

ECRL MONTHLY ECONOMIC & Business Review

Cover Story: Shipbuilding Industry in Bangladesh: Opportunities and Challenges

Stock Market Analysis: Western Marine Shipyard Limited

ECRL Thought: Introducing Carbon Emission Tax in Bangladesh and its Impact on the Environment



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Shipbuilding Industry in Bangladesh: Opportunities and Challenges

Abstract

The shipbuilding industry in Bangladesh has experienced significant growth and evolution, driven by its promising economic potential and increase in its contribution to meeting the international demand for vessels. In 2023, the global shipbuilding market was valued at approximately USD 145.667 billion, with projections indicating a substantial increase to USD 195 billion by 2030. This industry is currently dominated by Asia-Pacific nations, notably China, with Bangladesh emerging as a notable player due to its unique riverine geography and maritime capabilities. This paper offers a comprehensive examination of the shipbuilding sector in Bangladesh, encompassing its historical development, current status, and prospects. The industry has undergone a notable transformation from traditional wooden vessel construction to steel and iron vessel production, catering to domestic and international markets. Despite challenges such as high land development costs, formidable competition from other Asian shipbuilding giants, technological limitations, reliance on imported materials, and inadequate funding schemes, the sector continues demonstrating substantial growth potential. To capitalize on this potential and overcome prevailing challenges, this paper presents a set of recommendations. These include fostering local sourcing and technological advancements, providing favorable funding opportunities, investing in human resource development and international collaborations, and enhancing government incentives and support mechanisms. By implementing these strategies, the shipbuilding industry in Bangladesh can further solidify its position, contributing significantly to the nation's economic development and prosperity on the global stage.



Introduction

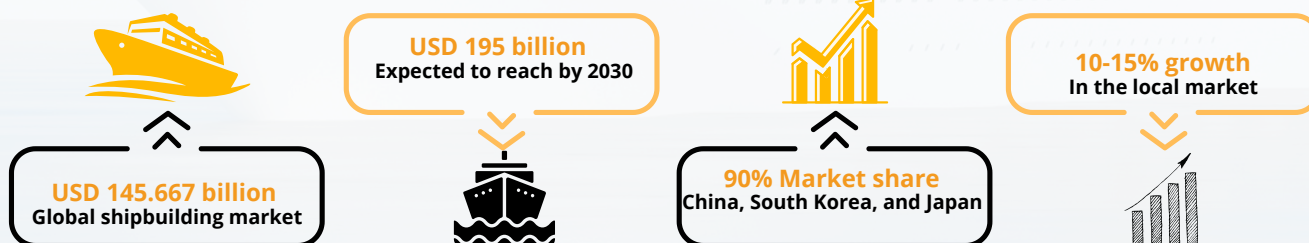
The global shipbuilding market is estimated to be USD 145.667 billion in 2023 (Mordor Intelligence, 2023) and is expected to reach USD 195 billion by 2030 (Rayhan, 2023). This industry is dominated by Asia-Pacific countries, followed by Europe, North America, Latin America, the Middle East, and Africa. The major share among these countries is led by China which has about 41% of the global shipbuilding market share and is looking forward to growing more (Rahman, 2022). China, South Korea, and Japan comprise 90% of the total market share in the world. The shipbuilding industry in Bangladesh has a rich history and has evolved significantly over the years. Bangladesh is primarily an agriculture-based economy with riverine landscapes, and this has emerged as a promising economic sector for shipbuilding.

The shipbuilding industry in Bangladesh has been majorly supplying the local market, while exports have been growing smoothly in the past decade by holding a position in the global market for small and medium sea vessels. The industry has grown in recent years as Bangladesh commenced exporting domestically manufactured ships to many nations across Europe, Africa, and Asia. The local market experienced 10-15% growth, with 5-6% growth in international market participation (Mahmud, 2022). Among the ship types exported by Bangladesh are cargo vessels, multipurpose container vessels, tug boats, landing craft, bulk carriers, patrol vessels, catamaran water taxis, ferries, oily waste collection vessels, and passenger vessels (BIDA-Shipbuilding). Moreover, the shipbuilding sector in Bangladesh offers growth opportunities. Focusing on local sourcing, technological advancements, favorable funding opportunities, human resource development, and international collaboration can enable the industry to thrive and contribute significantly to the nation's economic prosperity. This overview sets the stage for a comprehensive exploration of Bangladesh's shipbuilding industry, including its achievements, current status, challenges, and promising prospects.

Historical Overview

A riverine and agriculture-based South Asian country like Bangladesh has been mostly involved in local shipbuilding, focusing on wooden-made local vessels in the ancient period. Before independence, the Chattogram region had a long history of building and repairing ships dating back to the Colonial era (Shipbuilding Industry - Banglapedia). Initially, after the liberation of Bangladesh, the shipbuilding industry was operating on a small scale. The port city of Bangladesh, Chattogram, has been involved in shipbuilding. During the 1990s, the country underwent modernization with the rising economic development and industrialization, and this sector also started expanding. The industry experienced a significant transformation by switching from wooden vessels to steel and iron, such as cargo ships, fishing trawlers, and passenger ferries. The government also focused on the development of this sector and recognized the industry's potential, providing incentives to support the growth. Then, with the rising demand for vessels, shipbuilding moved from the higher labor cost entailing European countries to Asian countries with lower labor costs like Japan, Korea, etc. India, Indonesia, Bangladesh, and other Asian countries are also contributing to the international market with a cheap labor supply, and Asian shipbuilders have moved from constructing small ocean-going vessels to large vessels.

Bangladesh has also started to produce and export quality vessels. In 2000, small boats from Bangladesh were exported to Mozambique and a few other countries and the fundamental moment that transformed Bangladesh into a global player in shipbuilding occurred in 2008 when it received substantial orders from European markets. Significant orders came from German and Danish buyers for multipurpose cargo ships (Rahman, 2022). Bangladesh is now moving from building small ships to medium to large vessels with the increased work orders from different countries.

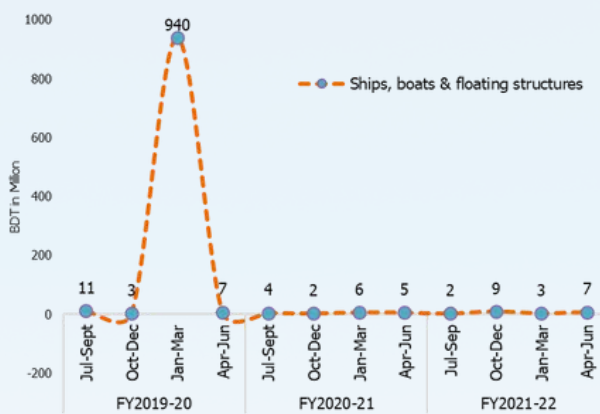


Current Status

There are more than 130 shipbuilders and over 300 shipyards of varying sizes, located mainly on the river banks of Dhaka, Chattogram, Narayanganj, Barisal, and Khulna. The current shipyard has around 10,000 deadweight tonnage (DWT) capacity, which can be increased to 50,000 DWT after the expansion of the shipyards (N.M. Golam Zakaria et al., 2023). Among the shipyards, only 10 maintain export standards, of which 5 make ships for foreign buyers while the other five await foreign orders. In Bangladesh, water vessel has significant demand as almost 90% of fuels, 70% of cargo, and 35% of passengers are moved by waterways (BIDA-Shipbuilding). While the domestic market is experiencing a growth rate of 10-15%, the export market has been expanding at 5-6%. Due to consistent economic and trade advancements and the initiation of infrastructure projects, the quantity of domestically registered vessels has risen at an average annual growth rate of 5.39% (Mahmud, 2022). Additionally, the availability of low-cost skilled labor reduced costs, attracting international buyers. This labor-intensive sector contributes to the employment generation of the economy by engaging over 150,000 skilled and semi-skilled workers in various capacities (Sagar, 2022).

The shipbuilding industry contributes an annual sum of BDT 1,500 million to the country, which is anticipated to reach the BDT 10,000 million milestone by 2041 (Mahmud, 2022). Furthermore, in 2022, Bangladesh delivered its largest container ship, a 6100-tonne load capacity, to the UK, which was locally built, earning foreign exchange of BDT 10 million. However, the export of receipts for ships, boats, and structures from Bangladesh Bank data displayed a decreasing trend for the last four years. According to industry insiders, the ongoing projects' orders were halted with a decrease in new orders after the pandemic in 2021 due to payment failures. The payment in the Jan-Mar third quarter of FY2020 displayed an influx of payment receipts as the orders from previous payments were received. However, the situation improved the following year when the sector started receiving export orders, some of which will be delivered in 2024 (Ahmed, 2023). Moreover, in 2022, three companies received orders worth BDT 500 million to build around two dozen vessels, namely Khulna Shipyard, Karnafuly Shipyard, and Ananda Shipyard, which will significantly boost this sector (Ahmed, 2023). The vessels these companies are constructing include mother vessels, cruise ships, tug boats, floating cranes, and dredgers.

Figure 1. Ships, boats & floating structures (BDT in Million)



Source: Bangladesh Bank

Market Trends and Demand Dynamics

Some of the market trends and demand dynamics of this industry are:

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Low Labor Cost

The worldwide market for small and medium-sized maritime vessels is expanding, and Bangladesh enjoys a competitive edge in this sector owing to its cost-effective labor force, skilled workforce, and supportive government policies (BIDA-Shipbuilding).

130 shipbuilders and over 300 shipyards

Shipyard has around 10,000 deadweight tonnage (DWT) capacity

Can be increased to 50,000 DWT after the expansion of the shipyards

Registered vessels has risen at an average annual growth rate of 5.39%



Increasing Demand in Local Market

Bangladesh is a riverine country with vast rivers and inland waterways. It is regarded as the cheapest and most convenient mode of transport. Thus, there is a significant demand for locally made ships as the cost is low if vessels are sourced locally.

Availability of Private Shipyards

The shipbuilding sector in Bangladesh is primarily led by private shipyards, which have effectively exported various types of ships to nations across Europe, Africa, and Asia. Among the prominent shipbuilders in the industry are Western Marine Shipyard, Ananda Shipyard and Slipways, Meghna Shipbuilders and Dockyard, Khan Brothers Shipbuilding, and others (Ahamed, 2014).

Government Support and Incentives

The government of Bangladesh is providing new policies and incentives for local manufacturers and exporters. The Shipbuilding Policy 2020 provides support and incentives that aim to develop backward linkage and ancillary sectors of the shipbuilding industry (BIDA-Shipbuilding). Moreover, the refinance scheme by Bangladesh Bank includes BDT 20.00 billion out of its fund named "Refinance Scheme for Shipbuilding Industry."

Government Policy and Support

This sector has gained potential over the years, and since 2008, shipbuilding has started receiving export earnings. The government is also providing incentives and implementing policies to support investments in this sector. Relevant incentives and policies are mentioned below (Shipbuilding Industry-BIDA) :

- National Industry Policy 2016: The National Industry Policy 2016 aims to improve the socioeconomic condition of Bangladesh by increasing industrialization, employment, and GDP growth.
- The Inland Shipping Ordinance of 1976 defines the categories of vessels operating in the country's domestic inland waters, with corresponding national standards outlined in Bangladesh's Domestic Vessel Code.
- The Merchant Shipping Ordinance of 1983 defines all Bangladeshi vessels, excluding those navigating inland waters, such as ocean-going vessels. These ocean-going vessels must attain certification based on internationally recognized "class" standards through accredited bodies.

- Adjusted tax rates for export income include a 5% rate for publicly listed companies and a 10% rate for non-listed companies as per SRO-132-AIN/2013. A 5% import duty is also applied to raw materials utilized in shipbuilding within the local market. Moreover, a 10% export subsidy is available for ship exports, as outlined in FE Circular-31 from August 2017.
- Refinance Scheme for Shipbuilding Industry from Bangladesh Bank is a refinance scheme of BDT 20.00 billion. Islamic banks may also provide funds under this scheme by following Shariah-based investment rules and may avail of the refinance facility from Bangladesh Bank (BRPD circular No. 09, dated 26 May 2022) (Bangladesh Bank).

Opportunities in the Shipbuilding Sector

Growing Domestic Market and Shipyard Expansion

The local market is producing vessels at a rate of 5.39% with a market growth rate of 10-15% (Mahmud, 2022). The country, having experience from the ancient era and more than 300 shipyards, can produce around 50,000 DWT by 2041 with shipyard expansion (Mahmud, 2022).

International Recognition

Securing European buyers' orders for shipbuilding allowed gaining international recognition since 2008. Bangladesh has been exporting ships to countries like Germany, Denmark, Finland, Norway, India, Pakistan, Kenya, Mozambique, Tanzania, and the Maldives (Mahmud, 2022).

Economic Labor Supply

Bangladesh has been getting orders from different Western countries for shipbuilding due to its labor cost compared to them. Moreover, the availability of skilled engineers and workers also plays a positive role in getting orders for small to medium vessels.

Deep Sea Port

The ongoing mega projects Payra Deep Sea Port and Matarbari Sea Port will benefit shipbuilding companies. It will also be able to provide support services and facilities for shipbuilding industries (Preparatory Survey on Matarbari Port Development Project).

War Ship Construction

Under the supervision of the Bangladesh Navy, four warships are being constructed in the Khulna Shipyard. The ships are being built locally of international quality and are cost-effective for transporting war goods (Rita, 2023).

Favorable Geographical Location

Bangladesh has around 800 rivers, and shipbuilding industries are situated in the coastal belt and banks of the rivers. Thus, it is easier for the local vessel market to be accessed.

Challenges Faced by the Shipbuilding Industry

The shipbuilding industry has challenges that obstruct its growth, affecting its competitiveness.

High Cost of Developing Shipbuilding Land

Despite Bangladesh's riverine nature, establishing shipbuilding yards and ensuring their efficient operation and maintenance entails substantial financial outlays.

Stiff Competition

Asian countries like China, Japan, South Korea, India, and Vietnam have low production costs, advanced technology, and economies of scale, which raises stiff competition for Bangladesh.

Lack of Technology and Infrastructure

Bangladesh has cheap labor, but the technology and infrastructure are still not upgraded, which increases the cost of production and delays delivery time compared to other Asian countries.

Import of Raw Materials

Bangladesh has to depend on imports for raw materials and machinery. With the increase in costs due to international price fluctuation from the dollar crisis, the cost of procurement increases.

Lack of Funding Scheme

The shipbuilding industry requires specialized loans or funding schemes from financial institutions, which is insufficient to support this sector fully. The shipbuilding industry in Bangladesh needs access to extended-term, low-interest capital loans to sustain its operations and facilitate growth.

Recommendation

Promoting Local Sourcing and Technological Advancements

To reduce the cost of ship manufacturing, there should be a strategic focus on developing local sources of raw materials, equipment, and technology. This can be achieved through public-private partnerships, incentivizing research and development in shipbuilding-related industries, and fostering collaboration between shipyards and local suppliers. By embracing innovative practices and technology, shipyards can enhance efficiency and productivity, making them more competitive globally.

Favorable Funding Opportunity

This industry has the potential to grow due to the demand in the local and international markets. The global market is expected to grow by approximately USD 195 billion by 2030, subsequently positively impacting Bangladesh with significant growth potential. However, the availability of favorable, lenient-term loans is essential to capitalize on this opportunity. Enhancing funding support from banks and financial institutions can be achieved by providing shipbuilders with reduced interest rates, extended repayment periods, and simplified access to credit.

Human Resource Development and International Collaboration

To enhance the industry's human resources, investment in training and education is required. The focus should be to increase the quality and quantity of training facilities, update curricula to align with industry needs and ensure experienced instructors. Moreover, international collaboration will provide access to global best practices and expose the local workforce to diverse perspectives and skill sets, ultimately increasing the industry's competitiveness and capacity.

Government Incentives and Support

Implementing policies to support this sector by the government could help achieve the targeted growth of USD 4 billion by 2026 for this sector. Rectifying the deficiencies within the regulatory framework, taxation system, and incentives available to shipbuilders could change the scenario significantly.

Conclusion

The shipbuilding industry in Bangladesh embodies a dynamic sector with a rich historical evolution and a promising future trajectory. As the global shipbuilding market continues to expand, with substantial growth anticipated in the coming years, Bangladesh stands poised to impact this industry significantly. This analysis has elucidated Bangladesh's pivotal role in supplying local and international markets with diverse vessels, thus contributing to the nation's economic growth and job creation. However, the industry faces formidable challenges, including high land development costs, intense competition from established Asian shipbuilding giants, technological constraints, reliance on imported raw materials, and a deficiency in specialized funding schemes. Nevertheless, the potential for growth and development remains substantial. The recommendations outlined in this study, which encompass promoting local sourcing and technological advancements, facilitating favorable funding opportunities, investing in human resource development and international collaborations, and improving government support mechanisms, offer a comprehensive framework to address these challenges and unleash the industry's full potential. With concerted efforts, strategic policies, and collaborative initiatives, Bangladesh's shipbuilding industry can weather these challenges and thrive, bolstering the nation's economic prosperity and global standing. By embracing innovation, enhancing efficiency, and fostering a supportive environment, Bangladesh can position itself as a formidable contender in the worldwide shipbuilding arena, capitalizing on the opportunities presented by this thriving sector.

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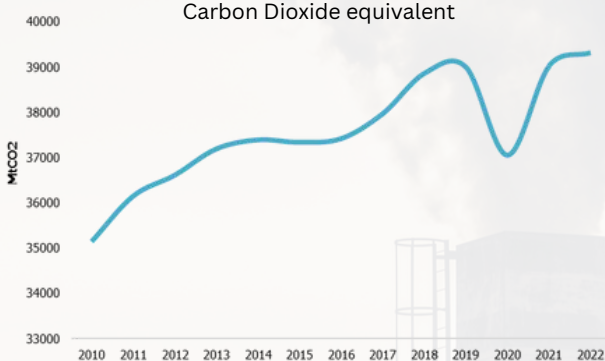


Introducing Carbon Emission Tax in Bangladesh and its Impact on the Environment

Introduction

With the rising irrefutable global issue of climate change and global warming, countries are increasingly exploring innovative policies to mitigate the impact of carbon emissions on the environment, one of the most severe threats in the world, instigating damage to human beings. Over the decade, the carbon emission in the world has accelerated, with a drop during the COVID-19 period in 2020. The emission in 2010 was 35,149.9 MtCO₂, which increased to 39,315.5 MtCO₂ in 2022, with a growth rate of 0.8% (Energy Institute, 2023) compared to the previous year (Figure 1).

Figure 1. Carbon Emission in the World Million tonnes of Carbon Dioxide equivalent



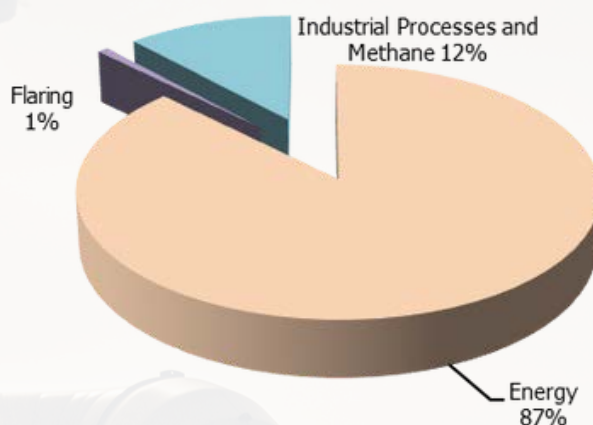
Source: Energy Institute

Bangladesh is a country that is particularly vulnerable to the effects of climate change. Rising sea levels, extreme weather events, and threats to agriculture are severe challenges the country faces. Bangladesh has proposed a tax on carbon emissions to address these challenges for the FY2023-24 budget. This essay delves into the carbon tax's application and its potential impact on Bangladesh. It examines the underlying mechanisms of a carbon tax, its relevance in the context of Bangladesh's unique climate challenges, the intricate policy-making process, potential benefits, challenges of implementation, and lessons from other nations.

Carbon Emission and Pricing Schemes

The gases in the atmosphere that elevate the surface temperature of planets are comprised of Greenhouse gases, where carbon dioxide is the major contributor, leading to the greenhouse effect (World Meteorological Organization, 2017). According to the Energy Institute's data in 2022, the world's carbon dioxide emissions mainly come from energy use, which is 87%, followed by industrial processes and methane with 12% emissions, and lastly, gas flaring associated with oil extraction, which stood at 1% (Figure 2). As more countries increased awareness regarding climate change and the environmental impact of carbon emissions, the carbon markets have developed over the years.

Figure 2. Global Carbon Dioxide Emissions Source Mtco2

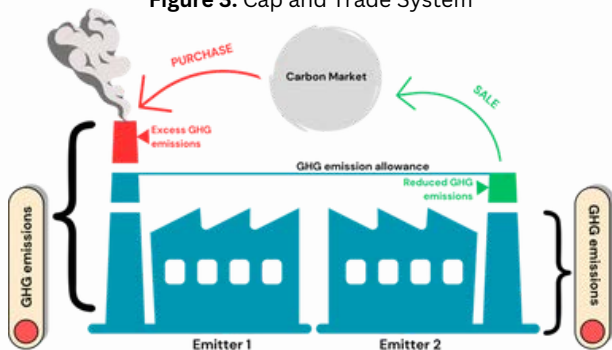


Source: Energy Institute

The carbon pricing schemes are implemented to control emissions worldwide, which can be divided into different instruments adopted by countries. The two central pricing schemes among the 73 tools worldwide (World Bank, 2023) include carbon taxes and emissions trading systems (ETs), which cover 23% of global emissions, growing from 7% ten years back, as stated in the State and Trend Report of World Bank, 2023 (World Bank, 2023). The carbon tax is a fee or price on carbon

imposed on businesses and individuals that emit greenhouse gases. At the same time, ETS creates a cap for the carbon emission level, which lets the low emitter sell their allowance level to more significant emitters (World Bank, 2023) and can also be referred to as a cap-and-trade system (Figure 3). Territories are consistently unveiling new carbon pricing mechanisms or a mixture of different approaches. The landscape of carbon pricing has evolved, and initiatives do not always neatly fit into these two categories. Among the pricing schemes, the carbon tax has comparative cost-effectiveness compared to other approaches, according to economists and international organizations (Lin & Li, 2011). EU countries like Denmark, Finland, Sweden, Netherlands, and Norway were the first adopters of the carbon tax (Lin & Li, 2011). These countries have successfully implemented carbon taxes, contributing to emission reductions and revenue generation.

Figure 3. Cap and Trade System



Approach to Carbon Tax in Bangladesh

Developing country like Bangladesh is ranked 7th among the countries affected most by climate change in 2000-2019 and is recognized as one of the world's most exposed nations to the impacts of climate change especially by Sea Level Rise (SLR) among other external drivers. According to a study by the Department of Environment, by this century SLR will submerge 12.34%-17.95% of the coastal area in Bangladesh (Ministry of Environment, Forest and Climate Change). Within 2030, Bangladesh aims to reduce carbon emissions by 89.47 MtCO_{2e} representing a 21.85% decrease compared to business-as-usual (BAU) levels (Ministry of Environment, Forest and Climate Change). Recently, to reduce carbon emissions, the government of Bangladesh introduced the carbon tax in the budget FY2023-24. The pricing has been proposed for owning more than one car, depending on the engine size, and the tax rate ranges from BDT 25,000 to BDT 3.5 lacs (Matlub Ul Alam, 2023). International experiences offer treasured insights into the potential success of a carbon tax in Bangladesh. As the most efficient mitigation instrument, the carbon tax is highly recommended by economists and international organizations (Lin & Li, 2011).

There are other policies Bangladesh adopted over the years to realize its vision of climate-resilient sustainable development. Some of these policies include:

- Bangladesh Climate Change Trust Act
- Nationally Determined Contributions (NDC)

- Bangladesh Climate Change Strategy and Action Plan (BCCSAP)
- Bangladesh Delta Plan
- National Adaptation Plan (NAP)
- Mujib Climate Prosperity Plan (MCPPI)
- Bangladesh Climate Fiscal Framework
- Disaster Management Act of 2012
- National Disaster Management Policy of 2015
- Standing Orders on Disaster from 2019
- Plan of Action: Sendai Framework for Disaster Risk Reduction
- National Strategy on Internal Displacement Management

Global Perspective on Carbon Pricing

Carbon tax is a carbon mitigation method and a tool to generate income, stimulate innovation, and help achieve broader sustainability and development goals. Although the world carbon emission did not decrease, in 2022, the emission quantity increased negligibly by 0.8% (Energy Institute, 2023). High-income countries have successfully implemented carbon pricing, and European Union countries like Sweden, Norway, Netherlands, Denmark, Finland, etc., comprised high revenue from the total revenue earned from carbon pricing. However, not all high-income countries had a carbon emission decline. For instance, Sweden, Norway, Netherlands, and Denmark experienced a decline in carbon in the annual and 10-year growth rates except for Finland (Energy Institute, 2023). Nevertheless, the Overall EU countries comprised only 10% of the world's carbon emissions, which experienced a decline in 2022 by 2.2% compared to 2021 (Energy Institute, 2023). Moreover, the 10-year growth rate for the EU countries also fell, supposed to result from an effective policy measure the EU countries took against carbon emissions.

Asia Pacific Countries comprised 51% of the total carbon emission in the world, with China taking the highest percentage of 30.2% in 2022 (Energy Institute, 2023). According to findings from a study on carbon tax impact on carbon emission reduction in China, it indicated that as the carbon tax was raised, there was a positive impact on the inflation rate, an increase in the rate of carbon emission reduction, and an amplified adverse impact on GDP and employment. The study suggested policy formulations, like the incorporation of carbon taxation and carbon trading, implementation of dynamic adjustment mechanisms, and the recreation of tax neutrality, which need to be considered for setting carbon pricing.

State and Trend of Carbon Pricing Report 2023 states that India does not have a national carbon tax or ETS as of 2023 which comprises 7.2% of the world's carbon emission (Energy Institute, 2023). However, India has adopted certain policies like tax rate on coal production which is set at USD 5.4 per tonne of CO2 emitted (World Bank, 2023). Through the carbon tax rate, India possesses the potential to not only curtail its carbon emissions but also establish a guide for fellow G20 nations. Nevertheless, other external factors are affecting the emission of carbon resulting from consuming energy, fossil fuels, etc. Factors include economic turmoil, inflation, the Russia-Ukraine war, climate change, etc., which will have an impact on countries' policies and consumption of energy or fuel, affecting carbon emissions. Emission levels for the first half of this year were lower than in 2021 before summer heat waves reversed the trend with increased energy consumption (IEA, 2023).

Policies for Bangladesh

In Bangladesh, carbon pricing can be applied to various sectors, including electricity generation, transportation, and industrial production. The rates might vary depending on the industry and the amount of greenhouse gases emitted. The government can earn revenue from carbon pricing to fund environmental development projects, such as renewable energy projects and climate adaptation measures. According to the State and Trends of Carbon Pricing report, as policies in jurisdictions have evolved and diversified to reflect increased ambition, the government revenues from carbon pricing, mainly carbon tax and ETS, have increased dramatically to around USD 95 billion in 2023 (World Bank, 2023). There is another instrument where the revenue flows vertically known as carbon credit, which the regulators sell to industries or businesses to earn revenues (Credits, 2022). Offset carbon is another instrument where the revenue flows horizontally between companies. There are many mechanisms Bangladesh could adopt to effectively reduce carbon emissions and earn revenue for social development purposes.

Benefits and Challenges in the Implementation of Effective Carbon Pricing in Bangladesh

Bangladesh can tailor its policy to address domestic benefits and challenges while capitalizing on successful strategies employed by different nations that use carbon pricing. The ETS represented approximately 69% of government revenues worldwide from direct carbon prices, while carbon taxes took the rest, 31% (Dumoulin, 2023). The revenue can be distributed based on which sector the government wants the fund to be allocated. On average, it is estimated that 46% of revenues are allocated to specific policies, 29% to the general budget, 10% to direct transfers, and 9% to tax reductions (Dumoulin, 2023). Bangladesh can benefit from implementing a carbon tax by earning revenues and reducing carbon emissions, which can be invested in climate change mitigation and adaptation initiatives or directed towards social welfare programs.

Nevertheless, as a developing nation, any policy influencing economic aspects requires careful execution. A carbon tax would raise industry

production costs, potentially translating to higher consumer prices. Moreover, Bangladesh heavily relies on coal for electricity generation, rendering it directly vulnerable to the consequences of a carbon tax. Another challenge arises from the lack of precise carbon emissions data for many small and medium enterprises (SMEs). These small enterprises may lack the resources and expertise to measure their emissions accurately. Consequently, making an effective and equitable carbon tax demonstrates some difficulties. Moreover, equitable distribution of generated revenue becomes vital for a nation like Bangladesh, where substantial wealth disparity exists.

Conclusion

Bangladesh's journey towards effective carbon pricing involves tailoring policies to domestic circumstances while drawing lessons from global implementations. Bangladesh's carbon pricing strategy can yield revenues that support environmental projects and climate adaptation measures. However, as a developing nation, the careful execution of policies that impact the economy is imperative. The imposition of a carbon tax could raise production costs and lead to higher consumer prices, with the country's reliance on coal for electricity generation adding a layer of complexity. Addressing these challenges necessitates the availability of precise emissions data, equitable revenue distribution, and a comprehensive understanding of the economic landscape.

As Bangladesh navigates the path of carbon pricing to combat emissions and foster sustainability, it must balance economic considerations with environmental imperatives. The pursuit of an effective carbon tax, backed by insights from global practices, could contribute to emission reduction and the country's overall development and resilience in the face of a changing climate.





Western Marine Shipyard Limited

Sector: Engineering

Company Business Overview

Aspect	Information
Establishment	2000
Export Began	2008
DSE Listing Year	2014
Parent Company	Western Marine Services Limited
Key Business Activity	Western Marine Shipyard Ltd. specializes in shipbuilding and shipyard operations, constructing vessels for international clients. The company also focuses on maintaining high-quality standards, investing in modern machinery, and nurturing a skilled workforce to ensure excellence in its shipbuilding endeavors.
Buyers	Germany, Denmark, Tanzania, New Zealand, Kenya, the UAE, Norway, India, Ecuador, etc.
Business Model	The company's revenue model is based on designing, manufacturing, and selling these ocean-going vessels, establishing a strong presence in the international shipbuilding market.
Types of Vessels	Cargo ships, Passenger ships and boats, Oil tankers, Pontoon, Fishing trawlers, Dredgers, Tug boats, Container vessels, etc.

Stock Statistics

Particulars	Details
Market Capitalization (BDT Million) as of September 7, 2023	2,751.88
Sector Market Capitalization in July 2023 (BDT Million)	5,28,933.24
Market Capitalization (%)	0.52
Stock Price on September 7, 2023 (BDT)	11.70
Paid-up Capital (BDT Million)	2,352.04
Number of Shares Outstanding	235,203,769
Price Moving Range 52 Weeks High (BDT)	16.00
Price Moving Range 52 Weeks Low (BDT)	11.00
P/E (Audited) as of 05-Sep-2023	13.6
CAGR of EPS in 2020 % (2018-2020)	-31.79
CAGR of NAV in 2020 % (2018-2020)	-10.01
Market Category	B
Dividend Yield (%)	0.43
Free Float Share (%)	69.99
Trading Symbol	WMSHIPYARD

ECRL Takeaway

Western Marine Shipyard Limited (WMSL) is a prominent shipbuilding company in Bangladesh, specializing in building ocean-going vessels. The company has faced significant challenges and difficulties over the past three years, as its revenues, profits, cash flows, and returns have declined. The company has also increased its debt and reduced its liquidity, which affects its financial stability and performance. The company has also lost its market value and attractiveness for investors, as its stock price has fluctuated within a narrow range, its P/E ratio has been higher than the sector average, its dividend yield has been lower than the sector average, and its returns have been negative.

Based on these points, we can see that the company has been struggling to maintain its competitive edge and growth potential in the dynamic and challenging shipbuilding industry. The company also faces significant risks and uncertainties in the future, as it has to deal with its debt obligations, liquidity crisis, and negative profitability.

Shareholding Position

Figure 1. Share Holding Position as of 30th June 2019

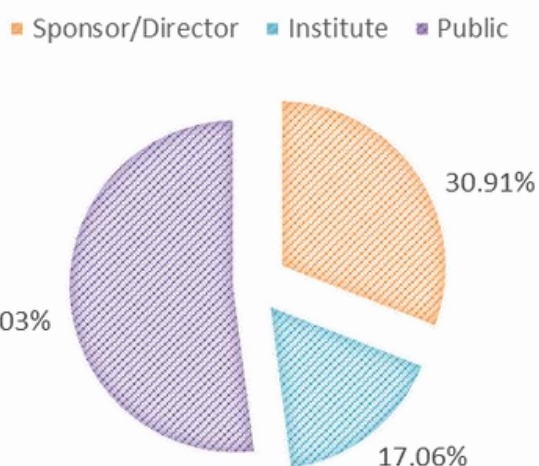
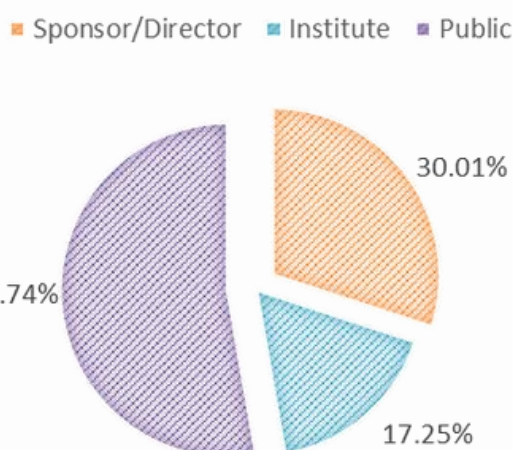


Figure 2. Share Holding Position as of 30th April 2023



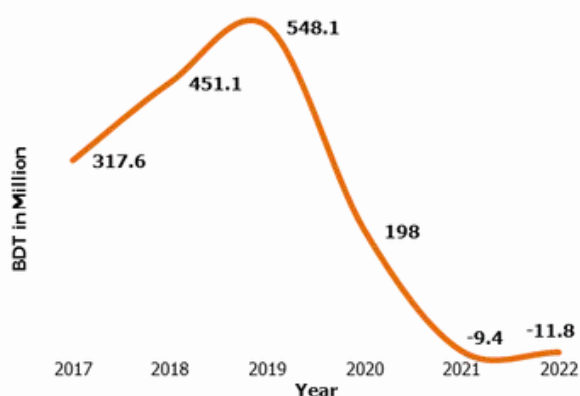
The sponsor/director holds the lowest percentage of shares (30.01%) and has reduced its stake over the past four years, indicating a lack of confidence and commitment from the management. This category is at its terminal amount of directors' shareholding, meaning that it cannot reduce its stake any further without violating the minimum requirement of 30% for directors' shareholding. This is also the most influential and responsible for the strategic direction and performance of the company, and its declining shareholding may affect the company's governance and accountability. The institute category holds the second-highest percentage of shares (17.25%) and has increased its stake over the past four years. The public category holds the highest percentage of shares (52.74%) and has increased its stake over the past four years.

Historical Financial Performance

Western Marine Shipyard Limited (WMSL) is a leading shipbuilding company in Bangladesh, specializing in building ocean-going vessels. The

company's historical financial performance shows that it has faced significant challenges and difficulties over the past three years, with declining revenues, profits, cash flows, and returns. The company's turnover, cost of sales, profit after tax, and net cash from operating activities decreased by 8.98%, 10.54%, 23.99%, and 43.4% compounded annually from 2018 to 2020, respectively. The company's gross profit margin, operating profit margin, net profit margin, return on equity, and return on assets also declined during the same period. The company's total assets increased by 8.03% compounded annually from 2018 to 2020, but its total equity increased by only 0.19%. The company's total asset turnover, current ratio, interest coverage ratio, and operating cash flow to sales ratio also declined from 2018 to 2020. The company's financial leverage ratio increased from 3.9 in 2018 to 4.1 in 2020, indicating an increase in its debt-to-equity ratio.

Figure 3. Net Profit



* The update details remain unavailable because the company has yet to release its financial reports for the 2020-21 and 2021-22 fiscal years. Source: <https://www.tbsnews.net/economy/stocks/western-marine-shipyard-put-auction-697654#lg=1&slide=0>

Ratio	2020
Asset Management & Asset Quality	
Total Asset Turnover	0.102
Cash Flow	
Operating Cash Flow to Sales	0.052
Efficiency	
Cash Conversion Cycle	1,320
Liquidity & Leverage	
Current Ratio	3.598
Financial Leverage	4.058
Interest Coverage	1.123
Profitability & Investment Return	
Gross Profit Margin	0.4
Operating Profit Margin	0.386
Net Profit Margin	0.087
Return on Equity (ROE)	0.036
Return on Assets (ROA)	0.009

Particulars	2020 (BDT)
Turnover	2,280,364,159
Cost Of Sales	1,368,546,701
Gross Profit	911,817,458
Profit After Tax	198,086,146
Net Cash From Operating Activities	119,299,929
Total Assets	22,401,494,621
Total Equity	5,520,829,153

* The update details remain unavailable because the company has yet to release its financial reports for the 2020-21 and 2021-22 fiscal years.

Financial Highlights

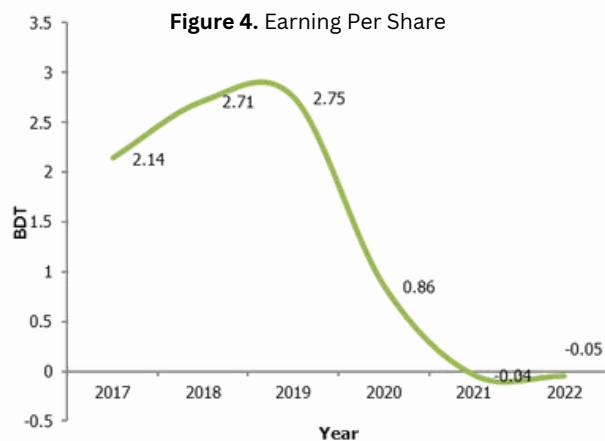
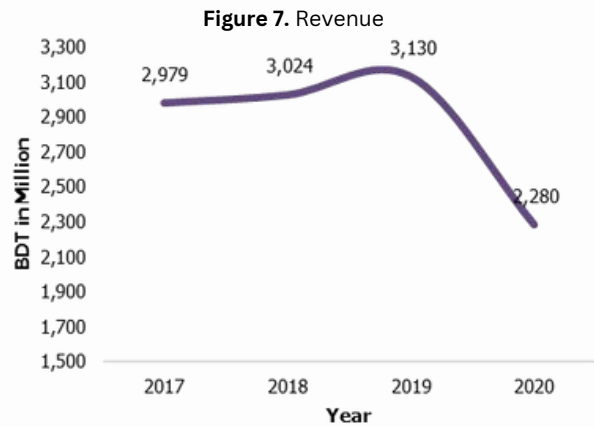
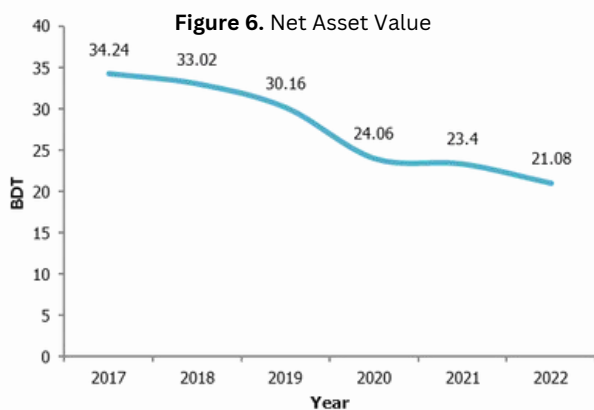
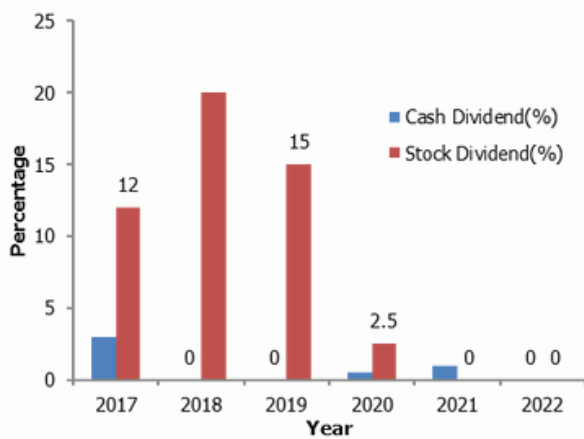


Figure 5. Dividend %



Strength

- Experience of more than 22 years in the shipbuilding industry and has built 150 ship vessels.
- Exported 33 vessels to 12 countries, demonstrating its expertise and reputation in the global market.

Risk

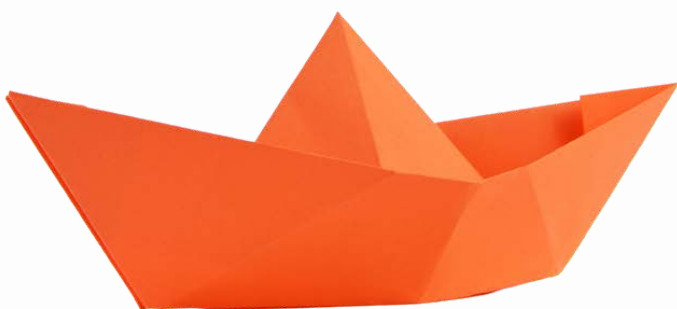
- Debt piled up over the last three to four years, resulting in lawsuits from three financial institutions and assets put on auction as unable to pay back the lender.
- Liquidity crisis and negative profitability, affecting its cash flow and earnings.
- The percentage of sponsor directors' shares declined, indicating a lack of confidence and commitment from the management.
- Negative earnings per share, reflecting its poor profitability for its shareholders.

Peer Comparison

Particulars	Western Marine Shipyard Limited	Bangladesh Shipping Corporation
Market Capitalization (BDT million) as of September 7, 2023	2,751.88	17,816.09
P/E Ratio	13.6	7.84
Dividend-2022	No dividend	20% Cash
EPS -2022	-0.05	14.8
NAV-2022	21.08	72.52
1 Year Return	4.46%	-12.04%
Beta	1.28	5.29

Western Marine Shipyard Limited (WMSL) and Bangladesh Shipping Corporation (BSC) are two companies in the shipping industry in Bangladesh. WMSL is a shipbuilding company that specializes in building ocean-going vessels, such as container ships, tankers, and tugboats. BSC is a state-owned enterprise that operates a fleet of ships for domestic and international cargo transportation. The peer analysis compares the two companies based on several financial and market indicators, such as market capitalization, P/E ratio, dividend, EPS, NAV per share, one-year return, and beta.

BSC has a much higher market capitalization, a lower P/E ratio, a positive EPS, a higher NAV per share, a higher dividend payout ratio, and a lower beta than WMSL, indicating that it is more valuable, more profitable, more undervalued, more rewarding, and less risky than WMSL. WMSL has a higher one year return than BSC, suggesting that it has more growth potential than BSC, but it also has a negative EPS, no dividend declaration, and a higher beta, implying that it is less profitable, less rewarding, and more volatile than BSC. Therefore, based on the peer analysis, BSC is a more attractive investment choice than WMSL for equity investors who prefer stability and profitability over growth and risk.



Technical Analysis: Price and Volume Movement

The WMSL stock has been highly volatile and unpredictable over the past three years, reflecting its high sensitivity to market conditions and investor sentiments. The stock price reached its highest level of BDT 17.5 in August 2021, when the demand and optimism for the stock were strong. However, the stock price then plunged to its lowest level of BDT 9.5 in November 2021, when the demand and pessimism for the stock were weak. The stock price then recovered gradually and stabilized around the BDT 11-13 range until June 2023, when it spiked again to BDT 16 in July 2023, indicating a sudden surge in demand and optimism for the stock. However, the stock price then dropped again to BDT 14.5 in August 2023, indicating some profit-taking and correction for the stock. The stock price also had periods of very low variation, when the stock was stagnant or inactive. The volume also showed a similar pattern, with spikes and dips corresponding to the major price movements, and periods of very low activity. The price and volume variation data suggest that the WMSL stock is highly volatile and unpredictable and that it may face challenges in maintaining consistent performance and liquidity.

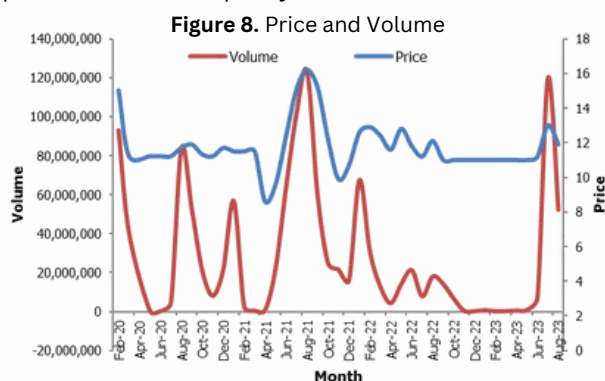




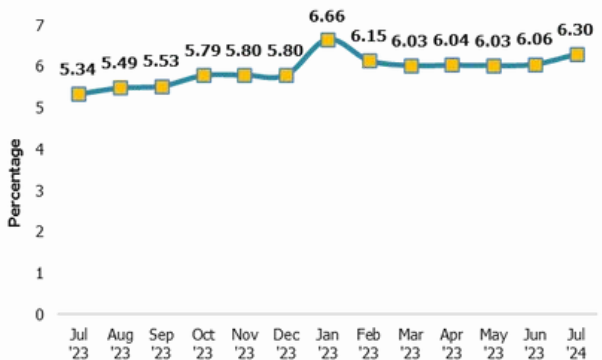
Table 1. E-Banking and E-Commerce Statistics (BDT in Crore)

Month	Cheque Clearing		Electronic Fund Transfers (Outward)		Credit Card		Debit Card	
	Transaction	Amount (BDT)	Transaction	Amount (BDT)	Transaction	Amount (BDT)	Transaction	Amount (BDT)
Apr '22	2,030,371.00	215,540.88	25,290,758.00	57,900.42	4,093,995.00	2,715.28	34,878,785.00	33,317.18
May '22	1,581,373.00	193,665.33	14,915,428.00	44,385.42	3,725,590.00	2,371.06	29,186,418.00	26,050.84
Jun '22	2,314,620.00	280,544.27	36,669,413.00	62,368.64	3,752,891.00	2,491.32	35,437,558.00	34,744.66
Jul '23	1,659,033.00	202,842.74	13,398,738.00	49,119.83	3,826,773.00	2,578.10	36,241,858.00	35,407.19
Aug '23	1,823,394.00	231,302.96	10,270,841.00	51,699.03	3,741,940.00	2,302.40	35,454,401.00	33,786.20
Sep '23	1,802,221.00	216,764.37	9,730,251.00	48,008.86	3,725,173.00	2,281.77	35,519,354.00	34,355.20
Oct '23	1,813,675.00	202,943.30	19,944,569.00	49,241.20	3,941,642.00	2,458.20	36,855,390.00	35,253.60
Nov '23	1,943,889.00	227,574.56	11,106,837.00	50,322.47	3,875,289.00	2,459.20	37,528,889.00	36,356.31
Dec '23	1,801,384.00	197,398.62	9,767,821.00	49,478.62	3,985,465.00	2,489.38	37,472,910.00	36,710.65
Jan '23	2,008,460.00	211,740.57	22,203,302.00	62,004.33	3,988,104.00	2,506.51	38,637,515.00	36,765.30
Feb '23	1,740,691.00	193,732.70	23,703,801.00	54,405.70	3,662,104.00	2,312.90	37,534,747.00	36,690.30
Mar '23	1,891,786.00	209,329.20	12,996,763.00	58,432.20	4,049,110.00	2,652.30	42,588,845.00	42,259.60
Apr '23	1,721,971.00	188,385.20	27,049,634.00	61,014.50	4,277,389.00	2,746.40	46,430,289.00	44,144.30
May '23	1,911,669.00	205,373.32	18,755,955.00	57,970.65	4,055,964.00	2,592.48	41,208,606.00	39,014.96
Jun '23	2,096,578.00	249,782.60	40,161,362.00	78,321.70	3,905,459.00	2,583.00	45,469,617.00	45,348.40

In June of FY2023, electronic banking (e-banking) and electronic commerce (e-commerce) transactions displayed a varied influence when compared to the preceding month (Table 1). Specifically, there was a notable uptick in the activities of cheque clearing, Electronic Fund Transfers, and Debit Card transactions, with increases of 9.67%, 114.13%, and 10.4%, respectively. Conversely, Credit Card transactions experienced a decline of 3.71%.

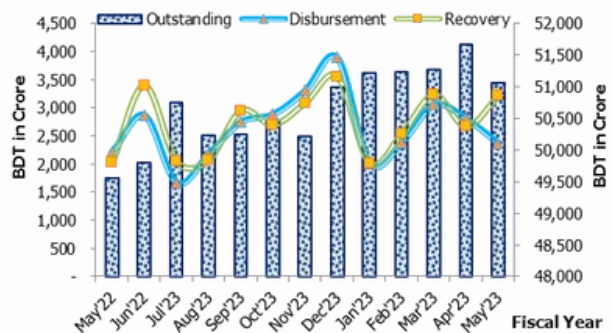
The weighted average call money rate experienced fluctuations and had a fluctuating trend in the past two months and experienced a significant increase in July FY2024 standing at 6.30% (Figure 1). However, the rate in the same month of the previous year in July FY2023 was 5.34%, which increased by around 17.98%.

Figure 1. Monthly Average Call Money Market Rates (Weighted Average)



Source: Bangladesh Bank

Figure 2. Agricultural Credit



Source: Bangladesh Bank

The statistics related to agricultural credit financing reveal notable fluctuations in credit disbursement and recovery amounts over the past 12 months, as depicted in Figure 2. The disbursement amount declined in May FY2023, following a slight decrease in April FY2023. Conversely, the recovery amount experienced an uptick in May FY2023, albeit with a slight decline in the preceding month. However, from July to December FY2023, credit disbursement and recovery amounts displayed an overall increasing trend, albeit with minor fluctuations. Specifically in May FY2023, disbursement decreased by 15.63%, while recovery increased by 20.40%. Nevertheless, the outstanding amount registered a marginal decrease in May FY2023, reaching a total of BDT 51,063.85 Crore.

In the context of globalization and the digitalization of financial services, individuals prefer to utilize the Internet and mobile banking platforms. Notably, in June of FY2023, there was a noteworthy surge in Internet banking users, showing an increase of 2.99%, while subscribers to mobile banking services witnessed a growth of 1.62% compared to the preceding month (Table 2). Furthermore, it is noteworthy that agent banking has gained considerable popularity in rural areas. The total transaction volume through agent banking surpassed the significant milestone of BDT 50,000 crore for the first time in January 2022 and presently stands at an impressive BDT 72,693.24 crore (Table 2).



Table 2. Internet, Mobile, and Agent Banking at a Glance

Month	Internet Banking			Mobile Banking			Agent Banking				
	Customer	Transaction	Amount (BDT)	Agents	Transactions	Amount (BDT)	Subscriber	Agents	Transactions	Amount (BDT)	Subscriber
Jun'22	5,355,586	5,667,084	23,770.84	1,515,665	461,609,837	94,293.70	178,639,642	14,300	22,596,105	58,534.18	16,073,962
Jul '23	5,472,264	5,703,793	23,548.54	1,526,239	431,892,765	89,169.26	181,137,763	14,412	12,448,213	52,784.44	16,287,310
Aug'23	5,716,529	5,970,748	25,543.98	1,493,398	408,059,052	87,446.37	183,224,610	14,509	12,988,273	57,542.35	16,537,969
Sep '23	5,889,226	6,024,976	26,605.39	1,500,128	408,379,707	87,635.17	185,257,932	14,716	12,732,190	59,295.22	16,781,251
Oct '23	6,019,687	6,117,675	25,965.30	1,521,803	444,062,360	93,034.98	187,523,593	14,833	15,506,520	59,770.28	17,042,562
Nov '23	6,127,001	6,201,828	27,426.64	1,531,405	415,974,768	92,125.75	188,559,736	15,056	14,627,647	65,062.23	17,251,563
Dec'23	6,252,634	5,624,146	27,558.79	1,554,637	428,324,785	96,132.86	191,063,573	15,226	15,621,424	62,761.35	17,478,884
Jan'23	6,432,921	6,901,854	33,925.58	1,569,112	462,957,809	100,593.42	194,125,13	15,270	15,829,033	70,970.07	17,760,150
Feb'23	6,569,164	5,709,234	29,385.90	1,581,284	450,945,081	97,307.59	196,759,17	15,376	16,889,984	63,510.78	18,365,881
Mar '23	6,710,423	6,532,095	33,557.40	1,598,000	482,455,915	108,467.30	198,091,783	15,409	15,428,976	77,530.20	18,935,184
Apr '23	6,887,716	7,676,277	44,604.40	1,555,791	531,055,608	124,954.00	200,689,210	15,411	16,270,577	64,255.87	19,248,377
May '23	6,977,778	7,376,635	49,930.60	1,570,340	501,923,307	108,355.19	203,970,186	15,473	15,276,196	72,678.85	19,643,273
Jun '23	7,237,380	8,272,522	49,099.27	1,585,722	572,615,005	132,175.30	207,268,646	15,510	21,877,654	72,693.24	19,850,911

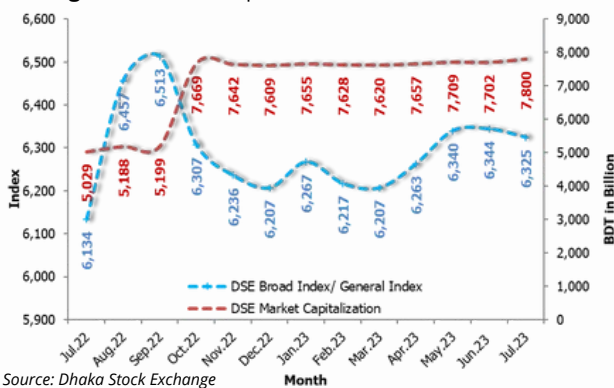


Dhaka Stock Exchange

At the end of July 2023, there were 654 listed securities in the market. These listed securities comprised 356 companies, 36 mutual funds, 243 government bonds, 8 debentures, and 11 corporate bonds. The 356 companies encompassed 35 banks, 23 financial institutions, 57 insurance companies, and 241 others.

Figure 1 shows the market DSE capitalization and the DSE broad index. The DSE broad index (DSEX) closed the month at 6324.81, registering a 0.30 % decrease from the previous month but a 3.11% increase from the same month in the last year. Additionally, the market capitalization of DSE amounted to BDT 7800.01 billion at the end of July 2023.

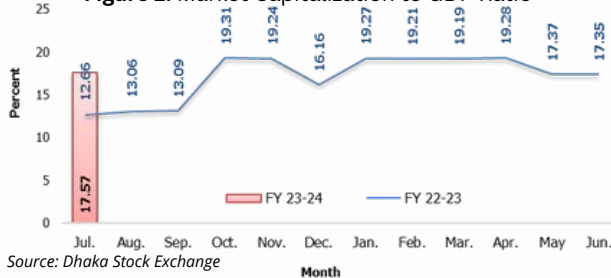
Figure 1. Market Capitalization and DSE Broad Index



Source: Dhaka Stock Exchange

Figure 2 shows the changes in market size and DSE broad index (DSEX) over time. At the end of July 2023, the value of all stocks on the Dhaka Stock Exchange (DSE) compared to the country's total economic output (GDP) was 17.57 %. This percentage increased slightly from 17.35 % in June 2023 and was significantly higher than the 11.33 % recorded in the same month the previous year.

Figure 2. Market Capitalization to GDP Ratio

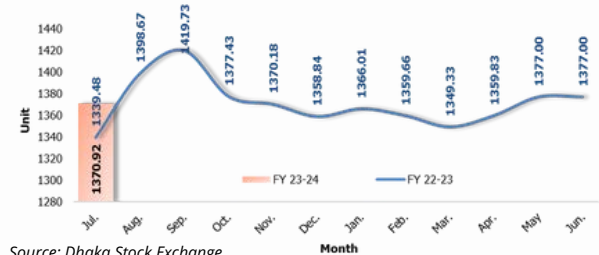


Source: Dhaka Stock Exchange



Figure 3 shows the DSE Shariah index of FY 22-23 and FY 23-24. At the end of July 2023, the DSE Shariah Index (DSES) stood at 1370.92, which was 0.44 % lower than that of the previous month but 2.35 % higher than that of the same month of the last year.

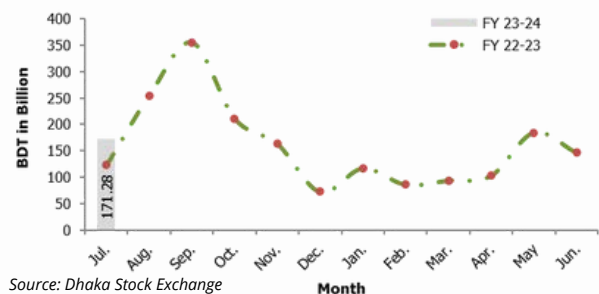
Figure 3. DSE Shariah Index



Source: Dhaka Stock Exchange

The trend of total turnover in the DSE is shown in Figure 4. During July 2023, the value of the total turnover of the traded securities of DSE stood at BDT 171.28 billion, which was 16.68 % higher than that of June 2023 and 39.43 % higher than that of the corresponding month of the previous year.

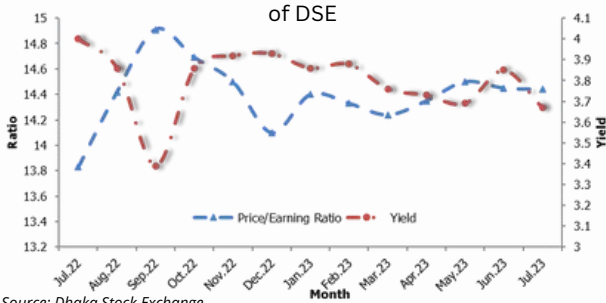
Figure 4. DSE Monthly Turnover



Source: Dhaka Stock Exchange

Trends of the price-earnings ratio and yield of DSE are shown in Figure 5. The price-earning (P/E) ratio of all securities of DSE stood at 14.44 at the end of July 2023, which was 14.34 at the end of June 2023. This ratio was 13.83 at the end of July 2022. The yield of all securities of DSE stood at 3.67 at the end of July 2023, which was the same at the end of June 2023 but remained at 4.00 at the end of July 2022.

Figure 5. Month to Month Price-Earning ratio and Yield of DSE

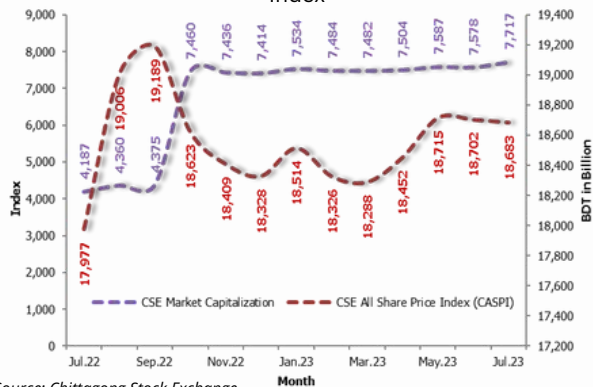


Source: Dhaka Stock Exchange

Chittagong Stock Exchange

Figure 1 shows the Market Capitalization and CSE All Share Price Index from July 2022 to July 2023. The total number of listed securities in the CSE stood at 616 at the end of July 2023. The total amount of issued capital increased to BDT 4301.76 billion at the end of July 2023 from BDT 4166.96 billion at the end of June 2023 and BDT 911.23 billion at the end of the same month of the previous year. It may be mentioned that 250 BGTBs were listed newly in the CSE in October 2022, and the issued capital increased to BDT 4086.25 billion from BDT 916.70 billion in September 2022. All share price index of CSE (CASPI) stood at 18683.43 at the end of July 2023, which was 0.10 % lower than that of June 2023 but 3.93 % higher than that of the same month of the previous year.

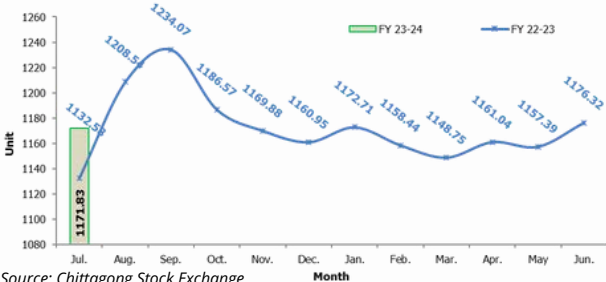
Figure 1. Market capitalization and CSE All Share Price Index



Source: Chittagong Stock Exchange

Figure 2 shows the CSE shariah index from July 2022 to July 2023. CSE shariah index (CSI) decreased to 1171.83 at the end of July 2023 from 1176.32 in the previous month but increased as compared to 1132.58 in the corresponding month of the last year.

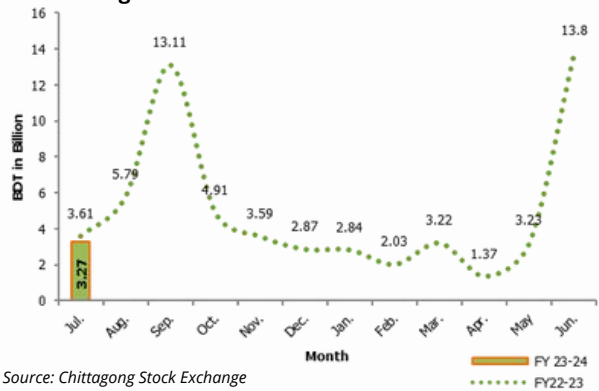
Figure 2. CSE Shariah Index



Source: Chittagong Stock Exchange

Figure 3 shows CSE's month-to-month turnover from July 2022 to July 2023. During July 2023, the value of the total turnover of traded securities of CSE decreased to BDT 3.27 billion from BDT 13.80 billion during the previous month and BDT 3.61 billion during the same month of the last year.

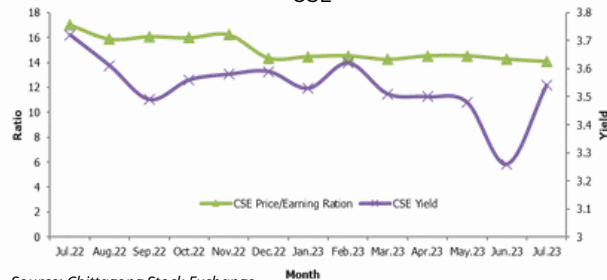
Figure 3. CSE Month to Month Turnover



Source: Chittagong Stock Exchange

Figure 4 shows month to month price-earnings ratio and yield of CSE. The price-earnings (P/E) ratio of all securities of CSE stood at 14.08 at the end of July 2023, which was 14.16 at the end of June 2023. However, this ratio was 17.02 at the end of July 2022. The yield stood at 3.54 at the end of July 2023, which was 3.26 and 3.72 at the end of June 2023 and July 2022, respectively.

Figure 4. Month to Month Price-Earning ratio and Yield of CSE



Source: Chittagong Stock Exchange

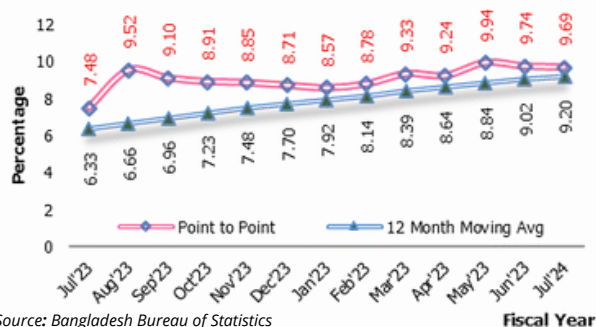




Real Sector

In July FY2024, the point-to-point inflation stood at 9.69%, which had a considerable year-on-year (y-o-y) increase from July FY2023. It followed a declining trend from May FY2023, which was 9.94%, then reached 9.74% in June FY2023. On the contrary, the twelve-month moving average in July FY2024 stood at 9.20%, following a y-o-y increase from July FY2023, which was 6.33%. The national food inflation experienced an increase in July FY2024, whereas non-food inflation decreased as compared to the previous month. Urban and rural general inflation experienced a decline in the same month, standing at 9.43% and 9.75%, respectively (Figure 1).

Figure 1. CPI Inflation, Bangladesh (2005/2006=100); April-June (2021-22=100)



Source: Bangladesh Bureau of Statistics

The point-to-point general inflation for urban has been increasing for the previous few months (Table 1). Compared to non-food inflation in urban and rural sectors, food inflation decreased in July FY2024 at 9.20% and 9.48%, respectively.

Table 1. CPI Inflation, Bangladesh

Month	National			Urban			Rural		
	General	Food	Non-Food	General	Food	Non-Food	General	Food	Non-Food
Jul '23	7.48	8.19	6.39	6.51	6.84	6.15	8.02	8.79	6.58
Aug '23	9.52	9.94	8.85	9.18	9.87	8.42	9.70	9.98	9.18
Sep '23	9.10	9.08	9.13	9.03	9.36	8.66	9.13	8.95	9.48
Oct '23	8.91	8.50	9.58	8.90	8.75	9.07	8.92	8.38	9.98
Nov '23	8.85	8.14	9.98	8.70	7.95	9.54	8.94	8.23	10.31
Dec '23	8.71	7.91	9.96	8.43	7.45	9.51	8.86	8.11	10.29
Jan '23	8.57	7.76	9.84	8.39	7.41	9.48	8.67	7.92	10.12
Feb '23	8.78	8.13	9.82	8.75	7.98	9.61	8.80	8.19	9.98
Mar '23	9.33	9.09	9.72	9.36	9.14	9.59	9.32	9.06	9.82
Apr '23	9.24	8.84	9.72	9.68	9.10	9.96	8.92	8.78	9.33
May '23	9.94	9.24	9.96	9.97	9.13	9.88	9.85	9.34	9.83
Jun '23	9.74	9.73	9.60	9.45	9.26	9.47	9.82	9.95	9.52
Jul '24	9.69	9.76	9.47	9.43	9.63	9.20	9.75	9.82	9.48

Source: Bangladesh Bureau of Statistics; Bangladesh Bank; (2005/2006=100); April-June (2021-22=100)

The categories of non-food items like Clothing and footwear, Furniture and house equipment, Medical care, Recreation, education and environment, and Miscellaneous goods and services experienced a significant increase in the monthly percentage of CPI in July FY2024 compared to the previous month (Table 2). Items like Gross Rent, Fuel and Lighting, and Transportation decreased significantly in July FY2024 from June FY2023.

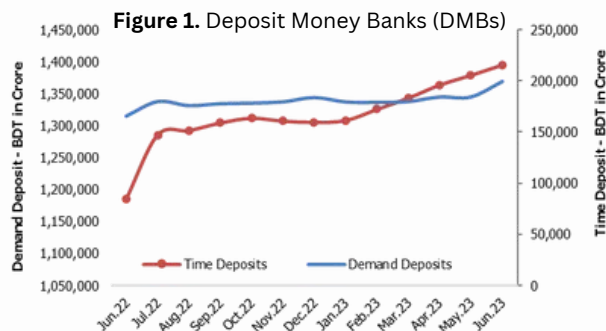
Table 2. Monthly % Change in Consumer Price Index (Point to Point Inflation, National)

Month (FY202 2-2023)	Non-Food	Clothing & Footwear	Gross Rent, Fuel & Lighting	Furniture & House Equipment	Medical Care & Health Expenses	Transportation & Communications	Recreation, Entertainment, Education & Cultural Services	Misc. Goods and Services
Jul '23	6.39	0.57	0.17	0.18	0.24	0.22	0.71	1.85
Aug '23	8.85	0.42	4.78	1.34	9.32	2.37	0.78	1.22
Sep '23	9.13	0.85	0.37	1.56	4.66	1.38	0.39	1.66
Oct '23	9.58	0.29	0.29	0.90	0.60	1.22	0.46	2.40
Nov '23	9.98	0.81	0.12	1.53	2.64	1.68	0.33	1.75
Dec '23	9.96	0.60	0.01	1.00	0.15	0.28	0.33	0.40
Jan '23	9.84	0.27	0.74	0.31	0.12	0.11	0.64	0.58
Feb '23	9.82	0.17	0.53	0.24	0.11	0.15	0.23	0.33
Mar '23	9.72	0.23	0.44	0.25	0.34	0.26	0.09	0.70
Apr '23	9.72	0.12	2.47	2.40	(10.14)	(1.65)	5.95	(3.90)
May '23	9.96	0.18	0.62	0.12	1.35	0.24	0.22	0.25
Jul '23	9.60	0.21	0.88	0.09	0.02	0.13	0.25	0.08
Jun '23	9.47	0.44	0.40	0.17	0.36	0.10	0.51	0.57

Source: Bangladesh Bureau of Statistics; (2005/06=100); April-June (2021-22=100)

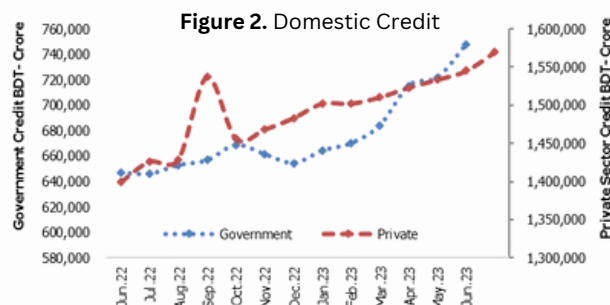
Monetary Sector

The Deposit Money Banks (DMBs) comprise 60 Scheduled Banks from June 2022 to June 2023 (Figure 1). In June 2022, the demand deposit was BDT 165,724 crore; in June 2023, the demand deposit increased to BDT 199,304 crore. However, the time deposit increased to BDT 1,395,285 crore compared to June 2022, BDT 1,185,066 crore.



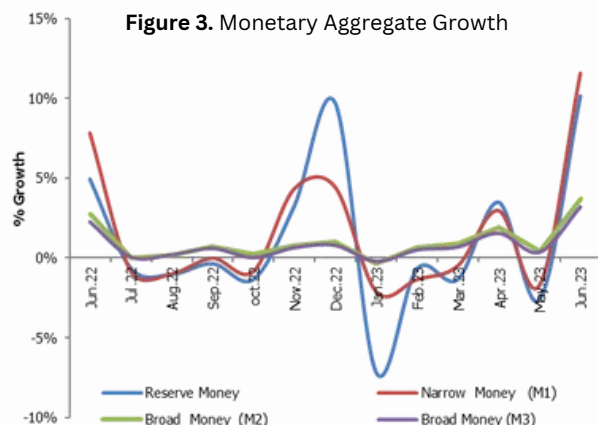
Source: Bangladesh Bank

Figure 2 shows the total domestic credit of Bangladesh's government and private sector. In June 2022, private sector credit was BDT 1,398,947 crore; in June 2023, Private sector credit increased to BDT 1,545,242 crore. However, in June 2022, private sector domestic credit was BDT 647,012; in June 2023, government sector credit was increased to BDT 747,846 crore.



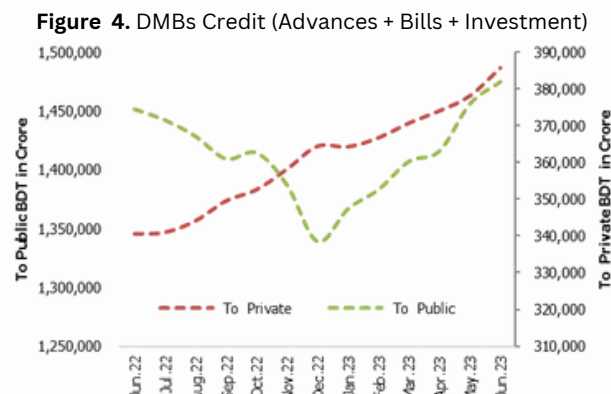
Source: Bangladesh Bank

In Figure 3, we can observe the changes in various monetary measures, including reserve money, narrow money (M1), broad money (M2), and broad money (M3) growth, spanning from June 2022 to June 2023. Over this period, the growth rates of these monetary aggregates fluctuated. Notably, in June 2023, they exhibited the most significant increases: reserve money grew by 10.14%, narrow money by 11.60%, broad money (M2) by 3.70%, and broad money (M3) by 3.17%.



Source: Bangladesh Bank

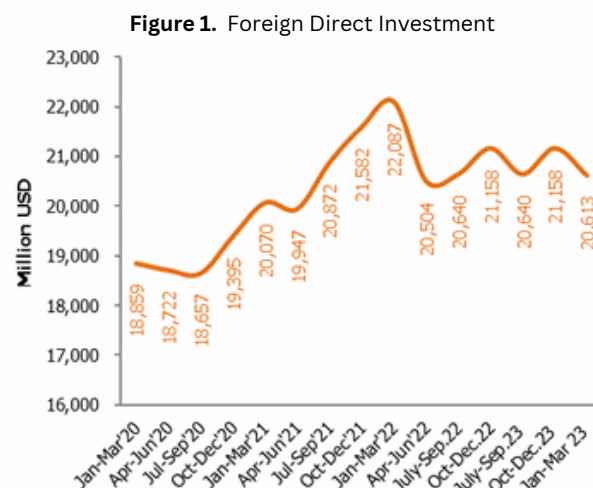
Figure 4 presents an overview of credit provided by Deposit Money Banks (DMBs) in the form of advances, bills, and investments. In June 2022, the total credit extended by DMBs, including credit to private entities and the public, amounted to BDT 1,345,299 crore and BDT 1,486,576 crore, respectively. However, by June 2023, DMBs had increased their credit to the public, reaching BDT 381,886 crore, representing a notable increment compared to June 2022.



Source: Bangladesh Bank

External Sector

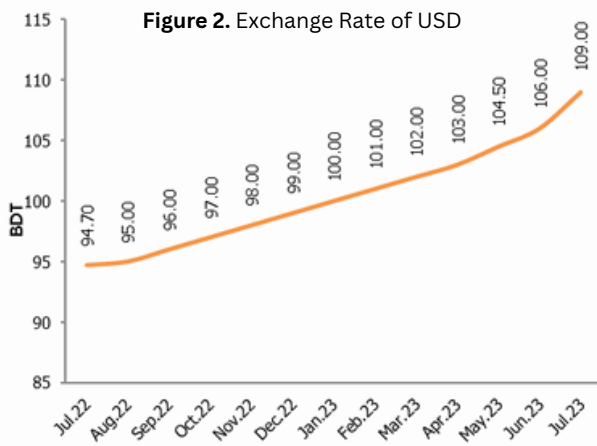
Figure 1 serves as a visual representation of the trends in Foreign Direct Investment (FDI) observed across different quarters. In the October-December quarter of FY 2021-2022, the FDI reached USD 21,581.86 million. However, there was a decline in the subsequent fiscal year, 2022-2023, and the FDI amounted to USD 21,158.20 million. A closer examination of the data highlights that during the January to March quarter of FY 2022-2023, the FDI decreased even further to USD 20,613 million. This decline indicates a reduction compared to the previous October-December quarter of FY 2022-2023.



Source: Bangladesh Bank

Figure 2 presents the exchange rate data based on information from Bangladesh Bank. In July 2022, the USD to BDT exchange rate was recorded at BDT 94.70; in July 2023, it increased to BDT 109.00. This exchange rate movement indicates that from July 2022 to July 2023, the Bangladeshi taka experienced a depreciation of 15.10% against the USD.





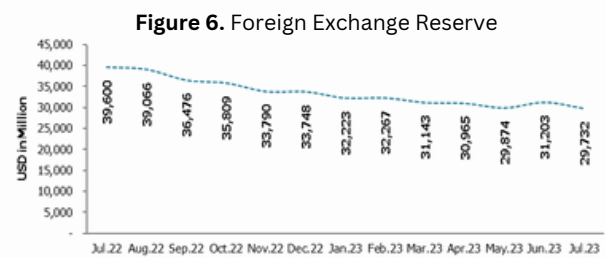
Source: Bangladesh Bank

By the conclusion of May 2023, the Balance of Payments reported a more substantial deficit, totaling BDT 9,898.90 crore, in contrast to the BDT 1,527.10 crore deficit documented at the close of April 2023, as illustrated in Figure 3. Similarly, the Current Account Balance reflected an increased deficit of BDT 8,208.10 crore in May 2023, in contrast to the BDT 154.10 crore deficit noted in April 2023. Additionally, during May 2023, there was a reduction in the trade balance compared to April 2023, with the trade balance for May 2023 standing at BDT 15,045 crore.

Figure 4 illustrates the current account balance from July 2022 to May 2023 in Bangladesh. It discloses a concerning trend where the current account deficit has increased significantly during this period. Starting at a deficit of BDT (3,316) crore in July 2022, it degraded to BDT (8,208) crore by May 2023, highlighting the growing imbalance between imports and exports, which could have implications for the country's external financial stability.

Figure 5 presents Bangladesh's export and import trends from April 2022 to April 2023. In April 2022, exports amounted to USD 3,134.38 million, while imports totaled USD 4,960.58 million. In April 2023, exports grew, reaching USD 3,956.00 million, while imports decreased to USD 4,706.80 million. Subsequently, in May 2023, both exports and imports registered an increase when compared to the preceding month of April 2023. However, the trade balance gap expanded further in May 2023.

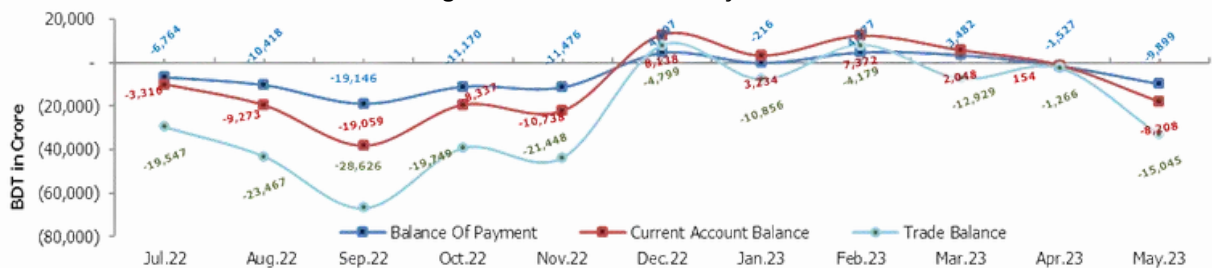
Figure 6 illustrates the progression of Foreign Exchange Reserves from July 2022 to July 2023. In July 2022, the foreign exchange reserves stood at USD 39,600 million. However, by July 2023, there was a decrease, and the foreign exchange reserves amounted to USD 29,732 million. Notably, the foreign exchange reserves have been on a downward trend since FY 2022. It's worth mentioning that in June 2023, there was a slight improvement in the foreign exchange reserves compared to May 2023.



Source: Bangladesh Bank

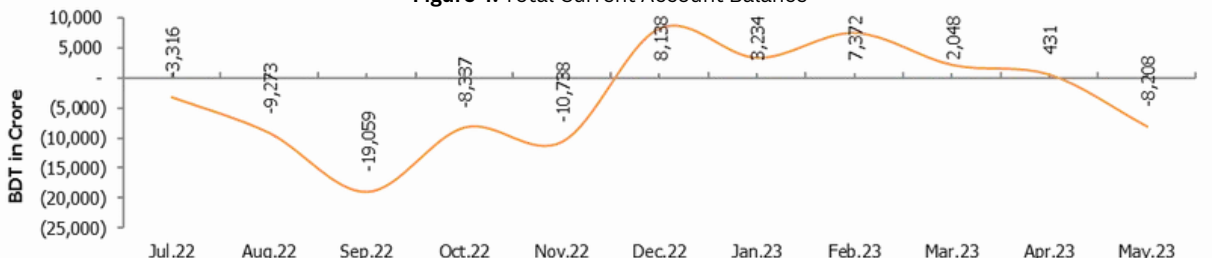


Figure 3. Overall Balance of Payment



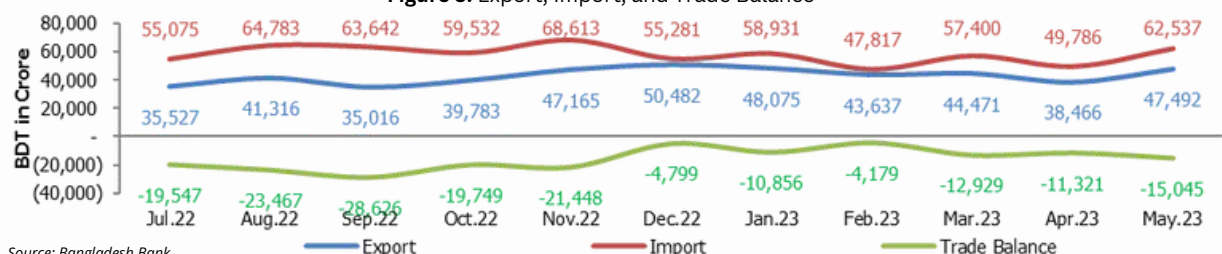
Source: Bangladesh Bank

Figure 4. Total Current Account Balance

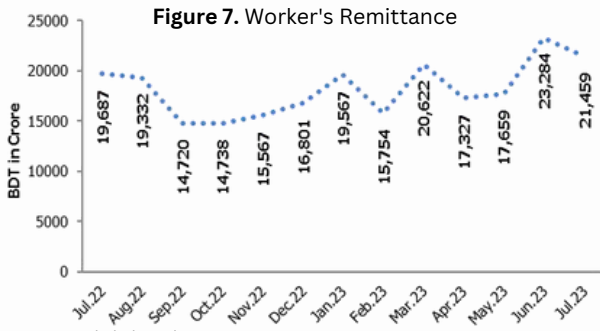


Source: Bangladesh Bank

Figure 5. Export, Import, and Trade Balance



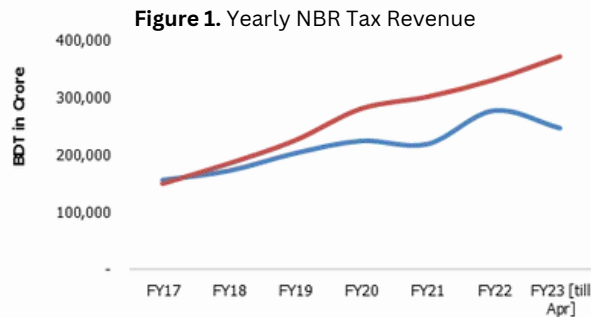
From July 2022 to July 2023, there was a substantial growth in workers' remittances in Bangladesh, with the fund increasing from BDT 19,687 crore to BDT 21,459 crore. This represents a significant 9% increase in remittances during this one-year period. This rise indicates a positive trend in the inflow of funds from overseas workers, which can have a beneficial impact on the country's economy, potentially contributing to economic stability and growth. It underscores the importance of remittances as a vital source of income for many households and the nation as a whole.



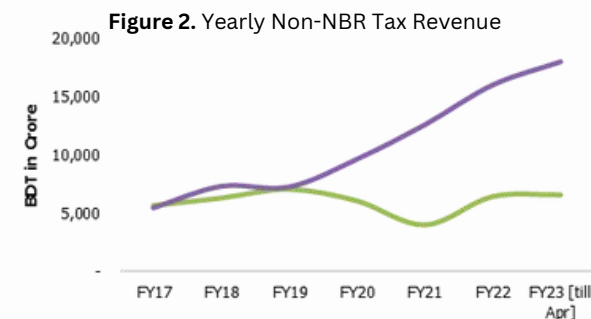
Source: Bangladesh Bank

Fiscal Sector

Figure 1, 2 and 3 shows yearly NBR tax revenue from FY 2017 to FY 2023. Income is derived from a variety of sources, including both taxes and non-tax avenues. As of March 2023, substantial progress has been made toward achieving the overall revenue target, with 66.56 % of the goal realized. Notably, most of this revenue has been generated through taxes administered by the National Board of Revenue (NBR), accounting for 97.41 % of the total. The cumulative collection of NBR taxes is 66.56 % of the annual target.

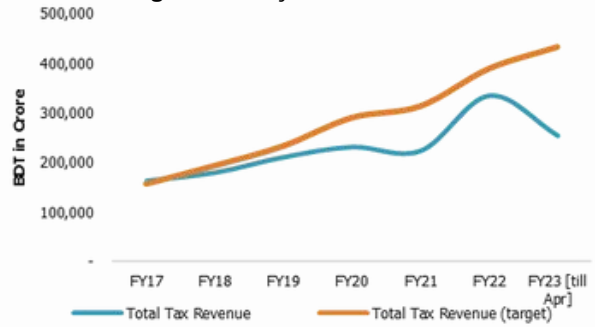


Source: Bangladesh Bank



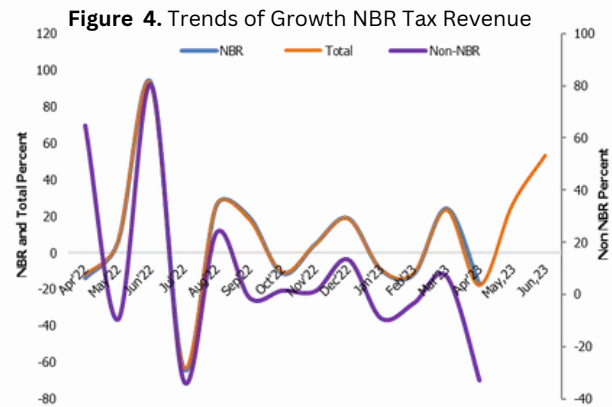
Source: Bangladesh Bank

Figure 3. Yearly Total Tax Revenue



Source: Bangladesh Bank

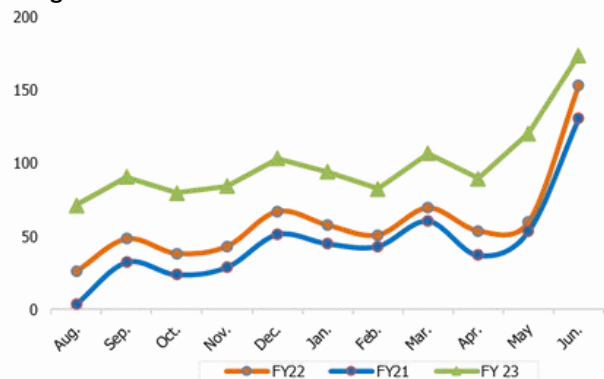
Figure 4 shows the Month-over-Month growth of NBR tax revenue, revealing significant fluctuations. Notably, in June 2023, there was a remarkable surge of 53.20% in total NBR tax revenue. However, in April 2023, the NBR revenue declined when compared to June 2023, indicating a fluctuating pattern in revenue collection within a short time frame, which could be attributed to various economic factors and seasonal variations.



Source: Bangladesh Bank

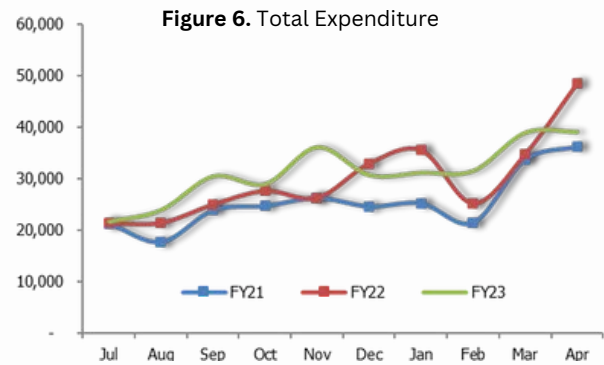
Figure 5 shows the cumulative growth of NBR total revenue (sum of NBR tax and non-NBR tax), where the cumulative growth up to May of FY 2023 was 173.78%, which is 20.66% more than June of the previous FY22.

Figure 5. Cumulative Growth of NBR Total Revenue



Source: Bangladesh Bank

Figure 6 illustrates the entirety of the government's expenses spanning from July 2022 to July 2023. In March of the fiscal year 2023 (FY 2023), the government's total expenditure amounted to BDT 39,104 crore. This figure represents a notable decrease of 19.44% compared to the corresponding month in the previous fiscal year (FY 2022) when the expenditure stood at BDT 34,574 crore.



Source: Bangladesh Bank

Table 1. NBR and Non-NBR Tax Revenue, FY22 & FY23

	NBR Tax Revenue (FY23)					Non NBR Tax Revenue	Total NBR Revenue Collection	NBR Tax Revenue (FY22)					Non NBR Tax Revenue	Total NBR Revenue Collection
	Customs duties	VAT	Income Tax	others	NBR Tax Revenue Total			Customs duties	VAT	Income Tax	others	NBR Tax Revenue Total		
	1	2	3	4	5=(1+,,+4)			6	7=(5+6)	1	2	3		
July	2692.53	5557.52	4656.93	4911.18	17818.16	1067.18	18885.34	1933.39	6777.31	4711.41	1932.22	15354.33	217.21	15571.54
August	3330.91	13308.34	5544.96	288.15	22472.36	1320.52	23792.88	2556.05	8184.75	5242.96	3210.85	19194.61	418.54	19613.15
September	3026.84	13847.62	9606.29	353.18	26833.93	1303.47	28137.40	3230.27	9106.30	7917.00	3548.64	23802.21	215.60	24017.81
October	2979.88	13918.16	6527.94	364.32	23790.30	1322.43	25112.73	2723.41	8996.16	5669.14	3728.21	21116.92	509.62	21626.54
November	3109.85	14670.82	6628.00	491.33	24900.00	1338.46	26238.46	2876.28	9479.29	5971.02	3801.27	22127.86	554.86	22682.72
December	2722.65	13747.04	10991.98	2152.18	29613.85	1622.30	31236.15	2907.56	9616.95	9859.65	5128.61	27512.77	582.98	28095.75
January	3053.41	14531.78	8504.11	789.49	26878.79	1378.89	28257.68	2953.04	9929.24	7036.32	4429.31	24347.91	1136.25	25484.16
February	2672.96	13263.36	7046.36	744.50	23727.18	1332.14	25059.32	3080.29	9677.34	6446.87	3815.06	23019.56	726.10	23745.66
March	3238.67	14785.63	10648.56	798.65	29471.51	1424.57	30896.08	3238.22	9882.06	10252.53	4177.11	27549.92	594.83	28144.75
April	2707.86	14218.40	6679.19	826.09	24431.54	954.64	25386.18	3153.48	10226.88	6003.38	4346.76	23730.50	979.86	24710.36
May	3729.89	16644.95	10793.52	839.80	32008.16	-	32008.16	3014.08	10358.01	7411.86	4380.22	25164.17	885.52	26049.69
June	3595.78	20478.69	24161.05	802.44	49037.96	-	49037.96	3597.94	18034.75	26386.02	585.89	48604.60	1597.69	50202.29
Total	36861.23	168972.31	111788.89	13361.31	330983.74	13064.60	344048.34	31666.07	102234.29	76522.14	42498.26	252920.76	4955.99	259742.13



India's unemployment rate decreased in the month of May 2023 and stood at 7.7% compared to the previous month (Table 1). Contrastingly, the unemployment rate of the UK and the USA increased from the previous month, standing at 4% and 3.7%, respectively, while for Malaysia it remained constant. The repo rate of Bangladesh and India remained constant in May 2023, standing at 6.00% and 6.50%, respectively. However, for Vietnam, the repo rate declined to 5%, whereas it increased to 4.50% for the UK. The deficit balance of Bangladesh and the USA declined to USD 1.68 billion and USD 69 billion, respectively, whereas the deficit balance of India and the UK increased to USD 22.12 billion and USD 8.40 billion, respectively.

Nevertheless, the positive trade balance for Malaysia and Vietnam increased to USD 3.38 billion and USD 2.59 billion. The consumer price index of India, Malaysia, Vietnam, the UK, and the USA experienced an increase except for Bangladesh. Furthermore, the consumer credit balance for Bangladesh and the USA increased. On the other hand, the consumer credit balance for India, Malaysia, and the UK declined.

Table 1. Selected Economic Indicators

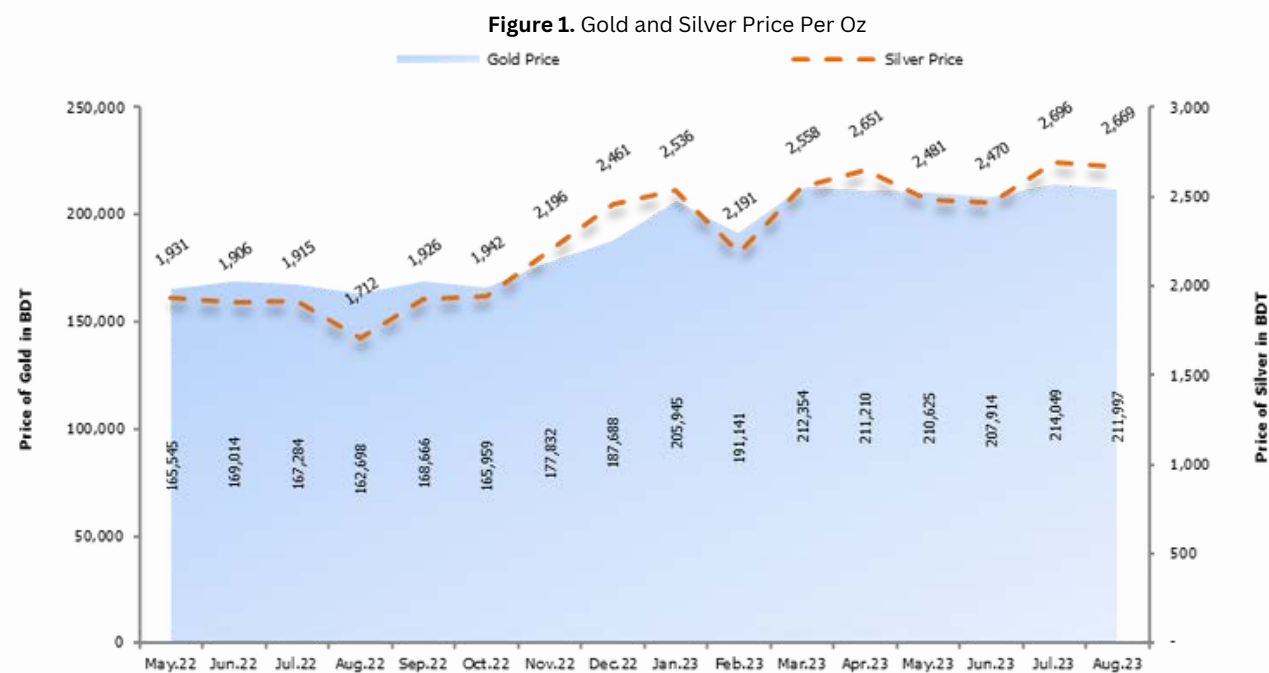
Country	Unemployment Rate [%]	Repo Rate [%]	Consumer Price Index [CPI]	Balance of Trade [billion \$]	Consumer Credit [billion \$]
Bangladesh	...	6	111.06	(1.68)	175.04
India	7.7	6.5	179.10	(22.12)	263.95
Malaysia	3.5	...	130.20	3.38	102.73
Vietnam	...	5	110.30	2.59	...
UK	4.0	4.5	131.31	(8.40)	182.82
USA	3.7	...	304.13	(69.00)	1,871.20

Source: Trading Economics [Month of May 2023]

Gold and Silver Price



Figure 1 shows the price per ounce of gold and silver in the BDT currency (where one ounce equals 2.43 bhor). In the recent year, the highest price of gold was BDT 214,049 in July 2023, and the lowest price of gold was BDT 162,698 on August 2022. On the other hand, the highest silver selling price per ounce was BDT 2,696 in July 2023, and the lowest selling price was BDT 1,712 in August 2022. However, the latest price of gold at the end of the August is BDT 211,997 which is 1.42% lower than the previous months' price, and the price of the silver decreased 1.00% compare to the month July 2023.



Source: Goldprice.org



DR. JAMALUDDIN AHMED, FCA

Chairman

Dr. Jamaluddin Ahmed is one of the sponsor directors of Emerging Credit Rating Ltd. (ECRL). He is also the Chairman of the company. Professionally a Chartered Accountant and a fellow member of the Institute of Chartered Accountants of Bangladesh (ICAB) since 1990; he has been awarded PhD in Accounting from Cardiff Business School, University of Wales, under Commonwealth Scholarship in 1996, and secured First Class in Masters Degree and Bachelors with Honours from Accounting Department of Dhaka University.

He has many years of experience in the financial sector of Bangladesh and has used his expertise and experience to carry out numerous research work and publications. He is the Audit Engagement Partner of 10 banks and leasing companies, 4 energy companies, 10 listed non-bank companies, and a tax advisor for many local and multinational companies. He also performs the following responsibilities:

- The Board of Directors of Janata Bank Limited (2008-2013), Essential Drugs Limited, Power Grid Company of Bangladesh Limited.
- The Chairman of the Board Audit Committee of Janata Bank Limited (2008-2013) and Power Grid Company of Bangladesh Limited.
- The Member of the Board of Directors and Chairman of the Audit Committee of Grameen Phone Limited, Advisor to the Board and Audit Committee of Bangladesh Bank.
- Previously He had been the representative of ICAB to the Board of Dhaka WASA, Dhaka Stock Exchange Ltd., Consultative Committee at the Security and Exchange Commission, Bangladesh Telecommunication Company Limited.
- From 1999 to 2013 he was a partner at Hoda Vasi Chowdhury & Co., An Independent Firm of Deloitte Touche & Tohmatsu. He has taken several training courses in the power and energy sector and has completed assignments at numerous banks.



MR. N K A MOBIN, FCS, FCA

Executive President

Mr. N K A Mobin is a veteran businessman and skilled in a broad range of trade ventures. He is one of the 4 sponsor Directors of the Emerging Credit Rating Ltd, the eminent credit rating agency in Bangladesh. Mr. Mobin has completed his Bachelor of Business Administration & Master of Business Administration from the University of Dhaka majoring in Finance with first class results. He has been a Fellow Member of the Institute of Chartered Accountants of Bangladesh (ICAB) & Institute of Chartered Secretaries and Managers of Bangladesh (ICSMB) since 1992 & 1998, respectively. He is also a Member of the Institute of Financial Consultants (IFC) of the USA since 2002.

Mr. Mobin has working experience of more than 34 years in different corporate arenas financial management systems including the budgeting and reporting system, Tax management and optimization in tax expenses, involved in different projects cost optimization/efficiency and revenue maximization areas, etc. He has been Director of Projects and administration Director Finance and Company Secretary in Grameenphone Ltd. (GP). He has also been the Director of Finance and Company Secretary at Novartis (Bangladesh) Limited. He also performs the following responsibilities:

- People's Leasing and Financial Services Limited – Court appointed as the Director of People's Leasing and Financial Services Limited.
- Dhaka Chamber of Commerce and Industry (DCCI) – Appointed as one of the Board members for 2020-2022 and Senior Vice President for 2021.
- Institute of Chartered Accountants of Bangladesh (ICAB) – Elected Council member for 2019-21 and Ex-Vice President (Education and Examination) for 2019.
- Unique Hotel And Resort - Appointed as the Independent Director of Unique Hotel And Resort



MR. ARIFUR RAHMAN, FCCA, FCA, CSAA

Chief Executive Officer (CEO)

Mr. Arifur Rahman is a dynamic professional representing the Emerging Credit Rating Limited as the Chief Executive Officer (CEO), the distinguished credit rating agency in Bangladesh. He has completed his B.Sc. (Hons) in Civil Engineering with first class result from Bangladesh University of Engineering & Technology (BUET) and also completed BSc (Hons) achieving higher second class honors (2:1) in Applied Accounting from Oxford Brookes University.

Mr. Rahman has 21 years of expertise in the various sectors like Civil Engineering, Auditing, Financial Consultancy, Feasibility Studies, and Tax Advisory and Planning etc. He is also a Certified Shari'a Adviser & Auditor (CSAA). He is actively involved in taking charge of the technical and organizational interests and advising the company in articulating current business strategies as well as future growth potentials. He is responsible to administer different departments and plays an important role in taking the managerial and operational decisions of the organization. Mr. Rahman is also the Fellow Member of the Association of Chartered Certified Accountant. Mr. Rahman is qualified as a chartered accountant from the institute of the Institute of Chartered Accountants of Bangladesh (ICAB).

MR. AL MAMUN

Research Fellow

Mr. Al Mamun is a Research Fellow at ECRL, working on different issues related to macroeconomic analysis, financial and banking sector, data bank maintenance, project management, and business research (market and financial research), especially industrial research, distribution assessments, and feasibility studies. In addition, he is also interested in working on macroeconomic policies, energy, and environmental-related issues.

Mr. Mamun is also an Associate Research Fellow at the Center for Policy and Economic Research (CPEER). He plays a remarkable role in various areas, including industry, labor market discrimination, poverty, international trade, sustainable development, and more.

Mr. Mamun completed his undergraduate and postgraduate studies in Economics at East West University in Bangladesh. Additionally, he pursued advanced studies in Statistics at the same esteemed institution.

MR. MD. SHAIFUL HASAN

Senior Business Consultant

Mr. Shaiful Hasan holds the position of Senior Business Consultant at ECRL, where he oversees the department's comprehensive operations. His responsibilities extend to enhancing and refining ECRL's digital footprint and brand identity through meticulously curating financial infographics, YouTube video productions, and other captivating content for various social media platforms. Furthermore, he conducts insightful interviews with subject matter experts and serves as an anchor for financial literacy videos, bolstering the organization's educational outreach efforts.

Mr. Shaiful has over eight years of financial analysis and project management expertise. Throughout his professional journey, he has successfully executed over 2,000 projects, offering his clients extensive services. These services encompass diverse areas, including feasibility studies, intricate financial modeling, comprehensive asset and company valuation, strategic M&A consultancy, in-depth industry analysis, meticulous company profiling, proficient data visualization, report enhancement, publication in magazines, credit rating evaluations, distribution assessments, rigorous background verifications, thorough assessments of customer credit lines, the development of business plans and startup strategies, precise financial projections, creation of investor pitch decks, execution of digital marketing campaigns, and formulation of strategic marketing plans.

Mr. Shaiful completed his academic journey at East West University, earned a Master of Social Science degree in Economics and a Bachelor of Business Administration in Finance and Economics. Notably, he received the prestigious Dean's Scholarship in recognition of his exceptional academic achievements.

MS. NABIHATUL AFROOZ

Senior Research Associate

Ms. Nabihatul Afroz is a Senior Research Associate at ECRL, where she conducts financial and economic research on various industries and projects. She has more than six years of experience in data analysis, report writing, credit rating assessments, and survey design. She also handles special assignments from the management and collaborates with other team members to achieve common goals.

Ms. Afroz holds two Master of Science degrees in Economics, one from City University London, UK, and another from East West University. She also completed her Bachelor of Business Administration degree in Finance and Economics from East West University. She has a strong academic background and a keen interest in financial markets and economic development.

MR. MD. ASADUZZAMAN

Research Associate

Mr. Md. Asaduzzaman has been working as a research associate at Emerging Credit Rating Limited since 2022. He has more than three and half years of experience in various projects, financial research, and credit rating assessments. He is responsible for industry research, financial infographics and video making, data visualization, and macroeconomic analysis for ECRL monthly magazine.

Other than that, he is involved with ECRL's special projects. He completed his BBA and MBA in Finance and Banking from Manarat International University, Bangladesh.

MR. MD. JUNAID BOGDAD

Research Associate

Mr. Md. Junaid Bogdad, Research Associate at Emerging Credit Rating Limited (ECRL), has been working in the field of financial research and analysis since September 2022. He is responsible for conducting financial feasibility studies, industry research, distributor risk assessment, and macroeconomic analysis for various clients across different sectors. He also prepares stock valuation reports based on fundamental analysis to assist investors in making informed decisions. Before joining ECRL, he completed an internship in the investment banking division of AFC Capital Limited, where he gained exposure to corporate finance and capital market operations.


He has undergone training in advanced Excel and feasibility analysis techniques to enhance his skills and efficiency. He holds a BBA and an MBA degree in Finance from the University of Dhaka, which he obtained in 2019 and 2022, respectively.


About ECRL

Emerging Credit Rating Limited (hereinafter referred to as ECRL) began its journey in the year 2009 with the motive to deliver credible superior & quality credit rating opinions in various industry segments around Bangladesh. ECRL obtained a credit rating license from Bangladesh Securities and Exchange Commission (BSEC) in June 2010 as per Credit Rating Companies Rules 1996 and also received Bangladesh Bank Recognition as an External Credit Assessment Institution (ECAI) in October 2010 to do the rating of Banks, Financial Institutions and their borrowers and also from Insurance Development & Regulatory Authority (IDRA) in 2015 to do the rating of Insurance Companies & affiliated with Malaysian Rating Corporation Berhad.

Emerging Credit Rating Limited's team is oriented towards the continuous improvement of processes, striving for an important role in the leadership of the business world. Every individual in ECRL is committed to providing topmost ingenious Credit Rating Services and Comprehensive Research Services in Bangladesh. ECRL's rating services and solutions reflect independence, professionalism, transparency, and impartial opinions, which assist businesses in enhancing the quality of their decisions and helping issuers access a broader investor base and even smaller known companies approach the money and capital markets. The Credit Rating process is an informed, well-researched and intended opinion of rating agencies on the creditworthiness of issuers or issues in terms of their/ its ability and willingness to discharge its financial obligations in a timely manner. Issuers, lenders, fixed-income investors use these risk assessments for the purpose of lending to or investment in a corporation (such as a financial institution, an insurance company, a non-banking corporation or a corporate entity) as well as evaluating the risk of default of an organization's financial obligations in terms of loan or debt.

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