BANGLADESH MACRO OUTLOOK 2026-2030

Shifting Gears

Accelerating Towards USD 4,000 Per Capita GDP by 2030

August 2026

CAL

Executive summary

Three engines carry Bangladesh to USD 4,000 per-capita GDP by 2030 — the stabilisation is done and the easing cycle has begun.

GDP per capita
USD 4,043
by FY30E
from 2,866 (FY26)

Growth back to trend
6.9%
by FY28E
vs 6.4% FY08–19 average

Consumption growth
8.0%
by FY28E
from 6% last 10-year average

Policy rate
7.5%
by FY28E
200 bps decline from current rates

DSEX 10,000
+70%
by end-2027
earnings × re-rating

ENGINE 01 · Demographics drive demand

+1.15mn workers a year lift income, remittances and the middle class — already exists.

ENGINE 02 · Productivity powers the upswing

Capacity and infrastructure built in FY22–23 absorb demand without new capex — already built.

ENGINE 03 · Monetary easing clears the lane

Policy rate 10.00% → 9.50%, heading to 7.00% by FY30E; credit follows — already begun.

Short term forecast | Growth: 5.5% | Inflation: 6.5–7.5% | 364-day T-bill: 7.7–8.5% | BDT/USD 125–127

Source: CAL Research Estimates

Economic Overheating, Reform & Stabilisation

2022 | 2024 | 2026 | 2030

2022–23

Overheating

- Easing amid global tightening
- Credit boom fueled inflation
- Taka depreciation drained reserves
- DSEX fell sharply

2024–25

Reform

- Rates hiked to record highs
- Market-based lending restored
- Reserves rebuilt; FX stabilized
- Inflation eased

2026 →

Stabilisation

- Easing cycle begins
- Macro stability improves
- Leading indicators signal recovery

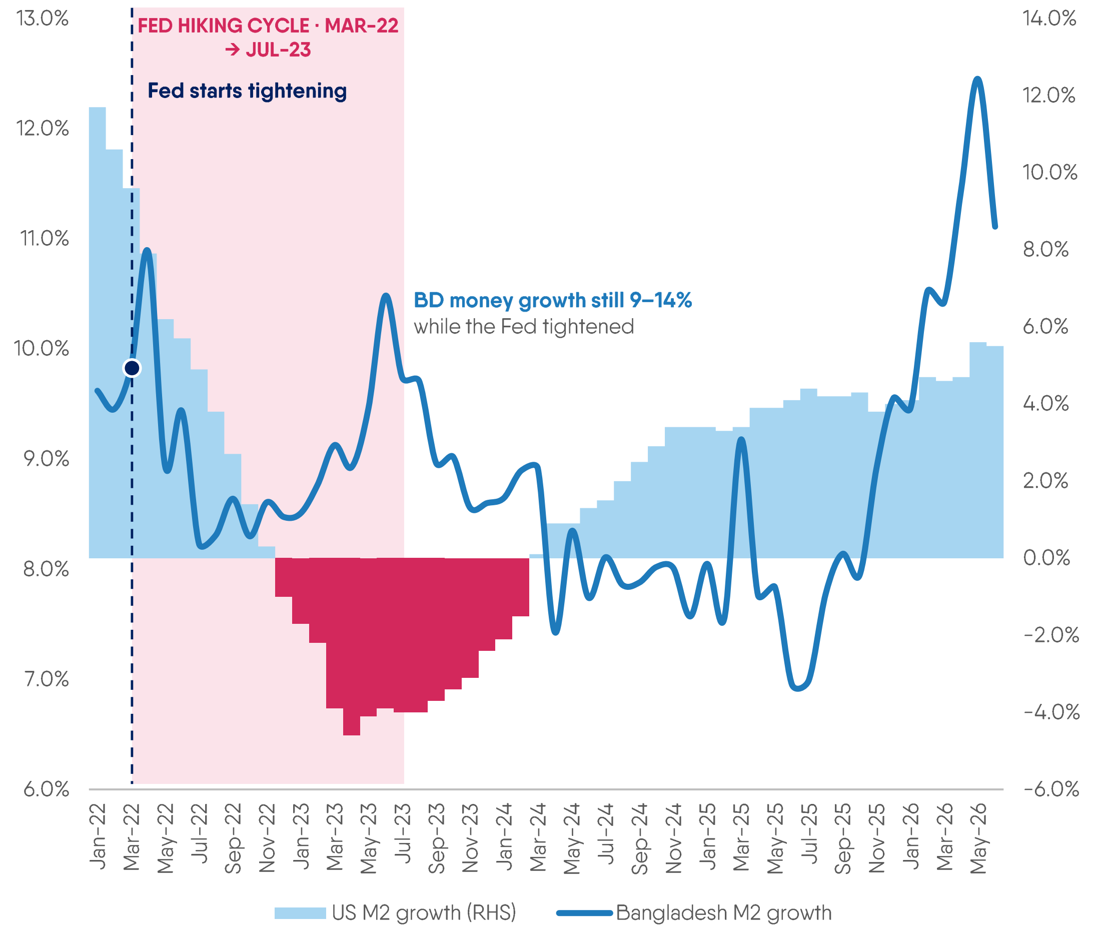
2021-2023
Economy in reverse gear

CAL

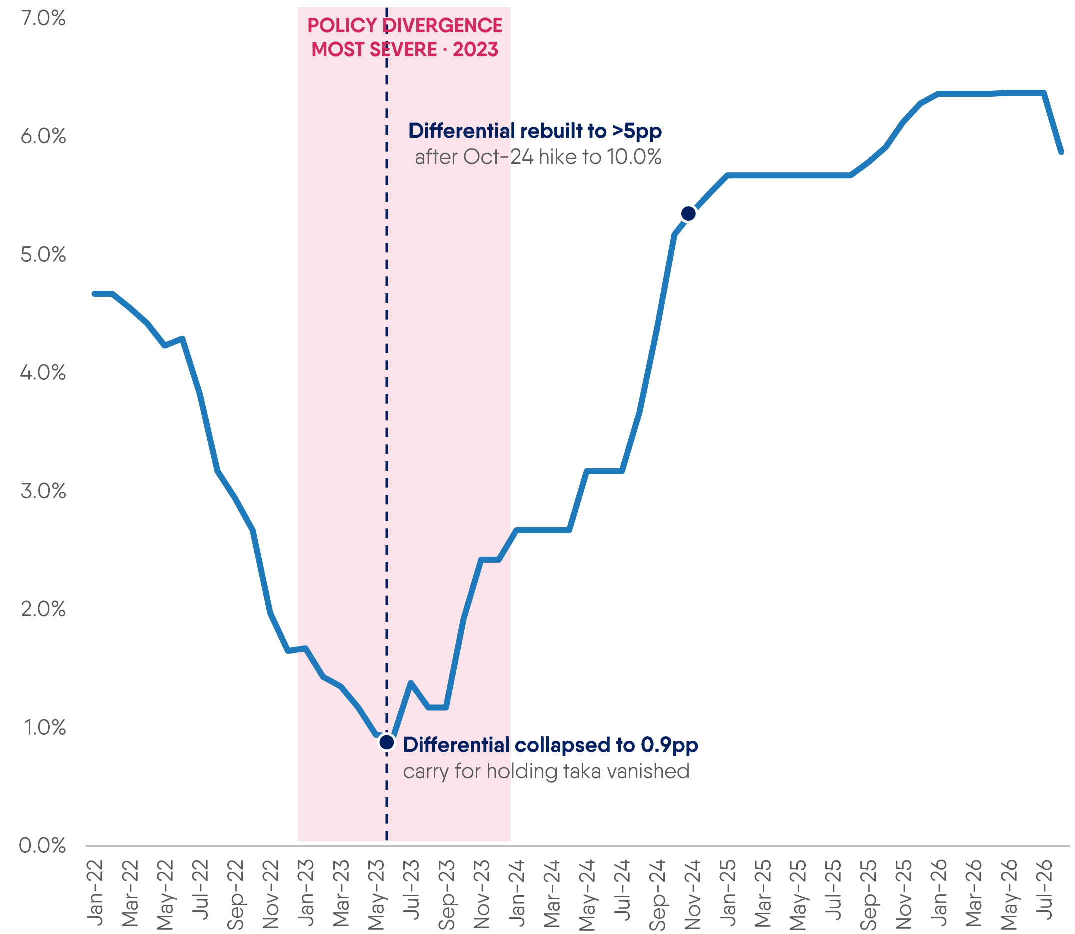
Central bank printed money amidst a global monetary tightening cycle

Bangladesh Bank kept broad money growing at 9–12% while the Fed lifted rates to 5.5% between Mar-22 and Jul-23. With domestic rates held down, the Bangladesh–US rate differential collapsed to below 1%, removing the incentive to hold taka and setting up the FX and inflation crisis.

US and Bangladesh M2 growth, YoY (%)



BD vs. US Policy Rate Differential (%)

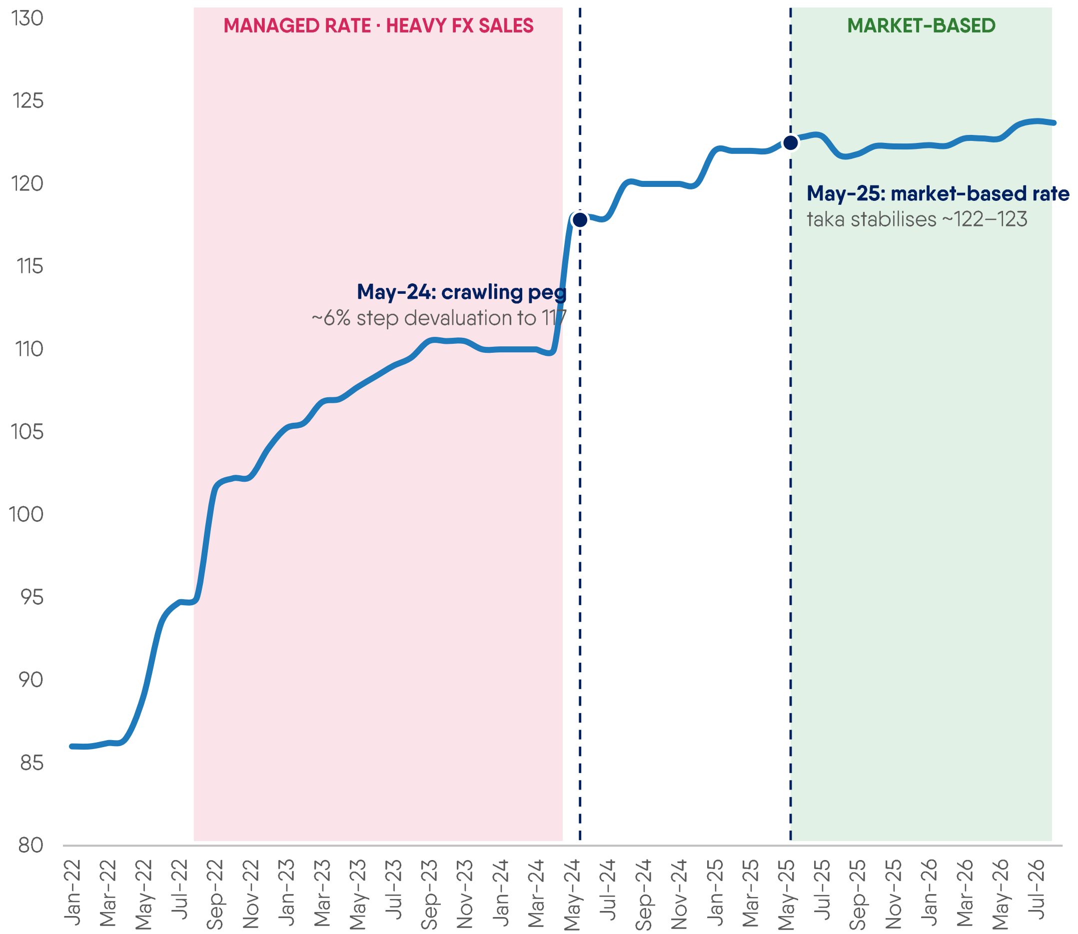


Source: FRED, Bangladesh Bank

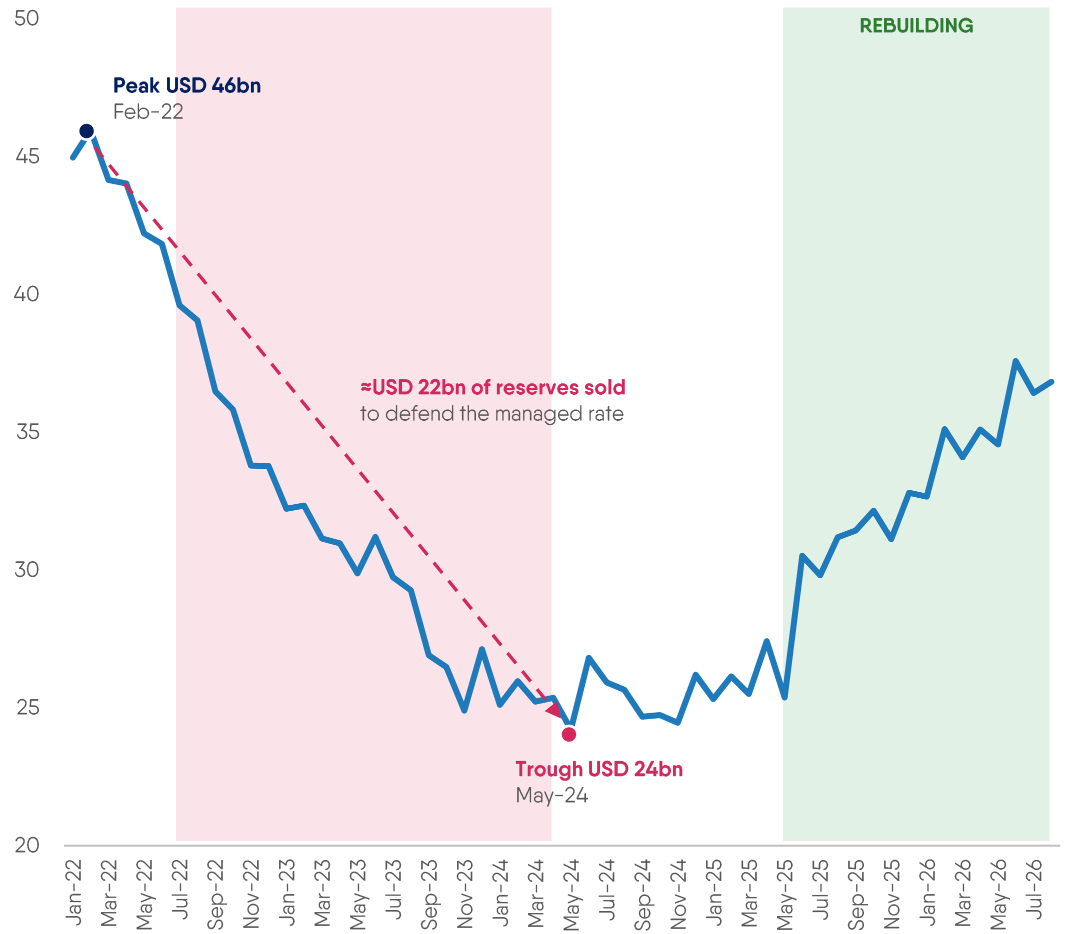
The currency depreciated and central bank sold off reserves

Instead of letting the taka adjust, the central bank sold dollars to defend a managed rate. Reserves fell by roughly half between early 2022 and the end of 2023 before the May-24 crawling peg and the 2025 move to a market-based rate finally let the exchange rate clear — after which reserves started to rebuild.

Exchange Rate (BDT/USD)



FX Reserve (USD Bn)

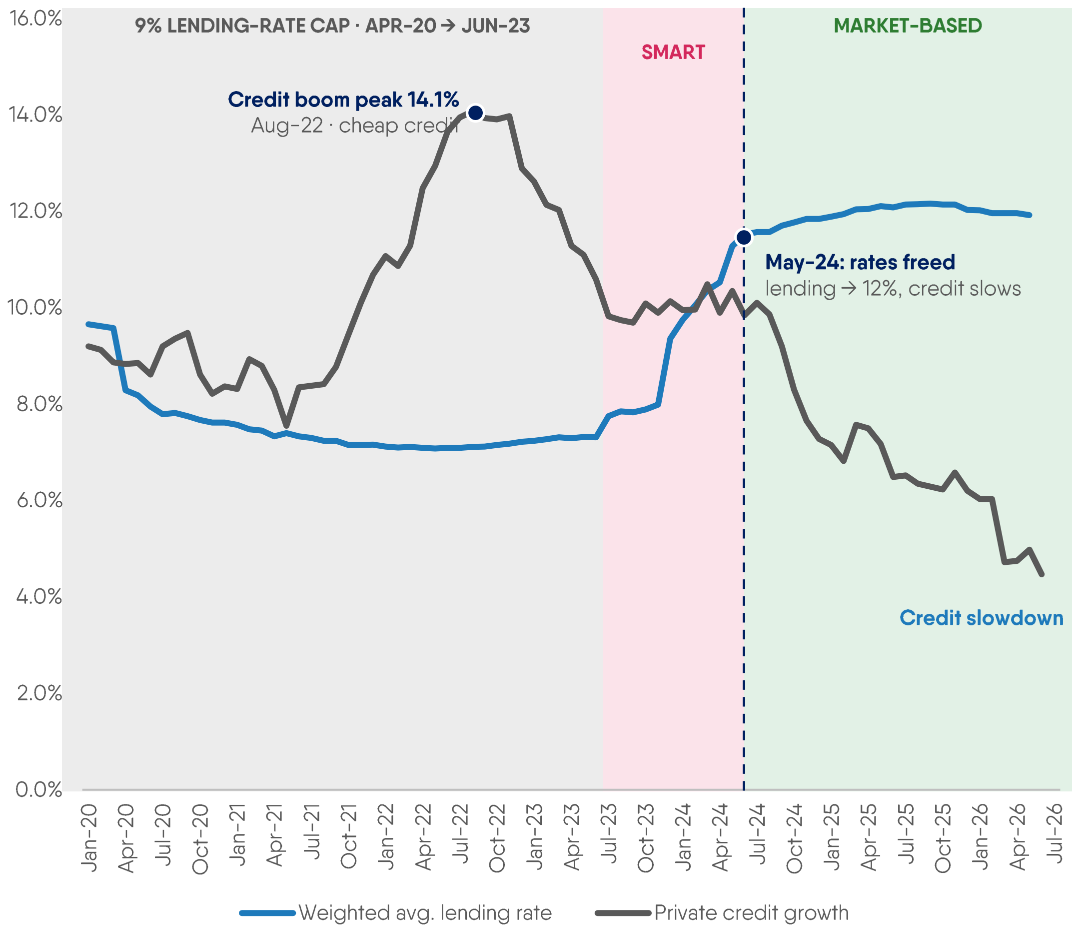


Source: Bangladesh Bank

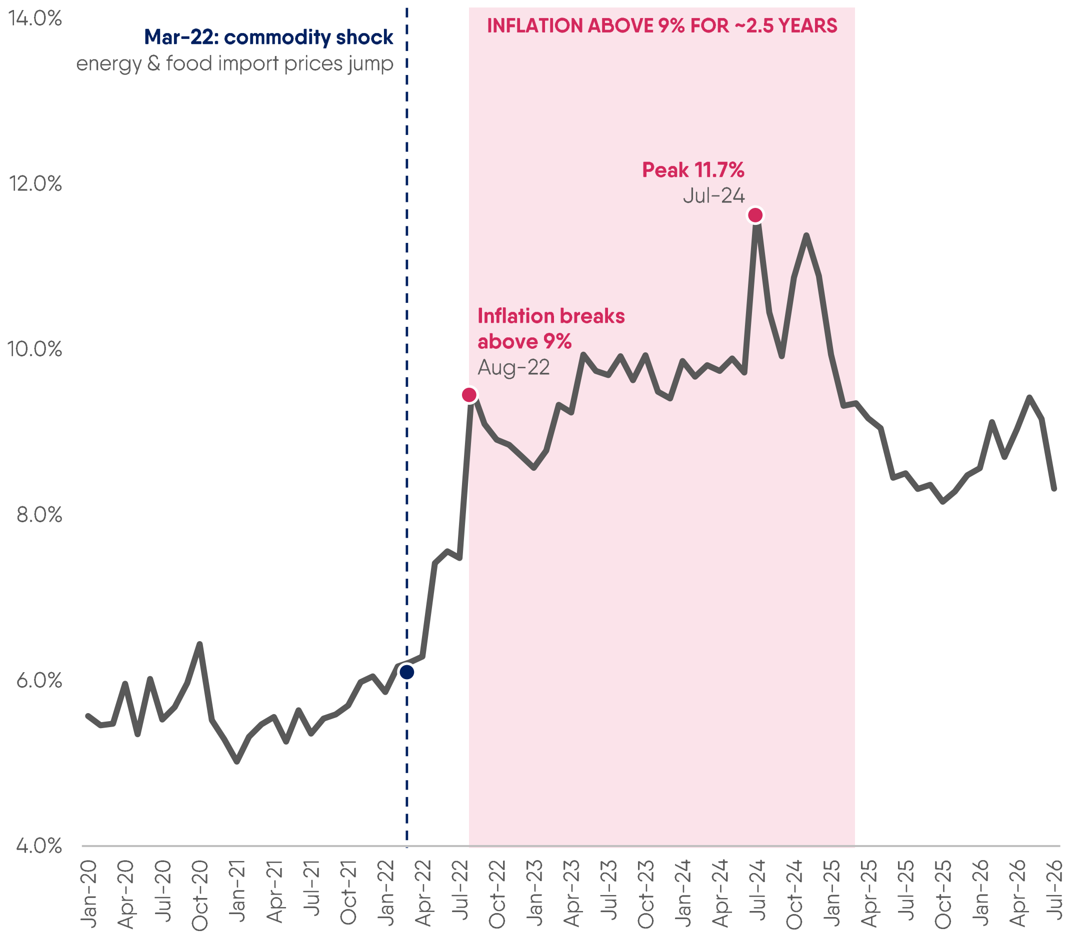
Loose monetary policy and interest rate caps fueled demand and inflation

A 9% lending-rate cap from Apr-20 kept credit artificially cheap: private-credit growth peaked near 14% in 2022 just as the commodity shock hit. Headline inflation broke above 9% and stayed there for two years. Only the move to market-based lending rates in 2023–24 slowed credit and began to cool prices.

Weighted average lending rate vs. Pvt. credit growth (%)



Headline inflation (%)

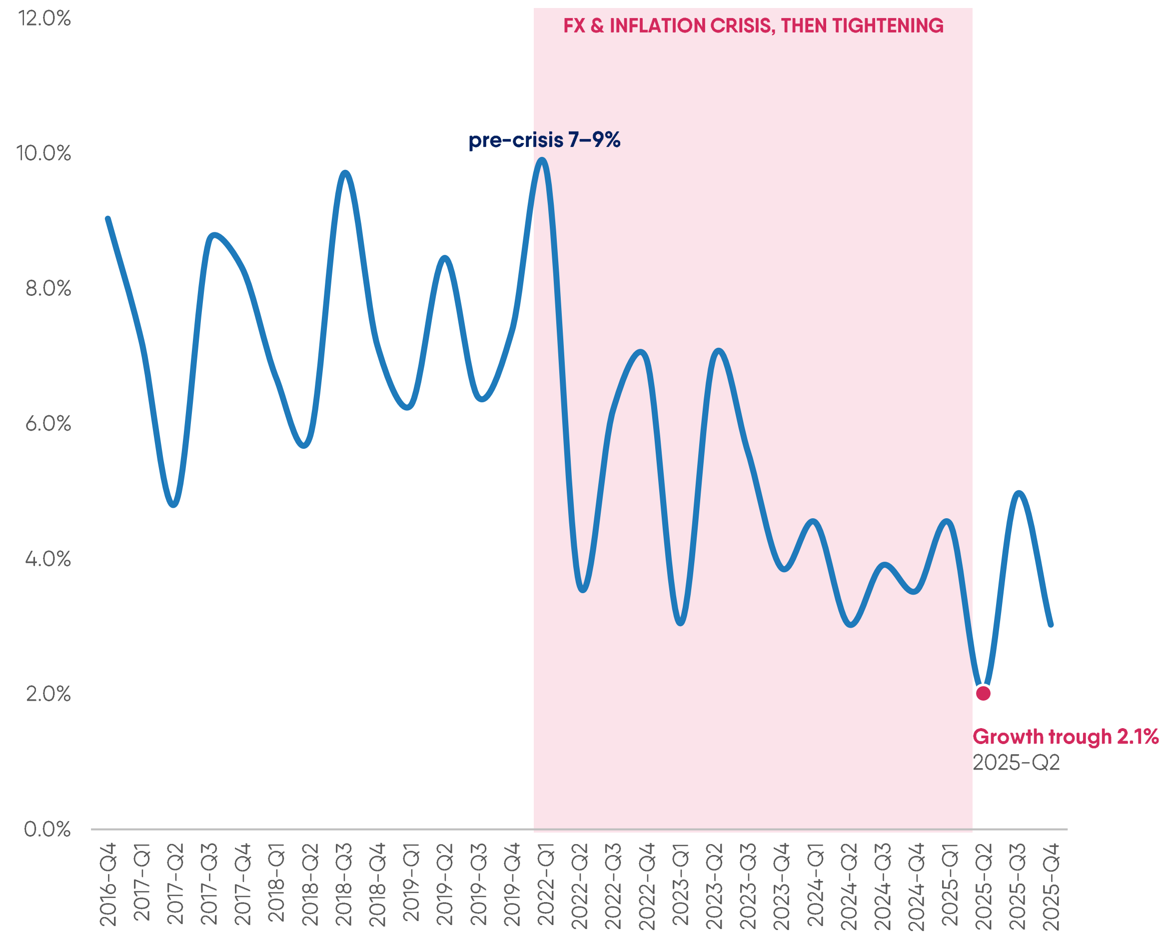


Source: BBS, Bangladesh Bank

Growth suffered and markets entered a bear phase

Economic imbalances and the subsequent policy tightening pushed real GDP growth to its weakest stretch since FY08. Equities adjusted earlier, with the DSEX falling roughly one-third from its 2022 peak despite an 18-month floor-price regime that delayed full price discovery. A sustainable market recovery therefore required macro stability to return first.

GDP Growth (%)



*excluding 2020 & 2021 for COVID and Post-COVID rebound as outliers

Broad Market Index – DSEX

CAL | Research

Source: DSE, BBS

2024-2025 Stability at neutral gear

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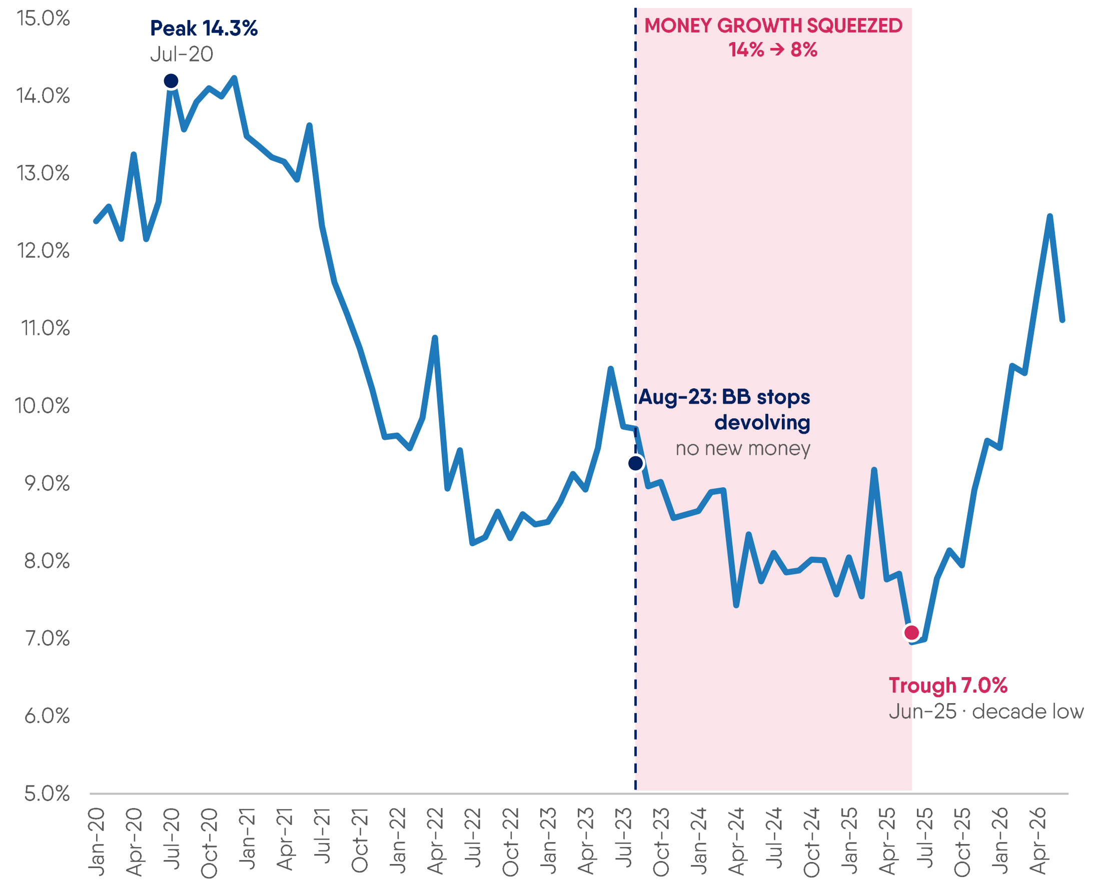
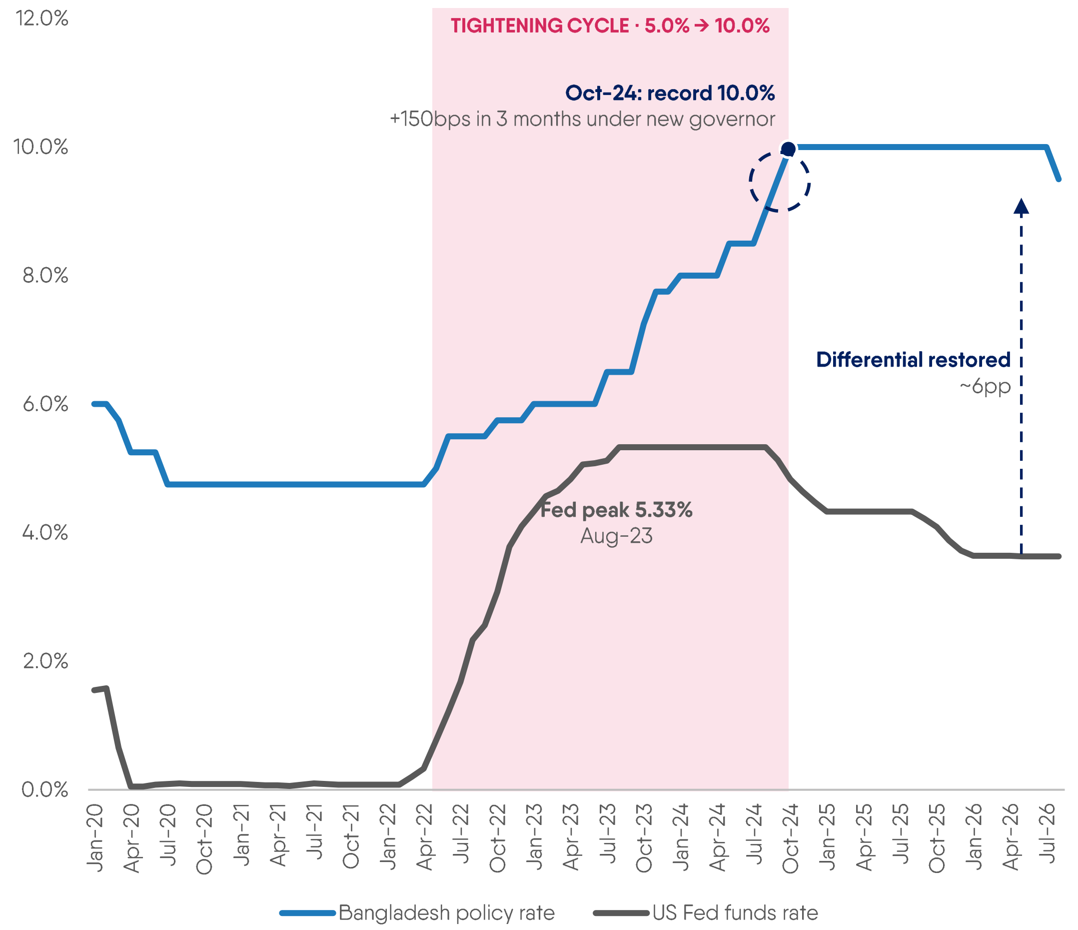
The central bank ceased money printing and tightened aggressively to curb inflation

From mid-2023 Bangladesh Bank stopped devolving treasury auctions and allowed money growth to fall from 14% to about 8%. The policy rate was lifted in steps from 5.0% to a record 10.0% by Oct-24, including 150bps in the three months after the new governor took office — restoring a positive rate differential with the US.

Money supply growth (%)



BD vs. US Policy Rate (%)

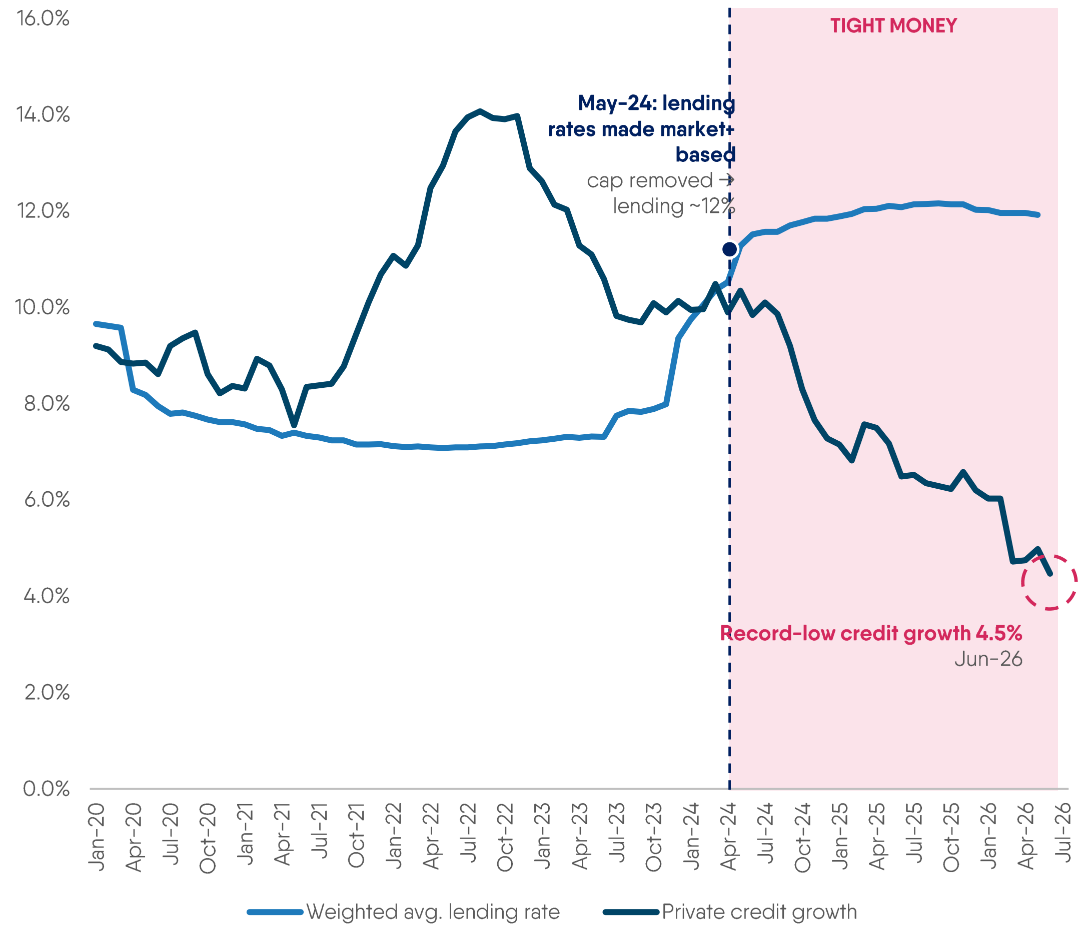


Source: FRED, Bangladesh Bank

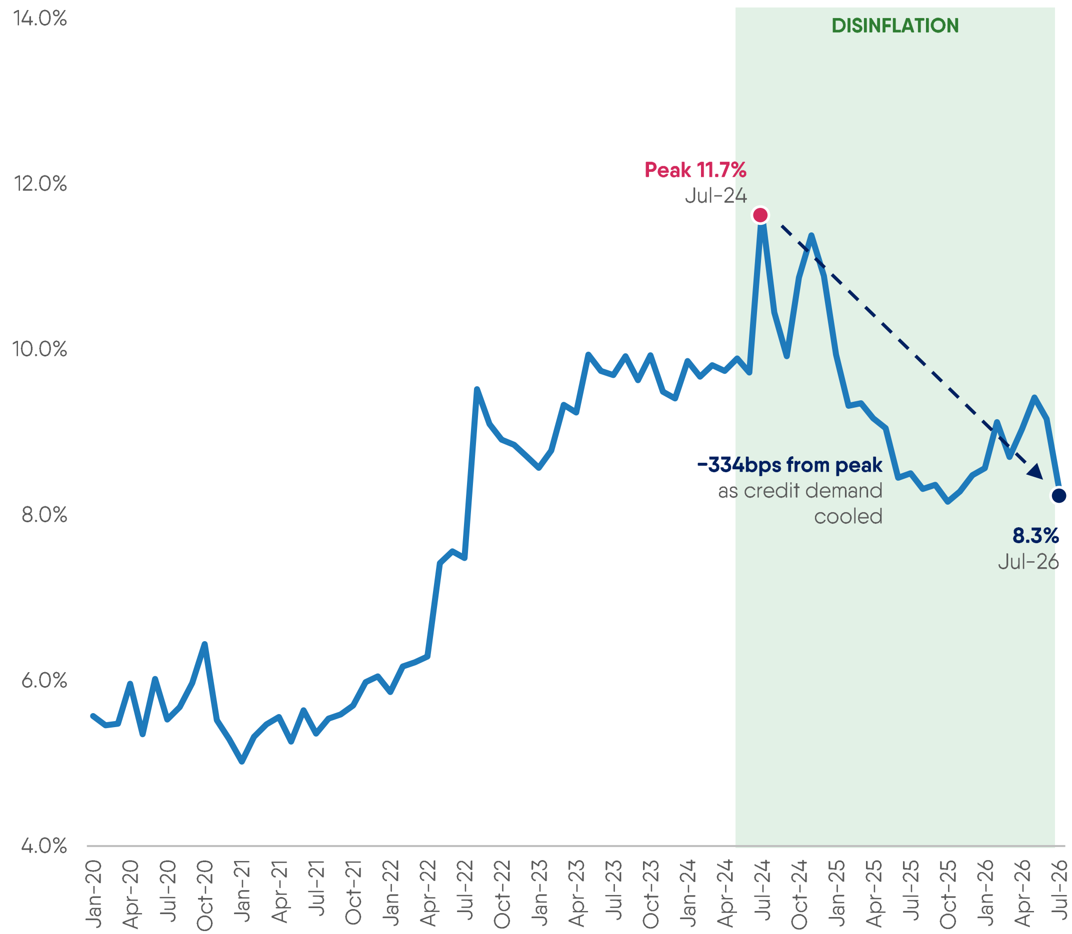
Monetary tightening and market-based lending rates curbed demand as inflation fell

Once lending rates were freed in May-24 they rose to about 12%, and private-credit growth slid to a record low near 5%. With credit-driven demand removed, headline inflation fell more than 300bps from its 2024 peak. The cost of stability was two years of weak private investment.

Lending rate and private credit growth (%)



Inflation (%)



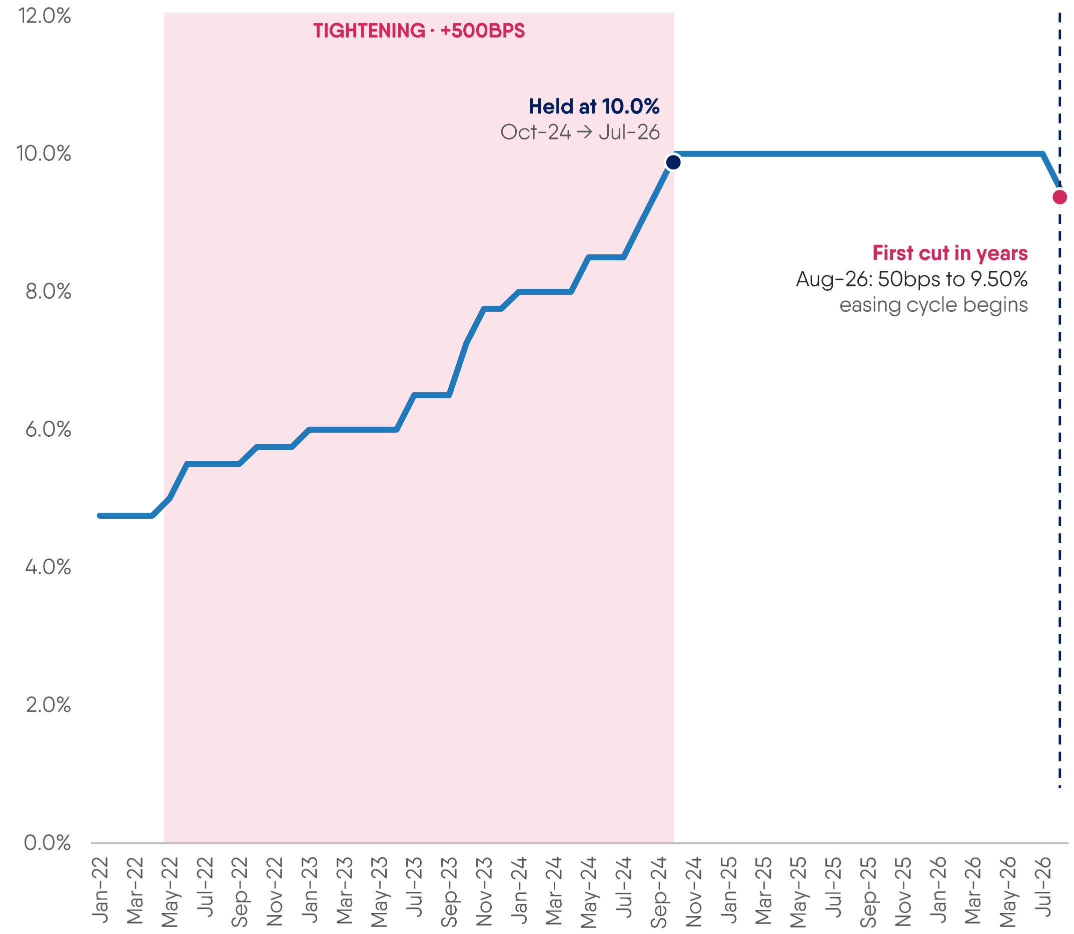
Source: Bangladesh Bank

NEUTRAL GEAR · 2024–2025 · STABILISATION

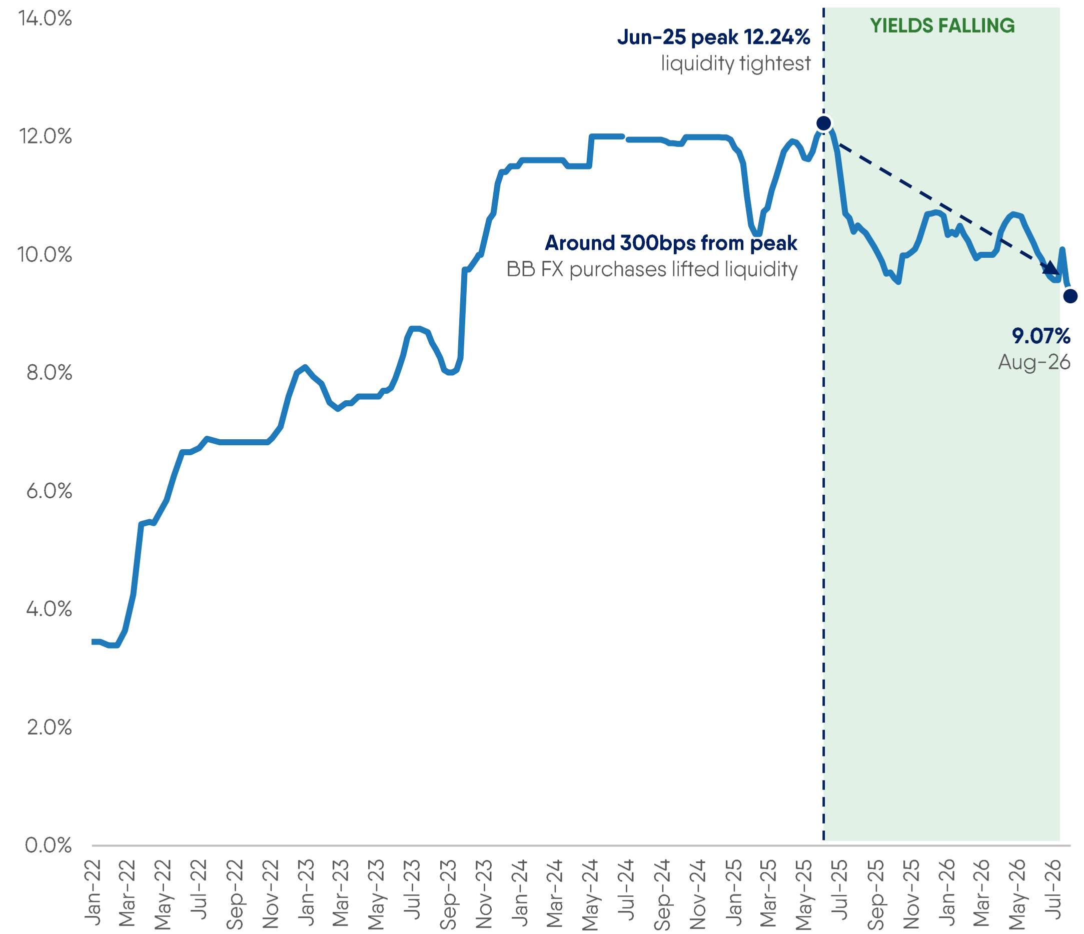
Central bank has shifted gears, delivering the first rate cut after years

The 364-day T-bill has already fallen almost 300bps from its Jun-25 peak of 12.24% as banking-system liquidity improved and inflation moderated. The 50bps policy-rate cut to 9.50% in Aug-26 formalises a shift the market had already priced, and opens room for further easing through FY27.

BD Policy Rate (%)



364-day T-bill rate (%)



Source: Bangladesh Bank

Short-term outlook
The Bounce-back

CAL

Our short-term outlook

Our short-term view rests on one chain: lower money growth already in the system pulls inflation down, which gives Bangladesh Bank room to keep cutting; lower rates and a balance-of-payments surplus keep the taka stable; and cheaper credit lifts consumption and growth. Each forecast below is the output of that sequence.

VARIABLE	CURRENT	JUN-27E FORECAST	DIRECTION · MAGNITUDE	PRINCIPAL DRIVER
Exchange rate BDT/USD	**123.1** Jul-26	**125–127** by Jun-27E	▲ **Stable** +1.5% to +3.2% depreciation	BoP surplus (+USD 6bn FY26) and USD 3bn/month remittances; market-based rate clears without reserve sales
Inflation headline, YoY	**8.3%** Jul-26	**6.5–7.5%** by Jun-27E	▼ **Declining** 80–180bps lower	Decade-low money growth feeds through with a 12-month lag; stable taka limits import-price pass-through
Real GDP growth FY, YoY	**4.1%** FY26 **Provisional figures*	**5.5%** by Jun-27E	▲ **Increasing** +140bps	Easing transmits to consumption with a one-year lag; real wages turn positive; consumption is 76% of GDP
364-day T-bill cut-off yield	**9.07%** Aug-26	**7.7–8.5%** by Jun-27E	▼ **Declining** 60–140bps lower	Policy-rate cuts and BB dollar purchases add liquidity; banks keep buying treasuries while credit demand lags

FORECAST TRANSMISSION

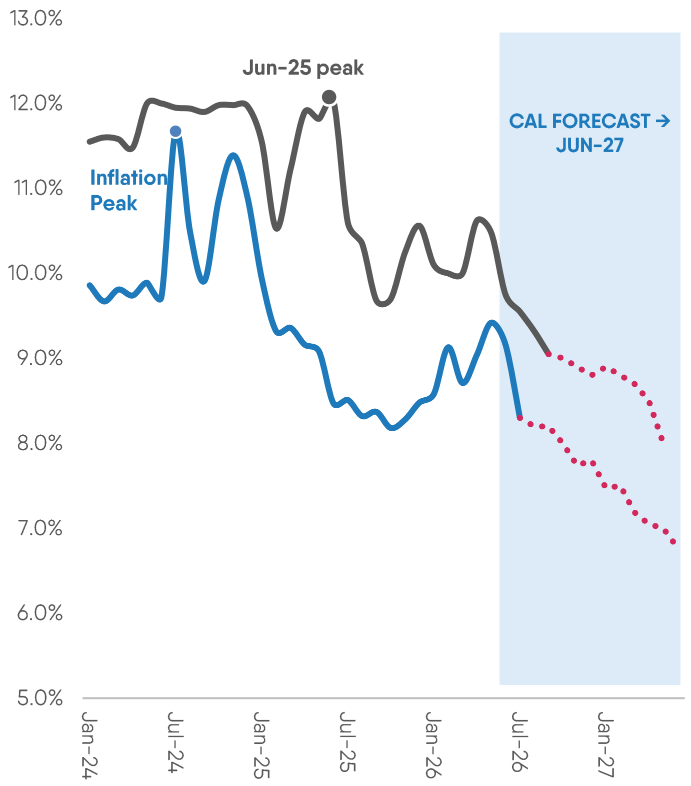
Decade-low money growth already in the system → Inflation falls toward 6.5–7.5% → Room for further policy-rate cuts → Lower yields + BoP surplus keep the taka stable → **Credit and consumption recover → growth 5.5%**

Source: CAL Research Estimates

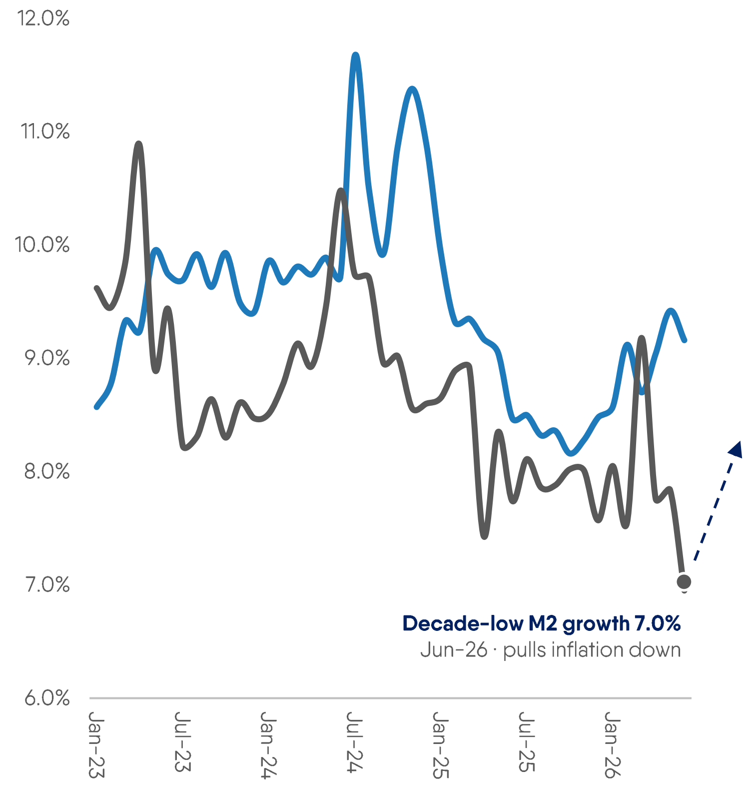
CAL expects Interest rates and inflation to head lower

Money supply growth fell to a decade low in 2025 and, with a lag of roughly a year, inflation is now converging down toward it. Falling inflation lets Bangladesh Bank ease, and the easing is what revives private credit from its record low — the T-bill declining path is the market's read of that sequence.

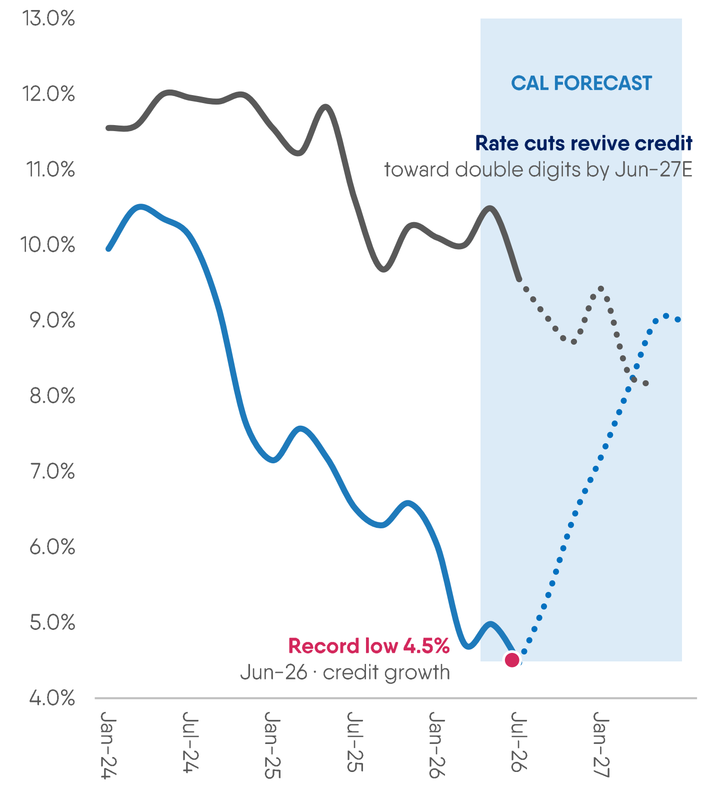
Inflation and 364-day T-bill, actual and forecast (%)



M2 growth (1-yr lag) vs inflation (%)
Inflation is converging down to lagged money growth



Private credit growth and 364-D T-bill (%)
Credit growth at a record low — BB is expected to stimulate it with rate cuts



Lower lagged M2 growth → **Lower inflation (12-month lag)** → **Room for rate cuts** → **Private-credit recovery**

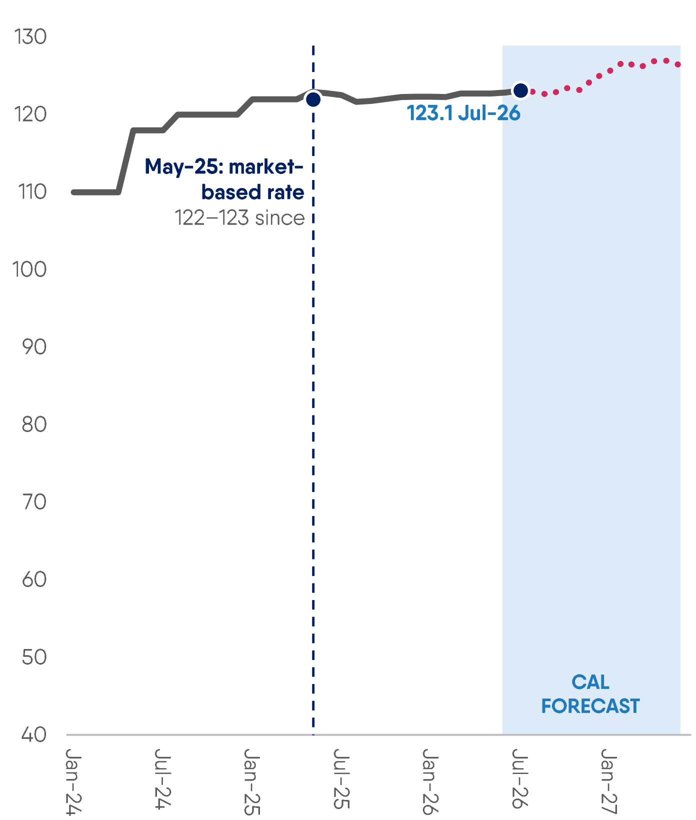
CAL | Research

Source: Bangladesh Bank, CAL Research Estimates

Taka stability is driven by BOP surplus and stable remittances inflow

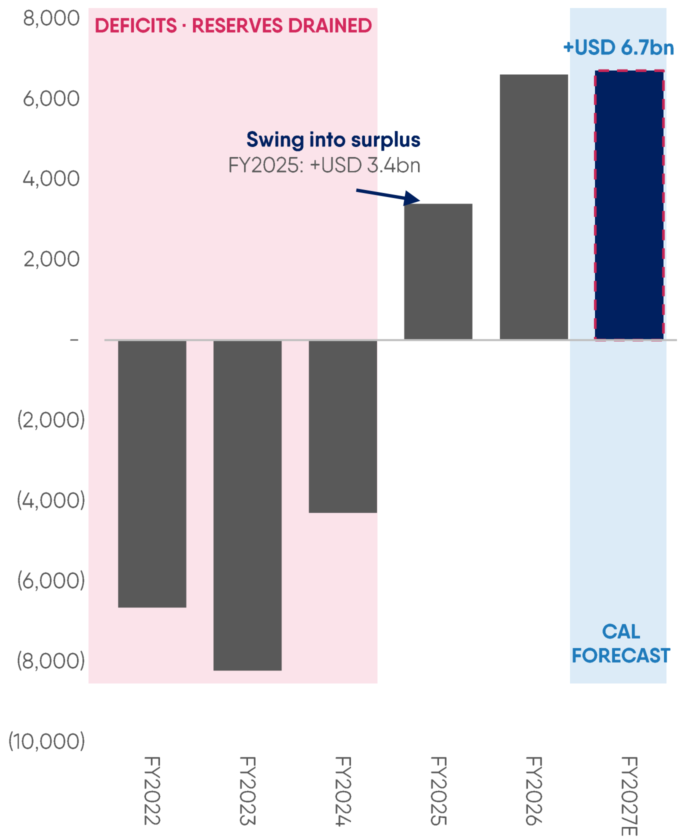
The overall balance swung from deficits of USD 4–8bn in FY22–24 to a surplus in FY25 and FY26 as remittances through official channels rose to about USD 3bn a month and the financial account turned positive. With the market-based rate clearing and reserves rebuilding, we expect the taka to hold within 125–127 to Jun-27.

BDT/USD, actual and CAL forecast



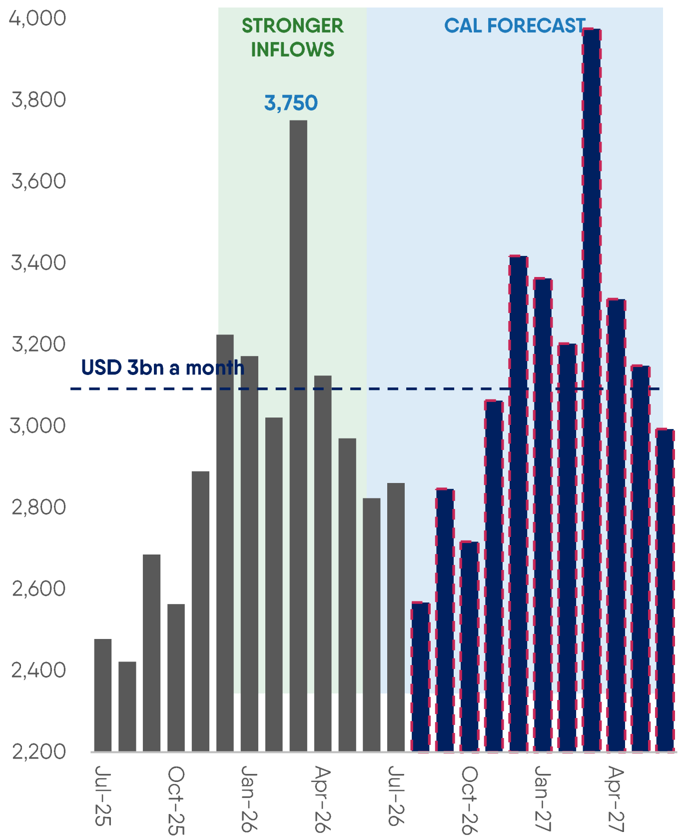
The overall balance swung into surplus

Dashed bars: CAL forecast



Remittances hold at around USD 3bn a month

Dashed bars: CAL forecast



BoP surplus → Reserves rebuild, no FX sales needed → USD 3bn/month remittances via official channels → **BDT holds 125–127 to Jun-27E**

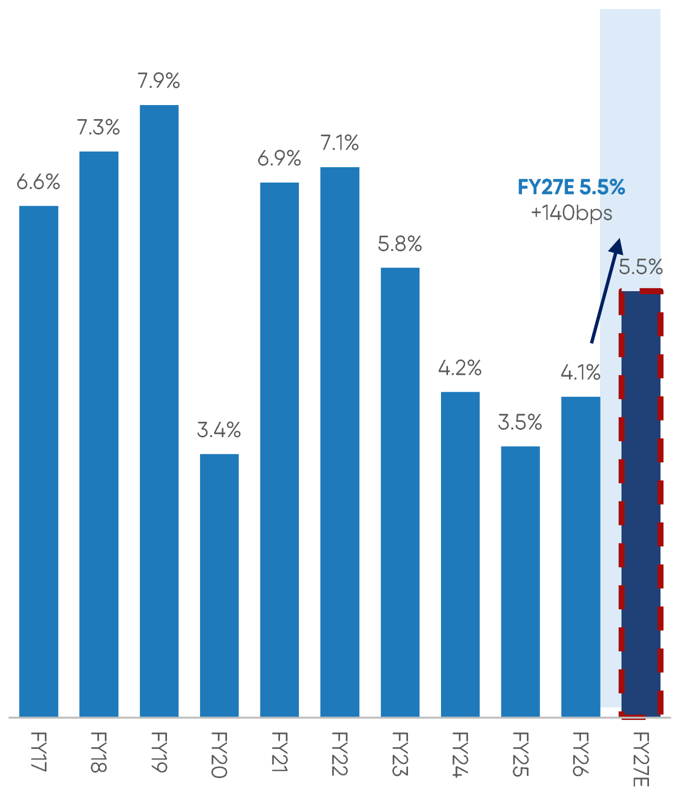
CAL | Research

Source: Bangladesh Bank, CAL Research Estimates

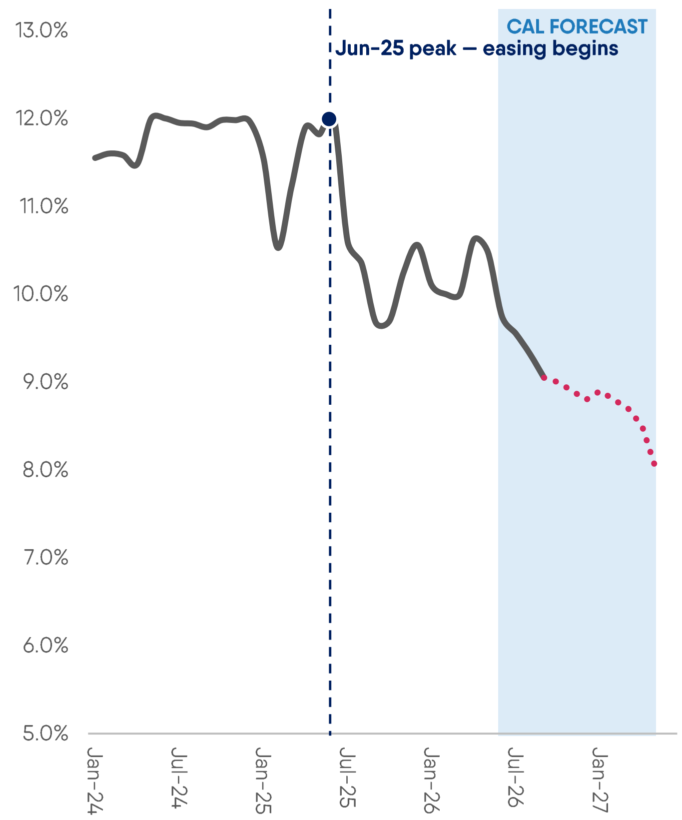
We expect growth to recover to 5.5% in FY27 — the easing is already delivered, and higher consumption will follow

Easing is already under way — the T-bill peaked in Jun-25 and policy rates were cut in Aug-26. Monetary transmission to household spending takes about a year, so consumption growth troughs in FY26 and recovers in FY27.

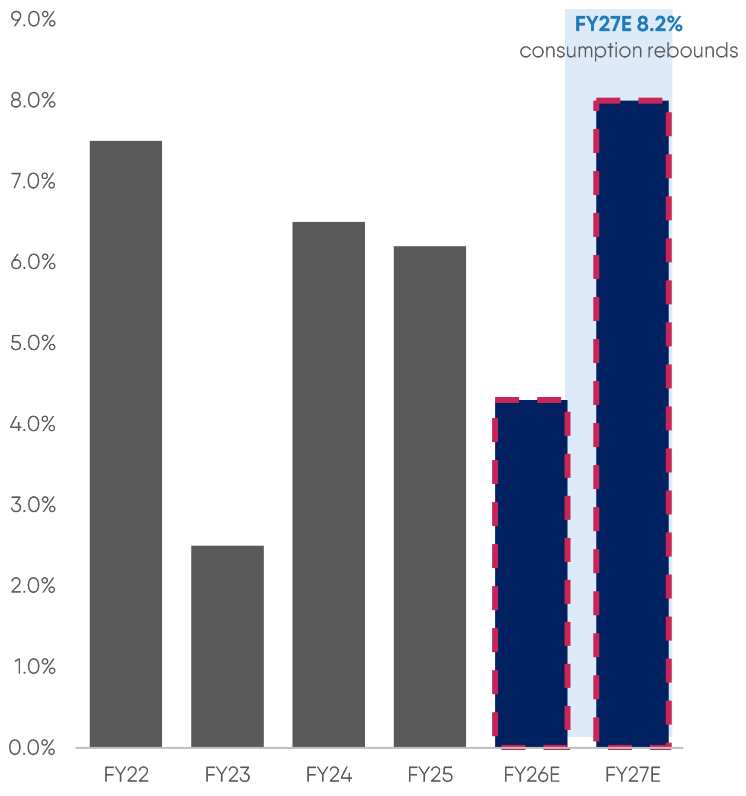
Real GDP growth (%)



364-day T-Bill (%): The easing cycle has begun which will drive economic growth

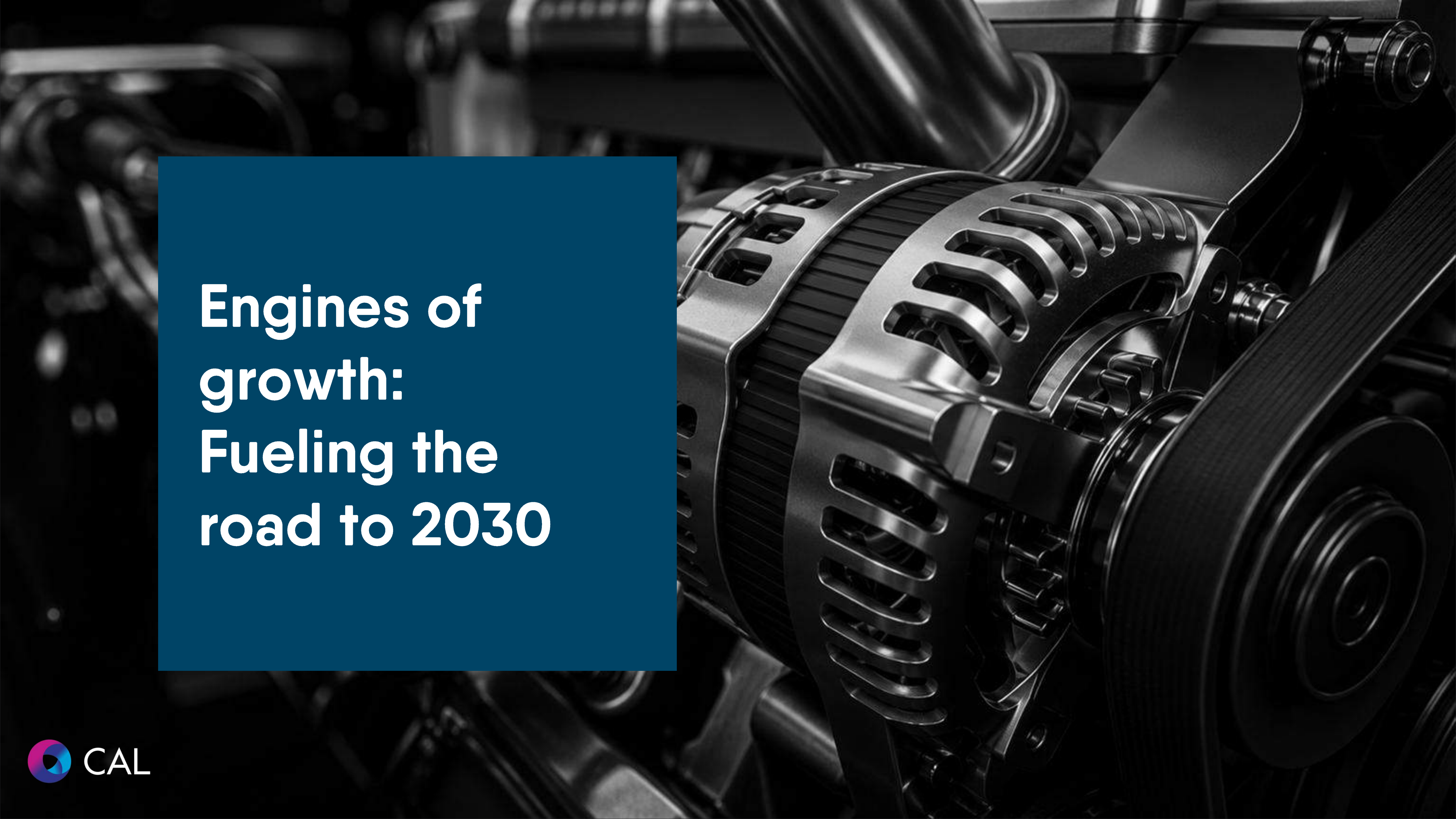


Consumption growth (%): consumption is expected to pick up in FY27 and drive GDP growth



Easing begins · T-bill peak Jun-25, first cut Aug-26 → 12-month transmission lag → Consumption growth recovers in FY27E → Consumption = around 75% of GDP → growth 5.5%

Source: Bangladesh Bank, CAL Research Estimates



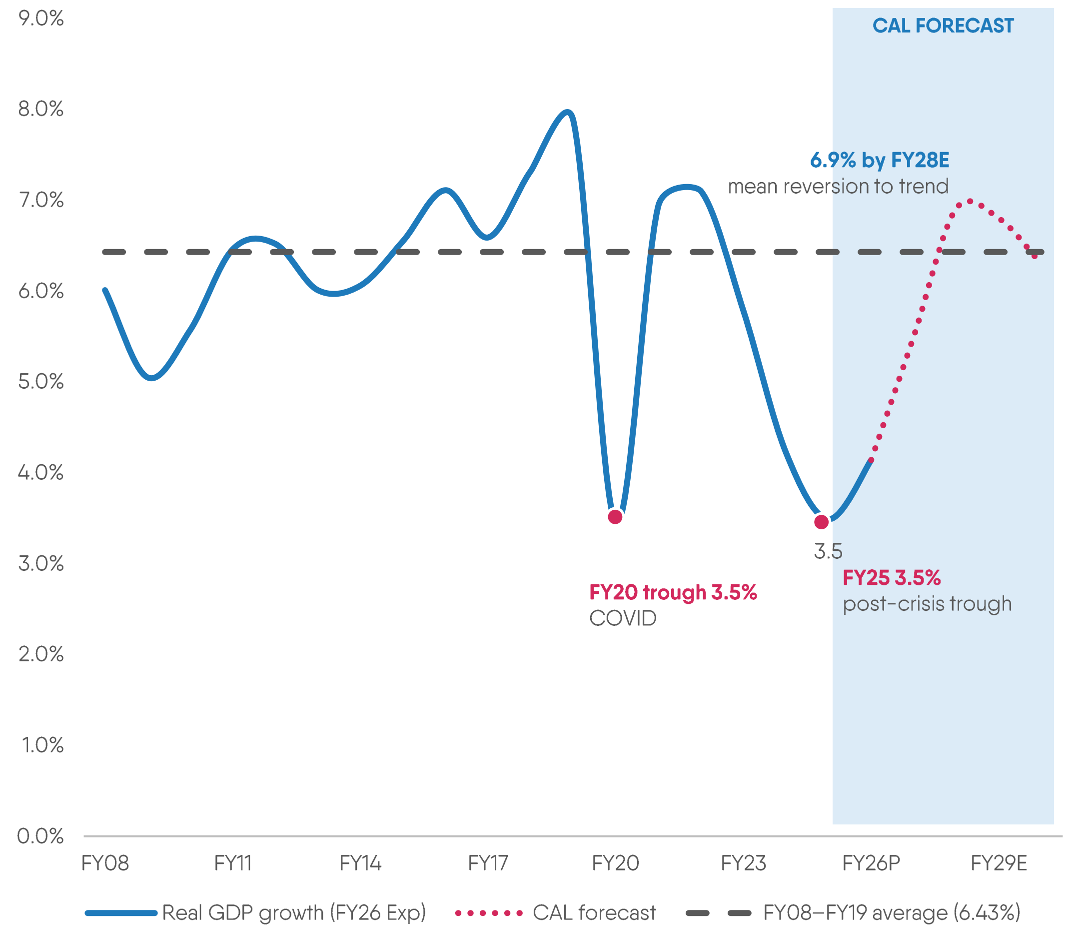
Engines of growth: Fueling the road to 2030

CAL

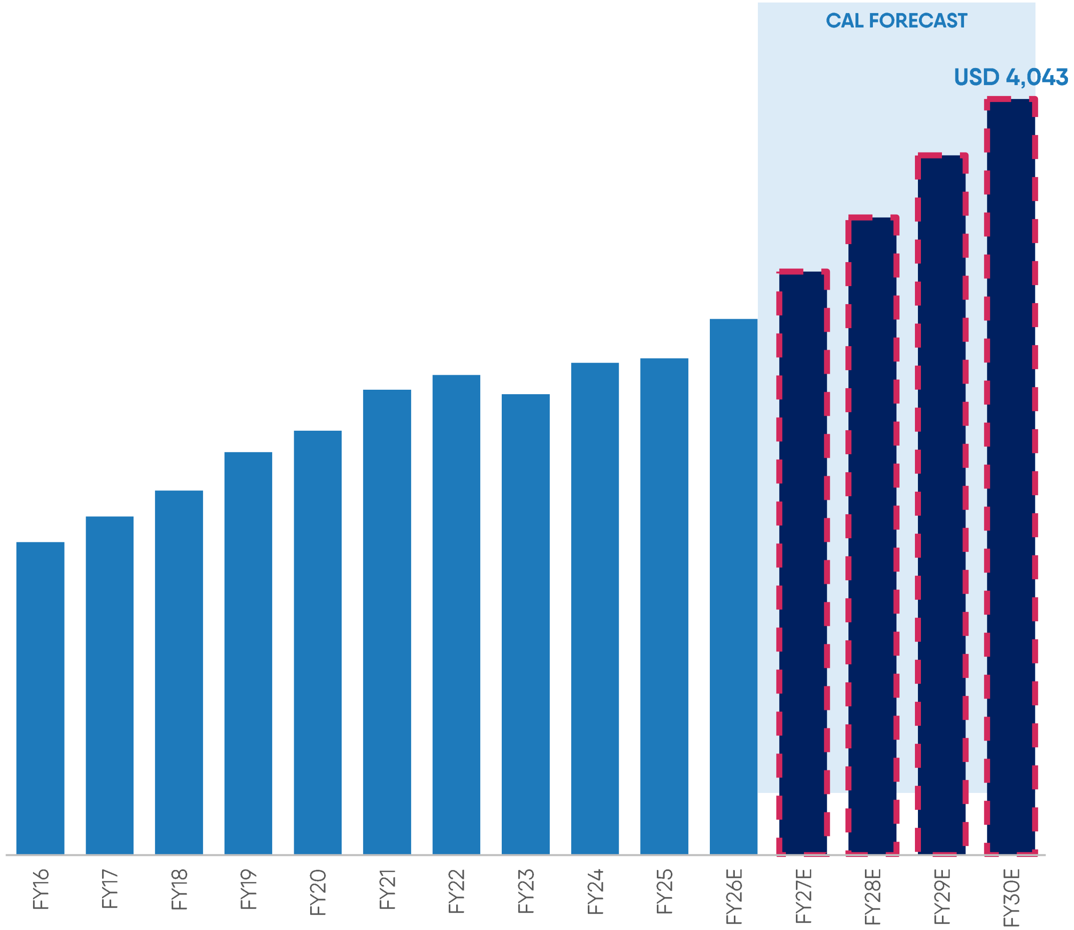
A period of subdued growth is giving way to economic acceleration

Real GDP growth averaged 6.4% in FY08–19 and has run well below that since the crisis. Our forecast is mean reversion, not a boom: growth returns to 6.9% by FY28E as consumption recovers, which compounds with a stable currency to lift GDP per capita from USD 2,866 to about USD 4,000 by FY30E.

Real GDP growth (%) — actual and CAL forecast



GDP per capita (USD)

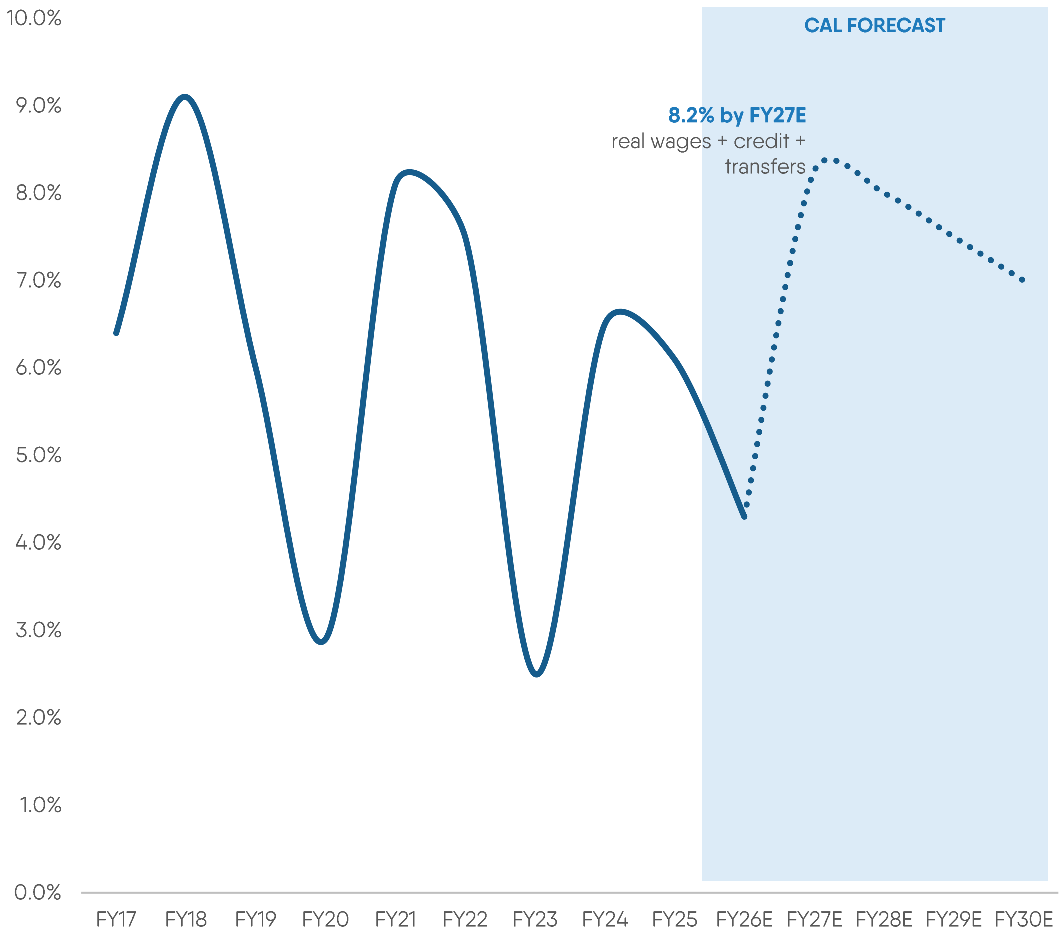


Source: IMF, Bangladesh Bank, CAL Research Estimates

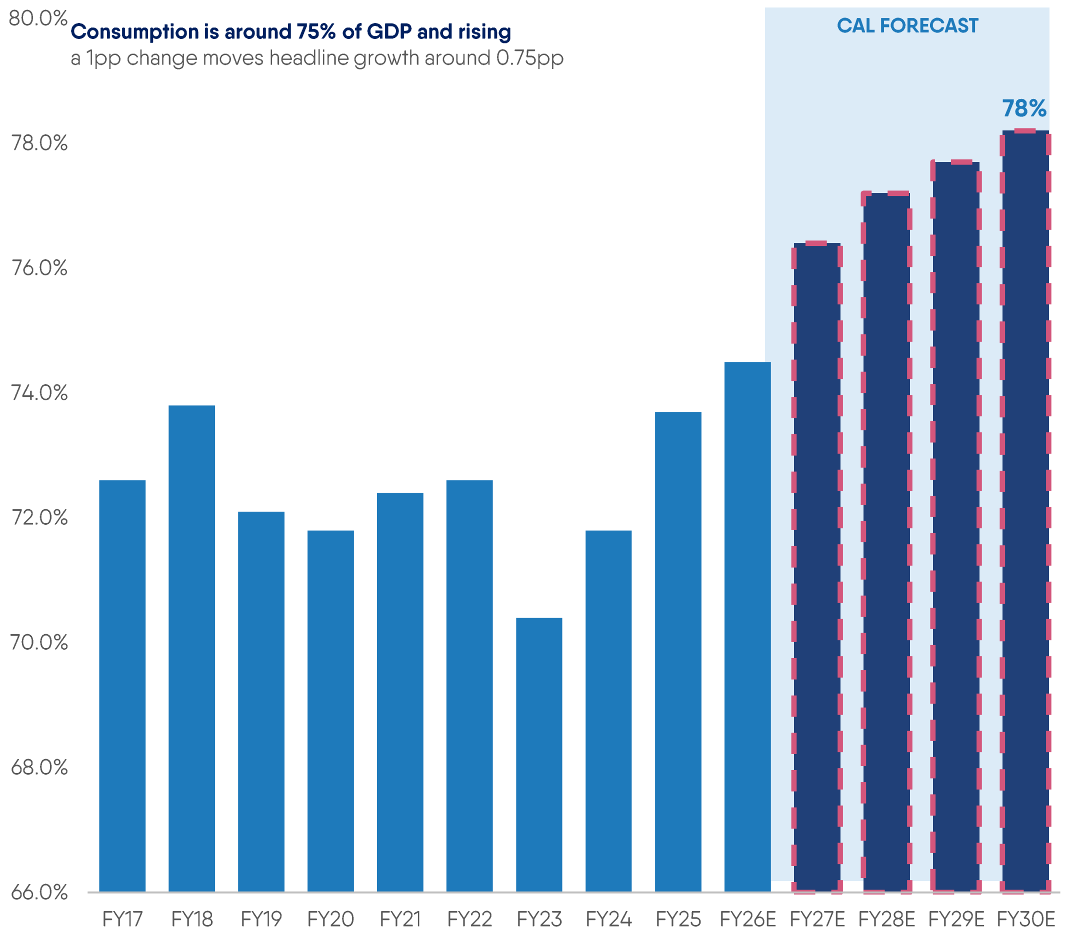
We expect consumption to be the main driver of this growth

Household consumption is roughly three-quarters of GDP and its share is rising. A 1% change in consumption growth therefore moves headline growth far more than a similar change in industry. The three engines that follow — demographics, productivity and monetary easing — all work through the consumer.

Consumption YoY Growth



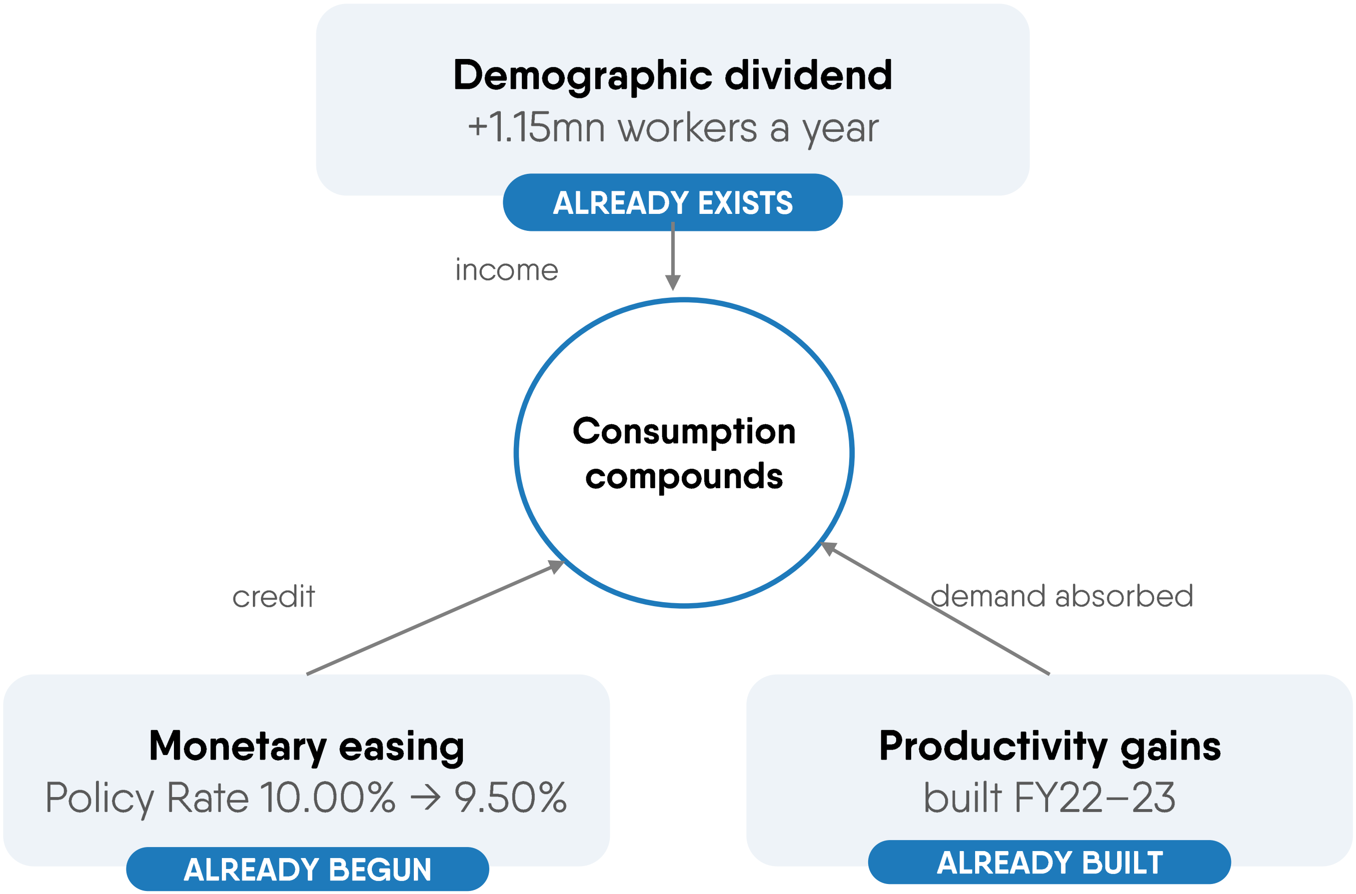
Consumption as % of GDP



Source: Bangladesh Bank, CAL Research Estimates

Three engines of consumption that push the GDP per capita above USD 4,000

The three drivers are not forecasts of new events: the labour force growth already exists, the capacity and infrastructure are already built, and the easing cycle has already begun. Demographics lift income, easing lifts credit and spare capacity absorbs the demand without new investment — all compounding through consumption.



ENGINE 01

Demographics drive demand

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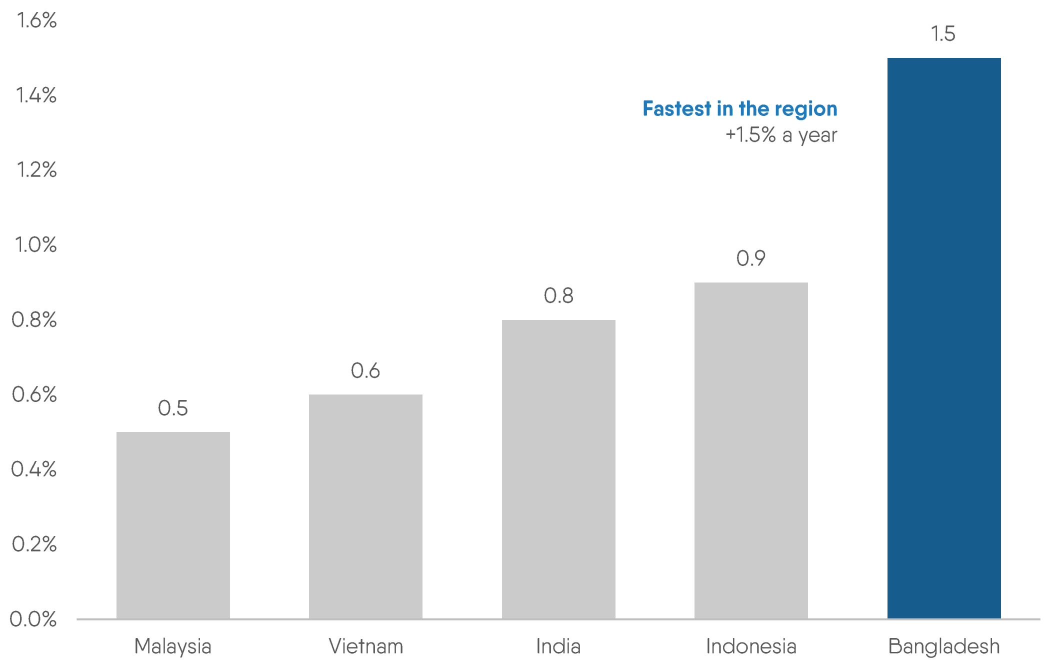
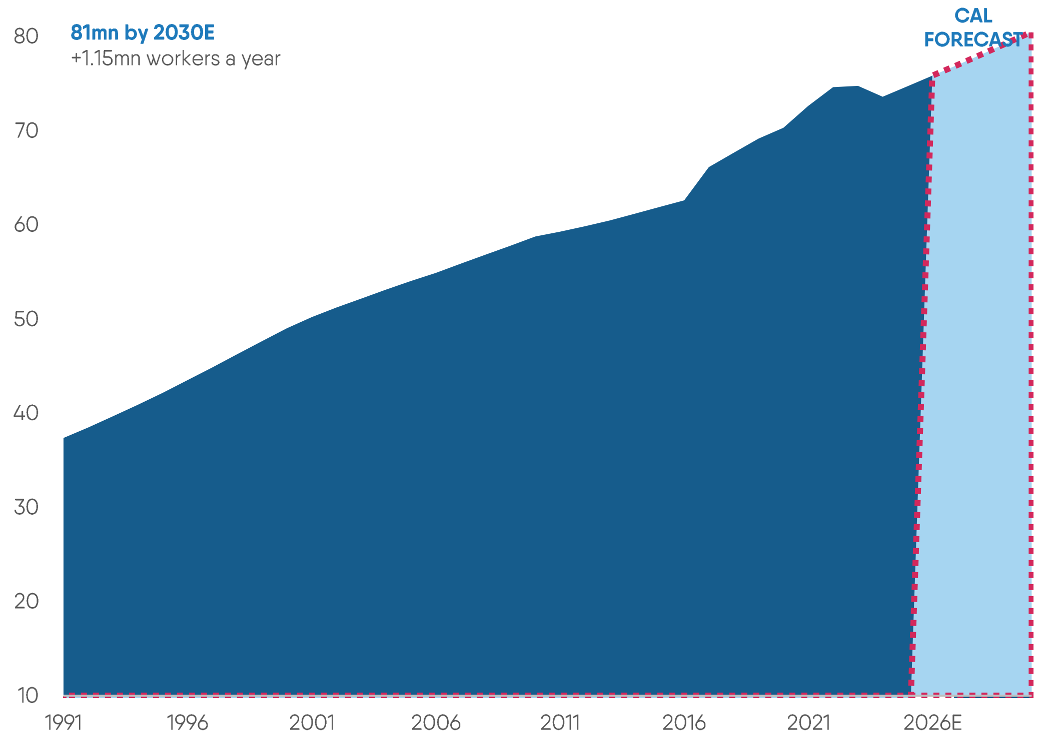
CAL expects Bangladesh to add 1.15 million new workers every year

Bangladesh's working-age population grows 1.5% a year, the fastest in the region. Holding participation constant, that adds about 1.15mn workers annually. Applying the 49% labor income share from a Solow growth decomposition, labor-force growth alone contributes roughly 0.7% to GDP growth each year before any productivity gain.

Working-age population growth (% per year)



Labor force (Mn)



OBSERVED
Labor Force +1.5%
Holding the participation rate constant

ASSUMPTION
× Labor Income Share is 49%
According to ILO

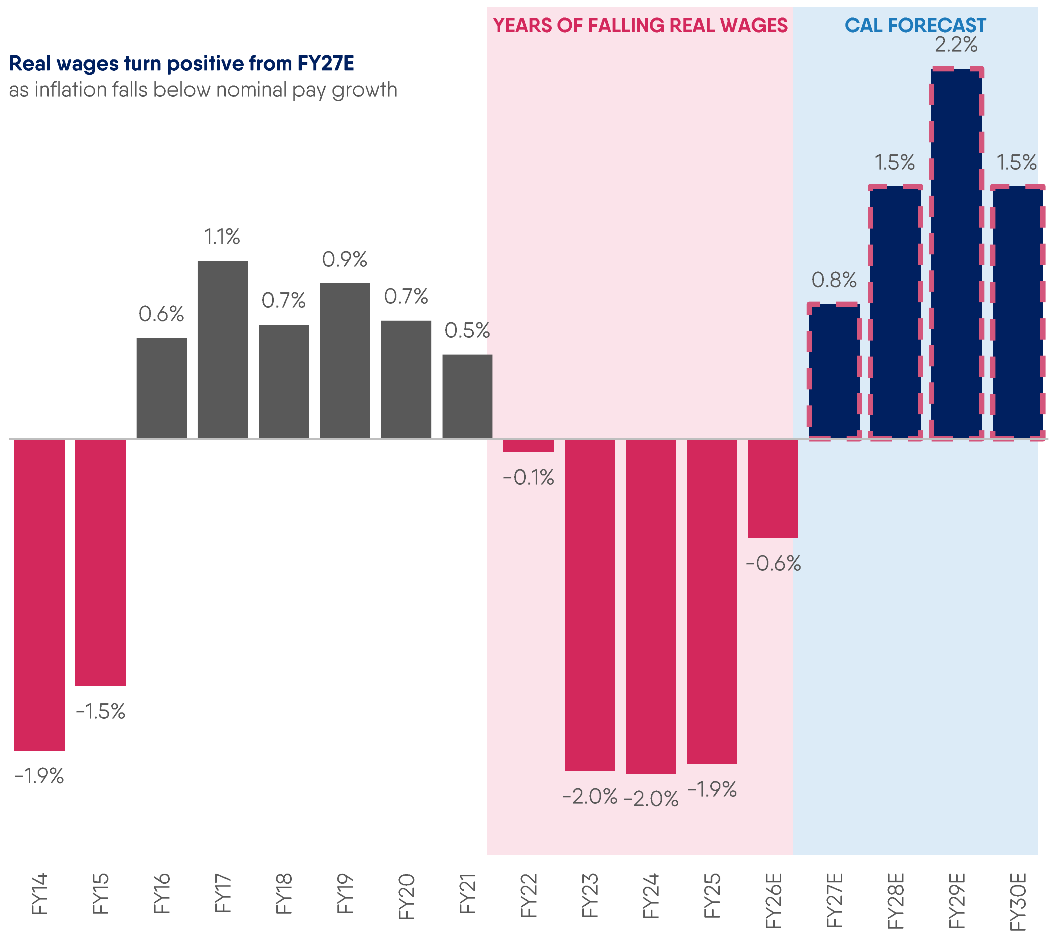
CAL OUTPUT
= +0.735% GDP Growth/ Year
According to Solow's Growth Decomposition model

Source: World Bank, CAL Research Estimates

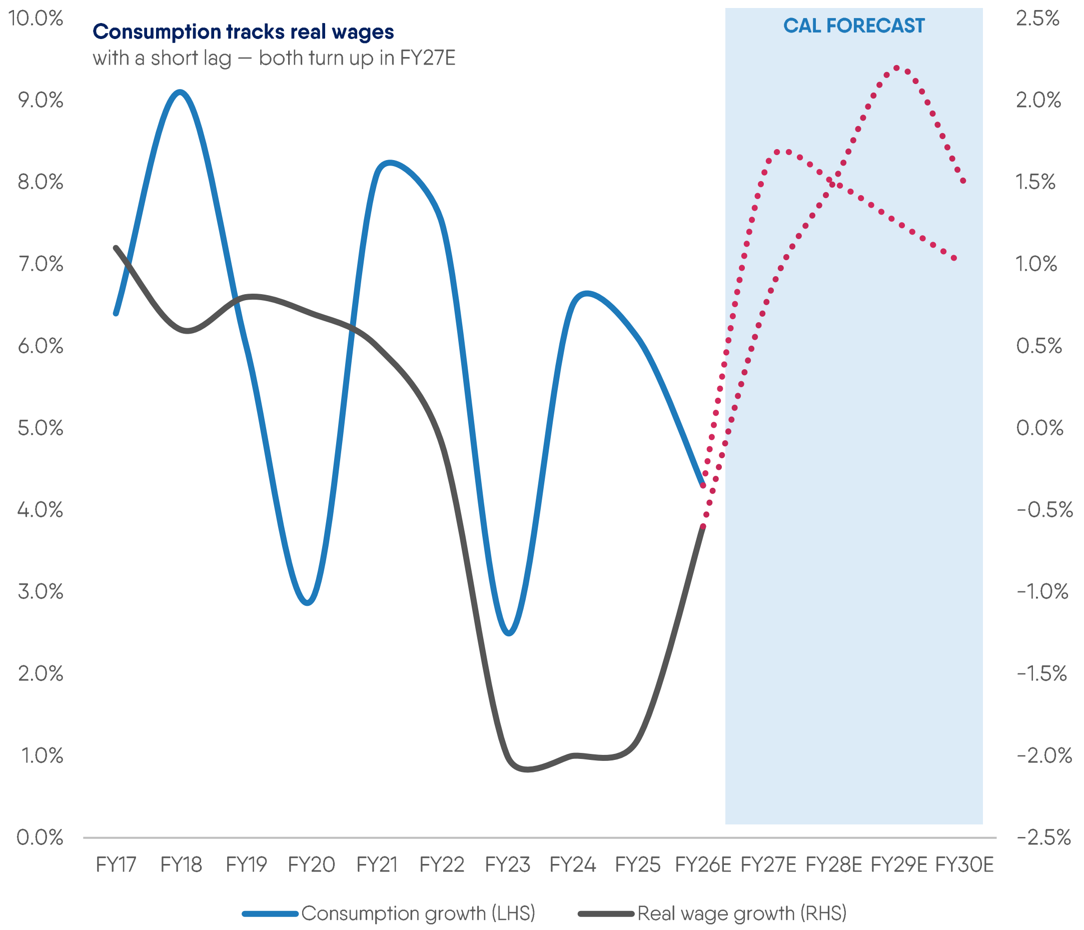
Real wage growth is expected to turn positive, lifting spending power

Real wages fell for four consecutive years (FY22–25) as inflation ran ahead of nominal pay, which is why consumption growth stalled. With inflation falling below 7% and nominal wage growth steady, real wage growth turns positive from FY27E. Historically consumption growth tracks real wages with a short lag.

Real Wage Growth (%)



Wage Growth vs. Consumption Growth (%)

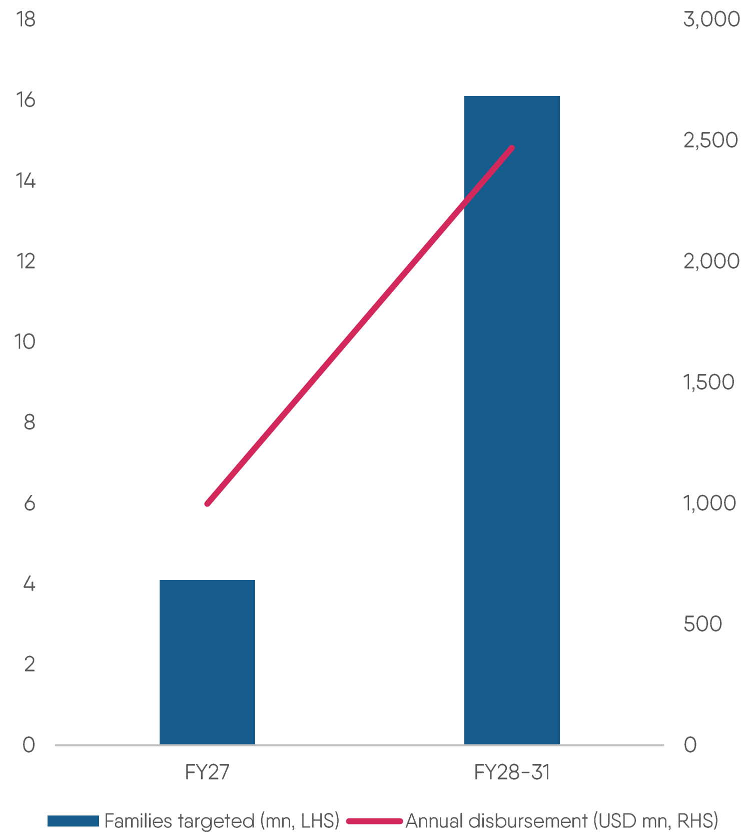


Source: Bangladesh Bank, CAL Research Estimates

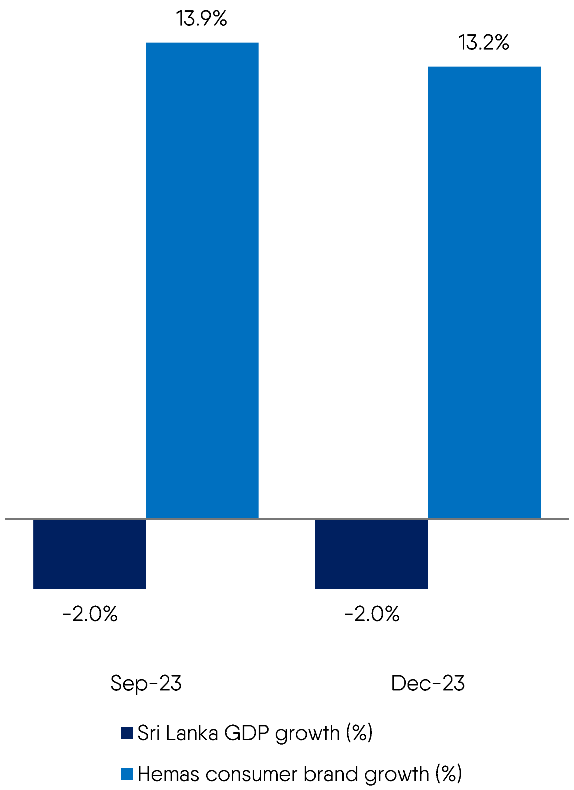
Government's USD 10.9 bn family card program is expected to lift consumption – a pattern already seen in Sri Lanka

The government's family-card transfer programme — about USD 1bn in the FY27 pilot and USD 2.5bn a year thereafter — targets low-income households with a high marginal propensity to consume. At an assumed MPC of 0.7, the transfers add 0.2–0.4% to consumption growth and 0.1–0.3% to GDP each year, arriving at the trough of the cycle.

Family Card program



Sri Lanka's 2023 cash transfers supported 13%-14% consumer-brand growth despite a 2% GDP contraction.



Impact on GDP from transfer program

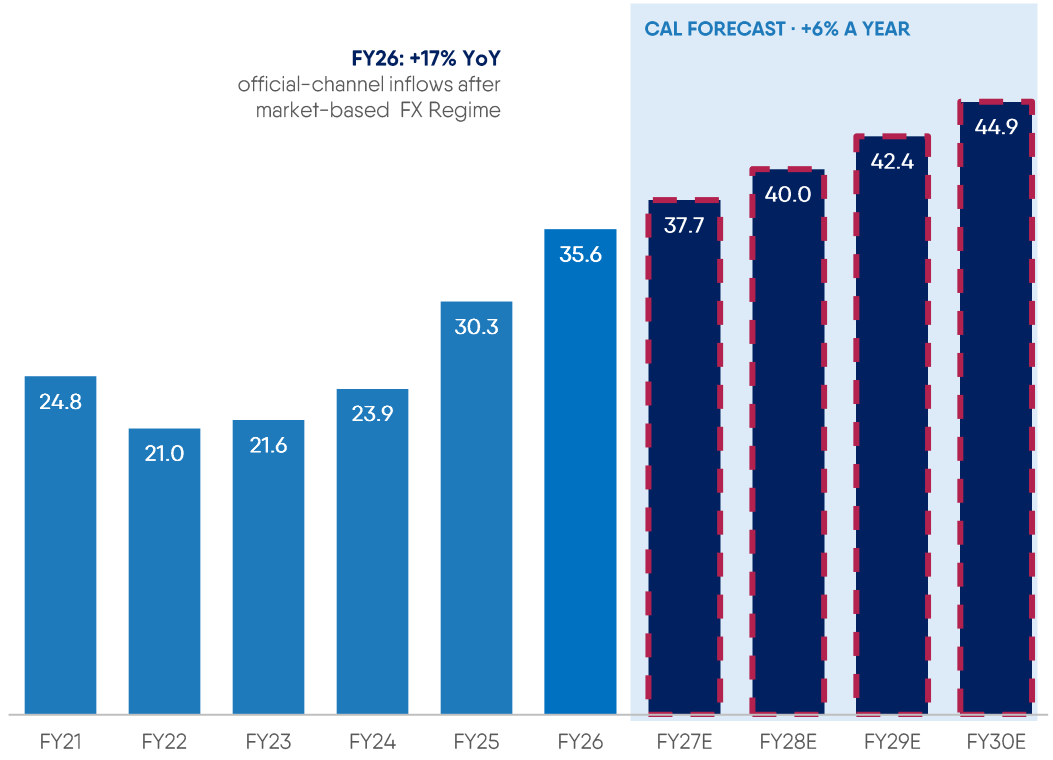
Pilot program for 1st year FY2027	Rest of the program from FY2028–2031
INPUT **USD 998 mn** Pilot program size to be transferred	INPUT **USD 2,470 mn** To be disbursed each year
ASSUMPTION · MPC 0.7 **USD 709 mn** Consumption assuming MPC 0.7x for poor households	ASSUMPTION · MPC 0.7 **USD 1,753 mn** Consumption assuming MPC 0.7x for poor households
CAL CALCULATION **Consumption Increment by +0.19%**	CAL CALCULATION **Consumption Increment by +0.44%**
CAL OUTPUT **GDP Increment by +0.14%** Consumption = 76.4% of GDP, FY27E	CAL OUTPUT **GDP Increment by +0.34%** Consumption = 77.6% of GDP,

Source: National Dailies, CAL Research Estimates

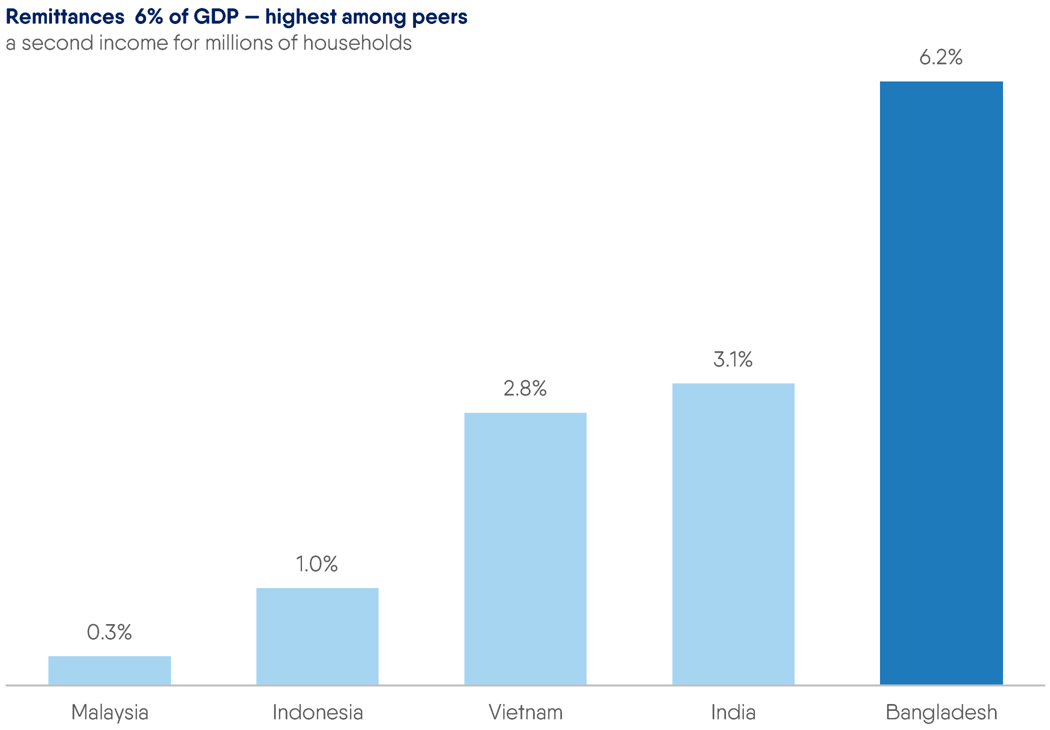
Remittances strengthen household purchasing power

Remittances reached USD 35.6bn in FY26 and we assume 6% annual growth to about USD 45bn by FY30E — roughly USD 2.3bn of new inflows a year, or 0.3% of GDP. Applying the World Bank's 1.37 aggregate-demand multiplier for Bangladesh, incremental remittances add about 0.4% to GDP growth a year.

Remittance inflows (USD bn)



Remittances as % of GDP



INPUT
Inflows +6% a year
USD 35.6bn (FY26) → 44.9bn (FY30E)

CAL CALCULATION
= +USD 2.3bn per year and average Incremental Remittance to GDP 0.3%
till FY30

ASSUMPTION
× Aggregate demand multiplier 1.37
(World Bank, Hussain, 2013, applying Glytsos, 2005)

CAL OUTPUT
= +0.411% increase in GDP
Per Year

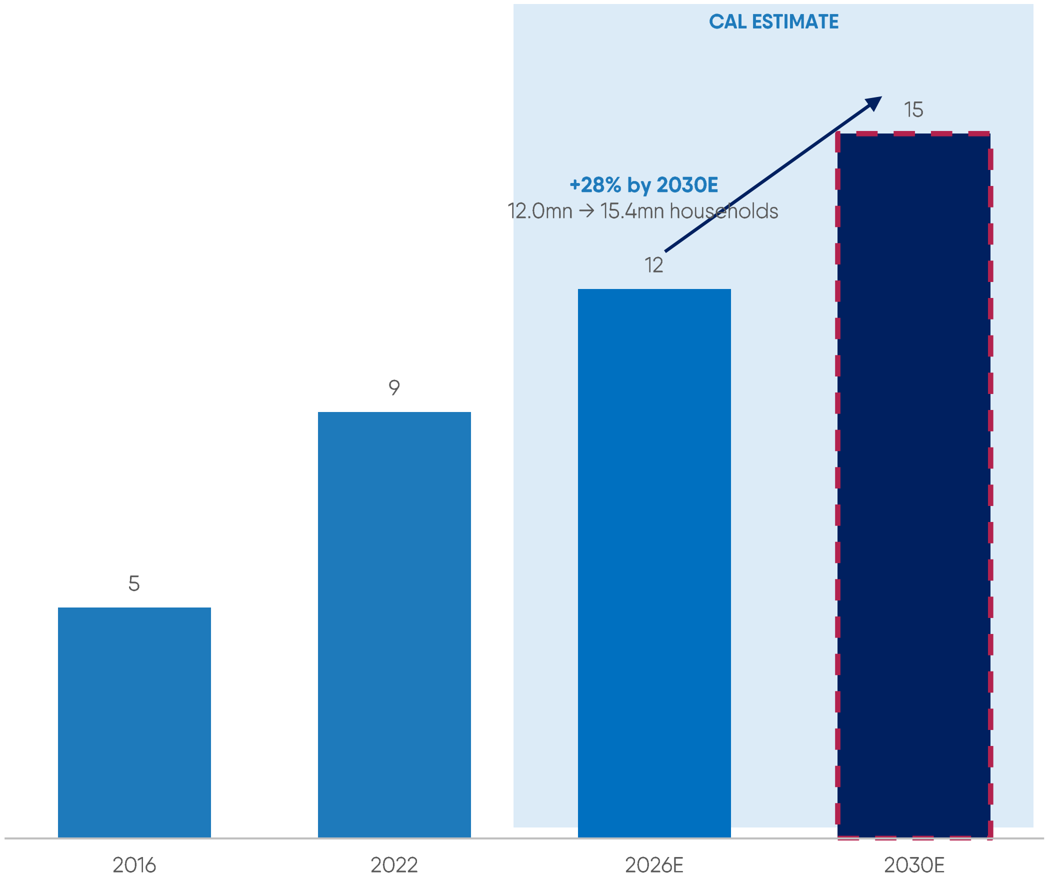
CAL calculation: incremental inflows (≈USD 2.3bn a year ≈ 0.3% of GDP) × aggregate-demand multiplier 1.37 (World Bank, Hussain 2013, applying Glytsos 2005) ≈ +0.4pp GDP growth a year.

Source: World Bank, CAL Research Estimates

CAL expects the number of middle-income households to increase by 28% from 2026 with ample headroom for consumption growth relative to peers

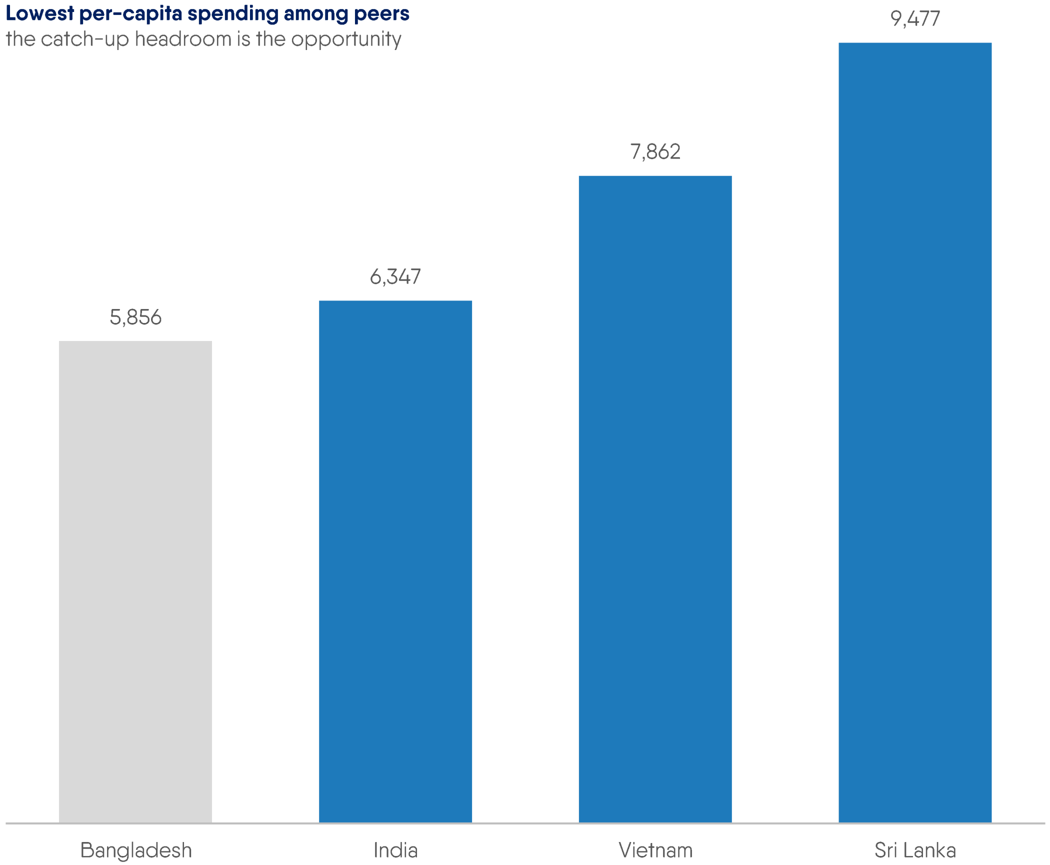
Holding income inequality and the real threshold constant at 2022 prices, the number of households earning above USD 325 a month rises from about 12mn in 2026E to 15mn by 2030E. Even then, per-capita consumer spending remains the lowest among regional peers — the headroom for catch-up is large.

Households Earning Above USD 325/month (Mn)



* Assuming GINI coefficient is constant and income threshold constant at 2022 price

Household Final consumption expenditure per capita, PPP (constant 2021)

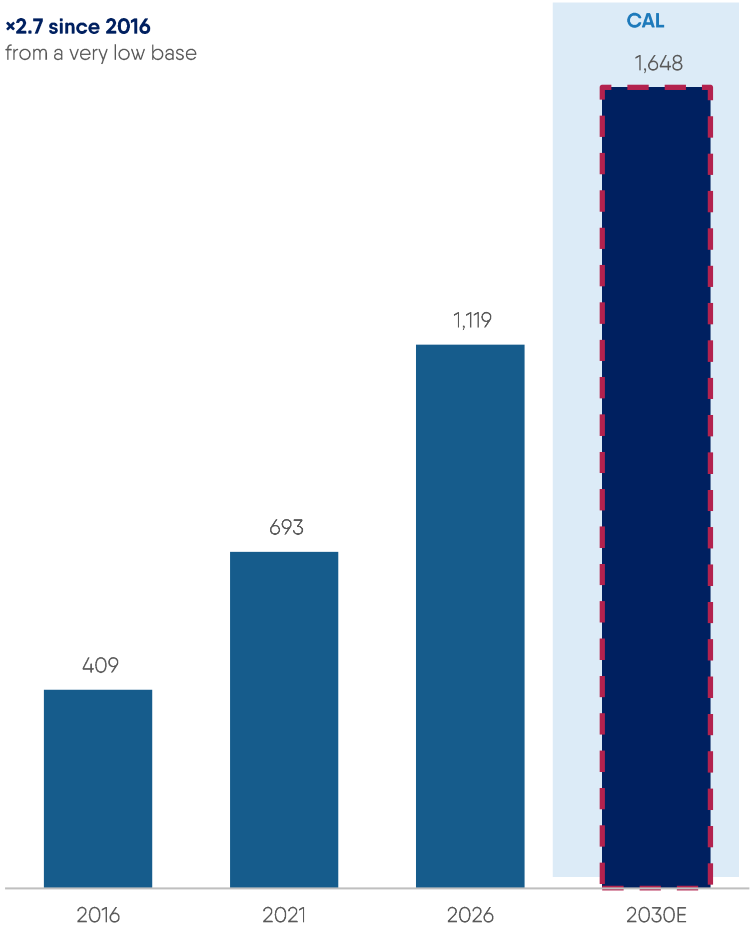


Source: HIES, World Bank, CAL Research Estimates

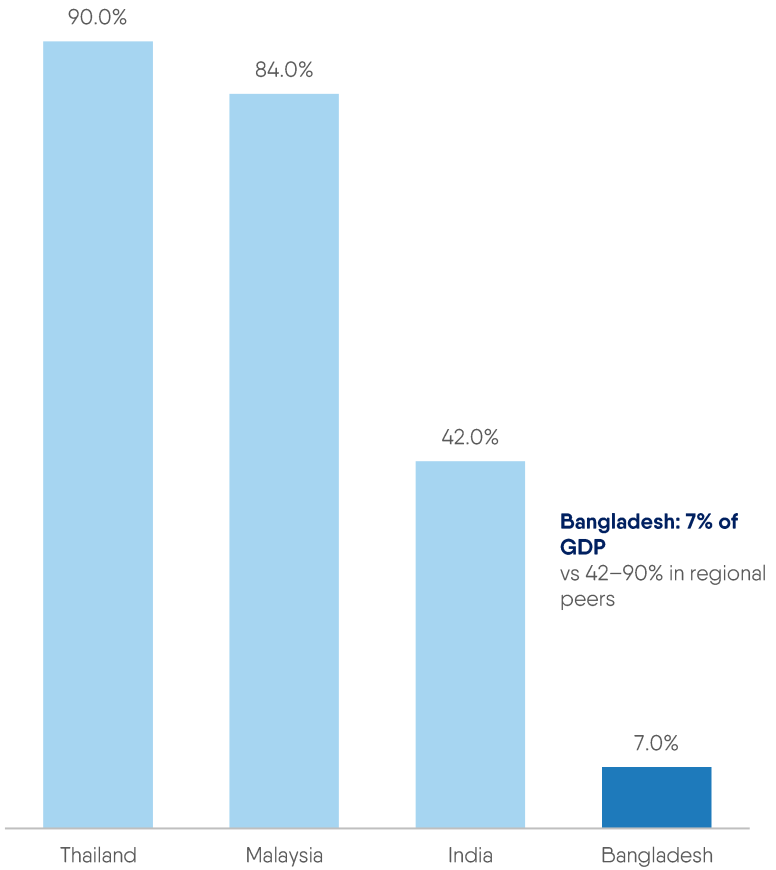
Larger bankable households are expected to drive consumer credit

Household debt is only 7% of GDP, against 42–90% in regional peers, and consumer credit per head has tripled since 2016 from a very low base. Easier consumer-lending rules and falling rates should lift leverage; each additional 1% of household debt to GDP feeds roughly 1.3% into consumption growth.

Consumer Credit Per Capita (USD)



Household debt (% of GDP)



Consumer-friendly policies are expected to boost consumer credit


THE BUSINESS STANDARD

BB extends personal loan tenure to 8 years, eases consumer credit cap

Incremental Impact of Household Debt

ASSUMPTION

+1% in Household debt (% of GDP)

From 7% at current level

CAL OUTPUT

= +1.3% in consumption growth, straight to households' expenditure

CAL | Research

Source: Trading Economics, World Bank, CAL Research Estimates

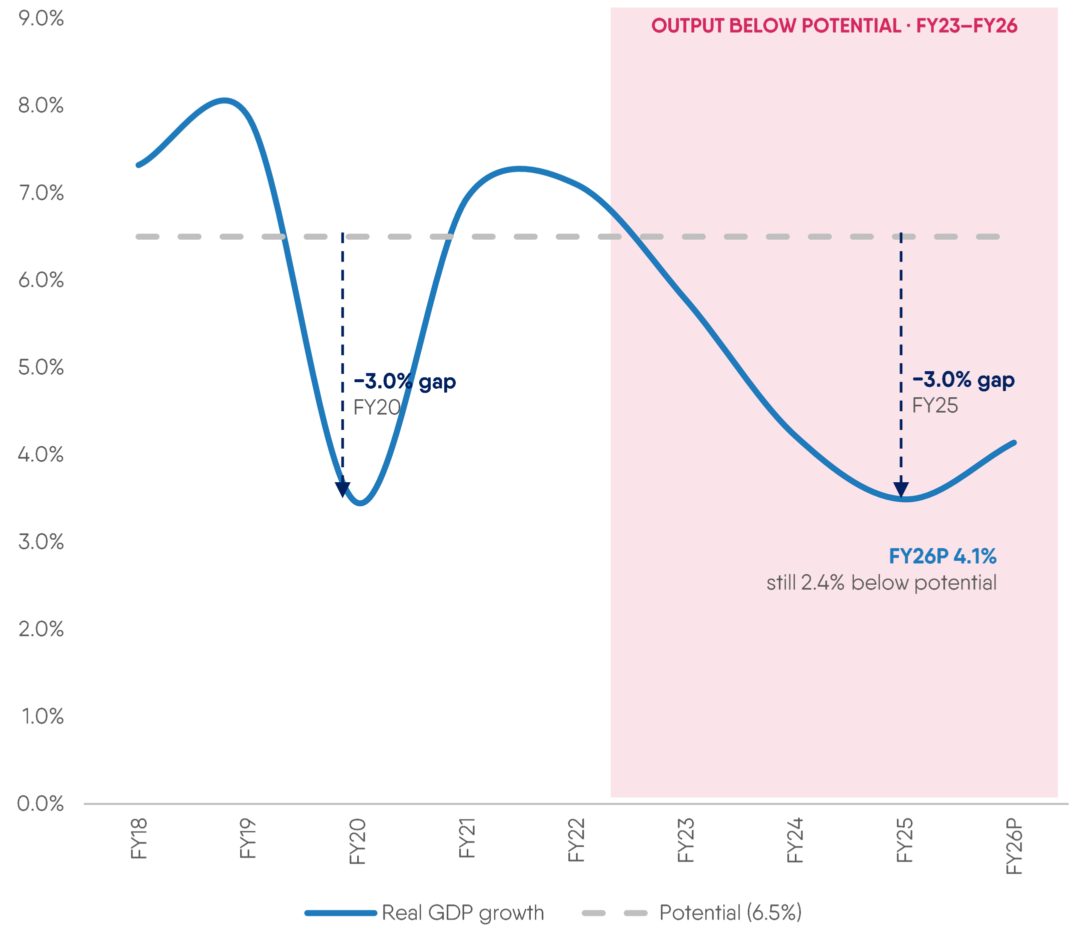
ENGINE 02

Productivity powers the upswing

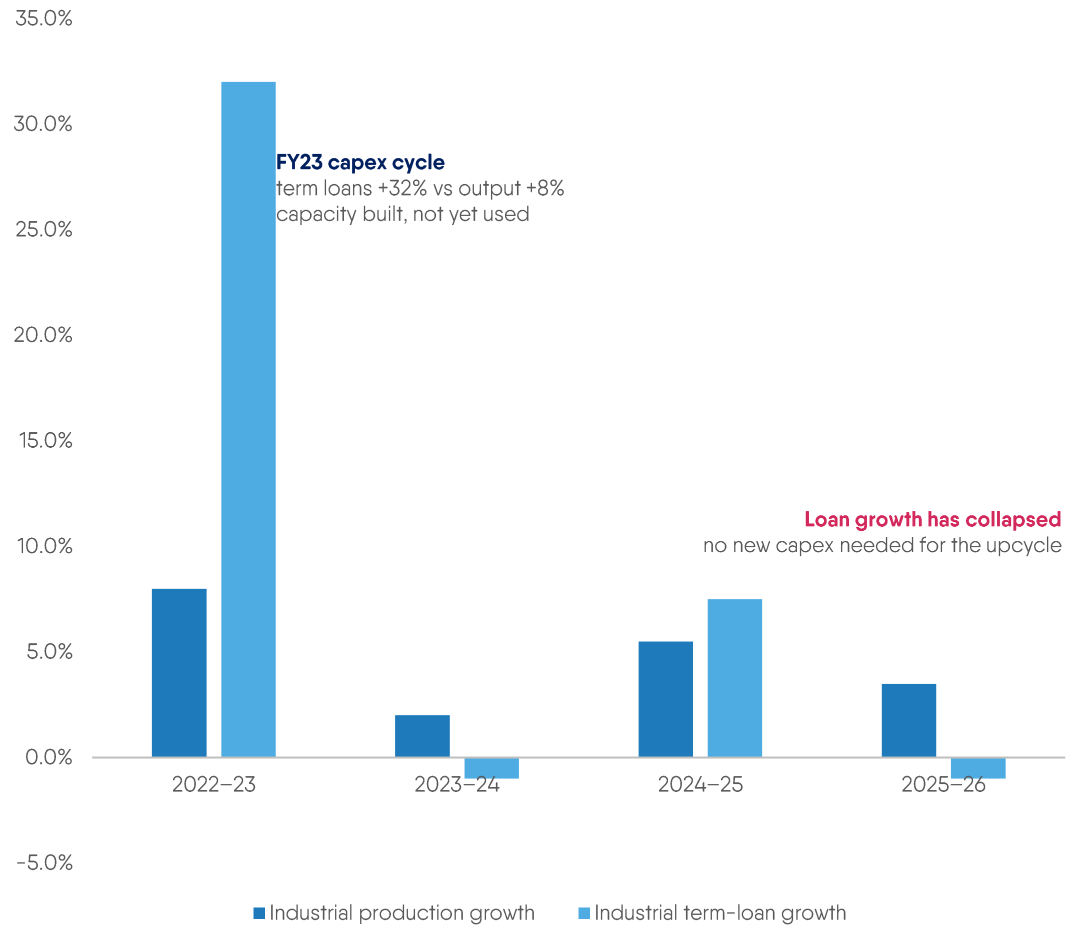
Growth will not need much immediate investment — the capacity is already built

Output has run 1.5–3% below potential for three years: firms expanded capacity in the FY22–23 capex cycle (industrial term loans +32% in FY23) but production never caught up. The next upcycle can therefore be met by higher utilisation rather than new investment, which keeps the recovery capital-light.

Real GDP growth vs potential (%)



Companies have invested for higher capacity in FY23 but did not see that reflection on production

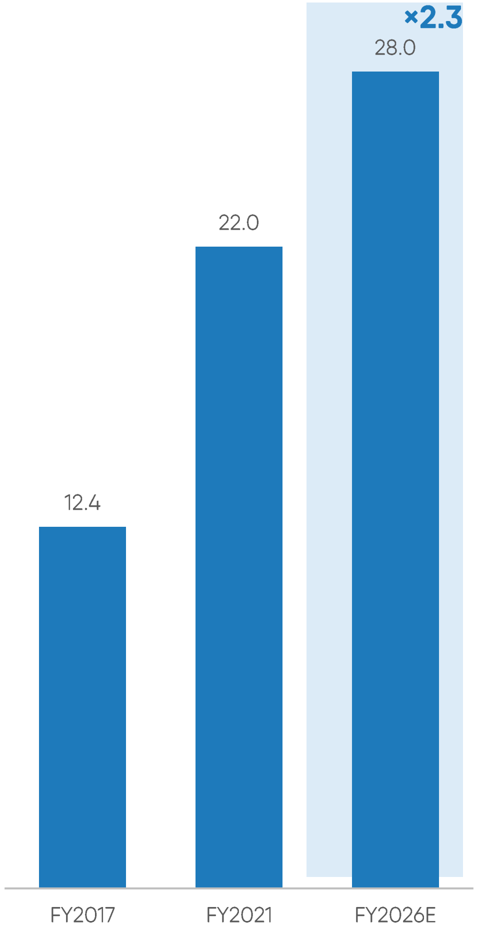


Source: Bangladesh Bank, CAL Research Estimates

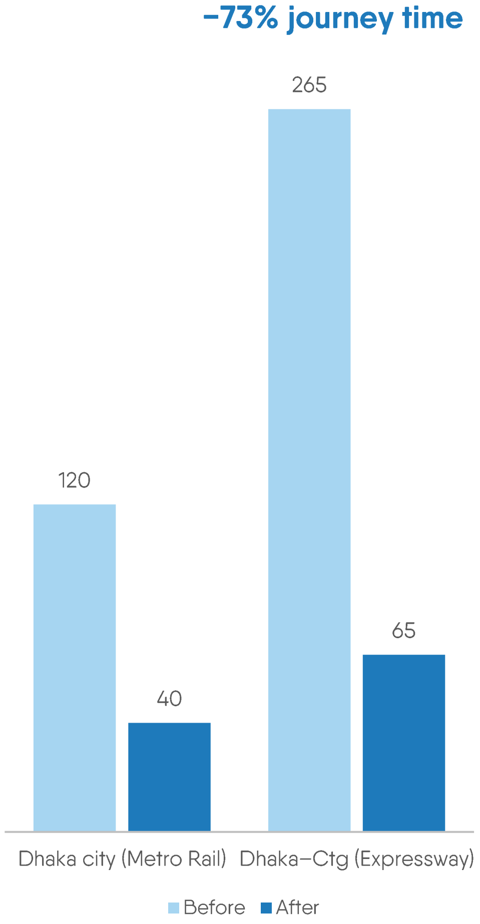
The infrastructure is built – its benefits are yet to be reaped

Power generation capacity has more than doubled since FY17, the Metro Rail and Dhaka–Chattogram expressway cut journey times by 60–75%, and Matarbari port and the airport's third terminal add freight capacity. These investments should deliver larger productivity gains as economic activity expands .

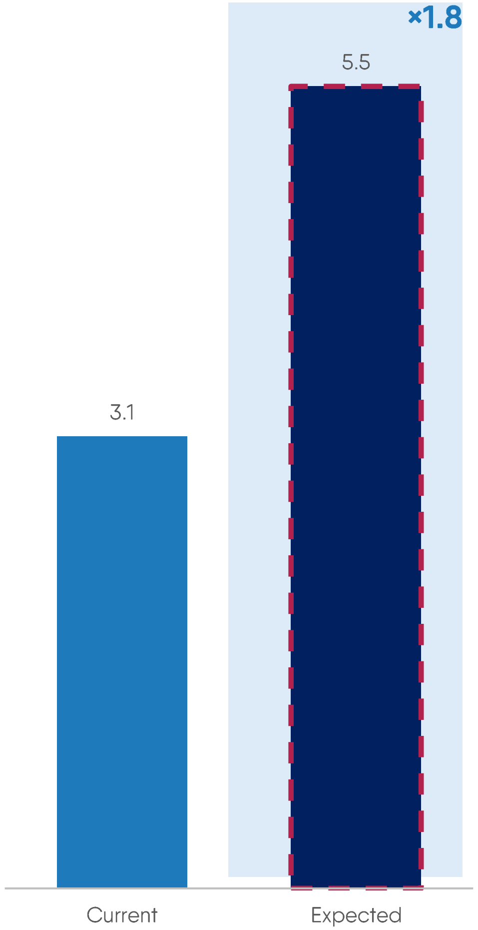
Electricity Generation capacity: 12.4 → 28 GW



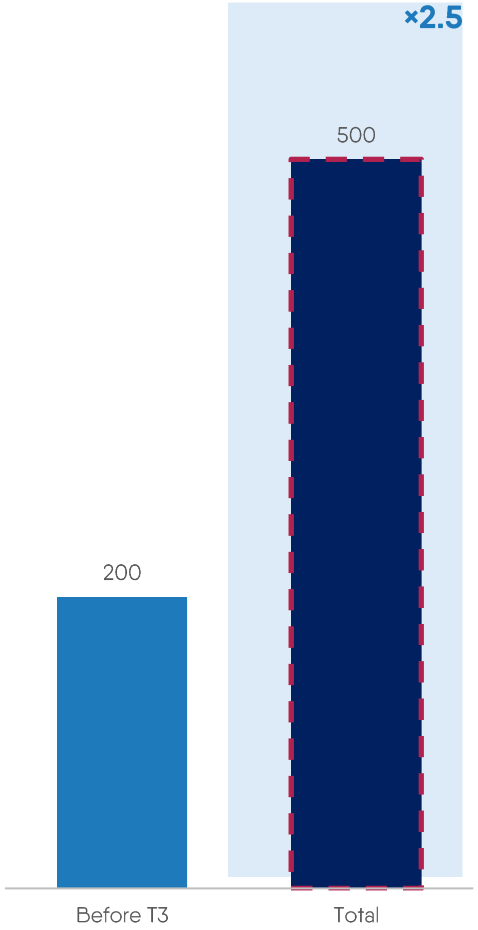
Journey times cut 60–75% (minutes)



Capacity addition with Matarbari (TEU mn)



Capacity addition: 3rd Terminal Cargo (Ton, '000)



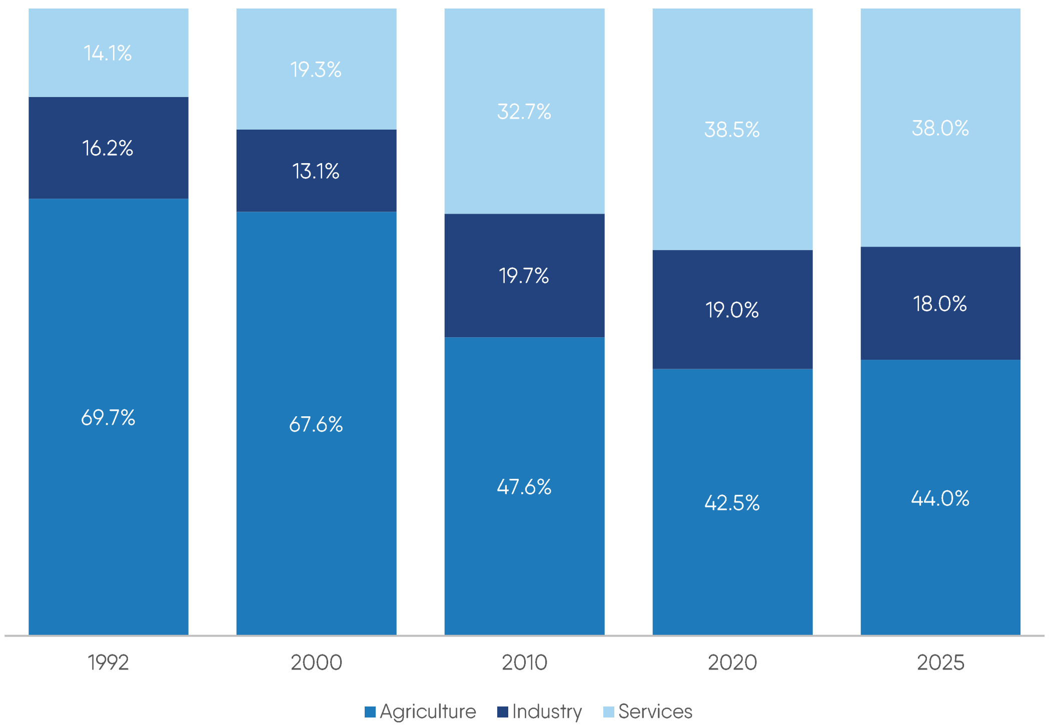
Capacity figures are project design capacities as reported; 2026E completion-based. Utilisation, not construction, is the remaining step.

Source: National Dailies

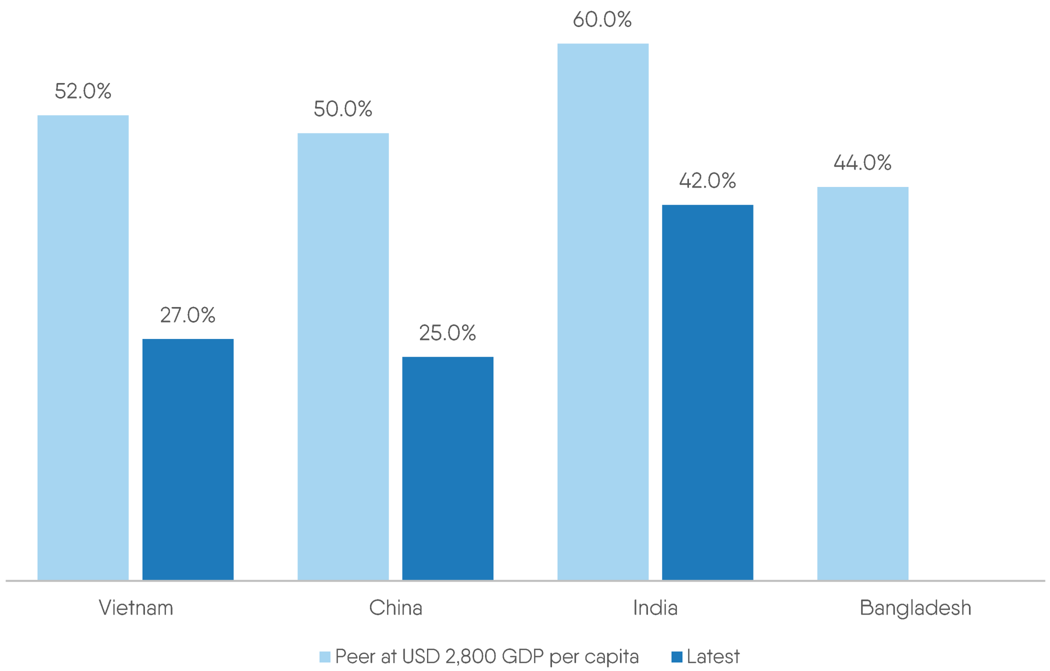
Structural transformation drives the productivity dividend

Agriculture still employs 44% of the workforce but produces only 11% of value added. Each 1% of labour that moves from the farm into industry or services raises GDP by 0.6–0.9%, even after the Gollin adjustment for measured productivity gaps.

Sector-wise employment share (%)



Agriculture employment share (%)



OBSERVED
1% of labour off the farm
agriculture: 11.4% of GVA, 44% of jobs

OBSERVED
× productivity gap 7.3× / 5.3×
industry / services vs agriculture

CAL CALCULATION
GDP Contribution
+1.76% / +1.12%
industry / services,

ASSUMPTION
× 0.50, Gollin-adjustment
(Gollin, Lagakos & Waugh, 2014, QJE)

CAL OUTPUT
= +0.88% / +0.56% GDP Increase
per 1% moved from farm

Static shift-share: 1% of employment moved from agriculture × sector productivity gap (industry 7.3×, services 5.3×) × 0.50 Gollin adjustment for measured gaps (Gollin, Lagakos & Waugh 2014, QJE).

CAL | Research

Source: World Bank, CAL Research Estimates

ENGINE 03

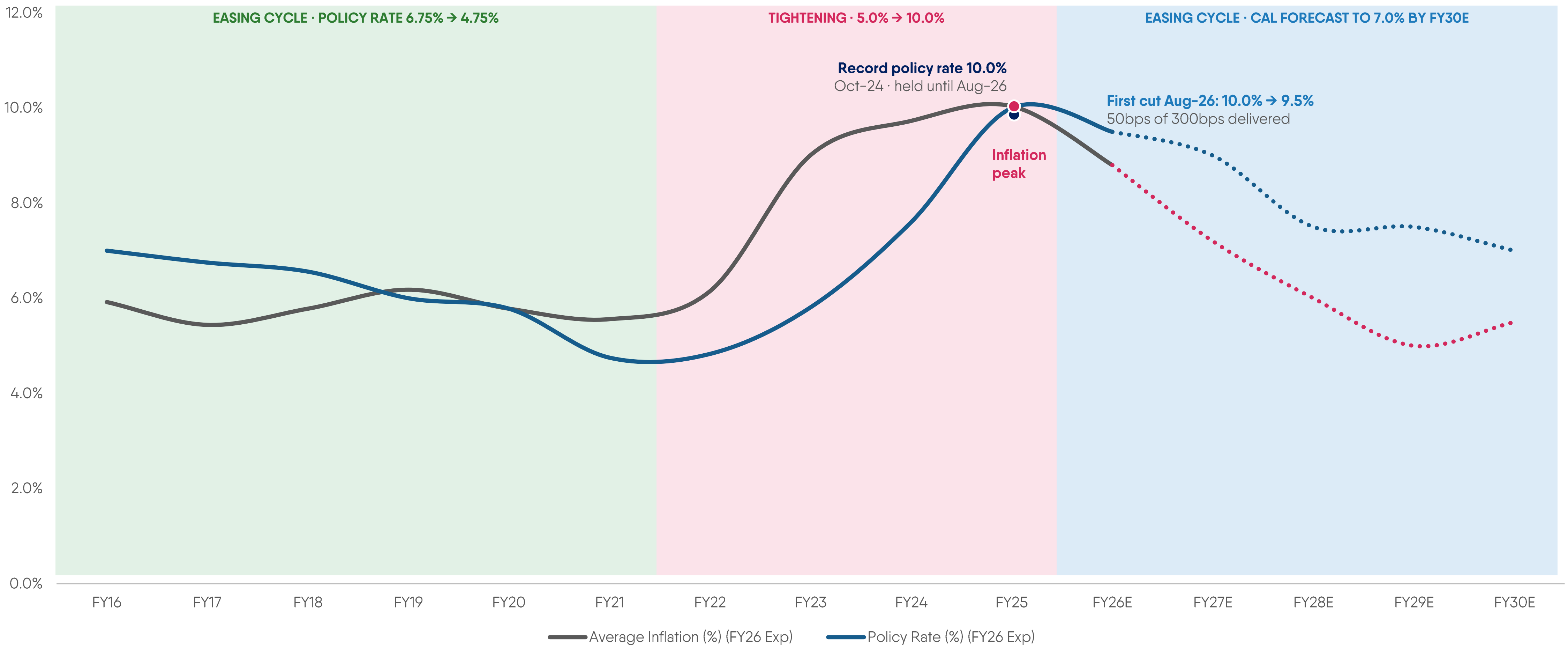
Monetary easing clears the lane

CAL

Monetary easing cycle has only just begun

Policy was eased through FY16–22, tightened sharply from FY22 to a record 10.0% in Oct-24, and turned in Aug-26 with a 50bps cut. Our base case has inflation averaging 7% in FY27 and the policy rate falling to 7.0% by FY30E — so only 50bps of roughly 300bps of easing has been delivered.

Policy rate vs. Inflation (%)



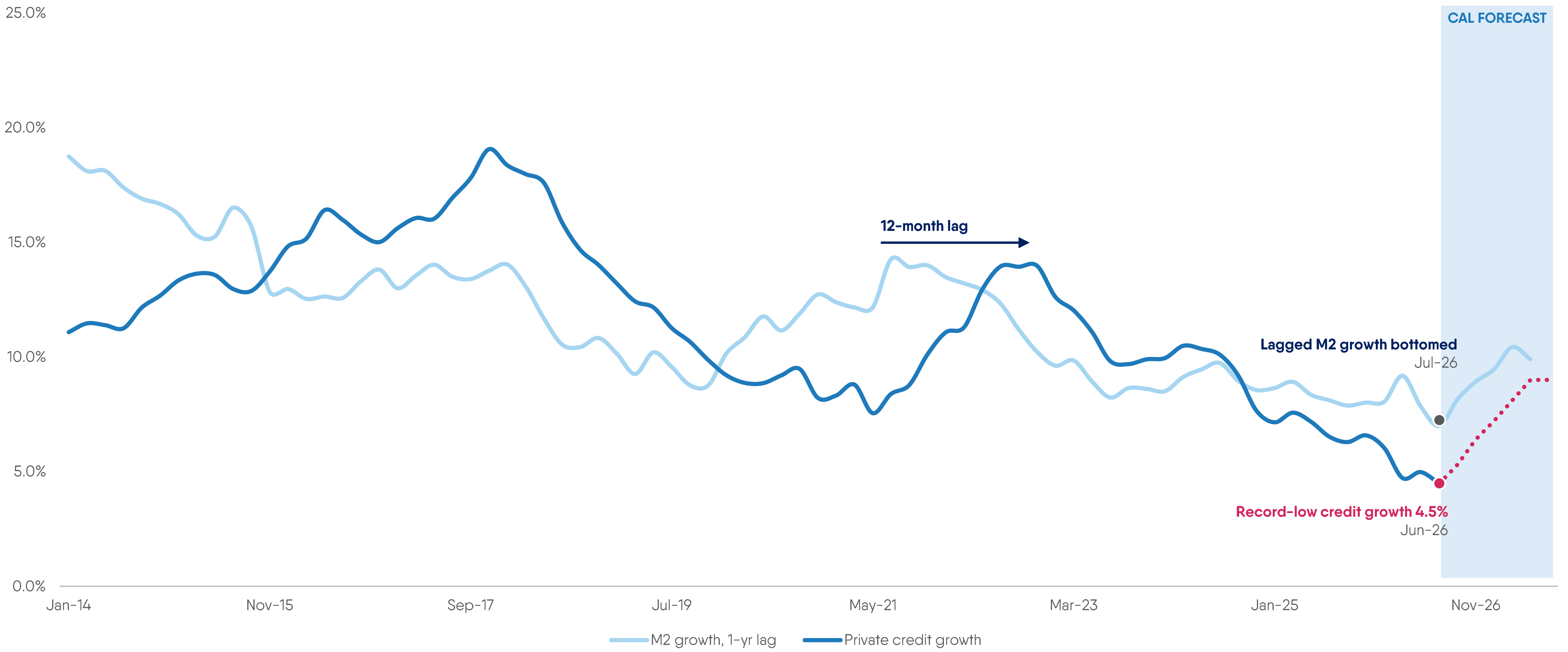
CAL | Research

Source: Bangladesh Bank, CAL Research Estimates

CAL expects credit will grow as policy eases

Private-credit growth follows broad-money growth with a lag of about a year. Lagged M2 growth has already turned up from its 2025 low, and credit growth has bottomed at a record low near 5%. As policy rates fall through FY27 we expect credit growth to recover toward double digits.

Broad Money (M2) 1-yr Lag & Private Credit Growth (%)

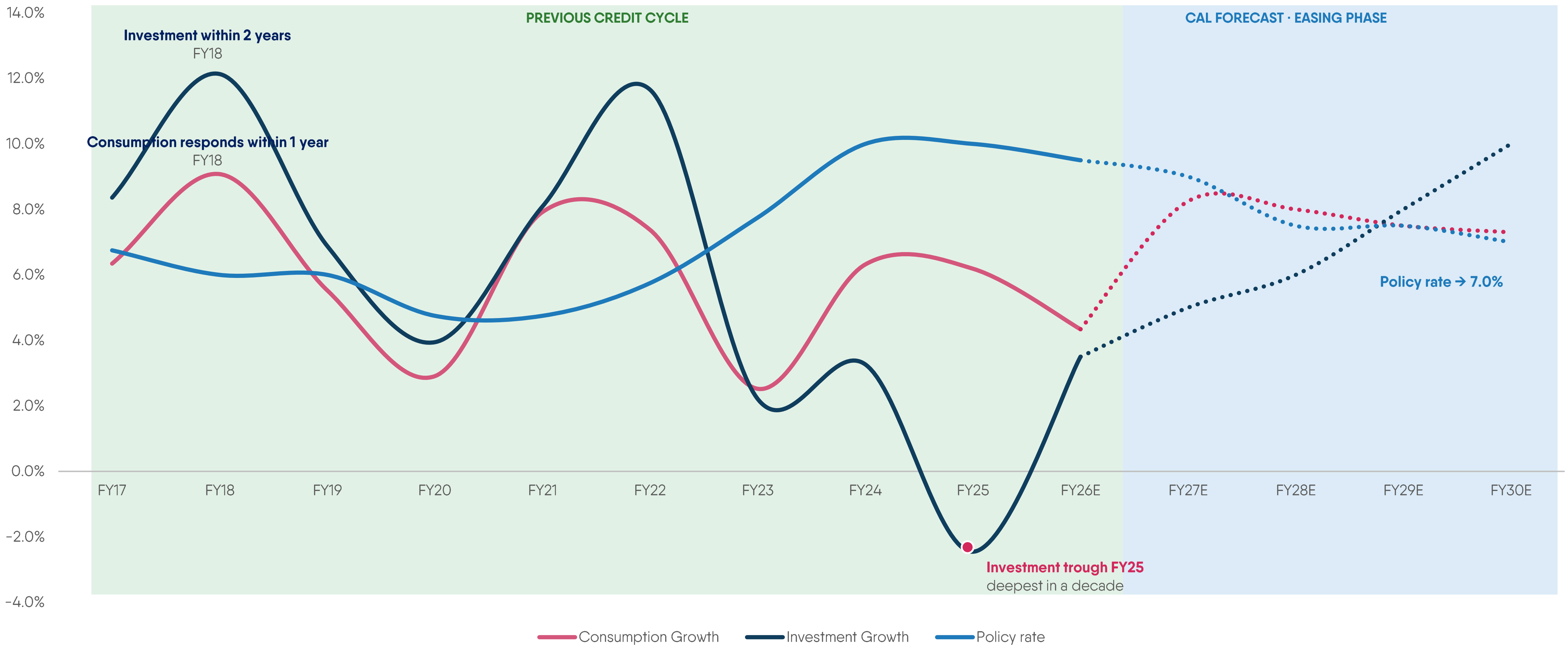


Source: Bangladesh Bank, CAL Research Estimates

…Making way for consumption and investment

In each previous easing phase consumption growth responded within about a year and investment within two. With the policy rate now falling from 10.0% toward 7.0%, consumption growth recovers first in FY27E and investment follows from FY28E — the same sequence, starting from a much deeper trough.

Policy rate vs. investment growth and consumption growth



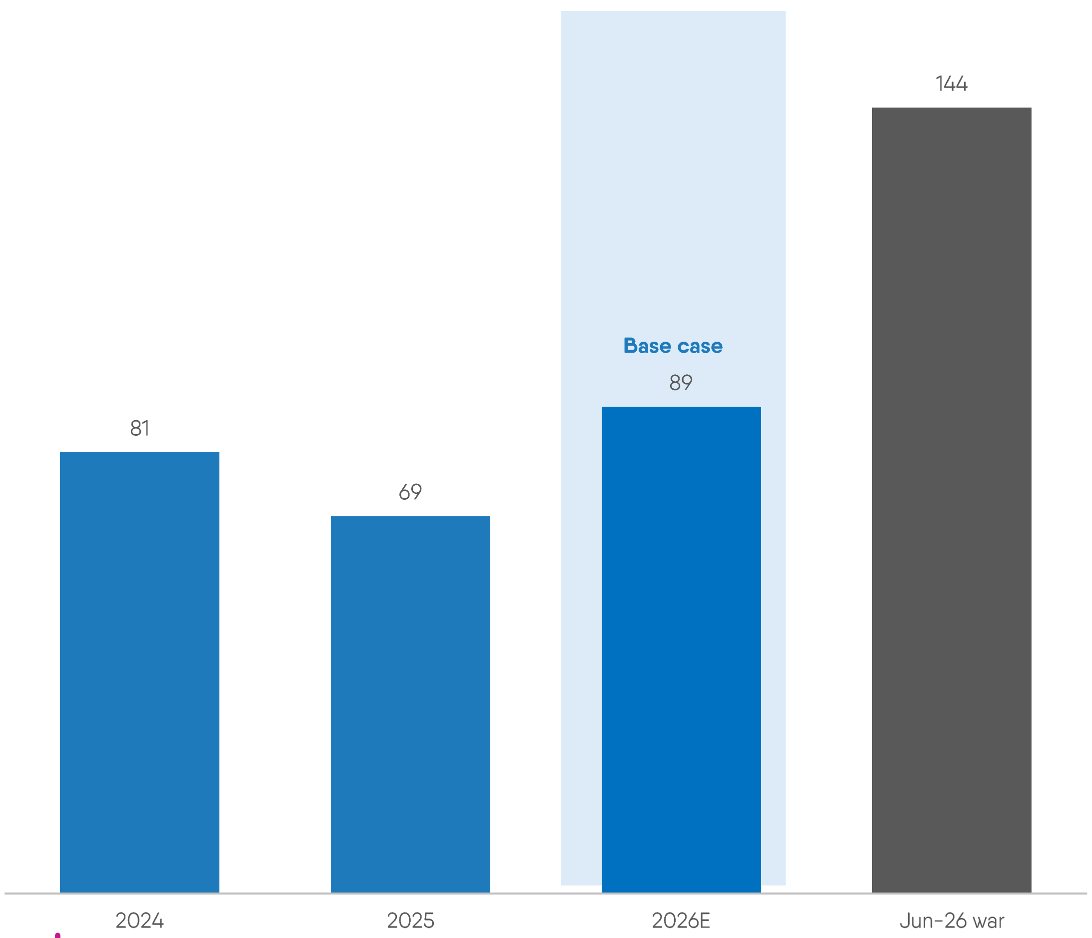
Source: Bangladesh Bank, CAL Research Estimates

Roadblocks to the base case

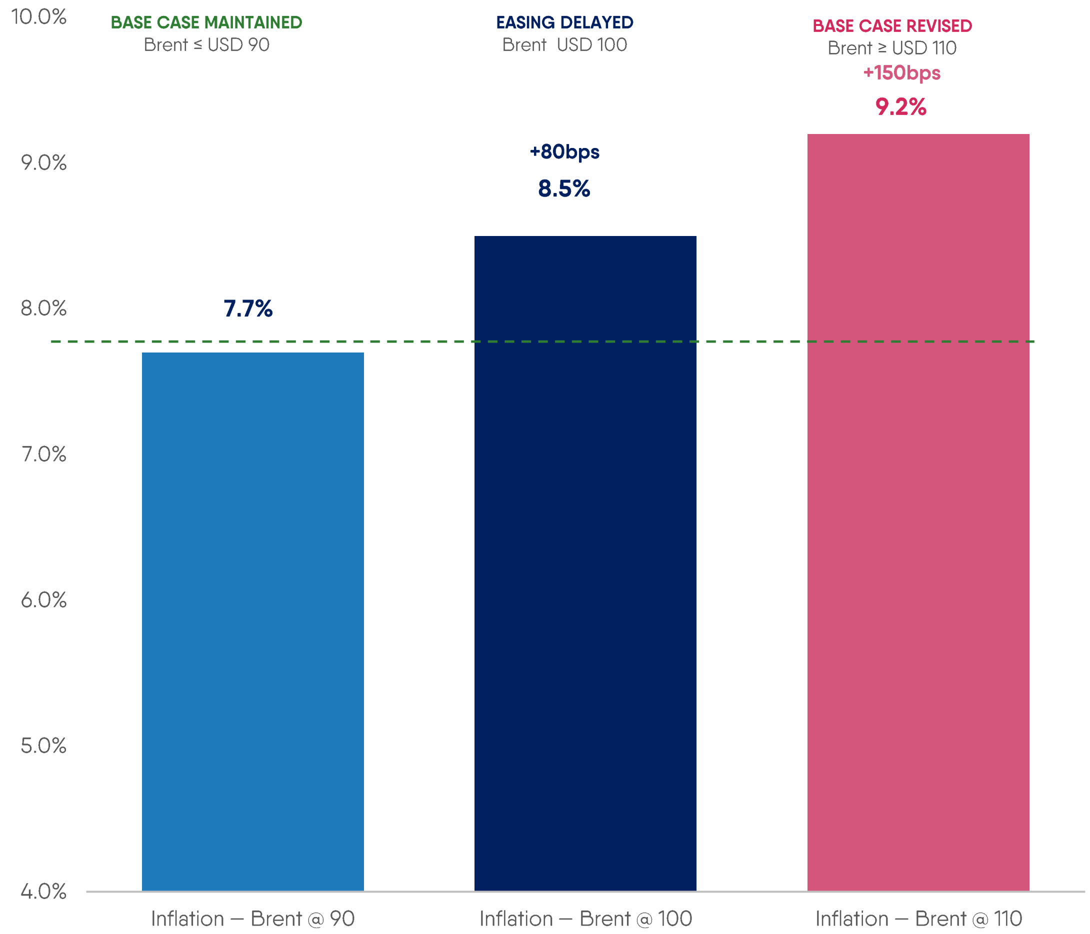
Oil sustaining above USD 100 delays the easing cycle, but does not derail it

Our base case assumes Brent around USD 90. Sustained oil above USD 100 lifts fuel and fertiliser import costs, pushing FY27 inflation toward 8.5–9% and forcing Bangladesh Bank to hold the policy rate near 9.5% instead of cutting. The mid-2026 war spike to USD 144 shows the sensitivity — the easing path depends on energy prices.

Brent crude (USD/bbl) — actuals, forecast and the war spike



Inflation rate scenario (%) for FY27 under various
Brent price



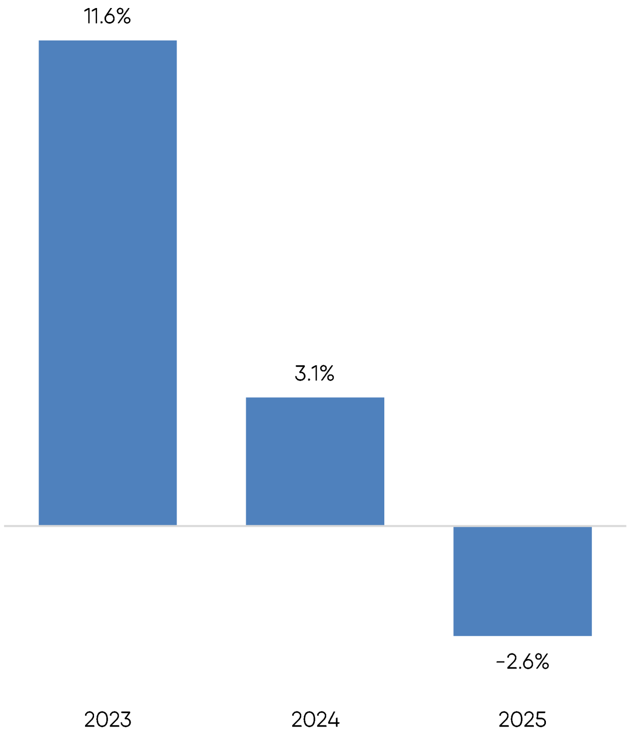
CAL | Research

Source: Trading Economics, CAL Research Estimates

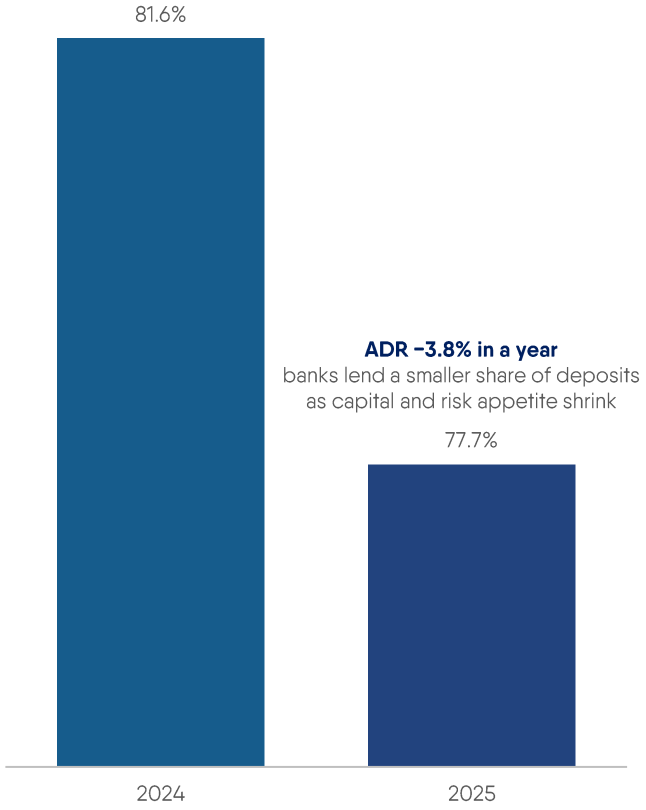
Failure to recapitalize banks can constrain the credit recovery

Stricter recognition and provisioning have exposed a significant capital shortfall, with sector CRAR falling to -2.6% in 2025. The key risk is that recapitalization fails to keep pace with the clean-up leaving capital-deficient banks unable to expand risk-weighted assets and constraining the recovery in private credit.

Bank sector CRAR (%)



Banking sector advance to deposit ratio (%)



Bangladesh Bank clean-up measures

IFRS 9
Expected-loss provisioning recognises credit losses earlier

Dividend restrictions
Retained earnings rebuild bank capital

Distressed-asset framework
Asset-management mechanism to resolve bad loans

Bank consolidation
Five troubled banks merged to restore stability

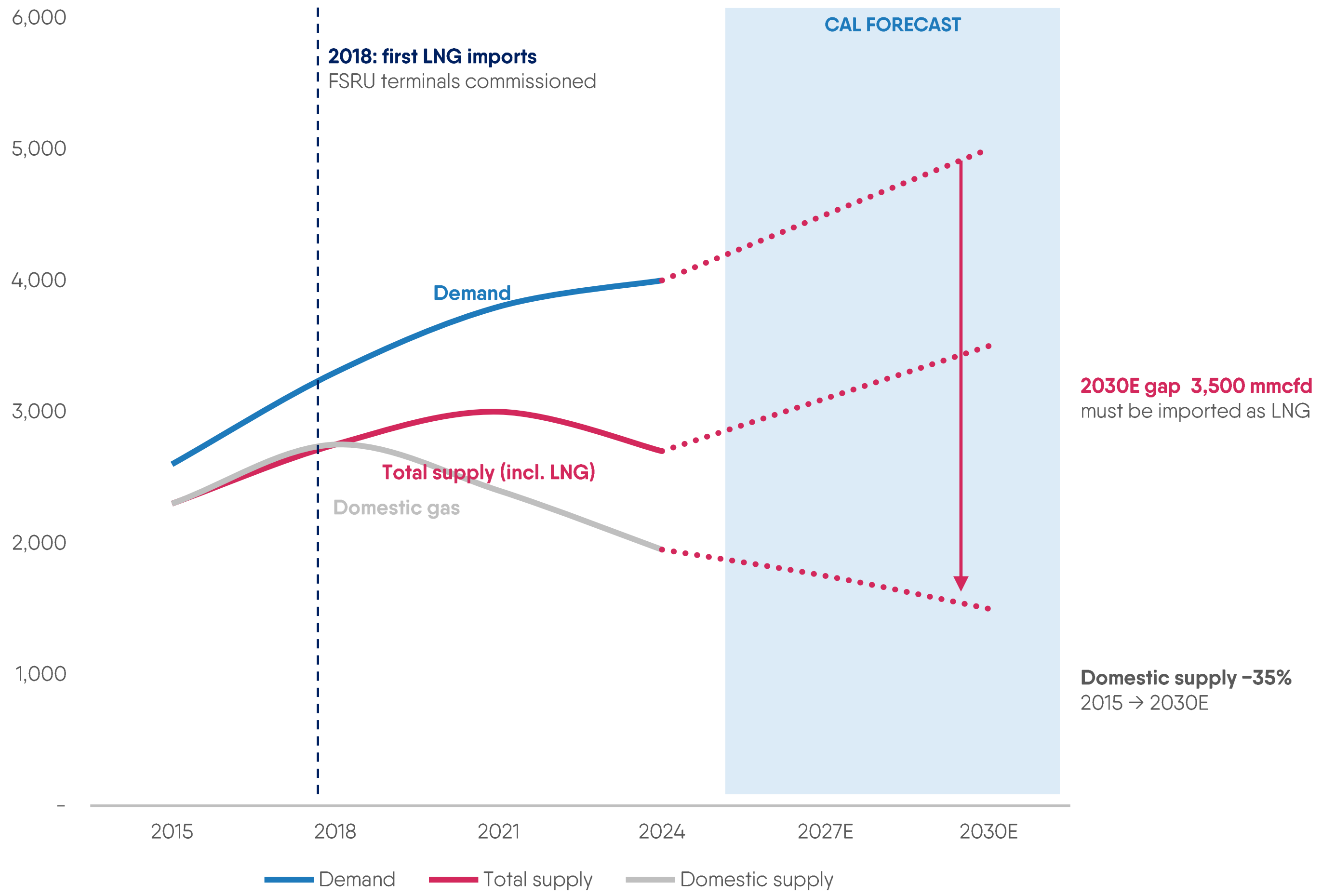
Capital shortfall exposed → **Recapitalization required** → **If recapitalization falls short: lending capacity remains constrained** → **Weaker credit recovery – the risk to the base case**

Source: National Dailies, Bangladesh Bank, CAL Research Estimates

Domestic gas supply caps manufacturing by 2030

Domestic gas output is declining while demand keeps rising; by 2030E the shortfall would be met only through imported LNG at a higher cost. FSRU contracts and storage bridge the gap in the medium term, but without new fields or cross-border pipelines, energy cost and availability limit manufacturing growth.

Gas demand and supply (mmcfd)
Dotted lines: CAL forecast



BRIDGING · MEDIUM TERM (to 2030)

G2G LNG contracts with FSRUs
imported gas at a higher delivered cost

Build gas storage facilities
smooths supply; does not add volume

STRUCTURAL · LONG TERM

Cross-border pipeline from neighbouring countries
new supply source, multi-year build

Explore and develop domestic gas fields
the only route back to cheap domestic gas

IMPACT ON THE BASE CASE

Manufacturing capacity capped
higher energy cost; expansion limited until supply is fixed

Source: Petrobangla, CAL Research Estimates

Positioning for the turn: What does this mean for business?

Five implications for business

01

Consumption-led volume growth

Consumption reaches 78% of GDP by FY30E and grows ~8% a year — the climb to USD 4,000 is carried by volume.

02

Structural shift toward converter brands and premiumisation

As the middle class expands — households above USD 325/month reach 15.4mn in FY30E — spending moves from unbranded staples into branded categories.

03

Finance costs decline, with further to fall

The policy rate has turned from 10.00% to 9.50% and reaches 7.00% by FY30E on the base case — interest cover improves before demand does.

04

Credit stays rationed even as rates fall

System NPL of 32% keeps banks selective — cheaper money is not the same as available money, and the weakest banks are losing the deposits they would lend.

05

Immediate capacity expansion might not be needed now

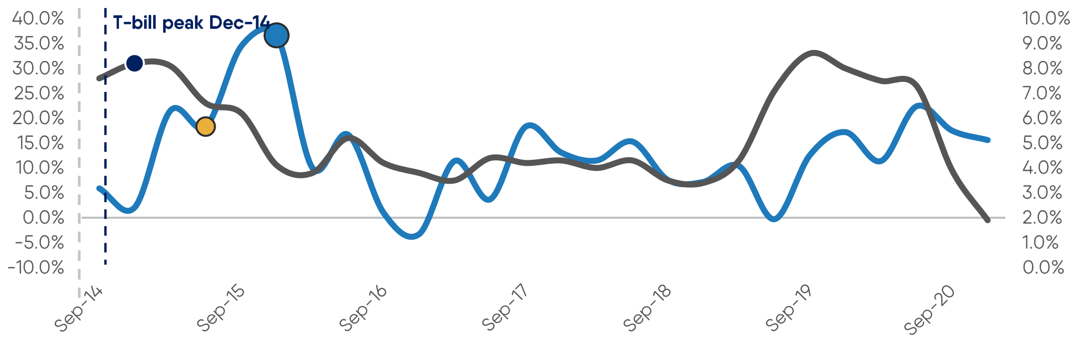
Industry runs below potential after the FY22-23 capex cycle — the next cycle comes from utilisation, not from new investment.

Every sector turns after the rate peak — but each on its own clock

In the 2014–18 easing cycle the 364-day T-bill peaked in Dec-14 and sector revenue growth followed in a sequence — staples within six months, telecom at nine, discretionary at fifteen and construction only after nearly three years. That sequence is the template for the cycle that began at the Jun-25 rate peak.

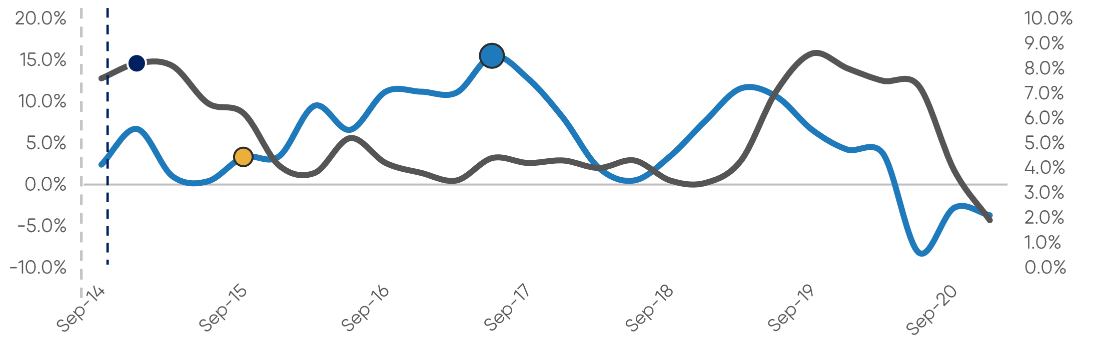
Staples

+6m picks up · +12m peaks at 36.6%



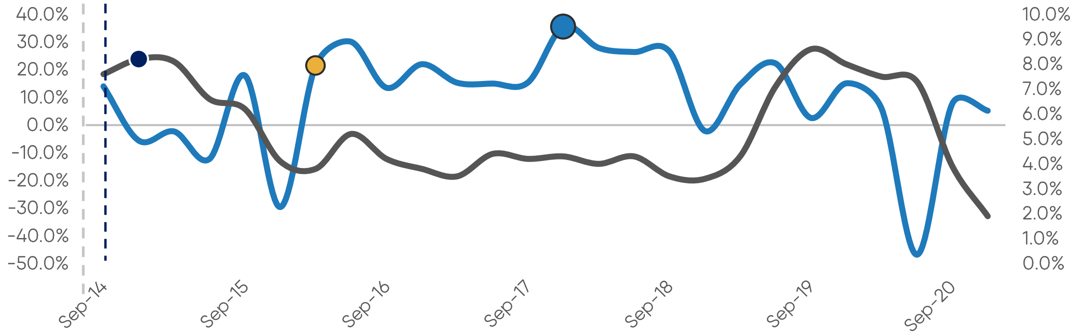
Telecom

+9m picks up · +30m peaks at 15.5%



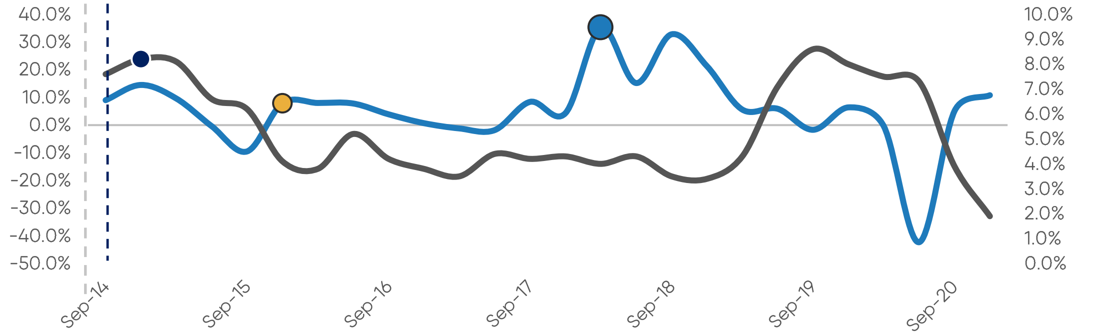
Discretionary

+15m picks up · +36m peaks at 35.5%



Construction

+33m picks up · +39m peaks at 35.2%



● Rate peak (Dec-14) ● Revenue growth picks up ● Peak revenue growth Revenue growth YoY (%, LHS, blue) · 364-day T-bill (%, RHS, grey)

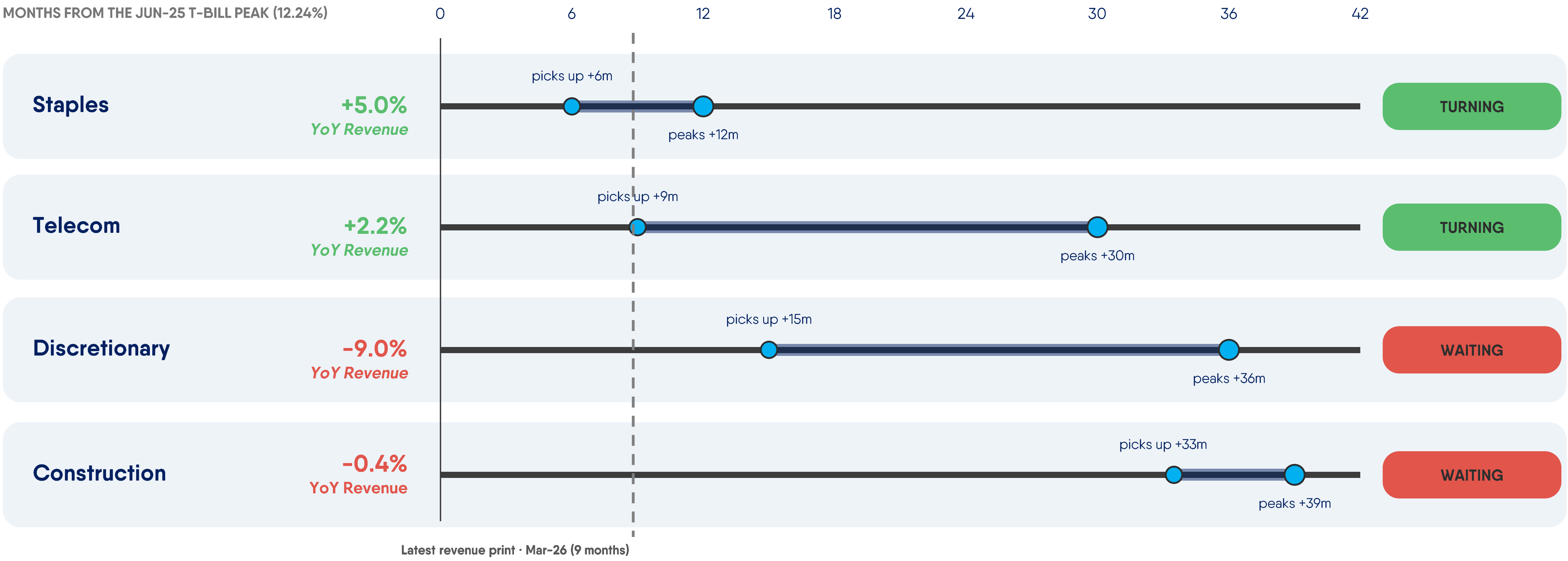
CAL | Research

Source: DSE, CAL Research Estimates

POSITIONING FOR THE TURN · SECTOR RECOVERY CLOCK

Fourteen months past the rate peak — staples and telecom revenues are picking up

The 2014–18 cycle shows that sectors recover at different speeds after interest rates peak. Applying those historical lags to the Jun-25 peak, staples and telecom are already beginning to recover, while discretionary consumption and construction should follow later.



● Revenue growth picks up ● Revenue growth peaks — Expected recovery window TURNING = already recovering · WAITING = lag not yet elapsed

CAL | Research

Source: DSE, CAL Research Estimates

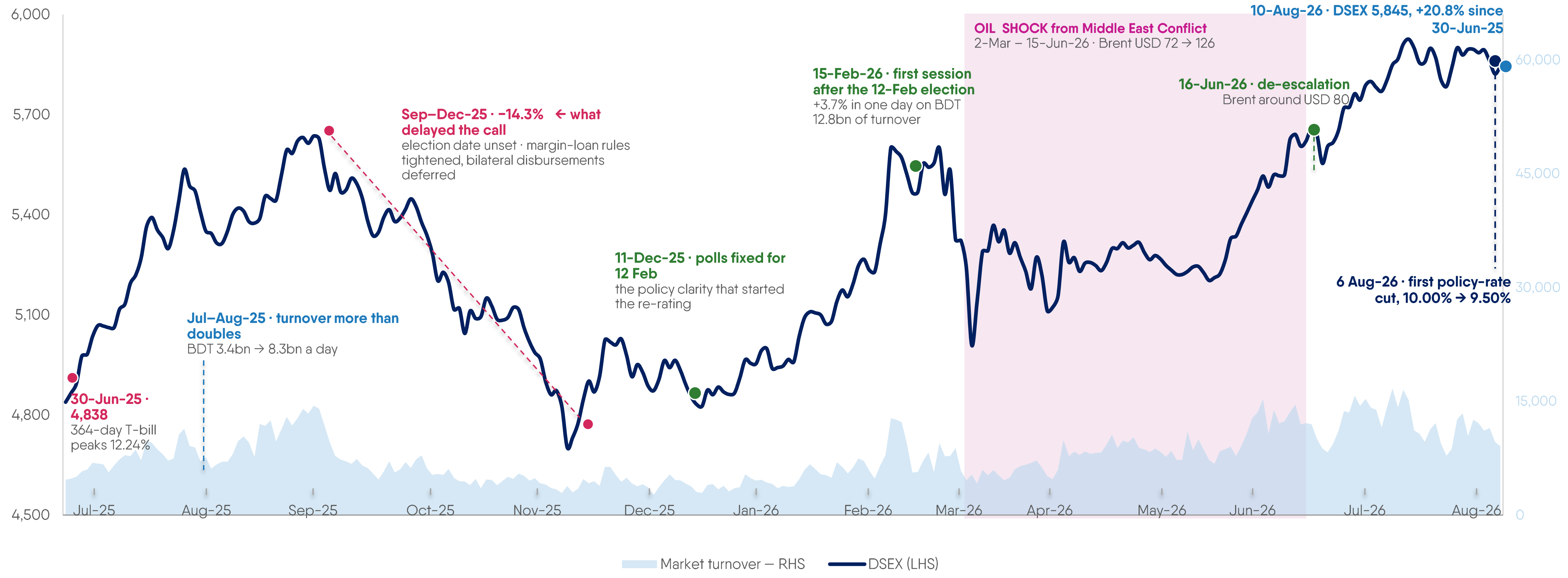
The market upshift

CAL

We retain DSEX 10,000 — the rerating is delayed, not derailed

The rerating began after the election date was fixed. An oil and conflict shock from Mar-26 stalled it for a quarter; both the index and turnover resumed climbing as soon as Brent fell back — and the first rate cut only landed in Aug-26.

DSEX and daily market turnover · 30 Jun 2025–10 Aug 2026



* *As of 10 August 2026. Daily DSEX close and daily market turnover*

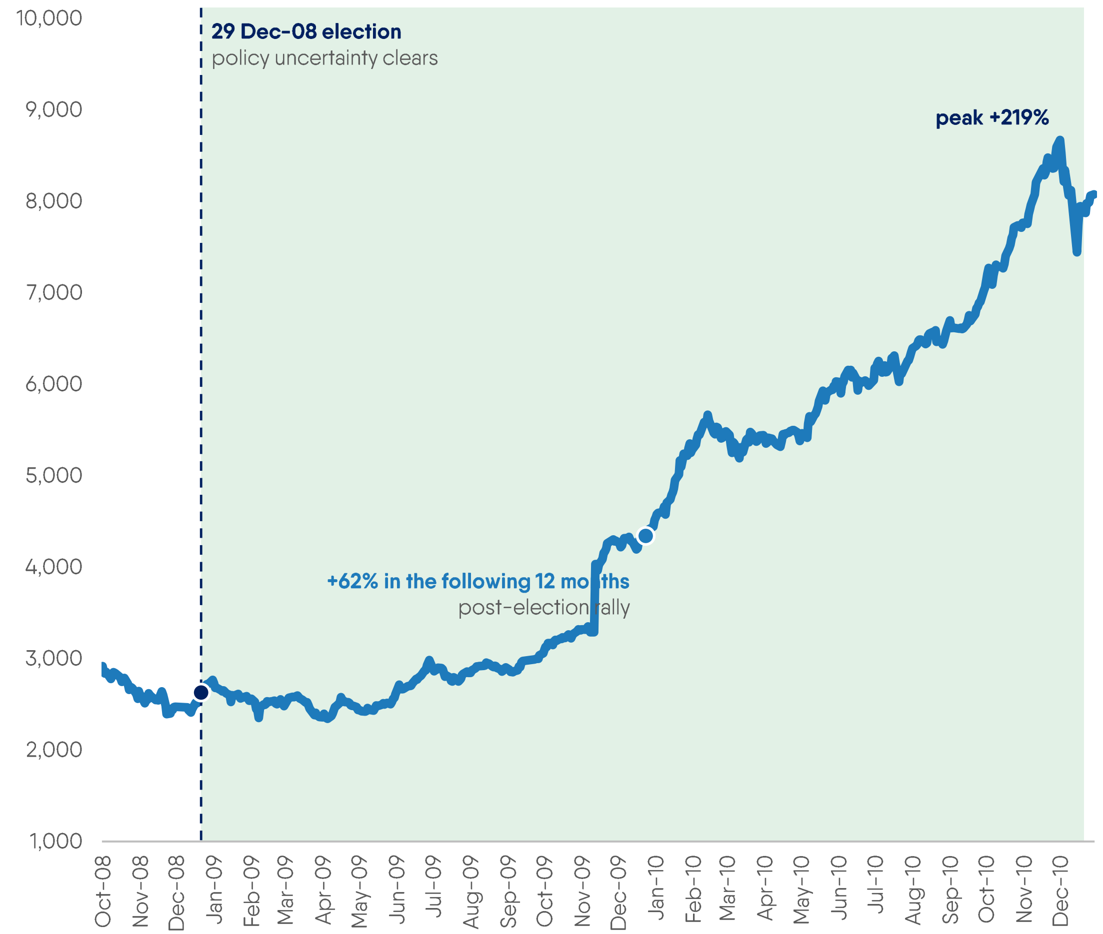
CAL | Research

Source: DSE, National Dailies, Bangladesh Bank, CAL Research Estimates

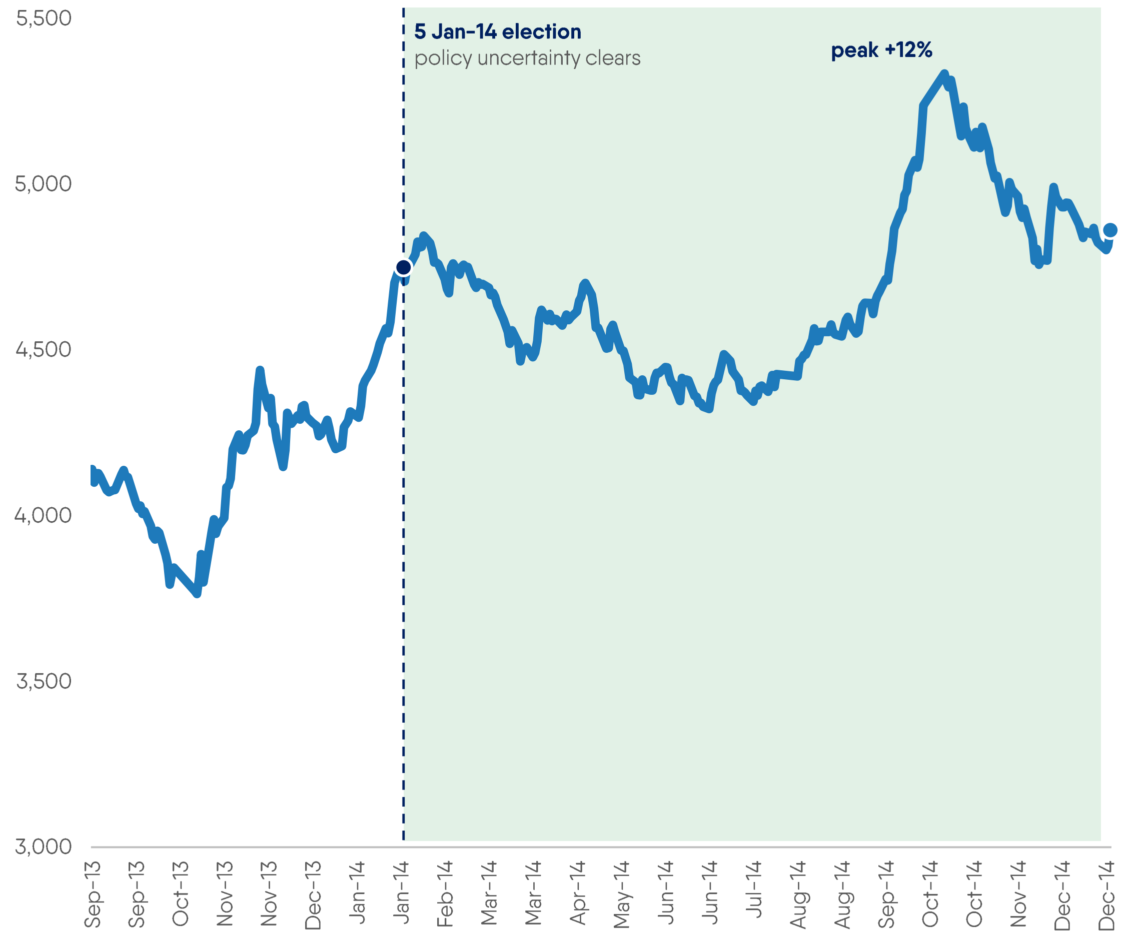
Political clarity following elections is expected to boost confidence

After both the 2008 and 2014 elections DSEX rallied strongly in the following year as policy uncertainty cleared and foreign and local investors re-engaged. A similar confidence effect should support the rerating once the post-election policy agenda is visible.

DSEX following 2008 elections



DSEX following 2014 elections



Source: DSE. Returns measured from the DSEX close nearest the election date; 2008 index rebased series as shown.

CAL expects the earnings and valuation rebound to drive DSEX to 10,000 by end-2027

1

Corporate Earnings Rebound

2

Multiple Rerating

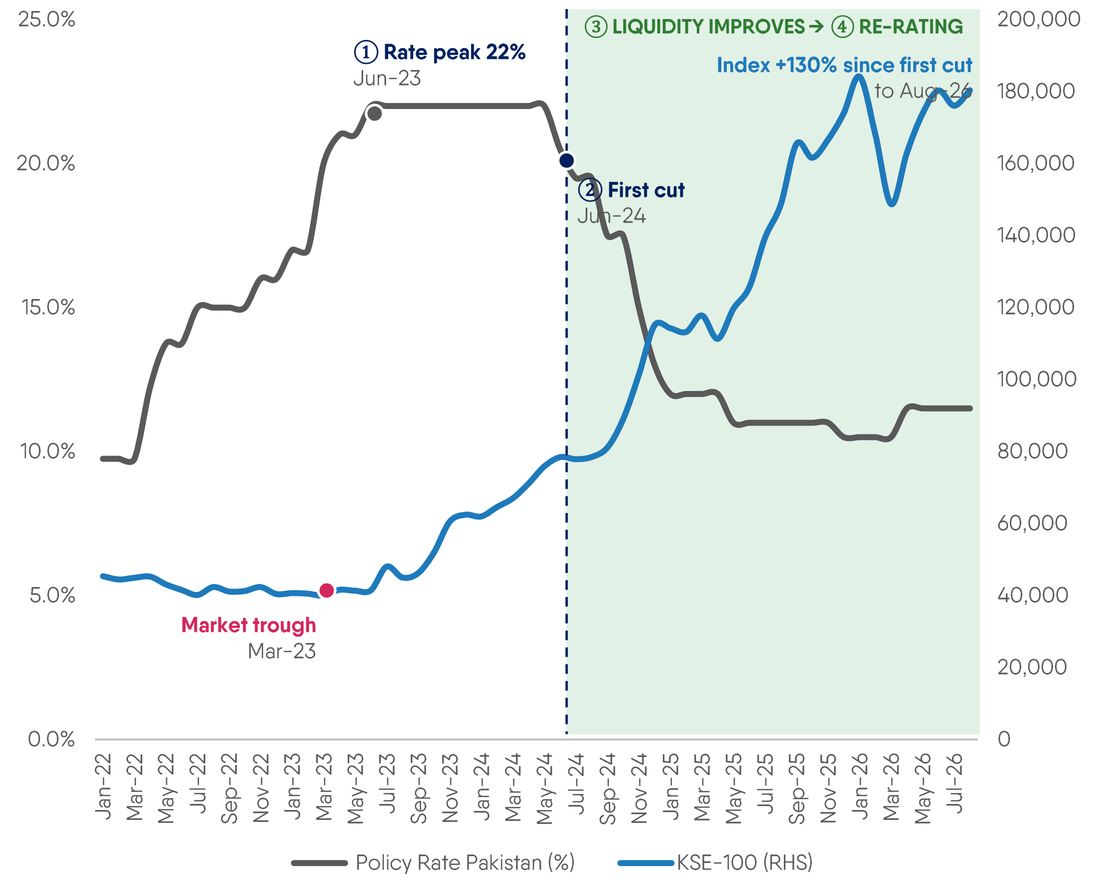
Earnings Growth **26%**	**(1+26%)**	
	x	≈ **70%**
P/E Rerating to **14.0x** *from 10.3x*	**(1+36%)**	

* As of 10 August, 2026

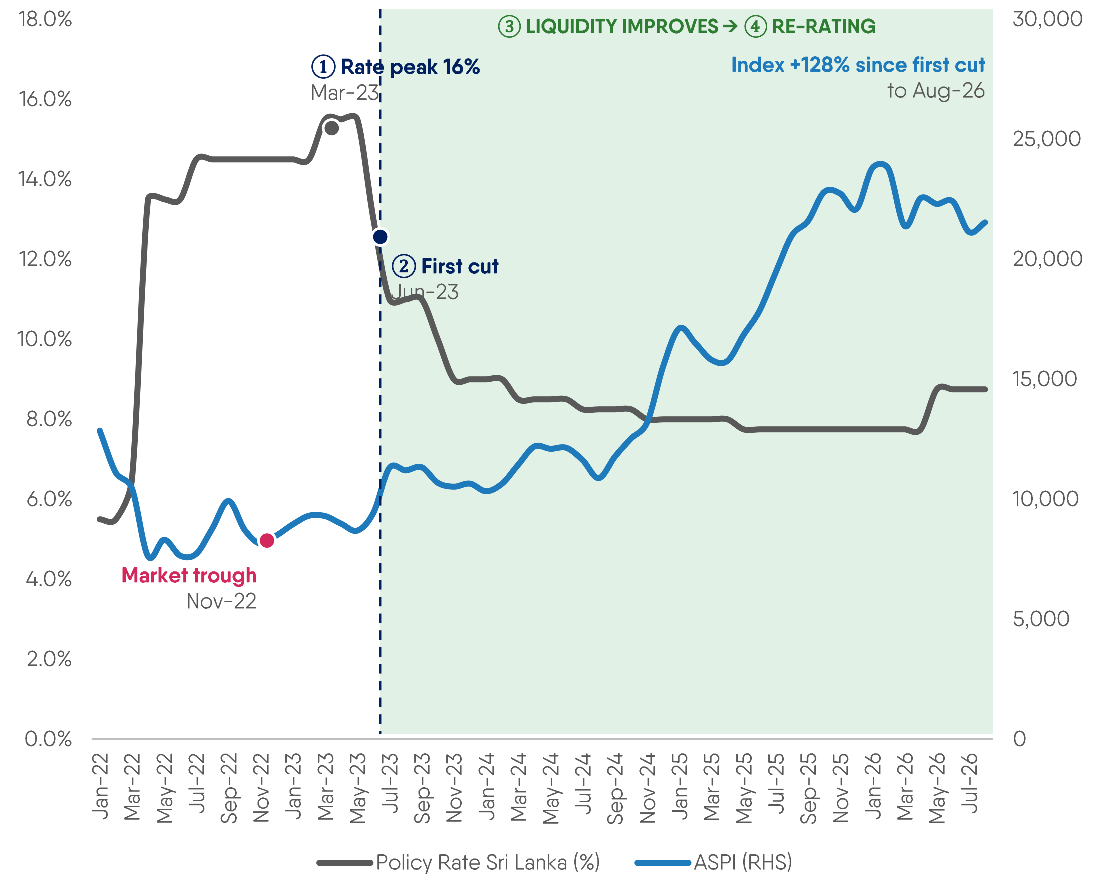
Monetary easing cycle could trigger a rally similar to those seen in Pakistan and Sri Lanka

Both markets followed the same sequence: the policy rate peaked, the first cut confirmed the turn, liquidity improved and the index rerated sharply within 12–18 months. Bangladesh's policy rate peaked at 10.0% in Oct-24 and the first cut came in Aug-26 — the same clock, now at the first-cut stage.

Pakistan Policy Rate (%) vs. Stock Market Index



Sri Lanka Policy Rate (%) vs. Stock Market Index

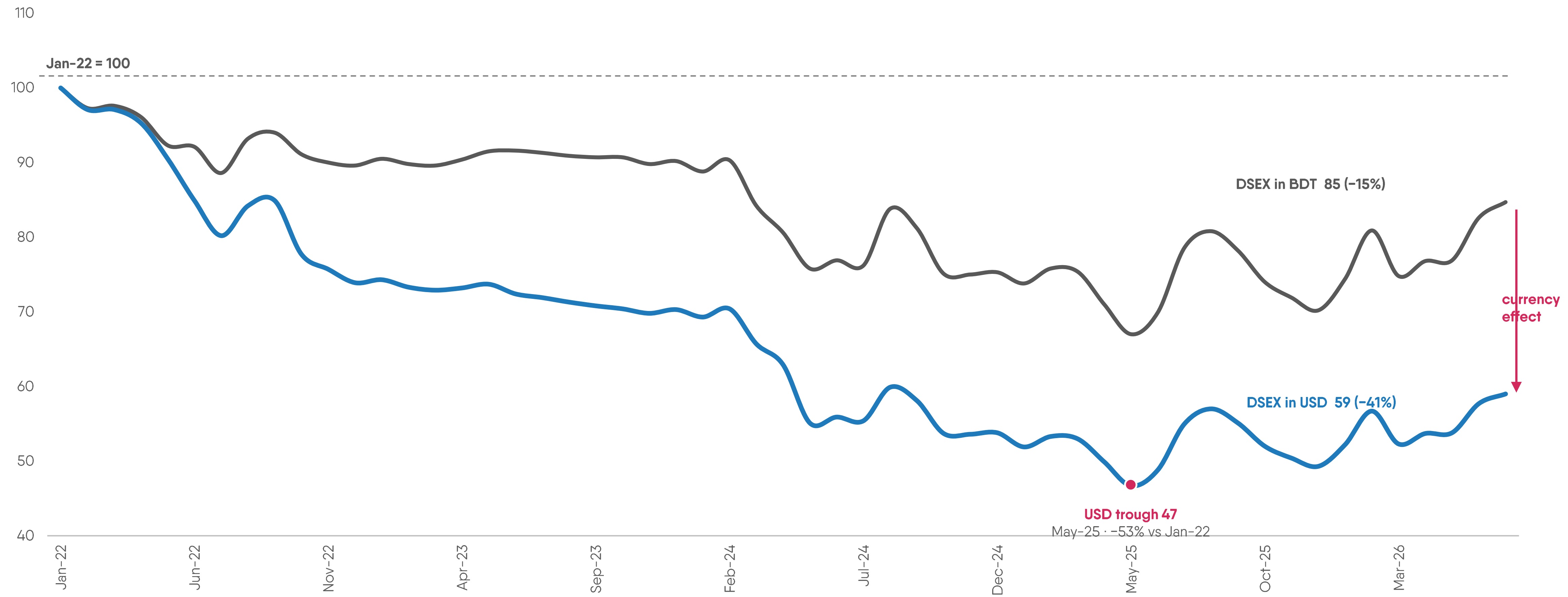


Source: S&P Capital IQ, CAL Research Estimates

DSEX is around 40% below its January 2022 level in USD terms, implying approximately 70% upside if it returns to that level

Rebased to Jan-22, DSEX is down about 15% in taka but about 40% in US dollars once the depreciation is included. For a foreign investor the market has derated twice — on earnings and on currency. With the taka now stable, a return to Jan-22 dollar levels alone would deliver most of our index target.

DSEX rebased to 100 at Jan-2022

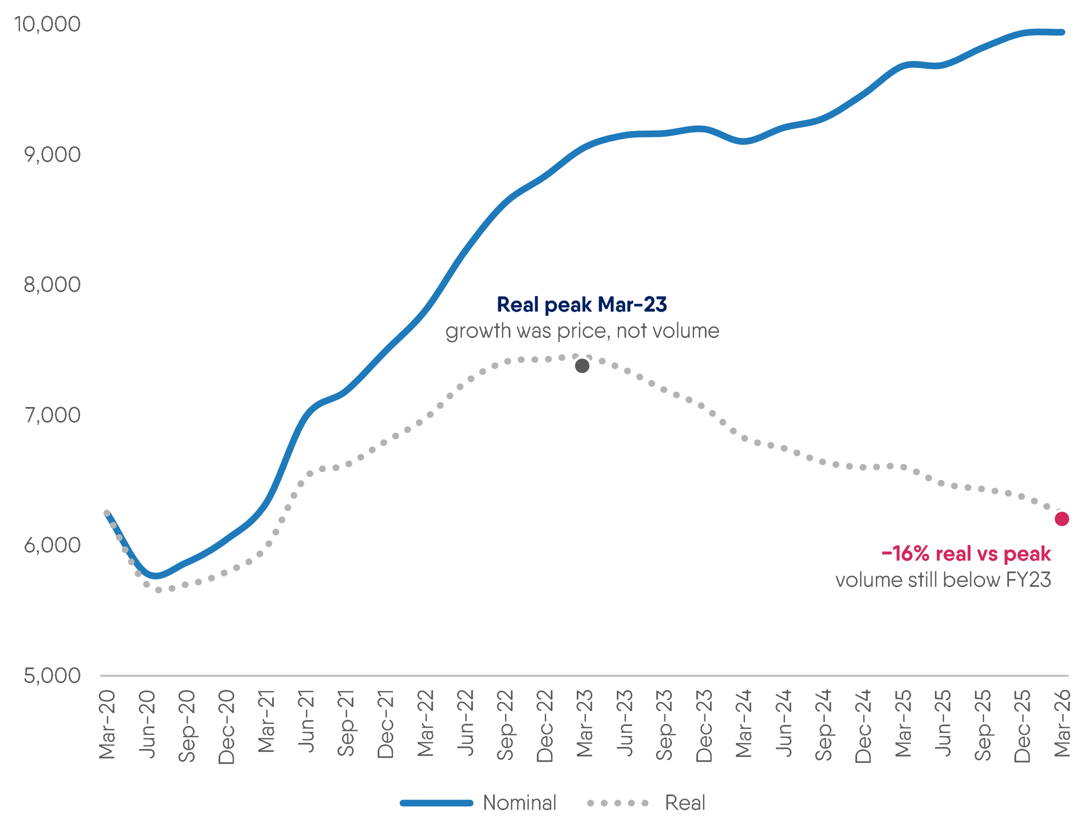


Source: DSE, Bangladesh Bank, CAL Research Estimates

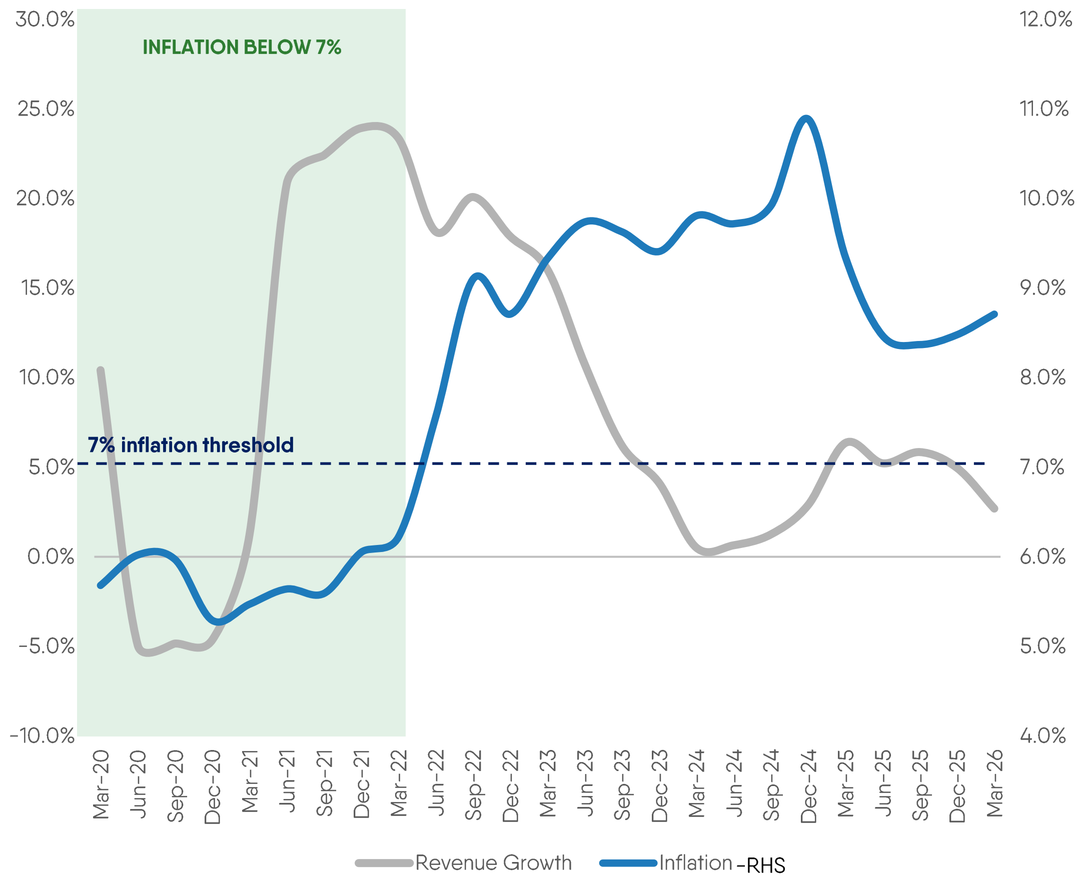
Revenue is projected to grow significantly, driven by volume recovery as inflation falls below 7% by Jun-27E

Nominal revenue of the top 48 non-financial companies kept rising through the crisis, but in real terms it sits about 16% below its FY23 peak — growth was price, not volume. Historically revenue growth has been strongest when inflation was below 7%; as inflation falls through that level in FY27E, volume growth returns.

Nominal vs Real Corporate Revenue (2020 base, USD mn)



Corporate Revenue Growth vs Inflation (%)



Top 48 non-financial companies by trailing earnings. Revenue is a trailing-12-month aggregate; real series deflated by CPI, Mar-2020 = base.

CAL | Research

Source : Company Financial Statements, CAL Research Estimates

Manufacturing and service company earnings will rebound on volume, margin gains, and lower finance costs

We build the 26% earnings step-up from 2026E to 2027E bottom-up: incremental sales volume contributes the largest share, gross-margin recovery and operating efficiency add modestly, and lower interest costs on floating-rate debt add the rest. None of the legs requires new capacity.

Net profit, top 48 non-financial companies (USD mn)

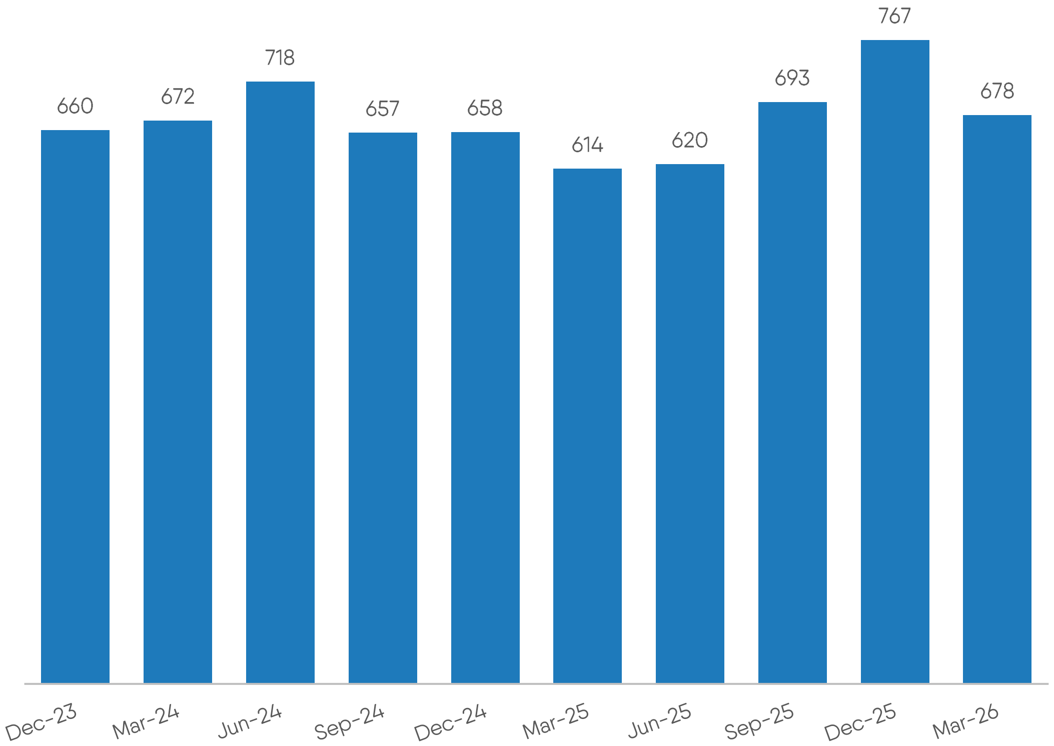
*Based on the 48 largest manufacturing and service companies by earnings, excluding Banks, NBFIs, and General Insurers

Source : Company financial statements, CAL Research Estimates

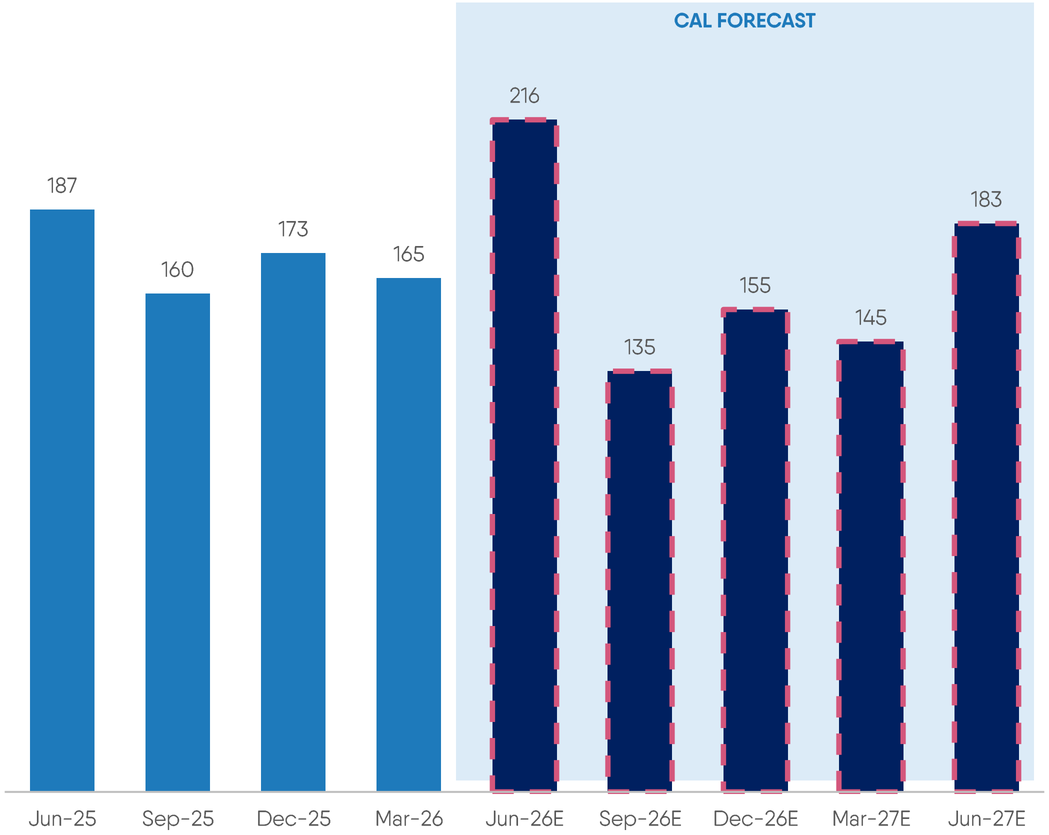
A 50bps rate cut could reduce annual finance costs by USD133mn

Quarterly finance expense of listed non-financial companies is expected to reach USD 216mn in Jun-26E and reduce afterwards. Most corporate debt reprices within a year, so each 50bps cut in lending rates flows through to profits; we estimate the Aug-26 cut alone adds about USD 133mn to annual listed earnings on a gross, pre-tax basis.

Quarterly positive earnings — all listed companies (USD mn)



Quarterly finance expense — non-financial listed (USD mn)

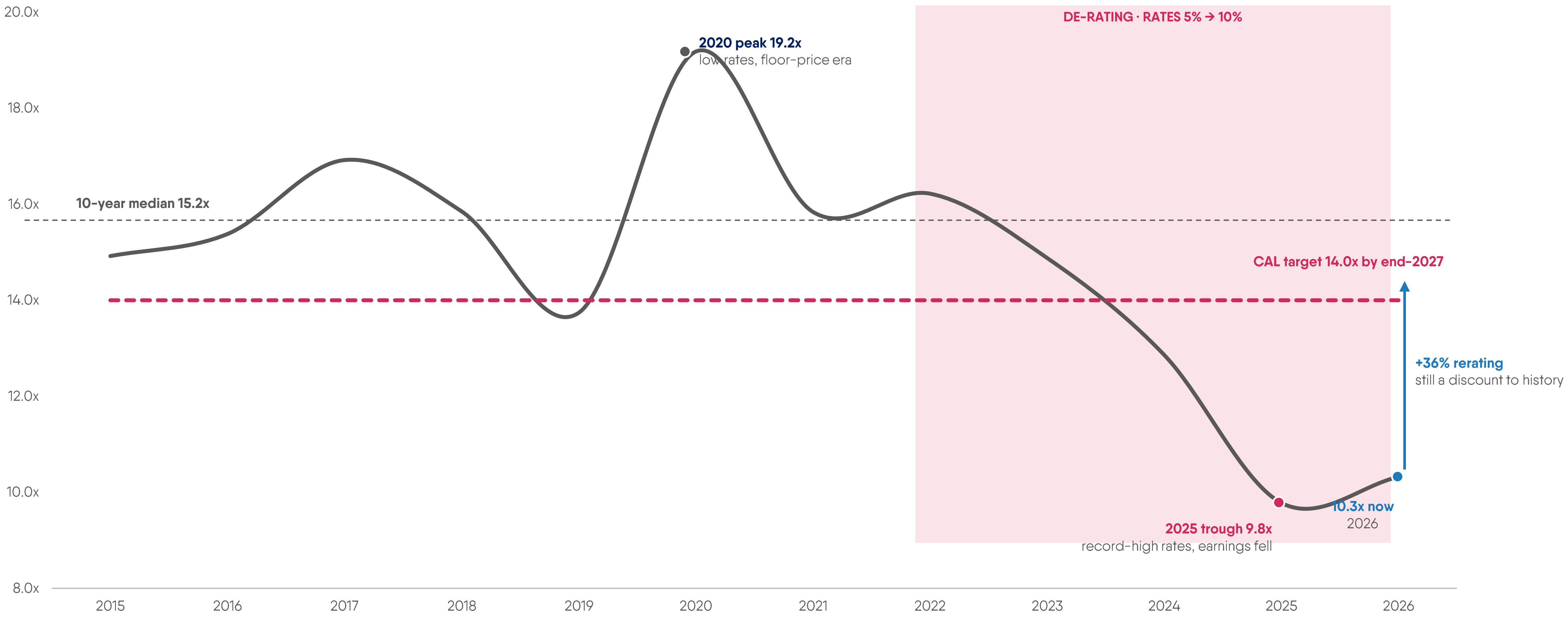


Source : Company financial statements, CAL Research Estimates

We expect the multiple to climb back to 14.0x from 10.3x

The market P/E has fallen from a 2020 peak near 19x to 10.3x, a third below its 15.2x ten-year median, as rates rose and earnings fell. Falling T-bill yields lower the discount rate and pull savings from deposits into equities; we target 14.0x by end-2027, which still leaves the market at a discount to its own history.

DSE market P/E by year (x)

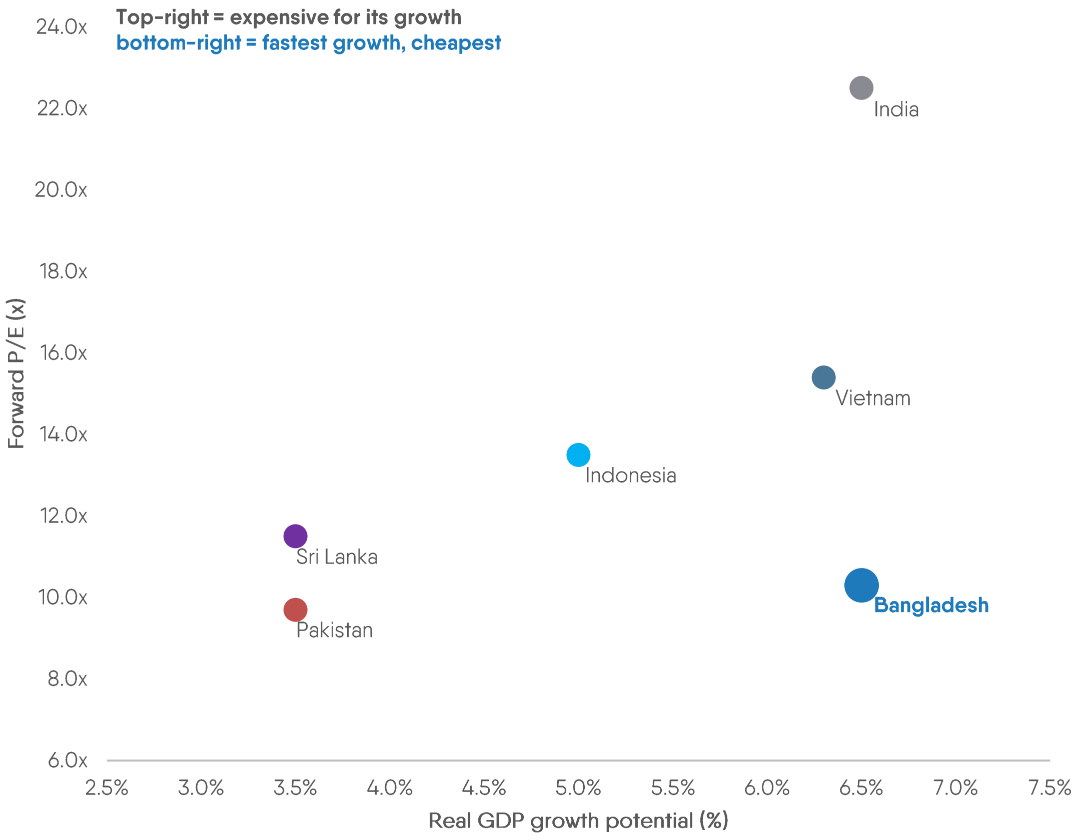


Source : DSE, CAL Research Estimates

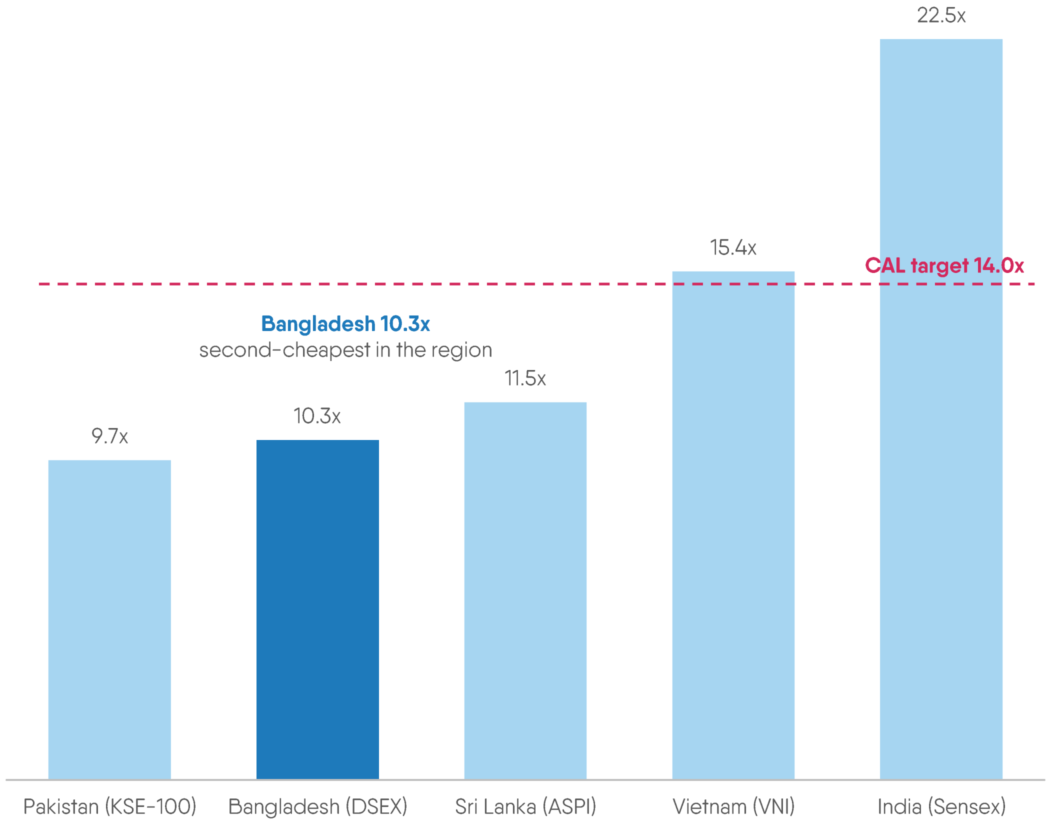
Bangladesh has the fastest growth potential in the region with a low multiple

Bangladesh offers the highest medium-term real growth potential among regional peers yet trades at 10.3x, the second-cheapest multiple after Pakistan. Markets with similar growth — India, Vietnam — trade at 15–22x. That gap between growth and valuation is the mispricing the rerating should close.

Medium-term growth potential vs forward P/E



Market P/E: regional peers (x)



CAL | Research

Source : DSE, S&P Capital IQ, CAL Research Estimates

Positioning for the recovery through three industries

Improving macro conditions create three channels for equity exposure—credit expansion in banking, volume recovery in consumer goods, and improving capacity utilization in construction materials.

01 Banking

MACRO TRIGGER

- Monetary liquidity rebuilding
- M2 money growing
- Eventual recovery in private-sector credit

INDUSTRY TRANSMISSION

- Greater availability of liquidity
- Improving credit demand
- High-CRAR banks have more capacity to expand risk-weighted assets

EXPECTED OUTCOME

- Loan-book growth
- Better utilisation of bank capital
- Earnings recovery among stronger banks

02 Consumer goods

MACRO TRIGGER

- Inflation moderating
- Real wages recovering
- Household purchasing power improving

INDUSTRY TRANSMISSION

- Consumer volumes recover
- Downtrading pressure diminishes
- Discretionary purchases gradually return

EXPECTED OUTCOME

- Higher industry sales
- Volume-led rather than purely price-led growth
- Staples recover before consumer durables

03 Construction materials

MACRO TRIGGER

- Interest rates beginning to decline
- ADP implementation improving
- Previously delayed construction restarting

INDUSTRY TRANSMISSION

- Projects remobilise
- Steel and cement demand rises
- Industry capacity utilisation improves

EXPECTED OUTCOME

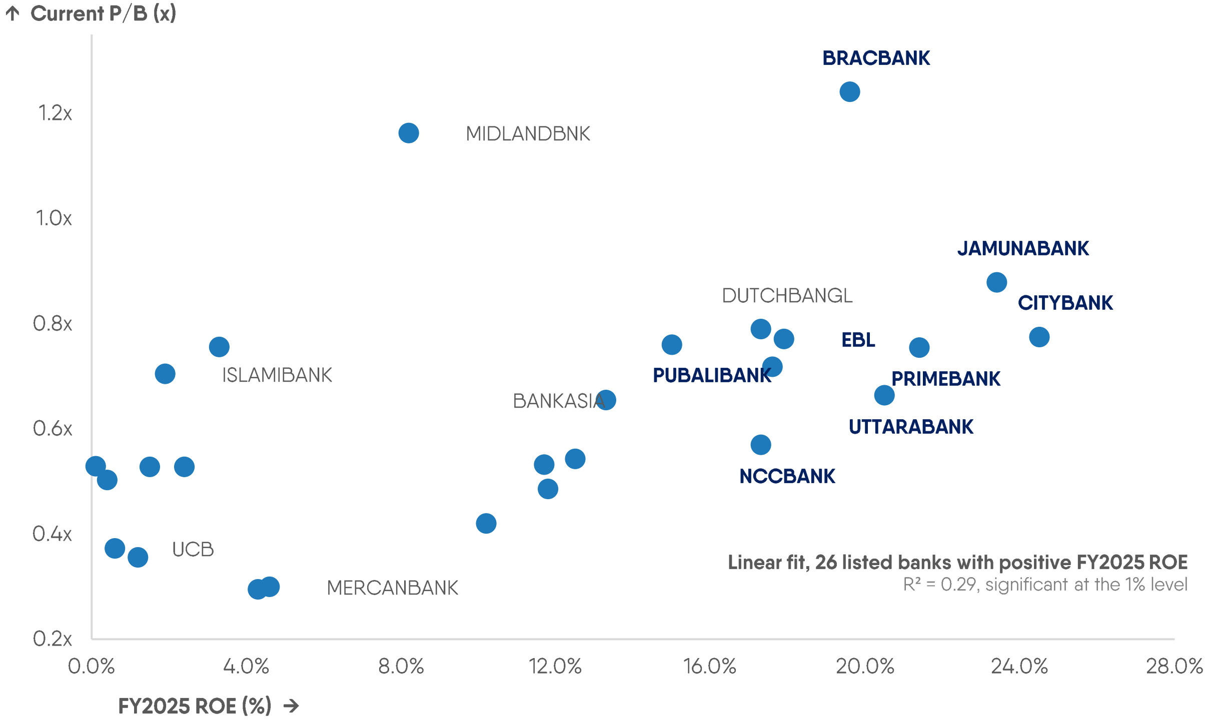
- Higher industry revenue
- Better fixed-cost absorption
- Earnings recovery for material producers

Source: Bangladesh Bank, IMED, company financial statements, CAL Research Estimates

Recovering private credit growth creates room for high-CRAR banks to expand

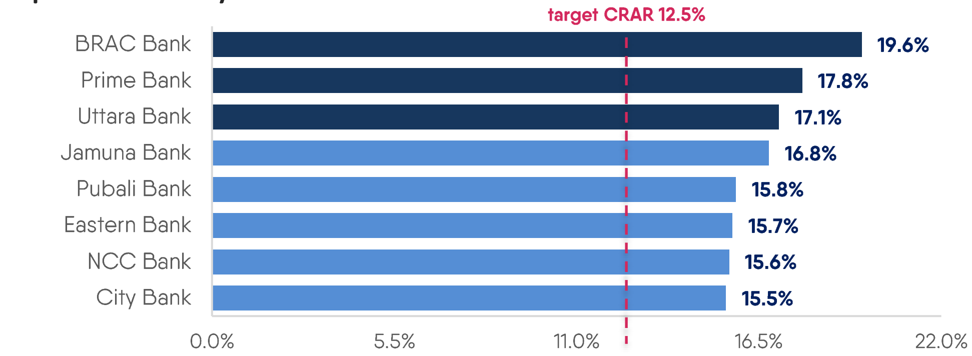
Liquidity is being rebuilt faster than it is being lent: broad money is growing while private credit sits near a record low. Whether that gap closes into loan growth depends on capital, and the banks carrying the most surplus capital are the ones able to take the next lending cycle.

Listed banks: P/B versus ROE



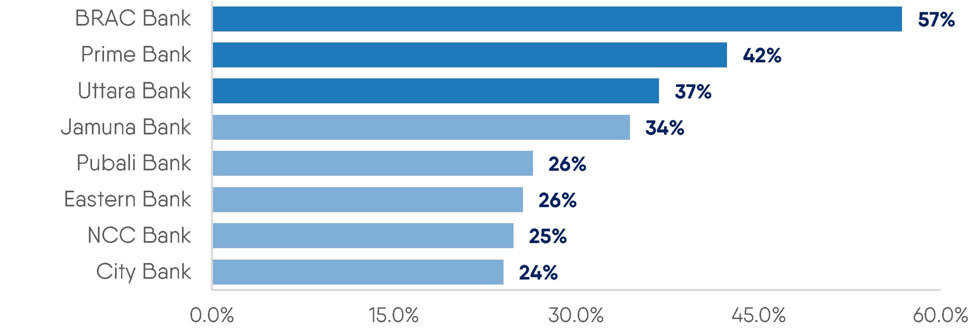
P/B = market price ÷ FY2025 reported NAVPS. ROE = FY2025 profit after tax ÷ average equity

Reported CRAR by bank — FY2025



Screen: CRAR ≥ 15.5%, gross NPL ≤ 5.0%, deposits ≥ BDT 250bn. CRAR = (Tier 1 + Tier 2) ÷ risk-weighted assets.

Estimated book-growth capacity at a 12.5% target CRAR



Potential RWA increase = current CRAR ÷ target CRAR − 1. Capital-based capacity only; actual book growth will depend on credit demand, asset quality, provisioning and deposit mobilisation.

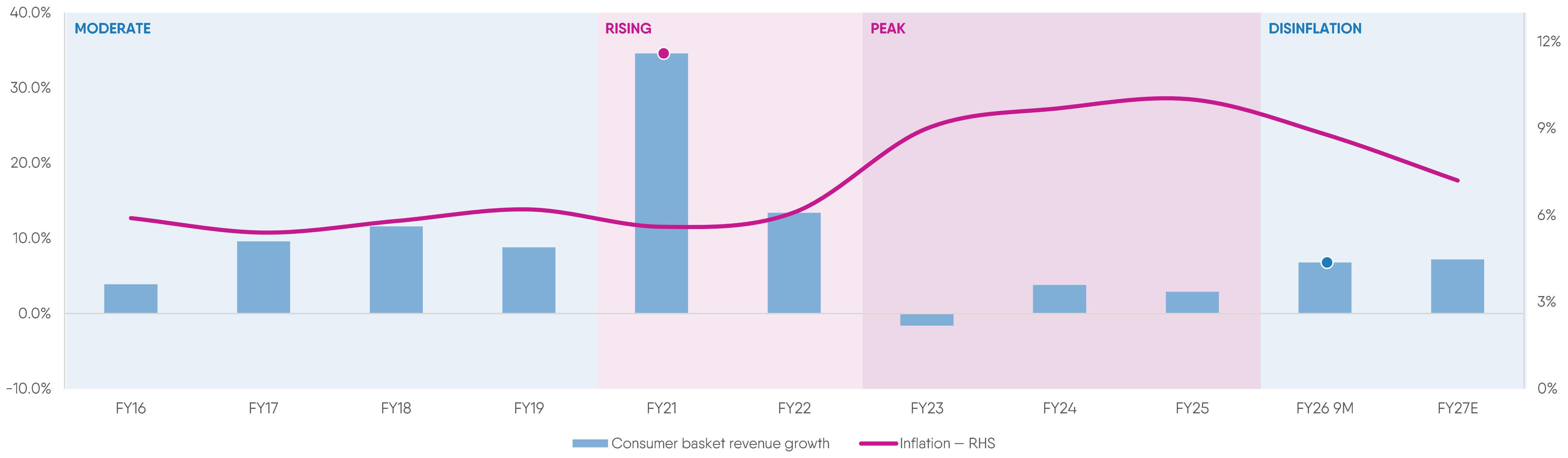
Preferred exposures · BRAC Bank · Prime Bank · City Bank · Jamuna Bank · Pubali Bank · Eastern Bank · NCC Bank · Uttara Bank

Source: Company Financial Statements, Bangladesh Bank, DSE,CAL Research Estimates

Falling inflation should shift consumer growth from pricing to volumes

Elevated inflation initially supported nominal revenue through price increases, but sustained pressure on purchasing power weakened consumer volumes through FY22–FY25. As inflation falls back toward 7%, real wages recover and the same revenue line should be driven by volume instead of price.

Listed consumer-goods basket: aggregate revenue growth (%) and inflation (%)



** FY20 is omitted because pandemic-related closures materially distorted revenue*

Industry recovery sequence

Staples and personal care recover first — bought monthly out of income → **Packaged food** follows as basket sizes normalise → **Consumer durables** last — needs sustained real wages and financing

Preferred exposures

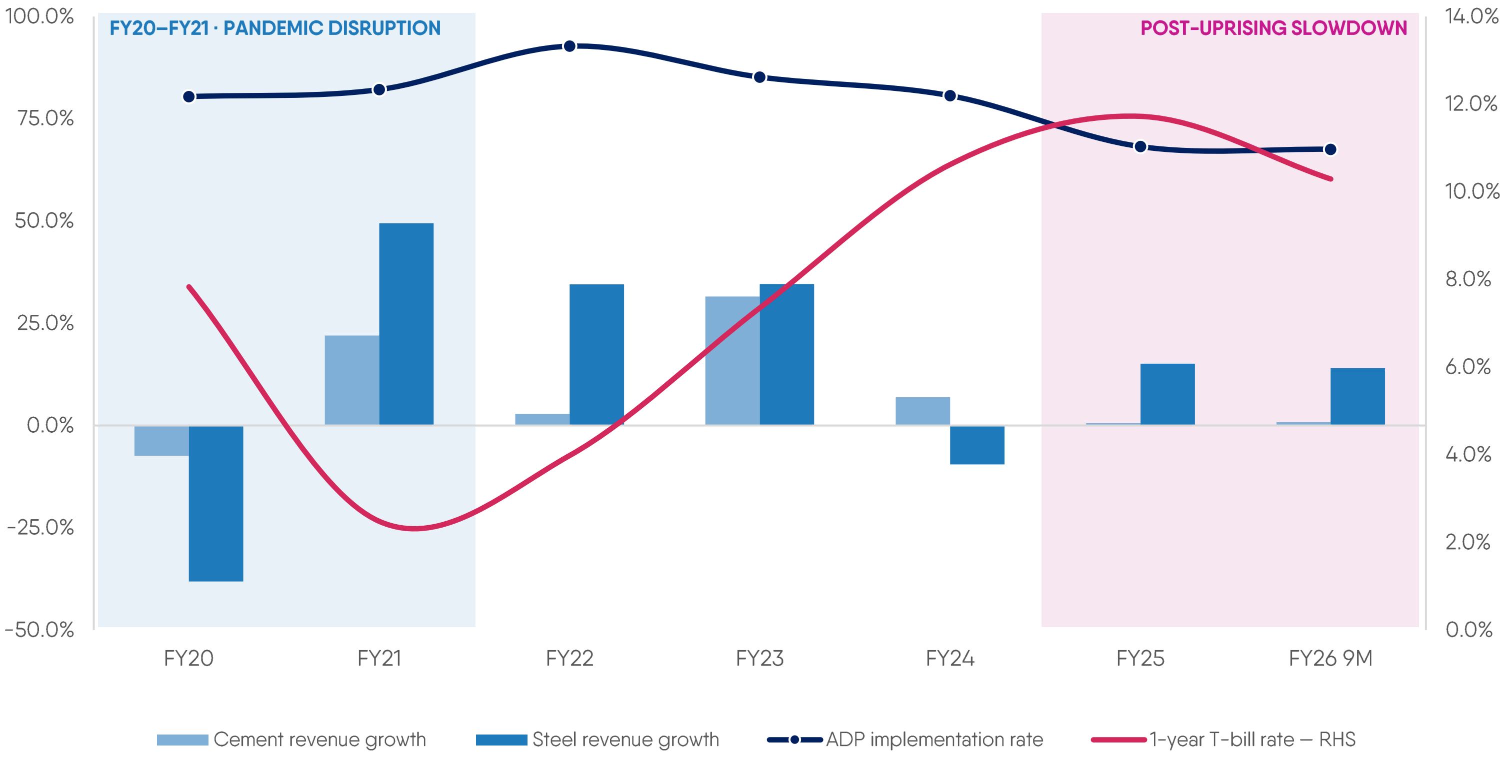
- **Marico** personal care and staples
- **Olympic** packaged-food volumes
- **Walton** consumer durables

Source: Company Financial Statements, Bangladesh Bank, DSE,CAL Research Estimates

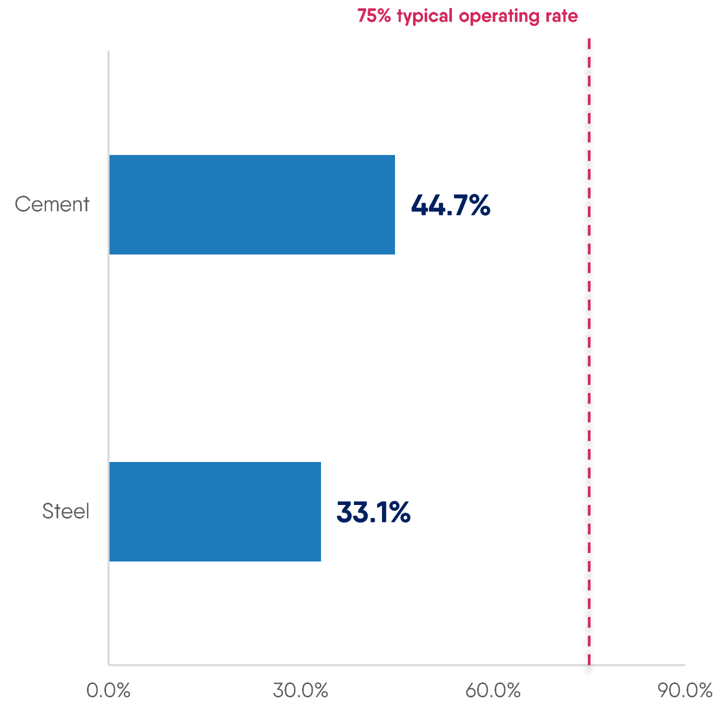
Lower rates and improving ADP execution are expected to restart construction-material demand

Construction stalled after the 2024 political uprising: ADP execution fell to a five-year low, financing costs hit a record and projects were suspended. Cement and steel plants now run at a third to a half of installed capacity. Falling rates and project remobilization should support construction-material demand

ADP implementation, cement and steel revenue growth (%) and the 364-day T-bill rate



Industry capacity utilisation



Preferred exposures
- **LHB** cement exposure
- **BSRM Ltd** steel-industry exposure
- **BSRM Steel** steel-industry exposure

Source: Company Financial Statements, Bangladesh Bank, BCMA, National Dailies, DSE,CAL Research Estimates

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