



Bangladesh Investment
Development Authority



AUTOMOBILE INDUSTRY

June 2024

KEY FEATURES

Automobile Policy 2020

- Encourages local automobile assembly manufacturing.

REGISTERING A GROWTH OF



500,000 VEHICLES EVERY YEAR



SUV

Hybrid

FASTEST GROWING SEGMENTS



5X GROWTH IN 13 YEARS

The total number of registered motorcycles have increased from 0.67 million in 2010 to 4.2 million in 2023



- Increasing per capita income and increasing economic activity, the demand for both passenger and commercial vehicles is expected to grow at a rapid pace.
- 5.3% growth in passenger vehicle segment.

Labor cost in Automobile Industry

Bangladesh: \$100 - \$500

India: \$300 - \$800

Japan: \$3000 - \$6000



The commercial vehicle market was valued at around \$500 million in 2017, with an estimated CAGR of 12.5%.

PASSENGER VEHICLES



Vans

2,271 units registered in 2023



Sport Utility Vehicles (SUV)

7756 units registered in 2023



Motorcycles

310418 units registered in 2023

KEY PRODUCTS

CARS



Mitsubishi Motors

Assembling cars in Bangladesh began as a government initiative, under the state-owned Pragati Industries Ltd., has assembled over 50,000 vehicles since its inception in 1966 (Bangladesh Steel and Engineering Corporation, 2013). Pragati's assembling facilities can assemble 2000 vehicles every year.



Proton

PHP Automobiles has launched the Bangladeshi assembled Proton Preve in partnership with Proton in March 2017, which currently assembles Proton Preve, Proton Saga, Proton X70, Proton Persona and 8-seater microbus PHP Shineray X30. PHP Automobiles has the capacity to assemble 1200 cars every year.



Hyundai

Hyundai started assembling cars such as Hyundai Creta and Tucson in collaboration with Fair Technology at the Bangabandhu Hi-Tech Park, with the highest assembly capacity so far, of 3000 vehicles every year, with a plan to gradually increase the number to 10,000 units annually.

MOTORBIKES ASSEMBLY (FOREIGN BRANDS)

Foreign global brands such as Yamaha, Honda and some Indian brands such as Hero, Bajaj, TVS etc. assemble their motorcycles in Bangladesh, usually in joint ventures with Bangladeshi distributors. They import parts, i.e. completely knocked down (CKD) units that are assembled within the country.



Yamaha

In 2019, ACI Motors established Yamaha Motorcycle Assembly Factory in Gazipur with an annual assembling capacity of 60000 units.



Honda

Honda began manufacturing bikes in the Abdul Monem Economic Zone, Munshiganj in 2018, in collaboration with Bangladesh Steel Engineering Corporation (state-owned) with a capacity of assembling 100,000 units annually. Later in 2021, they expanded their operations in engine assembly.



Suzuki

Rancon started assembling Suzuki motorcycles in Bangladesh in 2014. Currently they hold a significant presence in the market.



Bajaj

Uttara motors started assembling Bajaj bikes in Bangladesh in 2014 in their Zirani Bazar plant in Gazipur, with an annual capacity of 150,000 units. Bajaj has also agreed to manufacture parts of motorbikes in Bangladesh.



TVS

Atlas Bangladesh, a state-owned company under Bangladesh Steel and Engineering Corporation has started manufacturing TVS bikes in Gazipur, with a capacity of assembling 200 TVS motorcycles daily.



Hero

Nitol-Niloy Group assembles Hero motorcycles in Bangladesh from 2014 in collaboration with Hero MotoCorp with an annual capacity of 150,000 bikes.



Haojue

Karnaphuli started assembling Chinese Haojue bikes in Tongji from 2014. The plant has a capacity of assembling 1500 bikes per month, totaling 18000 a year.

MOTORBIKES ASSEMBLY (DOMESTIC BRANDS)

Domestic brands such as Walton, Runner and H Power usually import parts from other countries that they assemble within the country. Their difference with foreign brands that assemble within Bangladesh is that the motorbikes sold by domestic brands are designed by the Bangladeshi companies.



Walton

Walton has produced motorcycles in the country for the first time. Walton Hi-Tech industries have an annual capacity of 300,000 motorcycles, set up in 2006.



Runner

Runner Automobiles, which imported Dayang bikes since 2000, but started assembling in 2009 and later opened a manufacturing plant in 2012. Around 40-50% of the value of a Runner motorbike is added in their manufacturing plant in Bangladesh.



H Power

New Grameen motors started as distributors of Chinese manufacturers in Bangladesh. But currently they have established their own brand, H Power with a capacity of producing 50,000 motorcycles per year.

ASSEMBLING TRUCKS



Ashok Leyland

In 2017, Ifad Autos Limited, in collaboration with Ashok Leyland established a manufacturing facility located at Dhamrai with an installed production capacity of 600-800 vehicles per month and they aim to cover 90% sales to be manufactured from this plant.



Tata

Nitol-Niloy group has started assembling Tata pickups in their Jashore plant, with a capacity of 800 pickup trucks per month from 2020. Tata plans to set up a passenger vehicle manufacturing plant in Bangladesh for domestic customers as well as markets in northeast India.

ECONOMIC OVERVIEW

Revenue in the Passenger Cars market is projected to reach **US\$ 521.2m in 2024.**

Expected to show an annual growth rate (CAGR 2024–2028) of **12.84%**, resulting in a projected market value of **US\$ 845.1m by 2028.**



SUVs hold the largest segment in the market projecting a market volume of **US\$ 222.9m.**



Passenger Cars market unit sales are expected to reach **28,200 vehicles in 2028.**

The volume weighted average price of Passenger Cars market is expected to amount to **US\$ 29,570 in 2024.**

Registered motor vehicle in Bangladesh

360,861 UNITS
in 2023

From an international perspective it is shown that the most revenue will be generated in the United States (**US\$558bn in 2024**)



GROWTH DRIVERS



Demand for four wheeler car is expected to continue growing in Bangladesh.



Low penetration ratio of 6 per 1,000 population indicates potential for further growth.



Sustained economic growth over the last decade has enhanced consumers' purchasing power and affordability, leading to the rise in demand for consumer durables.

Assembling and manufacturing

The government is encouraging building of semi knocked down (SKD)/completely knocked down (CKD) assembly or manufacturing plants for commercial vehicles, passenger vehicles including EEV for domestic market in the country through the generous fiscal incentives and tax holidays.



Logistic and construction industries have been the largest sources of demand, benefiting from the growth of export-oriented industries, trading activities, and many on-going infrastructure projects.



Increasing manufacturing and infrastructural development activities is leading to increased demand for commercial vehicles.



Parts/Components Production

Manufacturing of parts and components is also one of the key agendas of the National Automobile Policy 2020. Generous tax holidays and fiscal incentives are provided to encourage the development of the segment.

MAJOR EXPORT DESTINATIONS



IN 2022, BANGLADESH EXPORTED \$134K IN CARS, MAKING IT **THE 178TH** EXPORTER OF CARS IN THE WORLD.

The fastest growing export markets for Cars of Bangladesh between 2021 and 2022 were **Guatemala (\$60.3k), United Kingdom (\$36.1k), and Slovenia (\$24.1k)**

Main Destinations of Car Export from Bangladesh



Guatemala
USD 60,300



Belgium
USD 3,400



Paraguay
USD 6,200



Slovenia
USD 24,100



United Kingdom
USD 40,500

HOT SPOTS FOR FOREIGN INVESTMENT



TEMPERATURE CONTROLLED VEHICLES:

It is a good form of foreign investment in Bangladesh's automobile industry by meeting the rising demand for perishable goods transportation and enhancing the country's logistics capabilities. This innovation aligns with global supply chain needs, promoting economic growth and technological advancement.



ELECTRIC VEHICLES (EVs) AND HYBRID TECHNOLOGY:

Bangladesh is showing growing interest in EVs and hybrid vehicles, supported by lower tax rates for these vehicles. Companies investing in EV and lithium battery manufacturing can benefit from these incentives.



ESTABLISHING PARTS MANUFACTURING:

It is executed for a major automobile organization in Bangladesh can attract foreign investment by leveraging low production costs and strategic location advantages, fostering growth in the local automotive sector. This initiative can enhance technological transfer and create a skilled workforce, boosting the overall industry appeal.

321 Japanese companies are now operating in Bangladesh and Japanese foreign direct investment in Bangladesh was \$397.15 million in March 2021.



LABOR COST:

Bangladesh's labour cost is cheaper than most of the country especially India, Japan, and Thailand. In this case this is a great opportunity for investors to benefit from the low labour cost and set up their automobile manufacturing industry in Bangladesh.



SET UP ENVIRONMENT-FRIENDLY PRODUCTION FACILITY:

Foreign investors are expected to develop a non-polluting process by involving in the carbon emission free cars- electric or solar. This approach not only aligns with international sustainability trends but also reduces operational costs for investors through energy efficiency and waste reduction.

SECTOR SPECIFIC INCENTIVES & POLICIES

FISCAL INCENTIVES

Income generated from automobiles (three and four-wheeler) made in Bangladesh will be exempted from tax for first 10 years of production and will enjoy reduced tax rate for the next 10 years

CONDITIONS

- At least BDT 1 billion investment is required.
- For the first 10 years, 30% value addition is compulsory to get 100% tax exemption.
- For the next 10 years, if they can achieve 40% value addition then tax rate will be only 10% otherwise general tax rate will be applicable.
- Within first 5 years after getting approval; car engine, transmission system, and steering system has to be added from own factory.

Automobile/automobile parts components manufacturing entities that are established between July 1, 2019, and June 30, 2024 are eligible for phased or partial tax exemption for 5 to 10 years depending on the location of their businesses.

CONDITIONS

- Paid-up capital of not less than BDT 2 million on the date of beginning of commercial production.
- 30% of the exempted tax has to be reinvested in the same or other industrial undertakings within one year.

KEY HIGHLIGHTS OF THE AUTOMOBILE POLICY 2020

- Encourages local assembly and manufacturing through tax holiday and fiscal incentives and favourable import duties.
- Provides export subsidy.
- Development of sound domestic market for brand-new vehicles.
- Development of local parts/ components production through progressive localization plan.
- Promotion of R&D and development of design and testing functions.
- Formulation and enforcement of vehicle standards (quality, safety and emission).
- Development of industrial human resources.
- Improvement of business climate specific to automobile industry.

TOP INVESTOR COUNTRIES



INDIA



CHINA



JAPAN

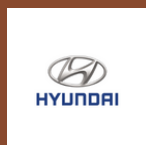
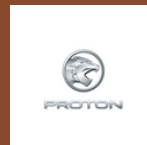


GERMANY

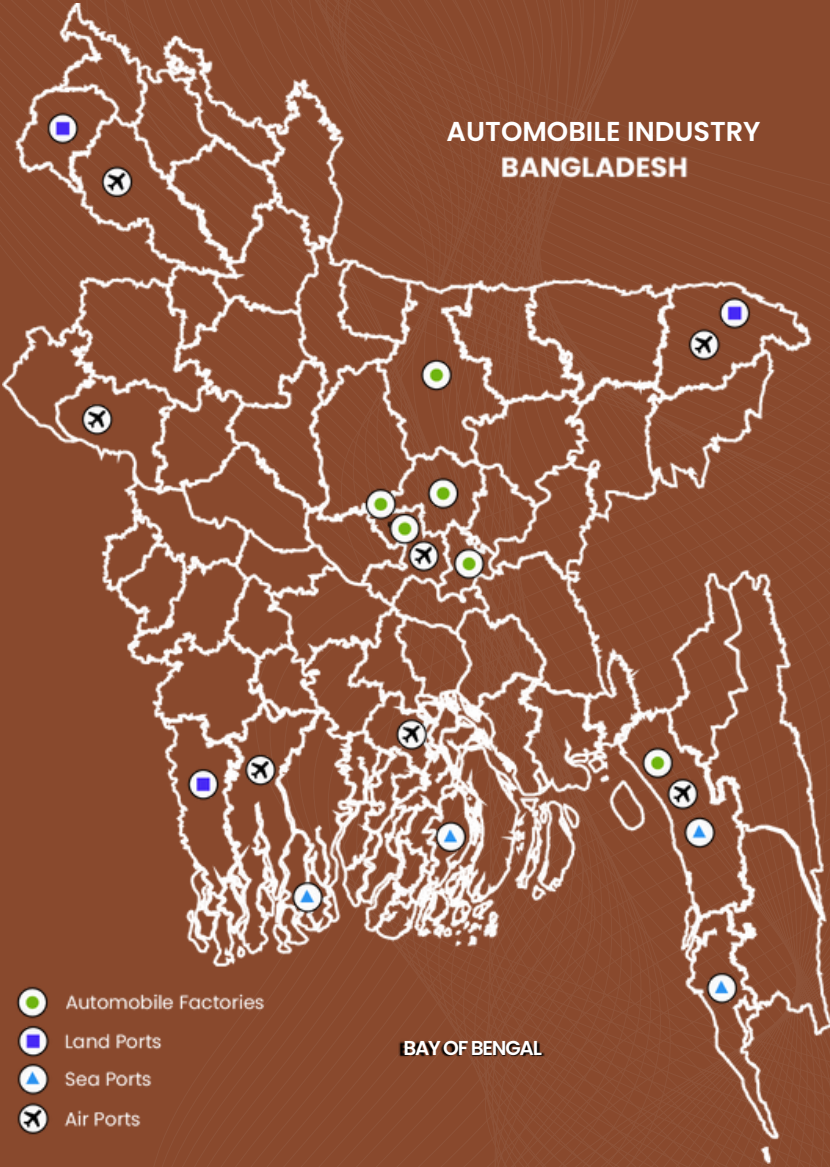


SOUTH KOREA

GLOBAL COMPANIES INVESTING IN BANGLADESH



AUTOMOBILE INDUSTRY BANGLADESH



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