. Employing these talents will also result in significant cost savings for employers. For instance, a high-calibre software engineer in India with 5 years of experience would get a salary of USD 50,000 to USD 60,000 per year. But one can hire an engineer of the same calibre from Bangladesh for just USD 25,000 per year. Besides the cost savings, we are giving employers access to a pool of already

vetted talents. This pre-vetting will cut down their recruitment timeline significantly. Airwrk is also a pure marketplace where the forces of demand and supply determine the rates. Competing platforms operate like agencies, where they force the clients to sign NDAs so that they can not ask the talents how much they are getting paid. These platforms take advantage of the information asymmetry and pocket the difference between what the talents are getting paid and what the clients are paying. We, on the other hand, encourage our talents to publicly list their expected salary on their profile. Our model is a more transparent one as we charge a fee on top of the salary disbursed. Lastly, the ecosystem we want to build should be a gamechanger, as it not only gives the employer the convenience of setting up and managing a remote team but also acts as a vehicle to pass down company culture through us. For instance, if a team member is feeling sick, the employer should be able to send a care package through us. These human touches are what differentiate a great culture from an average one.

Mohammad Jubayer Ahmed: The tech industry is booming. So, what are some of the breakthroughs you would like to see for Airwrk, and when do you think they will happen?

Sayem Faruk: In the next 5 years, we want to see Bangladesh established as a destination for technology services and sourcing technical talents. As one of the most densely populated countries, I wholeheartedly believe that our only real asset is our people. And, what better way to position ourselves in the fourth industrial revolution than by becoming the world's hub for talent? When that happens, we want Airwrk to be the bridge that welcomes the world to Bangladesh.

Performance of Equity Markets of Bangladesh and Peer Countries

Bangladesh equity market closed the month of May in negative territory. During the month, the broad index DSEX went down by 3.9%. Blue chip index DS30 and Shariah index DSES declined by 4.5% and 3.0%, respectively in the month of May. Among the regional peers, Sri Lanka (+6.3%) closed the month in positive, while Vietnam (-5.4%) and Pakistan (-4.8%) closed in negative. MSCI Frontier Markets Index performance was negative by 6.9% in May. Over 5-year horizon, Vietnam (+75.2%) posted the most encouraging return.

Table 1: Equity market performance of Bangladesh and peer countries

Indices	Index Points, May 2022	Return*					
		1M	3M	YTD	12M	3Y	5Y
Bangladesh							
DSEX	6,392.9	-3.9%	-5.1%	-5.4%	6.7%	18.9%	18.3%
DS30	2,350.3	-4.5%	-5.3%	-7.2%	6.5%	25.2%	17.2%
DSES	1,403.5	-3.0%	-3.4%	-1.9%	9.1%	15.6%	N/A
Peer Countries							
Pakistan (KSE 100)	43,078.1	-4.8%	-3.1%	-4.4%	-10.1%	19.7%	-14.9%
Sri Lanka (CSE - All Share)	8,108.1	6.3%	-30.0%	-29.1%	9.5%	52.7%	21.5%
Vietnam (VNI)	1,292.7	-5.4%	-13.3%	-12.6%	-2.7%	34.7%	75.2%
MSCI Frontier Markets Index	**755.7**	**-6.9%**	**-8.3%**	**-13.9%**	**-8.1%**	**4.5%**	**4.9%**

*All returns are Holding Period Return

Source: Investing.com, MSCI, DSE

Liquidity Condition in Equity Market of Bangladesh

During May, the total market capitalization declined by 3.8%. The daily average turnover of May was BDT 8.0 bn (USD 89.4 mn), decreasing by 3.2% from that of the last month. Turnover velocity which represents overall liquidity of the market stood at 33.6% in May compared to 40.8% of last month. In 2021, turnover velocity of Bangladesh equity market was 65.3%, in comparison to 30.1% in 2020.

Table 2: Market capitalization and turnover statistics

Particulars	31-May-22	30-Apr-22	% change
Total market capitalization (USD* mn)	57,482	59,729	-3.8%
Total equity market capitalization (USD mn)	50,029	52,263	-4.3%
Total free float market capitalization (USD mn)	19,252	20,033	-3.9%
Daily Avg. Turnover (USD mn)	89.4	92.3	-3.2%
Turnover Velocity~	33.6%	40.8%	N/A

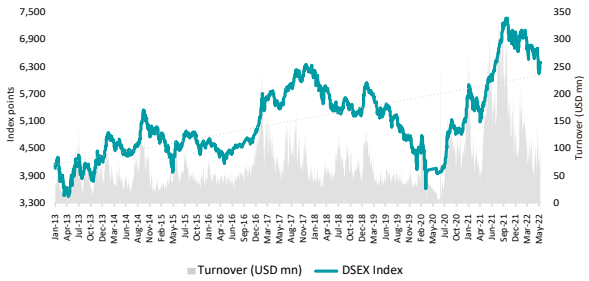
*All USD figures are converted using an exchange rate of 89.9 as of June 05, 2022 as per Bangladesh Bank website.

~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 January 27, 2013, DSEX yielded a holding period return of 57.6% till May, 2022. During the same period, daily average turnover of the market amounted to BDT 6.7 bn (USD 74.5 mn) (Figure 1).

Figure 1: DSEX since inception along with market turnover

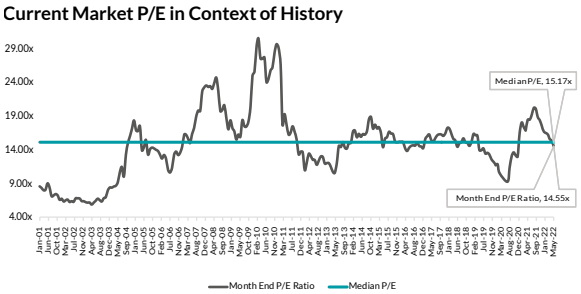


Source: DSE

Market Valuation Level - P/E Ratio:

The market P/E decreased to 14.55x in May compared to last month's 15.40x. It is slightly lower than the 21 years' median market P/E of 15.17x (Figure 2). In terms of trailing 12 month P/E ratio, the equity market of Bangladesh is the cheapest among its regional peers after Vietnam. (Figure 3).

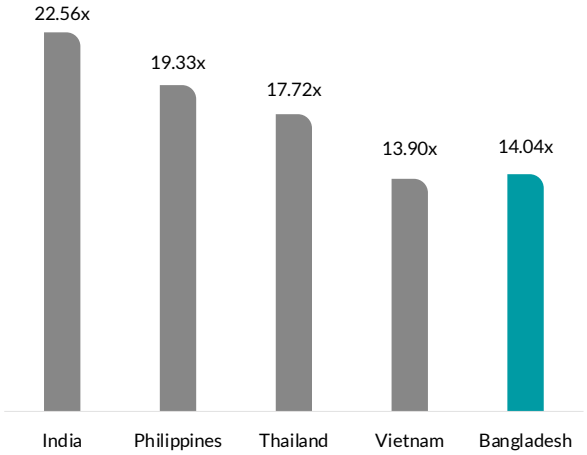
Figure 2: Historical market P/E* and it's median



*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

Figure 3: Current market P/E* of Bangladesh and peer countries



*Trailing 12 month P/E as of June 05, 2022. Source: IDLC, Bloomberg

Sector Performance

All the major sectors, faced selling pressure in May 2022. Miscellaneous posted the highest negative return of 6.3% followed by Engineering (-5.8%), Food & Allied (-5.0%), Telecommunication (-4.8%) and Fuel & Power (-2.6%).

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

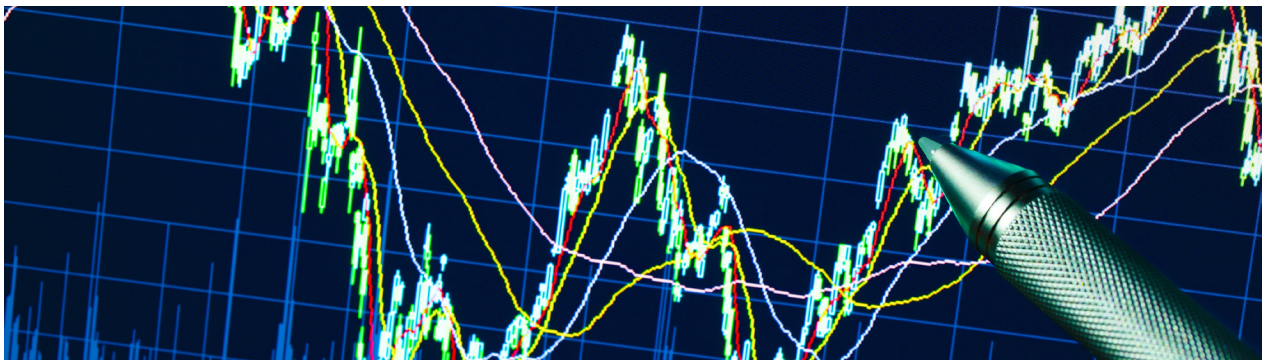


Table 3: Sector performance snapshot

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	7,972	4,329	-1.1%	-1.4%	0.5%	18.6%	51.2%	60.7%	17.0	3.2	2.0%
Bank	7,664	4,144	-2.0%	-1.6%	-3.0%	-0.1%	17.9%	40.9%	7.4	0.7	3.8%
Telecommunication	6,724	737	-4.8%	-10.5%	-9.5%	-11.5%	14.7%	35.9%	15.9	6.3	5.9%
Engineering	6,037	1,298	-5.8%	-2.4%	-3.7%	-4.2%	52.5%	40.8%	18.9	2.6	2.5%
Fuel & Power	5,165	1,474	-2.6%	-4.3%	0.0%	4.7%	5.6%	28.1%	11.6	1.5	5.7%
Food & Allied	4,418	1,369	-5.0%	-7.0%	-9.2%	5.1%	43.4%	93.6%	20.1	9.0	4.2%
Miscellaneous	2,747	1,200	-6.3%	-6.3%	-6.3%	21.9%	114.2%	143.9%	11.0	2.7	2.2%
NBFI	2,224	717	-3.2%	-6.0%	-13.0%	-0.9%	7.3%	-6.5%	20.8	2.2	1.9%
Textile	1,856	1,046	-1.5%	-3.5%	2.7%	38.8%	6.8%	14.7%	14.9	1.1	2.5%
Cement	1,351	526	-6.0%	1.6%	1.0%	4.3%	40.9%	0.3%	22.1	3.2	3.1%
Non-life Insurance	1,103	630	-11.7%	-16.7%	-28.4%	-25.1%	90.1%	165.6%	15.8	2.0	2.9%
Life Insurance	714	420	-8.0%	-13.2%	-16.3%	-6.4%	2.8%	41.2%	35.1	6.8	1.9%
Tannery	408	227	-7.0%	-6.5%	5.4%	81.1%	32.6%	29.6%	39.0	3.3	0.9%
IT	376	234	-7.9%	-7.9%	-11.5%	11.9%	19.8%	-2.7%	24.3	2.7	1.3%
Ceramics	350	138	5.2%	-1.8%	3.9%	25.2%	32.4%	34.5%	27.1	2.0	2.0%
Travel & Leisure	308	161	-11.0%	2.2%	11.7%	37.5%	30.8%	32.8%	18.2	1.0	1.5%
Paper & Printing	293	103	-7.4%	-3.0%	14.5%	13.6%	-16.9%	-40.2%	30.9	1.9	1.0%
Services & Real Estate	287	151	-3.9%	-6.6%	2.9%	24.4%	47.5%	6.2%	18.7	1.5	2.9%
Jute	21	11	-3.7%	-5.6%	-8.8%	-13.4%	-52.0%	13.5%	168.7	5.5	0.2%
Market	**50,809**	**19,252**	**-3.9%**	**-5.1%**	**-5.4%**	**6.7%**	**18.9%**	**18.3%**	**13.7**	**1.9**	**3.2%**

*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 May, all the cap classes remained negative. Large Cap was the highest dividend yielding (4.1%) 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	≥113	77.8%	-3.2%	-4.6%	-4.4%	5.2%	24.2%	87.4%	18.4	1.9	4.1%
Mid	34-112	11.8%	-4.6%	-5.0%	-7.7%	5.9%	15.2%	-37.7%	28.2	1.4	2.3%
Small	11-33	7.9%	-4.5%	-8.1%	-6.4%	12.8%	22.1%	61.9%	80.9	1.2	2.3%
Micro	<11	2.5%	-1.6%	-1.3%	8.8%	51.9%	29.1%	-84.6%	146.5	0.9	1.0%
Market	**-**	**-**	**-3.9%**	**-5.1%**	**-5.4%**	**6.7%**	**18.9%**	**18.3%**	**13.7**	**1.9**	**3.2%**

*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, BRACBANK (+10.7%) advanced the most, followed by BEACONPHAR (+8.3%). On the other hand, BEXIMCO (-9.4%) faced the highest correction.

Majority of these companies yielded outstanding return over longer time horizon (5 years) such as BEACONPHARMA (+1369.5%), BEXIMCO (+433.9%), MARICO (+195.4%), DUTCHBANGL (+151.0%), UPGDCL (+139.7%) and BATBC (+108.8%).

Among the scripts, SUMITPOWER, GP, UPGDCL, TITASGAS, and BATBC 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	4,613	461	0.45	-4.0%	-9.7%	-8.9%	-4.9%	1.7%	20.5%	12.1	14.3	8.1%
WALTONHIL^	Engineering	3,624	35	0.07	-7.5%	-2.9%	-6.4%	-15.6%	N/A	N/A	29.8	4.1	2.3%
BATBC	Food & Allied	3,308	875	0.87	-5.3%	-6.2%	-9.3%	6.1%	42.5%	108.8%	17.8	9.0	5.0%
SQURPHARMA	Pharmaceuticals & Chemicals	2,131	1,392	1.03	-4.2%	-1.4%	0.8%	4.2%	2.0%	8.6%	10.1	2.7	2.8%
ROBI^	Telecommunication	1,713	171	0.29	-9.3%	-17.4%	-14.8%	-38.4%	N/A	N/A	91.9	2.5	0.7%
UPGDCL	Fuel & Power	1,599	160	0.08	-4.0%	-1.8%	1.5%	-6.1%	-11.2%	139.7%	10.7	5.4	6.9%
RENATA	Pharmaceuticals & Chemicals	1,592	775	0.25	-2.0%	-1.9%	1.8%	16.6%	56.2%	123.4%	26.1	7.2	1.0%
BEXIMCO	Miscellaneous	1,315	869	5.15	-9.4%	-8.6%	-9.1%	55.7%	531.5%	433.9%	7.7	1.9	2.6%
LHBL	Cement	934	330	1.22	-8.0%	5.2%	5.1%	20.2%	95.9%	25.3%	22.3	5.4	3.5%
ICB	NBFI	906	32	0.07	-1.0%	-11.1%	-18.4%	-3.2%	0.1%	-24.2%	37.7	8.5	1.1%
BERGERPBL	Miscellaneous	891	45	0.01	-2.3%	-1.8%	-0.6%	1.6%	30.6%	82.5%	27.6	11.0	2.3%
MARICO	Pharmaceuticals & Chemicals	822	82	0.08	3.1%	1.1%	5.4%	16.0%	89.8%	195.4%	20.8	40.1	3.4%
BXPHARMA	Pharmaceuticals & Chemicals	821	573	0.76	-0.2%	-11.3%	-14.2%	-2.1%	142.0%	79.5%	12.9	2.4	2.1%
BEACONPHAR	Pharmaceuticals & Chemicals	739	517	0.55	8.3%	28.0%	18.2%	150.1%	1369.0%	1369.5%	55.5	22.5	0.5%
BRACBANK	Bank	684	368	0.54	-10.7%	-16.9%	-18.9%	-13.2%	-18.2%	-2.1%	13.3	1.6	1.7%
ISLAMIBANK	Bank	578	275	0.69	-0.9%	-0.9%	0.9%	11.0%	42.6%	22.6%	9.1	0.9	3.1%
DUTCHBANGL	Bank	508	76	0.10	-0.6%	-1.7%	-5.5%	-3.1%	40.5%	151.0%	8.2	1.7	2.4%
SUMITPOWER	Fuel & Power	448	165	0.11	-2.6%	-0.8%	-3.1%	-8.4%	14.2%	39.0%	9.9	1.2	9.3%
POWERGRID	Fuel & Power	447	112	0.32	-5.7%	-9.6%	-5.4%	26.6%	7.5%	27.6%	15.9	0.8	3.5%
TITASGAS	Fuel & Power	419	105	0.16	-2.1%	-7.5%	5.0%	15.6%	21.4%	5.0%	13.2	0.5	5.8%
Market		**50,809**	**19,252**	**89.39**	**-3.9%**	**-5.1%**	**-5.4%**	**6.7%**	**18.9%**	**18.3%**	**13.7**	**1.9**	**3.2%**

*All returns are Holding Period Return.

^WALTONHIL got listed on September 23, 2020. ROBI got listed on February 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, CAPM unit Fund (+14.8%) yielded the highest return. On YTD basis, all these funds outperformed compared to market except Fourth ICB Unit Fund, UFS-Pragati Life Unit Fund, Seventh ICB Unit Fund and Peninsula AMCL BDBL Unit Fund One.

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

Name	Asset Management Company	Fund Size (USD mn)	NAV Return		
			2022 YTD*	2021	2017-2021
CAPM Unit Fund	CAPM	1.1	2.1%	29.6%	14.8%
Seventh ICB Unit Fund	ICB	4.4	-8.2%	34.2%	14.3%
Second ICB Unit Fund	ICB	2.0	-6.0%	41.5%	14.2%
UFS-Pragati Life Unit Fund	UFS	1.3	-8.8%	27.3%	13.3%
Peninsula AMCL BDBL Unit Fund One	IDLC	3.0	-8.2%	25.7%	11.8%
Sixth ICB Unit Fund	ICB	3.0	-6.9%	29.6%	11.6%
Third ICB Unit Fund	VIPB	3.6	-5.8%	26.0%	11.6%
Fourth ICB Unit Fund	ICB	2.3	-8.9%	36.1%	11.4%
LankaBangla 1st Balanced Unit Fund	ATC	6.0	-5.5%	21.9%	11.2%
ICB AMCL Pension Holders' Unit Fund	ICB	4.4	-2.7%	27.5%	10.7%
Market (Broad Index) Return (%)			**-7.7%**	**25.1%**	**6.1%**

*Based on published NAV and DSEX point of May 30, 2022

All the top ten closed end mutual funds on the basis of 5 years (2017-2021) outperformed the market during the same horizon. Among them PRIME1ICBA (+12.4%) posted the highest return. On the YTD basis, CAPMBDBLMF (+2.8%) and ICB3RDNRB (+0.4%) 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]
							2022 YTD	2021	2019-2021	2017-21	
PRIME1ICBA	1,013.0	11.3	7.5	10.1	74.0%	10.0%	-2.6%	35.8%	17.3%	12.4%	2030
1STPRIMFMF	280.0	3.1	16.5	14.0	117.9%	6.1%	-0.6%	38.5%	17.3%	12.0%	2029
ICBSONALI1	1,027.0	11.4	8.2	10.3	79.8%	8.5%	-2.0%	26.6%	13.7%	10.9%	2023
PF1STMF	585.0	6.5	10.4	9.8	106.7%	5.8%	-3.7%	39.6%	16.9%	10.9%	2030
ICBEPMF1S1	729.0	8.1	7.0	9.7	72.0%	8.6%	0.4%	38.2%	17.7%	10.6%	2030
ICBAMCL2ND	530.5	5.9	8.6	10.6	81.1%	9.3%	-1.2%	36.2%	16.1%	10.5%	2029
ICB3RDNRB	950.0	10.6	6.7	9.5	70.5%	10.4%	-0.7%	36.2%	16.8%	10.4%	2030
GRAMEENS2	3,649.8	40.6	15.8	20.0	79.0%	8.2%	-3.8%	18.2%	9.2%	9.8%	2028
CAPMBDBLMF	634.2	7.1	9.6	12.7	75.9%	13.5%	2.8%	29.9%	12.4%	9.3%	2027
RELIANCE1	836.7	9.3	10.9	13.8	78.8%	9.6%	-4.2%	19.2%	8.7%	9.0%	2031
Market							**-7.7%**	**25.1%**	**7.9%**	**6.1%**	

1 Price as on May 29, 2022 and index value as on May 26, 2022.

2 On last cash dividend declared.

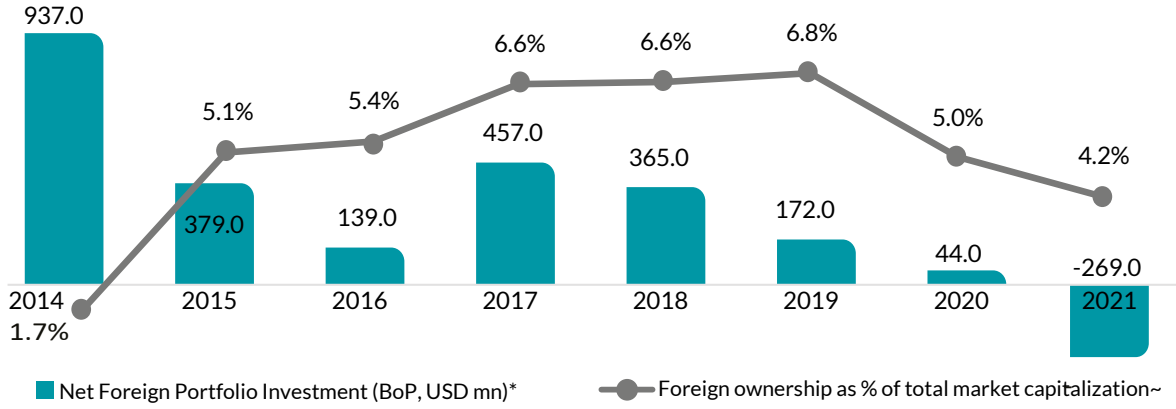
3CAGR computed for respected periods, except for 2021 and 2022 YTD, adjusted for dividend. YTD returns of funds debuting within the year represent return generated since debut, hence is not directly comparable with return of funds that operated throughout the year.

4In reference to BSEC Press Release বিএসইবস/মুখপাত্র (৩য় খন্ড)/২০১১/২৫ published on March 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 surge of foreign investment. As of April 2022, total foreign ownership stood at 4.0% of the total equity market capitalization, which was only 1.7% in December 2014.

Figure 4: Net foreign portfolio investment and foreign ownership as % of total equity market capitalization



Source: DSE and Bangladesh Bank
~% of foreign ownership of equity market capitalization data are as of December of the respective years

Among all the companies with foreign ownership, BRACBANK had the highest foreign shareholding of 37.4% as of April 2022, followed by BXPHARMA with 29.2%.

Table 8: Top ten companies with highest foreign shareholding as of April 2022

Ticker	Sector	Foreign Shareholding*
BRACBANK	Bank	37.4%
BXPHARMA	Pharmaceuticals & Chemicals	29.2%
OLYMPIC	Food & Allied	26.2%
RENATA	Pharmaceuticals & Chemicals	22.9%
ISLAMIBANK	Bank	20.5%
DBH	NBFI	19.3%
BSRMLTD	Engineering	17.5%
SQURPHARMA	Pharmaceuticals & Chemicals	14.2%
SHEPHERD	Textile	12.4%
BATBC	Food & Allied	7.9%

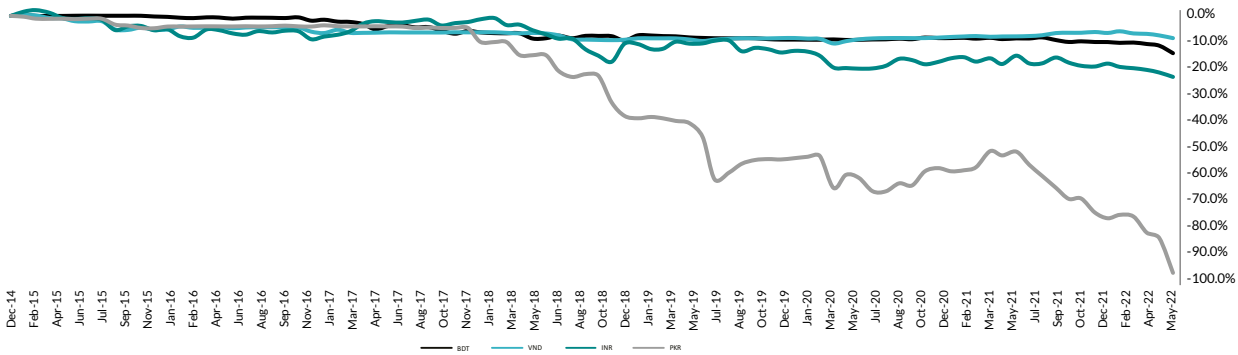
Source: DSE

*Latest data for foreign shareholding available on DSE are as of April, 2022.

Performance of BDT and Currencies of Peer Countries against USD

Since 2015, BDT retained its value better than majority of the currencies of peer countries. While BDT depreciated by 14.1% against US Dollar, other currencies of neighbor countries like Vietnamese Dong (VND), Indian Rupee (INR) and Pakistani Rupee (PKR) lost 8.4%, 23.1% and 97.1%, respectively.

Figure 5: Five year's relative performance of BDT and peer currencies



Source: Investing.com