



# BANGLADESH

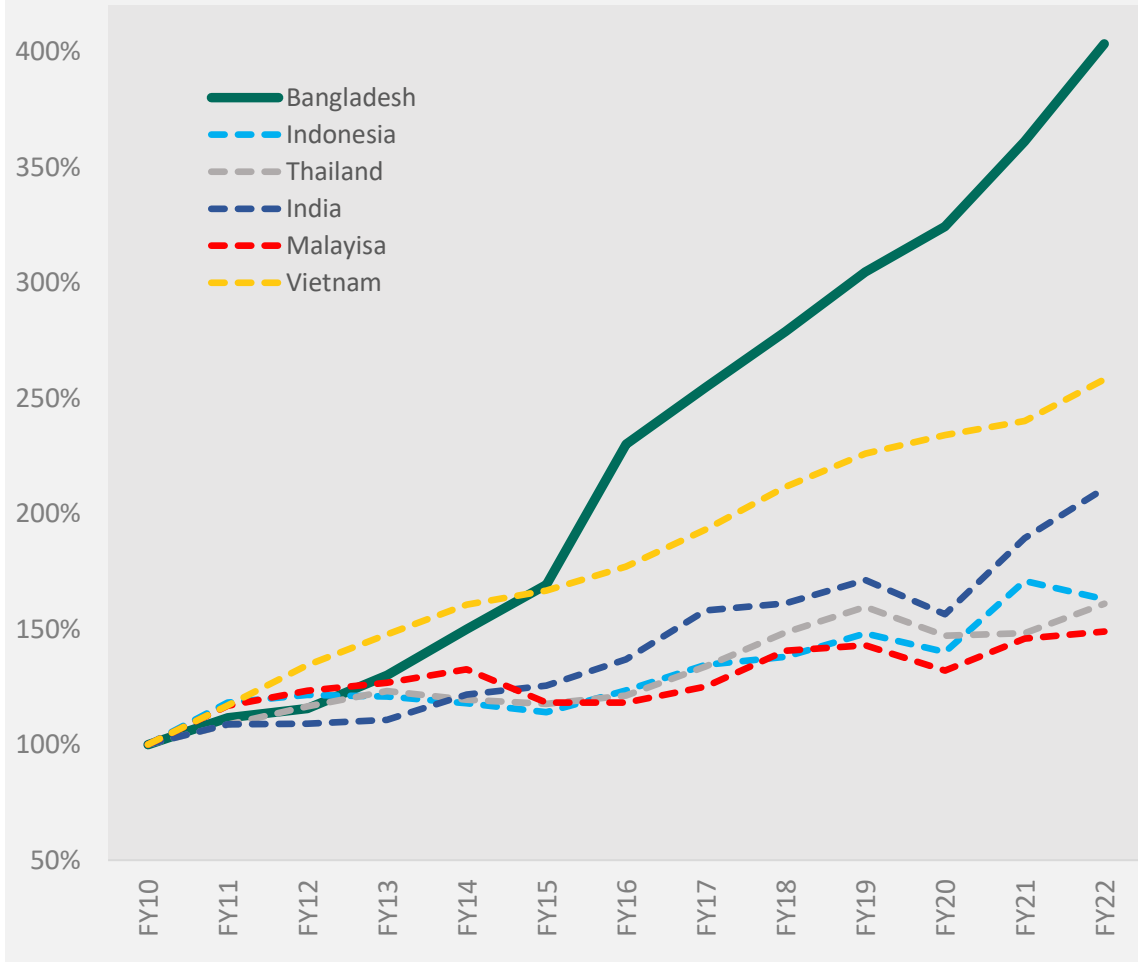
## THE NEXT ASIAN TIGER



DATE OF PUBLICATION: 27 JULY 2023

# Demographic factors and congenial policies best suited to make Bangladesh a major business hub

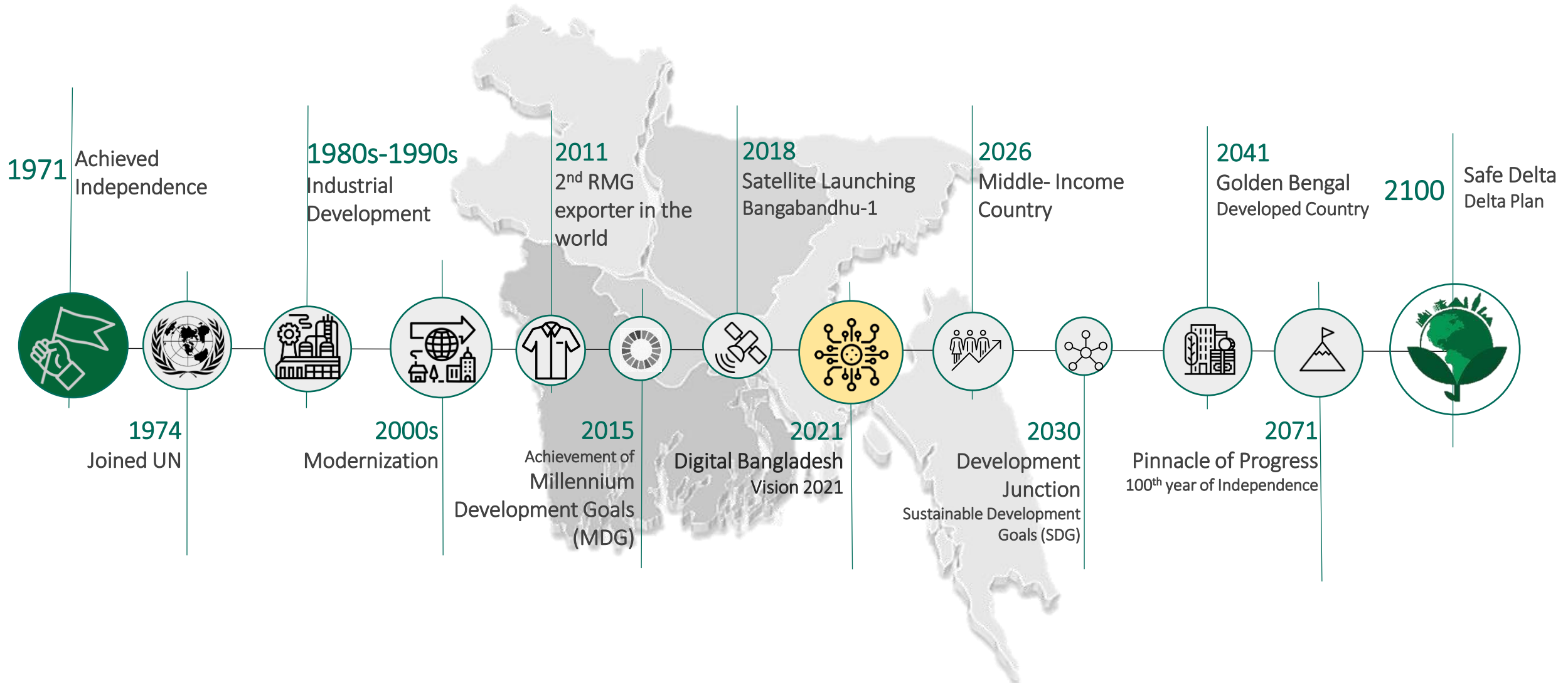
Real GDP Index (base year 2010)



Bangladesh is outperforming all other neighboring countries riding on its-

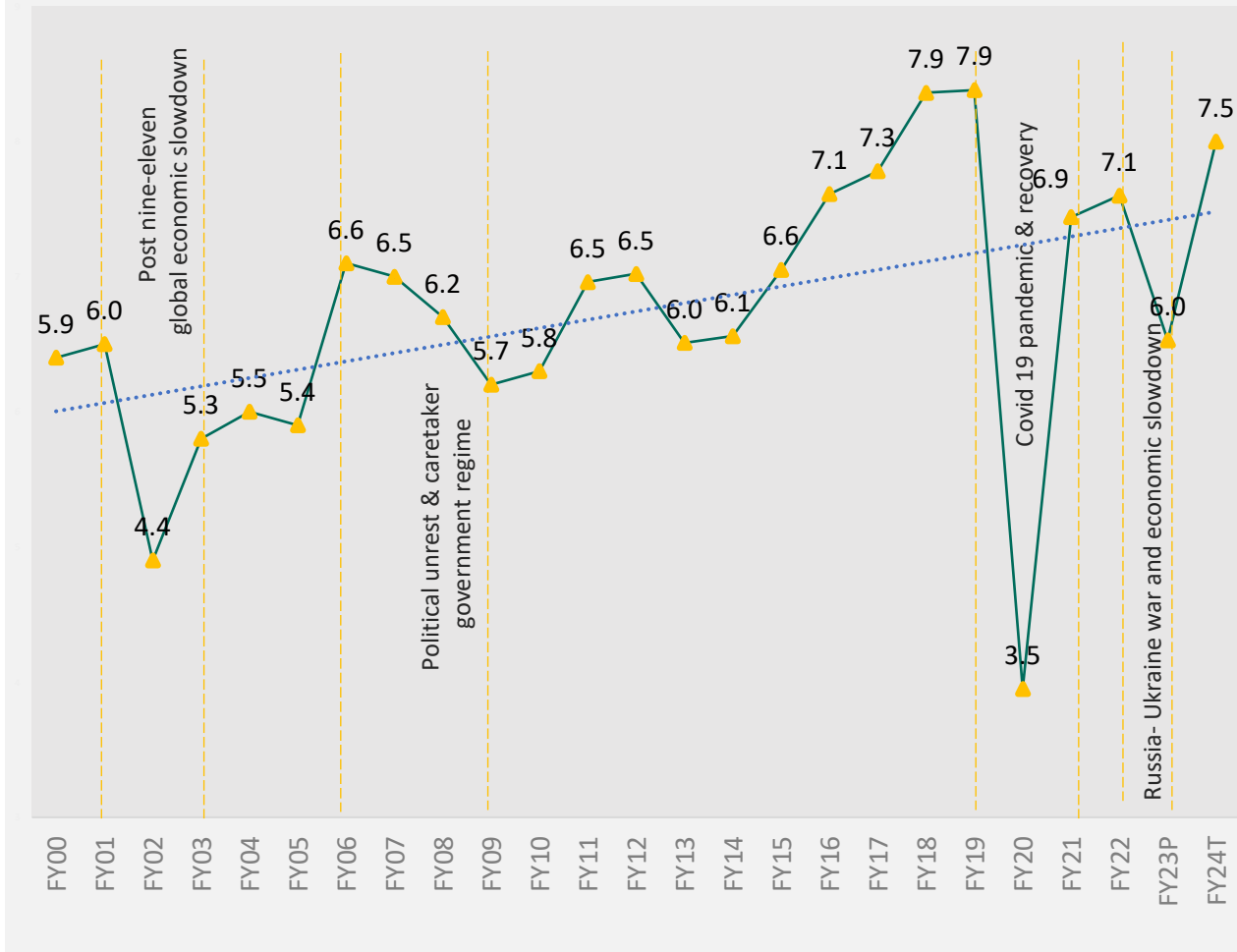
- **Rapidly growing Middle & Affluent Class (MAC)**  
19.0 mln MAC population growing at 12.3% CAGR
- **Rapid upgradation of infrastructure**  
Nearly US\$55.0 bln public spending on the development of Electricity, Transport & Communication Sector in the last 10yrs
- **Low external debt**  
21.1% external debt-to-GDP
- **2nd largest RMG exporter in the world**  
US\$47.0 bln apparel export in FY23
- **Demographic dividend**  
74.4% adult literacy rate (age 15 years & above).
- **Progressive female workforce**  
41.95% women labor force participation in 2023
- **Sufficient power supply to cater the growth**  
5,719 MW in 2009 to 28,134 MW in 2023 (including captive & solar)
- **Prudent geopolitical balance**  
Associated with 14 Free Trade Agreements, of which, 5 are in effect.  
Active Bilateral Investment Treaties with 25 countries  
Duty-free access to 52 countries

# Bangladesh: Journey towards prosperity



# Bangladesh upheld consistent average GDP growth of 6%+ over last two decades

Bangladesh GDP Growth (%)



P= Provisional, T= Target

**Predictable and consistent economic growth makes the country a desirable investment destination-**

- It never saw surprising high growth in some years nor experienced zero or negative growth in later years.

**The country is moving towards trillion-dollar economy-**

- Bangladesh's GDP size is estimated to reach BDT 44.4 tln (US\$431.0 bln) at the end of FY23 as per the government projection.
- If the economy grows by 7.0% and internal stability is maintained, Bangladesh's economy will reach US\$1 tln by 2035.
- Bangladesh ranked 37th among the largest economies of the world, as per latest IMF data.
- Bangladesh is the second largest economy in South Asia after India.
- Centre for Economics and Business Research (CEBR), a London-based think tank, predicts that Bangladesh is likely to become the 20th largest economy in the world out of 191 countries by the year 2037.

**The World Bank, IMF and other international bodies have sound economic growth projections for Bangladesh in near to long term future.**

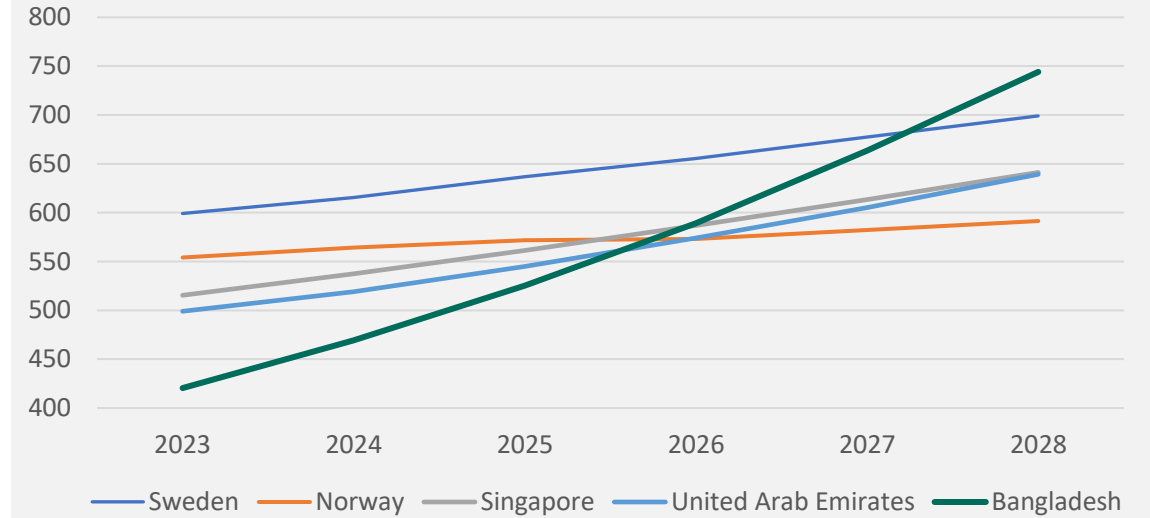
# Medium-term growth rate to exceed those of regional peers as per IMF

PROJECTED GDP GROWTH RATES (%) BY IMF

Country	FY21	FY22	FY23	FY24	FY25	FY26	FY27
<b>Bangladesh</b>	<b>6.9</b>	<b>7.1</b>	<b>5.5</b>	<b>6.5</b>	<b>7.1</b>	<b>7.3</b>	<b>7.4</b>
China	8.5	3.0	5.2	4.5	4.1	4.0	3.6
India	9.1	6.8	5.9	6.3	6.2	6.1	6.0
Indonesia	3.7	5.3	5.0	5.1	5.0	5.0	5.0
Thailand	1.6	2.6	3.4	3.6	3.3	3.1	3.0
Malaysia	3.1	8.7	4.5	4.5	4.4	4.4	3.9
Pakistan	5.7	6.0	0.5	3.5	4.4	4.8	5.0
Sri Lanka	3.3	(8.7)	(3.1)	1.5	2.6	3.0	3.1
Vietnam	2.6	8.0	5.8	6.9	6.8	6.7	6.7

- Although India and Vietnam may lead in the next couple of years, Bangladesh is expected to overtake the position and shall lead in the next following years with highest average growth rate.
- IMF expects lower GDP growth for Bangladesh in FY23 to 5.5% due to different austerity measures taken by the government to tackle economic challenges triggered by the geo-political factors and post Covid-19 pandemic.

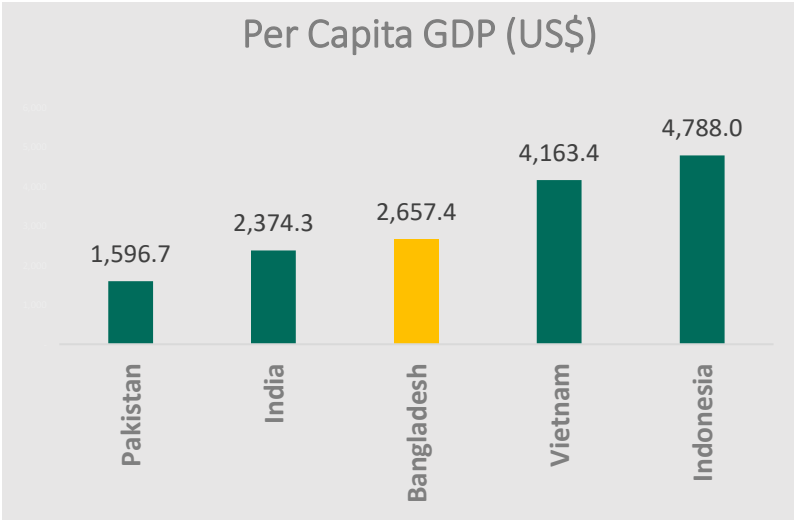
IMF FORCASTS BANGLADESH'S ECONOMY TO SURPASS MANY ADVANCED ECONOMIES



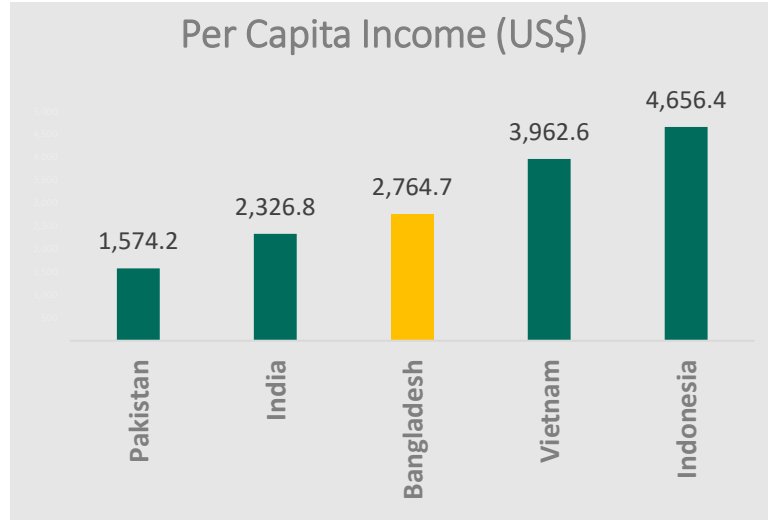
- Bangladesh economy has already surpassed advanced economies, in terms of total GDP, like Denmark, Hong Kong and Developing economies like Malaysia, Philippines & South Africa in past few years.
- Bangladesh's GDP (in current prices) is projected to cross US\$700 bln and will surpass advanced economies such as Sweden, Norway & Singapore by 2028.

# Compared to peers, Bangladesh stands better-off

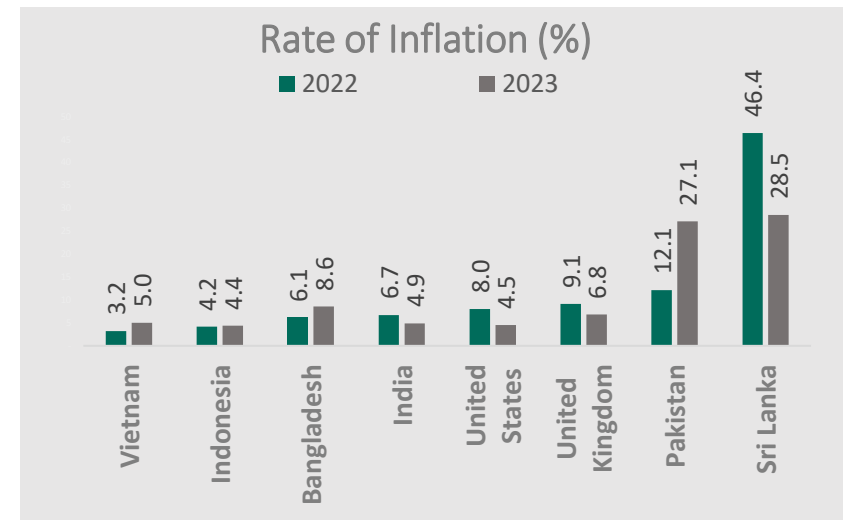
Per Capita GDP (US\$)



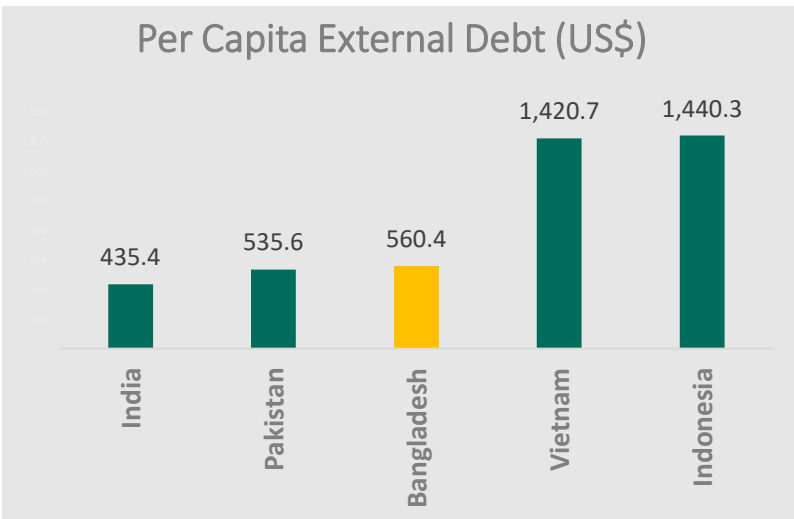
Per Capita Income (US\$)



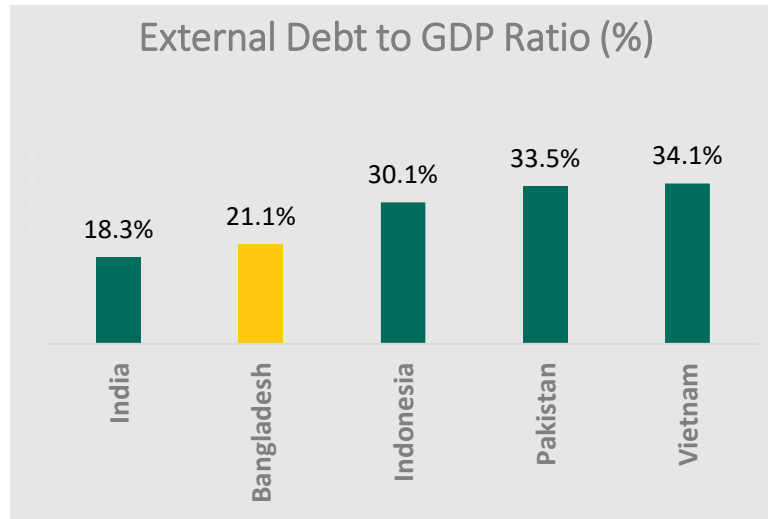
Rate of Inflation (%)



Per Capita External Debt (US\$)



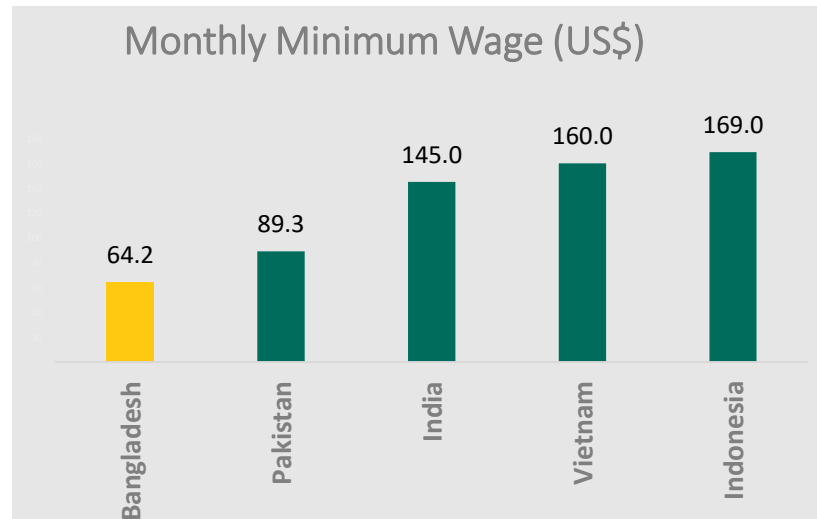
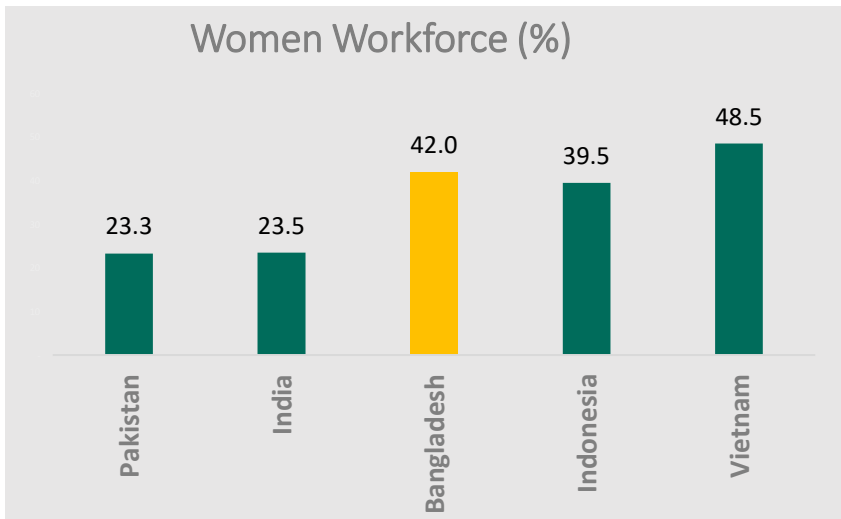
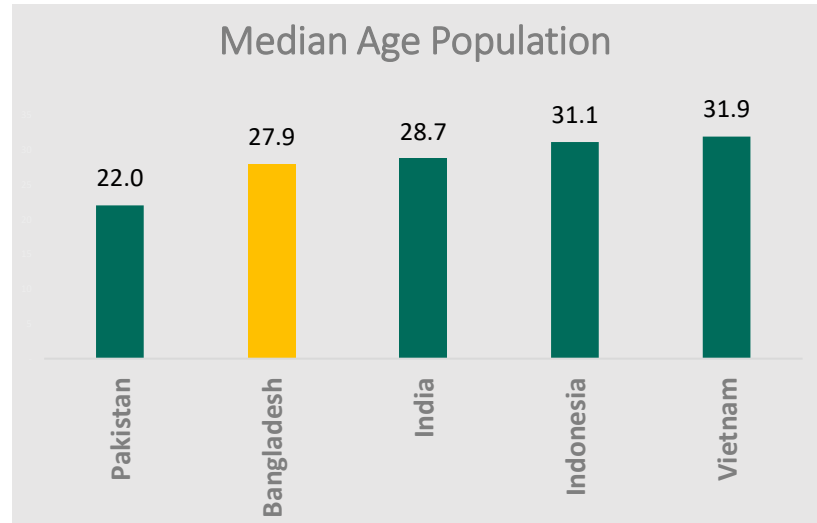
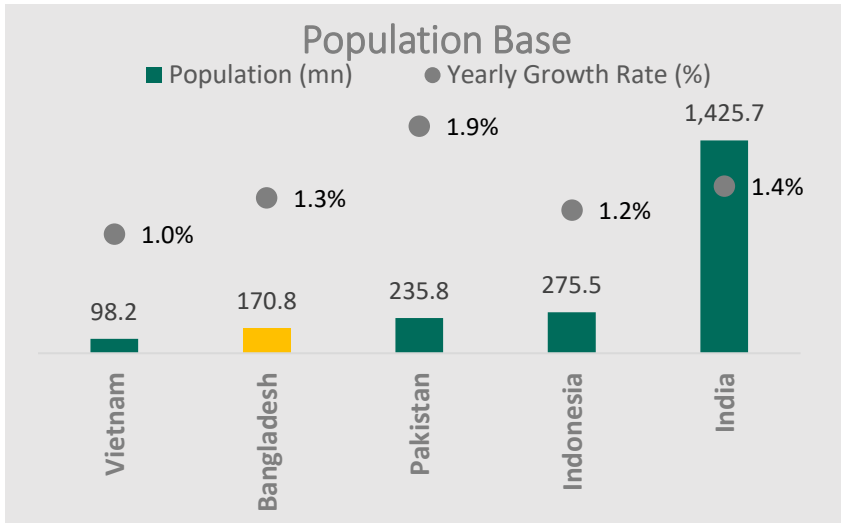
External Debt to GDP Ratio (%)



- Bangladesh's per capita income is higher than that of India & Pakistan.
- Bangladesh is doing better in per Capita External Debt compared to Vietnam and Indonesia.
- In consequence of global post-pandemic shock and geo-political factors, Bangladesh is also experiencing high inflation. However, this shock is expected to normalise in near future.
- The external debt to GDP ratio stood at 21.1% as of March 2023, which is lower than its peers indicating a long-term stability.

Note: All are latest available data from BBS, WB and IMF, unless stated otherwise

# Young and educated population along with low-cost labor force makes the country an attractive investment destination



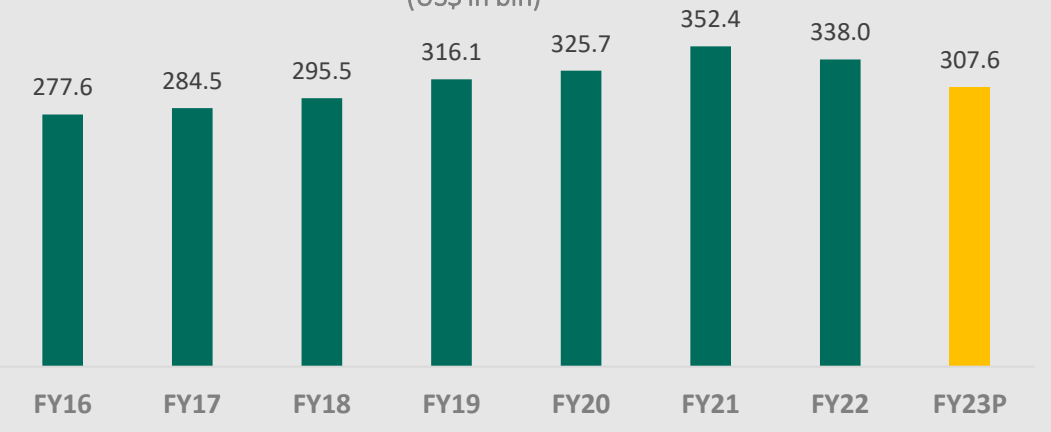
- Working age population (ages 15-64) is 67.1%, with most workers below 40.
- 25.4% of individuals below 14 will enter the working age group in the next 10-12 years.
- Female literacy rate (age 15 years & above) is 71.5%, indicating increasing women's contribution to the workforce.
- Tertiary education students in Bangladesh tripled to 3.9mln in 2021 from 1.6mln in 2010.
- With a large working age population base, comparably lower median age, higher female participation in the workforce and minimum wage level, Bangladesh is likely to enjoy a peak in its demographic dividend within 12-13 years.

# Growing MAC population base to boost domestic consumption

Middle & Affluent Class (MAC)  
CAGR (%) 2020-2025



Gross Disposable Income  
(US\$ in bln)



Source: BBS, BCG

## Projections by Different International Institutions

Institutions	Consumer Class Population in 2030	Avg. Daily Consumption of Consumer Class	Bangladesh's position in 2030
HSBC Global Research	54.0 mln	US\$20 and above	9 <sup>th</sup> from 16 <sup>th</sup>
BROOKINGS an American think tank	85.0 mln	US\$10 and above	11 <sup>th</sup> from 28 <sup>th</sup>

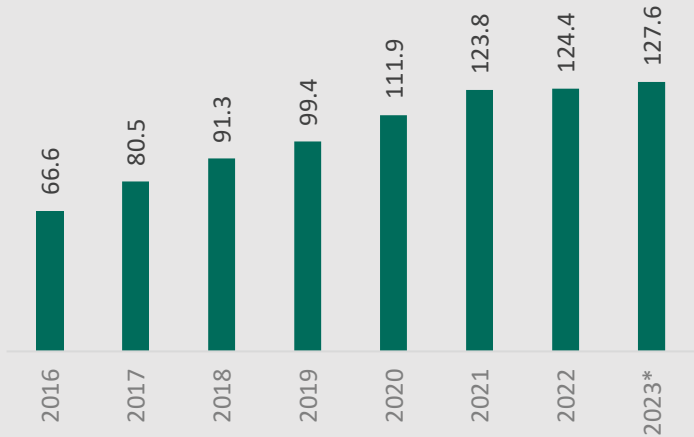
- Gross disposable income of Bangladesh has been growing over the years.
- In FY23 the figure of gross disposable income showed slight decrease due to the depreciation of BDT.
- Middle & Affluent Class (MAC) population base grew at a rate of 9.6% in the last 5 years to 19.0 mln in 2020.
- According to Boston Consulting Group (BCG), this class of consumer will grow at a rate of 12.3% to 34.0 mln by 2025 that may lead to higher consumption and GDP growth.



# Heading towards the “Smart Bangladesh” vision

## Number of Internet Subscribers

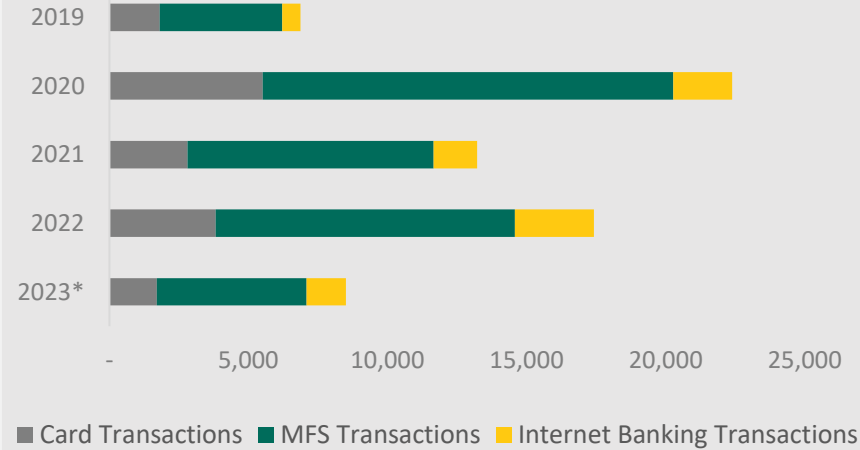
(Figures in mln)



\*till May.

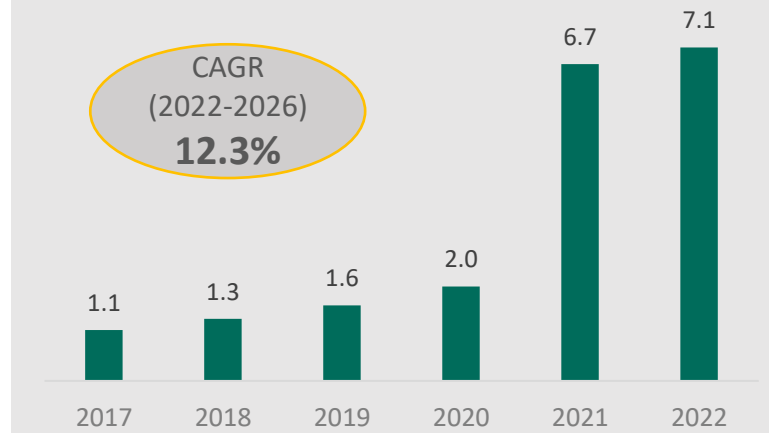
## Smart Transactions

(BDT bln)



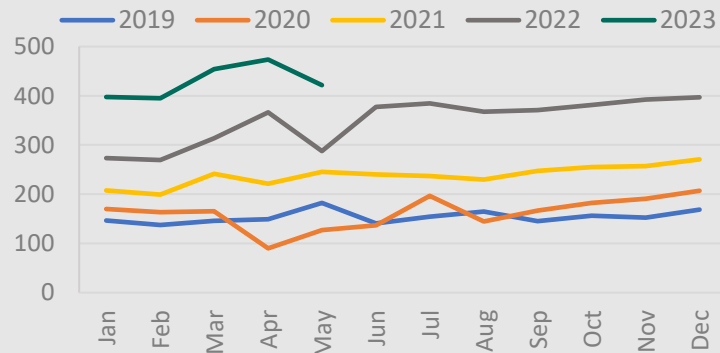
## E-commerce Market Size

(US\$ in bln)



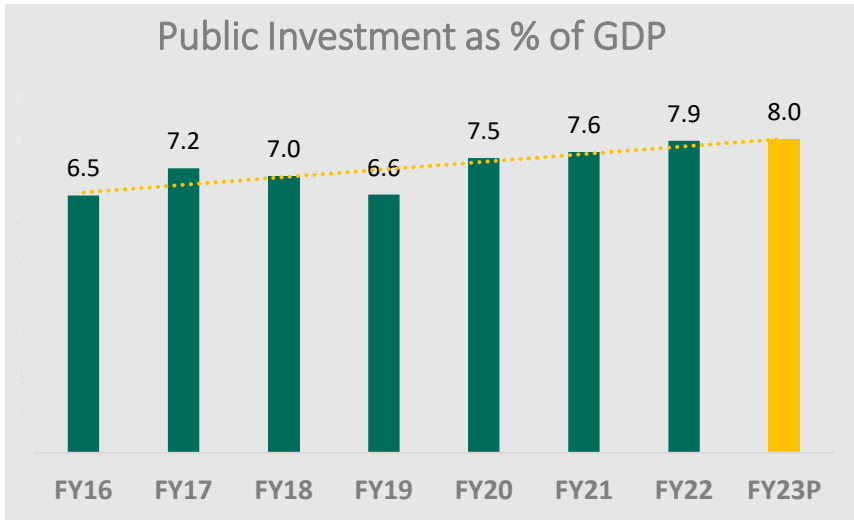
## ATM, POS, CRM & E-commerce Transactions

(Figures in BDT bln)

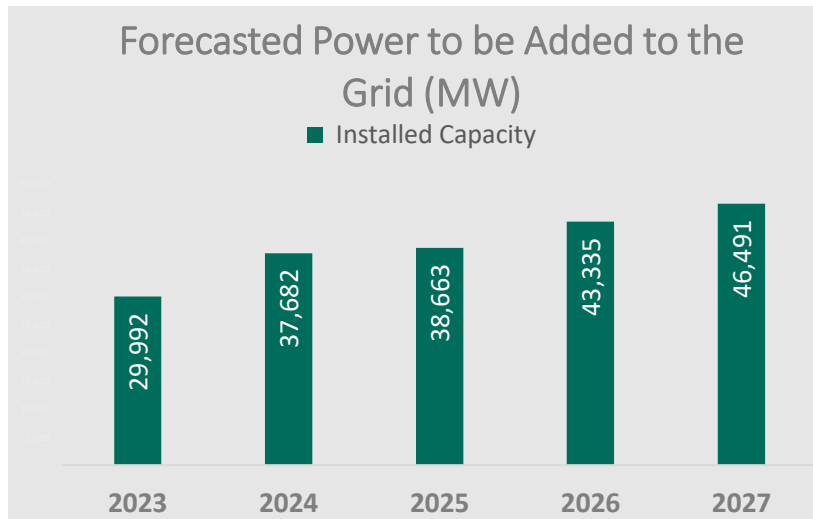
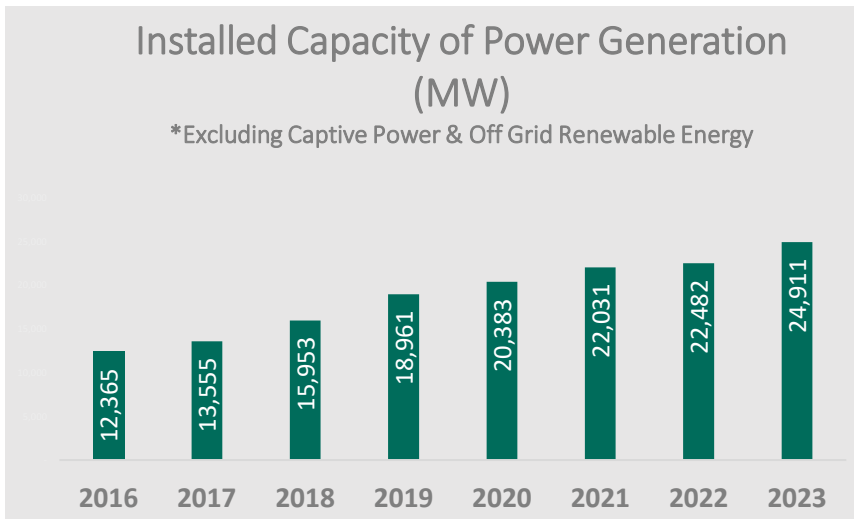
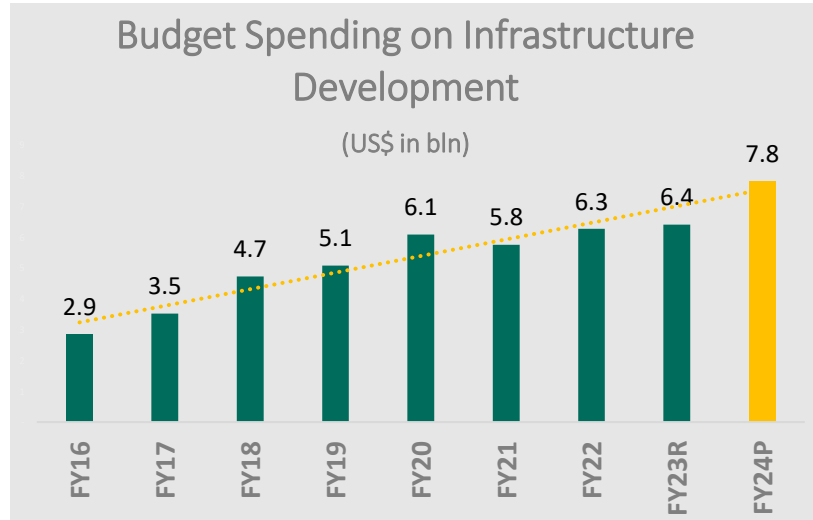


- Till May 2023, total mobile subscribers in Bangladesh stands at 185.1 mln, of which, 127.6 mln are internet subscribers and ~90.0% of internet subscribers are using 4G mobile access.
- Large number of internet users along with growing Mobile Financial Service (MFS) and internet banking transaction contributing towards development of e-commerce business and higher online purchases.
- According to the Bangladesh Bank statistics, MFS transaction increased by 23.7% (YoY) to stand at Tk5,393.7 bln during the first 5 months of 2023.
- The E-commerce and F-commerce platforms have flourished in the post-COVID era and currently there are over 2500 e-commerce platforms in Bangladesh with 95% being small businesses and over 300,000 F-commerce (Facebook based business) pages.
- On a month over month basis, there has been substantial increase in digital transactions through ATM, POS, CRM, & E-commerce platforms, indicating people's higher propensity to consume and adapt to digital economy.

# Rising infrastructural development to gear up the growth engine



P=Projected; R= Revised

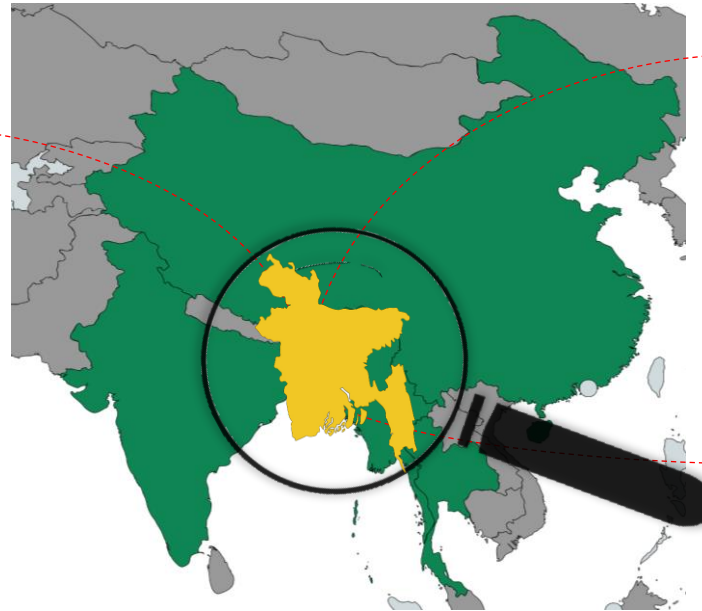


- In the last 10 years, spending on annual development programme almost tripled.
- Increasing spending in transports and infrastructure resulted in higher number of trade routes within the country that will facilitate Bangladesh to be a strategic hub for global businesses.
- Massive infrastructure projects are undertaken mainly by the government that geared up the power and transportation.
- Bangladesh currently has capacity of 28,134 MW including captive power & off grid renewable energy.
- Government has planned to increase power generation capacity by 25,840 MW by 2027 which will be sufficient to meet the peak demand of 33,708 MW by 2030.
- The power sector fetched US\$30 bln in foreign investments in the last 13 years since 2009.

# Potency to increase regional trade due to strategic geographical location between China, India, & ASEAN

## Connection to India through

- 28 land ports
- 5 railway routes
- 8 Inland water routes
- Coastal Shipping agreement facilitates direct shipping between countries' ports



## Connection to China through

Asian Highway Route AH1 connects Dhaka to Beijing. Opening of Padma and Kalna bridges in 2022 completed the route in Bangladesh.

## Connection to ASEAN through

BIMSTEC Master Plan for Transport Connectivity to improve maritime connectivity with Myanmar & Thailand

- Bangladesh's geographic location is adjacent to the world's prominent growing economies e.g., India and China.
- As Bangladesh has a balanced sharing of land and sea and shares land borders with Myanmar and India, the country can take advantage of land transport with India, Nepal, Bhutan, Myanmar & other nearest countries.
- As per World Bank estimation, trade between India and Bangladesh would rise on the back of proposed Bangladesh-India Free Trade Agreement which would eventually improve the trade balance of Bangladesh (export to India would increase by 182.0% and import from India by 126.0%).
- China has provided Bangladesh duty-free market access in almost 98.0% of tariff lines since 2021 which may generate additional US\$27.0 bln of export earnings from China by raising its market share to 1.0% in the Chinese market.
- Bangladesh has the potency to increase regional export as it is progressing towards facilitating manufacturing value chain and increasing productivity.

# Megaprojects in transportation & infrastructure developments to reshape the economy

## Padma Multipurpose Bridge

Cost: US\$ 3.9 bln

Road Link opened in June 2022, Rail Link to open by August 2024

Expected to contribute ~1.7% to the national GDP



- Created a vital transportation link for the southwest zone (21 districts) of the country where 27% of the total population lives.
- Reduced in travel time almost by 4 to 10 hours will attract higher investment as well as cut fuel cost.
- BEZA is developing 17 economic zones in the south-east region to accelerate industrialization and economic growth.
- Reduced the distance from Mongla Port to Dhaka by more than 100 km to only 170 km. (*Distance between Chittagong Port and Dhaka is 264 km*)
- A feasibility study on the Bridge by JICA suggested that a '10% decrease in travel time will lead to a 5.5% increase in district economic output' of the adjacent districts.
- According to ADB, the long-term (31 years) road user benefit of the Bridge in the traffic model stood at US\$ 18.5 bln, while the Social Accounting Matrix (SAM) estimated the benefit at US\$ 25.0 bln at the same time.
- Through the Rail Link project, distance from Dhaka to Kolkata via Jessore will be reduced to half resulting in a boost in BD's international trading.
- According to IMF latest forecast, Bangladesh will reach the 2nd position in the world in ranking GDP growth in 2026, one of the contributors of which will be the Padma Bridge.
- This giant infrastructure would contribute ~2.5% to regional's GDP, thus, ~1.7% to the country's GDP.

## Matarbari Deep Seaport

Cost: US\$ 1.7 bln

To be opened in mid 2026

Expected to contribute around 2-3% to the national GDP



- The port will significantly reduce the travel time and distance for carrying goods, making trade more viable, which will improve the country's performance in the Logistics Performance Index.
- Freight cost will be saved by ~57.0% and the delivery time of consignments will be reduced by over 60%.
- The mother vessels with 8,200 TEU container capacity can dock at the Matarbari port, from any part of the world.
- Presently, there are no other port with such huge capacity in the country.
- This deep seaport is likely to create 9 lakhs jobs and is expected to contribute around 2-3% to the national GDP growth.
- According to South Asian Network on Economic Modeling (SANEM) and Shillong-based Indian think tank Asian Confluence, the linking road with the seaport will enhance the international trade through facilitating prompt port services with the neighboring countries.
- Regional peers like China, Nepal, Bhutan and even India may use this port for inter-subcontinental trade on a rental basis.

# Megaprojects to transform the economy



## Bangabandhu Industrial City

Operations started since April 2022

To provide jobs to 1.5 mln people & increase exports by US\$15.0 bln once fully operational



## Matarbari Coal-fired Power Plant

Operations to be started in January 2024; trial operation of unit of 600 MW started on 29 July 2023  
1,200 MW project with a cost of US\$4.8 bln



## Rooppur Nuclear Power Plant

1st unit to open in 2024 & 2nd unit in 2025  
Combined power capacity of 2,400 MW  
Meet 15% of country's electricity needs



## Dhaka Metro Rail

MRT Line-6 Phase-1 opened in December 2022 & Plan to open all lines by 2030  
Save US\$2.4bln or 1.5% of national GDP



## Bangabandhu Tunnel

To be inaugurated in September 2023  
Add 0.17% to national GDP  
Cut time to cross Karnaphuli river to minutes



## Payra Seaport

To be completed by June 2023  
Can dock large commercial boats with a capacity of 3,000 TEU or 40,000 BWT of cargo

# Bangladesh commands a strong position in the world economy



Goldman Sachs

## Next Eleven (N-11) Economy

“Poised to become one of the biggest economies in the world in the 21st century, after the BRIC countries.”



Fitch Ratings

## 'BB-' Ratings Affirmed

“Bangladesh has strong growth prospects, government debt below the 'BB' median and a manageable external debt repayment profile.”



## World's 28<sup>th</sup> largest economy by 2030

“Thanks to youthful and fast-growing working age population, Bangladesh is one of the world's fastest growing economy.”



S&P Global Ratings

## 'BB-/B' Ratings Affirmed

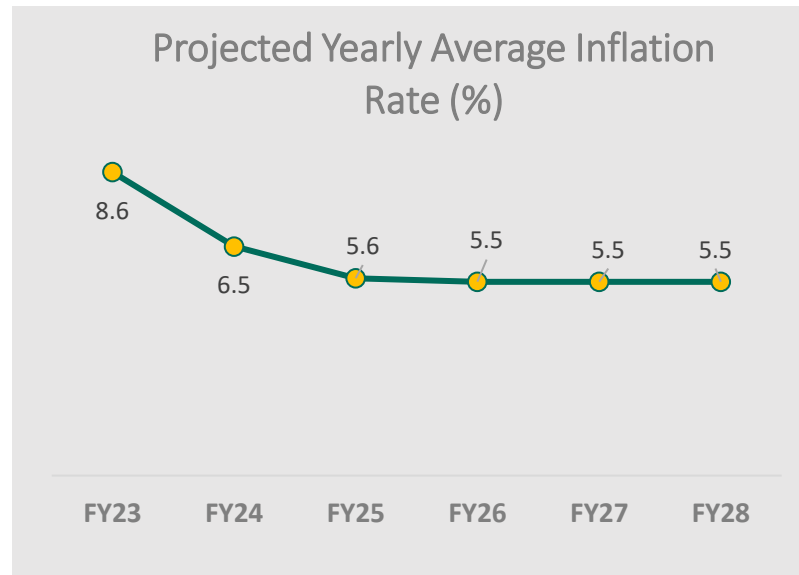
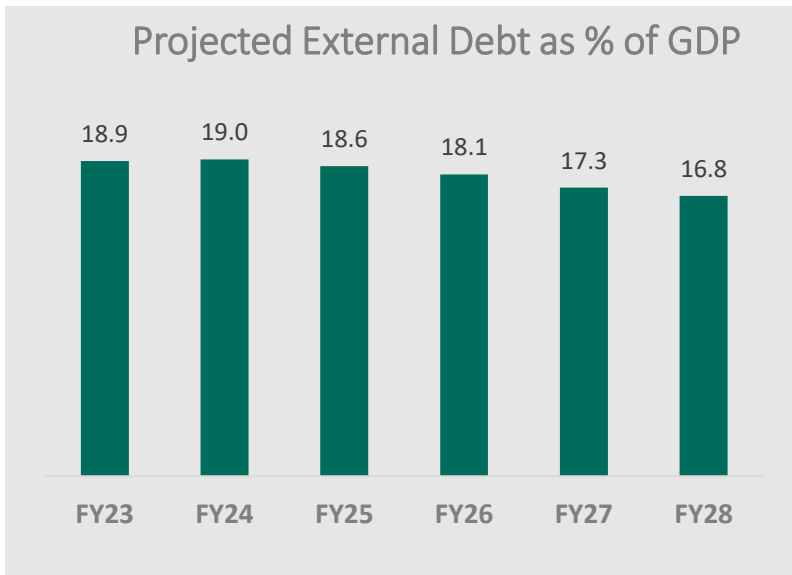
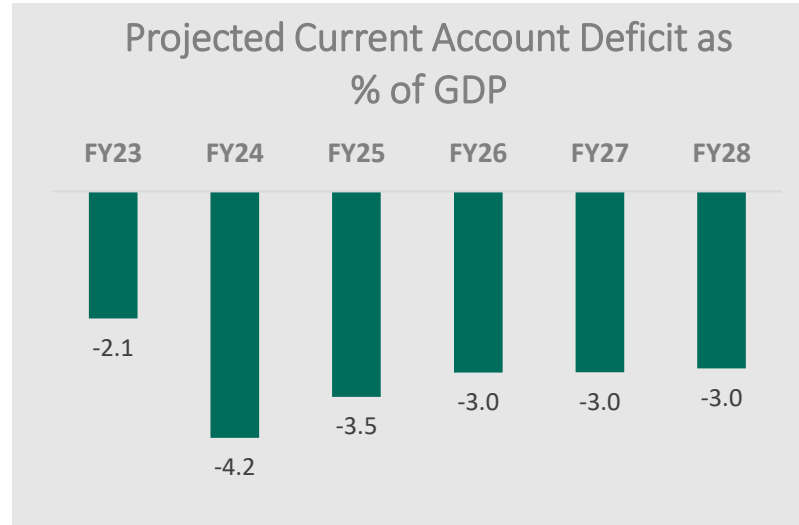
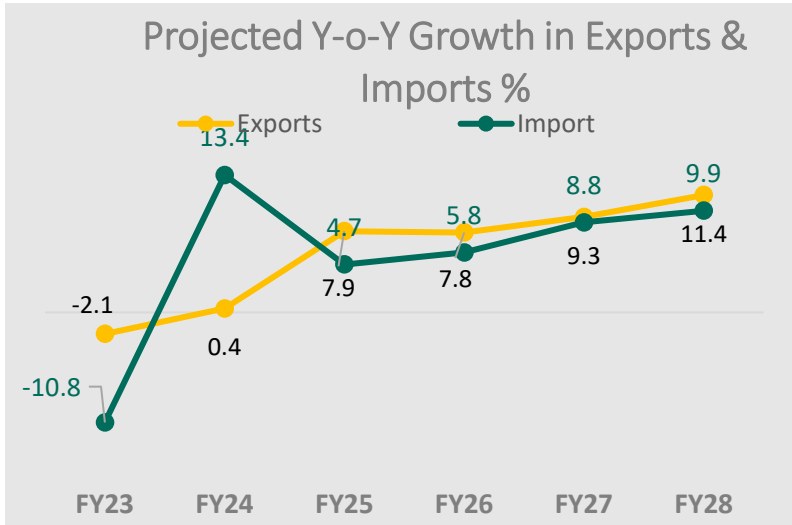
“The ratings agency expects the economy to expand between 6% to 6.4% annually between 2024 and 2026.”



## One of the fastest growing economies in the Asia-Pacific region

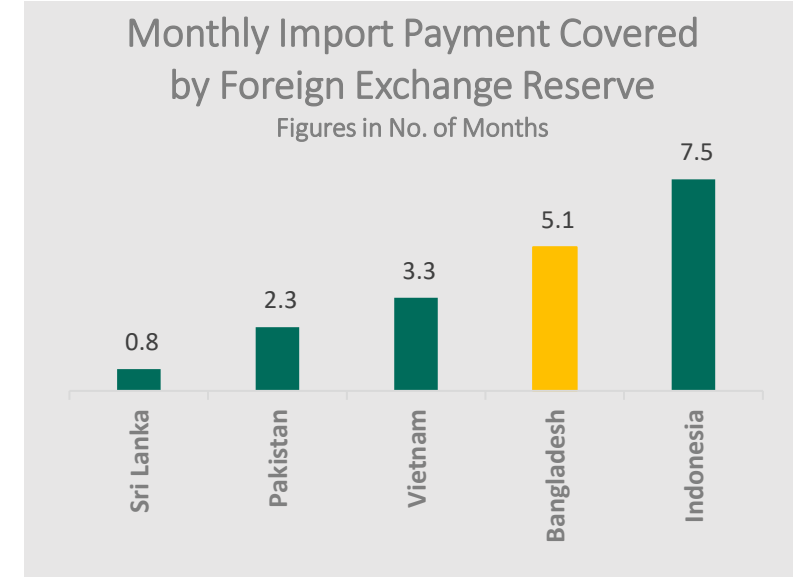
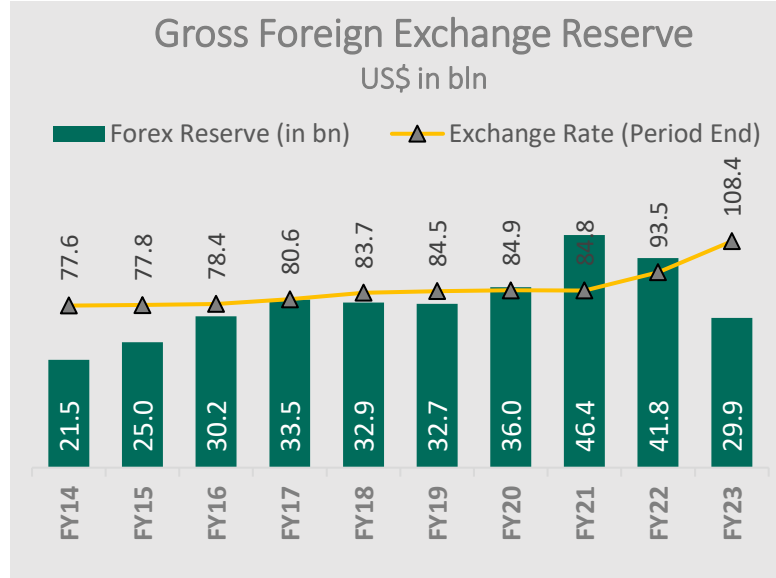
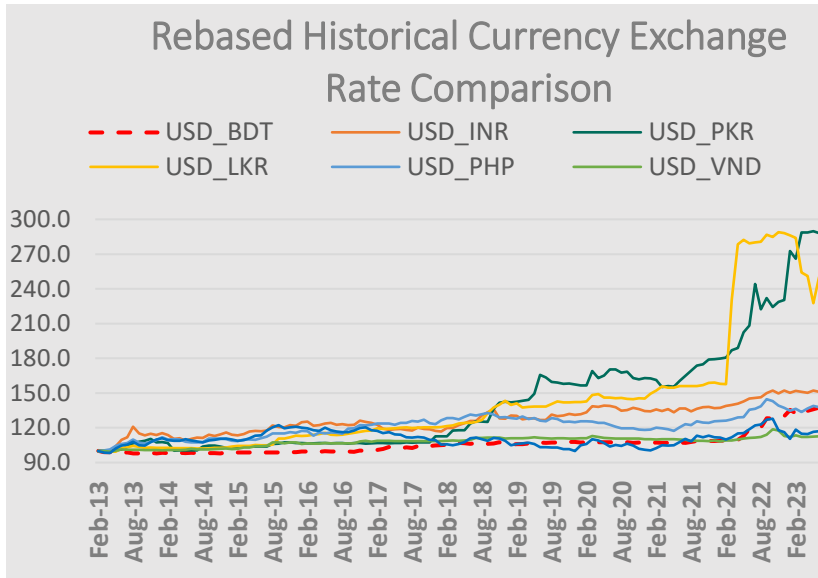
- Economic growth is expected to accelerate in FY24 to around 6.5 percent over the medium term, as inflation eases, external economic conditions improve, and reform implementation gains momentum. – May 2023
- Bangladesh remains at a low risk of external and overall debt distress. External and domestic debt indicators are below their respective thresholds under the baseline and stress test scenarios . – February 2022

# Despite short term economic turmoil, indicators are expected to stabilize in the long run



- The country's outlook remains incredible despite short term challenges caused by global macroeconomic shocks such as pandemic-induced supply chain disruptions, extreme climatic events, geopolitical tensions since 2020, etc.
- The country's core three contributor to the foreign currency inflows are export proceeds (80.0% of which comes from RMG sector), remittance and FDI. And its currency outflows mainly attributes to the import of intermediate goods - including fuel (59.0%), capital goods (17.9%), consumer goods (7.6%) and food grains (3.5%).
- The country has less dependency on food import due to significant domestic production; however, it is fully reliant on imported petroleum for domestic consumption and power generation. Besides, it has gas reserves for over 11 years.
- Like most other countries, global macroeconomic shocks has led Bangladesh economy in a wary of complacency with foreign currency reserves. However, to manage the situation, Bangladesh's government sought US\$4.7 bln loan from IMF as a 'stabilization' package'.
- However, IMF predicted that the country is expected to recover from the short-term shocks in the corresponding macroeconomic parameters.

# Bangladesh is gradually managing its currency situation



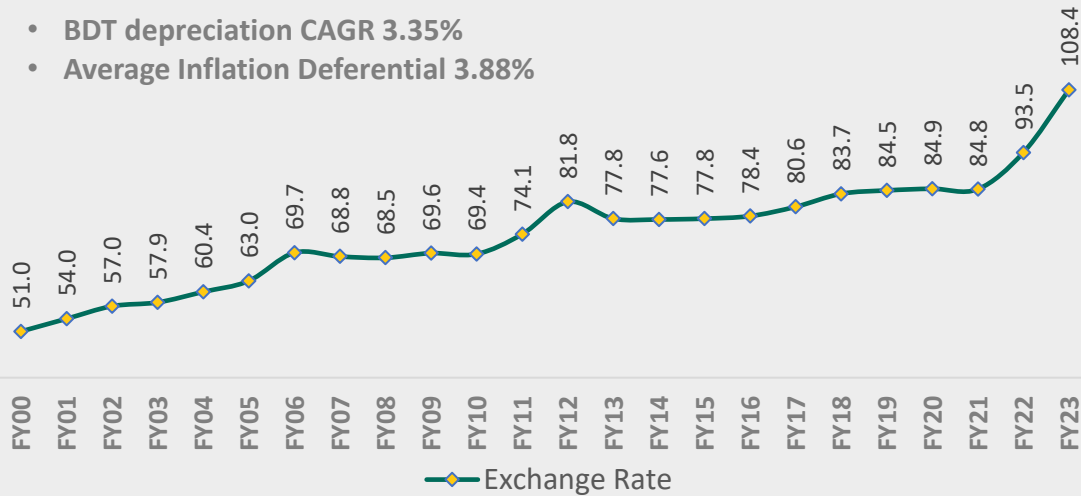
- Bangladesh maintained comparatively stable foreign currency exchange rates until February 2022. However, with pressure in foreign currency reserve the country is gradually moving towards market determined rates instead of controlled rates that led to substantial currency devaluation within short span of time.
- As the current account deficit is narrowing down in recent period (US\$-4.5 bln in FY23 against US\$-18.7 bln in FY22), it also gives an indication that currency is approaching towards its fair valuation level, from previous over-valuation.
- To support the foreign exchange rate, net sales of greenbacks by central bank was US\$13.4 bln till June 2023 while the net sales was US\$7.4 bln in FY22. These stances have caused large decline in foreign currency reserves.
- Even though Forex reserve went down to US\$29.9 bln from its peak of US\$46.4 bln in 2021, it is still in better position compared to other emerging countries of South Asia.
- According to BPM6 calculation of IMF, gross forex reserve of Bangladesh stood at US\$23.4 bln as of 20 July 2023, that is sufficient to cover 4 months of import payments (average monthly import in FY23 was US\$5.9 bln) against the standard benchmark of 3 months of import payments.



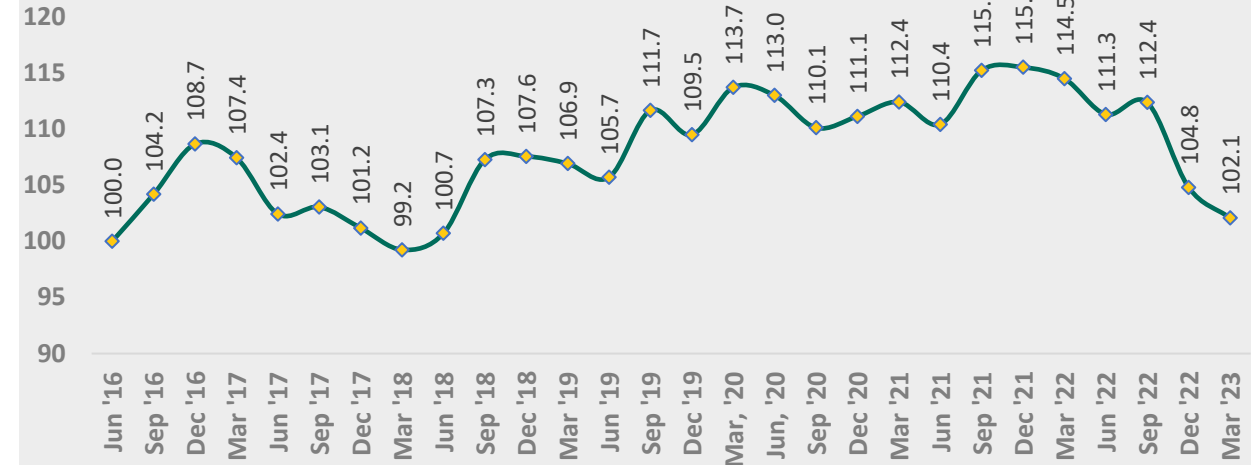
# BDT approaching towards its fair valuation

BDT/USD Exchange Rate (Period-end)

- BDT depreciation CAGR 3.35%
- Average Inflation Deferral 3.88%



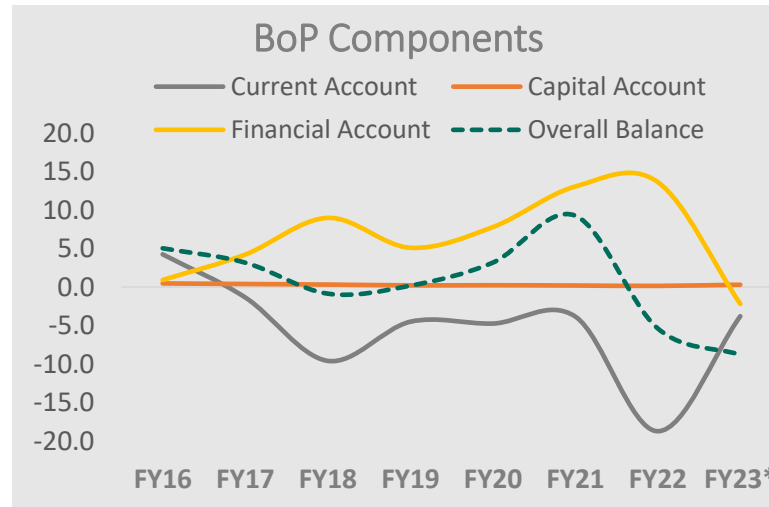
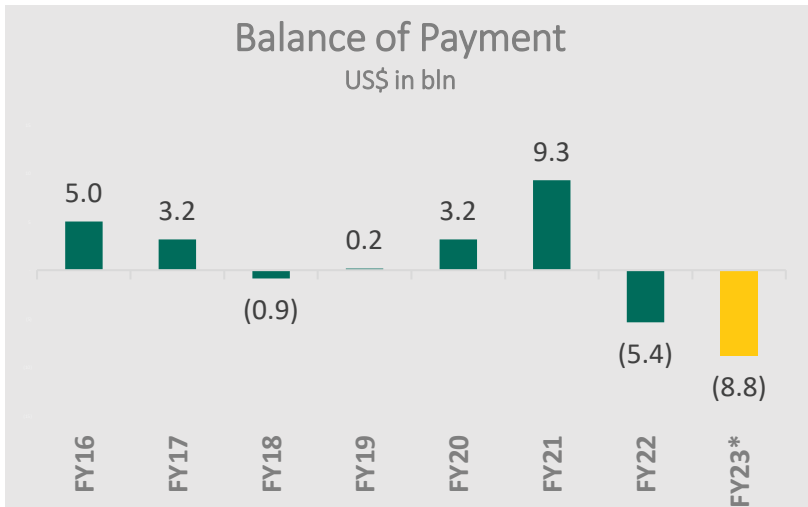
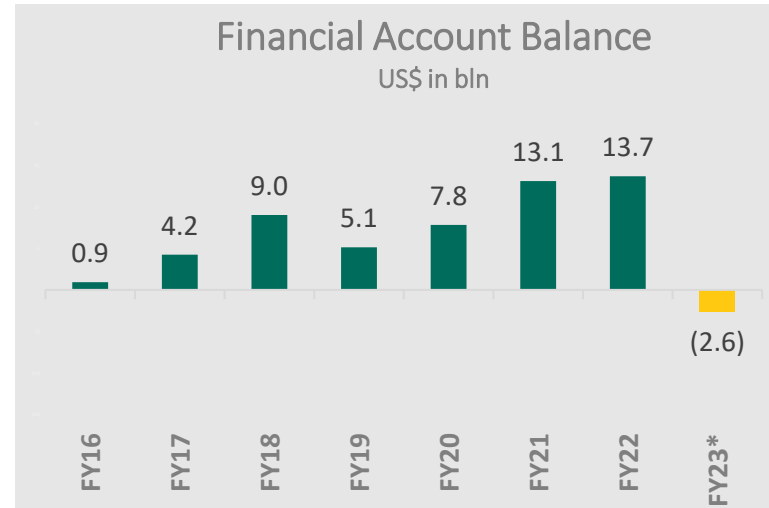
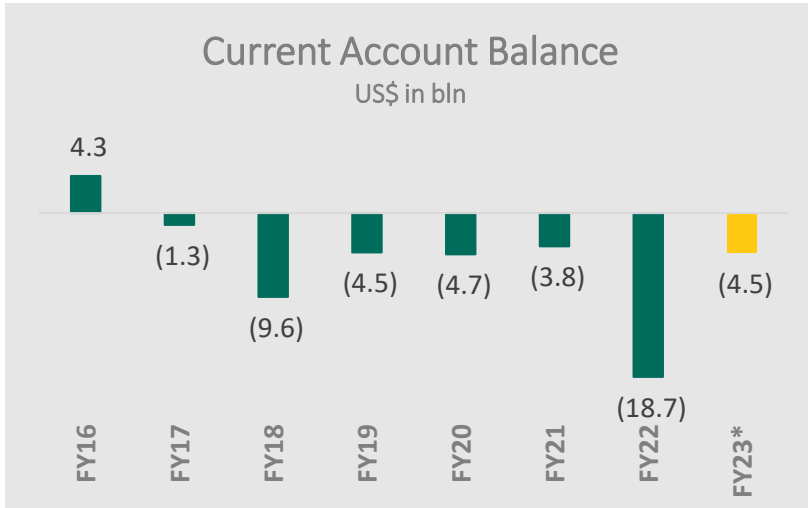
Taka's REER Nears its Fair Value



- The inflation differential model suggest that BDT is now near to its fair valuation.
- BDT has fallen from 51.0 a dollar in June 2000 to 108.4 a dollar in June 2023 (a 23 years CAGR of 3.4%)
- Average yearly inflation deferral between Bangladesh & US during the same period (2000-2023) was 3.88. The higher inflation differential is due to higher price levels in Bangladesh when the US was experiencing deflation after its financial crisis. Besides, factors such as productivity growth (Bangladesh has been growing at much higher rates than the US) can be attributed to the comparatively higher inflation differential.

- Sharp depreciation of BDT against USD has put real effective exchange rate (REER) into nearly fair valued level. BDT now appears to be settling near its fair value after its REER against a 15-currency basket of global trading partners dropped significantly, as reported by Bangladesh Bank.
- Steep inflation persisting in Bangladesh's trading-partner nations is another reason for adjustment in REERs along with BDT depreciation.
- REER measures the value of a BDT against the currencies of major trading partners and is adjusted for inflation.

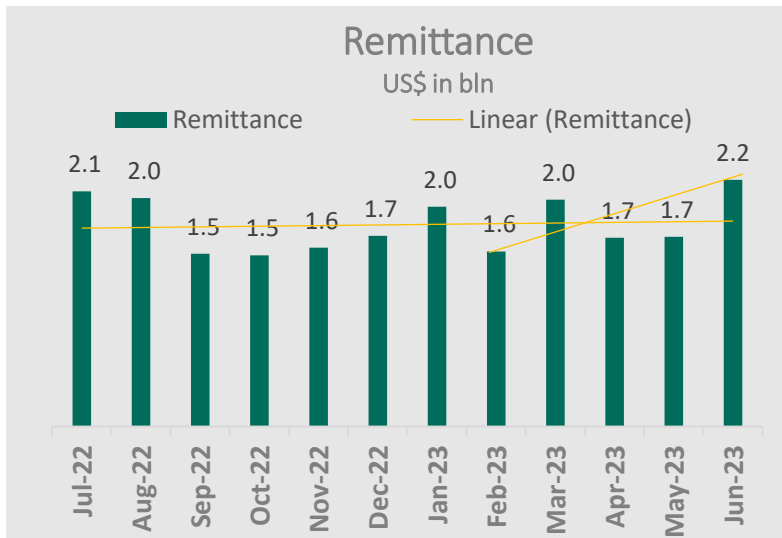
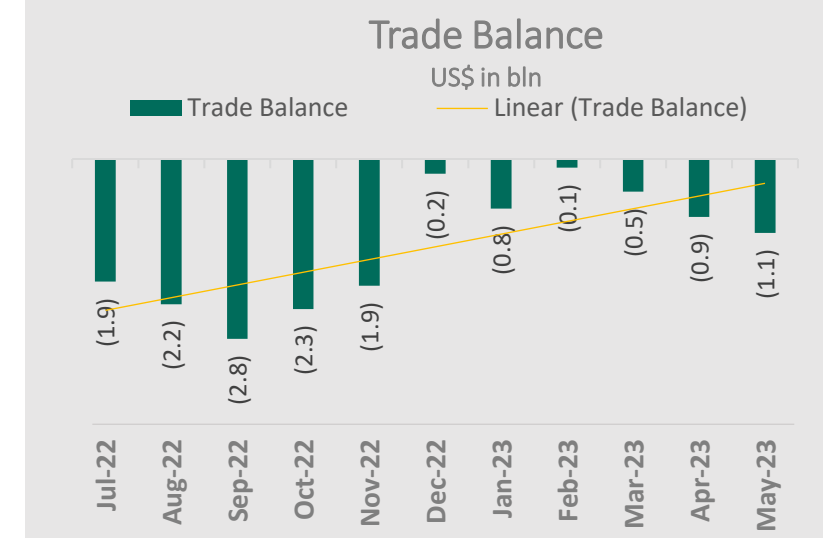
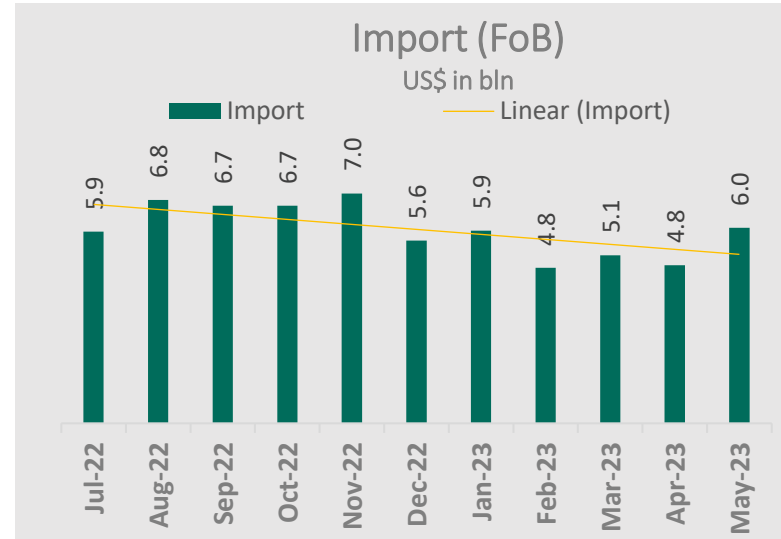
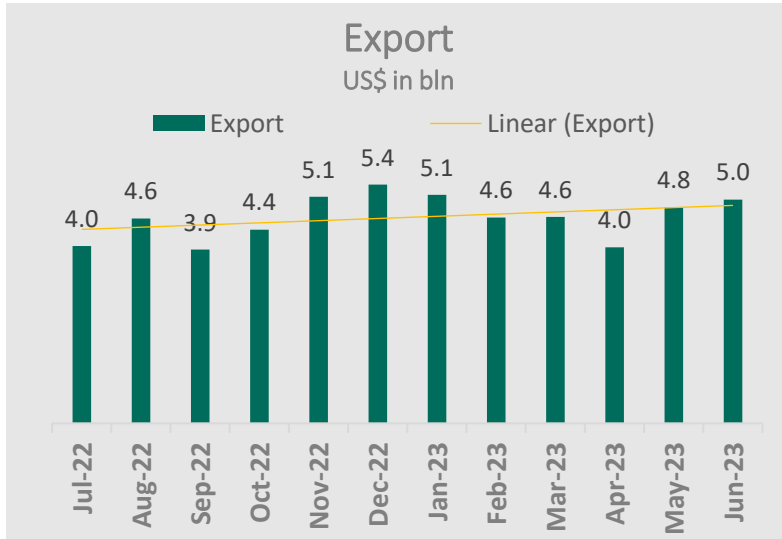
# Measures are in effect to control the current account deficit & maintain financial account stability



- Since the trade deficit has been narrowing down, the current account deficit is expected to stand at US\$-4.0 bln at the end of FY23. Widening trade deficit from US\$-23.8 bln in FY21 to US\$-33.2 bln in FY22 contributed to large decline in current account balance in FY22.
- During the first 11 months of FY23, financial account registered a deficit of US\$-2.6 bln. Lower FDI Inflows and higher short term net external debt payment, mostly caused to a financial account deficit in FY23 (YTD) which has been in surplus over the past 11 years.
- The latest monetary policy statement by the central bank for the H1'FY24 has targeted to ease the pressure on the forex reserve balances and forecasts that the financial account may end with US\$3.5 bln positive in FY24.
- To manage the mentioned situation, the government has adopted several measures including import restrictions on non-essential commodities, promoting exports, long term financing arrangement with IMF and other sources etc.

\* Data for July-May period for FY2022-23

# Trade and current account balances started improving



- Decline in import payment in the recent months along with higher export payments is narrowing down the trade balance.
- Overall export of the nation increased by 2.5% (YoY), while the export from RMG sector rose by 10.7% (YoY) to US\$47.0 bln in FY23 from US\$42.6 bln in FY22.
- On an average 25.0% decline in the global commodity prices is expected to observe in the domestic market in the coming quarters that may also curb the import payment in coming years.
- In 2022, highest number of remitters (1.1 mln) went overseas, hence, we can assume inward remittance may see higher growth in the coming years.
- Besides, BB has introduced the single market-driven exchange rate and eased off few requirements regarding inward remittance, which is expected to prompt the remitters to send their money through formal channels.

# Export diversification: New sectors may fetch billion dollars of export earnings



## Healthcare & Pharmaceutical

- Market size of Pharma products is US\$2.8 bln while the healthcare service market is around US\$6.6 bln.
- Cost of production in Bangladesh is 10-15% lower than that in India and China.
- Pharma export stood at US\$175.4 mln in FY23 that grew at a rate of 11.1% in the last 5 years.
- According to Dublin-based market insight and analysis firm, Bangladesh pharma exports may reach US\$450.0 mln by 2025.
- The API industrial park is expected to start its operation from 2024 and the API market is projected to reach US\$1.4 bln by 2025.
- Bangladesh pharmaceuticals industry has recently signed a MoU to explore opportunities with Gulf countries.
- Local pharma companies are receiving several international approvals e.g., US FDA, UK MHRA.
- WTO extended patent waiver from TRIPS till 2033 helping Bangladesh to produce patented drugs.
- Duty free access to 52 countries.



## Consumer Electronics

- Consumer electronic market is worth US\$ 10.1 bln in 2023 which is expected to have a CAGR of 7.3% till 2028.
- Major consumer electronics goods are mobile phones, refrigerators, televisions, and air conditioners.
- From import dependency to fully self-sufficient, over 60 companies are producing electronics items locally.
- To diversify the export sectors, government has incentivized few sectors with supportive regulatory systems and consumer electronics is one of them.
- Policy support and cash incentives on exports, as well as tax waivers have boosted the export of this sector to grow at a rate of 15.7% in the last 5 years.
- Consumer electric products exports grew by 48.0% (YoY) to US\$128.5 mln in FY23.
- Local giant companies have received different international certificates that have opened up the opportunities to tap export potentials in Europe and other countries.



## IT & Outsourcing

- Second-largest producer of IT freelancers, accounting for 16.0% of the global workforce.
- Over 1,500 IT firms with Software Development holding 47.0% of the industry share.
- Over 1.0 mln employed in the IT industry.
- The industry is expected to reach US\$5.0 bln size by 2027.
- Over 400 firms are now exporting computer and IT services to more than 60 countries.
- IT firms brought home US\$2.8 bln in FY23, posting a 5-years CAGR of 26.0%.
- Government has created a BDT 1.0 bln fund for incentivizing the IT industry in its latest fiscal year for the technological advancement of the country.

# Bangladesh transforming into a manufacturing hub of choice for foreign investors



## Automobiles



## Consumer Electronics & Telecommunications



## Consumer Goods



SAMSUNG

SINGER



vivo



oppo



SYMPHONY



TECNO

NOKIA

Bata



# Local manufacturing & assembling of global brands gaining momentum



TECNO  
mobile

oppo

NOKIA

- Xiaomi and Nokia set manufacturing plants in 2021, investing US\$~15.0 mln and US\$~40.0 mln respectively.
- Oppo as well as Tecno, ITEL, Vivo set assembling plant in 2019.
- Over 13 international brands are also engaged in assembling and manufacturing mobiles in Bangladesh.



SINGER  
TRUSTED INTERNATIONAL BRAND

SONY

RANGS

- In 2017, Samsung set up two manufacturing units in Bangladesh through investing US\$ 100.0 mln for smart phone & consumer electronics assembling & manufacturing.
- Singer BD has started the construction of green manufacturing plant at US\$78.0 mln in addition to its earlier units.
- Rangs Electronics in collaboration with Sony will invest US\$80.0 mln in Sylhet Hi-Tech Park to develop the manufacturing plants over 32 acres of land.

YOUNGONE  
BANGLADESH



- Youngone has invested US\$65.0 mln in three factories while another US\$120.0 mln will be invested to operate five in total.
- Kido Dhaka Co. Limited is going to invest US\$31.2 mln to set up a high-end garments & sportswear manufacturing industry.



JAPAN TOBACCO INTERNATIONAL



- Japan Tobacco International penetrated the market by acquiring the tobacco business of Akij Group in 2018, investing US\$1.5 bln and started operation in its 2019.
- Coca-Cola has recently invested US\$74.0 mln to establish a bottling plant.



- Hyundai Motors established an assembly plant in Bangladesh in association with Fair Technology, starting its operation from January 2023.
- Mitsubishi currently conducting a feasibility study in Bangladesh and set to establish a manufacturing plant in 2025.
- Honda set up manufacturing factory in 2018, investing US\$~274.0 mln.
- Proton in association with PHP Automobiles assembles five types of Proton cars since 2018.

# Panorama of Bangladesh automobile and light engineering industry



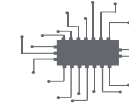
## Automobile Assembly

- Market size to stand at US\$ ~1.0 bln.
- 12.0% growth per annum.
- Only 15.0% of annually marketed commercial vehicles assembled in Bangladesh.
- More than 2 lacs motor-cycles have been registered in 2022, of which ~95.0% are either assembled or manufactured in Bangladesh.
- Automobile penetration ratio is now 6 out of 1000, which is expected to accelerate within 2030.
- Big local companies including Walton, Meghna, ACI Motors, Pran-RFL and Rahim Afroz have already invested in assembling automobiles.



## Light Engineering (LE)

- Market size is around US\$ 12.0 bln.
- Growing at a CAGR of 13.7% since 2011.
- Meets only 30.0% of local market demand.
- Bicycles are the largest export goods among Bangladesh LE sector that fetched US\$ 142.2 mln in FY23.
- Bangladesh has the opportunity to grab overseas bicycle market that is projected to grow at a CAGR of 30.0% till 2027.
- Driven by automobile industry, local battery market has been witnessing a significant growth rate of over 20.0% annually since 2013 to stand at US\$~1.0 bln.
- Bangladesh is venturing into the production of lithium batteries which is expected to grow at a CAGR of 13.0% till 2027 globally.
- Government issued Light Engineering Industry Development Policy 2022 as a move to boost LE industry.
- LE industry is considered as a thrust sector and a highest priority sector in the Export Policy 2021-24.



## Semi-conductor

- US\$500.0 bln global semiconductor Industry.
- Currently, the sector is earning up to US\$5.0 mln annually in Bangladesh and is expected to earn as much as US\$40 bln within 2030 if a trained workforce can be created.
- Companies that are dominating the global industry from US, Taiwan, South Korea, Japan and Netherland are waving to Bangladesh.
- There is a great possibility for Bangladesh to tap into this huge industry through production of very-large-scale integration (VLSI) chips.
- Leading the nascent VLSI design industry in Bangladesh:
  1. Ulkasemi Limited
  2. PrimeSilicon Limited
  3. Neural Semiconductors Limited
- Companies that involved in the production of semiconductors are offered a tax holiday.

# Incentive to attract foreign investors

## Economic Zones

- 97 Economic Zones have been approved.
- 29 are currently under implementation.
- 2 Flagship Economic Zones.

## Bangabandhu Sheikh Mujib Shilpa Nagar

- Located near Mirsarai-Sitakundu-Sonagazi.
- 33,805 acres industry to create 1.5 mln of employment.
- 64 local and foreign investors have already proposed to invest US\$15.0 bln.

## Moheshkhali Economic Zone

- Located besides the Bay of Bengal and Matarbari Coal based power plant. Total area is about 3500 acres.
- South Korea's leading conglomerate SK Group and Super Petrochemical Pvt Ltd (SPPL), a concern of local TK Group has formed a joint venture to invest US\$2.5 bln to establish a petrochemical complex and an LPG terminal in Moheshkhali.

## Hi-tech Park

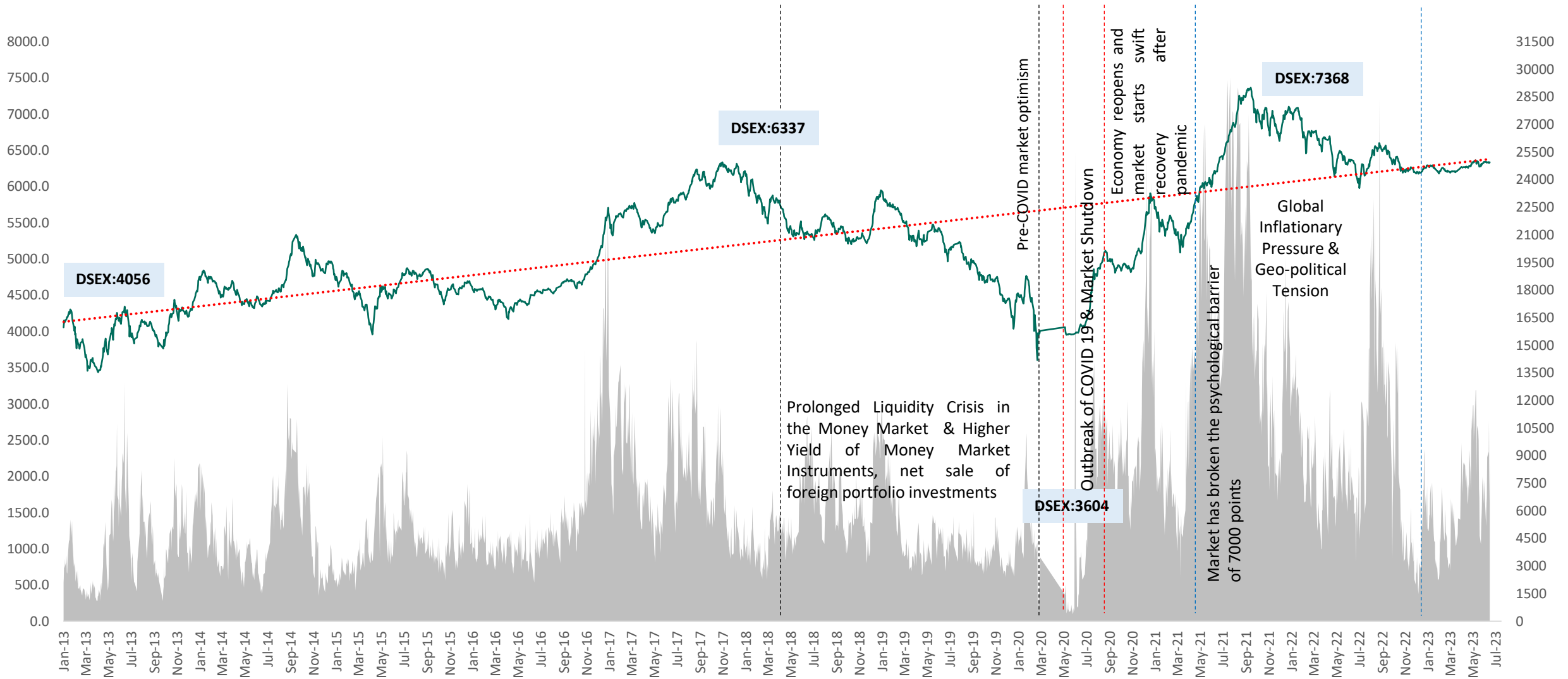
- 4 projects are operational in Bangladesh.
- 6 projects are under construction.
- 9 projects have been approved to construct.

## Benefits for investing in Economic Zones & High-tech Parks

- 12-years income tax exemption for Hi-tech park developers.
- 10-years income tax exemption for investors.
- Income tax exemption for investors on dividend, share transfer, royalty, and technical fees.
- Duty-free import of capital equipment and construction materials by the investors of economic zones.
- Duty-free import of goods and materials for park development by developers.
- VAT exemption for goods produced by the investors in the economic zone.
- Income tax exemption for foreign employees.
- Income tax exemption for park developers on declared dividends.
- 20.0% sale of finished product to Domestic Tariff Area (DTA).
- 100.0% exemption of stamp duty at the time of transferring land in favor of the Consortium, Joint Venture (Private EZ developers) formed for the purpose of setting up the zone.
- 100.0% exemption of stamp duty on the land lease agreement between BEZA & Developers.
- Entire economic zone has been declared as warehousing station.
- No ceiling of foreign direct investments.



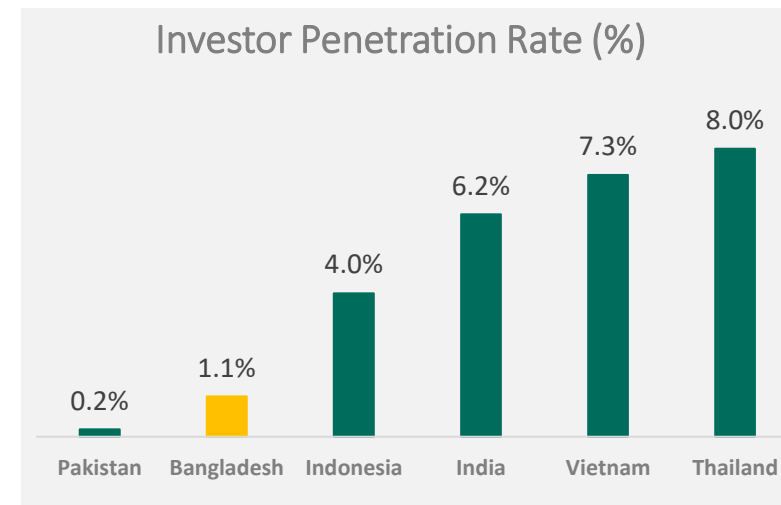
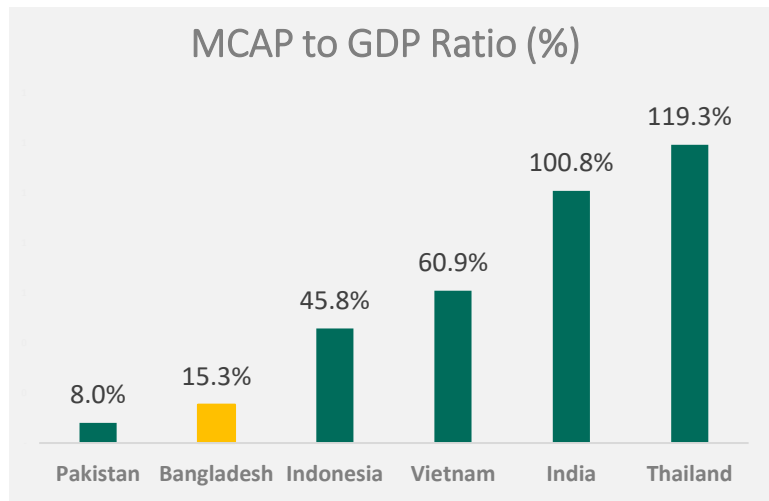
# Bangladesh capital market: promising outlook persist despite short term volatility



Note: DSEX Since inception

Value — DSEX Index

# Bangladesh Capital Market: Perks & Prospects



## CAPITAL MARKET INCENTIVES

### New Dimension in Capital Market

Introduction of new investment products that are popular amongst institutional investors including ETFs, Green Bonds, REIT and Alternative Funds.

### Mutual Fund Investments

Foreign & NRB, whether Retail and Institutional Investors, may invest in Units of Mutual Funds.

### No exit barrier

Unrestricted exit policy, remittance of royalty, and repatriation of equity and dividend.

# Despite being undervalued, Bangladesh's capital market has given high long-term returns compared to its peers

## Holding Period Returns by Frontier Market Indices

Indices	Country	Index	3yr Index Return(%)
SET	Thailand	1,526.3	13.6%
KSE 100	Pakistan	46,399.2	20.1%
JKSE	Indonesia	6,917.7	35.6%
<b>DSEX</b>	<b>Bangladesh</b>	<b>6,331.0</b>	<b>52.7%</b>
VNI	Vietnam	1,197.0	52.7%
<b>DS30</b>	<b>Bangladesh</b>	<b>2,162.3</b>	<b>54.4%</b>
SENSEX	India	66,355.7	76.2%

## Tax Structure for Foreign Investments in Bangladesh Capital Market

### Capital Gain Tax

15%

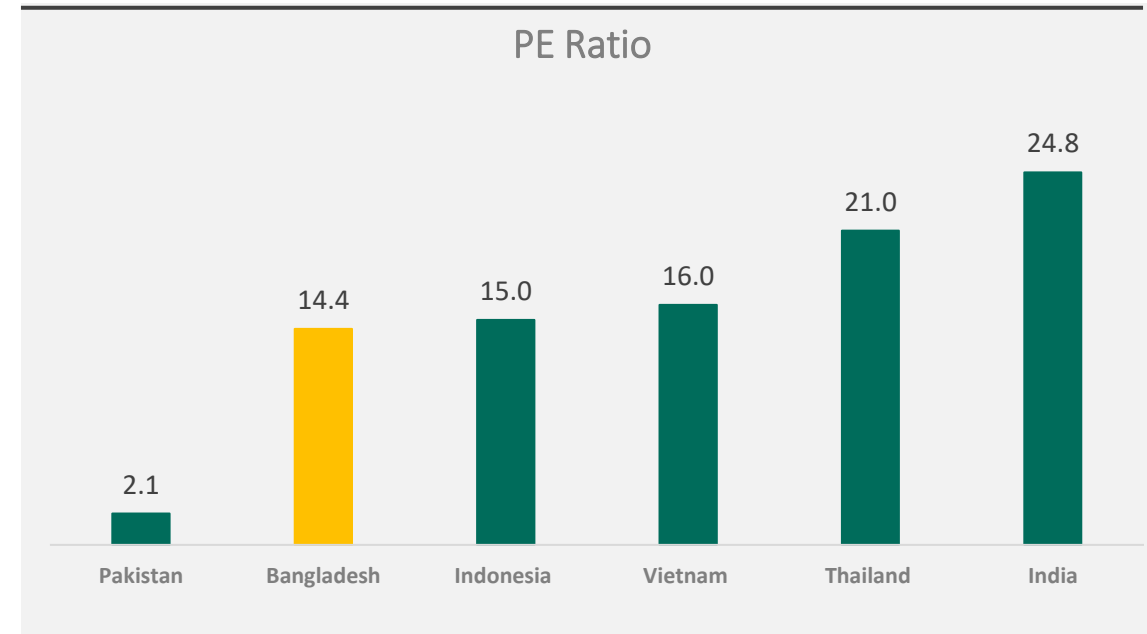
### Dividend Tax

30% for Individuals;  
20% for Institutions

### Double Taxation Avoidance Agreement (DTAA)

Bangladesh has bilateral DTAA's with 40 countries including US, UK, France, Germany, China, Japan, and South Korea

## PE Ratio



- Low P/E Ratio indicates that it is a good time to invest.
- Top blue-chip stocks are also trading at close to their all-time low P/E levels, indicating potential undervaluation.
- With promising long term economic growth prospects of the country, the Bangladesh capital market has significant upside potential.
- Dividend yield of DSEX and DS30 stood at 3.7% and 4.2% as of May 2023.

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# About Green Delta Dragon

Green Delta Dragon is a joint-venture asset manager founded by Green Delta Insurance Company Ltd (GDIC), Dragon Capital Management (HK) Ltd. (Dragon Capital) and Equinox Dhaka Ltd. (Equinox). Green Delta Insurance Company is the largest general insurance company in Bangladesh, providing protection over BDT 3.5 trillion (US\$ 32.4 bln.) of insured assets, while the Dragon Capital Group is the largest and longest established asset management group in Vietnam with assets under management (AUM) in the country of over US\$ 5 bln., and Equinox, an emerging market investment advisory firm, contributes knowledge of some of Bangladesh's most dynamic finance professionals.

With deep roots in the international asset management industry, Green Delta Dragon recognizes that the best results supersede return only. Environmental, social and governance (ESG) issues can influence investment risk and portfolio performance. For this reason, Green Delta Dragon considers responsible investment with relates to Environmental, Social and Governance (ESG) factors as an integral part of its investment management process. It strongly believes that ESG is not just about value, rather it is about the ability to create and sustain long-term businesses in a rapidly changing world and managing the risks and opportunities associated with these changes.

As a research-based asset management company, Green Delta Dragon aims to provide unique variations and innovative new products that reward engaged customers through portfolio diversification along with traditional investment products offerings. It believes that taking a strategic, long-term approach to responsible investing will create lasting value for Green Delta Dragon, our stakeholders and the wider community.

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